

Nuance Communications, Inc.
Form S-4/A
August 14, 2007

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As filed with the Securities and Exchange Commission on August 13, 2007

Registration No. 333-143428

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Amendment No. 1
to
Form S-4
REGISTRATION STATEMENT
Under
*The Securities Act of 1933***

NUANCE COMMUNICATIONS, INC.
(Exact name of Registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

3577
*(Primary Standard Industrial
Classification Code Number)*

94-3156479
*(I.R.S. Employer
Identification Number)*

**1 Wayside Road
Burlington, Massachusetts 01803
(781) 565-5000**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

**James R. Arnold, Jr.
Chief Financial Officer
Nuance Communications, Inc.
1 Wayside Road
Burlington, Massachusetts 01803
(781) 565-5000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practical after effectiveness of this registration statement and upon consummation of the merger described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement number for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a) may determine.

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THE INFORMATION IN THIS CONSENT SOLICITATION STATEMENT/PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. NUANCE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS CONSENT SOLICITATION STATEMENT/PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED AUGUST 13, 2007

**NUANCE COMMUNICATIONS, INC.
VOICE SIGNAL TECHNOLOGIES, INC.
August , 2007**

Dear Voice Signal Technologies, Inc. Stockholders:

As previously communicated, the boards of directors of Nuance Communications, Inc. and Voice Signal Technologies, Inc. have unanimously approved a merger, which provides for the merger of a subsidiary of Nuance into VoiceSignal. If we complete the merger, VoiceSignal will become a wholly owned subsidiary of Nuance and your shares of VoiceSignal stock will be converted into the right to receive a mix of cash and shares of Nuance common stock, the exact amounts of which will vary and are described in more detail beginning on page 44 of this consent solicitation statement/prospectus.

VoiceSignal stockholders will receive an aggregate of 5,836,576 shares of common stock of Nuance, which represents approximately [3.3%] of the number of shares of Nuance common stock outstanding as of [August , 2007], the last practical date prior to the date of this consent solicitation statement/prospectus for which such data is available, and approximately \$210 million in cash, subject to adjustments as described in more detail in the merger agreement. The exact amount to be received by each VoiceSignal stockholder will depend on the class and series of stock held by you, the amount of third-party expenses and the exercise of vested options prior to the closing of the merger, as well as other adjustments described in the merger agreement, which are described in more detail in the section entitled Merger Consideration beginning on page 44 of this consent solicitation statement/prospectus. **The merger is more completely described in the accompanying consent solicitation statement/prospectus, and a copy of the merger agreement is attached as Annex A thereto.**

AFTER CAREFUL CONSIDERATION, YOUR BOARD OF DIRECTORS UNANIMOUSLY APPROVED THE MERGER REFERRED TO ABOVE AND CONCLUDED THAT IT IS IN THE BEST INTERESTS OF VOICESIGNAL AND ITS STOCKHOLDERS. YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU CONSENT TO THE ACTION REFERRED TO ABOVE.

In the material accompanying this letter you will find a consent solicitation statement/prospectus relating to the actions to be taken by the VoiceSignal stockholders pursuant to the enclosed action by written consent. The consent solicitation statement/prospectus more fully describes the merger agreement and the proposed merger and includes information about VoiceSignal and Nuance.

We encourage you to read the consent solicitation statement/prospectus, which includes important information about the merger. IN ADDITION, THE SECTION ENTITLED RISK FACTORS BEGINNING ON PAGE 15 OF THE CONSENT SOLICITATION STATEMENT/PROSPECTUS CONTAINS A DESCRIPTION OF RISKS THAT YOU SHOULD CONSIDER IN EVALUATING THE MERGER.

It is important that you use this opportunity to take part in the affairs of VoiceSignal by voting pursuant to the action by written consent. PLEASE COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ACCOMPANYING ACTION BY WRITTEN CONSENT IN THE ENCLOSED POSTAGE-PAID ENVELOPE SO THAT YOUR SHARES MAY BE REPRESENTED. YOUR VOTE IS VERY IMPORTANT.

Sincerely,

/s/

Richard J. Geruson
Richard J. Geruson
Chief Executive Officer

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THIS TRANSACTION OR THE SECURITIES OF NUANCE TO BE ISSUED PURSUANT TO THE MERGER, OR DETERMINED IF THIS CONSENT SOLICITATION STATEMENT/PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This consent solicitation statement/prospectus is dated August , 2007, and is first being sent to VoiceSignal stockholders on or about August , 2007.

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ADDITIONAL INFORMATION

See the section entitled "Where You Can Find More Information" on page 145 of this consent solicitation statement/prospectus for more information about the documents referred to in this consent solicitation statement/prospectus.

You should rely only on the information contained in this consent solicitation statement/prospectus in deciding how to vote on the action by written consent of VoiceSignal stockholders. No one has been authorized to provide you with information that is different from that contained in this consent solicitation statement/prospectus. This consent solicitation statement/prospectus is dated August 1, 2007. You should not assume that the information contained in this consent solicitation statement/prospectus is accurate as of any date other than that date.

This consent solicitation statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this consent solicitation statement/prospectus regarding VoiceSignal has been provided by VoiceSignal and information contained in this consent solicitation statement/prospectus regarding Nuance and Vicksburg Acquisition Corporation has been provided by Nuance.

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QUESTIONS AND ANSWERS ABOUT THE MERGER OF VOICESIGNAL AND NUANCE

Q: WHY ARE VOICESIGNAL AND NUANCE PROPOSING THE MERGER?

A: We are proposing the merger because we believe the combination of our two companies will bring together a broad set of speech technologies, products and professional services in a diversified organization that is able to support partners and customers more effectively and efficiently.

Q: WHAT WILL HAPPEN TO VOICESIGNAL AS A RESULT OF THE MERGER?

A: If the merger is completed, VoiceSignal will become a wholly owned subsidiary of Nuance.

Q: WHAT WILL I RECEIVE IN THE MERGER?

A: Upon completion of the merger, VoiceSignal stockholders will be entitled to receive aggregate merger consideration consisting of approximately \$210 million in cash and approximately 5,836,576 shares of Nuance common stock. The merger consideration payable to VoiceSignal stockholders upon completion of the merger is subject to a number of adjustments, including adjustments for (i) certain expenses incurred by VoiceSignal in connection with the merger and (ii) the exercise of vested VoiceSignal stock options between the date of the merger agreement and completion of the merger. As a result, the exact consideration that a VoiceSignal stockholder will receive may not be known at the time the written consent is effective and will depend on the magnitude of the adjustments, if any, described above. All VoiceSignal stockholders will also have a portion of the merger consideration that they would otherwise be entitled to receive deposited in an escrow fund that will be used to compensate Nuance if Nuance is entitled to indemnification under the merger agreement.

The maximum number of shares of Nuance common stock to be issued by Nuance in the merger was fixed at the time the merger agreement was signed. Nuance common stock trades on the NASDAQ Global Select Market and is subject to price fluctuation. Therefore, the value of the Nuance common stock you receive as merger consideration cannot be known at the time the written consent is effective. The value of the Nuance common stock you receive in the merger may be equal to, less than or greater than its value on the date the merger agreement was signed and/or the date of the written consent.

Q: WHAT IS THE ESCROW AND HOW DOES IT WORK?

A: Upon completion of the merger, Nuance will withhold \$30 million from the cash portion of the consideration to be distributed to the VoiceSignal stockholders in connection with the merger and deposit such amount into an escrow fund. This escrowed amount will be available to compensate Nuance if it is entitled to indemnification under the merger agreement. Any portion of this escrowed amount that, twelve months following the completion of the merger, has not been used to indemnify Nuance and that is not the subject of an unresolved claim for indemnification by Nuance will be distributed to the VoiceSignal stockholders.

Q: WHO IS THE STOCKHOLDERS REPRESENTATIVE?

A: Stata Venture Partners, LLC will serve as the representative of the VoiceSignal stockholders. As such, Stata Venture Partners, LLC will represent your interests after the merger and will be entitled to make decisions regarding the escrow fund. By approving the merger agreement, the merger and related transactions, you are consenting to the appointment of Stata Venture Partners, LLC as your representative.

Q: WHAT HAPPENS TO VOICESIGNAL STOCK OPTIONS IN THE MERGER?

A: All holders of outstanding VoiceSignal stock options that are vested and exercisable at or prior to the effective time of the merger or that become vested and exercisable as a result of the merger, will be provided with the opportunity to exercise the options on a net exercise basis and exchanged for the appropriate amount of merger consideration. All outstanding VoiceSignal stock options that are unvested at the effective time of the merger will, at Nuance's option, either be (i) assumed by Nuance on generally the same terms and conditions governing outstanding options immediately prior to the completion of the merger, except that the number of Nuance common shares into which each outstanding VoiceSignal

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option will be exercisable and the exercise price will be appropriately adjusted to reflect the ratio of Nuance common shares into which VoiceSignal common shares are converted pursuant to the merger agreement or (ii) fully accelerated and cashed out at their net exercise value.

Q: MAY VOICESIGNAL OPTIONHOLDERS EXERCISE VESTED STOCK OPTIONS BETWEEN NOW AND COMPLETION OF THE MERGER?

A: Yes. Any shares of VoiceSignal stock that an optionholder receives upon exercise of vested stock options prior to completion of the merger will be converted into the right to receive the merger consideration described above, subject to the escrow provisions described above.

Q: WILL I RECEIVE FRACTIONAL SHARES OF NUANCE STOCK IN THE MERGER?

A: No. The number of shares of Nuance common stock that each VoiceSignal stockholder will receive in the merger will be rounded down to the nearest whole share and each holder will receive a cash payment in an amount equal to any fractional share that would otherwise be issued to such holder multiplied by \$15.42.

Q: WILL MY RIGHTS AS A NUANCE STOCKHOLDER BE DIFFERENT FROM MY RIGHTS AS A VOICESIGNAL STOCKHOLDER?

A: Yes. Upon completion of the merger, you will become a Nuance stockholder. There are important differences between the rights of stockholders of Nuance and stockholders of VoiceSignal. Please carefully review the description of these differences in the section of this consent solicitation statement/prospectus entitled Comparison of Stockholder Rights beginning on page 140.

Q: WHAT STOCKHOLDER APPROVALS ARE REQUIRED TO COMPLETE THE MERGER?

A: We cannot complete the merger unless, among other things, (i) a majority of the outstanding shares of VoiceSignal capital stock on an as-converted-to-common stock basis and (ii) a majority of the outstanding shares of VoiceSignal Series C preferred stock and Series D preferred stock, voting together as a single class on an as converted-to-common stock basis, vote to adopt the merger agreement and approve the transactions contemplated thereby. As of August 13, 2007, VoiceSignal directors, executive officers and their affiliates were entitled to vote approximately 87% of the outstanding shares of VoiceSignal capital stock on an as-converted-to-common stock basis and approximately 91% of the VoiceSignal Series C preferred stock and Series D preferred stock voting together on an as-converted-to-common basis. VoiceSignal directors, executive officers and their affiliates holding approximately 74% of the outstanding shares of VoiceSignal capital stock on an as-converted-to-common stock basis and approximately 78% of the Series C preferred stock and Series D preferred stock, voting together on an as-converted-to-common stock basis, have already agreed with Nuance and VoiceSignal, in a voting agreement, to vote their shares of VoiceSignal stock in favor of the adoption of the merger agreement and approval of the transactions contemplated thereby. No vote of Nuance stockholders is required to complete the merger.

Q: HOW DOES THE BOARD OF DIRECTORS OF VOICESIGNAL RECOMMEND THAT I VOTE?

A: The VoiceSignal board of directors unanimously recommends that VoiceSignal stockholders vote FOR the proposal to adopt the merger agreement and approve the transactions contemplated thereby.

Q: WHEN DO YOU EXPECT TO COMPLETE THE MERGER?

A: We expect to complete the merger as quickly as possible once all the conditions to the merger, including obtaining the approvals of VoiceSignal stockholders, are fulfilled. While we cannot predict the exact timing, we currently expect to complete the merger in August 2007.

Q: WHERE CAN I FIND MORE INFORMATION ABOUT VOICESIGNAL AND NUANCE?

A: You can find more information about VoiceSignal and Nuance from reading this consent solicitation statement/prospectus and the various sources described in this consent solicitation statement/prospectus under the section entitled Where You Can Find More Information.

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Q: WHERE DO I RETURN VOICESIGNAL S ACTION BY WRITTEN CONSENT AND BY WHEN?

A: We request that the completed and executed action by written consent be received by mail or fax no later than August , 2007, to the following address:

Voice Signal Technologies, Inc.
150 Presidential Way, Suite 310
Woburn, Massachusetts 01801
Attn: Corporate Secretary
Facsimile: (781) 970-2300

Q: CAN VOICESIGNAL S STOCKHOLDERS CHANGE THEIR VOTES AFTER THEY HAVE MAILED THEIR SIGNED ACTION BY WRITTEN CONSENT?

A: Yes. VoiceSignal stockholders can change their votes at any time before a sufficient number of written consents to take a corporation action have been filed with the corporate secretary by delivering a signed written revocation or a later-dated signed written consent to the address set forth in the answer to the previous question.

Q: WHO IS PAYING FOR THE SOLICITATION OF THE ACTION BY WRITTEN CONSENT?

A: Nuance is paying the cost of soliciting the action by written consent, including the printing and filing of this consent solicitation statement/prospectus, and any additional information furnished to VoiceSignal stockholders, except that Nuance and VoiceSignal will pay their respective legal and accounting fees incurred in connection with preparing this consent solicitation statement/prospectus. Neither Nuance nor VoiceSignal has engaged a proxy solicitation firm to solicit the written consents from VoiceSignal s stockholders.

Q: WHAT DO I NEED TO DO TO VOTE?

A: After carefully reading and considering the information contained in this consent solicitation statement/prospectus, please mail your completed and signed action by written consent in the enclosed postage-paid return envelope as soon as possible so that your shares may be voted. In order to assure that we obtain your vote, please vote as instructed on the action by written consent.

Q: ARE THERE RISKS I SHOULD CONSIDER IN DECIDING WHETHER TO VOTE FOR ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE TRANSACTIONS CONTEMPLATED THEREBY?

A: Yes. You should consider the risk factors set out in the section entitled Risk Factors beginning on page 15 of this consent solicitation statement/prospectus.

Q: WILL VOICESIGNAL STOCKHOLDERS BE ABLE TO TRADE THE NUANCE COMMON STOCK THAT THEY RECEIVE PURSUANT TO THE MERGER?

A: Yes. VoiceSignal stockholders will be able to trade the shares of Nuance common stock they receive pursuant to the merger once the stock certificates representing such shares have been received from the exchange agent upon their surrender to the exchange and paying agent of the VoiceSignal stock certificates. The shares of Nuance common stock that VoiceSignal stockholders receive pursuant to the merger will be listed on the NASDAQ Global Select Market under the symbol NUAN. Certain persons who are deemed affiliates of VoiceSignal will be

required to comply with Rule 145 promulgated under the Securities Act of 1933, as amended, which we refer to as the Securities Act, if they sell their shares of Nuance common stock received pursuant to the merger.

Q: IS THE MERGER EXPECTED TO BE TAXABLE TO ME?

A: Generally, yes. The receipt of the merger consideration for VoiceSignal capital stock pursuant to the merger will be a taxable transaction for United States federal income tax purposes. For United States federal income tax purposes, generally you will recognize gain or loss as a result of the merger measured by the difference, if any, between (i) the fair market value of the Nuance common stock as of the effective

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time of the merger and the cash received and (ii) your adjusted tax basis in the VoiceSignal capital stock exchanged therefore in the merger.

You should read *The Merger* Material U.S. Federal Income Tax Consequences of the Merger beginning on page 38 for a more complete discussion of the United States federal income tax consequences of the merger. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular tax situation. **You should consult your tax advisor to determine the tax consequences of the merger to you.**

Q: SHOULD I SEND IN MY VOICESIGNAL STOCK CERTIFICATES NOW?

A: No. If VoiceSignal stockholders adopt the merger agreement and approve the transactions contemplated thereby, immediately prior to the completion of the merger, Nuance will send VoiceSignal stockholders written instructions, including a letter of transmittal, that will explain how to exchange VoiceSignal stock certificates for Nuance common stock certificates and cash. Please do not send in any VoiceSignal stock certificates until you receive these written instructions and the letter of transmittal.

Q: AM I ENTITLED TO APPRAISAL RIGHTS IN CONNECTION WITH THE MERGER?

A: Yes. The stockholders of VoiceSignal may be entitled, under certain circumstances, to appraisal rights under Delaware law. For a detailed discussion of appraisal rights under Delaware law, please see *The Merger* Appraisal Rights beginning on page 41.

Q: WHO CAN HELP ANSWER MY QUESTIONS?

A: If you have any questions about the merger or if you need additional copies of this consent solicitation statement/prospectus or the enclosed action by written consent, you should contact:

VOICE SIGNAL TECHNOLOGIES, INC.

150 Presidential Way, Suite 310

Woburn, Massachusetts 01801

(781) 970-5200

Attention: Damon Pender, Vice President of Finance

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SUMMARY OF THE MERGER

The following is a summary of the information contained in this document relating to the merger of VoiceSignal and Nuance. This summary may not contain all of the information that is important to you. You should carefully read this entire consent solicitation statement/prospectus and the other documents to which we refer. In particular, you should read the annexes attached to this consent solicitation statement/prospectus, including the merger agreement, which is attached as Annex A and is incorporated by reference into this consent solicitation statement/prospectus.

The Companies

Voice Signal Technologies, Inc.
150 Presidential Way, Suite 310
Woburn, Massachusetts 01801
(781) 970-5200
<http://www.voicesignal.com>

Voice Signal Technologies, Inc. develops and markets voice software solutions for cell phones and other mobile devices. By enabling people to use voice to access phone features and network services through their handsets, VoiceSignal's solutions make it significantly easier to realize the potential of mobile computing on a wide range of handsets and devices. VoiceSignal's products range from VSuite, VoiceSignal's line of small footprint voice interface solutions for voice dialing and voice commands, to VSearch, VoiceSignal's recently announced voice-enabled client-server platform for mobile search.

Nuance Communications, Inc.
1 Wayside Road
Burlington, Massachusetts 01803
(781) 565-5000
<http://www.nuance.com>

Nuance Communications, Inc. is a leading provider of speech and imaging solutions for businesses and consumers around the world. Its technologies, applications and services make the user experience more compelling by transforming the way people interact with information and how they create, share and use documents. Every day, millions of users and thousands of businesses experience Nuance's proven applications.

Vicksburg Acquisition Corporation
1 Wayside Road
Burlington, Massachusetts 01803
(781) 565-5000
<http://www.nuance.com>

Vicksburg Acquisition Corporation is a wholly owned subsidiary of Nuance recently formed solely for the purpose of effecting the merger. It has no business operations.

Structure of the Merger (See page 44)

The merger is structured as a reverse-triangular merger pursuant to which Vicksburg Acquisition Corporation, a wholly owned subsidiary of Nuance, will merge with and into VoiceSignal, and thereafter will cease to exist as a

separate corporate entity. After completion of the merger, VoiceSignal will be a wholly owned subsidiary of Nuance.

The terms and conditions of the merger are contained in the merger agreement, which is attached as Annex A to this consent solicitation statement/prospectus. Please carefully read the merger agreement as it is the legal document that governs the proposed merger.

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Consideration in the Merger (See pages 44 and 45)

Upon completion of the merger, VoiceSignal stockholders will be entitled to receive aggregate merger consideration consisting of approximately \$210 million in cash and approximately 5,836,576 shares of Nuance common stock, which represents [3.3%] of the outstanding Nuance common stock. The merger consideration payable to VoiceSignal stockholders upon completion of the merger is subject to a number of adjustments, including adjustments for (i) certain expenses incurred by VoiceSignal in connection with the merger and (ii) the exercise of vested VoiceSignal stock options between the date of the merger agreement and completion of the merger. As a result, the exact consideration that a VoiceSignal stockholder will receive may not be known at the time the written consent is effective as it will depend on the magnitude of the adjustments, if any, described above. All VoiceSignal stockholders will also have a portion of the merger consideration that they would otherwise be entitled to receive deposited in an escrow account that will be used to compensate Nuance if Nuance is entitled to indemnification under the merger agreement.

Immediately prior to the consummation of the merger, all outstanding shares of preferred stock of VoiceSignal will convert into shares of VoiceSignal common stock, including all accrued and unpaid dividends, in accordance with VoiceSignal's amended and restated certificate of incorporation. All outstanding shares of Series A, B and D preferred stock will convert into shares of common stock on a 1 for 1 basis, and all outstanding shares of Series C preferred stock will convert to shares of common stock on a 1 for 2.20127 basis. Assuming a closing date of August 29, 2007, the accrued and unpaid dividends for each share of Series C preferred stock will convert into approximately 1.275 shares of VoiceSignal common stock and the accrued and unpaid dividends for each share of the Series D stock will convert into approximately .31 to .39 shares of VoiceSignal common stock, depending on stockholders' date of investment. No other class or series of VoiceSignal capital stock have accrued and unpaid dividends.

The stock consideration and cash consideration to be paid per share of VoiceSignal common stock at closing will depend upon numerous variable factors, including the amount of third-party expenses, the actual closing date, the exercise of the outstanding vested options prior to the merger and whether such exercises are on a net or cash basis. Assuming a closing date of August 29, 2007, third-party expenses in the amount of \$10,000,000 and the exercise of all vested options on a cash basis, each 100 shares of VoiceSignal common stock at closing will be entitled to receive approximately \$111.60 in cash, 3.79 shares of Nuance common stock and \$19.46 will be placed in the escrow account. If funds remain in the escrow account after the expiration of the escrow period, the cash consideration received by each VoiceSignal stockholder will increase.

The number of shares of Nuance common stock to which a VoiceSignal stockholder is entitled to receive will be aggregated and any fractional shares will be paid out as set forth below in The Merger Agreement Fractional Shares. The terms and conditions of the Escrow Fund are described in more detail in the Section entitled The Merger Agreement Escrow Fund.

You should be aware that the above per share amounts are estimates only and are subject to change under certain circumstances as described above and set forth more fully in the merger agreement attached as Annex A to this consent solicitation statement/prospectus. The actual consideration you receive in exchange for your VoiceSignal capital stock may be more, less or the same as these estimates.

The maximum number of shares of Nuance common stock to be issued by Nuance in the merger was fixed at the time the merger agreement was signed. At the time the merger agreement was signed, the parties valued the Nuance common stock at \$15.42 per share, the average of the closing price of Nuance common stock 10 days prior to the signing of the merger agreement. Nuance common stock trades on the NASDAQ Global Select Market and is subject

to price fluctuation. Therefore, the value of the Nuance common stock you will receive in the merger cannot be known at this time. The value of the Nuance common stock you receive in the merger may be equal to, less than or greater than its value on the date the merger agreement was signed and/or the date the written consent is effective. Below is a comparison of the effect the fluctuations in the per share price the Nuance common stock could have on the per share value of the VoiceSignal capital stock exchanged in the merger.

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Nuance common stock price per share	\$ 15.00	\$ 16.00	\$ 17.00	\$ 18.00	\$ 19.00	\$ 20.00
Total Consideration per 100 shares of Voice Signal Common Stock*	\$ 188.00	\$ 192.00	\$ 195.00	\$ 199.00	\$ 203.00	\$ 207.00

* Includes the value of the stock portion of the merger consideration, the cash portion of the merger consideration and the cash portion to be placed in the escrow account for each 100 shares of VoiceSignal common stock. The cash portion of the merger consideration and the amount to be placed in the escrow account remains constant regardless of the fluctuating Nuance share price.

The above per share values are estimates only and are subject to change under certain circumstances as set forth more fully in the merger agreement, including a change in the closing date, a change in the number of shares of VoiceSignal capital stock pursuant to exercises of outstanding vested stock options and the amount of the third party expenses. The actual value of the consideration you receive in exchange for your VoiceSignal capital stock may be more, less or the same as these estimates.

See the section entitled *Market Price Data* beginning on page 14 for a description of the historical value of Nuance capital stock. VoiceSignal stockholders are urged to obtain current market quotations for Nuance common stock and to review carefully the other information contained in this consent solicitation statement/prospectus or incorporated by reference into this consent solicitation statement/prospectus. See the section entitled *Where You Can Find More Information* on page 145.

Treatment of Options (See page 47)***Vested VoiceSignal Stock Options***

Nuance will not assume or otherwise replace any VoiceSignal stock option that is vested and exercisable as of the effective time of the merger or that becomes vested and exercisable as a result of the merger.

Prior to completion of the merger, VoiceSignal will give each holder of a vested stock option the opportunity to decline to accept an otherwise automatic modification of such holder's vested stock options such that:

immediately prior to the effective time of the merger, and conditioned on the completion of the merger, such holder shall automatically be deemed to have exercised such vested stock option pursuant to a net exercise program whereby such holder will be deemed to have paid the total exercise price required under such vested stock option by relinquishing that number of shares of VoiceSignal common stock underlying such option in an amount necessary to pay the applicable total exercise price and any applicable withholding taxes required because of such net exercise of such vested stock option.

After net exercise, the holder of each such vested VoiceSignal stock option will participate in the merger in the same way, and to the same extent, as if such holder owned the number of shares of VoiceSignal common stock delivered after the automatic deemed net exercise.

Unvested VoiceSignal Options

Nuance will have the opportunity to make a written election prior to the effective time of the merger, either to assume every unvested VoiceSignal option or, instead, to cause all such unvested VoiceSignal options to vest

and terminate in exchange for a cash payment to the holder of each such terminated option.

The cash payment Nuance will make to each holder of an unvested option if Nuance elects to terminate the unvested options will be equal to (i) the number of shares of VoiceSignal common stock underlying the VoiceSignal option multiplied by (ii) the amount of merger consideration to

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which each outstanding share of VoiceSignal stock on an as-converted-to-common-stock-basis is entitled in the merger, minus (iii) the total amount of the exercise price due under such option.

If, instead of terminating the unvested options and making the cash payment described above, Nuance elects to assume all unvested VoiceSignal options, each such assumed option will be converted into an option to purchase a number of shares of Nuance common stock at an exercise price appropriately adjusted for the conversion of VoiceSignal common stock into Nuance common stock in the merger.

If any time after completion of the merger, Nuance or VoiceSignal shall terminate for any reason or no reason, other than for Cause, the employment of any holder of an assumed option that was unvested at the effective time of the merger, or the holder of any assumed option that was unvested at the effective time of the merger shall terminate for Good Reason his or her employment with Nuance or VoiceSignal, then, immediately upon such termination, such unvested option shall automatically become exercisable for all of the shares of Nuance common stock subject to such assumed option.

Cause means a determination by the Nuance board of directors that the holder of an assumed unvested option has (a) engaged in willful misconduct or unlawful or dishonest conduct in connection with the performance of such holder's duties and responsibilities as an employee or consultant of Nuance or VoiceSignal; (b) materially breached any of such holder's obligations under any agreement between such holder and Nuance or VoiceSignal that pertains to such holder's employment or consulting relationship with Nuance or VoiceSignal; (c) been convicted of a felony; or (d) refused to obey or follow a lawful and reasonable directive issued by such holder's direct supervisor.

Good Reason means with regard to a holder of an assumed unvested option: (a) a material change in such holder's position and responsibilities as an employee or consultant of Nuance or VoiceSignal, except in connection with the termination of such holder's employment; (b) a reduction in such holder's base salary or consulting fees not agreed to by such holder; or (c) a material breach by Nuance or VoiceSignal of their obligations under any agreement with such holder.

Voting Requirements (See page 30)

We cannot complete the merger unless, among other things, (i) a majority of the outstanding shares of VoiceSignal common stock and VoiceSignal preferred stock, voting together as a single class with each share of VoiceSignal common stock entitled to cast one vote and each share of VoiceSignal preferred stock entitled to cast that number of votes equal to the number of shares of VoiceSignal common stock into which such share of VoiceSignal preferred stock is convertible and (ii) a majority of the outstanding shares of VoiceSignal Series C preferred stock and Series D preferred stock, voting together as a single class, on an as-converted-to-common-stock basis, vote to adopt the merger agreement and approve the transactions contemplated thereby. As of August 13, 2007, VoiceSignal directors, executive officers and their affiliates were entitled to vote approximately 87% of the outstanding shares of VoiceSignal capital stock, voting on an as-converted-to-common-stock basis, and approximately 91% of the VoiceSignal Series C preferred stock and Series D preferred stock voting together as a single class, on an as-converted-to-common-stock basis. VoiceSignal directors, executive officers and their affiliates holding approximately 74% of the outstanding shares of VoiceSignal capital stock on an as-converted-to-common stock basis and approximately 78% of the Series C preferred stock and Series D preferred stock, voting together on an as-converted-to-common stock basis, have already agreed with Nuance and VoiceSignal, in a voting agreement, to vote their shares of VoiceSignal stock in favor of the adoption of the merger agreement and approval of the transactions contemplated thereby. No vote of Nuance stockholders is required to complete the merger.

Recommendations of the VoiceSignal Board of Directors Regarding the Merger (See page 30)

After careful consideration of numerous factors, the VoiceSignal board of directors has determined that the proposed merger is advisable, and is fair to and in the best interests of VoiceSignal and its stockholders and unanimously recommends that VoiceSignal stockholders vote **FOR** the proposal to adopt the merger agreement and approve the transactions contemplated thereby.

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Completion and Effectiveness of the Merger (See page 44)

We will complete the merger when all of the conditions to completion of the merger are satisfied or waived. The merger will become effective when the certificate of merger we file with the State of Delaware is accepted for filing or at a later time if we specify a later time in the certificate.

While we cannot predict the exact timing, we currently expect to complete the merger in August 2007.

Conditions to Completion of the Merger (See page 54)

Each of VoiceSignal's and Nuance's obligation to complete the merger is subject to the satisfaction or waiver of a number of conditions, including:

that no governmental entity shall have enacted, issued, promulgated, enforced or entered any law, decree, injunction or other order that is in effect and that has the effect of making the merger illegal or otherwise prohibiting completion of the merger;

that no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing completion of the merger shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other governmental entity or instrumentality, domestic or foreign, seeking any of the foregoing be threatened or pending;

that VoiceSignal stockholders shall have adopted the merger agreement, and approved the transactions contemplated thereby, including the appointment of Stata Venture Partners, LLC as the stockholder representative;

that the registration statement, of which this consent solicitation statement/prospectus is a part, be effective;

that the waiting period (and any extension thereof) applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the HSR Act, and similar merger notification laws or regulations of foreign governmental entities in connection with the merger shall have expired or been terminated;

that each company's representations and warranties in the merger agreement are true and correct, to the extent set forth in the merger agreement, except when the failure of such representations or warranties to be true and correct have not resulted, and would not reasonably be expected to result in, individually or in the aggregate with other such failures, a material adverse effect, to the other party;

that each party has complied in all material respects with its covenants and agreements in the merger agreement, to the extent set forth in the merger agreement; and

that no material adverse effect exist on either company.

Termination of the Merger Agreement (See page 57)

VoiceSignal and Nuance may mutually agree at any time to terminate the merger agreement without completing the merger.

In addition, either of VoiceSignal or Nuance may, without the consent of the other, terminate the merger agreement in either of the following circumstances:

if the merger is not completed by November 14, 2007; or

if: (i) there shall be a final non-appealable order of a federal or state court in effect preventing consummation of the merger, or (ii) there shall be any law enacted, promulgated or issued or deemed applicable to completion of the merger by any governmental entity that would make completion of the merger illegal.

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In addition, Nuance may, without the consent of VoiceSignal, terminate the merger agreement in either of the following circumstances:

if there shall be any action taken, or any law enacted, promulgated or issued or deemed applicable to the merger by any governmental entity, that would prohibit Nuance's ownership or operation of the business of VoiceSignal; or

if Nuance is not in material breach of its obligations under the merger agreement and there has been a breach of any representation, warranty, covenant or agreement of VoiceSignal or the stockholders contained in the merger agreement such that the closing conditions regarding such representations, warranties and covenants would not be satisfied and such breach has not been cured within ten calendar days after written notice to VoiceSignal and the stockholder representative, unless the breach, by its nature, cannot be cured.

In addition, VoiceSignal may, without the consent of Nuance, terminate the merger agreement if:

none of VoiceSignal or the stockholders is in material breach of their respective obligations under the merger agreement and there has been a breach of any representation, warranty, covenant or agreement of Nuance contained in the merger agreement such that the closing conditions regarding Nuance's representations, warranties and covenants would not be satisfied and such breach has not been cured within ten calendar days after written notice thereof to Nuance, unless the breach, by its nature, cannot be cured.

Payment of Certain VoiceSignal Expenses following Termination (See page 58)

Nuance has agreed to pay up to \$1 million of transaction-related expenses incurred by VoiceSignal if the merger agreement is terminated under certain circumstances.

Prohibition from Soliciting Other Offers (See page 35)

VoiceSignal has agreed that it will not solicit or encourage the initiation of any inquiries regarding any acquisition proposals or proposals by third parties. If VoiceSignal receives an inquiry or proposal, VoiceSignal must immediately suspend any discussions with the party making such inquiry or proposal and notify Nuance of such inquiry or proposal.

Voting Agreements (See page 58)

As an inducement to Nuance entering into the merger agreement, certain of VoiceSignal's executive officers, directors and affiliates entered into a voting agreement with Nuance in which each has agreed, among other things, to vote his, her or its shares of VoiceSignal capital stock in favor of the adoption of the merger agreement and approval of the transactions contemplated thereby and against any action that would delay or prevent the merger and against any alternative transaction. These persons have the right, as of July 31, 2007, to vote a total of approximately 74% shares of VoiceSignal capital stock on an as-converted-to-common-stock basis and approximately 78% of the Series C preferred stock and Series D preferred stock, voting together on an as-converted-to-common stock basis. In connection with the voting agreements, these persons have granted an irrevocable proxy appointing members of the Nuance board of directors, and each of them individually, as their sole and exclusive attorneys and proxies to vote their shares in accordance with the terms of the voting agreements.

Share Ownership of Directors and Executive Officers of VoiceSignal (See page 36)

As of August 13, 2007, VoiceSignal directors, executive officers and their affiliates were entitled to vote approximately 87% of the outstanding shares of VoiceSignal capital stock voting together as a single class, on an as-converted-to-common-stock basis, and approximately 91% of the VoiceSignal Series C preferred stock and Series D preferred stock voting together as a single class, on an as-converted-to-common-stock basis.

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The vote required for the adoption of the merger agreement and approval of the transactions contemplated thereby is, (i) a majority of the outstanding shares of VoiceSignal common stock and VoiceSignal preferred stock, voting together as a single class with each share of VoiceSignal common stock entitled to cast one vote and each share of VoiceSignal preferred stock entitled to cast a number of votes equal to the number of shares of VoiceSignal common stock into which such share of VoiceSignal preferred stock is convertible and (ii) a majority of the outstanding shares of VoiceSignal Series C preferred stock and Series D preferred stock, voting together as a single class on an as-converted-to common stock basis.

Interests of Directors and Officers in the Merger (See page 36)

You should be aware that certain VoiceSignal officers and directors have interests in the merger that may be different from, or in addition to, interests of VoiceSignal stockholders generally. These interests include, among others:

Certain directors and officers each individually beneficially own or control over 5% of VoiceSignal capital stock on an as-converted-to-common stock basis.

The employment agreements with certain VoiceSignal executive officers entitle them to certain benefits in the event of a Change in Control (as defined in the agreements) of VoiceSignal and severance payments under certain circumstances.

The agreement of Nuance to honor the obligations of VoiceSignal pursuant to indemnification agreements between Nuance and its directors and officers and to provide directors and officers liability insurance coverage for a period of six years following the effective time of the merger.

VoiceSignal has entered into a letter agreement, as modified by its Board of Directors, with four senior executives pursuant to which these executives will become entitled to receive bonuses totalling \$930,000 upon the effective time of the merger.

Acceleration of certain VoiceSignal options held by certain officers and the partial acceleration of certain VoiceSignal options held by certain other officers.

The VoiceSignal board of directors was aware of these interests in approving the merger.

Regulatory Approvals (See page 40)

Under the HSR Act, as amended, the merger may not be consummated unless certain filings have been submitted to the Federal Trade Commission, or the FTC, and the Antitrust Division of the Department of Justice, or the Antitrust Division, and certain waiting period requirements have been satisfied. VoiceSignal and Nuance have filed the appropriate notification and report forms with the FTC and with the Antitrust Division.

The FTC and the Antitrust Division frequently evaluate transactions like the proposed merger. At any time before or after the completion of the merger, the FTC or the Antitrust Division could take any action under the antitrust laws that it deems necessary or advisable in the public interest, including seeking to enjoin the completion of the merger or seeking the divestiture of substantial assets of VoiceSignal or Nuance. In addition, certain private parties, as well as states attorneys general and other antitrust authorities, may challenge the transaction under antitrust laws under certain circumstances.

In addition, the merger may be subject to various foreign antitrust laws.

VoiceSignal and Nuance believe that the completion of the merger will not violate any antitrust laws. There can be no assurance that a challenge to the merger on antitrust grounds will not be made, or, if such a challenge is made that the result will be favorable.

Listing of Nuance Common Stock (See page 41)

The authorization of the shares of Nuance common stock to be issued in the merger for listing on the NASDAQ Global Select Market is a condition to the merger.

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Appraisal Rights (See page 46)

Subject to compliance with the procedures set forth in Section 262 of the Delaware General Corporation Law, or DGCL, VoiceSignal stockholders who do not vote in favor of adoption of the merger agreement and approval of the transactions contemplated thereby and otherwise comply with the requirements of the DGCL will be entitled to appraisal rights in connection with the merger, whereby such stockholders may receive the fair value of their VoiceSignal shares in cash. Failure to take any of the steps required under Section 262 of the DGCL on a timely basis may result in a loss of those appraisal rights. The provisions of Delaware law that grant appraisal rights and govern such procedures are attached as Annex B.

Table of Contents**SUMMARY CONSOLIDATED FINANCIAL DATA OF NUANCE**

The following table presents summary historical consolidated financial data of Nuance for the five most recent fiscal years and the first nine months of the current fiscal year comparative to the same period in the prior fiscal year. The financial data is derived from Nuance's consolidated financial statements. Since the information in this table is only a summary and does not provide all of the information contained in Nuance's financial statements, including related notes, you should read Management's Discussion and Analysis of Nuance's Financial Condition and Results of Operations beginning on page 77 and Nuance's consolidated financial statements, including related notes beginning on page F-4.

Nuance Communications, Inc.
Selected Summary Historical Financial Data

	Nine Months Ended		Fiscal Year Ended		Nine	Fiscal Year Ended	
	June 30,		Sep. 30,	Sep. 30,	Months	Dec. 31,	Dec. 31,
	2007	2006	2006	2005	Ended	2003	2002
	(In thousands, except per share data)						
Consolidated Statement of Operations Data:							
Total revenue	\$ 422,122	\$ 260,377	\$ 388,510	\$ 232,388	\$ 130,907	\$ 135,399	\$ 106,619
Income (loss) from operations	29,818	1,577	8,370	2,032	(7,993)	(6,462)	6,603
Income (loss) before income taxes	9,141	(6,475)	(7,071)	1,395	(8,045)	(5,787)	6,587
Net income (loss)	\$ (10,599)	\$ (15,671)	\$ (22,887)	\$ (5,417)	\$ (9,378)	\$ (5,518)	\$ 6,333
Net income (loss) per share:							
Basic and diluted	\$ (0.06)	\$ (0.10)	\$ (0.14)	\$ (0.05)	\$ (0.09)	\$ (0.07)	\$ 0.09
Weighted average common shares outstanding:							
Basic	173,786	162,400	163,873	109,540	103,780	78,398	67,010
Diluted	173,786	162,400	163,873	109,540	103,780	78,398	72,796

As of

	June 30, 2007	Sep. 30, 2006	Sep. 30, 2005	Sep. 30, 2004	Dec. 31, 2003	Dec. 31, 2002
	(In thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	\$ 168,031	\$ 112,334	\$ 71,687	\$ 22,963	\$ 42,584	\$ 18,853
Short term investments	7,846		24,127	7,373		
Working capital	113,300	51,273	12,130	27,940	44,305	16,842
Total assets	1,556,356	1,235,074	757,212	392,653	401,940	143,690
Long-term liabilities	580,166	446,430	79,775	45,360	48,340	725
Total stockholders equity	749,615	576,596	514,665	301,745	303,226	119,378

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The following table presents summary historical consolidated financial data of VoiceSignal for the five most recent fiscal years and the six months ended June 30, 2007 and 2006. The financial data are derived from VoiceSignal's consolidated financial statements, some of which are not included in this consent solicitation statement/prospectus. Because the information in this table is only a summary and does not provide all of the information contained in VoiceSignal's financial statements, including related notes, you should read VoiceSignal's Management's Discussion and Analysis of VoiceSignal's Financial Condition and Results of Operations beginning on page 119 and VoiceSignal's consolidated financial statements, including related notes, beginning on page F-94.

Voice Signal Technologies, Inc.
Selected Summary Historical Financial Data

	Six Months Ended		Fiscal Year Ended December 31,				
	June 30,						
	2007	2006	2006	2005	2004	2003	2002
	(In thousands, except per share data)						
Consolidated Statement of Operations Data:							
Total revenue	\$ 12,965	\$ 11,257	\$ 24,601	\$ 11,741	\$ 7,467	\$ 2,442	\$ 2,078
Income (loss) from operations	3,853	2,660	7,205	(3,304)	(2,986)	(5,879)	(4,734)
Income (loss) before income taxes	3,898	2,661	7,195	(3,097)	(2,942)	(5,835)	(5,757)
Net income (loss)	\$ 4,190	\$ 2,730	\$ 7,382	\$ 113	\$ (2,942)	\$ (5,836)	\$ (5,758)
Net income (loss) available to common shareholders	\$ 3,249	\$ 1,788	\$ 5,499	\$ (1,770)	\$ (4,809)	\$ (7,252)	\$ (6,574)
Net income (loss) per share:							
Basic	\$ 0.19	\$ 0.11	\$ 0.32	\$ (0.11)	\$ (0.30)	\$ (0.45)	\$ (0.42)
Diluted	\$ 0.03	\$ 0.02	\$ 0.06	\$ (0.11)	\$ (0.30)	\$ (0.45)	\$ (0.42)
Weighted average common shares outstanding:							
Basic	17,325	16,848	16,980	16,507	16,063	15,941	15,681
Diluted	122,997	121,803	121,823	16,507	16,063	15,941	15,681

As of

	June 30, 2007	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002
	(In thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	\$ 9,316	\$ 3,983	\$ 297	\$ 1,959	\$ 5,049	\$ 2,923
Short term investments		3,000	6,117			
Working capital	12,575	8,699	3,178	2,266	4,018	2,223
Total assets	22,482	20,123	16,952	8,089	5,862	4,400
Long-term liabilities	1,590	2,400	4,868	1,267	1,039	617
Total stockholders deficit	(19,495)	(22,975)	(28,704)	(26,950)	(22,227)	(15,049)

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The following table presents historical quarterly consolidated data of VoiceSignal that is derived from unaudited consolidated statements that, in the opinion of management, include all recurring adjustments necessary for a fair statement of such information (in thousands):

	Quarter Ended								
	June 30, 2007	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept. 30, 2005	June 30, 2005
Total revenue	\$ 6,407	\$ 6,558	\$ 7,223	\$ 6,121	\$ 5,744	\$ 5,513	\$ 4,605	\$ 2,830	\$ 2,198
Gross margin	5,966	6,119	6,792	5,691	5,273	5,020	4,217	2,502	1,883
Net income (loss)	1,957	2,233	2,903	1,749	1,345	1,385	4,121	(374)	(1,982)

Table of Contents**SUMMARY UNAUDITED PRO FORMA CONDENSED
COMBINED CONSOLIDATED FINANCIAL DATA**

The following table presents summary unaudited pro forma combined financial data which reflects the proposed acquisition of VoiceSignal. The summary unaudited pro forma combined financial data are derived from and should be read in conjunction with the unaudited pro forma combined financial statements and related notes thereto included in this consent solicitation statement/prospectus. See Unaudited Pro Forma Financial Information beginning on page F-243.

	Nine Months Ended June 30, 2007	Fiscal Year Ended September 30, 2006
	(In thousands, except per share data)	
Pro Forma Combined Statement of Operations Data:		
Total revenue	\$ 451,713	\$ 511,224
Income (loss) from operations	21,744	(16,895)
Loss before income taxes	(15,962)	(70,925)
Net loss	\$ (35,614)	\$ (87,733)
Net loss per share:		
Basic and Diluted	\$ (0.20)	\$ (0.52)
Weighted average common shares outstanding:		
Basic and Diluted	179,623	169,710

	As of June 30, 2007
Pro Forma Combined Balance Sheet Data:	
Cash and cash equivalents	\$ 178,990
Short term investments	7,846
Working capital	141,018
Total assets	1,876,747
Long-term liabilities	803,702
Total stockholders' equity	840,467

Table of Contents**COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA**

The following table reflects (i) the historical income (loss) from continuing operations and book value per share of Nuance common stock in comparison to the pro forma income (loss) from continuing operations and book value per share after giving effect to the proposed merger with VoiceSignal; and (ii) the historical income (loss) from continuing operations and book value per share of VoiceSignal common stock in comparison with the equivalent pro forma income (loss) from continuing operations and book value per share. The comparative historical and pro forma per share data should be read in conjunction with the unaudited pro forma combined financial statements and related notes thereto and the historical consolidated financial statements of Nuance and notes thereto, which can be found beginning on page F-4 of this consent solicitation statement/prospectus, and the historical consolidated financial statements of VoiceSignal, which information can be found beginning on page F-94 of this consent solicitation statement/prospectus. The pro forma combined financial data are not necessarily indicative of the operating results of future operations or the actual results that would have occurred had the merger been completed at the beginning of the period presented.

Nuance and VoiceSignal did not declare or pay cash dividends on their common stock during the fiscal years ended September 30, 2006 and December 31, 2006, respectively, or during the nine months and six months ended June 30, 2007, respectively. They do not intend to pay dividends on their common stock in the foreseeable future; however, VoiceSignal will convert any accrued dividends into shares of VoiceSignal capital stock prior to the closing of the merger. See Comparative Per Share Market Price Data.

	Nine Months Ended June 30, 2007	Fiscal Year Ended September 30, 2006
Nuance:		
Loss from continuing operations per share:		
Historical basic and diluted	\$ (0.06)	\$ (0.14)
Pro forma basic and diluted	\$ (0.20)	\$ (0.52)
Book value per share:		
Historical(1)	\$ 4.07	
Pro forma(2)	\$ 4.42	
VoiceSignal:		
Income (loss) from continuing operations per share:		
Historical basic for the fiscal year ended December 31, 2006		\$ 0.32
Historical diluted for the fiscal year ended December 31, 2006		\$ 0.06
Equivalent pro forma for the fiscal year ended September 30, 2006 basic and diluted(3)		\$ (0.02)
Book value per share:		
Historical(1)	\$ (1.12)	

Equivalent pro forma(3) \$ 0.17

- (1) The historical book value per share was calculated by dividing stockholders' equity (deficit) by the number of shares of common stock outstanding at June 30, 2007.
- (2) The pro forma combined book value per share was computed by dividing pro forma stockholders' equity by the pro forma number of shares of Nuance common stock which would have been outstanding had the merger been completed as of the balance sheet date.
- (3) The equivalent pro forma income (loss) are equal to the pro forma income (loss) per share for the fiscal year ended September 30, 2006 and nine months ended June 30, 2007, after giving effect to the proposed merger with VoiceSignal, multiplied by 0.0379, the number of shares of Nuance common stock to be issued in exchange for each share of VoiceSignal common stock.

Table of Contents**MARKET PRICE DATA**

Nuance common stock trades on the NASDAQ Global Select Market under the symbol NUAN. The following table sets forth, for each quarter of Nuance's fiscal year indicated, the high and low closing sales prices per Nuance common share, in each case as reported on the Nasdaq Global Select Market.

	High	Low
2005		
First Quarter	\$ 4.44	\$ 3.40
Second Quarter	\$ 4.73	\$ 3.57
Third Quarter	\$ 4.53	\$ 3.46
Fourth Quarter	\$ 5.33	\$ 3.90
2006		
First Quarter	\$ 7.81	\$ 4.88
Second Quarter	\$ 11.81	\$ 7.59
Third Quarter	\$ 13.46	\$ 7.59
Fourth Quarter	\$ 10.35	\$ 6.94
2007		
First Quarter	\$ 11.95	\$ 7.70
Second Quarter	\$ 16.20	\$ 11.11
Third Quarter	\$ 18.47	\$ 15.09
Fourth Quarter (through August 10, 2007)	\$ 18.53	\$ 15.89

Nuance has never declared or paid dividends on its common stock and does not have any current plans to pay any dividends in the future.

VoiceSignal's capital stock is not listed for trading on any exchange or automated quotation service. As of August 13, 2007, there were 41 holders of record of VoiceSignal capital stock. VoiceSignal has never declared or paid cash dividends on its capital stock and does not plan to pay any cash dividends prior to the merger but will convert any accrued dividends into shares of VoiceSignal capital stock prior to closing.

The table below shows the high and low sales prices per share of Nuance common stock as reported on the NASDAQ Global Select Market on (1) May 14, 2007, the last full trading day preceding public announcement that Nuance and VoiceSignal had entered into the merger agreement, and (2) August [], 2007, the last trading day for which closing prices were available at the time of the printing of this consent solicitation statement/prospectus.

The table also includes the equivalent high and low prices per share of VoiceSignal common stock on those dates. This equivalent high and low price per share reflects the fluctuating value of the Nuance common stock that VoiceSignal stockholders would receive in exchange for each share of VoiceSignal capital stock if the merger was completed on either of these dates applying the exchange ratio of 0.0379 shares of Nuance common stock and \$1.3106 of cash, without interest, for each share of VoiceSignal capital stock exchanged in the merger. The values in the table below assume a closing date of August 29, 2007, third-party expenses in the amount of \$10,000,000 and the exercise of all outstanding vested options on a cash basis. As discussed in further detail in the section "The Merger Agreement Merger Consideration," the stock consideration and cash consideration to be paid per share of VoiceSignal common stock at closing will depend on numerous variable factors, including the amount of third-party expenses, the actual

closing date, the exercise of outstanding vested option prior to the merger and whether such exercises are on a net or cash basis.

	Nuance Common Stock		Equivalent Price per Share	
	High	Low	High	Low
May 14, 2007	\$ 15.49	\$ 15.23	\$ 1.98	\$ 1.97
August , 2007	\$	\$	\$	\$

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The foregoing table shows only historical comparisons. These comparisons may not provide meaningful information to you in determining whether to adopt the merger agreement and approve the transactions contemplated thereby. Because the maximum number of shares of Nuance common stock to be issued in the merger is fixed, changes in the market price of Nuance common stock will affect the dollar value of Nuance common stock to be received by VoiceSignal stockholders pursuant to the merger. VoiceSignal stockholders are urged to obtain current market quotations for Nuance common stock and to review carefully the other information contained in this consent solicitation statement/prospectus or incorporated by reference into this consent solicitation statement/prospectus in considering whether to adopt the merger agreement and approve the transactions contemplated thereby. See the section entitled "Where You Can Find More Information" on page 145.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This consent solicitation statement/prospectus and the documents incorporated by reference into this consent solicitation statement/prospectus contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions, that, if they never materialize or prove incorrect, could cause the results of Nuance and its consolidated subsidiaries, on the one hand, or VoiceSignal and its consolidated subsidiaries, on the other, to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements generally are identified by the words "expects," "anticipates," "believes," "intends," "estimates," "should," "would," "strategy," "plan" and similar expressions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. For example, forward-looking statements include projections of earnings, revenues, synergies, accretion or other financial items; any statements of the plans, strategies and objectives of management for future operations, including the execution of integration and restructuring plans and the anticipated timing of filings, approvals relating to, and the closing of, the merger; any statements concerning proposed new products, services, developments or industry rankings; any statements regarding future economic conditions or performance; statements of belief and any statement of assumptions underlying any of the foregoing. The risks, uncertainties and assumptions referred to above include the difficulty of maintaining expense growth while increasing revenues; the challenges of integration and restructuring associated with the merger and the challenges of achieving the anticipated synergies; the possibility that the merger may not close or that Nuance or VoiceSignal may be required to modify some aspect of the acquisition in order to obtain regulatory approval; the challenge of maintaining revenues on a combined company basis following the merger; and other risks and uncertainties described in the section entitled "Risk Factors" beginning on page 15 of this consent solicitation statement/prospectus.

If any of these risks or uncertainties materializes or any of these assumptions proves incorrect, results of Nuance and VoiceSignal could differ materially from the expectations in these statements. The forward-looking statements included in this consent solicitation statement/prospectus are made only as of the date of this consent solicitation statement/prospectus, and neither Nuance nor VoiceSignal is under any obligation to update their respective forward-looking statements and neither party intends to do so.

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RISK FACTORS

You should carefully consider the risks described below before making your decision to vote for adoption of the merger agreement and approval of the transactions contemplated thereby. The risks and uncertainties described below are not the only ones facing Nuance and VoiceSignal. Additional risks and uncertainties not presently known to us or that we do not currently believe are important to an investor may also harm our respective business operations. If any of the events, contingencies, circumstances or conditions described in the following risks actually occurs, our respective businesses, financial condition or our results of operations could be seriously harmed. If that happens, the trading price of Nuance common stock could decline and you may lose part or all of the value of any Nuance shares held by you.

Risks Related to the Merger

By voting to adopt the merger agreement and approve the transactions contemplated thereby, VoiceSignal stockholders will be choosing to invest in Nuance common stock. Nuance and VoiceSignal will operate as a combined company in a market environment that cannot be predicted and that involves significant risks, many of which will be beyond the control of the combined company. In addition to the other information contained in this consent solicitation statement/prospectus, you should carefully consider the risks described below before deciding how to vote your shares. Additional risks and uncertainties not presently known to Nuance and VoiceSignal or that are not currently believed to be important to you also may adversely affect the merger and Nuance and VoiceSignal as a combined company.

You should pay particular attention to the following risks relating to the merger.

The Nuance common stock to be received by VoiceSignal stockholders in the merger may fluctuate in value.

The market value of Nuance common stock is likely to change, both before and after the merger, and no one can accurately predict what the market value will be at any given time. Market prices of Nuance common stock may vary for many reasons, including changes in the business, operations or prospects of Nuance, market assessments of the likelihood that the merger will be completed, the timing of regulatory considerations and general market and economic conditions. Because the market price of Nuance common stock may fluctuate, the value of the Nuance common stock to be received by VoiceSignal stockholders will depend upon the market price of the shares at the time they are actually received following the closing of the merger. We urge you to obtain current market quotations for Nuance common stock.

Certain transaction-related expenses of VoiceSignal will reduce the total consideration to be received by VoiceSignal stockholders in the merger.

The total consideration to be received by VoiceSignal stockholders in the merger will be reduced by transaction-related expenses of VoiceSignal. For a description of how these expenses are calculated and how they affect the total consideration to be received by VoiceSignal stockholders in the merger, see the section entitled "The Merger Agreement" beginning on page 44 of this consent solicitation statement/prospectus and in detail in the merger agreement.

As a result of the escrow provisions and indemnification obligations contained in the merger agreement, the VoiceSignal stockholders may not receive the full consideration in the Merger.

Pursuant to the merger agreement, \$30 million of the cash consideration will be deposited on behalf of VoiceSignal stockholders in escrow for a period of twelve months. The escrowed amount will be held by the escrow agent so that it is available to indemnify Nuance and other persons against losses arising out of: (i) any breach or inaccuracy of a representation or warranty of VoiceSignal contained in the merger agreement or in any certificate or other instruments delivered pursuant to the merger agreement, (ii) any failure by VoiceSignal to perform or comply with any covenant applicable to it contained in the merger agreement, (iii) any third party expenses in connection with the merger in excess of those upon which the parties agreed and (iv) any payments to dissenting stockholders. Any escrowed amount that, twelve months following the completion of

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the merger has not been used to indemnify Nuance or other persons entitled to indemnification and that is not the subject of an unresolved claim for indemnification by Nuance or any such other persons entitled to indemnification will be distributed to the VoiceSignal stockholders. There can be no assurance that VoiceSignal stockholders will receive any of the consideration that is deposited in the escrow account.

If the conditions to the merger are not satisfied or waived, the merger will not occur.

A number of conditions must be either satisfied or waived before the merger can be completed. Most of these conditions relate to actions that must be taken by VoiceSignal and certain of its employees and stockholders. A number of these conditions, including obtaining government approvals, are not within the control of VoiceSignal. A smaller number of conditions relate to actions that must be taken by Nuance. Neither Nuance nor VoiceSignal can assure you that each of the conditions will be satisfied or waived. If the conditions are not satisfied or waived, the merger will not occur. These conditions are described under the section entitled "Conditions to Completion of the Merger" in the "Agreements Related to the Merger" section of this consent solicitation statement/prospectus beginning on page 54 and in detail in the merger agreement.

If the merger is not completed, VoiceSignal will be subject to a number of risks.

If the merger is not completed, VoiceSignal will be subject to a number of risks, including: (i) the possible loss of key employees, management personnel and customers; (ii) the accrual of legal, accounting and other fees and costs incurred in connection with the merger in excess of the \$1 million that Nuance has agreed to pay if the merger agreement is terminated under certain circumstances; and (iii) the risk of disruption of VoiceSignal's business. In addition, if the merger is not completed, VoiceSignal's business reputation and goodwill could be harmed.

Although Nuance and VoiceSignal expect that the merger will result in benefits to the combined company, the combined company may not realize those benefits because of integration and other challenges.

The failure of the combined company to meet the challenges involved in integrating the operations of Nuance and VoiceSignal successfully or otherwise to realize any of the anticipated benefits of the merger, could seriously harm the results of operations of the combined company. Realizing the benefits of the merger will depend in part on the integration of technology, operations, and personnel. The integration of the companies is a complex, time-consuming and expensive process that, without proper planning and implementation, could significantly disrupt the businesses of Nuance and VoiceSignal. The challenges involved in this integration include the following:

- consolidating and rationalizing corporate IT and administrative infrastructures;
- coordinating sales and marketing efforts to effectively communicate the capabilities of the combined company;
- coordinating and rationalizing research and development activities to enhance introduction of new products and technologies with reduced cost; and
- preserving important relationships of both Nuance and VoiceSignal and resolving potential conflicts that may arise.

The combined company may not successfully integrate the operations of Nuance and VoiceSignal in a timely manner, or at all. The combined company may not realize the anticipated benefits or synergies of the merger to the extent, or in the timeframe, anticipated. These anticipated benefits and synergies are based on projections and assumptions, not actual experience, and assume a successful integration.

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Some directors and officers of VoiceSignal have interests that could have affected their decision to support or approve the merger.

The interests of some VoiceSignal directors and executive officers in the merger and their participation in arrangements are different from, or are in addition to, those of VoiceSignal stockholders generally and could have affected their decision to support or approve the merger. As a result, these directors and officers may be more likely to recommend the proposals relating to the merger than if they did not have these interests. Please see the section entitled **Interests of VoiceSignal Directors and Officers in the Merger** under **The Merger** section of this consent solicitation statement/prospectus beginning on page 36.

Nuance and VoiceSignal expect to incur significant costs associated with the merger.

Each of Nuance and VoiceSignal will incur significant transaction costs in connection with the merger. Nuance and VoiceSignal have agreed that all third party expenses incurred by VoiceSignal, including any bonuses paid to VoiceSignal employees in connection with the merger in excess of \$397,500, will either be deducted from the merger consideration or the escrow amount described above. Nuance and VoiceSignal believe the combined entity may incur charges to operations, which currently are not reasonably estimable, in the quarter in which the merger is completed or the following quarters, to reflect costs associated with integrating the two companies. There can be no assurance that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the merger.

Charges to earnings resulting from the application of the purchase method of accounting may adversely affect the market value of Nuance common stock following the merger.

In accordance with United States generally accepted accounting principles, the combined company will account for the merger using the purchase method of accounting, which will result in charges to Nuance's earnings that could harm the market value of Nuance common stock following completion of the merger. Under the purchase method of accounting, the combined company will allocate the total estimated purchase price to VoiceSignal's net tangible assets, amortizable intangible assets, intangible assets with indefinite lives and in-process research and development based on their fair values as of the date of completion of the merger, and record the excess of the purchase price over those fair values as goodwill. The combined company will incur additional depreciation and amortization expense over the useful lives of certain of the net tangible and intangible assets acquired in connection with the merger. In addition, to the extent the value of goodwill or intangible assets with indefinite lives becomes impaired, the combined company may be required to incur material charges relating to the impairment of those assets. These depreciation, amortization, in-process research and development and potential impairment charges could have a material impact on the combined company's results of operations.

To be successful, the combined company must retain and motivate key employees. Any failure to do so could seriously harm the combined company.

To be successful, the combined company must retain and motivate key employees. The market for highly skilled employees is limited, and the loss of any of these key employees could have a significant impact on the combined company's operations. Employee retention may be a particularly challenging issue in connection with the merger. Accordingly, Nuance has developed and adopted retention programs designed to assure the continued dedication of these key employees and to provide them with financial incentives to remain with the combined company following the merger. A number of factors, however, may counteract the benefits of these retention programs. In particular, employees of VoiceSignal may experience uncertainty about their future role with the combined company until or after strategies with regard to the combined company are announced or executed. The combined company also must

continue to motivate these employees and keep them focused on the strategies and goals of the combined company, which may be particularly difficult due to the potential distractions of the merger.

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Whether or not the merger is completed, the announcement and pendency of the proposed merger may cause disruptions in the business of VoiceSignal or disruptions in the business of Nuance, which could have material adverse effects on each company's or the combined company's business and operations.

Whether or not the merger is completed, Nuance's and VoiceSignal's customers, in response to the announcement and pendency of the merger, may delay or defer purchase decisions, which could have a material adverse effect on the business of each company or the combined company. The extent of this adverse effect could depend on the length of time prior to completion of the merger or termination of the merger agreement.

Failure to complete the merger could negatively impact Nuance's stock price, and the future business and operation of both Nuance and VoiceSignal.

If the merger is not completed for any reason, both VoiceSignal and Nuance may be subject to a number of material risks, including the following:

Neither VoiceSignal nor Nuance would realize any anticipated benefits from being a part of a combined company;

VoiceSignal may experience difficulties in attracting strategic customers and partners who were expecting to use the products proposed to be offered by the combined company;

VoiceSignal must pay all or a portion of certain costs relating to the merger, such as legal, accounting, financial advisor and printing fees, even if the merger is not completed, which costs will be substantial; however, in the event that the merger agreement is terminated under certain circumstances more specifically set forth in the merger agreement, Nuance has agreed to pay up to \$1 million of VoiceSignal's transaction-related expenses; and

VoiceSignal may not be able to find another buyer willing to pay a price in an alternative transaction that is equivalent to, or higher than, the price that would be paid pursuant to the merger.

On July 12, 2007, Nuance and VoiceSignal received a request from the DOJ for additional information in connection with Nuance's pending acquisition of VoiceSignal. The DOJ request extends the waiting period under the HSR Act until 30 days after Nuance and VoiceSignal have substantially complied with the request, unless that period is extended voluntarily by the parties or terminated sooner by the DOJ.

While Nuance intends to promptly respond to the DOJ request and is working towards the intended close in its fourth fiscal quarter of 2007, there can be no assurance that the waiting period under the HSR Act will be permitted to expire. In addition, the DOJ may impose restrictions or conditions on the acquisition of VoiceSignal. While Nuance does not currently expect that any such restrictions or conditions will be imposed, there can be no assurance that they will not be, and such restrictions or conditions could have the effect of jeopardizing or delaying completion of the merger or reducing the anticipated benefits of the merger. If Nuance becomes subject to any material conditions in order to obtain any approvals required to complete the merger, the business and results of operations of the combined company may be adversely affected. Nuance may also elect to challenge and litigate conditions or changes proposed by governmental authorities. Any such litigation could be costly and divert management's attention from the business. There is also no assurance that Nuance would be successful in any such litigation.

Risks Related to Nuance

Nuance's operating results may fluctuate significantly from period to period, and this may cause its stock price to decline.

Nuance's revenue and operating results have fluctuated in the past and are expected to continue to fluctuate in the future. Given this fluctuation, Nuance believes that quarter to quarter comparisons of revenue and operating results are not necessarily meaningful or an accurate indicator of its future performance. As a result, Nuance's results of operations may not meet the expectations of securities analysts or investors in the

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future. If this occurs, the price of its stock would likely decline. Factors that contribute to fluctuations in operating results include the following:

slowing sales by Nuance's distribution and fulfillment partners to their customers, which may place pressure on these partners to reduce purchases of its products;

volume, timing and fulfillment of customer orders;

Nuance's efforts to generate additional revenue from its portfolio of intellectual property;

concentration of operations with one manufacturing partner and ability to control expenses related to the manufacture, packaging and shipping of its boxed software products;

customers delaying their purchasing decisions in anticipation of new versions of its products;

customers delaying, canceling or limiting their purchases as a result of the threat or results of terrorism;

introduction of new products by Nuance or its competitors;

seasonality in purchasing patterns of its customers;

reduction in the prices of its products in response to competition or market conditions;

returns and allowance charges in excess of accrued amounts;

timing of significant marketing and sales promotions;

impairment charges against goodwill and other intangible assets;

write-offs of excess or obsolete inventory and accounts receivable that are not collectible;

increased expenditures incurred pursuing new product or market opportunities;

general economic trends as they affect retail and corporate sales; and

higher than anticipated costs related to fixed-price contracts with its customers.

Due to the foregoing factors, among others, Nuance's revenue and operating results are difficult to forecast. Nuance's expense levels are based in significant part on its expectations of future revenue and Nuance may not be able to reduce its expenses quickly to respond to a shortfall in projected revenue. Therefore, Nuance's failure to meet revenue expectations would seriously harm its operating results, financial condition and cash flows.

Nuance has grown, and may continue to grow, through acquisitions, which could dilute its existing stockholders.

As part of its business strategy, Nuance has in the past acquired, and expects to continue to acquire, other businesses and technologies. In connection with past acquisitions, Nuance issued a substantial number of shares of its common stock as transaction consideration and also incurred significant debt to finance the cash consideration used for its acquisitions of Dictaphone Corporation, BlueStar Resources Limited (the parent company of Focus Enterprises Limited and Focus Infosys India Private Limited, collectively Focus) and BeVocal. Its pending acquisitions of

VoiceSignal and Tegic will require Nuance to issue a substantial number of shares of its common stock incur additional debt and expend a significant amount of cash. Nuance may continue to issue equity securities for future acquisitions, which would dilute existing stockholders, perhaps significantly depending on the terms of such acquisitions. Nuance may also incur additional debt in connection with future acquisitions, which, if available at all, may place additional restrictions on its ability to operate its business.

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Nuance's ability to realize the anticipated benefits of its acquisitions will depend on successfully integrating the acquired businesses.

Nuance's prior acquisitions required substantial integration and management efforts, and Nuance expects its pending and future acquisitions to require similar efforts. Acquisitions of this nature involve a number of risks, including:

difficulty in transitioning and integrating the operations and personnel of the acquired businesses, including different and complex accounting and financial reporting systems;

potential disruption of its ongoing business and distraction of management;

potential difficulty in successfully implementing, upgrading and deploying in a timely and effective manner new operational information systems and upgrades of its finance, accounting and product distribution systems;

difficulty in incorporating acquired technology and rights into its products and technology;

unanticipated expenses and delays in completing acquired development projects and technology integration;

management of geographically remote business units both in the United States and internationally;

impairment of relationships with partners and customers;

customers delaying purchases of its products pending resolution of product integration between its existing and its newly acquired products;

entering markets or types of businesses in which Nuance has limited experience; and

potential loss of key employees of the acquired company.

As a result of these and other risks, if Nuance is unable to successfully integrate acquired businesses, Nuance may not realize the anticipated benefits from its acquisitions. Any failure to achieve these benefits or failure to successfully integrate acquired businesses and technologies could seriously harm its business.

If the closing conditions to Nuance's pending acquisitions of VoiceSignal and Tegic are not satisfied or waived, one or both of the acquisitions may not occur.

A number of customary closing conditions must be either satisfied or waived before the pending acquisitions of VoiceSignal and Tegic, respectively, can be completed. These closing conditions include the absence of a material adverse change, receipt of required financial statements and the receipt of regulatory approval. With respect to the acquisition of VoiceSignal, the merger remains subject to review by the DOJ and a waiting period under the HSR Act before the transaction can be consummated. Nuance cannot assure you that each of the conditions will be satisfied or waived. If the conditions are not satisfied or waived, Nuance may not be able to complete one or both of these acquisitions, in which case it would not achieve the anticipated benefits associated with such acquisition.

Nuance needs additional capital to close its pending acquisitions of VoiceSignal and Tegic.

In conjunction with its pending acquisitions of VoiceSignal and Tegic, Nuance is obligated to pay cash consideration in the aggregate amount of approximately \$470 million, plus fees and expenses. Of this amount, \$205 million is due in

conjunction with the VoiceSignal acquisition and \$265 million is due in conjunction with the Tegic acquisition. The proceeds of Nuance's convertible debentures offering, together with cash on hand, will be utilized to satisfy the cash obligations to Tegic shareholders. Nuance is currently targeting closing of the VoiceSignal transaction on or prior to August 29, 2007. To satisfy the cash consideration due in the pending acquisition of VoiceSignal, Nuance previously received a commitment letter, which expires August 30, 2007, that relates to incremental term loans in the amount of \$225 million that would be provided under its existing credit agreement upon the closing of the VoiceSignal transaction provided that the transaction closes on or prior to August 30, 2007. If Nuance is unable to finance and close the VoiceSignal

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transaction on or prior to August 30, 2007, then Nuance will need to raise additional capital either through the incurrence of indebtedness, the issuance of equity securities or a combination thereof on terms that may be less attractive than those provided in the commitment letter.

Purchase accounting treatment of Nuance's acquisitions could decrease Nuance's net income or expected revenue in the foreseeable future, which could have a material and adverse effect on the market value of Nuance's common stock.

Under accounting principles generally accepted in the United States of America, Nuance has accounted for its acquisitions using the purchase method of accounting. Under purchase accounting, Nuance records the market value of its common stock or other form of consideration issued in connection with the acquisition and the amount of direct transaction costs as the cost of acquiring the company or business. Nuance has allocated that cost to the individual assets acquired and liabilities assumed, including various identifiable intangible assets such as acquired technology, acquired trade names and acquired customer relationships based on their respective fair values. Intangible assets generally will be amortized over a five to ten year period. Goodwill and certain intangible assets with indefinite lives, are not subject to amortization but are subject to at least an annual impairment analysis, which may result in an impairment charge if the carrying value exceeds its implied fair value. As of June 30, 2007, Nuance had identified intangible assets amounting to approximately \$259.8 million and goodwill of approximately \$883.0 million. In addition, purchase accounting limits Nuance's ability to recognize certain revenue that otherwise would have been recognized by the acquired company as an independent business. Accordingly, due to the purchase method of accounting, the combined company may recognize less revenue than Nuance and the acquired company would have recognized as independent companies.

Nuance's significant debt could adversely affect its financial health and prevent it from fulfilling its obligations under its credit facility.

Nuance has a significant amount of debt. On April 5, 2007, Nuance entered into an amended and restated credit facility which consists of a \$441.5 million term loan due March 2013 and a \$75.0 million revolving credit line due March 2012. As of June 30, 2007, \$440.3 million remained outstanding under the term loan. As of June 30, 2007, there were \$17.3 million of letters of credit issued under the revolving credit line and there were no outstanding borrowings under the revolving credit line. Nuance also anticipates incurring \$225 million in additional debt under the amended and restated credit facility to fund the cash portion of its pending acquisition of VoiceSignal. Furthermore, the sale of the convertible debentures will increase Nuance's outstanding debt by \$220.0 million (or \$250.0 million if the initial purchaser exercises its option to purchase additional convertible debentures solely to cover over-allotments, if any, in full). Nuance's debt level could have important consequences, for example it could:

require Nuance to use a large portion of its cash flow to pay principal and interest on debt, including the debentures and the credit facility, which will reduce the availability of its cash flow to fund working capital, capital expenditures, research and development expenditures and other business activities;

restrict Nuance from making strategic acquisitions or exploiting business opportunities;

place Nuance at a competitive disadvantage compared to its competitors that have less debt; and

limit, along with the financial and other restrictive covenants in its debt, Nuance's ability to borrow additional funds, dispose of assets or pay cash dividends.

Nuance's ability to meet its payment and other obligations under its debt instruments depends on its ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive,

legislative and regulatory factors as well as other factors that are beyond its control. Nuance cannot assure you that its business will generate cash flow from operations, or that additional capital will be available to it, in an amount sufficient to enable it to meet its payment obligations under its debt and to fund other liquidity needs. If Nuance is not able to generate sufficient cash flow to service its debt obligations, Nuance may need to refinance or restructure its debt, sell assets, reduce or delay capital

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investments, or seek to raise additional capital. If Nuance is unable to implement one or more of these alternatives, Nuance may not be able to meet its payment obligations under the debentures and its other debt.

In addition, a substantial portion of Nuance's debt bears interest at variable rates. If market interest rates increase, Nuance's debt service requirements will increase, which would adversely affect its cash flows. While Nuance has entered into an interest rate swap agreement limiting its exposure for a portion of its debt, such agreement does not offer complete protection from this risk.

Nuance's debt agreements contain covenant restrictions that may limit Nuance's ability to operate its business.

The agreement governing Nuance's senior credit facility contains, and any of its other future debt agreements may contain, covenant restrictions that limit its ability to operate its business, including restrictions on its ability to:

- incur additional debt or issue guarantees;
- create liens;
- make certain investments;
- enter into transactions with its affiliates;
- sell certain assets;
- redeem capital stock or make other restricted payments;
- declare or pay dividends or make other distributions to stockholders; and
- merge or consolidate with any person.

Nuance's ability to comply with these covenants is dependent on its future performance, which will be subject to many factors, some of which are beyond its control, including prevailing economic conditions.

As a result of these covenants, Nuance's ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be significantly restricted, and Nuance may be prevented from engaging in transactions that might otherwise be beneficial to it. In addition, Nuance's failure to comply with these covenants could result in a default under its debt, which could permit the holders to accelerate such debt. If any of its debt is accelerated, Nuance may not have sufficient funds available to repay such debt.

Nuance has a history of operating losses, and may incur losses in the future, which may require it to raise additional capital on unfavorable terms.

Nuance reported net losses of approximately \$10.6 million for the nine months ended June 30, 2007 and \$22.9 million, \$5.4 million and \$9.4 million for fiscal years 2006, 2005 and 2004, respectively. Nuance had an accumulated deficit of approximately \$200.7 million at June 30, 2007. If Nuance is unable to achieve and maintain profitability, the market price for its stock may decline, perhaps substantially. Nuance cannot assure you that its revenue will grow or that it will achieve or maintain profitability in the future. If Nuance does not achieve profitability, Nuance may be required to raise additional capital to maintain or grow its operations. The terms of any transaction to raise additional capital, if available at all, may be highly dilutive to existing investors or contain other unfavorable terms, such as a high interest rate and restrictive covenants.

Speech technologies may not achieve widespread acceptance by businesses, which could limit Nuance's ability to grow its speech business.

Nuance has invested and expects to continue to invest heavily in the acquisition, development and marketing of speech technologies. The market for speech technologies is relatively new and rapidly evolving. Nuance's ability to increase revenue in the future depends in large measure on acceptance of speech

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technologies in general and Nuance's products in particular. The continued development of the market for Nuance's current and future speech solutions will also depend on:

- consumer and business demand for speech-enabled applications;
- development by third-party vendors of applications using speech technologies; and
- continuous improvement in speech technology.

Sales of Nuance's speech products would be harmed if the market for speech technologies does not continue to develop or develops more slowly than Nuance expects, and, consequently, its business could be harmed and Nuance may not recover the costs associated with its investment in its speech technologies.

The markets in which Nuance operates are highly competitive and rapidly changing and Nuance may be unable to compete successfully.

There are a number of companies that develop or may develop products that compete in Nuance targeted markets. The individual markets in which Nuance competes are highly competitive, and are rapidly changing. Within speech, Nuance competes with AT&T, Fonix, IBM, Microsoft and Philips. Within healthcare dictation and transcription, Nuance competes with Philips Medical, Spheris and other smaller providers. Within imaging, Nuance competes directly with ABBYY, Adobe, I.R.I.S. and NewSoft. In speech, some of Nuance's partners such as Avaya, Cisco, Edify, Genesys and Nortel develop and market products that can be considered substitutes for Nuance's solutions. In addition, a number of smaller companies in both speech and imaging produce technologies or products that are in some markets competitive with Nuance's solutions. Current and potential competitors have established, or may establish, cooperative relationships among themselves or with third parties to increase the ability of their technologies to address the needs of Nuance's prospective customers.

The competition in these markets could adversely affect Nuance's operating results by reducing the volume of the products it licenses or the prices it can charge. Some of Nuance's current or potential competitors, such as Adobe, IBM and Microsoft, have significantly greater financial, technical and marketing resources than Nuance does. These competitors may be able to respond more rapidly than Nuance can to new or emerging technologies or changes in customer requirements. They may also devote greater resources to the development, promotion and sale of their products than Nuance does.

Some of Nuance's customers, such as IBM and Microsoft, have developed or acquired products or technologies that compete with Nuance's products and technologies. These customers may give higher priority to the sale of these competitive products or technologies. To the extent they do so, market acceptance and penetration of Nuance's products, and therefore its revenue, may be adversely affected.

Nuance's success will depend substantially upon its ability to enhance its products and technologies and to develop and introduce, on a timely and cost-effective basis, new products and features that meet changing customer requirements and incorporate technological advancements. If Nuance is unable to develop new products and enhance functionalities or technologies to adapt to these changes, or if Nuance is unable to realize synergies among its acquired products and technologies, its business will suffer.

The failure to successfully maintain the adequacy of Nuance's system of internal control over financial reporting could have a material adverse impact on Nuance's ability to report its financial results in an accurate and timely manner.

Nuance's management's assessment of the effectiveness of its internal control over financial reporting, as of September 30, 2005, identified a material weakness in its internal controls related to tax accounting, primarily as a result of a lack of necessary corporate accounting resources and ineffective execution of certain controls designed to prevent or detect actual or potential misstatements in the tax accounts. While Nuance has taken remediation measures to correct this material weakness, which measures are more fully described in Item 9A of Nuance's Annual Report on Form 10-K/A for its fiscal year ended September 30, 2006, Nuance cannot assure you that it will not have material weaknesses in its internal controls in the future. Any failure in

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the effectiveness of its system of internal control over financial reporting could have a material adverse impact on its ability to report its financial results in an accurate and timely manner.

A significant portion of Nuance's revenue and a significant portion of its research and development are based outside the United States. Nuance's results could be harmed by economic, political, regulatory and other risks associated with these international regions.

Because Nuance operates worldwide, its business is subject to risks associated with doing business internationally. Nuance anticipates that revenue from international operations will increase upon the closing of the pending acquisitions of Tegic and VoiceSignal. Reported international revenue, classified by the major geographic areas in which Nuance's customers are located, represented approximately \$92.8 million, 22% of its total revenue, for the nine months ended June 30, 2007 and approximately \$100.2 million, \$71.5 million and \$39.4 million, representing 26%, 31% and 30% of its total revenue, respectively, for fiscal 2006, 2005 and 2004 respectively. Most of Nuance's international revenue is generated by sales in Europe and Asia. In addition, some of its products are developed and manufactured outside the United States. A significant portion of the development and manufacturing of its speech products are completed in Belgium, and a significant portion of its imaging research and development is conducted in Hungary. In connection with prior acquisitions Nuance has added research and development resources in Aachen, Germany, Montreal, Canada and Tel Aviv, Israel. Accordingly, its future results could be harmed by a variety of factors associated with international sales and operations, including:

- changes in a specific country's or region's economic conditions;
- geopolitical turmoil, including terrorism and war;
- trade protection measures and import or export licensing requirements imposed by the United States or by other countries;
- compliance with foreign and domestic laws and regulations;
- negative consequences from changes in applicable tax laws;
- difficulties in staffing and managing operations in multiple locations in many countries;
- difficulties in collecting trade accounts receivable in other countries; and
- less effective protection of intellectual property than in the United States.

Nuance is exposed to fluctuations in foreign currency exchange rates.

Because Nuance has international subsidiaries and distributors that operate and sell its products outside the United States, Nuance is exposed to the risk of changes in foreign currency exchange rates or declining economic conditions in these countries. In certain circumstances, Nuance has entered into forward exchange contracts to hedge against foreign currency fluctuations on intercompany balances with its foreign subsidiaries. Nuance uses these contracts to reduce its risk associated with exchange rate movements, as the gains or losses on these contracts are intended to offset any exchange rate losses or gains on the hedged transaction. Nuance does not engage in foreign currency speculation. Hedges are designated and documented at the inception of the hedge and are evaluated for effectiveness monthly. Forward exchange contracts hedging firm commitments qualify for hedge accounting when they are designated as a hedge of the foreign currency exposure and they are effective in minimizing such exposure. With Nuance's increased international presence in a number of geographic locations and with international revenue

projected to increase upon the closing of the pending acquisitions of Tegic and VoiceSignal, Nuance is exposed to changes in foreign currencies including the Euro, British Pound, Canadian Dollar, Japanese Yen, Israeli New Shekel, Indian Rupee and the Hungarian Forint. Changes in the value of the Euro or other foreign currencies relative to the value of the U.S. dollar could adversely affect future revenue and operating results.

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Impairment of Nuance's intangible assets could result in significant charges that would adversely impact its future operating results.

Nuance has significant intangible assets, including goodwill and intangibles with indefinite lives, which are susceptible to valuation adjustments as a result of changes in various factors or conditions. The most significant intangible assets are patents and core technology, completed technology, customer relationships and trademarks. Customer relationships are amortized on an accelerated basis based upon the pattern in which the economic benefit of customer relationships are being utilized. Other identifiable intangible assets are amortized on a straight-line basis over their estimated useful lives. Nuance assesses the potential impairment of identifiable intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that could trigger an impairment of such assets, include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of or use of the acquired assets or the strategy for Nuance's overall business;
- significant negative industry or economic trends;
- significant decline in Nuance's stock price for a sustained period; and
- a decline in Nuance's market capitalization below net book value.

Future adverse changes in these or other unforeseeable factors could result in an impairment charge that would impact Nuance's results of operations and financial position in the reporting period identified. As of June 30, 2007, Nuance had identified intangible assets amounting to approximately \$259.8 million and goodwill of approximately \$883.0 million.

Nuance depends on limited or sole source suppliers for critical components of its healthcare-related products. The inability to obtain sufficient components as required, and under favorable purchase terms, could harm its business.

Nuance is dependent on certain suppliers, including limited and sole source suppliers, to provide key components used in its healthcare-related products. Nuance has experienced, and may continue to experience, delays in component deliveries, which in turn could cause delays in product shipments and require the redesign of certain products. In addition, if Nuance is unable to procure necessary components under favorable purchase terms, including at favorable prices and with the order lead-times needed for the efficient and profitable operation of its business, its results of operations could suffer.

If Nuance is unable to attract and retain key personnel, its business could be harmed.

If any of its key employees were to leave, Nuance could face substantial difficulty in hiring qualified successors and could experience a loss in productivity while any successor obtains the necessary training and experience. Nuance's employment relationships are generally at-will and Nuance has had key employees leave in the past. Nuance cannot assure you that one or more key employees will not leave in the future. Nuance intends to continue to hire additional highly qualified personnel, including software engineers and operational personnel, but may not be able to attract, assimilate or retain qualified personnel in the future. Any failure to attract, integrate, motivate and retain these employees could harm its business.

Nuance's medical transcription services may be subject to legal claims for failure to comply with laws governing the confidentiality of medical records.

Healthcare professionals who use Nuance's medical transcription services deliver to Nuance health information about their patients including information that constitutes a record under applicable law that Nuance may store on its computer systems. Numerous federal and state laws and regulations, the common law

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and contractual obligations govern collection, dissemination, use and confidentiality of patient-identifiable health information, including:

state and federal privacy and confidentiality laws;

Nuance's contracts with customers and partners;

state laws regulating healthcare professionals;

Medicaid laws; and

the Health Insurance Portability and Accountability Act of 1996 and related rules proposed by the Health Care Financing Administration.

The Health Insurance Portability and Accountability Act of 1996 establishes elements including, but not limited to, federal privacy and security standards for the use and protection of protected health information.

Any failure by Nuance or by its personnel or partners to comply with applicable requirements may result in a material liability to Nuance.

Although Nuance systems and policies in place for safeguarding protected health information from unauthorized disclosure, these systems and policies may not preclude claims against Nuance for alleged violations of applicable requirements. There can be no assurance that Nuance will not be subject to liability claims that could have a material adverse affect on its business, results of operations and financial condition.

Risks Related to Nuance Intellectual Property and Technology

Unauthorized use of Nuance proprietary technology and intellectual property could adversely affect Nuance's business and results of operations.

Nuance's success and competitive position depend in large part on its ability to obtain and maintain intellectual property rights protecting its products and services Nuance relies on a combination of patents, copyrights, trademarks, service marks, trade secrets, confidentiality provisions and licensing arrangements to establish and protect its intellectual property and proprietary rights. Unauthorized parties may attempt to copy aspects of Nuance's products or to obtain, license, sell or otherwise use information that Nuance regards as proprietary. Policing unauthorized use of Nuance's products is difficult and Nuance may not be able to protect its technology from unauthorized use. Additionally, Nuance's competitors may independently develop technologies that are substantially the same or superior to its technologies and that do not infringe its rights. In these cases, Nuance would be unable to prevent its competitors from selling or licensing these similar or superior technologies. In addition, the laws of some foreign countries do not protect Nuance's proprietary rights to the same extent as the laws of the United States. Although the source code for its proprietary software is protected both as a trade secret and as a copyrighted work, litigation may be necessary to enforce Nuance intellectual property rights, to protect its trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Litigation, regardless of the outcome, can be very expensive and can divert management efforts.

Third parties have claimed and may claim in the future that Nuance is infringing their intellectual property, and Nuance could be exposed to significant litigation or licensing expenses or be prevented from selling its products if such claims are successful.

From time to time, Nuance is subject to claims that it or its customers may be infringing or contributing to the infringement of the intellectual property rights of others. Nuance may be unaware of intellectual property rights of others that may cover some of its technologies and products. If it appears necessary or desirable, Nuance may seek licenses for these intellectual property rights. However, Nuance may not be able to obtain licenses from some or all claimants, the terms of any offered licenses may not be acceptable to Nuance, and Nuance may not be able to resolve disputes without litigation. Any litigation regarding intellectual property could be costly and time-consuming and could divert the attention of Nuance's management and key personnel from its business operations. In the event of a claim of intellectual property

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infringement, Nuance may be required to enter into costly royalty or license agreements. Third parties claiming intellectual property infringement may be able to obtain injunctive or other equitable relief that could effectively block Nuance's ability to develop and sell its products.

On May 31, 2006, GTX Corporation filed an action against Nuance in the United States District Court for the Eastern District of Texas claiming patent infringement. Damages were sought in an unspecified amount. In the lawsuit, GTX Corporation alleged that Nuance is infringing United States Patent No. 7,016,536 entitled "Method and Apparatus for Automatic Cleaning and Enhancing of Scanned Documents." Nuance believes these claims have no merit and intends to defend the action vigorously.

On November 27, 2002, AllVoice Computing plc filed an action against Nuance in the United States District Court for the Southern District of Texas claiming patent infringement. In the lawsuit, AllVoice Computing plc alleges that Nuance is infringing United States Patent No. 5,799,273 entitled "Automated Proofreading Using Interface Linking Recognized Words to their Audio Data While Text is Being Changed." Such patent generally discloses techniques for manipulating audio data associated with text generated by a speech recognition engine. Although Nuance has several products in the speech recognition technology field, Nuance believes that its products do not infringe AllVoice Computing plc's patent because, in addition to other defenses, Nuance does not use the claimed techniques. Damages are sought in an unspecified amount. Nuance filed an Answer on December 23, 2002. The United States District Court for the Southern District of Texas entered summary judgment against AllVoice Computing plc and dismissed all claims against Nuance on February 21, 2006. AllVoice Computing plc filed a notice of appeal from this judgment on April 26, 2006. Nuance believes these claims have no merit and intends to defend the action vigorously.

Nuance believes that the final outcome of the current litigation matters described above will not have a significant adverse effect on its financial position and results of operations. However, even if Nuance's defense is successful, the litigation could require significant management time and could be costly. Should Nuance not prevail in these litigation matters, Nuance may be unable to sell and/or license certain of its technologies that it considers to be proprietary, and Nuance's operating results, financial position and cash flows could be adversely impacted.

Nuance's software products may have bugs, which could result in delayed or lost revenue, expensive correction, liability to its customers and claims against it.

Complex software products such as Nuance's may contain errors, defects or bugs. Defects in the solutions or products that Nuance develops and sells to its customers could require expensive corrections and result in delayed or lost revenue, adverse customer reaction and negative publicity about Nuance or its products and services. Customers who are not satisfied with any of Nuance's products may also bring claims against Nuance for damages, which, even if unsuccessful, would likely be time-consuming to defend, and could result in costly litigation and payment of damages. Such claims could harm Nuance's reputation, financial results and competitive position.

Risks Related to Nuance's Corporate Structure, Organization and Common Stock

The holdings of Nuance's two largest stockholders may enable them to influence matters requiring stockholder approval.

On March 19, 2004, Warburg Pincus, a global private equity firm agreed to purchase all outstanding shares of Nuance's stock held by Xerox Corporation for approximately \$80 million. Additionally, on May 9, 2005 and September 15, 2005 Nuance sold shares of common stock, and warrants to purchase common stock to Warburg Pincus for aggregate gross proceeds of approximately \$75.1 million. As of June 30, 2007, Warburg Pincus beneficially owned approximately 22% of Nuance outstanding common stock, including warrants exercisable for up to 7,066,538 shares of Nuance's common stock and 3,562,238 shares of Nuance's outstanding Series B Preferred Stock,

each of which is convertible into one share of Nuance's common stock. Fidelity is Nuance's second largest stockholder, owning 16,146,721 shares of Nuance common stock, representing approximately 9% of Nuance's outstanding common stock. Because of their large holdings of

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Nuance's capital stock relative to other stockholders, each of these two stockholders acting individually, or together, have a strong influence over matters requiring approval by Nuance's stockholders.

The market price of Nuance's common stock has been and may continue to be subject to wide fluctuations.

Nuance's stock price historically has been, and may continue to be, volatile. Various factors contribute to the volatility of the stock price, including, for example, quarterly variations in its financial results, new product introductions by Nuance or its competitors and general economic and market conditions. Sales of a substantial number of shares of Nuance's common stock by its two largest stockholders, or the perception that such sales could occur, could also contribute to the volatility of its stock price. While Nuance cannot predict the individual effect that these factors may have on the market price of its common stock, these factors, either individually or in the aggregate, could result in significant volatility in its stock price during any given period of time. Moreover, companies that have experienced volatility in the market price of their stock often are subject to securities class action litigation. If Nuance were the subject of such litigation, it could result in substantial costs and divert management's attention and resources.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new regulations promulgated by the Securities and Exchange Commission and the rules of the NASDAQ Global Select Market, are resulting in increased general and administrative expenses for companies such as Nuance. These new or changed laws, regulations and standards are subject to varying interpretations in many cases, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in higher costs necessitated by ongoing revisions to disclosure and governance practices. Nuance is committed to maintaining high standards of corporate governance and public disclosure. As a result, Nuance intends to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If Nuance's efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies, its business may be harmed.

Nuance has implemented anti-takeover provisions, which could discourage or prevent a takeover, even if an acquisition would be beneficial to its stockholders.

Provisions of Nuance's certificate of incorporation, bylaws and Delaware law, as well as other organizational documents could make it more difficult for a third party to acquire Nuance, even if doing so would be beneficial to Nuance's stockholders. These provisions include:

authorized blank check preferred stock;

prohibiting cumulative voting in the election of directors;

limiting the ability of stockholders to call special meetings of stockholders;

requiring all stockholder actions to be taken at meetings of Nuance's stockholders; and

establishing advance notice requirements for nominations of directors and for stockholder proposals.

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THE VOICESIGNAL ACTION BY WRITTEN CONSENT OF STOCKHOLDERS

VoiceSignal's board of directors is using this consent solicitation statement/prospectus to solicit an action by written consent from the stockholders of VoiceSignal. This consent solicitation statement/prospectus and accompanying action by written consent are first being mailed to VoiceSignal stockholders on or about August 13, 2007.

Matters to be Acted on by Written Consent

Purpose of the Written Consent. The purpose of the written consent is for VoiceSignal stockholders to vote on the adoption of the merger agreement and approval of the transactions contemplated thereby.

Recommended Action. The VoiceSignal board of directors has unanimously approved the merger agreement, the merger and the related transactions and has determined that the merger agreement, the merger and the related transactions are fair to, and in the best interests of, VoiceSignal and its stockholders. Accordingly, the VoiceSignal board of directors unanimously recommends to the VoiceSignal stockholders that they vote **FOR** the adoption of the merger agreement and approval of the transactions contemplated thereby, including the appointment of Stata Venture Partners, LLC, as stockholder representative.

Outstanding Shares on August 13, 2007. As of August 13, 2007, there were 17,628,057 shares of VoiceSignal common stock and 80,084,844 shares of VoiceSignal preferred stock outstanding, for an aggregate of 105,380,961 of shares of VoiceSignal capital stock on an as-converted-to-common stock basis, and there were approximately 41 holders of record.

Shares Entitled to Vote. Only holders of record of VoiceSignal shares are entitled to receive and vote on the action by written consent. You will be entitled to one vote for each share of VoiceSignal stock you own on an as-converted-to-common stock basis.

Vote Requirement. Approval of the adoption of the merger agreement requires the effective vote of (i) a majority of the outstanding shares of VoiceSignal common stock and VoiceSignal preferred stock, voting together as a single class with each share of VoiceSignal common stock entitled to cast one vote and each share of VoiceSignal preferred stock entitled to cast a number of votes equal to the number of shares of VoiceSignal common stock into which such share of VoiceSignal preferred stock is convertible and (ii) a majority of the outstanding shares of VoiceSignal Series C preferred stock and Series D preferred stock, voting together as a single class on an as-converted-to-common stock basis.

Failure to return a signed written consent to VoiceSignal will have the same effect as a vote **AGAINST** the matters submitted for approval to the VoiceSignal stockholders.

Revocability Of Action By Written Consent. The stockholder actions on which you are being asked to act by written consent will be effective at the time when written consents sufficient to approve the required corporate action have been filed with the corporate secretary of VoiceSignal. You may revoke your written consent at any time prior to the effective time of the stockholder action by delivering to the corporate secretary of VoiceSignal at the address set forth below a signed written revocation or a later-dated, signed written consent.

All written notices of revocation and other communications with respect to revocation of written consents should be addressed Voice Signal Technologies, Inc., Attn: Corporate Secretary, 150 Presidential Way, Woburn, MA 01801.

Shares Beneficially Owned by VoiceSignal Directors and Executive Officers as of August 13, 2007. As of August 13, 2007, directors and executive officers of VoiceSignal and their affiliates beneficially owned, and were entitled to vote, 92,146,389 shares of VoiceSignal common stock, on an as-converted-to-common stock basis, or approximately 87% of the total outstanding VoiceSignal common stock and approximately 91% of the Voice Signal Series C preferred stock and Series D preferred stock voting together as a single class on an-as-converted-to-common stock basis.

You should also be aware that as of close of business on May 31, 2007, ten of VoiceSignal's directors, executive officers and stockholders affiliated with certain VoiceSignal directors have already agreed to vote an

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aggregate of approximately 13,900,000 shares of VoiceSignal common stock, 1,000,000 shares of VoiceSignal Series A preferred stock, 6,094,718 shares of VoiceSignal Series C preferred stock and 49,614,300 shares of VoiceSignal Series D preferred stock for an aggregate total of 77,930,422 shares of VoiceSignal capital stock on an as-converted-to-common stock basis, in favor of adoption of the merger agreement and approval of the transactions contemplated thereby. These shares represent approximately 74% of the VoiceSignal capital stock outstanding, on an as-converted-to-common stock basis and approximately 78% of the outstanding Series C preferred stock and Series D preferred stock, voting together as a single class on an as-converted-to-common stock basis, as of May 31, 2007. See the section entitled "VoiceSignal Voting Agreements" in this consent solicitation statement/prospectus.

Do not send in any stock certificates with your action by written consent. The exchange agent for the merger will mail transmittal forms with instructions for the surrender of stock certificates representing VoiceSignal shares to former VoiceSignal stockholders as soon as practicable prior to the completion of the merger.

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THE MERGER

The following is a description of the material aspects of the proposed merger and related transactions. The following description may not contain all of the information that is important to you. You should read this entire consent solicitation statement/prospectus, including the section entitled **Agreements Related to the Merger**, and the other documents we refer to carefully for a more complete understanding of the merger and the related transactions.

Background of the Merger

Both Nuance and VoiceSignal regularly evaluate strategic opportunities, including potential mergers with other companies, acquisitions of other companies or assets, and licensing, marketing and development alliances.

From time to time since 2003, VoiceSignal and Nuance have engaged in preliminary discussions regarding a possible business combination. Since February 2004, VoiceSignal and Nuance have been engaged in litigation regarding various patent and trade secret disputes.

In April 2006, Nuance approached VoiceSignal about a possible merger. The VoiceSignal board of directors subsequently decided it was appropriate to engage a financial advisor to assist with evaluation of the Nuance offer and other unsolicited offers being received. In August 2006, VoiceSignal engaged Goldman, Sachs & Co., a financial advisor, to evaluate strategic opportunities and to assist VoiceSignal with the possible sale of all or a portion of VoiceSignal or the undertaking of an initial public offering of its common stock.

On June 13, 2006, Nuance and VoiceSignal entered into a Mutual Non-Disclosure and FRE 408 Agreement in order to facilitate preliminary discussions regarding a potential strategic transaction.

From time to time between September 2006 and March 2007, representatives of Nuance and VoiceSignal engaged in preliminary discussions regarding a potential strategic transaction between the companies. Prior to March 2007, the VoiceSignal board of directors did not view the proposed merger consideration as beneficial to the VoiceSignal stockholders or adequately representative of the value of VoiceSignal.

On November 2, 2006, Nuance and VoiceSignal entered into a new Mutual Non-Disclosure and FRE 408 Agreement in order to facilitate additional preliminary discussions regarding a potential strategic transaction.

During March 2007, representatives of Nuance's management team and representatives of Lehman Brothers, Nuance's financial advisor, met several times to discuss financial analyses regarding a potential acquisition of VoiceSignal. On March 23, 2007, Nuance contacted VoiceSignal and delivered a formal, non-binding, offer to Richard Geruson, Chief Executive Officer and a member of the board of directors of VoiceSignal, offering to purchase VoiceSignal for \$290 million and presented a term sheet and draft merger agreement outlining the proposed transaction.

On March 26, 2007, the VoiceSignal board of directors discussed via conference call the term sheet that had been received from Nuance and the conditions for the proposed acquisition. The board of directors consulted with outside legal counsel, and requested their counsel to review the term sheet and proposed merger agreement.

On March 27, 2007, the VoiceSignal board of directors met telephonically to discuss the high-level issues identified by its legal counsel. Representatives from Goldman, Sachs also telephonically attended the meeting of the board of directors. The board of directors discussed several aspects of the proposed merger with Goldman, Sachs and legal counsel. The board of directors then reviewed the proposed transaction without the outside advisors. After the

meeting, the board of directors directed management to engage in negotiations with Nuance to attempt to resolve any outstanding issues and attempt to reach a definitive merger agreement with Nuance.

On March 28, 2007, Paul Ricci, Nuance's Chairman and Chief Executive Officer, and Richard Palmer, Nuance's Senior Vice President of Corporate Development, met telephonically with representatives of

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Goldman, Sachs, VoiceSignal's financial advisor, to discuss the terms of the proposed transaction and the process the companies would follow to complete the transaction.

Between March 28, 2007 and April 4, 2007, representatives of Nuance, Lehman Brothers, Goldman, Sachs and legal advisors to VoiceSignal and Nuance met telephonically several times to negotiate the major economic terms of the transaction and the terms under which VoiceSignal would agree to enter into an exclusive negotiating period.

On April 4, 2007, VoiceSignal and Nuance entered into an exclusivity agreement. Pursuant to the terms of the agreement, Nuance was not allowed to perform diligence of VoiceSignal until a non-disclosure agreement among the parties had been executed and a mutually satisfactory form of the merger agreement had been reached.

On April 16 and 17, 2007, Mr. Ricci, Lee Barbieri, a member of VoiceSignal's board of directors, Mr. Gerson, and their respective financial and legal advisors met telephonically to negotiate certain open points of the merger agreement.

On April 19, 2007, the VoiceSignal board of directors met telephonically to review the status of the negotiations with Nuance. Mr. Gerson reviewed the timetable for reaching a transaction with Nuance and updated the board of directors on the diligence process to be completed prior to the execution of a merger agreement. Mr. Gerson and the VoiceSignal board of directors considered the total purchase price, the mix of proposed merger consideration, the treatment of vested and unvested stock options at closing and the size of the proposed escrow to cover indemnification claims.

On April 30, 2007, the parties agreed to an updated Non-Disclosure and FRE 408 Agreement. The agreement set forth the process and procedures for the receipt of the diligence information by Nuance and its advisors.

On May 2, 2007, the Nuance board of directors held a regular meeting via conference call, at which it considered the possible acquisition of VoiceSignal. Among other matters, the directors discussed: (1) the strategic benefits of the transaction; (2) financial analyses and other information with respect to the companies presented by Lehman Brothers; (3) the financing alternatives available to Nuance in order to consummate the transaction; and (4) the impact of the transaction on Nuance and its stockholders.

On May 4, 2007, pursuant to the terms of the exclusivity agreement between the parties, VoiceSignal, through its legal advisor, notified Nuance that VoiceSignal had received an acquisition inquiry, offer or proposal from a third party.

On May 5, 2007, Nuance and VoiceSignal agreed on the form of a merger agreement. Pursuant to the terms of the non-disclosure agreement, Nuance's legal counsel and financial advisors began the review of VoiceSignal's diligence material in the offices of VoiceSignal's legal counsel. From May 6, 2007 through May 11, 2007, these advisors continued their diligence review of VoiceSignal.

On May 10, 2007, representatives of VoiceSignal and Goldman, Sachs met telephonically with Mr. Ricci and representatives of Lehman Brothers to discuss an overview of Nuance's business.

On May 12, 2007, VoiceSignal, through its legal advisor, notified Nuance that VoiceSignal had received another acquisition inquiry, offer or proposal from a third party.

On May 12, 2007, the VoiceSignal board of directors met telephonically to review the status of the proposed merger. Mr. Gerson informed the board of directors that a merger agreement had been negotiated with respect to the potential transaction and that Nuance's diligence review had been completed. Mr. Gerson requested that VoiceSignal's outside legal counsel update the board of directors with the terms of the merger agreement and review any changes that had

occurred during the negotiations. The board of directors also considered the letter agreement between VoiceSignal and certain executive officers with respect to transaction bonuses payable upon closing of the merger and the acceleration of the option awards to certain founders upon the closing of the merger. The VoiceSignal board of directors then unanimously approved the transactions

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contemplated by the merger agreement and the appointment of Stata Venture Partners, LLC as the stockholder representative.

On May 12, 2007, the Nuance board of directors held a special meeting, at which it reviewed the terms and status of the negotiations. The board requested additional information from management and then agreed to reconvene the following day.

On the evening of May 12, 2007, Mr. Ricci, Steve Chambers, President of Nuance's Speech Division, Helgi Bloom, Director of Corporate Development for Nuance, Messrs. Barbieri and Geruson, and Damon Pender, VoiceSignal's Vice President of Finance, held a conference call to discuss certain aspects of VoiceSignal's business.

On May 13, 2007, the Nuance board of directors held a special meeting, at which management and representatives of Lehman Brothers and Nuance's accounting consultants and legal advisors discussed the findings of Nuance's diligence of VoiceSignal, the strategic benefits of the acquisition and reported on the final terms of the merger agreement and related agreements. Representatives of Lehman Brothers reviewed financial analyses with respect to the proposed acquisition. After consideration of these presentations, the Nuance board of directors unanimously approved the acquisition and merger agreement.

On May 14, 2007, Nuance, VoiceSignal and Vicksburg Acquisition Corporation entered into the merger agreement.

On May 14, 2007, certain executive officers, directors and related stockholder affiliates holding approximately 74% of the capital stock of VoiceSignal on an as-converted-to-common stock basis and approximately 78% of the Series C preferred stock and Series D preferred stock, voting together as a single class on an as-converted-to-common stock basis entered into voting agreements with Nuance pursuant to which they have agreed to vote in favor of the merger upon presentation to the VoiceSignal stockholders.

Consideration of the Merger by Nuance

The Nuance board of directors considered a number of alternatives for enhancing its competitive position in the speech technology markets and increasing stockholder value. The Nuance board of directors believes that the proposed merger is in the best interest of Nuance and its stockholders. The Nuance board of directors unanimously approved the merger agreement and the merger. This decision was based on a number of factors, including the potential benefits that the Nuance board of directors believes will contribute to the future success of the combined company. These benefits include:

the ability to better serve the customer base of each company with a comprehensive portfolio of technologies, applications and expertise that will enable customers to effectively deploy innovative speech-solutions;

the ability of the combined company to bring together an array of technical resources, including scientists and engineers and an expanded intellectual property portfolio;

the complementary nature of the technologies of the combined company;

the ability to leverage a unified sales infrastructure to expand sales coverage and create improved opportunities for selling the products of the combined company;

the ability to leverage combined technical assets and expertise to focus on technology specific to specific verticals, increased ability to develop applications more efficiently and optimization of technology to improve performance;

the ability of the combined company to employ the skills and resources of both companies' management teams; and

the transaction is expected to achieve synergies from the combined research and development, marketing, sales and administrative areas of the company following the merger.

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The Nuance board of directors evaluated all of the potential benefits described above in light of their knowledge of VoiceSignal's business, financial condition and prospects, Nuance's business, financial condition and prospects, and the market for speech technology solutions. The Nuance board of directors also identified and considered potentially negative factors that could result from the merger, including the risks posed by the necessary integration of the businesses and operations of the two companies and the risk that the combined company will not be able to fully realize potential synergies and cost saving opportunities. In addition, the Nuance board of directors considered a number of other factors in evaluating the proposed merger, including presentations given by Nuance's management. In view of the variety of factors considered by the Nuance board of directors in its evaluation of the merger, the Nuance board of directors did not find it practicable to, and did not, quantify or otherwise assign relative weight to the specific factors considered in reaching its decision. In addition, individual members of the Nuance board of directors may have given different weight to different factors. While the list of potential benefits described in this section as having been considered by the Nuance board of directors is not intended to be the complete list of all of the potential benefits considered, it is believed to include the potential benefits considered by the Nuance board of directors to be material.

The Nuance board of directors believes that the merger is advisable, and is fair to and in the best interests of Nuance and its stockholders.

Consideration of the Merger by VoiceSignal

VoiceSignal has been in operation since 1995, and has historically raised capital through private financings. The VoiceSignal board of directors considered a number of alternatives for enhancing its competitive position in the speech technology market and increasing stockholder value. Prior to March 2007, the board of directors considered several acquisitions of companies to grow the company and increase the value of the company for stockholders. The VoiceSignal board of directors also considered raising capital and increasing stockholder liquidity through an initial public offering of its common stock.

The VoiceSignal board of directors believes that the proposed merger is in the best interests of VoiceSignal and its stockholders. The VoiceSignal board of directors unanimously approved the proposed merger and related merger agreement. This decision was based on a number of factors, including:

the total merger consideration of approximately \$300 million, to be comprised of \$210 million in cash and \$90 million in shares of Nuance common stock;

the opportunity for VoiceSignal's stockholders to gain liquidity and participate in the future performance of a larger provider of speech and imaging solutions;

the relative financial conditions, results of operations and prospects of VoiceSignal and Nuance;

the board of director's belief that the merger would allow VoiceSignal and Nuance to achieve synergies in the form of cost savings and other efficiencies;

the general market conditions and changes in the outlook for the industries in which Nuance's and VoiceSignal's businesses operate;

the requested escrow amount for Nuance indemnification claims of \$30 million for a period of twelve months subsequent to the closing of the merger;

the treatment of VoiceSignal outstanding stock options, which includes: the assumption of unvested options by Nuance and the opportunity for holders of vested options to net exercise their vested options in order to pay the applicable total exercise price and receive their pro rate share of the merger consideration; and

the ability for the parties to close the merger after signing the merger agreement.

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In reaching its decision to approve and adopt the merger agreement and the transactions contemplated thereby, the VoiceSignal board of directors also identified and considered a number of potentially negative factors that could result from the merger, including the following:

the risks that the integration of the businesses, products and personnel of the two companies will not be successfully implemented and may require a significant amount of management time and resources;

the risk that the potential synergies and cost-saving opportunities identified by Nuance and VoiceSignal will not be fully realized or not fully realized in the time frame anticipated;

in the event that the transaction is not consummated, the possible negative effects of the announcement of the merger on VoiceSignal's relationships with customers and suppliers, employee morale and potential loss of key employees, and the impact on our sales, operating results and stock price, and the negative impact that the transaction costs incurred in connection with the proposed merger would have on Voice Signal's cash reserves and operating results;

because VoiceSignal stockholders will receive shares of Nuance common stock as part of the merger consideration, the price volatility of Nuance's common stock which may reduce the market price of the Nuance common stock that VoiceSignal stockholders will receive upon the closing of the merger;

the restrictions that the merger agreement imposes on actively soliciting competing bids;

the limitations that the merger agreement imposes on VoiceSignal's ability to operate its business until the transaction closes or is terminated;

the risk of diverting management's attention from other strategic priorities to implement merger integration efforts; and

the other risks described in this consent solicitation statement/prospectus in the section entitled "Risk Factors."

The VoiceSignal board of directors evaluated all of the factors described above in light of its knowledge of VoiceSignal's business, financial condition and prospects, Nuance's business, financial condition and prospects, and the market opportunities for speech technology solutions. In view of the variety of factors considered by the VoiceSignal board of directors in its evaluation of the merger, the VoiceSignal board of directors did not find it practicable to, and did not, quantify or otherwise assign relative weight to the specific factors considered in reaching its decision. In addition, individual members of the VoiceSignal board of directors may have given different weight to different factors. The list of factors described in this section as having been considered by the VoiceSignal board of directors is not intended to be the complete list of all factors considered but is believed to include all of the factors considered by the VoiceSignal board of directors to be material.

After considering all of the information and factors described in this section, the VoiceSignal board of directors unanimously approved the merger, the merger agreement and the other transactions contemplated by the merger agreement. The VoiceSignal board of directors believes that the merger agreement and the merger are fair to, advisable and in the best interests of VoiceSignal and its stockholders. The VoiceSignal board of directors has unanimously recommended that the VoiceSignal stockholders vote FOR the adoption of the merger agreement and approval of the transactions contemplated thereby.

Interests of VoiceSignal Directors and Officers in the Merger

When VoiceSignal stockholders consider the recommendation of the board of directors of VoiceSignal with respect to the merger, they should be aware that some of the officers and directors of VoiceSignal have interests in connection with the merger, that are different from, or in addition to, the interests of their stockholders, as summarized below. In making their decision to recommend the merger, the board of directors of VoiceSignal was aware of these interests and considered them among the other matters described above under the section entitled "The Merger - Consideration of the Merger by VoiceSignal" on page 35.

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The table below sets forth the interests of the directors and officers of VoiceSignal in VoiceSignal's capital stock as of August 13, 2007.

Name	Aggregate Shares of Voice Signal Common Stock*	Aggregate Shares Subject to Options Outstanding	Aggregate Shares Subject to Unvested Options	Weighted Average Exercise Price of Outstanding Options	Relationship to VoiceSignal
Lee Barbieri(1)	37,513,664			n/a	Director
Thomas DiBenedetto(2)	12,647,281			n/a	Director
Frank Boyer		275,000	137,500	\$ 0.09	Director
Richard Geruson		8,316,114	519,757	\$ 0.09	Director, Chief Executive Officer
Jason Martin(3)	23,018,936			n/a	Director
Daniel L. Roth	7,090,133	2,019,103	43,750	\$ 0.09	Director, President
Victor Zue		90,000		\$ 0.45	Director
Thomas Lazay	7,090,133	639,701		\$ 0.09	Vice President of Product Management
Damon Pender	50,000	104,920	32,812	\$ 0.26	Vice President of Finance

* Includes shares of preferred stock on an as-converted-to-common stock basis.

- (1) Shares beneficially owned consists of the 37,513,664 shares held by Stata Venture Partners, LLC.
- (2) Shares beneficially owned includes 3,189,815 held in various trusts for the benefit of family members of Mr. DiBenedetto.
- (3) Shares beneficially owned consists of 23,018,936 shares held by Argonaut Holdings LLC.

Accelerated Vesting of Stock Options. All outstanding vested stock options will terminate following the completion of the merger if not exercised before such time. Certain outstanding stock options held by directors and officers of VoiceSignal are subject to acceleration benefits in connection with the merger. The table above identifies, for each VoiceSignal director and officer, as of August 13, 2007, the aggregate number of shares subject to outstanding options of VoiceSignal common stock that may contain acceleration of vesting benefits in connection with the merger.

Stock Option Acceleration Agreements with Executive Officers. On May 12, 2007, VoiceSignal's board of directors approved the acceleration of all stock option awards held by Thomas Lazay and Daniel Roth, providing that upon the completion of the merger, all unvested stock options held by both Mr. Lazay and Mr. Roth will be 100% vested.

Employment Agreement with VoiceSignal's CEO. The letter agreement with Richard Geruson, VoiceSignal's Chief Executive Officer and a member of the board of directors, dated September 4, 2003, provides that if VoiceSignal terminates Mr. Geruson's employment without cause or if his employment terminates due to resignation for good reason, death or disability, Mr. Geruson shall receive (i) one times his annual compensation; (ii) continuing benefits

for a period of twelve months of termination; (iii) his target bonus for the year of termination of employment; and (iv) a six month acceleration of vesting for his then unvested equity. Upon a change in control of VoiceSignal, 50% of Mr. Geruson's then unvested equity will immediately vest. If such termination occurs within two years following a change of control, 100% of his unvested equity will vest in full.

Employment Agreements. VoiceSignal has also entered into agreements with certain officers and key employees that provide severance benefits if such officer's or key employee's employment is terminated under certain circumstances.

Under the following employment agreements, if VoiceSignal terminates the employment of any of these employees without cause or their employment terminates due to resignation for good reason (including a

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voluntary resignation for any reason within three (3) months after a change in control) or disability, such employee shall receive the following severance benefits:

Agreement with Daniel Roth, dated as of September 6, 2003, provides that Mr. Roth will receive twelve months base salary, target bonus for the year and continuing health benefits for the twelve months following termination of employment.

Agreement with Thomas Lazay, dated as of September 6, 2003, provides that Mr. Lazay will receive twelve months base salary, target bonus for the year and continuing health benefits for twelve months following termination of employment.

In addition, VoiceSignal entered into a Change in Control Separation Agreement with Damon Pender, dated as of April 20, 2004, that provides that if Mr. Pender is terminated by VoiceSignal within six months of a change in control, Mr. Pender will receive six months salary and continuing health benefits for six months following termination of employment.

Change in Control Bonuses. VoiceSignal has entered into a letter agreement, as modified by the VoiceSignal Board of Directors, with the following officers and directors providing that upon the effective date of the merger, each of the following officers and directors will receive payments, as set forth below:

Individual	Title	Amount
Richard Geruson	Chief Executive Officer, Director	\$630,000
Damon Pender	Vice President of Finance	\$250,000
Frank Boyer	Director	\$25,000
Victor Zue	Director	\$25,000

Voting Agreements. Certain of VoiceSignal directors and officers have entered into voting agreements with Nuance in connection with the merger. See the section entitled *Agreements Related to the Merger – VoiceSignal Voting Agreements* beginning on page 58 for a description of these agreements.

Material U.S. Federal Income Tax Consequences of the Merger

The following discussion summarizes certain U.S. federal income tax consequences of the merger that are generally applicable to holders of VoiceSignal capital stock. This discussion is based on currently existing provisions of the Internal Revenue Code of 1986, as amended, which is referred to as the Code, existing Treasury regulations thereunder, and current administrative rulings and court decisions, all as of the date hereof and all of which are subject to change. Any such change, which may or may not be retroactive, could alter the tax consequences to holders of VoiceSignal capital stock as described herein. Stockholders should be aware that this discussion does not deal with all U.S. federal income tax consequences that may be relevant to the individual stockholders in light of each stockholder's particular circumstances, including, for example, for a stockholder who is a foreign person or entity, a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) or a partner in such partnership, an estate, a trust, a tax-exempt entity, a financial institution, an insurance company, a dealer in securities, a stockholder who acquired VoiceSignal capital stock in connection with a stock option or stock purchase plan or otherwise in connection with the performance of services, who is subject to the alternative minimum tax provisions of the Code or who holds shares of VoiceSignal capital stock as part of a hedge, straddle, or other risk reduction, constructive sale or conversion transaction. This discussion assumes that the shares of VoiceSignal capital stock are held as capital assets (generally, for investment). In addition, the following discussion does not address the tax consequences of transactions

effectuated prior or subsequent to, or concurrently with, the merger (whether or not such transactions are in connection with the merger), including without limitation transactions in which shares of VoiceSignal capital stock are acquired or shares of Nuance common stock are disposed of. Moreover, this summary does not address the tax consequences of the merger or related transactions to holders of promissory notes, options or warrants to purchase VoiceSignal capital stock, or to stockholders who receive consideration other than the merger Consideration or other than in exchange for VoiceSignal capital stock. Furthermore, no foreign, state or local tax considerations are addressed herein.

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Taxable sale of VoiceSignal capital stock. The receipt of the merger consideration pursuant to the merger, or the receipt of cash pursuant to the exercise of appraisal rights under Delaware law, in exchange for shares of VoiceSignal capital stock will be taxable to the stockholders of VoiceSignal. Stockholders generally will recognize gain or loss equal to the difference between their adjusted tax basis in the surrendered VoiceSignal capital stock and the proceeds received pursuant to the merger or the exercise of appraisal rights, including any cash and the fair market value of any shares of Nuance common stock. Except for the portion of any payment from the escrow fund taxed as interest income (as described below), and the payment of interest as directed by a Delaware court with respect to dissenting shares, such gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if the stockholder's holding period for the VoiceSignal capital stock is more than one year as of the completion of the merger. For non-corporate stockholders, long-term capital gain is currently subject to a maximum federal income tax rate of 15%. The deductibility of capital losses is subject to limitations.

Gain or loss must be calculated separately for each block of VoiceSignal capital stock (i.e., shares of VoiceSignal capital stock acquired at the same time in a single transaction). Stockholders who own separate blocks of VoiceSignal capital stock should consult their tax advisors with respect to these rules.

Installment Sale Reporting. Because the cash deposited in the escrow fund is to be received by the stockholders, if at all, after the close of the taxable year in which the merger occurs, any gain realized by a stockholder on the sale of VoiceSignal capital stock should be reported under the installment method, unless the stockholder affirmatively elects out of or is otherwise ineligible for installment method reporting. The installment method does not apply to any stockholder who will recognize a loss upon the sale of such stockholder's VoiceSignal capital stock.

Generally, under the installment method, a portion of each payment received is taxable as gain in the year of receipt, a portion represents a tax-free recovery of the stockholder's basis in the shares of VoiceSignal capital stock and, with respect to any payment more than six months after the completion of the merger, a portion is taxable as imputed interest (as discussed below). The gain to a stockholder generally would be calculated by multiplying the value of any payment received (excluding the portion of such payment treated as interest income under the imputed interest rules described below) by the gross profit ratio. The gross profit ratio is the ratio that (1) the selling price less the stockholder's adjusted basis in the shares of VoiceSignal capital stock bears to (2) the total selling price of the stockholder's shares of VoiceSignal capital stock. When a maximum sales price is stated, Treasury regulations regarding the installment method generally require stockholders to assume, for purposes of calculating the selling price and the gross profit ratio, that they will receive the maximum possible amount of sale proceeds at the earliest possible times under the terms of the merger agreement. However, the selling price does not include amounts treated as interest income under the imputed interest rules described below.

One significant effect of the installment method of which stockholders should be aware is that the amount of gain attributable to the merger consideration paid on completion of the merger may be reduced by only a portion of the stockholder's basis in the shares of VoiceSignal capital stock. To the extent the installment sale rules result in a net over inclusion of gain, a stockholder generally would be entitled to a capital loss.

Imputed Interest. Under the installment method, a portion of any payment more than six months after the completion of the merger will be treated as interest income taxable at ordinary income rates when received, and will reduce the amount of gain (or increase the amount of loss) otherwise recognizable. The portion of any payment more than six months after the completion of the merger that will be treated as interest income is determined by discounting the actual amount of the payment, using the appropriate applicable federal rate, from the date the payment becomes fixed to the date of the completion of the merger. The discounted amount is then subtracted from the actual amount of the payment, and the remainder is the portion of the payment treated as interest income.

Section 453A Additional Interest Charges on Deferred Taxes. Under Section 453A of the Code, additional annual interest charges may be imposed on the portion of a stockholder's tax liability that is deferred by the installment method in connection with sales of any property (including the shares of VoiceSignal capital stock) with a sales price greater than \$150,000, to the extent that the aggregate face

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amount of installment receivables that arise from all \$150,000 sales by the stockholder (including sales of shares of VoiceSignal capital stock) during the year and that remain outstanding as of the close of the year exceeds \$5 million.

Electing Out of Installment Method. Stockholders may elect not to use the installment method for U.S. federal income tax purposes. Such election not to use the installment method should be made on a stockholder's return for the taxable year in which the completion of the merger occurs. A stockholder who elects out of the installment method must recognize gain on the sale (including gain based on the fair market value of the escrow fund) in accordance with such stockholder's method of accounting. To the extent that a payment from the escrow fund is more or less than the amount previously taken into income, a stockholder would be required to recognize additional gain or loss.

STOCKHOLDERS WHO ANTICIPATE RECOGNIZING A GAIN AS A RESULT OF THE MERGER ARE STRONGLY ENCOURAGED TO CONSULT THEIR OWN TAX ADVISORS WITH REGARD TO THE EFFECT TO THEM OF THE APPLICATION OF THE INSTALLMENT METHOD AND WHETHER THEY SHOULD ELECT OUT THE INSTALLMENT METHOD BASED ON THEIR PARTICULAR SITUATIONS.

Backup Withholding. In order to avoid backup withholding of U.S. federal income tax on payments to VoiceSignal stockholders, unless an exception applies, each stockholder must provide such stockholder's correct taxpayer identification number, or TIN, on IRS Form W-9 (or, if appropriate, another withholding form) and certify under penalties of perjury that such number is correct and that such stockholder is not subject to backup withholding. If a VoiceSignal stockholder fails to provide the correct taxpayer or certification, payments received may be subject to backup withholding, currently at a 28% rate. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is furnished to the IRS.

Accounting Treatment of the Merger

Nuance will account for the merger using the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. As such, the assets acquired and liabilities assumed of VoiceSignal will be recorded at their fair values as of the date of the merger. Any excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets acquired will be recorded as goodwill. The results of operations of VoiceSignal will be included in Nuance's results of operations from the date of the closing of the merger.

Regulatory Approvals

Under the HSR Act, the merger may not be consummated unless certain filings have been submitted to the FTC and the Antitrust Division and certain waiting period requirements have been satisfied. Nuance and VoiceSignal filed the appropriate notification and report forms with the FTC and with the Antitrust Division and are awaiting the expiration, or notice of the early termination, of the waiting period.

The FTC and the Antitrust Division frequently evaluate transactions like the merger. At any time before or after the completion of the merger, the FTC or the Antitrust Division could take any action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the completion of the merger or seeking the divestiture of substantial assets of Nuance or VoiceSignal. In addition, certain private parties, as well as state attorneys general and other antitrust authorities, may challenge the transaction under antitrust laws under certain circumstances.

In addition, the merger may be subject to various foreign antitrust laws.

Nuance and VoiceSignal believe that the completion of the merger will not violate any antitrust laws. There can be no assurance, however, that a challenge to the merger on antitrust grounds will not be made, or, if such a challenge is made, what the result will be.

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Listing on the Nasdaq National Market of Nuance Shares Issued Pursuant to the Merger

The authorization for listing of the shares of Nuance common stock to be issued in the merger on the NASDAQ Global Select Market, subject to official notice of issuance, is a condition to the merger.

Restrictions on Sales of Shares of Nuance Common Stock Received in the Merger

The shares of Nuance common stock to be issued in connection with the merger will be registered under the Securities Act and will be freely transferable, except for shares of Nuance common stock issued to any person who is deemed to be an affiliate of VoiceSignal prior to the merger. Persons who may be deemed to be affiliates of VoiceSignal prior to the merger include individuals or entities that control, are controlled by, or are under common control of VoiceSignal prior to the merger, and may include officers and directors, as well as principal stockholders of VoiceSignal prior to the merger. Affiliates of VoiceSignal will be notified separately of their affiliate status.

Persons who may be deemed to be affiliates of VoiceSignal prior to the merger may not sell any of the shares of Nuance common stock received by them in connection with the merger except pursuant to:

- an effective registration statement under the Securities Act covering the resale of those shares;
- an exemption under paragraph (d) of Rule 145 under the Securities Act; or
- any other applicable exemption under the Securities Act.

Nuance's registration statement on Form S-4, of which this consent solicitation statement/prospectus is a part, does not cover the resale of shares of Nuance common stock to be received in connection with the merger by persons who may be deemed to be affiliates of VoiceSignal prior to the merger.

Appraisal Rights

Holders of record of VoiceSignal capital stock who do not vote in favor of adopting the merger agreement, the merger, and approving the transactions contemplated by the merger agreement, and who otherwise comply with the applicable provisions of Section 262 of the Delaware General Corporation Law, which we refer to throughout this consent solicitation statement/prospectus as the DGCL, will be entitled to exercise appraisal rights under Section 262 of the DGCL.

This means that those who do not provide written consent in favor of the proposal relating to approval of the adoption of merger agreement, the merger and the transactions contemplated by the merger agreement and who comply with the other provisions of Section 262 will have the right to seek payment of the fair market value of their stock if the merger is completed. A copy of Section 262 is attached hereto as Annex B. A stockholder's execution of the written consent provided with this consent solicitation statement/prospectus will constitute a waiver of applicable dissenters' rights. Only stockholders as of the date the merger is approved are eligible to assert dissenters' rights.

Appraisal Rights Under Delaware Law. The following is a summary of the procedures to be followed under Section 262, the full text of which is attached hereto as Annex B and is incorporated herein by reference. The summary does not purport to be a complete statement of, and is qualified in its entirety by reference to, Section 262 and to any amendments to such section after the date of this consent solicitation statement/prospectus. Failure to follow any of the procedures of Section 262 may result in termination or waiver of appraisal rights under Section 262.

VoiceSignal stockholders should assume that VoiceSignal will take no action to perfect any appraisal rights of any stockholder. Any VoiceSignal stockholder who desires to exercise his, her or its appraisal rights should review carefully Section 262 and is urged to consult his, her or its legal advisor before electing or attempting to exercise such rights.

Only a holder of record of shares of VoiceSignal capital stock who has not consented to the merger will be entitled to seek appraisal. The demand for appraisal must be executed by or for the holder of record, fully and correctly, as such holder's name appears on the holder's certificates evidencing shares of VoiceSignal capital stock. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or

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custodian, the demand should be made in that capacity, and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand must be made by or for all owners of record. An authorized agent, including one or more joint owners, may execute the demand for appraisal for a holder of record; however, such agent must identify the record owner or owners and expressly disclose in such demand that the agent is acting as agent for the record owner or owners of such shares.

A record holder, such as a broker who holds shares of VoiceSignal capital stock as a nominee for beneficial owners, some or all of whom desire to demand appraisal, must exercise rights on behalf of such beneficial owners with respect to the shares held for such beneficial owners. In such case, the written demand for appraisal should set forth the number of shares covered by such demand. Unless a demand for appraisal specifies a number of shares, such demand will be presumed to cover all shares held in the name of such record owner.

Under Sections 228(d) and 262(d)(2) of the DGCL, VoiceSignal is required to mail to each holder of VoiceSignal capital stock who has not consented in writing to the adoption and approval of the merger agreement, and the merger and the transactions contemplated thereby, a Notice of Corporate Action Taken Without a Meeting and Notice of Availability of Appraisal and Dissenters' Rights, referred to as the Notice of Action Taken and Appraisal Rights. The Notice of Action Taken and Appraisal Rights must be delivered to the applicable VoiceSignal stockholders by either VoiceSignal following receipt of the requisite approval of the adoption and approval of the merger agreement, the merger and the transactions contemplated thereby, or by VoiceSignal within 10 days following the consummation of the merger. Any stockholder entitled to appraisal rights may, on or before 20 days after the date of mailing of the Notice of Action Taken and Appraisal Rights, demand in writing from VoiceSignal an appraisal of his, her or its shares of VoiceSignal capital stock. Such demand will be sufficient if it reasonably informs VoiceSignal of the identity of the stockholder and that the stockholder intends to demand an appraisal of the fair value of the stockholder's shares. Failure to make such a demand on or before the expiration of such twenty-day period will foreclose a stockholder's rights to appraisal. Stockholders should not expect to receive any additional notice with respect to the deadline for demanding appraisal rights.

A VoiceSignal stockholder who elects to exercise appraisal rights must mail or deliver the written demand for appraisal to:

Voice Signal Technologies, Inc.
150 Presidential Way, Suite 310
Woburn, MA 01801
Attn: Corporate Secretary
Telephone: (781) 970-5200
Facsimile: (781) 970-5300

A stockholder may withdraw a demand for appraisal within 60 days after the effective time of the merger. Thereafter, the approval of VoiceSignal will be needed for such a withdrawal. Upon withdrawal of a demand for appraisal, a VoiceSignal stockholder will be entitled to receive the consideration set forth in the merger agreement in exchange for his, her or its shares of VoiceSignal capital stock.

Within 120 days after the effective time of the merger, referred to as the 120-Day Period, in compliance with Section 262, any VoiceSignal stockholder who has properly demanded an appraisal and who has not withdrawn the stockholder's demand as provided above (such stockholders being referred to collectively as the Dissenting Stockholders) and VoiceSignal each have the right to file in the Delaware Court of Chancery a petition demanding a determination of the value of the shares held by all of the Dissenting Stockholders. If, within the 120-day Period, no petition shall have been filed as provided above, all rights to appraisal will cease and all of the Dissenting Stockholders who owned shares of VoiceSignal capital stock will become entitled to receive the consideration set

forth in the merger agreement in exchange for his, her or its shares of VoiceSignal capital stock. VoiceSignal is not obligated and does not currently intend to file a petition. Any Dissenting Stockholder is entitled, within the 120-day Period and upon written request to VoiceSignal, to receive from VoiceSignal a statement setting forth the aggregate number of shares not voted in favor of the

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merger and with respect to which demands for appraisal have been received and the aggregate number of Dissenting Stockholders.

Upon the filing of a petition by a Dissenting Stockholder, the Delaware Court may order a hearing and that notice of the time and place fixed for the hearing on the petition be mailed to VoiceSignal and all the Dissenting Stockholders. Notice will also be published at least one week before the day of the hearing in a newspaper of general circulation published in the City of Wilmington, Delaware, or in another publication deemed advisable by the Delaware Court. The costs relating to these notices will be borne by VoiceSignal.

If a hearing on the petition is held, the Delaware Court is empowered to determine which Dissenting Stockholders have complied with the provisions of Section 262 and are entitled to an appraisal of their shares. The Delaware Court may require that Dissenting Stockholders submit their share certificates for notation thereon of the pendency of the appraisal proceedings. The Delaware Court is empowered to dismiss the proceedings as to any Dissenting Stockholder who does not comply with such requirement. Accordingly, Dissenting Stockholders are cautioned to retain their share certificates pending resolution of the appraisal proceedings.

The shares will be appraised by the Delaware Court at the fair value thereof as of the effective time of the merger exclusive of any element of value arising from the accomplishment or expectation of the merger. In determining the value, the court is to take into account all relevant factors. In *Weinberger v. UOP, Inc. et al.*, decided February 1, 1983, the Delaware Supreme Court expanded the considerations that could be considered in determining fair value in an appraisal proceeding, stating 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 stated, in making this determination of fair value, that the court must consider market value, asset value, dividends, earnings, prospects, the nature of the enterprise and any other factors which could be ascertained as of the date of the merger which throw any light on future prospects of the merged corporation. The Delaware Supreme Court noted that Section 262 provides that fair value is to be determined exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Weinberger*, the Delaware Supreme Court held 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.

VoiceSignal stockholders considering seeking appraisal should bear in mind that the fair value of their shares determined under Section 262 could be more, the same or less than the consideration payable pursuant to the merger agreement.

The Delaware Court may also (i) determine a fair rate of interest (simple or compound), if any, to be paid to Dissenting Stockholders in addition to the fair value of the shares for the period from the effective time of the merger to the date of payment, (ii) assess costs of the proceeding among the parties as the Delaware Court deems equitable, and (iii) order 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 fees and expenses of experts, to be charged *pro rata* against the value of all shares entitled to appraisal. Determinations by the Delaware Court are subject to appellate review by the Delaware Supreme Court.

Dissenting Stockholders are generally permitted to participate in the appraisal proceedings. No appraisal proceedings in the Delaware Court shall be dismissed as to any Dissenting Stockholder without the approval of the Delaware Court, and this approval may be conditioned upon terms which the Delaware Court deems just. From and after the effective time of the merger, Dissenting Stockholders will not be entitled to vote their shares for any purpose and will not be entitled to receive payment of dividends or other distributions in respect of such shares payable to stockholders of record thereafter.

Failure to follow the steps required by Section 262 of the DGCL for perfecting appraisal rights may result in the loss of these rights, in which event a VoiceSignal stockholder will be entitled to receive the consideration payable with respect to their shares of VoiceSignal capital stock in accordance with the merger agreement (without interest).

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Consequently, any VoiceSignal stockholder willing to exercise appraisal rights is urged to consult with legal counsel prior to attempting to exercise such rights.

AGREEMENTS RELATED TO THE MERGER

The Merger Agreement

The following is a summary of the material provisions of the merger agreement. This summary is qualified in its entirety by reference to the merger agreement, a copy of which is attached as Annex A to this consent solicitation statement/prospectus and is incorporated into this consent solicitation statement/prospectus by reference. You should read the merger agreement in its entirety, as it is the legal document governing this merger, and the provisions of the merger agreement are not easily summarized.

Structure of the Merger

The merger is structured as a reverse-triangular merger pursuant to which Vicksburg Acquisition Corporation, a wholly owned subsidiary of Nuance, will merge with and into VoiceSignal. Thereafter, Vicksburg Acquisition Corporation will cease to exist as a separate corporate entity and VoiceSignal will continue as the surviving corporation and as a wholly owned subsidiary of Nuance. Unless otherwise determined by Nuance, prior to the effective time of the merger, the certificate of incorporation of the combined company shall be amended and restated as of the effective time of the merger to be identical to the certificate of incorporation of Vicksburg Acquisition Corporation as in effect immediately prior to the effective time of the merger; provided, however, that at the effective time of the merger, Article I of the certificate of incorporation of the combined company shall be amended and restated in its entirety to read as follows: The name of the corporation is Voice Signal Technologies, Inc.

Effective Time and Timing of Closing

The merger will be completed and become effective when the certificate of merger related to the merger of Vicksburg Acquisition Corporation with and into VoiceSignal is filed with the Secretary of State of the State of Delaware, or at such later time as we may agree and as is specified in the certificate of merger, in accordance with Delaware law. The closing of the merger will take place as soon as practicable after all conditions to the merger have been satisfied or waived, or on such other date as we may agree. We currently anticipate that we will complete the merger promptly after the action by written consent has been obtained, assuming VoiceSignal's stockholders give their requisite approvals and all conditions to the merger have been satisfied or waived.

Merger Consideration

Upon completion of the merger, VoiceSignal stockholders will be entitled to receive aggregate merger consideration consisting of approximately \$210 million in cash and approximately 5,836,576 shares of Nuance common stock. The merger consideration actually payable to VoiceSignal stockholders upon completion of the merger is subject to the following adjustments:

the \$210 million in cash will be increased by an amount equal to any cash proceeds received by VoiceSignal in respect of the exercise of any stock options between the date of the merger agreement and completion of the merger as well as any cash paid in lieu of fractional shares of Nuance common stock that would otherwise be issued in the merger;

the \$210 million in cash will be decreased by an amount equal to all fees and expenses incurred by VoiceSignal in connection with the negotiating and completing the merger, such as legal, accounting financial advisory, consulting and all other fees and expenses of third parties; and

the number of shares of Nuance common stock may be reduced to account for the rounding of share distributions and payment in cash of fractional shares to VoiceSignal stockholders.

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As a result of these adjustments as well as adjustments in the allocation of the merger consideration among VoiceSignal stockholders resulting from dividend obligations to certain holders of VoiceSignal preferred stock that fluctuate depending upon the actual date on which the merger is completed, the exact consideration that a VoiceSignal stockholder will receive will not be known at the time the written consent is effective and will depend on the magnitude of these adjustments.

All VoiceSignal stockholders will also have a portion of the merger consideration that they would otherwise be entitled to receive deposited in an escrow account that will be used to compensate Nuance if Nuance is entitled to indemnification under the merger agreement.

Immediately prior to the consummation of the merger, all outstanding shares of preferred stock of Voice Signal will convert into shares of VoiceSignal common stock, including all accrued and unpaid dividends, in accordance with VoiceSignal's amended and restated certificate of incorporation. All outstanding shares of Series A, B and D preferred stock will convert into shares of common stock on a 1 for 1 basis, and all outstanding shares of Series C preferred stock will convert to shares of common stock on a 1 for 2.20127 basis. Assuming a closing date of August 20, 2007, the accrued and unpaid dividends for each share of Series C preferred stock will convert into approximately 1.275 shares of common stock and the accrued and unpaid dividends for each share of the Series D stock will convert into approximately .31 to .39 shares of common stock, depending on stockholders date of investment. No other class or series of VoiceSignal stock have accrued and unpaid dividends.

The stock consideration and cash consideration to be paid per share of VoiceSignal common stock at closing will depend upon numerous variable factors, including the amount of third-party expenses, the actual closing date, the exercise of the outstanding vested options prior to the merger and whether such exercises are on a net or cash basis. Assuming a closing date of August 29, 2007, third-party expenses in the amount of \$10,000,000 and the exercise of all vested options on a cash basis, each 100 shares of VoiceSignal common stock at closing will be entitled to receive approximately \$111.60 in cash, 3.79 shares of Nuance common stock and \$19.46 will be placed in escrow. If funds remain in the escrow account after the expiration of the escrow period, the cash consideration received by each VoiceSignal stockholder will increase.

The number of shares of Nuance common stock to which a VoiceSignal stockholder is entitled to receive will be aggregated and any fractional shares will be paid out as set forth below in The Merger Agreement Fractional Shares. The terms and conditions of the Escrow Fund are described in more detail in the Section entitled The Merger Agreement Escrow Fund.

You should be aware that the above per share amounts are estimates only and are subject to change under certain circumstances as described above and set forth more fully in the merger agreement attached as Annex A to this consent solicitation statement/prospectus. The actual consideration you receive in exchange for your VoiceSignal capital stock may be more, less or the same as these estimates.

The maximum number of shares of Nuance common stock to be issued by Nuance in the merger was fixed at the time the merger agreement was signed. At the time the merger agreement was signed, the parties valued the Nuance common stock at \$15.42 per share based on the average closing price per share of Nuance common stock on the NASDAQ Global Select Market for the 10 trading days immediately preceding May 14, 2007. However, Nuance common stock trades on the NASDAQ Global Select Market and is subject to price fluctuation. Therefore, the value of the Nuance common stock you receive in the merger cannot be known at the time the written consent is effective. The value of the Nuance common stock you receive in the merger may be equal to, less than or greater than its value on the date the merger agreement was signed and/or the time the written consent is effective. Below is a comparison of the effect the fluctuations in the per share price the Nuance common stock could have on the per share value of the

VoiceSignal capital stock exchanged in the merger.

Nuance common stock price per share	\$ 15.00	\$ 16.00	\$ 17.00	\$ 18.00	\$ 19.00	\$ 20.00
Total Consideration per 100 shares of Voice Signal Common Stock*	\$ 188.00	\$ 192.00	\$ 195.00	\$ 199.00	\$ 203.00	\$ 207.00

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- * Includes the value of the stock portion of the merger consideration, the cash portion of the merger consideration and the cash portion to be placed in escrow for each 100 shares of VoiceSignal common stock. The cash portion of the merger consideration and the amount to be placed in escrow shall remain constant regardless of the fluctuating Nuance share price.

The above per share values are estimates only and are subject to change under certain circumstances as set forth more fully in the merger agreement, including a change in the closing date, a change in the number of shares of VoiceSignal capital stock, including exercises of outstanding stock options and a change in the third party expenses. The actual value of the consideration you receive in exchange for your VoiceSignal capital stock may be more, less or the same as these estimates.

See the section entitled *Market Price Data* beginning on page 14 for a description of the historical value of Nuance capital stock. VoiceSignal stockholders are urged to obtain current market quotations for Nuance common stock and to review carefully the other information contained in this consent solicitation statement/prospectus or incorporated by reference into this consent solicitation statement/prospectus. See the section entitled *Where You Can Find More Information* on page 145.

Fractional Shares

Nuance will not issue any fractional shares of common stock in connection with the merger. Instead, each holder of VoiceSignal capital stock who would otherwise be entitled to receive a fraction of a share of Nuance common stock will be entitled to receive cash, without interest, in an amount equal to such fraction multiplied by \$15.42.

Exchange of VoiceSignal Stock Certificates for Nuance Stock Certificates

Immediately prior to the completion of the merger, the exchange agent for the merger will mail to each record holder of VoiceSignal capital stock a letter of transmittal and instructions for surrendering the record holder's VoiceSignal stock certificates in exchange for the consideration to be received by VoiceSignal stockholders in the merger. Only those holders of VoiceSignal capital stock who properly surrender their VoiceSignal stock certificates in accordance with the exchange agent's instructions will receive:

certificates representing the number of whole shares of Nuance common stock to which they are entitled pursuant to the merger agreement;

cash representing the cash portion of the consideration to which they are entitled pursuant to the merger agreement; and

cash in lieu of any fractional share of Nuance common stock.

The surrendered certificates representing VoiceSignal capital stock will be canceled. After the effective time of the merger, each certificate representing shares of VoiceSignal capital stock that has not been surrendered will represent only the right to receive each of the items, as the case may be, enumerated above. Following the completion of the merger, VoiceSignal will not register any transfers of VoiceSignal capital stock on its stock transfer books. Holders of VoiceSignal capital stock should not send in their VoiceSignal stock certificates until they receive a letter of transmittal from the exchange agent for the merger, with instructions for the surrender of VoiceSignal stock certificates.

Appraisal Rights

Subject to compliance with the procedures set forth in Section 262 of the Delaware General Corporation Law, or DGCL, VoiceSignal stockholders who do not vote in favor of, or consent to, the adoption of the merger agreement and approval of the transactions contemplated thereby and otherwise comply with the requirements of the DGCL will not receive the merger consideration in exchange for their shares, but instead will be entitled to appraisal rights in connection with the merger, whereby such stockholders may receive the appraised value of their shares of VoiceSignal capital stock held by them in accordance with the provisions of

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such Section 262 of the DGCL. Failure to take any of the steps required under Section 262 of the DGCL on a timely basis may result in a loss of those appraisal rights.

Distributions with Respect to Unexchanged Shares; Adjustments

Holders of VoiceSignal capital stock are not entitled to receive any dividends or other distributions on Nuance common stock until the merger is completed. Such holders will not receive interest in respect of the cash portion of the merger consideration. In the event of any stock split, reverse stock split, stock dividend, reorganization, reclassification, combination, recapitalization or other like change with respect to VoiceSignal capital stock or Nuance common stock occurring after May 14, 2007 and prior to the closing of the merger, all calculations in the merger agreement that are based upon numbers of shares of any class or series (or trading prices therefore) affected by such event will be equitably adjusted to the extent necessary to provide the same economic effect as contemplated by the merger agreement prior to such stock split, reverse stock split, stock dividend, reorganization, reclassification, combination, recapitalization or other like change.

Transfers of Ownership and Lost Stock Certificates

If the payment of the portion of the merger consideration to which a VoiceSignal stockholder is entitled is to be paid to a person other than the person in whose name the certificates surrendered in exchange therefore are registered, it will be a condition of payment that the certificates so surrendered be properly endorsed and otherwise in proper form for transfer (including, if requested, a medallion guarantee), and that the persons requesting such payment will have paid to Nuance or any agent designated by it any transfer or other taxes required. In the event that any certificates representing VoiceSignal capital stock shall have been lost, stolen or destroyed, the holder of such certificate may need to deliver a bond prior to receiving any merger consideration.

Vested VoiceSignal Stock Options

Nuance will not assume or otherwise replace any VoiceSignal stock option that is vested and exercisable as of the effective time of the merger or that becomes vested and exercisable as a result of the merger.

Prior to completion of the merger, VoiceSignal will give each holder of a vested stock option the opportunity to decline to accept an otherwise automatic modification of such holders vested stock options such that:

immediately prior to the effective time of the merger, and conditioned on the completion of the merger, such holder shall automatically be deemed to have exercised such vested stock option pursuant to a net exercise program whereby such holder will be deemed to have paid the total exercise price required under such vested stock option by relinquishing that number of shares of VoiceSignal common stock underlying such option in an amount necessary to pay the applicable total exercise price and any applicable withholding taxes required because of such net exercise of such vested stock option.

After net exercise, the holder of each such vested VoiceSignal stock option will participate in the merger in the same way, and to the same extent, as if such holder owned the number of shares of VoiceSignal common stock delivered after the automatic deemed net exercise.

Unvested VoiceSignal Options

Nuance will have the opportunity to make a written election prior to the effective time of the merger, to either assume every unvested VoiceSignal option or, instead, cause all such unvested VoiceSignal options to vest and terminate in exchange for a cash payment to the holder of each such terminated option.

The cash payment Nuance will make to each holder of an unvested option if Nuance elects to terminate the unvested options will be equal to (i) the number of shares of VoiceSignal common stock underlying the VoiceSignal option multiplied by (ii) amount of merger consideration to which each outstanding share of VoiceSignal stock on an as-converted-to-common stock basis is entitled in the merger, minus (iii) the total amount of the exercise price due under such option.

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If, instead of terminating the unvested options and making the cash payment described above, Nuance elects to assume all unvested VoiceSignal options, each such assumed option will be converted into an option to purchase a number of shares of Nuance common stock at an exercise price appropriately adjusted for the conversion of VoiceSignal common stock into Nuance common stock in the merger.

If any time after completion of the merger, Nuance or VoiceSignal shall terminate for any reason, other than for Cause, the employment of any holder of an assumed option that was unvested at the effective time of the merger, or the holder of any assumed option that was unvested at the effective time of the merger shall terminate for Good Reason his or her employment with Nuance or VoiceSignal, then, immediately upon such termination, such unvested option shall automatically become exercisable for all of the shares of Nuance common stock subject to such assumed option.

Cause means a determination by the Nuance board of directors that the holder of an assumed unvested option has (a) engaged in willful misconduct or unlawful or dishonest conduct in connection with the performance of such holder's duties and responsibilities as an employee or consultant of Nuance or VoiceSignal; (b) materially breached any of such holder's obligations under any agreement between such holder and Nuance or VoiceSignal that pertains to such holder's employment or consulting relationship with Nuance or VoiceSignal; (c) been convicted of a felony; or (d) refused to obey or follow a lawful and reasonable directive issued by such holder's direct supervisor.

Good Reason means with regard to a holder of an assumed unvested option: (a) a material change in such holder's position and responsibilities as an employee or consultant of Nuance or VoiceSignal, except in connection with the termination of such holder's employment; (b) a reduction in such holder's base salary or consulting fees not agreed to by such holder; or (c) a material breach by Nuance or VoiceSignal of their obligations under any agreement with such holder.

Representations and Warranties

The merger agreement contains representations and warranties made by each of Nuance and Vicksburg Acquisition Corporation on the one hand, and VoiceSignal, on the other, regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the merger. The representations and warranties are subject, in some cases, to specified exceptions and qualifications.

Representations and warranties made by both VoiceSignal and Nuance relate to, among other things:

Nuance's and VoiceSignal's due incorporation, good standing and possession of all governmental licenses, authorizations, permits, consents and approvals required to carry such organizations' respective businesses;

Nuance's and VoiceSignal's corporate power and authority to enter into the merger agreement and to consummate the transactions contemplated by the merger agreement;

the possession by Nuance and VoiceSignal of any required consents or approvals of government entities necessary to consummate the transactions contemplated by the merger agreement;

the absence of any violations of or conflicts with Nuance's or VoiceSignal's organizational documents, applicable laws and certain agreements as a result of entering into the merger agreement and the escrow agreement and consummating the transactions contemplated by the merger agreement;

the accuracy of Nuance's and VoiceSignal's financial statements and other information contained in such documents;

the absence of litigation or outstanding court orders; and

the absence of undisclosed liabilities of Nuance and VoiceSignal.

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The merger agreement also contains representations and warranties made by VoiceSignal relating to, among other things:

its capitalization, including in particular the number of shares of VoiceSignal common and preferred stock and stock options outstanding;

the existence of any subsidiaries;

the requisite approval of its stockholders and the unanimous approval by its board of directors of the merger agreement and the transactions contemplated by the merger agreement;

sufficient internal accounting controls;

the absence of certain changes or events since December 31, 2006, including:

any transaction by VoiceSignal made outside the ordinary course;

any capital expenditure or expenditures in excess of specified amounts;

any payment, discharge or satisfaction of any liabilities in excess of specified amounts;

any damage, destruction or loss of material assets;

any change in any method of accounting, except as required by generally accepted accounting principles;

any changes to VoiceSignal's tax reporting or tax accounting;

any material revaluation of VoiceSignal's assets;

any increase in salary or compensation to VoiceSignal officers, directors or employees;

any incurrence of indebtedness for borrowed money;

any waiver or release of any rights or claims of VoiceSignal in excess of specified amounts;

commencement or settlement of any lawsuit;

any receipt by VoiceSignal of any claim of infringement; and

any sale or license of VoiceSignal's intellectual property or modification or amendment of any existing agreement relating to intellectual property, other than in the ordinary course;

certain tax representations with respect to VoiceSignal;

any restrictions on business practices or distribution of technology or products of VoiceSignal;

its leased real property;

its intellectual property;

the significant contractual agreements to which VoiceSignal is a party;

certain interests of certain officers, directors or stockholders of VoiceSignal;

its minute books;

certain environmental matters with respect to VoiceSignal;

the absence of finders fees;

employment and labor matters, including matters relating to the Employee Retirement Income Security Act and VoiceSignal's employee benefit plans;

its insurance coverage;

absence of any notices of violation of laws;

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its bank accounts;

the accuracy of the information supplied by VoiceSignal and contained in this consent solicitation statement/prospectus; and

disclaimer of representations and warranties related to pending litigation between Nuance and VoiceSignal.

The merger agreement further contains representations and warranties made by Nuance and Vicksburg Acquisition Corporation relating to, among other things:

their capital structure;

the sufficiency of capital held by Nuance to pay the cash consideration in connection with the merger;

the timely filing of appropriate documents with the Securities and Exchange Commission;

the absence of certain changes or events between December 31, 2006, and the date of the merger agreement, including:

any material adverse effect;

any declaration or payment of a dividend with respect to Nuance common stock;

any amendment of Nuance's certificate of incorporation or bylaws, or material term of any outstanding security;

any material change in Nuance's method of accounting;

any split, combination or reclassification of Nuance capital stock;

the due authorization and valid issuance of fully paid and nonassessable Nuance common stock to be issued as merger consideration;

the formation of merger sub solely for purposes of the merger; and

the accuracy of the information supplied by Nuance and contained in this registration and information statement.

The representations and warranties of each of VoiceSignal and Nuance contained in the merger agreement will survive the merger for a period of twelve months from completion of the merger.

Covenants of VoiceSignal

Except as contemplated by the merger agreement, VoiceSignal has agreed that, until completion of the merger or termination of the merger agreement, it will use commercially reasonable efforts to (i) conduct its and its subsidiaries business in the usual, regular and ordinary course, in substantially the same manner as previously conducted, (ii) in the ordinary course of business consistent with past practices pay its debts and pay or perform other material obligations and, when due, its taxes (subject to good faith disputes over such debts, taxes or obligations), (iii) preserve intact its

present business organization, (iv) use commercially reasonable efforts to keep available the services of its present executive officers and other key employees, and (v) use commercially reasonable efforts to preserve in the ordinary course of business its relationships with customers, suppliers, licensors, licensees, and others with which it has business dealings. In addition, VoiceSignal shall promptly notify Nuance in writing of any material adverse effect involving its business or operations.

Under the merger agreement, VoiceSignal also agreed that, until the earlier of the completion of the merger or termination of the merger agreement, or unless Nuance consents in writing, VoiceSignal will not:

adopt or propose any change to its certificate of incorporation or bylaws;

make any expenditures or commitments in excess of the amounts in the merger agreement;

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other than as specifically described in the merger agreement, pay, discharge, waive or satisfy any indebtedness in excess of the amounts in the merger agreement;

adopt or change accounting methods other than as required by generally accepted accounting practices;

make or change any material tax election;

materially revalue any of its assets;

declare, set aside or pay any dividends on shares of capital stock;

split, combine or reclassify any shares of VoiceSignal capital stock;

issue or authorize the issuance of any securities in substitution of VoiceSignal capital stock;

repurchase, redeem or otherwise acquire shares of VoiceSignal capital stock;

increase the salary or other compensation of any officer, director employee or advisor, except in the ordinary course;

sell, lease, license or dispose of any properties or assets, except in the ordinary course and consistent with past practices;

make any loans, purchase debt securities or amend the terms of existing loan agreements;

incur any indebtedness for borrowed money, guarantee any indebtedness or issue any debt securities;

waive or release any material right or claim of VoiceSignal;

commence or settle any lawsuit, except as described in the merger agreement;

issue, grant, deliver or purchase any shares of VoiceSignal capital stock of any class, except in connection with the exercise of outstanding options;

issue, grant, deliver or purchase any options, warrants, convertible securities or other rights to acquire any shares of VoiceSignal capital stock;

sell, lease, license or transfer any right to VoiceSignal's intellectual property or modify any existing agreement to do the same;

purchase or license the intellectual property of a third party or modify any existing agreement to do the same;

enter any agreement or modify an existing agreement related to the development of any intellectual property;

change the pricing or royalties charged by VoiceSignal to its customers or licensees, other than as described in the merger agreement;

enter into or amend any exclusive marketing, distribution, development, manufacturing agreement;

purchase or sell any real estate or enter into or modify any existing lease;

amend or terminate existing material contractual arrangements;

acquire any business or corporation;

adopt or amend any plan providing for employee benefits;

enter into strategic alliances affiliate agreements or joint marketing agreements, except as described in the merger agreement;

promote, demote, hire or terminate any employees, except as described in the merger agreement;

alter any interest VoiceSignal may have in any corporation or association;

cancel, amend or renew any material insurance policy; or

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take any or agree to any actions that would prevent VoiceSignal from performing its obligations under the merger agreement or result in any conditions under the merger agreement not to be satisfied.

Alternative Transactions VoiceSignal

VoiceSignal has agreed that neither it, nor any of its subsidiaries, nor any of the executive officers or directors of it or its subsidiaries shall, and that it shall use its commercially reasonable efforts to cause all other employees and any investment banker, attorney, accountant or other representative retained by VoiceSignal not to, directly or indirectly:

solicit, encourage, seek, entertain, support, assist, initiate or participate in any inquiry, negotiations or discussions, or enter into any agreement, with respect to any acquisition proposal, as defined below, or effect any such transaction;

disclose any information not customarily disclosed to any person concerning the business, technologies or properties of VoiceSignal, or afford to any person access to its properties, technologies, books or records, not customarily afforded such access;

assist or cooperate with any person to make any proposal to purchase all or any part of the VoiceSignal capital stock or assets (other than inventory in the ordinary course of business); or

enter into any agreement with any person regarding an acquisition proposal.

An acquisition proposal means any offer or proposal relating to any transaction or series of related transactions, other than the merger, involving:

any offer or proposal to acquire all or any part of the business, properties or technologies of VoiceSignal, other than transactions in the ordinary course and consistent with past practices; or

any offer or proposal to acquire any amount of the capital stock of Vicksburg (whether or not outstanding), whether by merger, purchase of assets, enter offer, license or otherwise.

VoiceSignal also has agreed to suspend immediately all negotiations, discussions or agreements regarding an acquisition proposal and notify Nuance immediately after receiving such acquisition proposal or any request regarding the business, technologies or properties of VoiceSignal, and to provide Nuance with the identity of the offeror or the party and the specific terms of such offer or proposal.

Other Covenants

The merger agreement contains a number of other covenants by Nuance and VoiceSignal including:

Preparation of Registration Statement and Information Statement. Nuance and VoiceSignal agreed to promptly prepare and file this consent solicitation statement/prospectus and the registration statement of which it is a part, and Nuance agreed to promptly prepare and file the registration statement following the execution of the merger agreement. Both parties also agreed to use commercially reasonable efforts to have the registration statement declared effective by the SEC as promptly as practicable. VoiceSignal agreed to furnish information regarding VoiceSignal and its stockholders as reasonably required.

VoiceSignal Stockholders Vote. VoiceSignal agreed to obtain sufficient stockholder votes to adopt the merger agreement and approve the merger and the transactions contemplated thereby and to prepare and distribute appropriate solicitation material relating thereto. Such vote will be obtained either through a VoiceSignal special meeting or written consent.

Parachute Payment Approval. VoiceSignal agreed to use commercially reasonable efforts to obtain stockholder approval for certain payments to certain executive officers of VoiceSignal such that these payments will not be declared parachute payments under the Code.

Access to Information. VoiceSignal agreed to afford Nuance reasonable access during the period prior to the effective time of the merger to an employee list, officers and other employees for discussion regarding VoiceSignal's core business and processes, and officers and other employees of VoiceSignal

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for limited technical discussions to facilitate integration of VoiceSignal technology in the combined company.

Confidentiality. Nuance and VoiceSignal agreed that any information obtained from the other during the period prior to the effective time of the merger shall be governed by confidential nondisclosure agreements.

Expenses. Whether or not the merger is consummated, Nuance and VoiceSignal agreed that all transaction-related expenses incurred by a party shall be borne by such party, excluding certain disclosed expenses as provided in more detail in the merger agreement. If the Merger Agreement is terminated under certain circumstances, Nuance has agreed to reimburse VoiceSignal for up to \$1 million of transaction-related expenses incurred by VoiceSignal.

FIRPTA Compliance. On the effective date of the merger, VoiceSignal shall deliver to Nuance a FIRPTA compliance certificate in a form reasonably acceptable to Nuance.

Public Announcements. Nuance and VoiceSignal have agreed to consult with one another before issuing any press release or otherwise making any public statements about the merger or related transactions, unless otherwise required by any applicable laws or regulations.

Nuance Notification of Certain Matters. Nuance agreed to use commercially reasonable efforts to give prompt notice to VoiceSignal of the occurrence or non-occurrence of any event which would cause Nuance not to satisfy a closing condition to the consummation of the merger.

Third Party Consents. VoiceSignal agreed to use all commercially reasonable efforts to obtain any material consents, waivers or approvals under any of its contracts which are required to be obtained in connection with the consummation of the merger.

Termination of 401(k) Plans and Other Plans. VoiceSignal agreed to adopt resolutions to terminate its 401(k) and other group severance, separation and salary continuation plans effective no later than the date immediately preceding the effective date of the merger.

Financials. VoiceSignal agreed to provide, as soon as practicable, the unaudited balance sheet as of June 30, 2007 and the related unaudited statement of income, cash flow and changes in redeemable convertible preferred stock, stockholders' deficit and comprehensive income (loss) for the six-month period then ended, within thirty days from the end of such quarter, the unaudited balance sheet and the related unaudited statement of income, cash flow and changes in redeemable convertible preferred stock, stockholders' deficit and comprehensive income (loss) for the fiscal quarters ending thereafter, in each case reviewed by VoiceSignal's independent accountants, and promptly upon the completion of such audit, the audited consolidated balance sheets as of December 31, 2006 and related consolidated statements of income, cash flow and changes in redeemable convertible preferred stock, stockholders' deficit and comprehensive income (loss) for the twelve-month period then ended.

Disclosure Supplements. VoiceSignal agreed to supplement the disclosure schedules to disclose any matter arising prior to the effective date of the merger that would have been required to be set forth in the disclosure schedules or that has become inaccurate.

Non-Disparagement. Until the earlier of the effective time of the merger or termination of the merger agreement, Nuance and VoiceSignal will not, and will not cause their respective affiliates, directors, officers, employees and representatives to, disparage, deprecate or make any negative comments with respect to the business, operations, properties, assets, technologies, products or services of the other party.

Stockholder Arrangements. VoiceSignal shall take any actions necessary to termination any voting agreements, investor rights agreements, stockholders agreements and similar agreements so that following the effective time of the merger neither Nuance nor the combined company will have any obligations or liabilities thereunder.

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Indemnification and Insurance

The merger agreement provides that after the completion of the merger, Nuance will, and will cause VoiceSignal (as a wholly owned subsidiary) to fulfill all obligations of VoiceSignal to indemnify its present and former officers, directors, employees, agents and their heirs, devisees, legatees, executors and assigns. Nuance has agreed that the certificate of incorporation and bylaws of VoiceSignal following the merger will contain provisions with respect to indemnification, contribution, advancement of expenses and elimination of liability for monetary damages at least as favorable as those contained in the certificate of incorporation and bylaws of VoiceSignal prior to the merger. Subject to certain limitations, for six years after completion of the merger, Nuance and VoiceSignal (as a wholly owned subsidiary) will, to the fullest extent permitted under applicable law, indemnify and hold harmless (including advancement of expenses) each present or former officer or director of VoiceSignal from and against all damages suffered by any of them for actions taken or omitted to be taken in their capacities as officers or directors of VoiceSignal. Nuance has agreed to purchase a directors and officers insurance tail policy under VoiceSignal's existing directors and officers insurance policy which will provide coverage no less advantageous overall than the existing coverage for a period of six years following the merger, so long as the tail policy does not cost more than \$100,000.

Employment Arrangements

Nuance and VoiceSignal agreed that Nuance and VoiceSignal's chief executive officer will jointly approach VoiceSignal's employees to discuss the terms and conditions on which Nuance proposes to continue the employment of each employee, if at all. Any offers will have terms and conditions determined by Nuance and consistent with standard Nuance employment arrangements and will supersede any prior employment agreements and other arrangements with such employees in effect prior to the closing of the merger, subject to any existing individual retention and severance agreements. All communications with employees will be done by Nuance and VoiceSignal cooperatively, constructively and proactively.

Regulatory Approvals

Each of Nuance and VoiceSignal agreed to use all commercially reasonable efforts to take promptly all actions to consummate and make effective the transactions contemplated by the merger agreement, to obtain all necessary consents, waivers and approvals, to effect all necessary registrations and filings, and to file with the FTC and the Antitrust Division of the United States Department of Justice Notification and Report Forms relating to the transactions contemplated in the merger agreement by the HSR Act; provided, however, that Nuance shall not be required to agree to any divestiture by Nuance or VoiceSignal or any of Nuance's subsidiaries or affiliates, of shares of capital stock or of any business, assets or property of Nuance or its subsidiaries or affiliates, or of VoiceSignal or its affiliates, or of the imposition of any material limitation on the ability of any of them to conduct their own business or own or exercise control of such assets, properties and stock.

Conditions to Completion of the Merger

The respective obligations of Nuance and Vicksburg Acquisition Corporation, on the one hand, and VoiceSignal, on the other, to complete the merger are subject to the satisfaction or waiver, by the each party entitled to waive such condition, of each of the following conditions before completion of the merger:

that no governmental entity shall have enacted, issued, promulgated, enforced or entered any law, decree, injunction or other order that is in effect and that has the effect of making the merger illegal or otherwise prohibiting completion of the merger;

that no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing completion of the merger shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other governmental entity or instrumentality, domestic or foreign, seeking any of the foregoing be threatened or pending;

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that VoiceSignal stockholders shall have adopted the merger agreement, and approved the merger and related transactions, including the appointment of Stata Venture Partners, LLC as the stockholder representative;

that the registration statement, of which this consent solicitation statement/prospectus is a part, be declared effective by the SEC;

that the waiting period (and any extension thereof) applicable to the merger under the HSR Act and similar merger notification laws or regulations of foreign governmental entities in connection with the merger shall have expired or been terminated;

that each company's representations and warranties in the merger agreement are true and correct, to the extent set forth in the merger agreement, except when the failure of such representations or warranties to be true and correct have not resulted, and would not reasonably be expected to result in, individually or in the aggregate with other such failures, a material adverse effect, to the other party;

that each company has complied in all material respects with its covenants and agreements in the merger agreement, to the extent set forth in the merger agreement;

that VoiceSignal shall have terminated certain agreements with its stockholders; and

that no material adverse effect shall exist with respect to each company.

Survival of Representations and Warranties; Indemnification.

Under the merger agreement, VoiceSignal's and Nuance's representations and warranties will survive until one year after the effective time of the merger, which we refer to as the expiration date. If either VoiceSignal delivers to Nuance or Nuance delivers to VoiceSignal written notice of a claim for indemnification prior to the expiration date, then the relevant representations and warranties will survive as to such claim until such claim has been finally resolved.

The merger agreement provides that Nuance and its affiliates, officers, directors, employees, agents, successors and assigns will be indemnified by VoiceSignal's stockholders, severally for any damages incurred by Nuance arising out of:

any breach or inaccuracy of any representation or warranty made by VoiceSignal or its stockholders in the merger agreement or any related document;

any breach of a covenant or agreement made or to be performed by VoiceSignal or its stockholders contained in the merger agreement;

the failure to subtract from the merger consideration before completion of the merger all third party expenses incurred by VoiceSignal in connection with negotiation of the merger agreement and completion of the merger and related transactions; or

the obligation to pay any amounts to VoiceSignal stockholders who have had their shares of VoiceSignal stock appraised in accordance with Delaware law if those amounts are greater than the amount of merger consideration that would have been allocated to the appraised shares under the merger agreement.

Nuance's right to receive indemnification payments under the merger agreement is subject to a number of limitations, including the following:

Nuance may not receive any indemnification payments for breaches of representations or warranties unless the aggregate amount of damages arising out of all breaches of representations and warranties exceeds \$3 million and then Nuance is not entitled to indemnification for the first \$500,000 of such damages;

except in the case of fraud or intentional breach of a covenant, the maximum amount of damages for which Nuance is entitled to indemnification is the amount in the escrow fund;

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any damages for which Nuance is entitled to indemnification shall generally be reduced by amounts actually recovered by Nuance under applicable insurance policies, but Nuance will not have any obligation to carry any insurance or make any insurance claims;

Nuance will not be entitled to indemnification for any matter that was disclosed by VoiceSignal under its covenant to supplement the disclosure schedules if Nuance has had the option not to complete the merger, either because the matter in the supplemental disclosure causes the failure of a closing condition or because VoiceSignal has given Nuance the choice not to complete the merger because of the supplemental disclosure;

Nuance will not be entitled to indemnification under the merger agreement if the merger is not completed; and

Nuance may not recover for diminution in value to the extent caused by any business interruption, loss of future revenue, cash flows or profits.

The merger agreement also provides that the VoiceSignal stockholders will be indemnified by Nuance for any damages incurred by them arising out of:

any breach or inaccuracy of a representation of Nuance or Vicksburg Acquisition Corporation contained in the merger agreement or any related document; or

any failure by Nuance or Vicksburg Acquisition Corporation to perform or comply with any covenant made under the merger agreement.

The VoiceSignal stockholders' right to indemnification payments under the merger agreement is subject to a number of limitations, including the following:

the maximum amount the VoiceSignal stockholders can recover from Nuance is limited to \$30 million, except in the case of Nuance's failure to honor its obligations to indemnify the former officers and directors of VoiceSignal or in the case of Nuance's failure to deliver the merger consideration; and

the VoiceSignal stockholders will not be entitled to indemnification under the merger agreement if the merger is not completed.

Escrow Fund

Upon completion of the merger, Nuance will withhold \$30 million in cash from the consideration to be distributed to the VoiceSignal stockholders in connection with the merger and deposit such amount into an escrow fund. This escrowed amount will be available to compensate Nuance if it is entitled to indemnification under the merger agreement. Any portion of this escrowed amount that, twelve months following the completion of the merger, has not been used to indemnify Nuance and that is not the subject of an unresolved claim for indemnification by Nuance will be distributed to the VoiceSignal stockholders. The escrowed amount will be held by US Bank, National Association, as the escrow agent under the terms of the merger agreement. The amount of the escrow fund contributed by each VoiceSignal stockholder will be proportional to each such holder's pro rata portion of the total merger consideration.

VoiceSignal Board of Directors Recommendations

The merger agreement requires the VoiceSignal board of directors:

to unanimously recommend that its stockholders vote in favor of the adoption of the merger agreement and approval of the merger; and

to determine that that the terms and conditions of the Merger are fair to, and in the best interests of, the VoiceSignal stockholders.

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Definition of Material Adverse Change

As it Pertains to Nuance:

Nuance Material Adverse Effect means any change, event or effect that (i) is materially adverse to the business, assets (whether tangible or intangible), financial condition, or results of operations of Nuance and its subsidiaries, taken as a whole or (ii) will or is reasonably likely to materially impede the ability of Nuance to timely consummate the transactions contemplated by the merger agreement in accordance with the terms hereof; provided, however, that, for purposes of clause (i) above, in no event shall any of the following be taken into account in determining whether there has been or will be a Nuance Material Adverse Effect: (A) any effect resulting from changes or effects in general worldwide or United States economic, capital market or political conditions (which changes or effects do not disproportionately affect Nuance), (B) any effect resulting from changes or effects generally affecting the industries or markets in which Nuance operates (which changes or effects do not disproportionately affect Nuance), (C) any effect resulting from any act of war or terrorism (or, in each case, any escalation thereof) (which changes or effects do not disproportionately affect Nuance), (D) any changes in applicable laws or generally accepted accounting principles, (E) any effect resulting directly from the announcement or pendency of the merger, (F) any change in and of itself in Nuance's Stock price or trading volume, or (G) any change, event or effect resulting from or arising out of any action on the part of VoiceSignal or any of its affiliates, including, without limitation, actions taken in the ordinary course of business.

As it Pertains to VoiceSignal:

VoiceSignal Material Adverse Effect means any change, event or effect that is materially adverse to the business, assets (whether tangible or intangible), financial condition, operations or capitalization of VoiceSignal and any subsidiaries, taken as a whole; provided, however, that, in no event shall any of the following be taken into account in determining whether there has been or will be a VoiceSignal Material Adverse Effect: (A) any effect resulting from changes or effects in general worldwide or United States economic, capital market or political conditions (which changes or effects do not disproportionately affect VoiceSignal), (B) any effect resulting from changes or effects generally affecting the industries or markets in which VoiceSignal operates (which changes or effects do not disproportionately affect VoiceSignal), (C) any effect resulting from any act of war or terrorism (or, in each case, any escalation thereof) (which changes or effects do not disproportionately affect VoiceSignal), (D) any changes in applicable laws or generally accepted accounting principles, (E) any effect resulting directly from the announcement or pendency of the merger, or (F) any change, event or effect resulting from or arising out of any action on the part Nuance or any of its affiliates, including, without limitation, actions taken in the ordinary course of business.

Termination of the Merger Agreement

The merger agreement may be terminated in accordance with its terms at any time, except as set forth below, prior to completion of the merger, whether before or after the approval of stockholders:

VoiceSignal and Nuance may mutually agree at any time to terminate the merger agreement without completing the merger.

In addition, either of VoiceSignal or Nuance may, without the consent of the other, terminate the merger agreement in either of the following circumstances:

if the merger is not completed by November 14, 2007; or

if: (i) there shall be a final non-appealable order of a federal or state court in effect preventing consummation of the merger, or (ii) there shall be any law enacted, promulgated or issued or deemed applicable to completion of the merger by any governmental entity that would make completion of the merger illegal.

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In addition, Nuance may, without the consent of VoiceSignal, terminate the merger agreement in either of the following circumstances:

if there shall be any action taken, or any law enacted, promulgated or issued or deemed applicable to the merger by any governmental entity, that would prohibit Nuance's ownership or operation of the business of VoiceSignal; or

if Nuance is not in material breach of its obligations under the merger agreement and there has been a breach of any representation, warranty, covenant or agreement of VoiceSignal or the stockholders contained in the merger agreement such that the closing conditions regarding such representations, warranties and covenants would not be satisfied and such breach has not been cured within ten calendar days after written notice to VoiceSignal and the stockholder representative, unless the breach, by its nature, cannot be cured.

In addition, VoiceSignal may, without the consent of Nuance, terminate the merger agreement if:

none of VoiceSignal or the stockholders is in material breach of their respective obligations under the merger agreement and there has been a breach of any representation, warranty, covenant or agreement of Nuance contained in the merger agreement such that the closing conditions regarding Nuance's representations, warranties and covenants would not be satisfied and such breach has not been cured within ten calendar days after written notice thereof to Nuance, unless the breach, by its nature, cannot be cured.

Payment of Certain VoiceSignal Expenses

Nuance has agreed to pay up to \$1 million of transaction-related expenses incurred by VoiceSignal if the merger agreement is terminated under certain circumstances.

Costs and Expenses

In general, all costs and expenses incurred in connection with the merger agreement will be paid by the party incurring such expenses whether or not the merger is consummated. Notwithstanding the foregoing, Nuance and VoiceSignal have agreed that third party expenses incurred by VoiceSignal, including bonuses payable to certain members of VoiceSignal management upon the consummation of the merger, in excess of \$397,500 will either be deducted from the merger consideration or the escrow amount described above.

VoiceSignal Voting Agreements

The following is a summary of certain material provisions of the VoiceSignal voting agreements. This summary is qualified in its entirety by reference to the form of voting agreement, a copy of which is attached as Annex C to this consent solicitation statement/prospectus and is incorporated into this consent solicitation statement/prospectus by reference.

Agreement to Vote

Each of Argonaut Holdings LLC, Daniel Roth, Thomas J. Lazay, Stata Venture Partners, LLC, DiBenedetto Family Trust U/A 11/01/91 FBO Thomas A. DiBenedetto, DiBenedetto Family Trust U/A 11/01/91 FBO Christian R. DiBenedetto, DiBenedetto Family Trust U/A 11/01/91 FBO Cory J. DiBenedetto, DiBenedetto Family Trust U/A 11/01/91 FBO Marc A. DiBenedetto, DiBenedetto 1993 Family Trust and Lawrence DiBenedetto has entered into a voting agreement with Nuance.

Each of these VoiceSignal directors, executive officers and affiliates has agreed to vote his, her or its shares of VoiceSignal capital stock, and any and all options, warrants and other rights to acquire shares of VoiceSignal capital stock, (i) in favor of adoption of the merger agreement and approval of the transactions contemplated thereby, (ii) against any proposal made in opposition to or in competition with the merger, (iii) against any merger, consolidation, business combination, sale of assets, reorganization or recapitalization of VoiceSignal with any party, (iv) against any sale, lease or transfer of any significant part of the assets of

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VoiceSignal, (v) against any reorganization, recapitalization, dissolution, liquidation or winding up VoiceSignal, (vi) against any material change in the capitalization of VoiceSignal or VoiceSignal's corporate structure, (vii) against any other action that is intended, or could reasonably be expected to, impede, interfere with, delay, postpone, discourage or adversely affect the merger or any of the other transactions contemplated by the merger agreement, (viii) in favor of waiving any notices that may have been or may be required as a result of or relating to the merger and the transactions contemplated by the merger agreement, and (ix) in favor of Stata Venture Partners, LLC as the agent and attorney-in-fact for and on and behalf of the stockholders in connection with the merger agreement. These persons have the right, as of July 31, 2007, to vote a total of 77,930,422 shares of VoiceSignal capital stock on an as-converted-to-common-stock basis, or approximately 74% of the outstanding shares of VoiceSignal stock on an as-converted-to-common stock basis and approximately 78% of the outstanding shares of Series C preferred stock and Series D preferred stock, voting together on an as-converted-to-common stock basis.

In connection with the voting agreements, these persons have granted an irrevocable proxy appointing members of the Nuance board of directors, and each of them individually, as their sole and exclusive attorneys and proxies to vote their shares in accordance with the terms of the voting agreements.

Transfer Restrictions

The voting agreement, subject to certain exceptions, restricts or limits the ability of each stockholder that is a party to the agreement to sell, transfer, pledge, encumber, grant an option with respect to or otherwise dispose of any of his or her shares of VoiceSignal capital stock, or to agree to do the foregoing. Several exceptions to this restriction exist, such as the right to transfer to a family member, a trust for the benefit of family members, a charitable trust or a charity if the transferee agrees in writing to be bound by the voting agreement.

The irrevocable proxy and voting agreement will terminate upon the earlier to occur of:

the completion of the merger; or

the termination of the merger agreement in accordance with its terms.

Table of Contents**SELECTED FINANCIAL DATA OF NUANCE**

The following selected consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Nuance's Financial Condition and Results of Operations beginning on page 77 and the consolidated financial statements of Nuance and related notes thereto included elsewhere in this consent solicitation statement/prospectus. The financial data for interim periods presented is derived from unaudited financial statements and is not necessarily indicative of the results expected for any other interim period or for the fiscal year as a whole.

	Nine Months		Nine Months				
	Ended June 30, 2007	2006	Fiscal Year Ended		Ended	Fiscal Year Ended	
			September 30, 2006	September 30, 2005	September 30, 2004	December 31, 2003	December 31, 2002
			(In thousands, except per share data)				
Revenues:							
Product and licensing	\$ 220,931	\$ 162,271	\$ 235,825	\$ 171,200	\$ 98,262	\$ 128,681	\$ 101,524
Professional services, subscription and hosting(2)	110,078	55,071	81,320	47,308	25,358		
Maintenance and support	91,113	43,035	71,365	13,880	7,287		
Related parties						6,718	5,095
Total revenue	422,122	260,377	388,510	232,388	130,907	135,399	106,619
Costs and Expenses:							
Cost of revenue:							
Cost of product and licensing(1)	31,734	18,290	31,394	20,378	10,348	26,123	16,419
Cost of professional services, subscription and hosting(1)	75,458	41,846	59,015	34,737	20,456		
Cost of maintenance and support(1)	20,512	9,871	17,723	4,938	2,559		
Cost of revenue from amortization of intangible assets	9,209	7,419	12,911	9,150	8,431	10,516	9,470
Total cost of revenue	136,913	77,426	121,043	69,203	41,794	36,639	25,889
Gross margin	285,209	182,951	267,467	163,185	89,113	98,760	80,730
Operating expenses:							
	53,748	41,516	59,403	39,190	26,390	33,938	27,633

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Research and development(1)							
Sales and marketing(1)	132,454	90,159	128,412	78,797	49,554	48,706	32,990
General and administrative(1)	52,630	40,571	55,343	31,959	18,394	16,258	10,678
Amortization of other intangible assets	16,613	10,361	17,172	3,984	1,967	2,297	1,682
Stock-based compensation expense						330	103
Restructuring and other charges (credits), net	(54)	(1,233)	(1,233)	7,223	801	3,693	1,041
Total operating expenses	255,391	181,374	259,097	161,153	97,106	105,222	74,127
Income (loss) from operations	29,818	1,577	8,370	2,032	(7,993)	(6,462)	6,603
Other income (expense):							
Interest income	4,100	2,393	3,305	1,244	429	465	354
Interest expense	(24,301)	(9,584)	(17,614)	(1,644)	(340)	(793)	(369)
Other (expense) income, net	(476)	(861)	(1,132)	(237)	(141)	1,003	(1)
Income (loss) before income taxes	9,141	(6,475)	(7,071)	1,395	(8,045)	(5,787)	6,587

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	Nine Months				Nine Months			
	Ended June 30, 2007	2006	Fiscal Year Ended		Ended September 30, 2004	Fiscal Year Ended		
			September 30, 2006	September 30, 2005		December 31, 2003	December 31, 2002	
	(In thousands, except per share data)							
Provision for (benefit from) income taxes	19,740	8,524	15,144	6,812	1,333	(269)	254	
Income (loss) before cumulative effect of accounting change	(10,599)	(14,999)	(22,215)	(5,417)	(9,378)	(5,518)	6,333	
Cumulative effect of accounting change		(672)	(672)					
Net income (loss)	\$ (10,599)	\$ (15,671)	\$ (22,887)	\$ (5,417)	\$ (9,378)	\$ (5,518)	\$ 6,333	
Net income (loss) per share, basic and diluted	\$ (0.06)	\$ (0.10)	\$ (0.14)	\$ (0.05)	\$ (0.09)	\$ (0.07)	\$ 0.09	
Weighted average common shares outstanding, basic	173,786	162,400	163,873	109,540	103,780	78,398	67,010	
Weighted average common shares outstanding, diluted	173,786	162,400	163,873	109,540	103,780	78,398	72,796	
(1) Excludes stock-based compensation expense as follows:	\$	\$	\$	\$	\$	\$ 11	\$	

Cost of product and licensing							
Cost of professional services, subscription and hosting							
Research and development							
Sales and marketing						15	
General and administrative						116	
Restructuring and other charges, net						188	103
	\$	\$	\$	\$	\$	\$	\$
						330	103

- (2) As a result of the acquisition of Speechworks in August 2003, professional services became a material component of Nuance's business. As a result of the acquisition, beginning in Fiscal 2004, Nuance began to separately track and disclose professional services revenues and cost of revenue. Prior to Fiscal 2004, it did not separately disclose professional services revenue and cost of revenue as they were immaterial and it is not practical to reclassify these revenues and associated costs, retrospectively.

	As of June 30, 2007	September 30, 2006	September 30, 2005	As of September 30, 2004	December 31 2003	December 31 2002
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(In thousands)

Consolidated Balance Sheet Data:

Cash and cash equivalents	\$ 168,031	\$ 112,334	\$ 71,687	\$ 22,963	\$ 42,584	\$ 18,853
Short term investments	7,846		24,127	7,373		
Working capital	113,300	51,273	12,130	27,940	44,305	16,842
Total assets	1,556,356	1,235,074	757,212	392,653	401,940	143,690
Long-term liabilities	580,166	446,430	79,775	45,360	48,340	725
Total stockholders equity	749,615	576,596	514,665	301,745	303,226	119,378

Table of Contents**SELECTED FINANCIAL DATA OF VOICESIGNAL**

The following selected consolidated financial data should be read in conjunction with Management's Discussion and Analysis of VoiceSignal's Financial Condition and Results of Operations beginning on page 117 and the consolidated financial statements of VoiceSignal and related notes thereto beginning on page F-94. The financial data for the years ended December 31, 2003 and 2002 and for the interim periods ending June 30, 2007 and 2006 presented is derived from unaudited financial statements and is not necessarily indicative of the results expected for any other interim period or for the fiscal year as a whole. See "Where You Can Find More Information" on page 145.

	Six Months Ended		Year Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
	(In thousands, except per share data)						
Revenue:							
Product and licensing	\$ 11,674	\$ 9,428	\$ 21,519	\$ 10,056	\$ 6,508	\$ 1,260	\$ 989
Professional services	1,291	1,829	3,082	1,685	959	1,182	1,089
Total revenue	12,965	11,257	24,601	11,741	7,467	2,442	2,078
Costs and expenses:							
Cost of revenue:							
Professional services	629	731	1,351	1,328	495	469	495
Cost of revenue from amortization of intangible assets	251	233	474				
Total cost of revenue	880	964	1,825	1,328	495	469	495
Gross margin	12,085	10,293	22,776	10,413	6,972	1,973	1,583
Operating expenses:							
Research and development	3,421	3,081	6,001	5,351	4,088	4,373	3,539
Sales and marketing	2,423	2,019	4,214	4,072	3,131	1,141	1,106
General and administrative	2,388	2,533	5,356	4,294	2,739	2,338	1,672
Total operating expenses	8,232	7,633	15,571	13,717	9,958	7,852	6,317
Income (loss) from operations	3,853	2,660	7,205	(3,304)	(2,986)	(5,879)	(4,734)
Interest income (expense), net	45	1	(10)	207	44	44	(1,023)
	3,898	2,661	7,195	(3,097)	(2,942)	(5,835)	(5,757)

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Income (loss) before income taxes							
Provision for (benefit from) income taxes	(292)	(69)	(187)	(3,210)		1	1
Net income (loss)	\$ 4,190	\$ 2,730	\$ 7,382	\$ 113	\$ (2,942)	\$ (5,836)	\$ (5,758)
Net income (loss) available to common shareholders	\$ 3,249	\$ 1,788	\$ 5,499	\$ (1,770)	\$ (4,809)	\$ (7,252)	\$ (6,574)
Net income (loss) per share:							
Basic	\$ 0.19	\$ 0.11	\$ 0.32	\$ (0.11)	\$ (0.30)	\$ (0.45)	\$ (0.42)
Diluted	\$ 0.03	\$ 0.02	\$ 0.06	\$ (0.11)	\$ (0.30)	\$ (0.45)	\$ (0.42)
Weighted average common shares outstanding:							
Basic	17,325	16,848	16,980	16,507	16,063	15,941	15,681
Diluted	122,997	121,803	121,823	16,507	16,063	15,941	15,681

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	As of June 30, 2007	2006	As of December 31,				2002	
			2005	2004	2003			
			(In thousands)					
Consolidated Balance Sheet								
Data:								
Cash and cash equivalents	\$ 9,316	\$ 3,983	\$ 297	\$ 1,959	\$ 5,049		\$ 2,923	
Short term investments		3,000	6,117					
Working capital	12,575	8,699	3,178	2,266	4,018		2,223	
Total assets	22,482	20,123	16,952	8,089	5,862		4,400	
Long-term liabilities	1,590	2,400	4,868	1,267	1,039		617	
Total stockholders deficit	(19,495)	(22,975)	(28,704)	(26,950)	(22,227)		(15,049)	

Table of Contents**SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA**

The selected unaudited pro forma combined financial data should be read in conjunction with the unaudited pro forma combined financial statements and related notes thereto, the historical consolidated financial statements of Nuance, and related notes thereto, Management's Discussion and Analysis of Nuance's Financial Condition and Results of Operations beginning on page 77 and Management's Discussion and Analysis of VoiceSignal's Financial Condition and Results of Operations beginning on page 119, included in this consent solicitation statement/prospectus, and the historical consolidated financial statements of VoiceSignal, located in this consent solicitation statement/prospectus.

	Nine Months Ended June 30, 2007 (In thousands except per share date)	Fiscal Year Ended September 30, 2006
Product and licensing	\$ 239,114	\$ 292,648
Professional services, subscription and hosting	121,486	108,698
Maintenance and support	91,113	109,878
Total revenue	451,713	511,224
Costs and expenses:		
Cost of product and licensing	31,734	53,406
Cost of professional services, subscription and hosting	81,843	76,258
Cost of maintenance and support	20,512	26,213
Cost of revenue from amortization of intangible assets	10,788	16,803
Total cost of revenue	144,877	172,680
Gross margin	306,836	338,544
Operating expenses:		
Research and development	58,636	69,460
Sales and marketing	136,429	150,903
General and administrative	58,381	80,197
Amortization of other intangible assets	31,700	31,366
Merger expense		22,379
Cost of and loss related to sale of divisions		2,367
Restructuring and other credits, net	(54)	(1,233)
Total operating expenses	285,092	355,439
Income (loss) from operations	21,744	(16,895)
Other income (expense):		

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Interest income	4,146	3,896
Interest expense	(41,450)	(56,379)
Other (expense) income, net	(402)	(1,547)
Loss before income taxes	(15,962)	(70,925)
Provision for income taxes	19,652	16,136
Loss before cumulative effect of accounting change	(35,614)	(87,061)
Cumulative effect of accounting change		(672)
Net loss	\$ (35,614)	\$ (87,733)
Net loss per common share:		
Basic and Diluted	\$ (0.20)	\$ (0.52)
Weighted average common shares outstanding,		
Basic and diluted	179,623	169,710

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	As of June 30, 2007
Pro Forma Combined Balance Sheet Data:	
Cash and cash equivalents	\$ 178,990
Short term investments	7,846
Working capital	141,018
Total assets	1,876,747
Long-term liabilities	803,702
Total stockholders' equity	840,467

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NUANCE S BUSINESS

Overview

Nuance is a leading provider of speech-based solutions for businesses and consumers worldwide. Nuance's speech solutions are designed to transform the way people interact with information systems, mobile devices and hosted services. Nuance has designed our solutions to make the user experience more compelling, convenient, safe and satisfying, unlocking the full potential of these systems, devices and services.

The vast improvements in the power and features of information systems and mobile devices have increased their complexity and reduced their ease of use. Many of the systems, devices and services designed to make our lives easier are cumbersome to use, involving complex touch-tone menus in call centers, counterintuitive and inconsistent user interfaces on computers and mobile devices, inefficient manual processes for transcribing medical records and automobile dashboards overrun with buttons and dials. These complex interfaces often limit the ability of the average user to take full advantage of the functionality and convenience offered by these products and services. By using the spoken word, Nuance's speech solutions help people naturally obtain information, interact with mobile devices and access services such as navigation, online banking and medical transcription.

Nuance provides speech solutions to several rapidly growing markets:

Customer Care. Nuance delivers a portfolio of speech-enabled customer care solutions that improve the quality and consistency of customer communications. Nuance's solutions are used to automate a wide range of customer services and business processes in a variety of information and process intensive vertical markets such as telecommunications, financial services, travel and entertainment, and government.

Mobile. Nuance's mobile speech solutions add voice control capabilities to mobile devices and services, allowing people to use spoken words or commands to dial a mobile phone, enter destination information into an automotive navigation system, dictate a text message or have emails and screen information read aloud. Nuance's mobile solutions are used by many of the world's leading mobile device and automotive manufacturers.

Healthcare Dictation and Transcription. Nuance provides comprehensive dictation and transcription solutions and services that improve the way patient data is captured, processed and used. Nuance's healthcare dictation and transcription solutions automate the input and management of medical information and are used by many of the largest hospitals in the United States.

In addition to its speech offerings, Nuance provides PDF and document solutions that reduce the time and cost associated with creating, using and sharing documents. Nuance's solutions benefit from the widespread adoption of the PDF format and the increasing demand for networked solutions for managing electronic documents. Nuance's solutions are used by millions of professionals and within large enterprises.

Nuance leverages its global professional services organization and its extensive network of partners to design and deploy innovative speech and imaging solutions for businesses and organizations around the globe. Nuance markets and distributes its products indirectly through a global network of resellers, including system integrators, independent software vendors, value-added resellers, hardware vendors, telecommunications carriers and distributors, and directly through its dedicated sales force and through its e-commerce website.

Nuance has built a world-class portfolio of speech solutions both through internal development and acquisitions. Nuance continues to pursue opportunities to broaden its speech solutions and customer base through acquisitions, including the following recently announced transactions:

On June 21, 2007, Nuance announced its intention to acquire Tegic Communications, a wholly owned subsidiary of AOL LLC and a developer of embedded software for mobile devices. The Tegic acquisition will expand Nuance's presence in the mobile device industry and accelerate the delivery of a new mobile user interface that combines voice, text and touch to improve the user experience for consumers and mobile professionals.

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On May 15, 2007, Nuance announced its intention to acquire VoiceSignal Technologies, a global provider of voice technology for mobile devices. The VoiceSignal acquisition will extend Nuance's solutions and expertise to address the accelerating demand for speech-enabled mobile devices and services that allow people to use spoken commands to navigate and retrieve information and to control and operate mobile phones, automobiles and personal navigation devices, simply and effectively.

On April 24, 2007, Nuance acquired BeVocal, a provider of hosted self-service customer care solutions that address business requirements of wireless carriers and their customers. The BeVocal acquisition provides Nuance with a portfolio of applications that serve the needs of wireless carriers and their customers and a highly recurring revenue base derived from a software-as-a-service business model.

On March 26, 2007, Nuance acquired Focus Enterprises Limited, a leading healthcare transcription company. The Focus acquisition complements Nuance's Dictaphone iChart Web-based transcription solutions and expands Nuance's ability to deliver Web-based speech recognition solutions and to provide scalable Internet delivery of automated transcription.

Nuance's corporate headquarters are in Burlington, Massachusetts and it has offices across North America, Latin America, Europe, and Asia. As of June 30, 2007, Nuance had 3,136 full time employees in total, including 537 in sales and marketing, 531 in research and development, and 306 in general and administrative. Forty-seven percent of Nuance's employees are located outside of the United States.

Market Opportunity

Confronted by dramatic increases in electronic information, consumers, business personnel and healthcare professionals must use a variety of resources to retrieve information, transcribe patient records, conduct transactions and perform other job-related functions. Nuance believes that the power of the spoken word will transform the way people use the Internet, telecommunications systems, wireless and mobile networks and related corporate infrastructure to conduct business. Nuance believes that several key market trends will enhance its market position and create new business opportunities:

More than 90% of all customer interactions begin with a phone call. With personnel expenditures representing approximately 75% of call center budgets, Nuance's solutions automate customer interactions to deliver significant cost savings to call centers that must reduce expenses and improve customer service to remain competitive.

With 80% of consumers reporting that quality of service is extremely or very influential, and with only 40% of consumers reporting that they were satisfied with their customer service experiences, customer care operations must address these challenges. Speech-based solutions have significant advantages over more traditional automation capabilities using touchtone menus and are recognized for ease of use, clarity, speed of transaction and completeness of service.

Consumers in North America make approximately 6.1 billion calls to directory assistance each year. The emergence of new directory assistance business models such as free directory assistance services is expected to generate 1.5 billion calls per year. Nuance provides tailored speech recognition solutions for this industry.

Mobile handset shipments are expected to reach 1.1 billion units in 2007, which represents approximately 12% growth over shipments in 2006. Nuance provides an intuitive user interface based on voice commands that helps unlock the rich feature sets of mobile devices and services, thereby improving the customer experience.

Currently there are approximately 20 million users of wireless email globally and the number of users is expected to reach 350 million users by 2010. Nuance's speech enabled mobile solutions provide a natural way to interact with wireless e-mail services.

Approximately \$12 billion is spent annually in North America on both in-house and outsourced medical transcription labor. Nuance's healthcare dictation solutions reduce the cost of manual transcription while improving turnaround time and accuracy.

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On average, an organization of 1,000 employees spends \$5.7 million each year on reformatting and recreating documents from multiple sources. Businesses use Nuance's PDF and document conversion and management solutions to more efficiently create, manage and share documents.

Nuance Solutions

Nuance's speech solutions enable enterprises, professionals and consumers to increase productivity, reduce costs and save time by using voice control to improve the user experience. Nuance's imaging solutions build on decades of experience and technology development to deliver businesses, manufacturers and consumers a broad set of PDF and document offerings. Nuance provides a broad set of speech and imaging offerings to its customers in the following areas:

Customer Care

To remain competitive, organizations must improve the quality of customer care while reducing costs and ensuring a positive customer experience. Technological innovation, competitive pressures and rapid commoditization have made it increasingly difficult for organizations to achieve enduring market differentiation or to secure customer loyalty. In this environment, organizations need to satisfy the expectations of increasingly savvy and mobile consumers who demand high levels of customer service. This increase in consumer expectations necessitates a change in the way organizations approach customer care and respond to customer needs.

Nuance delivers a portfolio of customer interaction and business intelligence solutions enabled by speech that are designed to help companies better support, understand and communicate with their customers. Nuance's solutions improve the customer experience, increase the use of self-service and enable new revenue opportunities. Nuance also offers business intelligence solutions, which allow companies to draw knowledge from their customer care interactions to improve overall business performance.

Nuance's portfolio of customer care solutions includes:

Customer Self Service. Nuance's self-service solutions help companies improve the user experience, reduce costs through increased use of self-service solutions and create new revenue opportunities. Nuance's solutions support applications such as flight information, personal banking, equipment repair and claims processing.

Voice Driven Call Steering. Unlike touchtone systems that use complex menus that may lead to misrouted calls and poor customer experiences, Nuance's call steering solutions allow customers to describe their needs in their own words to navigate automated customer care systems, enabling organizations to direct inbound calls more accurately, more efficiently, and with higher caller satisfaction.

Authentication. Nuance's voice authentication software enables businesses to provide secure access to sensitive information over the telephone, unobtrusively confirming a caller's identity using the unique characteristics of each voice, thereby providing enterprises a powerful defense against fraudulent activity.

Auto Attendant. Nuance's SpeechAttendant application, a natural speech-enabled turnkey solution, allows callers to speak the name of a person, department, service or location and be automatically transferred to the requested party, without the hassle of searching for phone numbers or waiting to speak to an operator.

Analytics. Nuance's business intelligence solutions allow enterprises to draw knowledge from customer interactions. Powered by specialized customer behavior intelligence software, Nuance offers tools and services

that deliver fact-based insight about who is calling, why they are calling, and the quality of the caller experience.

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Nuance's solutions are used across many customer-service intensive sectors, including financial services, telecommunications, healthcare, utilities, government, travel and entertainment, where customers include AOL, AT&T, Comcast, Charles Schwab and United Health.

Nuance licenses its solutions to a wide variety of enterprises and leading telecommunications carriers. Nuance's speech solutions are designed to serve its global partners and customers and are available in up to 49 languages and dialects worldwide. Although in certain cases Nuance sells directly to its customers, the majority of its solutions are fulfilled through its channel network that includes providers such as Avaya, Cisco, Genesys, Intertec and Nortel, that integrate Nuance's solutions into their hardware and software platforms.

Nuance complements its solutions and products with a global professional services organization that supports customers and partners with business and systems consulting project management, user-interface design, speech science, application development, and business performance optimization.

Nuance's acquisition of BeVocal expands its existing product portfolio with a unique set of solutions for lifecycle management of customers of wireless carriers and a range of premium services for the wireless consumer, such as the Web and Short Message Service (SMS). The BeVocal acquisition also added numerous wireless carrier relationships to the Nuance network.

Mobile

Today, an increasing number of people worldwide rely on mobile devices to stay connected, informed and productive. Nuance sees an expanding opportunity in helping consumers use the powerful capabilities of their phones, cars and personal navigation devices by using voice commands to control these devices and to access the array of content and services available on the Internet through wireless mobile devices. Nuance expects to serve more than one billion consumers within the next three years with voice-based mobile solutions that allow them to simply and effectively navigate and retrieve information and conduct transactions using these devices.

Nuance offers solutions and expertise that help satisfy the accelerating demand for speech-enabled mobile devices and services. Nuance's portfolio of mobile solutions includes:

Voice Search. Nuance's Voice Search solutions allow users to quickly search local information databases such as business listings, yellow pages, restaurant guides and movie schedules, by naturally speaking their requests through a speech-enabled search interface that simplifies search capabilities and increases usage.

Voice-Activated Dialing. Nuance's voice-activated dialing allows users to call anyone with just one command, avoiding the need to navigate complex menus and sort through an extensive list of contacts. Text-to-speech technology provides audio output of incoming calls or messages, as well as verbal alerts of low battery or roaming status.

Voice Control. Offered on a subscription basis through wireless carriers, the Nuance Voice Control service lets mobile consumers use their voice to dictate and send email or text messages, create calendar entries, dial a contact, and search the Web for business listings, news, weather, stock quotes, sport scores and more.

Mobile Messaging. Nuance Mobile provides users a more natural way to enter SMS messages, mobile instant messages, and mobile email into mobile wireless devices, significantly faster than with the traditional keypad.

Voice-Controlled MP3 Player Applications. An increasing number of phones on the market today are equipped with MP3 capabilities, allowing users to store and play hundreds of songs. Nuance's speech-controlled MP3 applications provide a simple voice-activated interface to select a song, an artist or a playlist.

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Automotive Solutions. Nuance's integrated suite of Automotive Solutions enable voice-activated dialing, voice destination entry for navigation systems, and vehicle command and control for in-vehicle entertainment systems.

Nuance's mobile solutions are used by mobile phone, automotive, personal navigation device and other consumer electronic manufacturers and their suppliers, including Mitsubishi Electronics, LG Electronics, Group Sense and Delphi. In addition, telecommunications carriers, Web search companies and content providers are increasingly using Nuance's mobile search and communication solutions to offer value-added services to their subscribers and customers.

The recently announced acquisitions of VoiceSignal and Tegic will enhance Nuance's offerings to mobile device manufacturers. The VoiceSignal acquisition will provide voice-recognition technologies in mobile search, messaging, and command and control that complement Nuance's current capabilities. The Tegic acquisition will provide Nuance with predictive text and touch technologies. The combination of Nuance, VoiceSignal and Tegic sets the stage for a new mobile user interface that integrates predictive text, speech and touch inputs. This multimodal interface will provide easier access for users of mobile devices and will be available to all manufacturers across their product lines.

Healthcare Dictation and Transcription

The healthcare industry is under significant pressure to streamline operations and reduce costs and improve patient care. In recent years, healthcare organizations such as hospitals, clinics, medical groups, physicians' offices, insurance providers have increasingly turned to speech solutions to automate manual processes such as the dictation and transcription of patient records.

Nuance provides comprehensive dictation and transcription solutions and services that automate the input and management of medical information. Since 2004, Nuance has steadily increased its investments in solutions for the healthcare industry. Nuance is dedicating substantial resources to product development, sales, business development and marketing in an effort to replace traditional manual transcription before the end of the decade.

Nuance's healthcare dictation and transcription solutions include:

Dictation and Transcription Workflow Solutions. Nuance's enterprise solutions provide centralized platforms to generate and distribute speech-driven medical documentation through the use of advanced dictation and transcription features.

Hosted Dictation Services. Dictaphone iChart, a subscription-based service, allows Nuance to deliver hosted dictation, transcription and speech recognition solutions to customers seeking to outsource this function entirely.

Departmental Solutions. Dictaphone PowerScribe®, a speech recognition solution for radiology, cardiology, pathology and related specialties, enables the healthcare providers to dictate, edit, and sign reports without manual transcription, enhancing report turnaround time.

Dragon Naturally Speaking Medical. This dictation software provides front-end speech recognition that is used by physicians and clinicians to create and navigate medical records.

Hospitals, clinics and group practices, including Adventist Health, Allina Health, Guthrie Healthcare, Mt. Kisco Medical, and Sarasota Memorial, and approximately 300,000 physicians use Dictaphone healthcare solutions to manage the dictation and transcription of patient records. Nuance utilizes a focused, enterprise sales team and

professional services organization to address the market and implementation requirements of the healthcare industry.

The recent acquisition of Focus expands Nuance's ability to deliver healthcare transcription solutions. The combination of Focus's proven technology portfolio and services capability and the Dictaphone iChart Web-based transcription solutions create an efficient, scalable web-based automated transcription service. Focus serves some of the largest U.S. healthcare organizations, combining the use of speech recognition, a Web-

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based editing platform and manual transcription services based in India to achieve superior customer satisfaction, turnaround time and cost efficiency.

In addition to healthcare-oriented dictation solutions, Nuance offers a general purpose version of its *Dragon NaturallySpeaking*, a suite of general purpose desktop dictation applications that increases productivity by using speech to create documents, streamline repetitive and complex tasks, input data, complete forms and automate manual transcription processes. Nuance's *Dragon NaturallySpeaking* family of products delivers enhanced productivity for professionals and consumers who need to create documents and transcripts.

Nuance's *Dragon NaturallySpeaking* solutions allow users to automatically convert speech into text at up to 160 words-per-minute, with support for over 300,000 words, and with an accuracy rate of up to 99%. This vocabulary can be expanded by users to include specialized words and phrases and can be adapted to recognize individual voice patterns. Nuance's desktop dictation software is currently available in eleven languages. Nuance utilizes a combination of its global reseller network and direct sales to distribute its speech recognition and dictation products.

PDF and Document Imaging

The proliferation of the Internet, email and other networks have greatly simplified the ability to share electronic documents, resulting in an ever-growing volume of documents to be used and stored. Nuance's solutions reduce the costs associated with paper documents through easy-to use scanning, document management and electronic document routing solutions. Nuance offers versions of its products to hardware vendors, home offices, small businesses and enterprise customers.

Nuance's PDF and document solutions include:

PDF Applications. Nuance's PDF solutions offer comprehensive PDF capabilities for business users, including a combination of creation, editing and conversion features. Nuance's PDF Converter product family is used to create PDF files and turn existing PDF files into fully-formatted documents that can be edited.

Optical Character Recognition and Document Conversion. Nuance's OmniPage product uses optical character recognition technology to deliver highly accurate document and PDF conversion, replacing the need to manually re-create documents.

Digital Paper Management. PaperPort applications combine PDF creation with network scanning, allowing individuals to work quickly with scanned paper documents, PDF files and digital documents. Nuance's software is typically used in conjunction with network scanning devices to preserve an image of a document and allows for easy archiving, indexing and retrieval.

Growth Strategy

Nuance focuses on providing market-leading, value-added solutions for its customers and partners through a broad set of technologies, service offerings and channel capabilities. Nuance intends to pursue growth through the following key elements of its strategy:

Extend Technology Leadership. Nuance's solutions are recognized as among the best in their respective categories. Nuance intends to leverage its global research and development organization and broad portfolio of technologies, applications and intellectual property to foster technological innovation and maintain customer preference for our solutions. Nuance also intends to invest in its engineering resources and seek new technological advancements that further expand the addressable markets for its solutions.

Broaden Expertise in Vertical Markets. Businesses are increasingly turning to Nuance for comprehensive solutions rather than for a single technology product. Nuance intends to broaden its expertise and capabilities to deliver targeted solutions for a range of industries including mobile device manufacturers, healthcare, telecommunications, financial services and government administration. Nuance also intends

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to expand its global sales and professional services capabilities to help its customers and partners design, integrate and deploy innovative solutions.

Increase Subscription and Transaction Based Recurring Revenue: Nuance intends to increase its hosted or subscription-based offerings in its core industries. The expansion of its subscription or transaction based solutions will enable Nuance to deliver applications that its customers use on a repeat basis, and pay for on a per use basis, providing Nuance with the opportunity to enjoy the benefits of predictable and recurring revenue streams. Hosted services provided by Nuance offer its customers simple deployment, seamless upgrades and rapid return on investment.

Expand Global Presence. Nuance intends to further expand its international resources to better serve global customers and partners and to leverage opportunities in emerging markets such as China, India, Latin America and Asia. Nuance continues to add regional executives and sales employees in different geographic regions to better address demand for speech based solutions and services.

Pursue Strategic Acquisitions. Nuance has selectively pursued strategic acquisitions to expand its technology, solutions and resources to complement its organic growth. Nuance has proven experience in integrating businesses and technologies and in delivering enhanced value to its customers, partners, employees and shareholders. Nuance intends to continue to pursue acquisitions that enhance our solutions, serve specific vertical markets and strengthen its technology portfolio.

Research and Development/Intellectual Property

In recent years, Nuance has developed and acquired extensive technology assets, intellectual property and industry expertise in speech and imaging that provide it with a competitive advantage in markets where we compete. Nuance's technologies are based on complex algorithms which require extensive amounts of linguistic and image data, acoustic models and recognition techniques. A significant investment in capital and time would be necessary to replicate Nuance's current capabilities.

Nuance continues to invest in technologies to maintain its market-leading position and to develop new applications. Nuance's technologies are covered by more than 473 issued patents and 172 patent applications. Nuance's intellectual property, whether purchased or developed internally, is critical to its success and competitive position and, ultimately, to its market value. Nuance's products and services build on a portfolio of patents, copyrights, trademarks, services marks, trade secrets, confidentiality provisions and licensing arrangements to establish and protect its intellectual property and proprietary rights.

Litigation and Other Claims

Like many companies in the software industry, Nuance has, from time to time, been notified of claims that it may be infringing, or contributing to the infringement of, the intellectual property rights of others. These claims have been referred to counsel, and they are in various stages of evaluation and negotiation. If it appears necessary or desirable, Nuance may seek licenses for these intellectual property rights. There is no assurance that licenses will be offered by all claimants, that the terms of any offered licenses will be acceptable to Nuance or that in all cases the dispute will be resolved without litigation, which may be time consuming and expensive, and may result in injunctive relief or the payment of damages by Nuance.

On April 10, 2007, Disc Link Corporation (Disc Link) filed a patent infringement action against Nuance in the United States District Court for the Eastern District of Texas. Damages are sought in an unspecified amount. In this lawsuit, Disc Link alleges that Nuance infringes U.S. Patent No. 6,314,574, titled Information Distribution System. On

June 28, 2007, Nuance entered into a non-exclusive patent license and settlement agreement with Disc Link regarding the actions filed against Nuance on April 10, 2007, which resulted in Nuance acquiring a license to the technology. The impact of the patent license and settlement agreement, relative to the Nuance's financial position, and with regard to the future amortization of the acquired patent license in any given period is not material.

On November 8, 2006, Voice Signal Technologies, Inc. (VoiceSignal) filed an action against Nuance and eleven of its resellers in the United States District Court for the Western District of Pennsylvania (the

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Court) claiming patent infringement. Damages were sought in an unspecified amount. In the lawsuit, VoiceSignal alleges that Nuance is infringing United States Patent No. 5,855,000 which relates to improving correction in a dictation application based on a two input analysis. Nuance believes these claims have no merit and intends to defend the action vigorously. As a result of Nuance's pending acquisition of VoiceSignal (Note 18), the Court has stayed the action for an unspecified period of time.

On May 31, 2006 GTX Corporation (GTX), filed an action against Nuance in the United States District Court for the Eastern District of Texas claiming patent infringement. Damages were sought in an unspecified amount. In the lawsuit, GTX alleged that Nuance is infringing United States Patent No. 7,016,536 entitled Method and Apparatus for Automatic Cleaning and Enhancing of Scanned Documents. Nuance believes these claims have no merit and intends to defend the action vigorously.

On November 27, 2002, AllVoice Computing plc (AllVoice) filed an action against Nuance in the United States District Court for the Southern District of Texas claiming patent infringement. In the lawsuit, AllVoice alleges that Nuance is infringing United States Patent No. 5,799,273 entitled Automated Proofreading Using Interface Linking Recognized Words to their Audio Data While Text is Being Changed (the 273 Patent). The 273 Patent generally discloses techniques for manipulating audio data associated with text generated by a speech recognition engine. Although Nuance has several products in the speech recognition technology field, Nuance believes that its products do not infringe the 273 Patent because, in addition to other defenses, they do not use the claimed techniques. Damages are sought in an unspecified amount. Nuance filed an Answer on December 23, 2002. The United States District Court for the Southern District of Texas entered summary judgment against AllVoice and dismissed all claims against Nuance on February 21, 2006. AllVoice filed a notice of appeal from this judgment on April 26, 2006. The Company believes these claims have no merit and intends to defend the action vigorously.

Nuance believes that the final outcome of the current litigation matters described above will not have a significant adverse effect on its financial position and results of operations. However, even if Nuance's defense is successful, the litigation could require significant management time and could be costly. Should Nuance not prevail in these litigation matters, its operating results, financial position and cash flows could be adversely impacted.

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DEVELOPMENTS IN NUANCE'S BUSINESS DURING FISCAL 2007

Acquisition of Mobile Voice Control

On December 29, 2006, Nuance acquired all of the outstanding capital stock of Mobile Voice Control, Inc., or MVC, for a purchase price consisting of a combination of cash and Nuance common stock. In connection with the closing of the acquisition, Nuance issued an aggregate of 784,266 shares of Nuance common stock to the former stockholders of MVC. Subsequently, Nuance agreed to repurchase a portion of those shares issued at closing from the former MVC stockholders. Nuance may issue up to an additional 1,700,840 shares of Nuance common stock upon the achievement of certain revenue milestones for the calendar years ending December 31, 2007 and December 31, 2008. The issuance of no portion of these additional shares is guaranteed. The MVC acquisition allowed Nuance to further accelerate the deployment of speech-enabled solutions in the wireless industry, in particular within the mobile search and communications markets. MVC's products offerings include a speech-enabled service that allows consumers easily to dictate and send e-mail or text messages, dial a contact, create calendar entries, and search web content entirely with their voice.

Acquisition of Bluestar Resources/Focus Enterprises Limited

On March 26, 2007, Nuance acquired all of the outstanding capital stock of Bluestar Resources Ltd., (the parent company of Focus Enterprises Limited and Focus Infosys India Private Limited), a healthcare transcription solution company with operations in India and the United States, for an aggregate purchase price of approximately \$59.3 million. The acquisition expanded Nuance's ability to deliver web-based speech recognition editing services and significantly accelerated Nuance's strategy to automate manual transcription in the healthcare industry. In connection with the Focus acquisition, Nuance granted 185,367 shares of its common stock, in the form of stand-alone restricted stock units, as an inducement material to 61 individuals entering into employment agreements with Nuance. The issuance of the restricted stock units was approved by the compensation committee of the Nuance board of directors. The restricted stock units vest over a three-year period, subject to acceleration upon the achievement of certain performance targets.

Expanded Credit Facility

On April 5, 2007, Nuance entered into (i) an Amended and Restated Credit Agreement dated as of April 5, 2007, among Nuance, the Lenders party to the credit agreement from time to time, UBS AG, Stamford Branch, as administrative agent, Citicorp North America, Inc., as syndication agent, Credit Suisse Securities (USA) LLC, as documentation agent, Citigroup Global Markets Inc. and UBS Securities LLC, as joint lead arrangers, Credit Suisse Securities (USA) LLC and Banc Of America Securities LLC, as co-arrangers, and Citigroup Global Markets INC., UBS Securities LLC and Credit Suisse Securities (USA) LLC, as joint bookrunners and (ii) an Amendment Agreement, dated as of April 5, 2007, among Nuance, UBS AG, Stamford Branch, as administrative agent, Citicorp North America, INC., as syndication agent, Credit Suisse Securities (USA) LLC, as documentation agent, the Lenders party thereto from time to time, Citigroup Global Markets Inc. and UBS Securities LLC, as joint lead arrangers and joint bookrunners, Credit Suisse Securities (USA) LLC, as joint bookrunner and co-arranger, and Banc Of America Securities LLC, as co-arranger.

The Credit Agreement and the Amendment Agreement, provide for the amendment and restatement of Nuance's prior 7-year term facility and 6-year revolving credit facility, which, together we refer to as the expanded facility. The expanded facility includes \$90 million of additional term debt resulting in a \$442 million term facility due in March 2013 and a \$75 million revolving credit facility due in March 2012. The additional funds received by Nuance under

the expanded facility were used to fund the cash portion of the merger consideration for Nuance's acquisitions of BeVocal, Inc. and Focus Enterprises Limited and for other general corporate purposes and is secured by substantially all of the assets of Nuance and its domestic

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subsidiaries. The Credit Agreement contains customary covenants, including covenants that in certain cases restrict the ability of Nuance and our subsidiaries to incur additional indebtedness, create or permit liens on assets, enter into sale-leaseback transactions, make loans or investments, sell assets, make acquisitions, pay dividends, or repurchase stock. The Credit Agreement also contains customary events of default, including failure to make payments, failure to observe covenants, breaches of representations and warranties, defaults under certain other material indebtedness, failure to satisfy material judgments, a change of control and certain insolvency events.

Acquisition of BeVocal

On April 24, 2007, Nuance acquired all of the outstanding capital stock of BeVocal, Inc. The aggregate consideration delivered to the former stockholders of BeVocal consisted of approximately 8.3 million shares of Nuance common stock and an initial payment of approximately \$15 million in cash, net of the estimated cash closing balance of BeVocal. Additionally, Nuance agreed to a contingent payment of up to an additional \$60,000,000 in cash to be paid, if at all, approximately 18 months following the closing, upon the achievement of certain performance objectives. The acquisition of BeVocal brought Nuance an expanded product portfolio with additions in the areas of mobile customer lifecycle management, mobile premium services and other mobile consumer products. In connection with the BeVocal acquisition, Nuance granted 501,530 shares of its common stock, in the form of stand-alone restricted stock units, and options to purchase 750,000 shares of its common stock as an inducement that is material to 145 individuals entering into employment arrangements with Nuance. The issuance of the restricted stock units and stock options was approved by the compensation committee of the Nuance board of directors. The restricted stock units vest over a three-year period, subject to acceleration upon the achievement of certain performance targets and the stock options vest over a four-year period.

Agreement to Acquire VoiceSignal

On May 14, 2007, Nuance entered into an agreement to acquire VoiceSignal. The aggregate consideration consists of (i) approximately 5.84 million shares of common stock and (ii) a cash payment of approximately \$204 million, net of the estimated cash closing balance of VoiceSignal. For the year ended December 31, 2006, VoiceSignal had revenues of \$24.6 million and net income of \$7.4 million. On July 12, 2007, Nuance received a request from the Department of Justice, or the DOJ, for additional information in connection with its pending merger with VoiceSignal. The DOJ request extends the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSR Act, until 30 days after Nuance and VoiceSignal have substantially complied with the request, unless that period is extended voluntarily by the parties or terminated sooner by the DOJ. Nuance intends to promptly respond to the DOJ request and is working towards the intended close in its fourth fiscal quarter of 2007. The proposed transaction is described in greater detail in this consent solicitation statement/prospectus.

Incremental Credit Facility

On June 11, 2007, Nuance received a commitment letter from Citigroup Global Markets Inc., Lehman Brothers Inc. and Goldman Sachs Credit Partners L.P. as arrangers and Bank of America Securities as co-arranger for a syndicate of lenders under its existing credit agreement. The commitment letter, which expires August 30, 2007, relates to incremental term loans in the amount of \$225 million that would be provided under its existing credit agreement. The additional funds Nuance receives will be used to fund the cash portion of the merger consideration for the acquisition of VoiceSignal, to pay related fees and expenses, and for general corporate purposes.

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Agreement to Purchase Tegic

On June 21, 2007, Nuance entered into a stock purchase agreement with AOL and Tegic, pursuant to which, among other things, Nuance agreed to purchase from AOL, a wholly owned subsidiary of Time Warner Inc., all of the outstanding shares of Tegic for aggregate consideration of approximately \$265 million in cash. The combination is expected to generate approximately \$8 million to \$10 million in cost synergies in fiscal year 2008. While the waiting period applicable to the Tegic acquisition under the HSR Act has terminated, the closing remains subject to the satisfaction of customary closing conditions.

Convertible Debentures

On August 7, 2007, Nuance entered into a purchase agreement with Citigroup Global Markets Inc. and Goldman, Sachs & Co. (the Initial Purchasers) to offer and sell \$220 million aggregate principal amount of its 2.75% Convertible Debentures due 2027, plus up to an additional \$30 million aggregate principal amount of such debentures at the option of the Initial Purchasers to cover over-allotments, if any, in a private placement to the Initial Purchasers for resale to qualified institutional buyers pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended (the Act), afforded by Section 4(2) of the Act and Rule 144A under the Act. Nuance intends to use the net proceeds from the offering to partially fund its acquisition of Tegic.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
NUANCE'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following Management's Discussion and Analysis, or MD&A, is intended to help the reader understand the results of operations and financial condition of Nuance's business. MD&A is provided as a supplement to, and should be read in conjunction with, Nuance's consolidated financial statements and the accompanying notes to the consolidated financial statements included in this consent solicitation statement/prospectus.

Forward-looking Statements

This consent solicitation statement/prospectus contains forward-looking statements. These forward-looking statements include predictions regarding:

Nuance's future revenue, cost of revenue, research and development expenses, selling, general and administrative expenses, amortization of other intangible assets and gross margin;

Nuance's strategy relating to speech and imaging technologies;

the potential of future product releases;

Nuance's product development plans and investments in research and development;

Nuance's future acquisitions, and anticipated benefits from prior acquisitions;

Nuance's international operations and localized versions of our products; and

Nuance's legal proceedings and litigation matters.

You can identify these and other forward-looking statements by the use of words such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, intends, potential, continue or the negative of such term or comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements. Nuance's actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks described under Risk Factors and elsewhere in this consent solicitation statement/prospectus.

OVERVIEW

Nuance is a leading provider of speech-based solutions for businesses and consumers worldwide. Nuance's speech solutions are designed to transform the way people interact with information systems, mobile devices and hosted services. Nuance has designed our solutions to make the user experience more compelling, convenient, safe and satisfying, unlocking the full potential of these systems, devices and services.

The vast improvements in the power and features of information systems and mobile devices have increased their complexity and reduced their ease of use. Many of the systems, devices and services designed to make our lives easier are cumbersome to use, involving complex touch-tone menus in call centers, counterintuitive and inconsistent user interfaces on computers and mobile devices, inefficient manual processes for transcribing medical records and automobile dashboards overrun with buttons and dials. These complex interfaces often limit the ability of the average

user to take full advantage of the functionality and convenience offered by these products and services. By using the spoken word, our speech solutions help people naturally obtain information, interact with mobile devices and access services such as navigation, online banking and medical transcription.

Nuance provides speech solutions to several rapidly growing markets:

Customer Care. Nuance delivers a portfolio of speech-enabled customer care solutions that improve the quality and consistency of customer communications. Nuance's solutions, based on network speech technologies, are used to automate a wide range of customer services and business processes in a

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variety of information and process intensive vertical markets such as telecommunications, financial services, travel and entertainment, and government.

Mobile. Nuance's mobile speech solutions add voice control capabilities to mobile devices and services, allowing people to use spoken words or commands to dial a mobile phone, enter destination information into an automotive navigation system, dictate a text message or have emails and screen information read aloud. Nuance's mobile solutions, based on technologies that are embedded on devices or delivered through a wireless network, are used by many of the world's leading mobile device and automotive manufacturers.

Healthcare Dictation and Transcription. Nuance provides comprehensive dictation and transcription solutions and services that improve the way patient data is captured, processed and used. Nuance's healthcare dictation and transcription solutions, which include our Dictaphone and Dragon NaturallySpeaking offerings, automate the input and management of medical information and are used by many of the largest hospitals in the United States.

In addition to Nuance's speech offerings, Nuance provides PDF and document solutions that reduce the time and cost associated with creating, using and sharing documents. Nuance's solutions benefit from the widespread adoption of the PDF format and the increasing demand for networked solutions for managing electronic documents. Nuance's solutions are used by millions of professionals and within large enterprises.

Nuance leverages its global professional services organization and our extensive network of partners to design and deploy innovative speech and imaging solutions for businesses and organizations around the globe. Nuance markets and distributes its products indirectly through a global network of resellers, including system integrators, independent software vendors, value-added resellers, hardware vendors, telecommunications carriers and distributors, and directly through Nuance's dedicated sales force and through Nuance's e-commerce website.

Nuance has built a world-class portfolio of speech solutions both through internal development and acquisitions. Nuance continues to pursue opportunities to broaden its speech solutions and customer base through acquisitions, including the following recently announced transactions:

On June 21, 2007, Nuance announced its intention to acquire Tegic Communications, a wholly owned subsidiary of AOL LLC and a developer of embedded software for mobile devices. The Tegic acquisition will expand Nuance's presence in the mobile device industry and accelerate the delivery of a new mobile user interface that combines voice, text and touch to improve the user experience for consumers and mobile professionals.

On May 15, 2007, Nuance announced its intention to acquire VoiceSignal Technologies, a global provider of voice technology for mobile devices. The VoiceSignal acquisition will extend Nuance's solutions and expertise to address the accelerating demand for speech-enabled mobile devices and services that allow people to use spoken commands to navigate and retrieve information and to control and operate mobile phones, automobiles and personal navigation devices, simply and effectively.

On April 24, 2007, Nuance acquired BeVocal, Inc. a provider of hosted self-service customer care solutions that address business requirements of wireless carriers and their customers. The BeVocal acquisition provides Nuance with a portfolio of applications that serve the needs of wireless carriers and their customers and a highly recurring revenue base derived from a software-as-a-service business model.

On March 26, 2007, Nuance acquired Focus, a leading healthcare transcription company. The Focus acquisition complements Nuance Dictaphone iChart web-based transcription solutions and expands its ability

to deliver Web-based speech recognition solutions and to provide scalable Internet delivery of automated transcription.

Nuance's corporate headquarters are in Burlington, Massachusetts and Nuance has offices across North America, Latin America, Europe, and Asia. As of June 30, 2007, Nuance had 3,136 full time employees in

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total, including 537 in sales and marketing, 531 in research and development, and 306 in general and administrative. Forty-seven percent of Nuance employees are located outside of the United States.

Nuance was incorporated in 1992 as Visioneer, Inc. under the laws of the state of Delaware. In 1999, Nuance changed its name to ScanSoft, Inc. and also changed its ticker symbol to SSFT. In October 2004, Nuance changed its fiscal year end to September 30, resulting in a nine-month fiscal year for 2004. In October 2005, Nuance changed its name to Nuance Communications, Inc., to reflect its core mission of being the world's most comprehensive and innovative provider of speech solutions, and in November 2005 Nuance changed its ticker symbol to NUAN.

On August 7, 2007, Nuance entered into a purchase agreement with Citigroup Global Markets Inc. and Goldman, Sachs & Co. (the Initial Purchasers) to offer and sell \$220 million aggregate principal amount of its 2.75% Convertible Debentures due 2027, plus up to an additional \$30 million aggregate principal amount of such debentures at the option of the Initial Purchasers to cover over-allotment, if any, in a private placement to the Initial Purchasers for resale to qualified institutional buyers pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended (the Act), afforded by Section 4(2) of the Act and Rule 144A under the Act. Nuance intends to use the net proceeds from the offering to partially fund its acquisition of Tegic.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, Nuance evaluates its estimates and judgments, in particular those related to revenue recognition; the costs to complete the development of custom software applications; allowances for doubtful accounts and sales returns; accounting for patent legal defense costs; the valuation of goodwill, other intangible assets and tangible long-lived assets; accounting for acquisitions; valuing stock-based compensation instruments; assumptions used in determining the obligations and assets relating to pension and post-retirement benefit plans; judgment with respect to interest rate swaps which are characterized as derivative instruments; evaluating loss contingencies; and valuation allowances for deferred tax assets. Actual amounts could differ significantly from these estimates. Nuance's management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenue and expenses that are not readily apparent from other sources.

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The following table presents, as a percentage of total revenue, certain selected financial data for the periods indicated:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2007	2006	2007	2006
Revenue:				
Product and licensing	47.8%	53.5%	52.3%	62.3%
Professional services, subscription and hosting	31.5	22.2	26.1	21.2
Maintenance and support	20.7	24.3	21.6	16.5
Total revenue	100.0	100.0	100.0	100.0
Costs and expenses:				
Cost of product and licensing	6.0	7.6	7.5	7.0
Cost of professional services, subscription and hosting	20.6	17.5	17.9	16.1
Cost of maintenance and support	4.5	5.5	4.9	3.8
Cost of revenue from amortization of intangible assets	2.1	2.2	2.2	2.8
Gross margin	66.8	67.2	67.5	70.3
Research and development	12.6	14.6	12.7	15.9
Sales and marketing	29.8	32.2	31.3	34.6
General and administrative	12.6	13.3	12.5	15.6
Amortization of other intangible assets	4.1	5.6	3.9	4.0
Restructuring and other charges, net		0.1		(0.5)
Total operating expenses	59.1	65.8	60.4	69.6
Income from operations	7.7	1.4	7.1	0.7
Other expense, net	(4.7)	(6.1)	(4.9)	(3.1)
Income (loss) before income taxes	3.0	(4.7)	2.2	(2.4)
Provision for income taxes	7.9	3.7	4.7	3.3
Loss before cumulative effect of accounting changes	(4.9)	(8.4)	(2.5)	(5.7)
Cumulative effect of accounting change				(0.3)
Net loss	(4.9)%	(8.4)%	(2.5)%	(6.0)%

Total Revenue

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The following table shows total revenue by geographic location, based on the location of Nuance's customers, in absolute dollars and percentage change (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
United States	\$ 126.9	\$ 86.6	\$ 40.3	47%	\$ 329.3	\$ 184.3	\$ 145.0	79%
International	29.7	26.5	3.2	12%	92.8	76.1	16.7	22%
Total revenue	\$ 156.6	\$ 113.1	\$ 43.5	38%	\$ 422.1	\$ 260.4	\$ 161.7	62%

The increase in total revenue for the three months ended June 30, 2007, as compared to the same period ended June 30, 2006, was primarily due to a \$29.4 million, or 26%, increase in organic revenue; and to a lesser extent to \$14.1 million of revenue related to the acquisitions of BeVocal and Focus. Included in this

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organic growth, network revenue increased by 20%, dictation and transcription revenue increased 28%, embedded revenue increased by 46% offset by a decrease in imaging revenue of 23%.

Based on the location of Nuance's customers, the geographic split for the three months ended June 30, 2007 was 81% of total revenue in the United States and 19% internationally. This compares to 77% of total revenue in the United States and 23% internationally for the three months ended June 30, 2006. The increase in percentage of revenue generated in the United States was due to revenue related to the BeVocal and Focus acquisitions, which generate revenue primarily in the United States.

The increase in total revenue for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006 was primarily due to \$118.9 million of revenue related to our acquisitions of Dictaphone, BeVocal and Focus, and to a lesser extent was due to increases in network revenue, dictation revenue, embedded revenue and imaging revenue.

Based on the location of our customers, the geographic split for the nine months ended June 30, 2007 was 78% of total revenue in the United States and 22% internationally. This compares to 71% of total revenue in the United States and 29% internationally for the nine months ended June 30, 2006. The increase in percentage of revenue generated in the United States was largely due to revenue related to the acquisitions of Dictaphone, BeVocal and Focus, which generate revenue primarily in the United States.

Product and Licensing Revenue

Product and licensing revenue primarily consists of sales and licenses of speech and imaging products and technology. The following table shows product and licensing revenue in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Product and licensing revenue	\$ 74.9	\$ 60.5	\$ 14.4	24%	\$ 220.9	\$ 162.3	\$ 58.6	36%
As a percentage of total revenue	48%	54%			52%	62%		

The increase in product and licensing revenue for the three months ended June 30, 2007, as compared to the same period ended June 30, 2006, was due to organic revenue growth in Nuance's speech related products. Speech related product and licensing revenue increased \$19.4 million, or 50%, for the three months ended June 30, 2007, as compared to the same period ended June 30, 2006. The growth in speech revenue resulted from the growth in Dictaphone product revenue primarily as a result of decreased effects of purchase accounting, as well as increased sales of Nuance's dictation products, embedded products, and networked-based products. Product and licensing revenue from Nuance's imaging products decreased by \$5.1 million, or 24%. A 32% increase in the sales of Nuance's PDF products was offset by the decreased sales of Nuance's OmniPage products ahead of a launch in the fourth fiscal quarter of 2007 along with a general decrease in PaperPort revenue versus the same period last year.

Due to a change in revenue mix driven primarily by the growth of services revenue of the acquired companies of BeVocal and Focus, product and licensing revenue as a percentage of total revenue declined by 6% for the three month period ended June 30, 2007, as compared to the same period ended June 30, 2006.

The increase in speech related product and licensing revenue for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006, was primarily due to \$31.2 million of revenue attributable to the acquisition of Dictaphone. Speech related product and licensing revenue increased \$60.5 million, or 56%, for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006. The growth in speech revenue resulted from the acquisition of Dictaphone, as well as increased sales of Nuance's dictation products, embedded products and networked-based products. Product and licensing revenue from our imaging products decreased by \$1.8 million, or 3%, due to decreased sales of Nuance's Omnipage and PaperPort product families. PDF products continue to perform well with a 36% growth in the nine months ended June 30, 2007 as compared to the same period ended June 30, 2006.

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Due to a change in revenue mix driven primarily by the growth of services and maintenance and support revenue of the acquired companies of Dictaphone, BeVocal, and Focus, product and licensing revenue as a percentage of total revenue declined 10% for the nine month period ended June 30, 2007, as compared to the same period ended June 30, 2006.

Professional Services, Subscription and Hosting Revenue

Professional services revenue primarily consists of consulting, implementation and training services for speech customers. Subscription and hosting revenue primarily relates to delivering hosted and on-site directory assistance and transcription and dictation services over a specified term. The following table shows professional services, subscription and hosting revenue in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Professional services, subscription and hosting revenue	\$ 49.3	\$ 25.1	\$ 24.2	96%	\$ 110.1	\$ 55.1	\$ 55.0	100%
As a percentage of total revenue	32%	22%			26%	21%		

The increase in professional services, subscription and hosting revenue for the three months ended June 30, 2007, as compared to the same period ended June 30, 2006, was primarily due to a \$14.1 million increase in revenue attributable to Nuance's acquisitions of BeVocal and Focus. The remaining increase of \$10.1 million is primarily attributable to growth in the legacy Dictaphone, network and embedded consulting services.

The increase in professional services revenue for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006, was primarily due to a \$45.3 million increase in revenue attributable to Nuance's acquisitions of Dictaphone, BeVocal and Focus. The remaining increase is primarily attributable to an increase in combined network and embedded consulting services.

Maintenance and Support Revenue

Maintenance and support revenue primarily consists of technical support and maintenance service for speech products including network, embedded and dictation and transcription products. The following table shows maintenance and support revenue in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Maintenance and support revenue	\$ 32.5	\$ 27.5	\$ 5.0	18%	\$ 91.1	\$ 43.0	\$ 48.1	112%

As a percentage of total revenue	21%	24%	22%	17%
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The increase in maintenance and support revenue for the three months ended June 30, 2007, as compared to the same period ended June 30 2006, was primarily due to a \$5.0 million increase in revenue attributable to organic growth in Network and in Dictaphone, both of which have a significant number of maintenance and support contracts.

The increase in maintenance and support revenue for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006, was primarily due to a \$42.3 million increase in revenue attributable to the acquisition of Dictaphone, which has a significant number of maintenance and support contracts. The remaining \$5.8 million increase in maintenance and support revenue is primarily attributable to an increase in network maintenance and support contracts.

Table of Contents**Cost of Product and Licensing Revenue**

Cost of product and licensing revenue primarily consists of material and fulfillment costs, manufacturing and operations costs, third-party royalty expenses, and share-based payments. The following table shows cost of product and licensing revenue, in absolute dollars and as a percentage of product and licensing revenue (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Cost of product and licensing revenue	\$ 9.4	\$ 8.6	\$ 0.8	9%	\$ 31.7	\$ 18.3	\$ 13.4	73%
As a percentage of product and licensing revenue	13%	14%			14%	11%		

The increase in cost of product and licensing revenue for the three months ended June 30, 2007, as compared to the same period ended June 30, 2006, was due to a general increase in the product and licensing costs as it relates to increases in the product and licensing revenue. As a percentage of product and licensing revenue, cost of revenue decreased by 1% for the three months ended June 30, 2007, as compared to the same period ended June 30, 2006. This slight decrease in cost as a percentage of revenue was due to the change in product mix.

The increase in cost of product and licensing revenue for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006, was primarily due to the acquisition of Dictaphone. Excluding this acquisition, cost of product and licensing revenue increased \$3.6 million, or 24%. As a percentage of product and licensing revenue, cost of revenue increased 3% for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006. The increase was largely due to the change in product mix.

Cost of Professional Services, Subscription and Hosting Revenue

Cost of professional services, subscription and hosting revenue primarily consists of compensation for consulting personnel, outside consultants, overhead, and share-based payments, as well as the hardware and communications fees that support our subscription and hosted solutions. The following table shows cost of professional services, subscription and hosting revenue, in absolute dollars and as a percentage of professional services, subscription and hosting revenue (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Cost of professional services, subscription and hosting revenue	\$ 32.3	\$ 19.8	\$ 12.5	63%	\$ 75.5	\$ 41.8	\$ 33.7	81%

As a percentage of
 professional services,
 subscription and hosting
 revenue

66%

79%

69%

76%

The increase in cost of professional services, subscription and hosting revenue for the three months ended June 30, 2007, as compared to the same period ended June 30, 2006, was primarily due to a \$7.9 million increase in costs attributable to the acquisition of BeVocal and Focus. Excluding the impact of these acquisitions, cost of professional services, subscription and hosting revenue increased \$4.4 million due to compensation related expense for increased headcount, outside services, and transcription fees. The improvement in margin in the fiscal 2007 period was partially derived from greater efficiencies in the utilization of the professional services teams and infrastructures as the revenue base has grown.

The increase in cost of professional services, subscription and hosting revenue for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006, was primarily due to a \$24.2 million increase in cost attributable to the acquisition of Dictaphone, which has a large subscription-based licensing

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and hosted application customer base, and \$8.0 million increase in costs attributable to the acquisition of BeVocal and Focus. Excluding the impact of these acquisitions, cost of professional services, subscription and hosting revenue increased \$1.1 million due to compensation related expense for increased headcount and outside services. The improvement in margin in the fiscal 2007 period was partially derived from greater efficiencies in the utilization of the professional services teams and infrastructures as the revenue base has grown.

Cost of Maintenance and Support Revenue

Cost of maintenance and support revenue primarily consists of compensation for product support personnel and overhead, as well as share-based payments. The following table shows cost of maintenance and support revenue, in absolute dollars and as a percentage of maintenance and support revenue (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Cost of maintenance and support revenue	\$ 7.0	\$ 6.2	\$ 0.8	13%	\$ 20.5	\$ 9.9	\$ 10.6	107%
As a percentage of maintenance and support revenue	21%	23%			23%	23%		

The increase in cost of maintenance and support revenue for the three months ended June 30, 2007, as compared to the same period ended June 30, 2006, was primarily due to an increase in compensation related expense for increased headcount to support the larger revenue base.

The increase in cost of maintenance and support revenue for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006, was primarily due to an \$8.9 million increase in costs attributable to the acquisition of Dictaphone, which has a significant number of maintenance and support contracts. Excluding the impact of this acquisition cost of maintenance and support revenue increased \$2.0 million due to compensation related expense for increased headcount and outside services.

Cost of Revenue from Amortization of Intangible Assets

Cost of revenue from amortization of intangible assets consists of the amortization of acquired patents and core and completed technology using the straight-line basis over their estimated useful lives. Nuance evaluates the recoverability of intangible assets periodically or whenever events or changes in business circumstances indicate that the carrying value of its intangible assets may not be recoverable. The following table shows cost of revenue from amortization of intangible assets in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
	\$ 3.4	\$ 2.5	\$ 0.9	36%	\$ 9.2	\$ 7.4	\$ 1.8	24%

Cost of revenue from
amortization of intangible
assets

As a percentage of total revenue	2%	2%	2%	3%
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The increase in amortization of other intangible assets for the three months ended June 30, 2007, as compared to the same period ended June 30, 2006, was attributable to new amortization of identifiable technology being amortized pursuant to Nuance's acquisitions of BeVocal, Focus and MVC, net of a \$0.4 million decrease in amortization expense related to a purchased technology that was written down to its net realizable value during the fourth quarter of fiscal 2006.

The increase in amortization of other intangible assets for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006, was attributable to new amortization of identifiable

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technology being amortized pursuant to Nuance's acquisitions of BeVocal, Focus, MVC and Dictaphone, net of a \$1.3 million decrease in amortization expense related to a purchased technology that was written down to its net realizable value during the fourth quarter of fiscal 2006.

Research and Development Expense

Research and development expense primarily consists of salaries and benefits and overhead, as well as share-based payments relating to our engineering staff. The following table shows research and development expense, in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Total research and development expense	\$ 19.7	\$ 16.5	\$ 3.2	19%	\$ 53.7	\$ 41.5	\$ 12.2	29%
As a percentage of total revenue	13%	15%			13%	16%		

The increase in research and development expense for the three months ended June 30, 2007, as compared to the same period ended June 30, 2006, was primarily due to a \$2.4 million increase in cash-based compensation, contract labor and other employee-related expenses, including those of Nuance's BeVocal acquisition. Additionally there was an increase of \$0.8 million due to share-based compensation. While continuing to increase in absolute dollars, research and development expense decreased as a percentage of total revenue. This decrease primarily reflects synergies resulting from the integration of the research and development organizations of acquired businesses into our research and development organization.

The increase in research and development expense for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006, was primarily due to a \$10.5 million increase in cash-based compensation, contract labor and other employee-related expenses, including those of Nuance's BeVocal acquisition. Additionally there was an increase of \$1.8 million due to share-based compensation. While continuing to increase in absolute dollars, research and development expense decreased as a percentage of total revenue. This decrease primarily reflects synergies resulting from the integration of the research and development organizations of acquired businesses into our research and development organization.

Sales and Marketing Expense

Sales and marketing expense includes salaries and benefits, share-based payments, commissions, advertising, direct mail, public relations, tradeshow and other costs of marketing programs, travel expenses associated with Nuance's sales organization and overhead. The following table shows sales and marketing expense in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change

Total sales and marketing expense	\$ 46.7	\$ 36.5	\$ 10.2	28%	\$ 132.5	\$ 90.2	\$ 42.3	47%
As a percentage of total revenue	30%	32%			31%	35%		

The increase in sales and marketing expense for the three months ended June 30, 2007, compared to the same period ended June 30, 2006, was primarily due to an increase of \$6.9 million in cash-based compensation and headcount related expenses, including salaries and commissions, temporary employees, recruiting, travel and infrastructure related expenses associated with increased average headcount of 134 sales employees and 35 marketing employees mainly due to Nuance's BeVocal and Focus acquisitions. Additionally, the increase was due to a \$3.3 million increase in share-based compensation. While continuing to increase in absolute dollars, sales and marketing expense decreased relative to Nuance's total revenue. This decrease primarily reflects

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synergies resulting from the integration of the sales and marketing organizations of acquired businesses into Nuance's sales and marketing organization.

The increase in sales and marketing expense for the nine months ended June 30, 2007, compared to the same period ended June 30, 2006, was primarily due to an increase of \$28.6 million in cash-based compensation and headcount related expenses, including salaries and commissions, temporary employees, recruiting, travel and infrastructure related expenses associated with increased average headcount of 133 sales employees and 27 marketing employees mainly due to Nuance's Dictaphone, BeVocal and Focus acquisitions. Additionally, the increase was due to an \$8.8 million increase in share-based compensation and a \$4.7 million increase in advertising spending for existing products as well as healthcare products for Dictaphone. While continuing to increase in absolute dollars, sales and marketing expense decreased relative to Nuance's total revenue. This decrease primarily reflects synergies resulting from the integration of the sales and marketing organizations of acquired businesses into Nuance's sales and marketing organization.

General and Administrative Expense

General and administrative expense primarily consists of personnel costs (including share-based payments and other overhead) for administration, finance, human resources, information systems, facilities and general management, fees for external professional advisors including accountants and attorneys, insurance, and provisions for doubtful accounts. The following table shows general and administrative expense in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Total general and administrative expense	\$ 19.7	\$ 15.0	\$ 4.7	31%	\$ 52.6	\$ 40.6	\$ 12.0	30%
As a percentage of total revenue	13%	13%			12%	16%		

The increase in general and administrative expense for the three months ended June 30, 2007, as compared to the same period ended June 30, 2006, was due primarily to an increase of \$2.0 million in share-based compensation and \$1.9 million in professional services. The remaining increase of \$0.8 million consists mainly of cash-based compensation and infrastructure costs, principally due to the acquisitions of BeVocal and Focus.

The increase in general and administrative expense for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006 was due primarily to an increase of \$6.4 million in share-based compensation and an increase of \$5.6 million in cash-based compensation and other infrastructure related expense for increased headcount and external contractor labor, mainly due to the acquisitions of BeVocal, Focus and Dictaphone. While general and administrative expense increased in absolute dollars, the expense decreased as a percent of total revenue. This decrease primarily reflects synergies resulting from the integration of the general and administrative organizations of acquired businesses into Nuance's general and administrative organization.

Amortization of Other Intangible Assets

Amortization of other intangible assets into operating expense includes amortization of acquired customer and contractual relationships, non-competition agreements and acquired trade names and trademarks. Customer relationships are amortized on an accelerated basis based upon the pattern in which the economic benefit of customer relationships are being utilized. Other identifiable intangible assets are amortized on a straight-line basis over their estimated useful lives. Nuance evaluates these assets for impairment and for appropriateness of

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their remaining life on an ongoing basis. The following table shows amortization of other intangible assets in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Total amortization and other intangible assets	\$ 6.3	\$ 6.4	\$ (0.1)	(2)%	\$ 16.6	\$ 10.4	\$ 6.2	60%
As a percentage of total revenue	4%	6%			4%	4%		

The increase in amortization of other intangible assets for the nine months ended June 30, 2007, as compared to the same period ended June 30, 2006, was attributable to the amortization of identifiable intangible assets being amortized pursuant to Nuance's acquisitions of BeVocal, Focus, MVC and Dictaphone. These increases were partially offset by reduced amortization of certain customer relationships' intangible assets whose pattern of economic benefit provided less benefit in the fiscal 2007 period compared to the fiscal 2006 period.

Restructuring and Other Charges (Credits), Net

Current activity charged against the restructuring accrual for the nine months ended June 30, 2007 was as follows (dollars in millions):

	Facilities	Personnel	Total
Balance at September 30, 2006	\$ 0.5	\$ 0.4	\$ 0.9
Charged to expense		(0.1)	(0.1)
Cash payments and foreign exchange	(0.5)	(0.1)	(0.6)
Balance at June 30, 2007	\$	\$ 0.2	\$ 0.2

The remaining personnel-related accrual as of June 30, 2007 is primarily composed of amounts due under a restructuring charge taken in the fourth quarter of fiscal 2005.

Other Income (Expense), Net

The following table shows other income (expense), net in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change

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Interest income	\$ 1.4	\$ 1.0	\$ 0.4	40%	\$ 4.1	\$ 2.4	\$ 1.7	71%
Interest expense	(9.1)	(7.8)	(1.3)	17%	(24.3)	(9.6)	(14.7)	153%
Other income (expense), net	0.4	(0.1)	0.5	(500)%	(0.5)	(0.9)	0.4	(44)%
Total other income (expense), net	\$ (7.3)	\$ (6.9)	\$ (0.4)	6%	\$ (20.7)	\$ (8.1)	\$ (12.6)	156%
As a percentage of total revenue	(5)%	(6)%			(5)%	(3)%		

The increase in interest income was primarily due to higher cash balances and increased interest rates during the three and nine month periods ended June 30, 2007, as compared to the same periods ended June 30, 2006. The increase in interest expense was mainly due to interest expense paid, and amortization of debt issuance costs, associated with the Expanded 2006 Credit Facility. Other income (expense) principally consisted of foreign exchange gains (losses) as a result of the changes in foreign exchange rates on certain of Nuance's foreign subsidiaries whose operations are denominated in other than their local currencies, as well as the translation of certain of Nuance's intercompany balances.

Table of Contents**Provision for Income Taxes**

The following table shows the provision for income taxes in absolute dollars and the effective income tax rate (dollars in millions):

	Three Months Ended June 30,				Nine Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Provision for income taxes	\$ 12.4	\$ 4.2	\$ 8.2	195%	\$ 19.7	\$ 8.5	\$ 11.2	132%
Effective income tax rate	261%	(81)%			216%	(131)%		

The provision for income taxes includes provisions for current and deferred federal, state, and foreign taxes of approximately \$1.9 million and \$7.4 million for the three and nine month periods ended June 30, 2007, respectively, and an increase in the valuation allowance of approximately \$10.4 million and \$12.4 million for the same periods, respectively.

The difference between Nuance's effective income tax rate and the federal statutory rate of 35% is due primarily to state income taxes, the disallowance for tax purposes of certain share-based compensation charges, and the increase in Nuance's valuation allowance with respect to certain deferred tax assets.

Valuation allowances have been established for Nuance's net deferred tax assets which Nuance believes do not meet the more likely than not realization criteria established by SFAS 109, Accounting for Income Taxes. The U.S. deferred tax assets relate primarily to net operating loss and tax credit carryforwards (resulting both from business combinations and from operations). Deferred tax liabilities have been recorded that relate primarily to intangible assets established in connection with business combinations. Certain of these intangible assets have indefinite lives, and the resulting deferred tax liability associated with these assets is not allowed as an offset to Nuance's net deferred tax assets for purposes of determining the required amount of Nuance's valuation allowance. At June 30, 2007, the amount of deferred tax liability associated with certain goodwill and indefinite lived intangibles was approximately \$20.5 million.

The utilization of deferred tax assets that were acquired in a business combination results in a reduction of Nuance's valuation allowance and an increase to goodwill. Nuance's establishment of new deferred tax assets as a result of operating activities requires an increase in Nuance's valuation allowance and a corresponding increase to tax expense.

The tax provision also includes state and foreign tax expense as determined on a legal entity and tax jurisdiction basis.

Table of Contents**RESULTS OF OPERATIONS**

The following table presents, as a percentage of total revenue, certain selected financial data for the twelve months ended September 30, 2006 and 2005, and the nine months ended September 30, 2004.

	Year Ended September 30, 2006	Year Ended September 30, 2005	Nine-Month Period Ended September 30, 2004
Revenue:			
Product and licensing	60.7%	73.7%	75.0%
Professional services, subscription and hosting	20.9	20.3	19.4
Maintenance and support	18.4	6.0	5.6
Total revenue	100.0	100.0	100.0
Costs and expenses:			
Cost of product and licensing	8.1	8.8	7.9
Cost of professional services, subscription and hosting	15.2	14.9	15.5
Cost of maintenance and support	4.6	2.1	2.0
Cost of revenue from amortization of intangible assets	3.3	3.9	6.5
Gross Margin	68.8	70.3	68.1
Research and development	15.3	16.9	20.2
Sales and marketing	33.1	33.9	37.8
General and administrative	14.2	13.8	14.1
Amortization of other intangible assets	4.4	1.7	1.5
Restructuring and other charges (credits), net	(0.3)	3.1	0.6
Total operating expenses	66.7	69.4	74.2
Income (loss) from operations	2.1	0.9	(6.1)
Other income (expense), net	(3.9)	(0.3)	(0.1)
Income (loss) before income taxes	(1.8)	0.6	(6.2)
Provision for income taxes	3.9	2.9	1.0
Loss before cumulative effect of accounting changes	(5.7)	(2.3)	(7.2)
Cumulative effect of accounting change	(0.2)	0.0	0.0
Net loss	(5.9)%	(2.3)%	(7.2)%

REVENUE

The following table shows total revenue by geographic location, based on the location of Nuance's customers, in absolute dollars and percentage change (in thousands, except percentages):

Total Revenue

	Fiscal 2006	Fiscal 2005	Nine-Month Period Ended September 30, 2004	% Change 2006 vs 2005	% Change 2005 vs 2004
United States	\$ 288,300	\$ 160,927	\$ 91,472	79.1%	75.9%
International	100,210	71,461	39,435	40.2	81.2
Total Revenue	\$ 388,510	\$ 232,388	\$ 130,907	67.2%	77.5%

Table of Contents***Fiscal 2006 Compared to Fiscal 2005***

Total revenue for the fiscal year ended September 30, 2006 increased by \$156.1 million as compared to the fiscal year ended September 30, 2005. The increase was primarily due to \$112.4 million of revenue related to Nuance's acquisitions of Nuance Communications, Inc. (Former Nuance) and Dictaphone. Organic total revenue increased \$43.7 million, or 19%, in fiscal 2006. Included in this organic growth, network revenue increased 20%, dictation revenue increased 26% primarily as a result of the release of Dragon NaturallySpeaking version 9.0, while embedded revenue increased by 37% and imaging revenue increased by 6%.

Based on the location of the customers, the geographic split in fiscal 2006 was 74% of total revenue in the United States and 26% internationally. This compares to 69% of total revenue in the United States and 31% internationally for the year ended September 30, 2005. The increase in revenue generated in the United States was primarily due to sales of Dictaphone products, 93.0% of which revenue is derived in the United States. Excluding the Dictaphone revenue for fiscal 2006, 68% of total revenue was derived from customers in the United States and 32% internationally.

Fiscal 2005 Compared to Fiscal 2004

Total revenue for fiscal 2005 increased by \$101.5 million as compared to fiscal 2004. The increase in revenue was due to several factors, including a twelve-month fiscal period in 2005, which included a seasonally strong fourth calendar quarter that contributed \$60.6 million of total revenue. Excluding that incremental quarter, total revenue increased \$40.9 million, or 31.2%. The substantial majority of the growth derived from comparative periods due to organic growth in product lines existing as of January 1, 2004 and to a lesser extent based on revenue related to acquisitions consummated in late fiscal 2004 and during fiscal 2005.

The geographic revenue split, based on the location of our customers, was 69% of total revenue in fiscal 2005 in the United States and 31% internationally. This compares to 70% of total revenue in the United States and 30% internationally for the nine month period ended September 30, 2004.

Product and Licensing Revenue

Product and licensing revenue primarily consists of sales and licenses of Nuance's speech and imaging products and technology. The following table shows product and licensing revenue in absolute dollars and as a percentage of total revenue (in thousands, except percentages):

	Fiscal 2006	Fiscal 2005	Nine-Month Period Ended September 30, 2004	% Change 2006 vs 2005	% Change 2005 vs 2004
Product and licensing revenue	\$ 235,825	\$ 171,200	\$ 98,262	37.7%	74.2%
As a percentage of total revenue	60.7%	73.7%	75.0%		

Fiscal 2006 Compared to Fiscal 2005

Product and licensing revenue for fiscal 2006 increased by \$64.6 million compared to fiscal 2005. This increase in product and licensing revenue was primarily due to \$39.8 million of revenue attributable to Nuance's acquisitions of Former Nuance and Dictaphone. Excluding the impact of these acquisitions, product and licensing revenue grew \$24.8 million, or 15%, compared to the fiscal year ended September 30, 2005. Due to a change in revenue mix, driven primarily by the growth of maintenance and support revenue, product and licensing revenue as a percentage of total revenue declined 13% in fiscal 2006 as compared to fiscal 2005.

Speech related product and licensing revenue increased 56% in fiscal 2006 compared to fiscal 2005, growing to 70% of total product and licensing revenue in fiscal 2006, up from 60% in fiscal 2005. Excluding revenue due to Nuance's acquisitions of Former Nuance and Dictaphone, speech related product and licensing revenue increased by \$19.6 million, or 19%, in fiscal 2006 compared to fiscal 2005. The growth in speech revenue resulted from increased sales of Nuance's legacy network products, embedded products in automotive

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and handsets, as well as increased sales in dictation fueled by our fourth quarter release of Dragon NaturallySpeaking 9.0. Product and licensing revenue from Nuance's imaging products increased by \$5.2 million, or 8%, due to increased sales of Nuance's PDF product family with the September 2006 release of PDF 4.0 and the May 2006 release of PaperPort 11.

Fiscal 2005 Compared to Fiscal 2004

Product and licensing revenue for fiscal 2005 increased by \$72.9 million compared to fiscal 2004. The increase in product and licensing revenue is generally attributable to the factors discussed above with respect to total revenue, including the seasonably strong fourth calendar quarter of calendar 2004 that contributed \$46.8 million of increased product and licensing revenue. Excluding the revenue from the additional three-month period, product and licensing revenue increased \$26.1 million, or 26.6%. The substantial majority of the growth in addition to the additional three months was growth from organic products that Nuance had in our product portfolio as of January 1, 2004, and to a lesser extent was based on revenue related to recent acquisitions. Speech related product and licensing revenue increased to 60% of total product and licensing revenue for fiscal 2005, up from 55% of total product and licensing revenue in fiscal 2004. Expressed in dollars, revenue from speech related products totaled \$104.2 million for fiscal 2005, as compared to \$54.6 million for fiscal 2004. Within speech, network revenue remained relatively stable at 25% of total product and licensing revenue in fiscal 2005, while embedded revenue increased to 10% of total product and licensing revenue in fiscal 2005, up from 7% in fiscal 2004. The increase in embedded revenue was largely attributable to the acquisition of ART in January 2005. Dictation revenue in fiscal 2005 increased to 25% of total product and licensing revenue, up from 22% for fiscal 2004, primarily due to the release of Dragon NaturallySpeaking 8.0 in the first quarter of fiscal 2005, as well as the May 2005 acquisition of MedRemote.

Imaging related product and licensing revenue increased to \$66.9 million for fiscal 2005, up 53% from fiscal 2004. Of this increase, 33% is due to the additional three months included in fiscal 2005, with the majority of the remaining increase attributable to increased sales of Nuance's PaperPort product family, which had a new release in the first quarter of fiscal 2005.

Professional Services, Subscription and Hosting Revenue

Professional services revenue primarily consists of consulting, implementation and training services for speech customers. Subscription and hosting revenue primarily relates to delivering hosted and on-site directory assistance and transcription and dictation services over a specified term. The following table shows professional services, subscription and hosting revenue in absolute dollars and as a percentage of total revenue (in thousands, except percentages):

	Fiscal 2006	Fiscal 2005	Nine-Month Period Ended September 30, 2004	% Change 2006 vs 2005	% Change 2005 vs 2004
Professional services, subscription and hosting revenue	\$ 81,320	\$ 47,308	\$ 25,358	71.9%	86.6%
As a percentage of total revenue	20.9%	20.3%	19.4%		

Fiscal 2006 Compared to Fiscal 2005

Professional services, subscription and hosting revenue for fiscal 2006 increased by \$34.0 million as compared to fiscal 2005. The largest component of this increase in professional services revenue was \$22.0 million of revenue due to Nuance's acquisitions of Former Nuance and Dictaphone. Included in the Dictaphone revenue is \$16.0 million of revenue relating to the subscription and hosting customer base. Excluding the impact of these acquisitions, Nuance's professional services revenue increased by \$12.0 million, or 26% compared to fiscal 2005, with most product lines contributing to this growth. Network services, excluding revenue attributable to Former Nuance, provided \$9.0 million, or 26% organic growth, based on growth in core network consulting, subscription and hosting and training revenue.

Table of Contents***Fiscal 2005 Compared to Fiscal 2004***

Professional services, subscription and hosting revenue for fiscal 2005 increased by \$22.0 million as compared to fiscal 2004. The increase in professional services revenue was partially attributed to the inclusion of the seasonably strong fourth calendar quarter of calendar 2004 that contributed \$11.0 million of increased professional services revenue. In addition to the revenue from that extra three-month period, professional services revenue increased \$11.0 million, or 43%. The substantial majority of the growth was derived from organic growth in products existing as of January 1, 2004 and a lesser portion was attributable to acquisitions made in fiscal 2005. The organic growth is primarily due to the continued demand for consulting services, both in project size and in the volume of projects. Also contributing to the total growth, but to a lesser extent, was revenue from subscription based licensing and hosting services.

Maintenance and Support Revenue

Maintenance and support revenue primarily consists of technical support and maintenance service for Nuance's speech products including network, embedded and dictation and transcription products. The following table shows maintenance and support revenue in absolute dollars and as a percentage of total revenue (in thousands, except percentages):

	Fiscal 2006	Fiscal 2005	Nine Month Period Ended September 30, 2004	% Change 2006 vs. 2005	% Change 2005 vs. 2004
Maintenance and support revenue	\$ 71,365	\$ 13,880	\$ 7,287	414.2%	90.5%
As a percentage of total revenue	18.4%	6.0%	5.6%		

Fiscal 2006 Compared to Fiscal 2005

Maintenance and support revenue increased by \$57.5 million in fiscal 2006 compared to fiscal 2005. As a percentage of total revenue, maintenance and support revenue grew 12.4% in fiscal 2006, up from 6% in fiscal 2005. \$50.5 million of this increase is due to Nuance's acquisitions of Former Nuance and Dictaphone, both of which have a significant customer base of maintenance and support contracts from historic sales of product. Excluding the impact of these acquisitions, maintenance and support revenue increased \$7.0 million, or 50%, in fiscal 2006 compared to fiscal 2005, due to Nuance's continued strong renewal rates as well as from new sales in our network products.

Fiscal 2005 Compared to Fiscal 2004

Maintenance and support revenue for fiscal 2005 increased by \$6.6 million compared to fiscal 2004. \$2.8 million of this increase is attributable to the additional three months included in fiscal 2005. Excluding that incremental quarter, maintenance and support revenue increased \$3.3 million, or 45%. The substantial majority of the growth derived from comparative periods was the result of organic growth in product lines existing as of January 1, 2004, and to a lesser extent the acquisitions consummated in late fiscal 2004 and during fiscal 2005.

COSTS AND EXPENSES

In fiscal 2006, stock-based compensation includes the amortization of the fair value of share-based payments made to employees and to members of the Nuance board of directors, under the provisions of SFAS 123R, which Nuance adopted on October 1, 2005 (see Note 2, Summary of Significant Accounting Policies, in the accompanying Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K). As a result of the adoption of SFAS 123R, Nuance has recorded \$22.5 million of expense related to share-based payments during fiscal 2006 as compared to \$3.0 million in fiscal 2005 and \$1.5 million in fiscal 2004. To isolate the effects of the accounting change and to facilitate comparative review of Nuance's operations between the fiscal 2006, fiscal 2005 and fiscal 2004 periods, presented below is each cost and

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expense line in tabular format, with and without the amounts recorded in each period relating to share-based payments. Unless noted otherwise, discussion of fiscal 2006 compared to fiscal 2005 represents discussion of costs and expenses excluding share-based payments.

Cost of Product and Licensing Revenue

Cost of product and licensing revenue primarily consists of material and fulfillment costs, manufacturing and operations costs, and third-party royalty expenses. The following table shows cost of product and licensing revenue including and excluding the cost of product and licensing revenue attributable to stock-based compensation, in absolute dollars and as a percentage of product and licensing revenue (in thousands, except percentages):

			Nine Month Period Ended	% Change 2006 vs. 2005	% Change 2005 vs. 2004
	Fiscal 2006	Fiscal 2005	September 30, 2004		
Cost of product and licensing revenue	\$ 31,394	\$ 20,378	\$ 10,348	54.1%	96.9%
Share-based payments	88	10			
Cost of product and licensing revenue, excluding share-based payments	\$ 31,306	\$ 20,368	\$ 10,348	53.7%	96.8%
As a percentage of product and licensing revenue:					
Including share-based payments	13.3%	11.9%	10.5%		
Excluding share-based payments	13.3%	11.9%	10.5%		

Fiscal 2006 Compared to Fiscal 2005

Cost of product and licensing revenue, excluding share-based payments, for fiscal 2006 increased \$10.9 million as compared to fiscal 2005 primarily due to \$9.3 million of costs due to Nuance's acquisitions of Former Nuance and Dictaphone. As a percentage of product and licensing revenue, cost of product and licensing revenue increased 1.4% in fiscal 2006, largely due to Dictaphone products that have higher cost of goods sold relative to Nuance's other products. The added costs of goods sold for Dictaphone products are primarily due to third party hardware that is included in the solutions licensed to customers.

Excluding Dictaphone, in fiscal 2006 the cost of product and licensing revenue increased by \$1.9 million, while declining to 9.2% of product and licensing revenue. The decrease as a percent of revenue was due to several factors. Most notably, the materials costs decreased by 0.7%, to 3.9% of product and licensing revenue, due to a decrease in imaging boxed products relative to speech products which carry lower materials costs. Additionally, royalties

decreased by \$0.5 million compared to fiscal 2005 driven largely by contractual changes for Nuance's embedded product lines' royalties.

Fiscal 2005 Compared to Fiscal 2004

Cost of product and licensing revenue for fiscal 2005 grew \$10.0 million compared to fiscal 2004. This 96.9% increase is due to a number of factors, most significant of which is the additional three months included in 2005 as compared to 2004. Additionally, the expenses have increased along with the 75.2% growth in product and licensing revenue as compared to fiscal 2004. As a percentage of product and licensing revenue, cost of product and licensing revenue for fiscal 2005 increased to 11.9% as compared to 10.6% in fiscal 2004. This increase is primarily due to higher third party royalty expense that amounted to \$4.2 million for fiscal 2005, compared to \$1.2 million in fiscal 2004. The \$3.0 million increase is due to a number of factors including more products that have royalties associated with them, higher royalties associated with renegotiated contracts with third parties for certain imaging products, and the 75.2% increase in product and licensing revenue. Partially offsetting the royalty increase was a modest decrease in material costs of product and licensing revenue, from 5.0% of product and licensing revenue in fiscal 2004 to 4.6% for fiscal 2005.

Table of Contents**Cost of Professional Services, Subscription and Hosting Revenue**

Cost of professional services, subscription and hosting revenue primarily consists of compensation for consulting personnel, outside consultants and overhead, as well as the hardware and communications fees that support Nuance's subscription and hosted solutions. The following table shows cost of revenue including and excluding the cost of revenue attributable to stock-based compensation, in absolute dollars and as a percentage of professional services, subscription and hosting revenue (in thousands, except percentages):

			Nine Month Period Ended		
	Fiscal 2006	Fiscal 2005	September 30, 2004	% Change 2006 vs. 2005	% Change 2005 vs. 2004
Cost of professional services, subscription and hosting revenue	\$ 59,015	\$ 34,737	\$ 20,456	69.9%	69.8%
Share-based payments	1,873	107	59		
Cost of professional services, subscription and hosting revenue, excluding share-based payments	\$ 57,142	\$ 34,630	\$ 20,397	65.0%	69.8%
As a percentage of professional services, subscription and hosting revenue:					
Including share-based payments	72.6%	73.4%	80.7%		
Excluding share-based payments	70.3%	73.2%	80.4%		

Fiscal 2006 Compared to Fiscal 2005

Cost of professional services, subscription and hosting revenue, excluding share-based payments, increased \$22.5 million in fiscal 2006 as compared to fiscal 2005 primarily due to \$14.9 million of costs due to Nuance's acquisitions of Former Nuance and Dictaphone, both of which have robust professional services organizations to support revenue streams. Additionally, Dictaphone has a large subscription-based licensing and hosted application customer base. The 65.0% growth in costs supports the 71.9% growth in related revenue for fiscal 2006. Cost of professional services as a percentage of the revenue, excluding share-based payments, improved 2.9% as synergies were realized from the merging of the service teams from Former Nuance and Dictaphone. These improvements were offset partially by increased expenses for the subscription and hosting services.

Fiscal 2005 Compared to Fiscal 2004

Cost of professional services, subscription and hosting revenue for fiscal 2005 increased \$14.2 million compared to fiscal 2004. This increase was due to a number of factors including the additional three months included in fiscal 2005. Additionally, incremental costs were necessary to support the 86.6% growth in related revenue. As a percentage of the related revenue, cost of professional services, subscription and hosting revenue for fiscal 2005 decreased to 73.2% compared to 80.4% in fiscal 2004. The percentage decrease in professional services cost as a percent of professional services revenue is attributable to a number of factors, including a reduction in outside consultant expenses and a more efficient utilization of existing headcount.

Table of Contents**Cost of Maintenance and Support Revenue**

Cost of maintenance and support revenue primarily consists of compensation for product support personnel and overhead. The following table shows cost of maintenance and support revenue including and excluding the cost of maintenance and support revenue attributable to stock-based compensation, in absolute dollars and as a percentage of maintenance and support revenue (in thousands, except percentages):

	Fiscal 2006	Fiscal 2005	Nine Month Period Ended September 30, 2004	% Change 2006 vs. 2005	% Change 2005 vs. 2004
Cost of maintenance and support revenue	\$ 17,723	\$ 4,938	\$ 2,559	258.9%	93.0%
Share-based payments	525	15	7		
Cost of maintenance and support revenue, excluding share-based payments	\$ 17,198	\$ 4,923	\$ 2,552	249.3%	92.9%
As a percentage of maintenance and support revenue:					
Including share-based payments	24.8%	35.6%	35.1%		
Excluding share-based payments	24.1%	35.5%	35.0%		

Fiscal 2006 Compared to Fiscal 2005

Cost of maintenance and support revenue, excluding share-based payments, for fiscal 2006 increased \$12.3 million compared to fiscal 2005 due primarily to \$8.0 million of costs for the additional headcount to support the additional revenue from Nuance's acquisitions of Former Nuance and Dictaphone. As a percentage of maintenance and support revenue, cost of revenue decreased 11.4% in fiscal 2006 to 24.1%. This decrease in percentage is primarily attributable to lower costs relative to the revenue in Nuance's healthcare maintenance and support business following Nuance's acquisition of Dictaphone. Speech margins, excluding the acquisition of Dictaphone, also improved in fiscal 2006, primarily due to synergies realized upon the combination of pre-existing and acquired product lines following the acquisition of Former Nuance.

Fiscal 2005 Compared to Fiscal 2004

Cost of maintenance and support revenue for fiscal 2005 grew \$2.4 million as compared to fiscal 2004. This increase was due to a number of factors including the additional three months included in fiscal 2005. Additionally,

incremental costs were necessary to support the 79.6% growth in related revenue. As a percentage of maintenance revenue, cost of maintenance revenue increased 2.5% in fiscal 2005 as compared to fiscal 2004. The percentage increase was attributable to increased staffing made in advance of the anticipation of increasing revenue.

Table of Contents**Cost of Revenue from Amortization of Intangible Assets**

Cost of revenue from amortization of intangible assets consists of the amortization of acquired patents and core and completed technology using the straight-line basis over their estimated useful lives. Nuance evaluates the recoverability of intangible assets periodically or whenever events or changes in business circumstances indicate that the carry value of our intangible assets may not be recoverable. The following table shows cost of revenue from amortization of intangible assets in absolute dollars and as a percentage of total revenue (in thousands, except percentages):

			Nine Month Period Ended September 30, 2004	% Change 2006 vs. 2005	% Change 2005 vs. 2004
	Fiscal 2006	Fiscal 2005			
Cost of revenue from amortization of intangible assets	\$ 12,911	\$ 9,150	\$ 8,431	41.1%	8.5%
As a percentage of total revenue	3.3%	3.9%	6.5%		

Fiscal 2006 Compared to Fiscal 2005

Cost of revenue from amortization of intangible assets increased \$3.8 million in fiscal 2006 as compared to fiscal 2005. The increase was primarily attributable to the \$4.4 million in amortization of intangible assets acquired in connection with Nuance's acquisitions of Dictaphone in March 2006 and Former Nuance in September 2005. Additionally, the increase was due to \$0.4 million in expense relative to amortization of the license that resulted from our December 4, 2006 settlement and licensing of technology from z4 Technologies, Inc. [(refer to Note 23 of Notes to Nuance's Consolidated Financial Statements for discussion of this subsequent event)]. In addition, during the fourth quarter of fiscal 2006, Nuance determined that it would not make additional investments to support a technology licensed from a non-related third-party in 2003. As a result, Nuance revised the cash flow estimates related to the purchased technology and recorded an additional \$2.6 million in cost of revenue to write down the purchased technology to its net realizable value. These increases were offset in part by the cessation of the amortization of technology and patents that was established in connection with acquisitions consummated in 1999 and 2000.

Based on the amortizable intangible assets as of September 30, 2006, and assuming no impairment or reduction in expected lives, Nuance expects cost of revenue from amortization of intangible assets for fiscal 2007 to be \$11.2 million.

Fiscal 2005 Compared to Fiscal 2004

Cost of revenue from amortization of intangible assets increased \$0.7 million in fiscal 2005 as compared to fiscal 2004. The increase was attributable to the additional three months included in the fiscal 2005 period, partially offset by the net amount of amortization of intangible assets that became fully amortized in fiscal 2004 and new amortization on assets established in connection with Nuance's acquisitions during fiscal 2004 and 2005.

Table of Contents**Research and Development Expense**

Research and development expense primarily consists of salaries and benefits and overhead relating to Nuance's engineering staff. The following table shows research and development expense including and excluding the research and development expense attributable to share-based payments, in absolute dollars and as a percentage of total revenue (in thousands, except percentages):

			Nine Month Period Ended		
	Fiscal 2006	Fiscal 2005	September 30, 2004	% Change 2006 vs. 2005	% Change 2005 vs. 2004
Total research and development expense	\$ 59,403	\$ 39,190	\$ 26,390	51.6%	48.5%
Share-based payments	4,578	241	228		
Research and development expense, excluding share-based payments	\$ 54,825	\$ 38,949	\$ 26,162	40.8%	48.9%
As a percentage of total revenue:					
Including share-based payments	15.3%	16.9%	20.2%		
Excluding share-based payments	14.1%	16.8%	20.0%		

Fiscal 2006 Compared to Fiscal 2005

Research and development expense, excluding share-based payments, increased \$15.9 million in fiscal 2006 compared to fiscal 2005 primarily due to a \$12.9 million increase in compensation-related expense associated with increased average headcount of 80 employees mainly resulting from Nuance's acquisitions of Former Nuance and Dictaphone. The remaining increase was attributable to an increase in other headcount related expenses, including travel and infrastructure-related expenses as Nuance continued to invest in its products. While continuing to increase in absolute dollars, research and development expense has decreased relative to Nuance's total revenue. This decrease in expense as a percentage of total revenue reflects synergies following previous acquisitions.

Nuance believes that the development of new products and the enhancement of existing products are essential to its success. Accordingly, Nuance plans to continue to invest in research and development activities. To date, Nuance has not capitalized any internal development costs as the cost incurred after technological feasibility but before release of products has not been significant. While Nuance will continue to invest in research and development, in fiscal 2007, it expects research and development expenses to decline as a percentage of revenue.

Fiscal 2005 Compared to Fiscal 2004

Research and development expense, excluding share-based payments, increased \$12.8 million in fiscal 2005 as compared to fiscal 2004. The increase in expenses after reflecting the effect of the three months ended December 2004 in fiscal 2004, results in additional expenses of \$3.9 million, or 11% in fiscal 2005 as compared to fiscal 2004 on an annualized basis. While increasing in absolute dollars, research and development expense decreased relative to Nuance's total revenue. This decrease in expense as a percentage of total revenue reflects synergies following previous acquisitions.

Table of Contents**Sales and Marketing Expense**

Sales and marketing expense includes salaries and benefits, commissions, advertising, direct mail, public relations, tradeshow and other costs of marketing programs, travel expenses associated with Nuance's sales organization and overhead. The following table shows sales and marketing expense including and excluding the sales and marketing expense attributable to share-based payments, in absolute dollars and as a percentage of total revenue (in thousands, except percentages):

			Nine Month Period Ended		
	Fiscal 2006	Fiscal 2005	September 30, 2004	% Change 2006 vs. 2005	% Change 2005 vs. 2004
Total sales and marketing expense	\$ 128,412	\$ 78,797	\$ 49,554	63.0%	59.0%
Share-based payments	7,332	872	420		
Sales and marketing expense, excluding share-based payments	\$ 121,080	\$ 77,925	\$ 49,134	55.4%	58.6%
As a percentage of total revenue:					
Including share-based payments	33.1%	33.9%	37.8%		
Excluding share-based payments	31.2%	33.5%	37.5%		

Fiscal 2006 Compared to Fiscal 2005

Sales and marketing expense, excluding share-based payments, increased \$43.2 million in fiscal 2006 as compared to fiscal 2005. \$34.7 million of this increase was attributable to an increase in salaries and other variable costs, commissions and travel expenses relating to an increase in average headcount of 207 employees primarily resulting from Nuance's acquisitions of Former Nuance and Dictaphone and continued investment in the sales force for Nuance's existing products. In addition, Nuance's marketing expenses increased \$7.8 million primarily to support new product releases made during 2006, including PaperPort 11 and Dragon Naturally Speaking 9.0, as well as additional marketing expenses of Dictaphone and Former Nuance products. While the expense in absolute dollars increased, sales and marketing expense as a percentage of revenue decreased as Nuance achieved higher sales volumes while controlling Nuance's cost structure.

Nuance expects sales and marketing expenses to increase as it continues to pursue our strategic goals. While increasing in absolute dollars, Nuance expects to see a decrease in sales and marketing expenses as a percentage of revenue in fiscal 2007 as the expected revenue growth outpaces the expenses in this area.

Fiscal 2005 Compared to Fiscal 2004

Sales and marketing expense, excluding share-based payments, increased \$28.8 million in fiscal 2005 compared to fiscal 2004. The increase in expenses after reflecting the effect of the three months ended December 2004, resulted in additional expenses of \$10.2 million, or 15% in fiscal 2005 compared to fiscal 2004 on an annualized basis. While increasing in absolute dollars, sales and marketing expense as a percent of total revenue dropped 4.0% in fiscal 2005 compared to fiscal 2004. Decreases in expenses as a percent of revenue were derived largely from an improved efficiency of the sales organization, allowing for total compensation of sales and marketing employees to decrease as a percentage of revenue, to 18.9% of total revenue for fiscal 2005, down from 21.1% for fiscal 2004. Additionally, while the cost of marketing programs increased in absolute dollars to \$16.9 million for fiscal 2005 from \$10.7 million for fiscal 2004, this represents a decrease in terms of the percentage compared to total revenue of 0.9%, from 8.2% in fiscal 2004 to 7.3% in fiscal 2005.

Table of Contents**General and Administrative Expense**

General and administrative expenses primarily consist of personnel costs, (including overhead), for administration, finance, human resources, information systems, facilities and general management, fees for external professional advisors including accountants and attorneys, insurance, and provisions for doubtful accounts. The following table shows general and administrative expense including and excluding the general and administrative expense attributable to share-based payments, in absolute dollars and as a percentage of total revenue (in thousands, except percentages):

			Nine Month Period Ended		
	Fiscal 2006	Fiscal 2005	September 30, 2004	% Change 2006 vs. 2005	% Change 2005 vs. 2004
Total general and administrative expense	\$ 55,343	\$ 31,959	\$ 18,394	73.2%	73.7%
Share-based payments	7,471	1,751	587		
General and administrative expense, excluding share-based payments	\$ 47,872	\$ 30,208	\$ 17,807	58.5%	69.6%
As a percentage of total revenue:					
Including share-based payments	14.2%	13.8%	14.1%		
Excluding share-based payments	12.3%	13.0%	13.6%		

Fiscal 2006 Compared to Fiscal 2005

General and administrative expense, excluding share-based payments, increased \$17.7 million in fiscal 2006 compared to fiscal 2005. The acquisition of Dictaphone contributed \$7.7 million of this increase, including \$3.0 million paid to Dictaphone staff for non-recurring activities necessary to transition knowledge and processes post-acquisition and \$0.8 million in non-recurring activities performed by certain advisors who supported planning and integration efforts for this acquisition. General and administrative expenses, excluding those related to Dictaphone, increased \$10.0 million due primarily to compensation for increased employees and external contractors in the finance, human resources, legal and other general and administrative functions. This increase in spending on staff and contractors was related to the integration of the acquisitions we made in fiscal 2005, as well as to compliance with new regulations, such as the implementation of SFAS 123R in fiscal 2006. These new initiatives were partially offset by a reduction in overall costs for staffing and contractors needed to comply with the provisions of Sarbanes Oxley in fiscal 2006 compared to fiscal 2005. While the expense increased in absolute dollars, general and administrative expense as a percentage of revenue decreased as Nuance achieved higher sales volumes while controlling its cost structure.

Nuance expects to continue to see general and administrative expenses as a percentage of total revenue decrease as revenue growth outpaces expense growth. Notwithstanding the decrease as a percentage of total revenue, Nuance expects to increase the total amount expended relating to general and administrative expenses as it supports the growth of its business.

Fiscal 2005 Compared to Fiscal 2004

General and administrative expense, excluding share-based payments, increased \$13.6 million in fiscal 2005 compared to fiscal 2004. The increase in expenses after reflecting the effect of the three months ended December 2004 in fiscal 2004, results in additional expenses of \$6.3 million, or 24.7% in fiscal 2005 as compared to fiscal 2004 on an annualized basis. The increase in fiscal 2005 was primarily the result of costs relating to incremental headcount and fees for professional consultants. The costs relating to headcount were mainly attributable to additional team members in the finance, facilities and IT departments. The increase in expenditures for professional consultants includes fees for Sarbanes Oxley compliance, accounting and legal advisors, and advisors supporting Nuance's planning and integration efforts related to its acquisition of Former Nuance.

Table of Contents**Amortization of Other Intangible Assets**

Amortization of other intangible assets into operating expense includes amortization of acquired customer and contractual relationships, non-competition agreements and acquired trade names and trademarks. Customer relationships are amortized on an accelerated basis based upon the pattern in which the economic benefit of customer relationships are being utilized. Other identifiable intangible assets are amortized on a straight-line basis over their estimated useful lives. Nuance evaluates these assets for impairment and for appropriateness of their remaining life on an ongoing basis. The following table shows amortization of other intangible assets in absolute dollars and as a percentage of total revenue (in thousands, except percentages):

			Nine Month Period Ended September 30,	% Change 2006 vs. 2005	% Change 2005 vs. 2004
	Fiscal 2006	Fiscal 2005	2004		
Amortization of other intangible assets	\$ 17,172	\$ 3,984	\$ 1,967	331.0%	102.5%
As a percentage of total revenue	4.4%	1.7%	1.5%		

Fiscal 2006 Compared to Fiscal 2005

Amortization of intangible assets increased \$13.2 million in fiscal 2006 as compared to fiscal 2005 largely attributable to the \$10.8 million of amortization of identifiable intangible assets related to Nuance's acquisition of Dictaphone and full year amortization relating to Nuance's acquisitions of Former Nuance, Rhetorical, ART, Phonetic and MedRemote acquisitions.

Fiscal 2005 Compared to Fiscal 2004

Operating expenses derived from the amortization of intangible assets increased \$2.0 million in fiscal 2005 as compared to fiscal 2004. The increase relates to the additional three months included in fiscal 2005, and to the amortization of intangible assets that were purchased in connection with Nuance's acquisitions during fiscal 2004 and 2005.

Restructuring and Other Charges (Credits), Net

During the second quarter of fiscal 2006, Nuance recorded a \$1.3 million reduction to existing restructuring reserves as a result of the execution of a favorable sublease agreement relating to one of the facilities included in Nuance's 2005 restructuring plan. The amount was partially offset by other net adjustments of \$0.1 million associated with prior years restructuring programs.

In fiscal 2005, Nuance incurred restructuring charges of \$7.2 million. The charges were related to the elimination of ten employees during the first quarter of 2006, a plan of restructuring relative to certain of Nuance's facilities in June

2005, and a September 2005 plan of restructuring to eliminate additional facilities and a reduction of approximately 40 employees in connection with Nuance's acquisition of Former Nuance. The facilities charges included \$0.2 million related to the write-down of leasehold improvements based on their net book value relative to the fair market value for their shortened lives. The reduction in personnel was primarily from the research and development and sales and marketing teams, and was based on the elimination of redundancies resulting from the acquisition of Former Nuance.

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The following table sets forth the activity relating to the restructuring accruals in fiscal 2006, 2005 and 2004 (in thousands):

	Personnel Related	Facilities Costs	Asset Impairment	Total
Balance at December 31, 2003	\$ 1,552	\$ 309	\$	\$ 1,861
Restructuring and other charges	801			801
Non-cash write-off	(348)			(348)
Cash payments	(1,599)	(141)		(1,740)
Balance at September 30, 2004	406	168		574
Restructuring and other charges	2,928	4,083	212	7,223
Non-cash write-off			(212)	(212)
Cash payments	(1,548)	(232)		(1,780)
Balance at September 30, 2005	1,786	4,019		5,805
Restructuring and other charges (credits)	(52)	(1,181)		(1,233)
Cash payments	(1,360)	(2,308)		(3,668)
Balance at September 30, 2006	374	\$ 530	\$	\$ 904

The remaining personnel related accrual as of September 30, 2006 is primarily composed of amounts due under the 2005 restructuring plans which will be paid in fiscal 2007.

Other Income (Expense), Net

The following table shows other income (expense), net in absolute dollars and as a percentage of total revenue (in thousands, except percentages):

	Fiscal 2006	Fiscal 2005	Nine Month Period Ended September 30, 2004	% Change 2006 vs. 2005	% Change 2005 vs. 2004
Interest income	\$ 3,305	\$ 1,244	\$ 429	165.7%	190.0%
Interest expense	(17,614)	(1,644)	(340)	971.4	383.5
Other income (expense), net	(1,132)	(237)	(141)	377.6%	68.1%
Total other income (expense), net	\$ (15,441)	\$ (637)	\$ (52)		
As a percentage of total revenue	(3.9)%	(0.3)%	(0.1)%		

Fiscal 2006 Compared to Fiscal 2005

Interest income increased \$2.1 million in fiscal 2006, as compared to fiscal 2005, primarily due to higher cash and investment balances during fiscal 2006, as compared to the prior year, and to a lesser degree to greater yields on Nuance's cash and investments. Interest expense increased by \$16.0 million during fiscal 2006, as compared to fiscal 2005, mainly due to \$12.2 million of interest expense paid quarterly on the new credit facility Nuance entered into on March 31, 2006. Additionally, Nuance has recorded \$4.6 million of non-cash interest expense mainly related to imputed interest in association with certain lease obligations included in Nuance's accrued business combination costs and accrued restructuring charges, the amortization of debt issuance costs associated with the new credit facility Nuance entered into on March 31, 2006 as well as to the accretion of the interest related to the note payable from Nuance's Phonetic acquisition in February 2005. Other income (expense) principally consisted of foreign exchange gains (losses) as a result of the changes in foreign exchange rates on certain of Nuance's foreign subsidiaries whose operations are denominated in other than their local currencies, as well as the translation of certain of Nuance's intercompany balances.

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Nuance expects interest expense to increase in during fiscal 2007, relative to fiscal 2006, as it pays interest on the 2006 credit facility, and amortizes the debt issuance costs, for the full year as compared to the six month period that the debt was outstanding in fiscal 2006. Nuance will continue to record interest expense as it relates to certain lease obligations included in Nuance's accrued restructuring and accrued business combination costs.

Fiscal 2005 Compared to Fiscal 2004

Interest income increased \$0.8 million in fiscal 2005, as compared to fiscal 2004, primarily attributable to higher cash and investment balances during the year. Interest expense increased \$1.3 million in fiscal 2005, as compared to fiscal 2004, mainly due to the recognition of non cash interest expense in association with the deferred installment payments of \$16.4 million and \$17.5 million, respectively, in connection with Nuance's acquisitions of ART and Phonetic during the second quarter of fiscal 2005.

	Fiscal 2006	Fiscal 2005	Nine Month Period Ended September 30, 2004	% Change 2006 vs. 2005	% Change 2005 vs. 2004
Income tax provision (benefit)	\$ 15,144	\$ 6,812	\$ 1,333	122.3%	411.0%
Effective income tax rate	(214.2)%	488.3%	(16.6)%		

Fiscal 2006 Compared to Fiscal 2005 and Fiscal 2004

The variance from the federal statutory rate in all periods was due primarily to the increase in Nuance's valuation allowance with respect to certain deferred tax assets. Valuation allowances have been established for the U.S. net deferred tax asset, which Nuance believes do not meet the more likely than not realization criteria established by SFAS 109, Accounting for Income Taxes. Due to a history of cumulative losses in the United States, a full valuation allowance has been recorded against the net deferred assets of Nuance's U.S. entities. At September 30, 2006, Nuance had a valuation allowance for U.S. net deferred tax assets of approximately \$312.1 million. The U.S. net deferred tax assets is composed of tax assets primarily related to net operating loss carryforwards (resulting both from business combinations and from operations) and tax credits, offset by deferred tax liabilities primarily related to intangible assets. Certain of these intangible assets have indefinite lives, and the resulting deferred tax liability associated with these assets is not allowed as an offset to Nuance's deferred tax assets for purposes of determining the required amount of Nuance's valuation allowance.

Nuance's utilization of deferred tax assets that were acquired in a business combination (primarily net operating loss carryforwards) results in a reduction in the associated valuation allowance and an increase to goodwill. Nuance's establishment of new deferred tax assets as a result of operating activities requires the establishment of valuation allowances based upon the SFAS 109 more likely than not realization criteria. The establishment of a valuation allowance relating to operating activities is recorded as an increase to tax expense.

Nuance's tax provision also includes state and foreign tax expense, which is determined on either a legal entity or separate tax jurisdiction basis.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled \$168.0 million as of June 30, 2007, an increase of \$55.7 million as compared to \$112.3 million as of September 30, 2006. This increase was composed of cash provided by operating and financing activities of \$91.7 million and \$70.8 million, respectively, offset by the net impact of cash used in investing activities of \$107.5 million. Nuance's working capital was \$113.3 million at June 30, 2007 and its accumulated deficit was \$200.7 million. Nuance does not expect its accumulated deficit will impact its future ability to operate given its strong cash and financial position.

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Cash and cash equivalents totaled \$112.3 million as of September 30, 2006, an increase of \$16.5 million compared to \$95.8 million including marketable securities of \$24.1 million as of September 30, 2005. In addition, Nuance had \$0.8 million and \$11.7 million of certificates of deposit relating to certain of its facilities leases as of September 30, 2006 and 2005, respectively. Nuance completed fiscal 2006 with working capital of \$51.3 million as compared to \$12.1 million in fiscal 2005. As of September 30, 2006, total retained deficit was \$190.1 million. Nuance does not expect its retained deficit will impact its future ability to operate given Nuance's strong cash and financial position. Nuance's cash and cash equivalents increased by \$40.6 million in fiscal 2006. This increase was composed of cash provided by operating activities of \$47.9 million, partially offset by the net impact of cash provided by financing activities and cash used in investing activities.

Cash provided by operating activities

Cash provided by operating activities for the nine months ended June 30, 2007 was \$91.7 million, an increase of \$59.8 million, or 188%, as compared to net cash provided by operating activities of \$31.9 million for the nine months ended June 30, 2006. The increase was primarily composed of \$41.9 million, or 124%, relating to the net loss after adding back non-cash items such as depreciation and amortization, and share-based payments; in the nine months ended June 30, 2007, this amount was \$75.7 million compared to \$33.8 million in the comparable period in fiscal 2006.

Changes in working capital accounts in the fiscal 2007 period contributed an additional \$17.9 million net increase to cash provided by operating activities. Notably included in the improved cash flows were: accounts payable and accrued expenses which changed by \$12.3 million in the comparative periods, having changed from a use of \$2.0 million in the fiscal 2006 period to a source of \$10.3 million in the fiscal 2007 period; and deferred maintenance, unearned revenue and customer deposits which contributed \$13.8 million to the change, having become a source of \$5.5 million in the fiscal 2007 period, compared to a use of \$8.3 million in the fiscal 2006 period. These sources of cash were partially offset by a change in prepaid and other assets that changed by \$7.0 million in the period, having become a \$3.0 million use of cash in the fiscal 2007 period as compared to a source of cash in an amount of \$4.0 million in the fiscal 2006 period.

Cash provided by operating activities for fiscal 2006 was \$47.9 million, an increase of \$31.7 million, or 196%, from \$16.2 million provided by operating activities in fiscal 2005. The increase was primarily composed of changes relating to the net loss after adding back non-cash items such as depreciation and amortization, and share-based compensation; in fiscal 2006 this amount was \$54.9 million compared to \$20.9 million in fiscal 2005, an increase of \$34.0 million, or 163%. This increase was offset by changes in working capital of \$2.3 million, of which an \$8.7 million use of cash for non-Dictaphone operations was offset by \$6.4 million source of cash due to changes in Dictaphone working capital. The change in non-Dictaphone working capital was due to improved billing and collection processes resulting in improved days outstanding for accounts receivable billings. The Dictaphone working capital was also positive due to the collection of accounts receivable and acquired unbilled accounts receivable. For both non-Dictaphone and Dictaphone working capital, the cash provided from net accounts receivable was offset by payments relative to accounts payable and accrued expenses, a net decrease in deferred revenue, and a net increase in prepaid and other assets. Deferred revenue of Dictaphone and non-Dictaphone decreased largely due to amounts that were included in the beginning balance sheet relating to customer contracts also included in acquired unbilled accounts receivable, including the deferred revenue accounts of Former Nuance in the case of the non-Dictaphone changes.

Cash used in investing activities

Cash used in investing activities for the nine months ended June 30, 2007 was \$107.5 million, as compared to net cash used in investing activities of \$369.8 million for the nine months ended June 30, 2006. The change in cash used in investing activities was primarily driven by the net cash paid for acquisitions in each period; in the fiscal 2006 period \$391.2 million was paid, largely relating to the acquisition of Dictaphone, and in the fiscal 2007 period \$96.3 million was paid, largely relating to the acquisitions of Focus and BeVocal. Cash used in investing activities in both fiscal periods also was due to Nuance's purchases of property and equipment, and to Nuance's continued enforcement of its intellectual property rights. Partially

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offsetting these cash uses, in fiscal 2006 Nuance had net proceeds of \$29.6 million relating to net maturities of short-term investments and the release of restricted cash in fiscal 2006 and \$1.2 million of proceeds in the fiscal 2007 period.

Cash used in investing activities for fiscal 2006 was \$366.0 million, an increase of \$321.4 million, or 721%, as compared to \$44.6 million for fiscal 2005. The increase in cash used in investing was primarily driven by an increase of \$331.5 million in cash paid for our acquisitions, of which the majority of the fiscal 2006 payments related to our acquisition of Dictaphone on March 31, 2006. \$3.8 million of the increase related to incremental additions to property and equipment. The increase in cash used in investing activities was partially offset by an \$11.1 million decrease in restricted cash and \$3.1 million of incremental maturities of marketable securities.

Cash provided by financing activities

Cash provided by financing activities for the nine months ended June 30, 2007 was \$70.8 million, as compared to \$348.8 million for the nine months ended June 30, 2006, a difference of \$278.0 million. The change was composed primarily of the net receipts from bank debt, which totaled \$346.0 million in the fiscal 2006 period, as compared to \$87.7 million in the fiscal 2007 period, a difference of \$258.4 million. Other contributions to the change in cash provided by financing activities included: Nuance's proceeds from stock option and other share-based employee benefit plans decreased in the comparable periods by \$7.9 million; debt payments increased by \$4.6 million in the fiscal 2007 period, due to payments made under the bank debt facilities; deferred payments on acquisitions increased by \$4.2 million to \$18.6 million in the fiscal 2007 period relating to our 2005 acquisitions of ART and Phonetic from \$14.4 million in the fiscal 2006 period. Nuance's repurchase of shares from employees and the former MVC shareholders also contributed \$3.9 million to increased cash outflows in the fiscal 2007 period.

Cash provided by financing activities for fiscal 2006 was \$358.6 million, an increase of \$282.1 million compared to \$76.5 million in fiscal 2005. The increase in cash provided by financing activities was primarily driven by \$346.0 million net proceeds from the new credit facility entered into in March 2006. Additionally, the proceeds from the issuance of common stock under employee based compensation plans increased \$24.6 million, or 397%. These increases were partially offset by \$73.8 million in net proceeds from the issuance of common stock under private placements that occurred in fiscal 2005 and deferred acquisition payments of \$14.4 million related to Nuance's acquisition of ART in fiscal 2005.

Credit Facility

On April 5, 2007, Nuance entered into an amended and restated credit facility which consists of a \$441.5 million term loan due March 2013 and a \$75.0 million revolving credit line, including letters of credit, due March 2013 (the Expanded 2006 Credit Facility). As of June 30, 2007, \$440.3 million remained outstanding under the term loan. As of June 30, 2007, there were \$17.3 million of letters of credit issued under the revolving credit line and there were no other outstanding borrowings under the revolving credit line.

The Expanded 2006 Credit Facility contains customary covenants, including, among other things, covenants that restrict the ability of Nuance and its subsidiaries to incur certain additional indebtedness, create or permit liens on assets, enter into sale-leaseback transactions, make loans or investments, sell assets, make certain acquisitions, pay dividends, or repurchase stock. The agreement also contains customary events of default, including failure to make payments, failure to observe covenants, breaches of representations and warranties, defaults under certain other material indebtedness, failure to satisfy material judgments, a change of control and certain insolvency events. As of June 30, 2007, Nuance was in compliance with the covenants under the Expanded 2006 Credit Facility.

Borrowings under the Expanded 2006 Credit Facility bear interest at a rate equal to the applicable margin plus, at our option, either (a) the base rate (which is the higher of the corporate base rate of UBS AG, Stamford Branch, or the federal funds rate plus 0.50% per annum) or (b) LIBOR (determined by reference to the British Bankers Association Interest Settlement Rates for deposits in U.S. dollars). The applicable margin for borrowings under the Expanded 2006 Credit Facility ranges from 0.50% to 1.25% per annum with respect

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to base rate borrowings and from 1.50% to 2.25% per annum with respect to LIBOR-based borrowings, depending upon our leverage ratio. As of June 30, 2007, Nuance's applicable margin was 1.00% for base rate borrowings and 2.00% for LIBOR-based borrowings. Nuance is required to pay a commitment fee for unutilized commitments under the revolving credit facility at a rate ranging from 0.375% to 0.50% per annum, based upon our leverage ratio. As of June 30, 2007, the commitment fee rate was 0.5%.

Nuance has capitalized debt issuance costs related to the Expanded 2006 Credit Facility and is amortizing the costs to interest expense using the effective interest rate method through March 2012 for costs associated with the revolving credit facility and through March 2013 for costs associated with the term loan. As of June 30, 2007, the ending unamortized deferred financing fees were \$9.5 million and are included in other long-term assets in the consolidated balance sheet.

The \$441.5 million term loan is subject to repayment in four equal quarterly installments of 1% per annum (\$4.45 million per year), and an annual excess cash flow sweep, as defined in the Expanded 2006 Credit Facility, which will be first payable beginning in the first quarter of fiscal 2008, based on the excess cash flow generated in fiscal 2007. As of June 30, 2007, Nuance has repaid \$1.2 million of principal under the term loan agreement. Any borrowings not paid through the baseline repayment, the excess cash flow sweep, or any other mandatory or optional payments that Nuance may make, will be repaid upon maturity. If only the baseline repayments are made, the aggregate annual maturities of the term loan would be as follows (in thousands):

Year Ending September 30,	Amount
2007 (July 1 to September 30, 2007)	\$ 1,113
2008	4,450
2009	4,450
2010	4,450
2011	4,450
2012	4,450
Thereafter	416,975
Total	\$ 440,338

Nuance's obligations under the Expanded 2006 Credit Facility are unconditionally guaranteed by, subject to certain exceptions, each of its existing and future direct and indirect wholly-owned domestic subsidiaries. The Expanded 2006 Credit Facility and the guarantees thereof are secured by first priority liens and security interests in the following: 100% of the capital stock of substantially all of Nuance's domestic subsidiaries and 65% of the outstanding voting equity interests and 100% of the non-voting equity interests of first-tier foreign subsidiaries, all material tangible and intangible assets of Nuance and the guarantors, and any present and future intercompany debt. The Expanded 2006 Credit Facility also contains provisions for mandatory prepayments of outstanding term loans, upon receipt of the following, and subject to certain exceptions: 100% of net cash proceeds from asset sales, 100% of net cash proceeds from issuance or incurrence of debt, and 100% of extraordinary receipts. Nuance may voluntarily prepay the Expanded 2006 Credit Facility without premium or penalty other than customary breakage costs with respect to LIBOR-based loans.

As noted above, beginning in the first quarter of fiscal 2008, Nuance may be required to repay a portion of the outstanding principal under the Expanded 2006 Credit Facility in accordance with the excess cash flow sweep provision, as defined in the Expanded 2006 Credit Facility. The amount of the payment due in the first quarter of

fiscal 2008, if any, is based on Nuance's earnings before interest, taxes, depreciation and amortization, or EBITDA, for the fiscal year ending September 30, 2007, as adjusted in accordance with the terms of the Expanded 2006 Credit Facility. At the current time, Nuance is unable to predict the amount of the outstanding principal, if any, it may be required to repay during the first quarter of fiscal 2008 pursuant to the excess cash flow sweep provisions.

On June 11, 2007, Nuance received a commitment letter from Citigroup Global Markets Inc., Lehman Brothers Inc. and Goldman Sachs Credit Partners L.P. as arrangers, and Bank of America Securities as co-

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arranger, for a syndicate of lenders under Nuance's existing credit agreement. The commitment letter, which expires August 30, 2007, relates to an incremental term loan in the amount of \$225 million that would be provided under Nuance's existing credit agreement. As of June 30, 2007, Nuance had not drawn against the commitment letter.

On August 7, 2007, Nuance entered into a purchase agreement with Citigroup Global Markets Inc. and Goldman, Sachs & Co. (the "Initial Purchasers") to offer and sell \$220 million aggregate principal amount of its 2.75% Convertible Debentures due 2027, plus up to an additional \$30 million aggregate principal amount of such debentures at the option of the Initial Purchasers to cover over-allotment, if any, in a private placement to the Initial Purchasers for resale to qualified institutional buyers pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended (the "Act"), afforded by Section 4(2) of the Act and Rule 144A under the Act. Nuance intends to use the net proceeds from the offering to partially fund its acquisition of Tegic.

Nuance believes that the combination of the commitment letter discussed above, proceeds from the proposed sale of the convertible debentures which Nuance announced on August 7, 2007, the Expanded 2006 Credit Facility and cash flows from future operations, in addition to cash and marketable securities on hand, will be sufficient to meet its working capital, investing, financing and contractual obligations, as they become due for the foreseeable future. Nuance also believes that in the event future operating results are not as planned, that Nuance could take actions, including restructuring actions and other cost reduction initiatives, to reduce operating expenses to levels which, in combination with expected future revenue, will continue to generate sufficient operating cash flow. In the event that these actions are not effective in generating operating cash flows Nuance may be required to issue equity or debt securities on less than favorable terms.

Off-Balance Sheet Arrangements, Contractual Obligations, Contingent Liabilities and Commitments**Contractual Obligations**

The following table outlines Nuance's contractual payment obligations as of June 30, 2007 (in millions):

Contractual Obligations	Total	Payments Due by Period				
		Remaining Fiscal 2007	Fiscal 2008	Fiscal 2009 and 2010	Fiscal 2011 and 2012	Thereafter
Term loan under credit facility	\$ 440.3	\$ 1.1	\$ 4.5	\$ 8.9	\$ 8.9	\$ 416.9
Interest payable under credit facility(1)	180.2	8.1	32.0	63.1	61.8	15.2
Lease obligations and other term loans:						
Capital leases and other term loan	1.2	0.2	0.6	0.4		
Operating leases	53.6	2.1	8.9	15.1	11.3	16.2
Other lease obligations associated with the closing of duplicate facilities related to restructurings and acquisitions(2)	5.4	0.5	1.6	1.9	1.1	0.3
Pension, minimum funding requirement(3)	6.6	0.4	1.7	3.5	1.0	
Purchase commitments(4)	3.6	3.6				

Other long-term liabilities assumed(5)	79.6	3.1	12.8	26.8	26.8	10.1
Total contractual cash obligations	\$ 770.5	\$ 19.1	\$ 62.1	\$ 119.7	\$ 110.9	\$ 458.7

(1) Interest is due and payable monthly under the credit facility, and principle is paid on a quarterly basis. The amounts included as interest payable in this table are based on an interest rate of 7.32%, which is the applicable rate as of June 30, 2007 under the terms of the credit facility.

(2) Obligations include contractual lease commitments related to a facility that was part of a 2005 restructuring plan. As of June 30, 2007, total gross lease obligations are \$3.0 million and are included in the

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contractual obligations herein. The remaining obligations represent contractual lease commitments associated with the implemented plans to eliminate duplicate facilities in conjunction with Nuance's acquisition of Former Nuance during fiscal 2005 and Nuance's acquisition of Dictaphone during fiscal 2006, and have been included as liabilities in Nuance's consolidated balance sheet as part of purchase accounting. As of June 30, 2007, Nuance has subleased two of the facilities to unrelated third parties with total sublease income of \$3.9 million through fiscal 2013.

- (3) Our U.K. pension plan has a minimum funding requirement of £859,900 (\$1.7 million based on the exchange rate at June 30, 2007) for each of the next 4 years, through fiscal 2011.
- (4) These amounts include non-cancelable purchase commitments for inventory in the normal course of business to fulfill customers' orders currently scheduled in our backlog.
- (5) Obligations include assumed long-term liabilities relating to restructuring programs initiated by the predecessor companies prior to Nuance's acquisition of SpeechWorks International, Inc. in August 2003, and Nuance's acquisition of Former Nuance in September 2005. These restructuring programs related to the closing of two facilities with lease terms set to expire in 2016 and 2012, respectively. Total contractual obligations under these two leases are \$79.6 million. As of June 30, 2007, Nuance has sub-leased certain of the office space related to these two facilities to unrelated third parties. Total sublease income under contractual terms is expected to be \$20.4 million, which ranges from \$2.7 million to \$3.0 million on an annualized basis through 2016.

On May 15, 2007, Nuance announced its execution of a definitive agreement to acquire VoiceSignal Technologies, a global provider of mobile voice technology. The announced estimated aggregate consideration for this acquisition is \$210 million in cash and \$91 million in stock to shareholders, and an estimated \$10 million in transaction fees. The cash requirements of this acquisition would be funded by the net proceeds received under the \$225 million commitment letter that Nuance received on June 11, 2007.

On June 21, 2007, Nuance announced its execution of a definitive agreement to acquire Tegic Communications, a developer of embedded software for mobile devices. The announced estimated aggregate consideration for this acquisition is \$265 million in cash, plus an estimated \$4 million in transaction fees. The acquisition would be funded by Nuance's existing cash and investments, as well as by Nuance's access to the credit line under our Expanded 2006 Credit Facility and proceeds from the proposed sale of the convertible debentures which Nuance announced on August 7, 2007.

Contingent Liabilities and Commitments

In connection with Nuance's acquisition of Phonetic, Nuance agreed to make contingent payments of up to \$35.0 million upon the achievement of certain established financial and performance targets through December 31, 2007, in accordance with the purchase agreement. Nuance has notified the former shareholders of Phonetic that the performance targets for the scheduled payments for calendar 2005 and 2006, totaling \$24.0 million, were not achieved. The former shareholders of Phonetic have objected to this determination. Nuance is currently in discussions with the former shareholders of Phonetic in regards to this matter.

In connection with Nuance's acquisition of MVC, Nuance agreed to make contingent payments of up to \$18.0 million upon the achievement of certain performance targets through December 31, 2008, in accordance with the purchase agreement. Nuance has not recorded any obligation relative to these performance measures through June 30, 2007.

In connection with Nuance's acquisition of BeVocal, Nuance agreed to make contingent payments of up to \$60.6 million, including amounts payable to an investment banker, upon the achievement of certain performance

targets through December 31, 2007, in accordance with the purchase agreement. Nuance has accrued \$40.4 million of this amount as of June 30, 2007. These contingent payments are payable in cash in October 2008.

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Financial Instruments

During fiscal 2006, Nuance entered into an interest rate swap with a notional value of \$100 million. The interest rate swap was entered into in conjunction with a term loan as of March 31, 2006 to effectively change the characteristics of the interest rate without actually changing the debt instrument. At its inception, Nuance documented the hedging relationship and determined that the hedge is perfectly effective and designated it as a cash flow hedge. The interest rate swap will hedge the variability of the cash flows caused by changes in U.S. dollar LIBOR interest rates. The swap is marked to market at each reporting date. The fair value of the swap at June 30, 2007 was \$0.1 million which was included in other assets. Changes in the fair value of the cash flow hedge are reported in stockholders' equity as a component of other comprehensive income.

Off-Balance Sheet Arrangements

Through June 30, 2007, Nuance has not entered into any off balance sheet arrangements or transactions with unconsolidated entities or other persons.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 has as its objective to reduce both complexity in accounting for financial instruments and volatility in earnings caused by measuring related assets and liabilities differently. It also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The statement is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year, provided that the entity makes that choice in the first 120 days of that fiscal year. Nuance is currently evaluating the impact, if any, that SFAS 159 may have on its consolidated financial statements.

In December 2006, the FASB issued EITF 00-19-2, *Accounting for Registration Payment Arrangements*. EITF 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, *Accounting for Contingencies*. For registration payment arrangements and financial instruments subject to those arrangements that were entered into prior to the issuance of EITF 00-19-2, this guidance shall be effective for financial statements issued for fiscal years beginning after December 15, 2006. Nuance is evaluating the impact, if any, that EITF 00-19-2 may have on its consolidated financial statements.

In September 2006, the FASB issued SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statements 87, 88, 106 and 132(R). SFAS 158 requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 also requires the measurement of defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions). Under SFAS 158, Nuance is required to recognize the funded status of its defined benefit postretirement plan and to provide the required disclosures commencing as of September 30, 2007. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end is effective for Nuance's fiscal year ended September 30, 2009. Nuance is evaluating the impact that SFAS 158 will have on its consolidated financial statements.

In July 2006, the FASB issued Interpretation 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with SFAS 109, Accounting for Income Taxes. FIN 48 prescribes the recognition and measurement of a tax position taken or expected to be taken in a tax

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return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for Nuance's fiscal year beginning October 1, 2007. Nuance is evaluating the effect that the adoption of FIN 48 will have on its consolidated financial statements.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, Nuance evaluates its estimates, assumptions and judgments, including those related to revenue recognition; allowance for doubtful accounts and returns; accounting for patent legal defense costs; the costs to complete the development of custom software applications; the valuation of goodwill, other intangible assets and tangible long-lived assets; accounting for acquisitions; share-based payments; obligation relating to pension and post-retirement benefit plans; interest rate swaps which are characterized as derivative instruments; income tax reserves and valuation allowances; and loss contingencies. Nuance management bases its estimates on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Nuance believes the following critical accounting policies most significantly affect the portrayal of its financial condition and results of operations and require its most difficult and subjective judgments.

Revenue Recognition. Nuance recognizes product and licensing revenue in accordance with Statement of Position, or SOP, 97-2, Software Revenue Recognition, and SOP 98-9, Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions, and related authoritative literature. The application of SOP 97-2 requires judgment, including whether a software arrangement includes multiple elements, and if so, whether vendor-specific objective evidence, or VSOE, of fair value exists for those elements. Nuance's software arrangements generally include software and post contract support which includes telephone support and the right to receive unspecified upgrades/enhancements on a when-and-if-available basis, typically for one to three years. Changes to the elements in a software arrangement, the ability to identify VSOE for those elements and the fair value of the respective elements could materially impact the amount of earned and unearned revenue. Judgment is also required to assess whether future releases of certain software represent new products or upgrades and enhancements to existing products. In accordance with SOP 97-2, revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the fee is fixed or determinable and (iv) collectibility is probable.

Non-software revenue is recognized in accordance with, the Securities and Exchange Commission's Staff Accounting Bulletin, or SAB, 104, Revenue Recognition in Financial Statements. Under SAB 104, Nuance recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the fees are fixed or determinable and (iv) collectibility is reasonably assured.

Professional services revenue is recognized in accordance with SOP 81-1, Accounting for Performance of Construction Type and Certain Performance Type Contracts on the percentage-of-completion method. Nuance generally determines the percentage-of-completion by comparing the labor hours incurred to date to the estimated total labor hours required to complete the project. Nuance considers labor hours to be the most reliable, available measure of progress on these projects. Adjustments to estimates to complete are made in the periods in which facts resulting in a change become known. When the estimate indicates that a loss will be incurred, such loss is recorded in the period identified. Significant judgments and estimates are involved in determining the percent complete of each contract. Different assumptions could yield materially different results.

Nuance makes estimate of sales returns based on historical experience. In accordance with Statement of Financial Accounting Standards, or SFAS, 48, Revenue Recognition When Right of Return Exists, the provision for these estimated returns is recorded as a reduction of revenue and accounts receivable at the time

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that the related revenue is recorded. Nuance also makes estimates and reduces revenue recognized for price protection and rebates, and certain marketing allowances at the time the related revenue is recorded. If actual results differ significantly from Nuance's estimates, such differences could have a material impact on Nuance's results of operations for the period in which the actual results become known.

Nuance's revenue recognition policies require management to make significant estimates. Management analyzes various factors, including a review of specific transactions, historical experience, creditworthiness of customers and current market and economic conditions. Changes in judgments based upon these factors could impact the timing and amount of revenue and cost recognized and thus affects Nuance's results of operations and financial condition.

Capitalized Patent Defense Costs. Nuance monitors the anticipated outcome of legal actions, and if Nuance determines that the success of the defense of a patent is probable, and so long as Nuance believes that the future economic benefit of the patent will be increased, Nuance then capitalizes external legal costs incurred in the defense of these patents, up to the level of the expected increased future economic benefit. If changes in the anticipated outcome occur, Nuance writes off any capitalized costs in the period the change is determined. As of September 30, 2006 and 2005, capitalized patent defense costs totaled \$6.4 million and \$2.3 million, respectively.

Research and Development Costs. Nuance accounts for the internal costs relating to research and development activities in accordance with SFAS 2, Accounting for Research and Development Costs, and SFAS 86, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed. Research and development costs incurred for new software products and enhancements to existing products, other than certain software development costs that qualify for capitalization, are expensed as incurred. Software development costs incurred subsequent to the establishment of technological feasibility, but prior to the general release of the product, are capitalized and amortized to cost of revenue over the estimated useful life of the related products. Judgment is required in determining when technological feasibility of a product is established. Nuance has determined that technological feasibility for its software products is reached shortly before the products are released to manufacturing. Costs incurred after technological feasibility is established have not been material, and accordingly, Nuance has expensed the internal costs relating to research and development when incurred.

Purchased Computer Software. The cost of purchased computer software to be sold, leased, or otherwise marketed is capitalized if the purchased software has an alternative future use. Otherwise, the cost is expensed as incurred. Capitalized purchased computer software is amortized to cost of revenue over the estimated useful life of the related products. At each balance sheet date, Nuance evaluates these assets for impairment by comparing the unamortized cost to the net realizable value. Amortization expense was \$5.1 million, \$2.1 million and \$1.6 million for fiscal 2006, 2005 and 2004, respectively. Included in the fiscal 2006 amortization expense was an additional \$2.6 million of expense representing an impairment determined to exist in order to value the purchased computer software at its net realizable value. See Note 8 of the Notes to Nuance's Consolidated Financial Statements. The net unamortized purchased computer software included in other intangible assets at September 30, 2006 and 2005 were \$1.6 million and \$5.2 million, respectively.

Valuation of Long-lived Tangible and Intangible Assets and Goodwill. Nuance has significant long-lived tangible and intangible assets, including goodwill and intangible assets with indefinite lives, which are susceptible to valuation adjustments as a result of changes in various factors or conditions. The most significant long-lived tangible and intangible assets are fixed assets, patents and core technology, completed technology, customer relationships and trademarks. All finite-lived intangible assets are amortized based upon patterns in which the economic benefits of customer relationships are expected to be utilized. The values of intangible assets, with the exception of goodwill and intangible assets with indefinite lives, were initially determined by a risk-adjusted, discounted cash flow approach. Nuance assesses the potential impairment of identifiable intangible assets and fixed assets whenever events or changes in circumstances indicate that the carrying values may not be recoverable and at least annually. Factors Nuance

considers important, which could trigger an impairment of such assets, include the following:

significant underperformance relative to historical or projected future operating results;

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significant changes in the manner of or use of the acquired assets or the strategy for Nuance's overall business;

significant negative industry or economic trends;

significant decline in Nuance's stock price for a sustained period; and

a decline in Nuance's market capitalization below net book value.

Future adverse changes in these or other unforeseeable factors could result in an impairment charge that would materially impact future results of operations and financial position in the reporting period identified.

In accordance with SFAS 142, *Goodwill and Other Intangible Assets*, Nuance tests goodwill and intangible assets with indefinite lives for impairment on an annual basis as of July 1, and between annual tests if indicators of potential impairment exist. The impairment test compares the fair value of the reporting unit to its carrying amount, including goodwill and intangible assets with indefinite lives, to assess whether impairment is present. Nuance has reviewed the provisions of SFAS 142 with respect to the criteria necessary to evaluate the number of reporting units that exist. Based on its review, Nuance has determined that it operates in one reporting unit. Based on this assessment, Nuance has not had any impairment charges during its history as a result of its impairment evaluation of goodwill and other indefinite-lived intangible assets under SFAS 142.

In accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, Nuance periodically reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of those assets are no longer appropriate. Each impairment test is based on a comparison of the undiscounted cash flows to the recorded carrying value for the asset. If impairment is indicated, the asset is written down to its estimated fair value based on a discounted cash flow analysis. No impairment charges were taken in fiscal 2006, 2005 or 2004, based on the review of long-lived assets under SFAS 144.

Significant judgments and estimates are involved in determining the useful lives of Nuance's long-lived assets, determining what reporting units exist and assessing when events or circumstances would require an interim impairment analysis of goodwill or other long-lived assets to be performed. Changes in Nuance's organization or its management reporting structure, as well as other events and circumstances, including but not limited to technological advances, increased competition and changing economic or market conditions, could result in (a) shorter estimated useful lives, (b) additional reporting units, which may require alternative methods of estimating fair values or greater disaggregation or aggregation in Nuance's analysis by reporting unit, and/or (c) other changes in previous assumptions or estimates. In turn, this could have a significant impact on Nuance's consolidated financial statements through accelerated amortization and/or impairment charges.

Accounting for Acquisitions. Nuance has completed a number of significant business and other asset acquisitions over the preceding five years which have resulted in significant goodwill and other intangible asset balances. Nuance's future business strategy contemplates that it may continue to pursue additional acquisitions in the future. Nuance's accounting for acquisitions involves significant judgments and estimates primarily, but not limited to: the fair value of certain forms of consideration, the fair value of acquired intangible assets, which involve projections of future revenue and cash flows, the fair value of other acquired assets and assumed liabilities, including potential contingencies, and the useful lives and, as applicable, the reporting unit, of the assets. Nuance's financial position or results of operations may be materially impacted by changes in Nuance's initial assumptions and estimates relating to prior or future acquisitions. Additionally, under SFAS 142, Nuance determines the fair value of the reporting unit, for purposes of the first step in its annual goodwill impairment test, based on its market value. If prior or future acquisitions are not

accretive to its results of operations as expected, Nuance's market value declines dramatically, or Nuance determines it has more than one reporting unit, Nuance may be required to complete the second step which requires significant judgments and estimates and which may result in material impairment charges in the period in which they are determined.

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Accounting for Long-Term Facility Obligations. Nuance has historically acquired companies which have previously established restructuring charges relating to lease exit costs, and Nuance has recorded restructuring charges of its own that include lease exit costs. Nuance follows the provisions of EITF 95-3 Recognition of Liabilities in Connection with a Purchase Business Combination or SFAS 146 Accounting for Costs Associated with Exit or Disposal Activities as applicable. In accounting for these obligations, Nuance is required to make assumptions relating to the time period over which the facility will remain vacant, sublease terms, sublease rates and discount rates. Nuance bases its estimates and assumptions on the best information available at the time of the obligation having arisen. These estimates are reviewed and revised as facts and circumstances dictate; changes in these estimates could have a material effect on the amount accrued on the balance sheet.

Accounting for Share-Based Payments. Nuance accounts for share-based payments in accordance with SFAS 123(R), Share-Based Payment. Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the requisite service period which is generally the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating expected dividends, share price volatility and the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, share-based compensation expense and Nuance's results of operations could be materially impacted.

Pension and Post-Retirement Benefit Plans. Nuance has defined benefit pension plans that were assumed as part of the acquisition of Dictaphone Corporation on March 31, 2006, which provide certain retirement and death benefits for former Dictaphone employees located in the United Kingdom and Canada. Nuance also assumed a post-retirement health care and life insurance benefit plan, which is frozen relative to new enrollment, and which provides certain post-retirement health care and life insurance benefits, as well as a fixed subsidy for qualified former employees in the United States and Canada. Nuance uses several actuarial and other factors which attempt to estimate the ultimate expense, liability and assets values related to its pension and post-retirement benefit plans. These factors include assumptions about discount rates, expected return on plan assets and the rate of future compensation increases. In addition, subjective assumptions, such as withdrawal and mortality rates, are also utilized. The assumptions may differ materially from actual results due to the changing market and economic condition or other factors, and depending on their magnitude, could have a significant impact on the amount Nuance recorded. Pension and post-retirement benefit plan assumptions are included in [Note [18] of Notes to the Consolidated Financial Statements.]

Income Taxes. Deferred tax assets and liabilities are determined based on differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Nuance does not provide for U.S. income taxes on the undistributed earnings of its foreign subsidiaries, which Nuance considers to be indefinitely reinvested outside of the U.S. in accordance with Accounting Principles Board (APB) Opinion No. 23, Accounting for Income Taxes Special Areas.

Nuance makes judgments regarding the realizability of its deferred tax assets. In accordance with SFAS 109, Accounting for Income Taxes, the carrying value of the net deferred tax assets is based on the belief that it is more likely than not that Nuance will generate sufficient future taxable income to realize these deferred tax assets after consideration of all available evidence. Nuance regularly reviews its deferred tax assets for recoverability considering historical profitability, projected future taxable income, and the expected timing of the reversals of existing temporary differences and tax planning strategies.

Valuation allowances have been established for U.S. deferred tax assets, which Nuance believes do not meet the more likely than not criteria established by SFAS 109. If Nuance is subsequently able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been established, then it may be required to recognize these deferred tax assets through the reduction of the valuation allowance which would result in a material benefit to

Nuance's results of operations in the period in which the benefit is determined, excluding the recognition of the portion of the valuation allowance which relates to net deferred tax assets acquired in a business combination and created as a result of share-based payments. The recognition of the

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portion of the valuation allowance which relates to net deferred tax assets resulting from share-based payments will be recorded as additional paid-in-capital; the recognition of the portion of the valuation allowance which relates to net deferred tax assets acquired in a business combination will reduce goodwill, other intangible assets, and to the extent remaining, the provision for income taxes.

Loss Contingencies. Nuance is subject to legal proceedings, lawsuits and other claims relating to labor, service and other matters arising in the ordinary course of business, as discussed in Note 17 of Notes to the Consolidated Financial Statements. Quarterly, Nuance reviews the status of each significant matter and assess its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, Nuance accrues a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, Nuance reassesses the potential liability related to its pending claims and litigation and may revise its estimates. Such revisions in the estimates of the potential liabilities could have a material impact on Nuance's results of operations and financial position.

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VOICESIGNAL'S BUSINESS

Overview

VoiceSignal develops and markets voice software solutions for cell phones and other mobile devices. By enabling people to use voice to access phone features and network services through their handsets, VoiceSignal's solutions make it dramatically easier to realize the potential of mobile computing on a wide range of handsets and devices. VoiceSignal's products range from VSuite, the Company's highly successful line of small footprint voice interface solutions for voice dialing and voice commands, to VSearch, VoiceSignal's recently announced voice-enabled client-server platform for mobile search.

Since shipping its first voice dialing product in 2002, VoiceSignal has shipped its software on more than 110 million mobile devices from top handset manufacturers. VoiceSignal solutions are available in over twenty languages and ship on a wide variety of mobile devices, from entry-level to enterprise-class devices and smart phones.

VoiceSignal has well-established relationships with major original equipment manufacturer customers, deep collaboration with the world's major carriers, and extensive proprietary technology for small footprint, ultra-efficient speech recognition and speech synthesis.

VoiceSignal was incorporated in October 1995 as a Massachusetts corporation, and re-incorporated as a Delaware corporation in May 2000. VoiceSignal is backed by private equity funds, Stata Venture Partners, LLC and Argonaut Holdings LLC. VoiceSignal's fiscal year ends on December 31.

Market Opportunity

In recent years, mobile handsets have become a ubiquitous information appliance, offering far more than a means of placing and receiving voice calls. Mobile handsets today provide a means of connecting users to a wide variety of network-based services and information. Such services include access to business listings and information, maps and directions, music catalogs and ringtones, and personalized internet content. The market for these services is expanding rapidly, fueled by consumer demand and the availability of more sophisticated ways of delivering highly targeted information.

As carriers race to provide mobile device users with access to an ever-widening world of mobile services and information, handset users have an ever-greater need for devices that streamline access to these services. However, the combination of smaller handsets and more features means that users are unable to take full advantage of what is available to them due to the limitations of the device user interface. Although mobile phone users want new features and services, they also want access to them to be as easy and as natural as making a phone call.

VoiceSignal solutions strive to overcome the critical handset input problem and major impediment to carrier revenue by eliminating multiple layers of menu clicks for calling, texting, accessing services, downloading content, and searching on a mobile handset. VoiceSignal's solutions range from voice dialing applications to Voice-enabled search, which provides mobile phone users with the ability to get local business listings, as well as mobile content such as ring tones, wallpapers, maps and applications by pressing a dedicated handset button and making a simple voice command.

VoiceSignal Solutions

VoiceSignal has been a pioneer in developing innovative voice solutions for mobile handsets. VoiceSignal has developed or is developing the following product lines:

VSuite is VoiceSignal's voice dialing and voice control software, used for initiating calls, addressing messages, opening menus or applications, and controlling other features of the phone by voice.

VoiceMode is VoiceSignal's dictation, or speech-to-text product for dictating text messages or email by voice.

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VSpeak is VoiceSignal's speech synthesis, or text-to-speech technology, which can be used for reading messages, emails, web pages, and other text-based information.

VSearch is VoiceSignal's voice-enabled mobile search product, planned for release in calendar 2007. *VSearch* enables one-step access to network-based information and services, such as business listings, maps, directions, music catalogs, ringtones, and more.

VSAPI is the VoiceSignal application programming interface, which enables third parties to develop their own speech-enabled applications based on VoiceSignal technology.

VoiceSignal's solutions can be combined to create a consistent voice experience for users of mobile devices and mobile information services. Each of VoiceSignal's product lines are described in greater detail below.

VSearch Voice-Enabled Mobile Search

VoiceSignal believes that the market for mobile search will grow rapidly, offering significant opportunities for solutions that combine the benefits of a simple, direct voice user interface with information retrieval technology.

VSearch is VoiceSignal's recently announced client-server solution for voice-enabled mobile search. *VSearch* will provide one-step access to the vast search capabilities of the web from a mobile phone. Because the *VSearch* application is embedded with *VSuite* into the phone and integrated with the phone's native user experience, *VSearch* offer the unique advantage that it can be launched with a single button push and simple search command directly from the phone's idle screen. *VSearch* can be launched as a subscription service or as an advertiser-supported service that gives mobile phone users access to directory assistance, ringtones, music, games, weather forecasts, sports scores, the latest stock quotes, maps and even special offers from advertisers.

Not only does the *VSearch* system make use of speech recognition technology to convert user queries into text, it also formats, prioritizes and optimizes the results, including relevant advertising messages, so that the user sees information that is highly targeted to their original query. *VSearch* is planned for commercial deployment by the end of 2007.

VoiceMode Dictation (Speech-to-Text)

VoiceMode is VoiceSignal's dictation (speech-to-text) application, offering users an alternative to the keypad for entering text into SMS messages, emails, and other similar applications. The *VoiceMode* application is entirely embedded on the mobile device and does not require a network server. Consequently, *VoiceMode* works even when no network connection is present. *VoiceMode* is designed to work seamlessly with other text input modes, such as multi-tap or predictive text, so users can effortlessly switch to *VoiceMode* when it is most convenient, and switch back to another input mode when voice input is not needed or wanted.

VSpeak Voice Synthesis (Text to Speech)

VSpeak is an intelligible text-to-speech application that is capable of running within the resource constraints of a mobile device. *VSpeak* can read text messages, web pages or any other text on a *VSpeak*-enabled handset. By making it possible for people to easily and safely receive text messages on a mobile phone, even when their hands and eyes are otherwise occupied, *VSpeak* enhances an individual's ability to use a mobile phone regardless of where they are or what they are doing. *VSpeak* also means that the visually impaired will be able to receive text messages and use operator services on their mobile phones, which would otherwise be unavailable to them.

VSpeak has been developed to help address the requirements of government regulations regarding accessibility of mobile devices.

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VSuite Voice Dialing and Voice Control

VSuite is a voice dialing and command and control platform that does not require any training. VSuite eliminates the 10-20 button pushes normally associated with looking up information, dialing a number or doing any number of other tasks on a mobile phone. As soon as contact names and numbers are entered in the phonebook, VSuite allows the user to lookup contact information, dial any name or number in the contact list, address text messages and pictures, digit dial any number and access features on the phone or carrier services in a single command.

In addition to making dialing and task completion easier and quicker, VSuite helps address the requirements for hands-free, eyes-free use of mobile devices.

VSAPI Voice API

VSAPI is an application programming interface that enables original equipment manufactures, or OEMs, and third party application developers to use VoiceSignal's VSuite recognizer and VSpeak text-to-speech engine to build their own new speech-enabled applications.

Technology

VoiceSignal's solutions are based on its own proprietary speech recognition and speech synthesis engines. These engines rely on mathematical models and statistical paradigms adapted and enhanced to run efficiently on computationally limited embedded platforms. VoiceSignal solutions are capable of running on all popular mobile hardware and software platforms, and are currently available on open OS platforms, proprietary platforms such as Qualcomm, TI, Intel, Agere, and Philips chipsets.

In order to facilitate easy integration onto a manufacturer's platform, these speech solutions are designed to be separate from other system components and are provided as a precompiled pre-tested library.

Research and Development/Intellectual Property

VoiceSignal's ability to meet its customers' expectations for innovation and enhancement depends on a number of factors, including its ability to identify and respond to emerging technological trends in its target markets, develop and maintain competitive products, enhance its existing products by adding features and functionality that differentiate them from those of its competitors and bring products to market on a timely basis and at competitive prices.

Consequently, VoiceSignal continues to enhance the features and performance of its existing products and has made, and intends to continue to make, significant investments in research and product development. VoiceSignal's research and development expenses were \$6.0 million, \$5.4 million and \$4.1 million for the fiscal years ended December 31, 2006, 2005 and 2004, respectively. As of March 31, 2007, VoiceSignal had 58 employees engaged in research and product development activities.

VoiceSignal's performance depends significantly on its ability to protect its intellectual property and proprietary rights to the technologies used in its products. If VoiceSignal's technology is not adequately protected, its competitors could use the technologies that VoiceSignal has developed to enhance their products and services, which could harm VoiceSignal's business.

VoiceSignal has been issued two U.S. patents, allowed one U.S. patent and 42 other U.S. provisional and non-provisional patent applications are pending, as well as counterparts in other jurisdictions around the world. Its

registered trademarks in the United States include VOICESIGNAL , VOICEMODE , VSPEAK, VSUITE , and VSEARCH.

Sales, Marketing, and Distribution

VoiceSignal markets its embedded speech products to both OEMs and mobile carriers, and license its products to OEMs. The Company currently has license agreements with and collects royalties from Motorola, Samsung, Research in Motion (or RIM), and others. Samsung and Motorola combined account for more than

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85% of total revenue for all periods provided. VoiceSignal markets its VSearch mobile search solution to mobile operators and OEMs.

VoiceSignal sells its products through a direct sales force. As of July 31, 2007, VoiceSignal had 15 employees in sales and marketing worldwide.

International sales of products and services accounted for 51%, 60% and 83% of VoiceSignal's total revenues for the fiscal years ended December 31, 2006, 2005 and 2004, respectively. Sales to South Korea accounted for 51%, 58% and 82% of VoiceSignal's total revenues for fiscal years ended December 31, 2006, 2005 and 2004, respectively. VoiceSignal's international sales strategy is to sell directly to large operators and to partner with leading distributors and systems integrators who have strong industry backgrounds and market presence in their respective markets and geographic regions. For further information regarding segment revenue, geographic areas and significant customers, please refer to Note 16 of the VoiceSignal Notes to Consolidated Financial Statements.

VoiceSignal believes that customer service and ongoing technical support are an essential part of the sales process in the telecommunications industry. Senior management and assigned account managers play an important role in ongoing account management and relationships. VoiceSignal believes maintaining focus on these customer relationships will enable VoiceSignal to improve customer satisfaction and develop products to meet specific customer needs.

Competition

VoiceSignal's embedded speech business faces competition from other speech technology companies, both large and small, many of whom have significantly greater financial, technical and marketing resources than VoiceSignal does. These competitors may be able to respond more rapidly than VoiceSignal can to new or emerging technologies or changes in customer requirements. They may also be able to devote greater resources to the development, promotion and sale of their products than VoiceSignal. These competitors include IBM, Microsoft, Conversay, Infotalk, Infinity Telecom, Cyberon, Fonix, Qualcomm, SVox, Acapela Group, and Loquendo. In addition, a number of smaller companies may produce technologies or products that are competitive with VoiceSignal solutions in some markets. Current and potential competitors have established, or may establish, cooperative relationships among themselves or with third parties to increase the ability of their technologies to address the needs of prospective customers.

VoiceSignal's embedded speech business also faces competition from its own current or potential customers whose internal R&D organizations have developed or are seeking to develop embedded speech recognition technology. These organizations include Motorola, Nokia, LG, and Samsung.

The market for voice-enabled mobile search is extremely volatile and competitive, and is subject to rapid technological change. In this market, VoiceSignal faces competition from Google, Yahoo, Microsoft, V-Enable, IBM, Promptu, VoiceBox, Mobeus, Medio Systems, JumpTap, and InfoSpace.

VoiceSignal expects that it will continue to compete primarily on the basis of quality, technical capability, breadth of product and service offerings, functionality, price and time to market.

Employees and Management

As of July 31, 2007, VoiceSignal had 84 full-time employees, including 15 in sales and marketing, 60 in research and development, and 9 in general and administration, including information technology. VoiceSignal's employees are not represented by any labor union and are not covered by any collective bargaining agreements.

VoiceSignal's Chief Executive Officer is Rich Gerson, previously a senior executive at Nokia, IBM, Toshiba, and McKinsey. Prior to joining VoiceSignal in 2003, Mr. Gerson was the Senior Vice President of Nokia Mobile Phones in the Americas.

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Facilities

VoiceSignal leases approximately 16,000 square feet of office space in Woburn, Massachusetts, pursuant to a lease that expires in June 2009. VoiceSignal also maintains sales offices in London, Seoul, Tokyo, Shanghai, and Taipei. VoiceSignal believes that its current facilities are suitable and adequate to meet its current needs. VoiceSignal intends to add new facilities or expand existing facilities as it adds employees, and it believes that suitable additional or substitute space will be available as needed to accommodate any such expansion of its operations.

Legal proceedings

Since 2004, VoiceSignal and Nuance have been engaged with each other in litigation regarding various patent and trade secret matters. In addition, the software and communications infrastructure industries are characterized by frequent claims and litigation, including claims regarding patent and other intellectual property rights as well as improper hiring practices. As a result, VoiceSignal may be involved in various legal proceedings from time to time.

Company Information

VoiceSignal's web site is located at www.voicesignal.com. VoiceSignal's principal executive offices are located at 150 Presidential Way, Woburn, MA 02801 and its main telephone number is (781) 970-5200.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
VOICESIGNAL'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of VoiceSignal is intended to help the reader understand the results of operations and financial condition of VoiceSignal's business. This Management's Discussion and Analysis is provided as a supplement to, and should be read in conjunction with, VoiceSignal's consolidated financial statements and related notes thereto included elsewhere in this consent solicitation statement/prospectus. This discussion and analysis contains forward-looking statements that involve risk, uncertainties and assumptions. The actual results could differ materially from those anticipated in the forward-looking statements, as a result of many factors, including those identified below, in Risk Factors and elsewhere in this consent solicitation statement/prospectus.

OVERVIEW

Voice Signal Technologies, Inc., a Delaware corporation, is a privately held corporation based in Woburn, Massachusetts. Its subsidiaries include Voice Signal Technologies OY, located in Finland, and VoiceSignal KK, located in Japan, both of which are foreign corporations, as well as VoiceSignal Korea, Inc., located in Korea, and VoiceSignal International, Inc., located in China and England, both of which are Massachusetts corporations. Any reference to VoiceSignal includes its subsidiaries, unless otherwise apparent from the context.

VoiceSignal develops state-of-the-art small footprint, highly accurate, speech solutions for use on wireless mobile devices. VoiceSignal licenses its solutions to original equipment manufacturers, or OEMs, of mobile information devices, such as phones, handhelds, and directly to consumers of mobile devices.

VoiceSignal has been in operation since 1995 and its fiscal year ends on December 31.

Table of Contents**RESULTS OF OPERATIONS****Comparison of the Three and Six Months ended June 30, 2007 and 2006*****Revenue***

The table set forth below presents, as a percentage of total revenue, certain selected financial data for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenue:				
Royalties and licensing	87.8%	84.6%	90.0%	83.8%
Professional services	12.2	15.4	10.0	16.2
Total revenue	100.0	100.0	100.0	100.0
Costs and expenses:				
Cost of revenue from amortization of intangible assets	2.0	2.0	1.9	2.1
Cost of professional services	4.9	6.2	4.9	6.5
Gross margin	93.1	91.8	93.2	91.4
Research and development	26.6	27.0	26.4	27.4
Sales and marketing	18.4	17.4	18.7	17.9
General and administrative	17.0	24.3	18.4	22.5
Total operating expenses	62.0	68.7	63.5	67.8
Income from operations	31.1	23.1	29.7	23.6
Interest income (expense), net	0.2	(0.3)	0.3	0.0
Income before income taxes	31.3	22.8	30.1	23.6
Benefit (provision) for income taxes	(0.7)	0.6	2.3	0.6
Net Income	30.6%	23.4%	32.3%	24.3%

Total Revenue

The table below presents total revenue in absolute dollars and percentage change (dollars in millions):

Three Months Ended June 30,**Six Months Ended June 30,**

	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
North America	\$ 3.4	\$ 2.8	\$ 0.6	22%	\$ 7.0	\$ 5.3	\$ 1.7	31%
International	3.0	2.9	0.1	2%	6.0	6.0	0.0	0%
Total revenue	\$ 6.4	\$ 5.7	\$ 0.7	12%	\$ 13.0	\$ 11.3	\$ 1.7	15%

Total revenue increased \$0.7 million and \$1.7 million, or 12% and 15%, for the three and six months ended June 30, 2007, respectively, as compared to the three and six months ended June 30, 2006, respectively. The increase in total revenue was primarily due to increased volume of shipping products containing VoiceSignal s technology from existing customers as well as volume from a new customer acquired in September 2006. Two customers comprised 91% and 95% of total revenue for the three months ending June 30, 2007 and 2006, respectively and comprised 90% and 95% of total revenue for the six months ending June 30, 2007 and 2006, respectively.

Based on the location of the customers, the geographic split in the three months ended June 30, 2007 was 53% of total revenue in North America and 47% internationally. This compares to 49% of total revenue in

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North America and 51% internationally for the three months ended June 30, 2006. The geographic split in the six months ended June 30, 2007 was 54% of total revenue in North America and 46% internationally. This compares to 47% of total revenue in North America and 53% internationally for the six months ended June 30, 2006. The increase in revenue generated in North America was primarily due to increased sales with one large customer in the United States combined with a new customer located in North America.

Royalty and Licensing Revenue

Royalty and licensing revenue primarily consists of shipments of licensed speech products. The table below sets forth royalty and licensing revenue in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Royalty and licensing revenue	\$ 5.6	\$ 4.9	\$ 0.8	16%	\$ 11.7	\$ 9.4	\$ 2.3	24%
As a percentage of total revenue	88%	85%			90%	84%		

Royalty and licensing revenue increased \$0.8 million and \$2.3 million, or 16% and 24%, for the three and six months ended June 30, 2007 respectively, as compared to the three and six months ended June 30, 2006, respectively. The increase in royalty and licensing revenue was primarily due to increased volume of shipping products containing VoiceSignal technology from existing customers, as well as volume from a new customer acquired in September 2006. Two customers comprised 92% and 95% of royalty and licensing revenue for the three months ending June 30, 2007 and 2006, respectively. The same two customers comprised 92% and 95% of royalty and licensing revenue for the six months ending June 30, 2007 and 2006.

Professional Services

Professional services revenue primarily consists of consulting and implementation services. The table set forth below presents professional services in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Professional services revenue	\$ 0.8	\$ 0.9	\$ (0.1)	(12)%	\$ 1.3	\$ 1.8	\$ (0.5)	(29)%
As a percentage of total revenue	12%	15%			10%	16%		

Professional services revenue decreased \$0.1 million and \$0.5 million, or 12% and 29%, for the three and six months ended June 30, 2007, respectively, as compared to the three and six months ended June 30, 2006, respectively. The decrease in professional services revenue was primarily due to the combination of an unusually high number of integrations for the three and six months ended June 30, 2006 and a decrease in the average billable hourly rate as compared to the three and six months ended June 30, 2006. Also, as certain other VoiceSignal customers begin to perform more of the integration services using their own internal resources, VoiceSignal's professional service revenue from these customers decreases. Two customers comprised 77% and 93% of professional services revenue for the three months ending June 30, 2007 and 2006, respectively. The same two customers comprised 77% and 96% of professional services revenue for the six months ending June 30, 2007 and 2006, respectively.

Table of Contents**Cost of Royalties and Licensing**

Cost of revenue from amortization of intangible assets primarily consists of amortization of intellectual property that was purchased for use in VoiceSignal's products. The table set forth below presents cost of royalties and licensing in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Cost of revenue from amortization of intangible assets	\$ 0.13	\$ 0.12	\$ 0.01	8%	\$ 0.25	\$ 0.23	\$ 0.02	8%
As a percentage of total revenue	2%	2%			2%	2%		

Cost of amortization of intangible assets increased \$0.01 million and \$0.02 million, or 8%, for the three and six months ended June 30, 2007, respectively, as compared to the three and six months ended June 30, 2006, respectively. The increase in cost of amortization of intangible assets was primarily due to additional intellectual property purchased in October 2006 which began to be amortized when purchased.

Cost of Professional Services

Cost of professional services primarily consists of compensation for integration support personnel and overhead. The table set forth below presents professional services in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Cost of professional services	\$ 0.3	\$ 0.4	\$ (0.1)	(11)%	\$ 0.6	\$ 0.7	\$ (0.1)	(14)%
As a percentage of total revenue	5%	6%			5%	7%		

Cost of professional services decreased \$0.1 million, and \$0.1 million, or 11% and 14%, for the three and six months ended June 30, 2007, respectively, as compared to the three and six months ended June 30, 2006, respectively. The decrease in cost of professional services was primarily due to an unusually high number of integrations for the three and six months ended June 30, 2006 as several customers were uploading VoiceSignal's product onto new platforms.

Research and Development Expense

Research and development expense primarily consists of salaries and benefits, overhead, as well as share-based payments relating to VoiceSignal's research and engineering staff. The table below shows research and development expense, in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Total research and development expense	\$ 1.7	\$ 1.5	\$ 0.2	10%	\$ 3.4	\$ 3.1	\$ 0.3	11%
As a percentage of total revenue	27%	27%			26%	27%		

Research and development expense increased \$0.2 million and \$0.3 million or 10% and 11%, for the three and six months ended June 30, 2007, respectively, as compared to the three and six months ended June 30, 2006, respectively. The increase in research and development expense was primarily due to an

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increase in compensation related expenses associated with increased average headcount of two employees for the three months ended June 30, 2007 and four employees for the six months ended June 30, 2007. While continuing to increase in absolute dollars, research and development expense remained constant as a percentage of total revenue of 27% in the three and six months ended June 30, 2006 and June 30, 2007, respectively.

VoiceSignal believes that the development of new products and the enhancement of existing products are essential to its success. Accordingly, VoiceSignal plans to continue to invest in research and development activities. To date, VoiceSignal has not capitalized any internal development costs as the cost incurred after technological feasibility but before release of products has not been significant. While VoiceSignal will continue to invest in research and development in 2007, VoiceSignal expects research and development expenses to decline as a percentage of revenue.

Sales and Marketing Expense

Sales and marketing expense includes salaries and benefits, share-based payments, commissions, public relations, tradeshow and other costs of marketing programs, travel expenses associated with VoiceSignal's sales organization and overhead. The table set forth below shows sales and marketing expense in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Total sales and marketing expense	\$ 1.2	\$ 1.0	\$ 0.2	18%	\$ 2.4	\$ 2.0	\$ 0.4	20%
As a percentage of total revenue	18%	17%			19%	18%		

Sales and marketing expense increased \$0.2 million and \$0.4 million, or 18% and 20%, for the three and six months ended June 30, 2007, respectively, as compared to the three and six months ended June 30, 2006, respectively. The increase in sales and marketing expense was primarily due to an increase in compensation related expenses, including salaries and commissions and an additional new employee in September 2006. Sales and marketing expense increased as a percent of total revenue from 17% in the three months ended June 30, 2006 to 18% for the three months ended June 30, 2007. Sales and marketing expense increased as a percent of total revenue from 18% in the six months ended June 30, 2006 to 19% for the six months ended June 30, 2007.

General and Administrative Expense

General and administrative expense primarily consists of personnel costs for administration, finance, human resources, information systems, facilities and general management, and fees for external professional advisors including accountants and attorneys. The table set forth below shows general and administrative expense in absolute dollars and as a percentage of total revenue (dollars in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change

Total general and administrative expense	\$ 1.1	\$ 1.4	\$ (0.3)	(22)%	\$ 2.4	\$ 2.5	\$ (0.1)	(6)%
As a percentage of total revenue	17%	24%			18%	23%		

General and administrative expense decreased \$0.3 million and \$0.1 million, or 22% and 6%, for the three and six months ended June 30, 2007, respectively, as compared to the three and six months ended June 30, 2006, respectively. The decrease in general and administrative expense was due primarily to a

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decrease in legal costs partially offset by increases in compensation and related benefits, including stock-based compensation charges. General and administrative expense decreased as a percent of total revenue from 24% in the three months ended June 30, 2006 to 17% for the three months ended June 30, 2007. General and administrative expense decreased as a percent of total revenue from 23% in the six months ended June 30, 2006 to 18% for the six months ended June 30, 2007.

Benefit (Provision) for Income Taxes

The table set forth below shows the benefit (provision) for income taxes in absolute dollars and the effective income tax rate (dollars in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2007	2006	Dollar Change	Percent Change	2007	2006	Dollar Change	Percent Change
Income tax benefit (provision)	\$ (0.05)	\$ 0.03	\$ (0.08)	(230)%	\$ 0.29	\$ 0.07	\$ 0.22	321%
Effective income tax rate	2%	(3)%			(7)%	(3)%		

The benefit (provision) for income taxes includes a decrease in the valuation allowance of approximately \$1.2 million and \$0.6 million for the three months ended June 30, 2007 and 2006, respectively due to the increased likelihood that VoiceSignal will generate sufficient taxable income to utilize a portion of the net deferred income tax recorded.

The benefit for income taxes includes a decrease in the valuation allowance of approximately \$2.1 million and \$1.2 million for the six months ended June 30, 2007 and 2006, respectively due to the increased likelihood that VoiceSignal will generate sufficient taxable income to utilize a portion of the net deferred income tax recorded.

The difference between VoiceSignal's effective income tax rate and the federal statutory rate of 35% is due primarily to the change in its valuation allowance with respect to certain deferred tax assets, state income taxes, and the disallowance for tax purposes of certain share-based compensation charges.

The tax benefit also includes state and foreign tax expense as determined on a legal entity and tax jurisdiction.

Table of Contents**Comparison of Years Ended December 31, 2006, 2005 and 2004*****Revenue***

The table below sets forth, as a percentage of total revenue, certain selected financial data for the periods indicated:

	Year Ended December 31,		
	2006	2005	2004
Revenue:			
Royalties and licensing	87.5%	85.7%	87.2%
Professional services	12.5	14.3	12.8
Total revenue	100.0	100.0	100.0
Costs and expenses:			
Cost of amortization of intangible assets	1.9	0.0	0.0
Cost of professional services	5.5	11.3	6.6
Gross margin	92.6	88.7	93.4
Research and development	24.4	45.6	54.8
Sales and marketing	17.1	34.7	41.9
General and administrative	21.8	36.6	36.7
Total operating expenses	64.7	64.7	68.2
Income from operations	29.3	(28.1)	(40.0)
Interest income, net	0.0	1.8	0.6
Income before income taxes	29.2	(26.4)	(39.4)
Income tax benefit	0.8	27.3	0.0
Net income	30.0%	1.0%	(39.4)%

Total Revenue

The table below shows total revenue in absolute dollars and percentage change (dollars in millions):

	Three Years Ended December 31,				
	2006	2005	2004	% Change 2006 vs. 2005	% Change 2005 vs. 2004

North America	\$ 12.1	\$ 4.7	\$ 1.3	156%	262%
International	\$ 12.5	\$ 7.0	\$ 6.2	78%	13%
Total revenue	\$ 24.6	\$ 11.7	\$ 7.5	110%	57%

Fiscal 2006 Compared to Fiscal 2005

Total revenue for fiscal year 2006 increased by \$12.9 million, or 110%, as compared to the fiscal year 2005. The increase in total revenue was primarily due to increased volume of shipping product containing VoiceSignal's technology from VoiceSignal's two largest customers. These two customers comprised 94% and 87% of total revenue for fiscal years 2006 and 2005, respectively. VoiceSignal expects volume will continue to increase for these two customers in 2007.

Based on the location of the customers, the geographic split in fiscal 2006 was 49% of total revenue in North America and 51% internationally. This compares to 40% of total revenue in North America and 60% internationally for fiscal 2005. The increase in revenue generated in North America was primarily due to increased sales with one large customer in the United States combined with a new customer located in North America.

Table of Contents***Fiscal 2005 Compared to Fiscal 2004***

Total revenue for fiscal year 2005 increased by \$4.3 million, or 57%, as compared to the fiscal year 2004. The increase in total revenue was primarily due to increased volume of shipping product containing VoiceSignal technology from VoiceSignal's two largest customers. These two customers comprised 87% and 93% of total revenue for fiscal years 2005 and 2004, respectively. In addition, one customer who began shipping product late in fiscal 2004 increased its volume of shipping product in 2005.

Based on the location of the customers, the geographic split in fiscal 2005 was 40% of total revenue in North America and 60% internationally. This compares to 17% of total revenue in North America and 83% internationally for fiscal 2004. The increase in revenue generated in North America was primarily due to increased sales with one existing customer and one new customer located in the United States.

Royalty and Licensing Revenue

Royalty and licensing revenue primarily consists of shipments of licensed speech products. The table below sets forth royalty and licensing revenue in absolute dollars and as a percentage of total revenue (dollars in millions):

	Year Ended December 31,			% Change 2006 vs. 2005	% Change 2005 vs. 2004
	2006	2005	2004		
Royalty and licensing revenue	\$ 21.5	\$ 10.1	\$ 6.5	114%	55%
As a percentage of total revenue	87%	86%	87%		

Fiscal 2006 Compared to Fiscal 2005

Royalty and licensing revenue for fiscal year 2006 increased by \$11.5 million, or 114%, as compared to the fiscal year 2005. The increase in royalty and licensing revenue in 2006 was primarily due to increased volume of products containing VoiceSignal technology shipped by VoiceSignal's two largest customers. These two customers comprised 94% and 87% of royalty and licensing revenue for fiscal years 2006 and 2005, respectively.

Fiscal 2005 Compared to Fiscal 2004

Royalty and licensing revenue for fiscal year 2005 increased by \$3.5 million, or 55% as compared to the fiscal year 2004. The increase in royalty and licensing revenue was primarily due to increased volume of shipping product containing VoiceSignal technology by VoiceSignal's two largest customers. These two customers comprised 87% and 93% of royalty and licensing revenue for fiscal years 2005 and 2004, respectively. In addition, one customer who began shipping product late in fiscal 2004 increased the volume of shipping product containing VoiceSignal technology as well.

Professional Services

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Professional services revenue primarily consists of consulting and implementation services. The table below shows professional services in absolute dollars and as a percentage of total revenue (dollars in millions):

	Year Ended December 31,			% Change	% Change
	2006	2005	2004	2006 vs.	2005 vs.
				2005	2004
Professional services revenue	\$ 3.1	\$ 1.7	\$ 1.0	83%	76%
As a percentage of total revenue	13%	14%	13%		

Table of Contents***Fiscal 2006 Compared to Fiscal 2005***

Professional services revenue for fiscal year 2006 increased by \$1.4 million, or 83%, as compared to the fiscal year 2005. The increase in professional services revenue was primarily due to an increase in the number of product integrations performed for VoiceSignal customers in 2006. Two customers comprised 97% and 92% of professional services revenues for fiscal years 2006 and 2005, respectively.

Fiscal 2005 Compared to Fiscal 2004

Professional services revenue for fiscal year 2005 increased by \$0.7 million, or 76% as compared to the fiscal year 2004. The increase in professional services revenue was primarily due to an increase in the number of product integrations performed for VoiceSignal customers in 2005. Two customers comprised 92% and 97% of professional services revenue for fiscal years 2005 and 2004, respectively.

Cost of Revenue from Amortization of Intangible Assets

Cost of revenue from amortization of intangible assets primarily consists of amortization of intellectual property that was purchased for use in VoiceSignal's products. The table set forth below presents cost of revenue from amortization of intangible assets in absolute dollars and as a percentage of total revenue (dollars in millions):

	Year Ended December 31,			% Change	% Change
	2006	2005	2004	2006 vs.	2005 vs.
				2005	2004
Cost of revenue from amortization of intangible assets	\$ 0.5	\$ 0.0	\$ 0.0	n/a	n/a
As a percentage of total revenue	2%	0%	0%		

Fiscal 2006 Compared to Fiscal 2005

Cost of revenue from amortization of intangible assets for fiscal year 2006 was \$0.5 million. There were no cost of royalties and licensing for fiscal years 2005 and 2004. The intellectual property that is amortized was first purchased in December of 2005 and put into service in January 2006 and therefore there was no amortization prior to 2006.

Fiscal 2005 Compared to Fiscal 2004

There were no cost of royalties and licensing for fiscal years 2005 and 2004. The intellectual property that is amortized was first purchased in December of 2005 and put into service in January 2006. As a result, there was no amortization prior to 2006.

Cost of Professional Services

Cost of professional services primarily consists of compensation for integration support personnel and overhead. The table set forth below presents professional services in absolute dollars and as a percentage of total revenue (dollars in millions):

	Year Ended December 31,			% Change	% Change
	2006	2005	2004	2006 vs.	2005 vs.
				2005	2004
Cost of professional services revenue	\$ 1.4	\$ 1.3	\$ 0.5	8%	168%
As a percentage of total revenue	6%	11%	7%		

Table of Contents***Fiscal 2006 Compared to Fiscal 2005***

Cost of professional services for fiscal year 2006 increased by \$0.1 million, or 8%, as compared to the fiscal year 2005. Cost of professional services was relatively flat compared to 2005 as VoiceSignal's customer mix was consistent for both years. The growth in total revenue was driven primarily by higher volume of individual products and not a significant increase in the number of integrations. VoiceSignal's major customers have moved to a model where they assume more of the integration effort and require less assistance from VoiceSignal.

Fiscal 2005 Compared to Fiscal 2004

Cost of professional services for fiscal year 2005 increased by \$0.8 million, or 168%, as compared to the fiscal year 2004. The increase in cost of professional services was primarily due to a high number of integrations of VoiceSignal's product on to new platforms. In late 2004, VoiceSignal signed a contract amendment with a customer which guaranteed certain minimum volume levels for 2005 and 2006. This customer initiated many integrations to assure that they would hit those volumes.

Research and Development Expense

Research and development expense primarily consists of salaries and benefits, overhead, as well as share-based payments relating to VoiceSignal's research and engineering staff. The table below sets forth research and development expense, in absolute dollars and as a percentage of total revenue (dollars in millions):

	Year Ended December 31,			% Change 2006 vs. 2005	% Change 2005 vs. 2004
	2006	2005	2004		
Total research and development expense	\$ 6.0	\$ 5.4	\$ 4.1	12%	31%
As a percentage of total revenue	24%	46%	55%		

Fiscal 2006 Compared to Fiscal 2005

Research and development expense for fiscal year 2006 increased by \$0.6 million, or 12%, as compared to the fiscal year 2005. The increase in research and development expenses was primarily due to an increase in compensation-related expense associated with increased average headcount of seven additional employees. At the end of fiscal 2006, VoiceSignal had 57 research and development employees as compared to 54 at the end of fiscal 2005.

Fiscal 2005 Compared to Fiscal 2004

Research and development expense for fiscal year 2005 increased by \$1.3 million, or 31%, as compared to the fiscal year 2004. The increase in research and development expenses was primarily due to an increase in compensation-related expense associated with increased average headcount of 16 employees. At the end of fiscal 2005, VoiceSignal had 54 research and development employees as compared to 33 at the end of fiscal 2004.

Sales and Marketing Expense

Sales and marketing expense includes salaries and benefits, share-based payments, commissions, public relations, tradeshows and other costs of marketing programs, travel expenses associated with the Company s

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sales organization and overhead. The table below shows sales and marketing expense in absolute dollars and as a percentage of total revenue (dollars in millions):

	Year Ended December 31,			% Change	% Change
	2006	2005	2004	2006 vs.	2005 vs.
				2005	2004
Total sales and marketing expense	\$ 4.2	\$ 4.1	\$ 3.1	4%	30%
As a percentage of total revenue	17%	35%	42%		

Fiscal 2006 Compared to Fiscal 2005

Sales and marketing expense for fiscal year 2006 increased by \$0.1 million, or 4%, as compared to the fiscal year 2005. The increase in sales and marketing expenses was primarily due to an increase in compensation related expense associated with increased average headcount of one employee. At the end of fiscal 2006 VoiceSignal had 15 sales and marketing employees as compared to 14 at the end of fiscal 2005.

Fiscal 2005 Compared to Fiscal 2004

Sales and marketing expense for fiscal year 2005 increased by \$1.0 million, or 30%, as compared to the fiscal year 2004. The increase in sales and marketing expenses was primarily due to an increase in compensation-related expense associated with additional international hiring. In addition, VoiceSignal opened several international sales offices during 2005 which resulted in higher expenses as compared to 2004. The average increase in headcount was six employees. At the end of fiscal 2005 VoiceSignal had 14 sales and marketing employees as compared to 9 at the end of fiscal 2004.

General and Administrative Expense

General and administrative expense primarily consists of personnel costs for administration, finance, human resources, information systems, facilities and general management, and fees for external professional advisors including accountants and attorneys. The table below shows general and administrative expense in absolute dollars and as a percentage of total revenue (dollars in millions):

	Year Ended December 31,			% Change	% Change
	2006	2005	2004	2006 vs.	2005 vs.
				2005	2004
Total general and administrative expense	\$ 5.4	\$ 4.3	\$ 2.7	25%	57%
As a percentage of total revenue	22%	37%	37%		

Fiscal 2006 Compared to Fiscal 2005

General and administrative expense for fiscal year 2006 increased by \$1.1 million, or 25%, as compared to the fiscal year 2005. The increase in general and administrative expenses was primarily due to an increase in legal costs associated with the various litigation matters in which VoiceSignal is involved, as well as an increase in compensation-related expense associated with increased average headcount. Expenses associated with litigation costs were \$2.4 million in 2006 as compared to \$1.7 million in 2005. At the end of fiscal 2006, VoiceSignal had 10 general and administrative employees as compared to 9 at the end of fiscal 2005.

Fiscal 2005 Compared to Fiscal 2004

General and administrative expense for fiscal year 2005 increased by \$1.6 million, or 57%, as compared to the fiscal year 2004. The increase in general and administrative expenses was primarily due to an increase in legal costs associated with the various litigation matters in which VoiceSignal is involved, increased patent prosecution costs to protect the Company's intellectual property, and an increase in compensation-related expense associated with increased average headcount. Expenses associated with litigation costs were \$1.7 million in 2005

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as compared to \$0.5 million in 2004. At the end of fiscal 2005, VoiceSignal had 9 general and administrative employees as compared to 7 at the end of fiscal 2004.

Benefit for Income Taxes

The table below shows the benefit for income taxes in absolute dollars and the effective income tax rate (dollars in millions):

	Year Ended December 31,			% Change	% Change
	2006	2005	2004	2006 vs.	2005 vs.
				2005	2004
Income tax benefit	\$ 0.2	\$ 3.2	\$ 0.0	94%	N/A
Effective income tax rate	3%	104%	0%		

The benefit for income taxes includes a decrease in the valuation allowance of approximately \$3.4 million in 2006 and \$2.0 million in 2005 and an increase in the valuation allowance of approximately \$1.7 million in 2004.

The difference between VoiceSignal's effective income tax rate and the federal statutory rate of 35% is due primarily to changes in Voice Signal's valuation allowance with respect to certain deferred tax assets, state income taxes, and the disallowance for tax purposes of certain share-based compensation charges.

The tax provision also includes state and foreign tax expense as determined on a legal entity and tax jurisdiction basis.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled \$9.3 million as of June 30, 2007, an increase of \$5.3 million as compared to \$4.0 million as of December 31, 2006. This increase was composed of cash provided by operating activities of \$2.5 million and cash provided by investing of \$2.8 million. VoiceSignal's working capital was \$12.6 million at June 30, 2007 and the accumulated deficit was \$21.5 million. Cash and cash equivalents totaled \$4.0 million as of December 31, 2006, an increase of \$3.7 million as compared to \$0.3 million as of December 31, 2005. This increase was composed of cash provided by operating activities of \$1.1 million and cash provided by investing activities of \$2.6 million. VoiceSignal's working capital was \$8.7 million at December 31, 2006 and its accumulated deficit was \$24.8 million. VoiceSignal does not expect that its accumulated deficit will impact its future ability to operate given its strong cash and financial position.

Cash provided by (used in) operating activities

Cash provided by operating activities for the six months ended June 30, 2007 was \$2.5 million, an increase of \$5.5 million, or 185%, as compared to net cash used in operating activities of \$3.0 million for the six months ended June 30, 2006. Cash provided by operating activities for six months ended June 30, 2007 was comprised of \$4.2 million in net income, \$0.8 million in accounts receivable and \$0.5 million in depreciation and amortization partially offset by a decrease in \$2.5 million in deferred revenue and \$0.7 million in prepaids and other current assets. The primary reason for the significant change in deferred revenue as compared to the 2006 balance is the recognition of revenue on multi-year contracts previously deferred.

Cash provided by operating activities for 2006 was \$1.1 million, a decrease of \$4.5 million, or 81%, as compared to net cash provided by operating activities of \$5.6 million in 2005. Cash provided by operating activities was comprised of \$7.4 million in net income and \$0.8 million amortization and depreciation partially offset by a decrease in net working capital of \$7.1 million. The decrease in net working capital was primarily due to changes in deferred revenue of \$4.8 million and accounts receivable of \$2.7 million. The primary reason for the significant changes in deferred revenue and accounts receivable as compared to the 2005 balances is that the Company received a payment in 2005 of \$10.4 million for services to be provided for several years which increased its 2005 deferred revenue balance.

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Cash provided by operating activities for 2005 was \$5.6 million, an increase of \$9.5 million, or 243%, as compared to net cash used in operating activities of \$3.9 million in 2004. The increase was primarily composed of changes in net working capital of \$9.6 million as compared to 2004 partially offset by 2006 income of \$0.1 as compared to 2004 net loss of \$2.9. The primary reasons for the increase of cash provided by changes in net working capital were from changes in accounts receivable and deferred revenue. In 2005 deferred revenue and accounts receivable added \$7.0 million and \$2.0 million, respectively to cash provided by operating activities. In 2004, cash used in operations included accounts receivable of \$5.2 million and cash provided by deferred revenue of \$3.1 million. In 2005, the Company received a payment of \$10.4 million from one customer for services to be provided for several years which increased its 2005 deferred revenue balance.

Cash provided by (used in) investing activities

Cash provided by investing activities for the six months ended June 30, 2007 was \$2.8 million, as compared to net cash provided by investing activities of \$2.8 million for the six months ended June 30, 2006. The change in cash used in investing activities was primarily driven by the net cash provided by the redemption of \$3.0 million and \$3.1 million short-term investments in the six months ended June 30, 2007 and fiscal 2006, respectively.

Cash provided by investing activities for 2006 was \$2.6 million as compared to net cash used in investing activities of \$7.2 million for 2005. The change in cash provided by investing activities was primarily caused by the redemption of approximately \$3 million of short-term investments in 2006 that had been purchased in 2005. In 2005, cash used in investing activities included approximately \$6 million for the purchase of short-term investments, and a \$0.7 million use of cash for the purchase of a data license.

Cash used in investing activities for 2005 was \$7.2 million as compared to \$0.2 million for 2004. The change in cash used in investing activities was primarily caused by the purchase of approximately \$6 million of short-term investments in 2005. In 2005, cash used in investing activities also included \$0.7 million outflow of cash for the purchase of a data license.

Cash provided by (used in) financing activities

Cash provided by financing activities was less than \$0.1 million for each of the six months ended June 30, 2007 and 2006 and primarily consisted of cash received for exercise of stock options. Cash provided by financing activities was less than \$0.1 million for both 2006 and 2005 and primarily consisted of cash received for exercise of stock options. Cash provided by financing activities in 2005 was less than \$0.1 million as compared to \$1.0 million in 2004. Cash provided by financing activities in 2004 included \$0.9 million for the issuance of preferred stock.

Cash and cash equivalents totaled \$4.0 million as of December 31, 2006, an increase of \$3.7 million as compared to \$0.3 million as of December 31, 2005. This increase was composed of cash provided by operating activities of \$1.1 million and cash provided by investing of \$2.6 million. VoiceSignal's working capital was \$8.7 million at December 31, 2006 and its accumulated deficit was \$24.8 million.

VoiceSignal does not expect its accumulated deficit will impact its future ability to operate given its strong cash and financial position.

Credit Facility

In November 2006, the Company entered into an agreement with a financial institution to provide a revolving line of credit with a borrowing base of \$1,500,000 plus 80% of the Company's accounts receivable balance billed within the

prior 90 days, up to a total available balance of \$5,000,000. Borrowings under the line of credit bear interest at the bank's prime rate plus one-half of one percent (8.75% at June 30, 2007). As of June 30, 2007, the Company had no borrowings under this revolving line of credit.

The line of credit has an original term of 24 months and is subject to certain restrictive covenants. The most significant covenants relate to maintaining certain financial ratios, prohibiting change of control without the consent of the bank, requiring certain periodic reporting and limiting certain other transactions.

Table of Contents**Off-Balance Sheet Arrangements, Contractual Obligations, Contingent Liabilities and Commitments*****Contractual Obligations***

The Company leases certain offices at the Woburn location that requires future increases in the minimum base rent. Minimum lease payments through the expiration of the lease are as follows (in thousands):

Remaining in 2007	\$ 133
2008	\$ 274
2009	\$ 137
Total	\$ 544

Off-Balance Sheet Arrangements

Through June 30, 2007, VoiceSignal has not entered into any off-balance sheet arrangements or material transactions with unconsolidated entities or other persons.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. On an ongoing basis, VoiceSignal evaluates its estimates and judgments, in particular those related to revenue recognition; software development costs; assumptions used in valuing stock-based compensation instruments; evaluating loss contingencies; and valuation allowances for deferred tax assets. Actual amounts could differ significantly from these estimates. VoiceSignal's management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

VoiceSignal believes the following critical accounting policies most significantly affect the portrayal of its financial condition and results of operations and require VoiceSignal's most difficult and subjective judgments.

Revenue Recognition. In accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position, or SOP, No. 97-2, Software Revenue Recognition, as amended by SOP 98-9, Software Revenue Recognition, With Respect to Certain Transactions, revenue from sales of software products is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred, no significant Company obligations with regard to the product's functionality remain, the fee is fixed or determinable and collectibility is probable. VoiceSignal's software arrangements generally contain multiple elements such as royalty fees, professional services, and licenses fees. VoiceSignal has not established the fair values of the elements based on vendor specific objective evidence in the multiple element contracts. For those arrangements that require the customers to make large initial payments under multiple element contracts, VoiceSignal recognizes the revenue from the initial payments ratably over the period VoiceSignal expects to provide services, which is either the term of the respective agreement or the units shipped, provided the agreement specifies a fixed number of units. Additional payments received from customers during the term of the contracts for professional services or royalties are recognized as the services are provided or units are shipped to the customer, provided all other elements are delivered.

Non-software revenue is recognized in accordance with, the Securities and Exchange Commission's Staff Accounting Bulletin, or SAB, 104, Revenue Recognition in Financial Statements. Under SAB 104, VoiceSignal recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the fees are fixed or determinable and (iv) collectibility is reasonably assured.

VoiceSignal's revenue recognition policies require management to make significant estimates. VoiceSignal's management analyzes various factors, including a review of specific transactions, historical

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experience, creditworthiness of customers and current market and economic conditions. Changes in judgments based upon these factors could impact the timing and amount of revenue and cost recognized and thus affects the results of operations and financial condition.

Research and Development Costs. VoiceSignal accounts for the internal costs relating to research and development activities in accordance with SFAS No. 2, Accounting for Research and Development Costs, and SFAS No. 86, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed. Research and development costs incurred for new software products and enhancements to existing products, other than certain software development costs that qualify for capitalization, are expensed as incurred. Software development costs incurred subsequent to the establishment of technological feasibility, but prior to the general release of the product, are capitalized and amortized to cost of revenue over the estimated useful life of the related products. Judgment is required in determining when technological feasibility of a product is established. VoiceSignal has determined that technological feasibility for its software products is reached shortly before the products are released to manufacturing. Costs incurred after technological feasibility is established have not been material, and accordingly, VoiceSignal has expensed the internal costs relating to research and development when incurred.

Accounting for Share-Based Payments. VoiceSignal accounts for share-based payments in accordance with SFAS No. 123(R), Share-Based Payment. Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the requisite service period which is generally the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including determining the fair value of the underlying stock, estimating expected dividends, share price volatility and the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, share-based compensation expense and results of operations could be materially impacted.

Income Taxes. Deferred tax assets and liabilities are determined based on differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. VoiceSignal does not provide for U.S. income taxes on the undistributed earnings of its foreign subsidiaries, which it considers to be indefinitely reinvested outside of the U.S. in accordance with Accounting Principles Board (APB) Opinion No. 23, Accounting for Income Taxes Special Areas.

VoiceSignal makes judgments regarding the realizability of its deferred tax assets. In accordance with SFAS No. 109, Accounting for Income Taxes, the carrying value of the net deferred tax assets is based on the belief that it is more likely than not that the Company will generate sufficient future taxable income to realize these deferred tax assets after consideration of all available evidence. VoiceSignal regularly reviews its deferred tax assets for recoverability considering historical profitability, projected future taxable income, and the expected timing of the reversals of existing temporary differences and tax planning strategies.

Valuation allowances have been established for U.S. deferred tax assets, which VoiceSignal believes does not meet the more likely than not criteria established by SFAS No. 109. If VoiceSignal is subsequently able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been established, then VoiceSignal may be required to recognize these deferred tax assets through the reduction of the valuation allowance which would result in a material benefit to VoiceSignal's results of operations in the period in which the benefit is determined, excluding the recognition of the portion of the valuation allowance which relates to net deferred tax assets acquired in a business combination and created as a result of share-based payments. The recognition of the portion of the valuation allowance which relates to net deferred tax assets resulting from share-based payments will be recorded as additional paid-in-capital; the recognition of the portion of the valuation allowance which relates to net deferred tax assets acquired in a business combination will reduce goodwill, other intangible assets, and to the extent remaining, the provision for income taxes. Under the provisions of the Internal Revenue Code, certain substantial changes in

VoiceSignal's ownership may result in a limitation on the amount of net operating carry forwards, which can be used in future years.

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Loss Contingencies. VoiceSignal is subject to legal proceedings, lawsuits and other claims relating to labor, service and other matters arising in the ordinary course of business, as discussed in Note 8 of VoiceSignal Notes to the Consolidated Financial Statements. Quarterly, VoiceSignal reviews the status of each significant matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, VoiceSignal accrues a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Because of uncertainties related to these matters, accruals are based only on the best information available at the time. As additional information becomes available, VoiceSignal reassesses the potential liability related to its pending claims and litigation and may revise its estimates. Such revisions in the estimates of the potential liabilities could have a material impact on the results of operations and financial position.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48, or FIN 48,

Accounting for Income Tax Uncertainties, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 109,

Accounting for Income Taxes. FIN No. 48 prescribes a recognition threshold of more-likely-than-not and a measurement attribute on all tax positions taken or expected to be taken in a tax return in order to be recognized in the financial statements. In making this assessment, a company must determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based solely on the technical merits of the position and that the tax position will be examined by appropriate taxing authority that would have full knowledge of all relevant information. Once the recognition threshold is met, the tax position is then measured to determine the actual amount of benefit to recognize in the financial statements. In addition, the recognition threshold of more-likely-than-not must continue to be met in each reporting period to support continued recognition of the tax benefit. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the financial reporting period in which that threshold is no longer met. VoiceSignal adopted FIN No. 48 effective January 1, 2007, and there was no impact to VoiceSignal's financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. The objective of SFAS No. 159 is to reduce both complexity in accounting for financial instruments and volatility in earnings caused by measuring related assets and liabilities differently. It also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The statement is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year, provided that the entity makes that choice in the first 120 days of that fiscal year. VoiceSignal is currently evaluating the impact, if any, that SFAS No. 159 may have on its consolidated financial statements.

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DESCRIPTION OF NUANCE CAPITAL STOCK

Nuance is authorized to issue 560,000,000 shares of common stock, \$0.001 par value, and 40,000,000 shares of preferred stock, \$0.001 par value. The following description of Nuance capital stock is subject to and qualified in its entirety by Nuance's certificate of incorporation and bylaws, which are included as exhibits to the registration statement of which this consent solicitation statement/prospectus forms a part, and by the applicable provisions of Delaware law.

Common Stock

As of June 30, 2007, there were 184,364,122 shares of Nuance common stock outstanding, excluding shares of common stock held by Nuance in its treasury, and 3,152,016 shares of common stock issued and held by Nuance in its treasury.

The holders of Nuance common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of Nuance common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available therefor. In the event of a liquidation, dissolution or winding up of Nuance, the holders of Nuance common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior rights of preferred stock, if any, then outstanding. Nuance common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions available to Nuance common stock. The rights, preferences, and privileges of holders of Nuance common stock are subject to, and may be adversely affected by, the rights of holders of shares of Nuance preferred stock, as discussed below.

Preferred Stock

Nuance is authorized to issue up to 40,000,000 shares of preferred stock, par value \$0.001 per share. Nuance has designated 100,000 shares as Series A participating preferred stock and 15,000,000 shares as Series B preferred stock. The Series B preferred stock is convertible into shares of common stock on a one-for-one basis. The Series B preferred stock has a liquidation preference of \$1.30 per share plus all declared but unpaid dividends. The holders of Series B preferred stock are entitled to non-cumulative dividends at the rate of \$0.05 per annum per share, payable when, and if declared by the board of directors. To date, no dividends have been declared by the board of directors. Holders of Series B preferred stock have no voting rights, except those rights provided under Delaware law. The Company has reserved 3,562,238 shares of its common stock for issuance upon conversion of the Series B preferred stock. The undesignated shares of preferred stock will have rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be determined by the Nuance board of directors upon issuance of the preferred stock.

Nuance preferred stock may have the effect of delaying, deferring or preventing a change in control of Nuance without further action by the stockholders. Additionally, the issuance of preferred stock may adversely affect the rights of the holders of common stock as follows:

Dividends. Nuance preferred stock is entitled to receive dividends out of any legally available assets, when and if declared by the Nuance board of directors and prior and in preference to any declaration or payment of any dividend on the common stock. In addition, after the first issuance of the Series A participating preferred stock, Nuance cannot declare a dividend or make any distribution on the common stock unless Nuance concurrently declares a dividend on such Series A participating preferred stock. Moreover, Nuance cannot pay dividends or

make any distribution on the common stock as long as dividends payable to the Series A participating preferred stock are in arrears. With respect to the Series B preferred stock, Nuance cannot declare a dividend or make any distribution on the common stock unless full dividends on the Series B preferred stock have been paid or declared and the sum sufficient for the payment set apart.

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Voting Rights. Each share of Series A participating preferred stock entitles its holder to 1,000 votes on all matters submitted to a vote of Nuance stockholders. In addition, the Series A participating preferred stock and the common stock holders vote together as one class on all matters submitted to a vote of our stockholders. The holders of Series B preferred stock are not entitled to vote on any matter (except as provided in Delaware law in connection with amendments to the Nuance certificate of incorporation that, among other things, would alter or change the rights and preferences of the class, in which case each share of Series B preferred stock would be entitled to one vote). However, the Series B preferred stock is convertible into common stock, and as a result, may dilute the voting power of the common stock.

Liquidation, Dissolution or Winding Up. The preferred stock is entitled to certain liquidation preferences upon the occurrence of a liquidation, dissolution or winding up of Nuance. If there are insufficient assets or funds to permit this preferential amount, then Nuance's entire assets and all of our funds legally available for distribution will be distributed ratably among the preferred stockholders. The remaining assets, if any, will be distributed to the common stockholders on a pro rata basis.

Preemptive Rights. The Nuance Series A participating preferred stock and Series B preferred stock do not have any preemptive rights.

Options and Warrants

As of June 30, 2007, not more than 18,983,438 shares of Nuance common stock were reserved for issuance upon exercise of outstanding employee and director stock options to purchase shares of Nuance common stock and 4,855,188 shares of Nuance common stock remain available for future issuance pursuant to Nuance's equity compensation plan. As of June 30, 2007, there were warrants outstanding to purchase an aggregate of 7,560,399 shares of Nuance common stock. Conversion of any or all of these options or warrants into shares of Nuance common stock will result in dilution to other holders of Nuance common stock.

Anti-Takeover Provisions

Certain provisions of Delaware law and the Nuance certificate of incorporation and bylaws could make the acquisition of Nuance by means of a tender offer, or the acquisition of control of Nuance by means of a proxy contest or otherwise more difficult. These provisions, summarized below, are intended to discourage certain types of coercive takeover practices and inadequate takeover bids, and are designed to encourage persons seeking to acquire control of Nuance to negotiate with the Nuance board of directors. Nuance believes that the benefits of increased protection against an unfriendly or unsolicited proposal to acquire or restructure Nuance outweigh the disadvantages of discouraging such proposals. Among other things, negotiation of such proposals could result in an improvement of their terms.

Delaware Anti-Takeover Law. Nuance is subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder, unless the business combination or the transaction in which the person became an interested stockholder is approved by Nuance's board of directors in a prescribed manner. Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an interested stockholder is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation's voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the

shares of common stock held by stockholders.

Other Provisions in the Nuance certificate of incorporation and bylaws. The Nuance certificate of incorporation and bylaws provide other mechanisms that may help to delay, defer or prevent a change in control. For example, the Nuance certificate of incorporation provides that stockholders may not take action by written consent without a meeting, but must take any action at a duly called annual or special meeting.

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This provision makes it more difficult for stockholders to take action opposed by the Nuance board of directors.

The Nuance certificate of incorporation does not provide for cumulative voting in the election of directors. Cumulative voting provides for a minority stockholder to vote a portion or all of its shares for one or more candidates for seats on the board of directors. Without cumulative voting, a minority stockholder will not be able to gain as many seats on Nuance's board of directors based on the number of shares of Nuance stock that such stockholder holds than if cumulative voting were permitted. The elimination of cumulative voting makes it more difficult for a minority stockholder to gain a seat on Nuance's board of directors to influence the board of directors' decision regarding a takeover.

Under the Nuance certificate of incorporation, 24,900,000 shares of preferred stock remain undesignated. The authorization of undesignated preferred stock makes it possible for the board of directors, without stockholder approval, to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to obtain control of Nuance.

The Nuance bylaws contain advance notice procedures that apply to stockholder proposals and the nomination of candidates for election as directors by stockholders other than nominations made pursuant to the notice given by Nuance with respect to such meetings or nominations made by or at the direction of the board of directors.

Lastly, Nuance's bylaws eliminate the right of stockholders to act by written consent without a meeting.

These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of Nuance.

Transfer Agent and Registrar

The transfer agent and registrar for Nuance common stock is U.S. Stock Transfer Corporation.

MARKET FOR NUANCE'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Nuance common stock trades on the NASDAQ Global Select Market under the symbol NUAN. The following table sets forth, for each quarter of Nuance's fiscal years indicated, the high and low closing sales prices per Nuance common share, in each case as reported on the Nasdaq Global Select Market.

	High	Low
2005		
First Quarter	\$ 4.44	\$ 3.40
Second Quarter	\$ 4.73	\$ 3.57
Third Quarter	\$ 4.53	\$ 3.46
Fourth Quarter	\$ 5.33	\$ 3.90
2006		
First Quarter	\$ 7.81	\$ 4.88
Second Quarter	\$ 11.81	\$ 7.59
Third Quarter	\$ 13.46	\$ 7.59

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Fourth Quarter 2007	\$ 10.35	\$ 6.94
First Quarter	\$ 11.95	\$ 7.70
Second Quarter	\$ 16.20	\$ 11.11
Third Quarter	\$ 18.47	\$ 15.09
Fourth Quarter (through August 10, 2007)	\$ 18.53	\$ 15.89

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The high and low sale prices of Nuance common stock as of May 14, 2007, the date immediately prior to public announcement of the merger, were \$15.49 and \$15.23, respectively. In addition, as of August [], 2007, the high and low sale prices of Nuance common stock were \$ and \$, respectively.

Holders

As of July 31, 2007, there were 1,043 stockholders of record of Nuance common stock.

None of the (i) persons who are known to be the beneficial owners of more than 5% of any class of Nuance's equity securities, (ii) Nuance directors, and (iii) Nuance directors and officers as a group will acquire shares of Nuance common stock in connection with the merger. Completion of the merger and the issuance of Nuance common stock in the merger will not result in a change in the percentage of any class of Nuance equity securities beneficially owned by any of the foregoing persons that exceeds 1%.

Dividend Policy

Nuance has never declared or paid any cash dividends on its capital stock. Nuance currently expects to retain future earnings, if any, to finance the growth and development of Nuance's business and does not anticipate paying any cash dividends in the foreseeable future. The terms of Nuance's credit facility place restrictions on Nuance's ability to pay dividends except for stock dividends.

Table of Contents**PERFORMANCE GRAPH**

The following performance graph compares the Company's cumulative total return on its Common Stock for a 69-month period ended September 30, 2006 with the cumulative total return of the Russell 2000, and the S&P Information Technology indices assuming \$100 was invested in the Company's Common Stock and each of the indices on December 31, 2000. The measurement periods shown in the performance graph below correspond to the Company's fiscal years ended December 31, 2001, 2002, 2003 and September 30, 2004, 2005 and 2006. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

**Comparison of 5 Year Cumulative Total Return*
Among Nuance Communications, Inc., The Russell 2000 Index
and The S&P Information Technology Index**

	Cumulative Total Return						
	12/00	12/01	12/02	12/03	9/04	9/05	9/06
Nuance Communications, Inc.	100.00	917.24	1109.22	1134.81	870.31	1136.95	1742.75
Russell 2000	100.00	102.49	81.49	120.00	124.46	146.80	161.37
S&P Information Technology	100.00	74.13	46.40	68.31	61.70	70.00	72.28

* \$100 invested on December 31, 2000 in stock or index-including reinvestment of dividends.

Quantitative and Qualitative Disclosures about Market Risk

Nuance is exposed to market risk from changes in foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. Nuance manages its exposure to these market risks through its regular operating and financing activities and, when appropriate, through the use of derivative financial instruments.

Exchange Rate Sensitivity. Nuance is exposed to changes in foreign currency exchange rates. Any foreign currency transaction, defined as a transaction denominated in a currency other than the U.S. dollar, will be reported in U.S. dollars at the applicable exchange rate. Assets and liabilities are translated into U.S. dollars at exchange rates in effect at the balance sheet date and income and expense items are translated at average rates for the period. The primary foreign currency denominated transactions include revenue and

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expenses and the resulting accounts receivable and accounts payable balances reflected on Nuance's balance sheet. Therefore, the change in the value of the U.S. dollar as compared to foreign currencies will have either a positive or negative effect on Nuance's financial position and results of operations. Historically, Nuance's primary exposure has related to transactions denominated in the Euro, British Pound, Canadian Dollar, Japanese Yen, Israeli New Shekel, and Hungarian Forint.

Assuming a 10% appreciation or depreciation in foreign currency exchange rates from the quoted foreign currency exchange rates at September 30, 2006, the impact to Nuance's revenue, operating results or cash flows could be adversely affected.

In certain instances, Nuance has entered into forward exchange derivative contracts to hedge against foreign currency fluctuations. In all cases, Nuance uses these derivative instruments to reduce its foreign exchange risk by essentially creating offsetting market exposures. The success of the hedging program depends on Nuance's forecasts of transaction activity in the various currencies. Nuance does not use derivative instruments for trading or speculative purposes. At September 30, 2006, there were no outstanding derivative foreign exchange hedging instruments and Nuance did not enter into any forward exchange derivative contracts during fiscal 2006.

On November 3, 2003, Nuance entered into a forward exchange derivative contract to hedge its foreign currency exposure related to 3.5 million euros of inter-company receivables from its Belgian subsidiary to the United States. The contract had a one-year term that expired on November 1, 2004. On November 1, 2004, Nuance renewed this forward hedge contract; the renewed contract had a one-year term expiring on November 1, 2005; however it was cancelable at Nuance's discretion. In February 2005, Nuance liquidated the contract. For fiscal year 2005 and 2004, Nuance realized a loss of \$0.4 million, and recognized a gain of less than \$0.1 million, respectively, related to this hedge.

On November 5, 2003, Nuance entered into a forward exchange derivative contract to hedge its foreign currency exposure related to 7.5 million Singapore Dollars of inter-company receivables from its Singapore subsidiary to the United States. The original contract expired on January 30, 2004, but was extended to October 29, 2004. The contract was terminated on October 29, 2004. Nuance realized a loss of approximately \$0.2 million in connection with the termination of this hedge.

Interest Rate Sensitivity. Nuance is exposed to interest rate risk as a result of its significant cash and cash equivalents, and the outstanding debt under its March 31, 2006 credit facility.

At September 30, 2006, Nuance held approximately \$112.3 million of cash and cash equivalents primarily consisting of cash and money-market funds. Due to the low current market yields and the short-term nature of Nuance's investments, a hypothetical change in market rates is not expected to have a material effect on the fair value of Nuance's portfolio or results of operations.

At September 30, 2006, Nuance's total outstanding debt balance exposed to variable interest rates was \$353.2 million. To partially offset this variable interest rate exposure, Nuance entered into a \$100 million interest rate swap derivative contract. The interest rate swap is structured to offset period changes in the variable interest rate without changing the characteristics of the underlying debt instrument. A hypothetical change in market rates would have a significant impact on the interest expense and amounts payable relating to the \$253.2 million of debt that is not offset by the interest rate swap; assuming a 1.0% change in interest rates, the interest expense would increase \$2.5 million per annum.

COMPARISON OF STOCKHOLDER RIGHTS

The following is a description of the material differences between the rights of holders of Nuance common stock and the rights of holders of VoiceSignal common stock. While we believe that this description covers the material differences between the two, this summary may not contain all of the information that is important to you. This summary is not intended to be a complete discussion of the certificates of incorporation and bylaws of Nuance and VoiceSignal and it is qualified in its entirety by applicable Delaware law as well as by Nuance's and VoiceSignal's respective certificates of incorporation and bylaws. The identification of

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specific differences is not meant to indicate that other equally or more significant differences do not exist. You should carefully read this entire consent solicitation statement/prospectus and the other documents we refer to for a more complete understanding of the differences between being a stockholder of Nuance and being a stockholder of VoiceSignal. Nuance has filed with the SEC its certificate of incorporation and bylaws and will send copies of these documents to you upon your request. See the section of this consent solicitation statement/prospectus entitled **Where You Can Find More Information**.

Nuance and VoiceSignal are both Delaware corporations. The rights of each company's stockholders are generally governed by the law of the State of Delaware and each company's certificate of incorporation and bylaws. Upon completion of the merger, stockholders of VoiceSignal will become stockholders of Nuance, and the Nuance certificate of incorporation and bylaws will govern the rights of former VoiceSignal stockholders. No changes to the Nuance certificate of incorporation or bylaws will be adopted in connection with the merger.

If you are a holder of shares of VoiceSignal preferred stock, you will be receiving shares of Nuance common stock in exchange for your shares of VoiceSignal preferred stock. As such, there are certain rights you will be foregoing as a holder of VoiceSignal preferred stock (which may further vary depending upon which series of VoiceSignal preferred stock you hold), including, without limitation, liquidation preferences and antidilution protection. In addition, if you are a holder of VoiceSignal Series C preferred stock or Series D preferred stock, you will also be giving up certain other rights, such as the right to vote as a separate class to elect one or more directors, certain protective provisions that may require your consent before various corporate actions are taken, the right to accrued dividends, and redemption rights.

Authorized Capital Stock

Nuance's certificate of incorporation, as amended, authorizes the issuance of 600,000,000 shares of capital stock, consisting of:

560,000,000 shares of common stock, par value \$0.001 per share; and

40,000,000 shares of preferred stock, par value \$0.001 per share, 100,000 shares of which have been designated as Series A Participating Preferred Stock and 15,000,000 shares of which have been designated as Series B Preferred Stock.

VoiceSignal's certificate of incorporation authorizes the issuance of 208,084,844 shares of capital stock consisting of:

128,000,000 shares of common stock, par value \$0.001 per share; and

80,084,844 shares of preferred stock, par value \$0.001 per share, 5,600,000 shares of which have been designated as Series A Preferred Stock, 1,820,000 shares of which have been designated as Series B Preferred Stock, 6,383,294 shares of which have been designated as Series C Preferred Stock and 66,281,550 shares of which have been designated as Series D Preferred Stock.

Board of Directors

Nuance's certificate of incorporation provides that the number of directors comprising the Nuance board of directors shall be fixed, and may be changed from time to time, by an amendment to Nuance's bylaws that has been duly adopted by the Nuance board of directors or by the Nuance stockholders. Nuance's bylaws provide that the number of directors comprising the Nuance board of directors shall be determined by resolution of the Nuance board of directors or the Nuance stockholders. The Nuance board of directors currently has nine members.

VoiceSignal's certificate of incorporation does not currently fix the number of directors comprising the VoiceSignal board of directors. VoiceSignal's bylaws provide that the authorized number of directors will be not less than one nor more than thirteen. VoiceSignal's bylaws provide that the exact number of directors comprising the VoiceSignal board of directors shall be determined by resolution of the VoiceSignal board of directors or the VoiceSignal stockholders. The VoiceSignal board of directors currently has seven members.

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Removal of Directors

Each of Nuance's and VoiceSignal's bylaws provide that any director, or the entire board of directors, may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

Filling Vacancies on the Board of Directors

Nuance's bylaws provide that vacancies on the Nuance board of directors and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by the sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and qualified or until their earlier resignation or removal.

VoiceSignal's bylaws provide that vacancies on the VoiceSignal board of directors and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, and the director so chosen shall hold office until the term expires.

Stockholder Action by Written Consent

Nuance's certificate of incorporation provides that no action required to be taken or that may be taken at any annual or special meeting of the Nuance stockholders may be taken without a meeting, and that the power of the Nuance stockholders to consent in writing without a meeting to the taking of action is specifically denied.

Nuance's bylaws provide that special meetings of the Nuance stockholders may be called at any time by the president and shall be called by the president or secretary at the request in writing of a majority of the board of directors, or at the request in writing of the stockholders owning not less than 10% of the entire capital stock of the corporation issued and outstanding and entitled to vote. Nuance's bylaws provide that special meetings of the Nuance board of directors may be called at any time by the president, provided certain notice is given to each of the directors, and shall be called by the president or secretary on the written request of two directors, unless the board consists of only one director, in which case special meetings shall be called by the president or secretary on written request of the sole director.

VoiceSignal's bylaws provide that stockholders of VoiceSignal may take any action required by law to be taken at any annual or special meeting of stockholders of VoiceSignal without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than a minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. VoiceSignal's bylaws provide that special meetings of the VoiceSignal stockholders may be called by the board of directors, the chairman, if any, the president or any vice president. VoiceSignal's bylaws provide that special meetings of the VoiceSignal board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any two directors, or by the secretary on written request of two or more directors.

Amendment of Certificate of Incorporation

Nuance's certificate of incorporation may be amended as provided by Delaware law; and all rights conferred upon stockholders therein are granted subject to this reservation; provided, however, that Nuance's certificate of incorporation may not be amended in any manner which would materially alter or change the power, preferences or special rights of Nuance's Participating Series A Preferred Stock so as to affect them adversely without the affirmative

vote of the holders of a majority of the then outstanding shares of Nuance's Series A Preferred Stock, voting as a separate class. As of the date hereof, no Nuance Series A Preferred Stock is issued or outstanding.

VoiceSignal's certificate of incorporation may not be amended without the prior written consent or affirmative vote of the holders of a majority of the then outstanding shares of Series C Preferred Stock and

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Series D Preferred Stock voting together as a single class, and in no event shall be amended in any manner which would seek to avoid the observance or performance of any of the terms to be observed or performed thereunder.

Amendment of Bylaws

Nuance's certificate of incorporation provides that the Nuance board of directors is expressly authorized to make, repeal, alter, amend and rescind any or all of Nuance's bylaws.

Nuance's bylaws provide that, except for Section 7 of Article VII (Prohibitions on Toxics), Nuance's bylaws may be altered, amended or repealed or new bylaws adopted by Nuance stockholders or the Nuance board of directors, when such power is conferred upon the board of directors by the certificate of incorporation.

VoiceSignal's bylaws provide that, except for Section 7.6 (Amendment to Indemnification), VoiceSignal's bylaws may be adopted, amended or repealed at any meeting of the board of directors upon notice thereof or at any meeting of the stockholder by vote of the holders of the majority of the stock issued and outstanding and entitled to vote at such meeting; provided, however, that the board of directors may not amend or repeal Article 8.1 (Amendments) or any provision of the bylaws which by applicable law, the certificate of incorporation or the bylaws requires action by stockholders.

Indemnification of Officers and Directors

Section 145 of the General Corporation Law of the State of Delaware provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation) by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe that such person's conduct was unlawful.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against such person and incurred by such person in any such capacity, arising out of such person's status as such, whether or not the corporation would otherwise have the power to indemnify such person against liability under Section 145.

Each of Nuance and VoiceSignal's certificates of incorporation contains a provision eliminating the personal liability of its directors to the company or its stockholders for monetary damages for breach of fiduciary duty as a director. Nuance's certificate of incorporation further provides that Nuance is authorized to provide, to the fullest extent permitted by applicable law, indemnification for its agents through bylaw provisions, agreements with such agents, vote of stockholders or disinterested directors or otherwise, with respect to actions for breach of duty to Nuance, its stockholders and others.

The bylaws of Nuance generally provide for the mandatory indemnification of, and payment of expenses incurred by, its directors and officers to the fullest extent permitted by applicable law unless the proceedings were initiated by the director or officer that was not authorized by the board of directors. The bylaws of VoiceSignal generally provide for the indemnification of, and payment of expenses incurred by, its directors, officers, employees and agents to fullest

extent permitted by applicable law. Nuance and VoiceSignal have also entered into indemnification agreements with their respective directors and officers.

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In addition, in accordance with the terms of the merger agreement and upon completion of the merger, Nuance has agreed, as permitted by law, to fulfill and honor the obligations of VoiceSignal pursuant to any indemnification agreements between VoiceSignal and its directors, officers, employees and agents. Subject to the limitations contained in the merger agreement, Nuance has also agreed for a period of six years after the effective time of the merger, to maintain directors' and officers' liability insurance covering those persons who were covered by VoiceSignal directors and officers' liability insurance policy as of the effective time of the merger, on comparable terms to those applicable as of the effective time of the merger to VoiceSignal directors and officers and covering all periods prior to the effective time of the merger.

Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described above, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

LEGAL MATTERS

The validity of the shares of Nuance common stock offered by this consent solicitation statement/prospectus will be passed upon for Nuance by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California.

EXPERTS

The consolidated financial statements and management's report on the effectiveness of internal control over financial reporting of Nuance Communications, Inc. included in this consent solicitation statement/prospectus have been audited by BDO Seidman, LLP, an independent registered public accounting firm, to the extent and for the periods set forth in their reports appearing elsewhere herein and in the consent solicitation statement/prospectus, and are included in reliance upon such reports given upon the authority of said firm as experts in auditing and accounting.

Voice Signal Technologies, Inc.'s consolidated financial statements as of December 31, 2006 and 2005, and for each of the years in the three year period ended December 31, 2006 included herein have been audited by Vitale, Caturano, & Company, Ltd., independent accountants, as indicated in their report with respect, thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

The consolidated financial statements of Bluestar Resources Limited at December 31, 2006 and 2005, and for the years then ended, appearing in this consent solicitation statement/prospectus have been audited by S.R. Batliboi & Associates (a member firm of Ernst & Young Global), independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The audited financial statements of Dictaphone Corporation included in this consent solicitation statement/prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated statements of operations, changes in stockholders' equity and cash flows of Dictaphone Corporation and its subsidiaries for the year ended December 31, 2003 appearing in this consent solicitation statement/prospectus, have been audited by Grant Thornton LLP, an independent registered public accounting firm, as set forth in their report with respect thereto, and have been included herein in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements and the related financial statement schedule as of December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004, of Former Nuance Communications, Inc. included in this consent solicitation statement/prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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The audited historical financial statements of Phonetic Systems Ltd. as of December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004 included in this consent solicitation statement/prospectus have been audited by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, an independent registered public accounting firm, as stated in their report, in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

Nuance has filed a registration statement on Form S-4 under the Securities Act with the SEC with respect to Nuance common stock to be issued to VoiceSignal stockholders pursuant to the merger. This consent solicitation statement/prospectus constitutes the prospectus of Nuance filed as part of the registration statement. The registration statement and its exhibits are available for inspection and copying as set forth below.

In addition, Nuance files annual, quarterly and current reports, proxy and information statements and other information with the SEC under the Exchange Act of 1934. Copies of these reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the SEC at:

Judiciary Plaza
Room 1024
450 Fifth Street, N.W.
Washington, D.C. 20549

Reports, proxy statements and other information concerning Nuance may be inspected at:

The National Association of Securities Dealers
1735 K Street, N.W.
Washington, D.C. 20006

Copies of these materials can also be obtained by mail at prescribed rates from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains a Website that contains reports, proxy statements and other information regarding each of us. The address of the SEC web site is <http://www.sec.gov>.

You may also obtain these documents by requesting them in writing or by telephone from Nuance at:

Nuance Communications, Inc.
1 Wayside Road
Burlington, Massachusetts 01803
(781) 565-5000
Attention: Garrison Smith

Additionally, VoiceSignal stockholders should call Damon Pender, Vice President of Finance at (781) 970-5200 with any questions about the merger.

Information on Nuance Web Site

Information on any Nuance Internet web site is not part of this document and you should not rely on that information in deciding whether to approve the share issuance, unless that information is also in this consent solicitation

statement/prospectus or in a document that is incorporated by reference in this consent solicitation statement/prospectus.

Information on VoiceSignal Web Site

Information on any VoiceSignal Internet web site is not part of this document and you should not rely on that information in deciding whether to adopt the merger agreement and approve the transactions contemplated thereby, unless that information is also in this consent solicitation statement/prospectus or in a document that is incorporated by reference in this consent solicitation statement/prospectus.

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THIS CONSENT SOLICITATION STATEMENT/PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO PURCHASE, THE SECURITIES OFFERED BY THIS CONSENT SOLICITATION STATEMENT/PROSPECTUS, IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION OF AN OFFER IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS CONSENT SOLICITATION STATEMENT/PROSPECTUS NOR ANY DISTRIBUTION OF SECURITIES PURSUANT TO THIS CONSENT SOLICITATION STATEMENT/PROSPECTUS SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH IN THIS CONSENT SOLICITATION STATEMENT/PROSPECTUS BY REFERENCE OR IN THE AFFAIRS OF NUANCE OR VOICE SIGNAL SINCE THE DATE OF THIS CONSENT SOLICITATION STATEMENT/PROSPECTUS. THE INFORMATION CONTAINED IN THIS CONSENT SOLICITATION STATEMENT/PROSPECTUS WITH RESPECT TO VOICESIGNAL AND ITS SUBSIDIARIES WAS PROVIDED BY VOICESIGNAL AND ITS SUBSIDIARIES AND THE INFORMATION CONTAINED IN THIS CONSENT SOLICITATION STATEMENT/PROSPECTUS WITH RESPECT TO NUANCE AND ITS SUBSIDIARIES WAS PROVIDED BY NUANCE AND ITS SUBSIDIARIES, AS THE CASE MAY BE.

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NUANCE COMMUNICATIONS, INC.

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Nuance Communications, Inc.
(formerly ScanSoft, Inc.)

Quarterly Financial Statements

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NUANCE COMMUNICATIONS, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2007	September 30, 2006
	(Unaudited)	
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 168,031	\$ 112,334
Marketable securities	7,846	
Accounts receivable, less allowances of \$17,757 and \$20,207, respectively	131,741	110,778
Acquired unbilled accounts receivable	8,213	19,748
Inventories, net	8,391	6,795
Prepaid expenses and other current assets	15,233	13,245
Deferred tax assets	420	421
Total current assets	339,875	263,321
Land, building and equipment, net	37,018	30,700
Goodwill	882,987	699,333
Other intangible assets, net	259,826	220,040
Other long-term assets	36,650	21,680
Total assets	\$ 1,556,356	\$ 1,235,074
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and obligations under capital leases	\$ 5,062	\$ 3,953
Accounts payable	42,490	27,768
Accrued expenses	66,757	52,674
Current portion of accrued business combination costs	13,402	14,810
Deferred maintenance revenue	67,301	63,269
Unearned revenue and customer deposits	31,563	30,320
Deferred acquisition payments, net		19,254
Total current liabilities	226,575	212,048
Long-term debt and obligations under capital leases, net of current portion	436,461	349,990
Accrued business combination costs, net of current portion	37,991	45,255
Deferred maintenance revenue, net of current portion	11,286	9,800
Deferred tax liability	32,161	19,926
Other liabilities	62,267	21,459

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Total liabilities	806,741	658,478
Commitments and contingencies		
Stockholders' equity:		
Series B preferred stock, \$0.001 par value; 40,000,000 shares authorized; 3,562,238 shares issued and outstanding (liquidation preference \$4,631)	4,631	4,631
Common stock, \$0.001 par value; 560,000,000 and 280,000,000 shares authorized, respectively; 187,516,138 and 173,182,430 shares issued and 184,364,122 and 170,152,247 shares outstanding, respectively	188	174
Additional paid-in capital	954,265	773,120
Treasury stock, at cost (3,152,016 and 3,030,183 shares, respectively)	(14,694)	(12,859)
Accumulated other comprehensive income	5,950	1,656
Accumulated deficit	(200,725)	(190,126)
Total stockholders' equity	749,615	576,596
Total liabilities and stockholders' equity	\$ 1,556,356	\$ 1,235,074

The accompanying notes are an integral part of these consolidated financial statements.

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Table of Contents**NUANCE COMMUNICATIONS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	(Unaudited)			
	(In thousands, except per share amounts)			
Revenue:				
Product and licensing	\$ 74,868	\$ 60,535	\$ 220,931	\$ 162,271
Professional services, subscription and hosting	49,271	25,099	110,078	55,071
Maintenance and support	32,500	27,462	91,113	43,035
Total revenue	156,639	113,096	422,122	260,377
Costs and expenses:				
Cost of revenue:				
Cost of product and licensing	9,448	8,553	31,734	18,290
Cost of professional services, subscription and hosting	32,339	19,824	75,458	41,846
Cost of maintenance and support	6,973	6,223	20,512	9,871
Cost of revenue from amortization of intangible assets	3,367	2,468	9,209	7,419
Total cost of revenue	52,127	37,068	136,913	77,426
Gross margin	104,512	76,028	285,209	182,951
Operating expenses:				
Research and development	19,661	16,457	53,748	41,516
Sales and marketing	46,733	36,474	132,454	90,159
General and administrative	19,705	15,018	52,630	40,571
Amortization of other intangible assets	6,347	6,377	16,613	10,361
Restructuring and other charges (credits), net	(54)	67	(54)	(1,233)
Total operating expenses	92,392	74,393	255,391	181,374
Income from operations	12,120	1,635	29,818	1,577
Other income (expense):				
Interest income	1,384	1,009	4,100	2,393
Interest expense	(9,119)	(7,797)	(24,301)	(9,584)
Other (expense) income, net	364	(79)	(476)	(861)
Income (loss) before income taxes	4,749	(5,232)	9,141	(6,475)
Provision for income taxes	12,384	4,168	19,740	8,524
Loss before cumulative effect of accounting change	(7,635)	(9,400)	(10,599)	(14,999)
Cumulative effect of accounting change				(672)

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Net loss	\$ (7,635)	\$ (9,400)	\$ (10,599)	\$ (15,671)
Basic and diluted earnings per share:				
Loss before cumulative effect of accounting change	\$ (0.04)	\$ (0.06)	\$ (0.06)	\$ (0.10)
Cumulative effect of accounting change				
Net loss per share	\$ (0.04)	\$ (0.06)	\$ (0.06)	\$ (0.10)
Weighted average common shares outstanding:				
Basic and diluted	180,356	167,482	173,786	162,400

The accompanying notes are an integral part of these consolidated financial statements.

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Table of Contents**NUANCE COMMUNICATIONS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine Months Ended June 30,	
	2007	2006
	(Unaudited)	
	(In thousands, except share amounts)	
Cash flows from operating activities		
Net loss	\$ (10,599)	\$ (15,671)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of property and equipment	8,521	6,173
Amortization of other intangible assets	25,822	17,780
Accounts receivable allowances	1,199	953
Share-based payments, including cumulative effect of accounting change	33,079	15,196
Non-cash interest expense	3,025	2,722
Deferred tax provision	14,152	5,681
Normalization of rent expense	542	1,013
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	4,265	6,351
Inventories	(1,047)	(1,996)
Prepaid expenses and other assets	(2,999)	4,001
Accounts payable	9,449	3,613
Accrued expenses and other liabilities	791	(5,637)
Deferred maintenance revenue, unearned revenue and customer deposits	5,470	(8,295)
Net cash provided by operating activities	91,670	31,884
Cash flows from investing activities		
Capital expenditures for property and equipment	(8,987)	(5,154)
Payments for acquisitions, net of cash acquired	(96,308)	(391,232)
Proceeds from maturities of investments	494	29,608
Payments for capitalized patent defense costs	(3,400)	(3,050)
Decrease in restricted cash	709	
Net cash used in investing activities	(107,492)	(369,828)
Cash flows from financing activities		
Payments of notes payable and capital leases	(4,922)	(1,165)
Deferred acquisition payments	(18,650)	(14,433)
Proceeds from bank debt, net of issuance costs	87,658	346,032
Purchase of treasury stock	(1,833)	(1,069)
Repurchase of shares from former MVC stockholders	(3,178)	
Payments on other long-term liabilities	(8,431)	(8,620)
	20,176	28,076

Net proceeds from issuance of common stock under employee share-based payment plans

Net cash provided by financing activities	70,820	348,821
Effects of exchange rate changes on cash and cash equivalents	699	56
Net increase in cash and cash equivalents	55,697	10,933
Cash and cash equivalents at beginning of period	112,334	71,687
Cash and cash equivalents at end of period	\$ 168,031	\$ 82,620

Supplemental disclosure of cash flow information:

Cash paid for income taxes	\$ 2,663	\$ 2,578
Cash paid for interest	\$ 21,276	\$ 6,650

Non cash investing and financing activities:

Issuance of 8,204,436 shares of common stock in connection with the acquisition of BeVocal, Inc.	\$ 122,738	\$
Issuance of 784,266 shares of common stock in connection with the acquisition of Mobile Voice Control, Inc.	\$ 8,300	\$
Issuance of 4,587,333 shares of common stock upon conversion of convertible debenture	\$	\$ 27,524

The accompanying notes are an integral part of these consolidated financial statements.

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NUANCE COMMUNICATIONS, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

1. Organization and Presentation

Nuance Communications, Inc. (the Company or Nuance) offers businesses and consumers competitive and value-added speech, dictation and imaging solutions that facilitate the way people access, share, manage and use information in business and daily life. The Company was incorporated in 1992 as Visioneer, Inc. In 1999, the Company changed its name to ScanSoft, Inc., and changed its ticker symbol to SSFT. In October 2005, the Company changed its name to Nuance Communications, Inc. and changed its ticker symbol to NUAN in November 2005.

On April 24, 2007, the Company acquired BeVocal, Inc. (BeVocal), a provider of on-demand self-service customer care solutions that address the unique business requirements of the mobile communications market and its customers (Note 3).

On March 26, 2007, the Company acquired Bluestar Resources Limited, the parent of Focus Enterprises Limited and Focus India Private Limited (collectively Focus), a provider of medical transcription services with operations in the United States and India (Note 3).

On December 29, 2006, the Company acquired Mobile Voice Control, Inc. (MVC), a provider of speech enabled mobile search and messaging services (Note 3).

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles. In the opinion of management, these unaudited interim consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position of the Company at June 30, 2007, the results of operations for the three and nine month periods ended June 30, 2007 and 2006, and cash flows for the nine month periods ended June 30, 2007 and 2006. Although the Company believes that the disclosures in these financial statements are adequate to make the information presented not misleading, certain information normally included in the footnotes prepared in accordance with U.S. generally accepted accounting principles has been omitted as permitted by the rules and regulations of the Securities and Exchange Commission. The accompanying financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K/A for the fiscal year ended September 30, 2006 filed with the Securities and Exchange Commission on December 15, 2006. The results for the nine month period ended June 30, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2007, or any future period.

Reclassification

Certain amounts presented in the prior periods consolidated financial statements have been reclassified to conform to the current periods presentation.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the

disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, assumptions and judgments, including those related to revenue recognition; allowance for doubtful accounts and returns; accounting for patent legal defense costs; the costs to complete the development of custom software applications; the valuation of goodwill, other intangible assets and tangible long-lived assets; accounting for acquisitions; share-based payments; the obligation relating to pension and

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NUANCE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

post-retirement benefit plans; interest rate swaps which are characterized as derivative instruments; income tax reserves and valuation allowances; and loss contingencies. The Company bases its estimates on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual amounts could differ significantly from these estimates.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated.

Revenue Recognition

The Company recognizes software revenue in accordance with Statement of Position (SOP) 97-2, Software Revenue Recognition, as amended by SOP 98-9 and all related interpretations. Non-software revenue is recognized in accordance with, the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) 104, Revenue Recognition in Financial Statements and SOP 81-1, Accounting for Performance of Construction Type and Certain Performance Type Contracts. For revenue arrangements with multiple elements outside of the scope of SOP 97-2, the Company accounts for the arrangements in accordance with Emerging Issues Task Force (EITF) Issue 00-21, Revenue Arrangements with Multiple Elements, and allocates an arrangement's fees into separate units of accounting based on fair value. In select situations, we sell or license intellectual property in conjunction with, or in place of, embedding our intellectual property in software. In general, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, collectibility is probable, and vendor specific objective evidence (VSOE) of fair value exists for any undelivered elements. When contracts contain substantive customer acceptance provisions, revenue and related costs are deferred until such acceptance is obtained. The Company reduces recognized revenue for estimated future returns, price protection and rebates, and certain marketing allowances at the time the related revenue is recorded.

When products are sold through distributors or resellers, title and risk of loss generally passes upon shipment, at which time the transaction is invoiced and payment is due. Shipments to distributors and resellers without right of return are recognized as revenue upon shipment by the Company. Certain distributors and value-added resellers have been granted rights of return for as long as the distributors or resellers hold the inventory. The Company has not analyzed historical returns from these distributors and resellers to have a basis upon which to estimate future sales returns. As a result, the Company recognizes revenue from sales to these distributors and resellers when the products are sold through to retailers and end-users. Based on reports from distributors and resellers of their inventory balances at the end of each period, the Company records an allowance against accounts receivable and reduces revenue for all inventories subject to return at the sales price.

The Company also makes an estimate of sales returns from direct customers based on historical experience. In accordance with Statement of Financial Accounting Standards (SFAS) 48, Revenue Recognition When Right of Return Exists, the provision for these estimated returns is recorded as a reduction of revenue and accounts receivable at the time that the related revenue is recorded. If actual returns differ significantly from the Company's estimates, such differences could have a material impact on the Company's results of operations for the period in which the actual returns become known.

Revenue from royalties on sales of the Company's products by original equipment manufacturers (OEMs), where no services are included, is recognized in the quarter earned so long as the Company has been notified by the OEM that such royalties are due, and provided that all other revenue recognition criteria are met.

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NUANCE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Revenue from products offered on a subscription and/or hosting basis is recognized in the period the services are provided, based on a fixed minimum fee and/or variable fees based on the volume of activity. Subscription and hosting revenue is recognized as the Company is notified by the customer or through management reports that such revenue is due, provided that all other revenue recognition criteria are met.

When the Company provides maintenance and support services, it recognizes the revenue ratably over the term of the related contracts, typically one to three years. When maintenance and support contracts renew automatically, the Company provides a reserve based on historical experience for contracts expected to be cancelled for non-payment. All known and estimated cancellations are recorded as a reduction to revenue and accounts receivable.

Professional services are generally not considered essential to the functionality of the software and are recognized as revenue when the related services are performed. Professional services revenue is generally recognized based on the percentage-of-completion method in accordance with SOP 81-1. The Company generally determines the percentage-of-completion by comparing the labor hours incurred to date to the estimated total labor hours required to complete the project. The Company considers labor hours to be the most reliable, available measure of progress on these projects. Adjustments to estimates to complete are made in the periods in which facts resulting in a change become known. When the estimate indicates that a loss will be incurred, such loss is recorded in the period identified. Significant judgments and estimates are involved in determining the percent complete of each contract. Different assumptions could yield materially different results. When the Company provides services on a time and materials basis, it recognizes revenue as it performs the services based on actual time incurred.

The Company may sell, under one contract or related contracts, software licenses, professional services, and/or a maintenance and support arrangement. The total contract value is attributed first to the undelivered elements based on VSOE of their fair value. VSOE is established by the price charged when that element is sold separately. The remainder of the contract value is attributed to the delivered elements, typically software licenses, which are typically recognized as revenue upon delivery, provided all other revenue recognition criteria are met. When the Company provides professional services considered essential to the functionality of the software, such as custom application development for a fixed fee, it recognizes revenue from the services as well as any related software licenses on a percentage-of-completion basis.

The Company follows the guidance of EITF 01-09, *Accounting for Consideration Given by a Vendor (Including a Reseller of the Vendor's Products)*, and records consideration given to a reseller as a reduction of revenue to the extent the Company has recorded cumulative revenue from the customer or reseller. However, when the Company receives an identifiable benefit in exchange for the consideration and can reasonably estimate the fair value of the benefit received, the consideration is recorded as an operating expense.

The Company follows the guidance of EITF 01-14, *Income Statement Characterization of Reimbursements for Out-of-Pocket Expenses Incurred*, and records reimbursements received for out-of-pocket expenses as revenue, with offsetting costs recorded as cost of revenue. Out-of-pocket expenses generally include, but are not limited to, expenses related to transportation, lodging and meals.

The Company follows the guidance of EITF 00-10, *Accounting for Shipping and Handling Fees and Costs*, and records shipping and handling costs billed to customers as revenue with offsetting costs recorded as cost of revenue.

Goodwill and Other Intangible Assets

The Company has significant long-lived tangible and intangible assets, including goodwill and intangible assets with indefinite lives, which are susceptible to valuation adjustments as a result of changes in various factors or conditions. The most significant long-lived tangible and other intangible assets are fixed assets, patents and core

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NUANCE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

technology, completed technology, customer relationships and trademarks. All finite-lived intangible assets are amortized based upon patterns in which the economic benefits of such assets are expected to be utilized. The values of intangible assets, with the exception of goodwill and intangible assets with indefinite lives, were initially determined by a risk-adjusted, discounted cash flow approach. The Company assesses the potential impairment of identifiable intangible assets and fixed assets whenever events or changes in circumstances indicate that the carrying values may not be recoverable. Factors it considers important, which could trigger an impairment of such assets, include the following:

significant underperformance relative to historical or projected future operating results;

significant changes in the manner of or use of the acquired assets or the strategy for the Company's overall business;

significant negative industry or economic trends;

significant decline in the Company's stock price for a sustained period; and

a decline in the Company's market capitalization below net book value.

Future adverse changes in these or other unforeseeable factors could result in an impairment charge that would impact future results of operations and financial position in the reporting period identified.

In accordance with SFAS 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets with indefinite lives are tested for impairment on an annual basis as of July 1, and between annual tests if indicators of potential impairment exist. The impairment test compares the fair value of the reporting unit to its carrying amount, including goodwill and intangible assets with indefinite lives, to assess whether impairment is present. The Company has reviewed the provisions of SFAS 142 with respect to the criteria necessary to evaluate the number of reporting units that exist. Based on its review, the Company has determined that it operates in one reporting unit. Based on this assessment, the Company has not had any impairment charges during its history as a result of its impairment evaluation of goodwill and other indefinite-lived intangible assets under SFAS 142.

In accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company periodically reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of those assets are no longer appropriate. Each impairment test is based on a comparison of the undiscounted cash flows to the recorded value for the asset. If impairment is indicated, the asset is written down to its estimated fair value based on a discounted cash flow analysis. No impairment charges were taken during the nine month periods ended June 30, 2007 and 2006, based on the review of long-lived assets under SFAS 144. The Company may make business decisions in the future which may result in the impairment of intangible assets.

Significant judgments and estimates are involved in determining the useful lives and amortization patterns of long-lived assets, determining what reporting units exist and assessing when events or circumstances would require an interim impairment analysis of goodwill or other long-lived assets to be performed. Changes in the organization or the

Company's management reporting structure, as well as other events and circumstances, including but not limited to technological advances, increased competition and changing economic or market conditions, could result in (a) shorter estimated useful lives, (b) additional reporting units, which may require alternative methods of estimating fair values or greater disaggregation or aggregation in our analysis by reporting unit, and/or (c) other changes in previous assumptions or estimates. In turn, this could have a significant impact on the consolidated financial statements through accelerated amortization and/or impairment charges.

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NUANCE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)*Capitalized Patent Defense Costs*

The Company monitors the anticipated outcome of legal actions, and if it determines that the success of the defense of a patent is probable, and so long as the Company believes that the future economic benefit of the patent will be increased, the Company capitalizes external legal costs incurred in the defense of these patents, up to the level of the expected increased future economic benefit. If changes in the anticipated outcome occur, the Company writes off any capitalized costs in the period the change is determined. As of June 30, 2007 and September 30, 2006, capitalized patent defense costs totaled \$12.6 million and \$6.4 million, respectively.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss), which includes current period foreign currency translation adjustments, unrealized gains (losses) related to derivatives reported as cash flow hedges, and unrealized gains (losses) on marketable securities. For the purposes of comprehensive income (loss) disclosures, the Company does not record tax provisions or benefits for the net changes in the foreign currency translation adjustment, as the Company intends to reinvest undistributed earnings in its foreign subsidiaries permanently.

The components of comprehensive income (loss), are as follows (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2007	2006	2007	2006
Net loss	\$ (7,635)	\$ (9,400)	\$ (10,599)	\$ (15,671)
Other comprehensive income (loss):				
Foreign currency translation adjustment	1,705	3,118	3,661	2,514
Net unrealized gains on cash flow hedge derivatives	664	731	633	731
Net unrealized gain on marketable securities		3		40
Other comprehensive income	2,369	3,852	4,294	3,285
Total comprehensive income (loss)	\$ (5,266)	\$ (5,548)	\$ (6,305)	\$ (12,386)

Net Income (Loss) Per Share

The Company computes net income (loss) per share under the provisions of SFAS 128, Earnings per Share, and EITF 03-06, Participating Securities and Two Class Method under FASB Statement No. 128, Earnings per Share. Accordingly, basic net income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of common shares outstanding during the period.

Diluted net income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period plus the dilutive effect of common equivalent shares, which include outstanding stock options, warrants, unvested shares of restricted stock using the treasury stock method and the convertible debenture using the as converted method. Common equivalent shares are excluded from the computation of diluted net income (loss) per share if their effect is anti-dilutive. Potentially dilutive common equivalent shares aggregating 25.6 million and 21.6 million shares for the three month periods ended June 30, 2007 and 2006, respectively; and 25.4 million and 21.6 million shares for the nine month periods ended June 30, 2007 and 2006, respectively, have been excluded from the computation of diluted net income (loss) per share because their inclusion would be anti-dilutive.

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NUANCE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)*Accounting for Share-Based Payments*

The Company adopted SFAS 123 (revised 2004), Share-Based Payment, (SFAS 123R) effective October 1, 2005. The Company has several equity instruments that are required to be evaluated under SFAS 123R, including: stock option plans, an employee stock purchase plan, awards in the form of restricted shares (Restricted Stock) and awards in the form of units of stock purchase rights (Restricted Units). The Restricted Stock and Restricted Units are collectively referred to as Restricted Awards. SFAS 123R requires the recognition of the fair value of share-based payments as a charge against earnings. The Company recognizes share-based payment expense over the requisite service period. Based on the provisions of SFAS 123R the Company's share-based payments awards are accounted for as equity instruments. In connection with the adoption of SFAS 123R, the Company is required to amortize stock-based instruments with performance-related vesting terms over the period from the grant date to the sooner of the date upon which the performance vesting condition will be met (when that condition is expected to be met), or the time-based vesting dates. The cumulative effect of the change in accounting as a result of the adoption of SFAS 123R in fiscal 2006 was \$0.7 million. The amounts included in the consolidated statements of operations relating to share-based payments are as follows (dollars in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2007	2006	2007	2006
Cost of product and licensing	\$ 3	\$ 17	\$ 15	\$ 65
Cost of professional services, subscription and hosting	962	490	2,412	1,199
Cost of maintenance and support	249	186	716	298
Research and development	1,887	1,097	4,912	3,157
Sales and marketing	5,338	2,081	13,640	4,836
General and administrative	3,686	1,682	11,384	4,969
Cumulative effect of accounting change				672
	\$ 12,125	\$ 5,553	\$ 33,079	\$ 15,196

Stock Options

The Company has several share-based payment plans under which employees, officers, directors and consultants may be granted stock options to purchase the Company's common stock generally at the fair market value on the date of grant. Plans do not allow for options to be granted at below fair market value nor can they be re-priced at anytime. Options granted under original plans of the Company become exercisable over various periods, typically two to four years and have a maximum term of 7 years. The Company also assumed an option plan in connection with its acquisition of Nuance Communications, Inc. (Former Nuance) on September 15, 2005 and BeVocal on April 24, 2007. These stock options are governed by the original option agreements that they were issued under, but are now exercisable for shares of the Company. No further stock options may be issued under these assumed option plans. All stock options have been granted with

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NUANCE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

exercise prices equal to or greater than the fair market value of the Company's common stock on the date of grant. The table below summarizes activity relating to stock options for the nine months ended June 30, 2007:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value(1)
Outstanding at September 30, 2006	20,654,083	\$ 4.80		
Granted	2,802,450	\$ 13.67		
Assumed from BeVocal	640,284	\$ 4.93		
Exercised	(4,555,279)	\$ 4.27		
Forfeited	(463,707)	\$ 7.09		
Expired	(94,393)	\$ 3.22		
Outstanding at June 30, 2007	18,983,438	\$ 6.19	5.3 years	\$ 200.1 million
Exercisable at June 30, 2007	11,122,652	\$ 4.24	4.8 years	\$ 139.0 million

(1) The aggregate intrinsic value on this table was calculated based on the positive difference between the closing market value of the Company's common stock on June 30, 2007 (\$16.73) and the exercise price of the underlying options. Stock options to purchase 12,353,613 shares of common stock were exercisable as of June 30, 2006.

As of June 30, 2007, the total unamortized fair value of stock options was \$37.3 million with a weighted average remaining recognition period of 2.5 years. During the three and nine month periods ended June 30, 2007 and 2006, the following activity occurred under the Company's plans:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2007	2006	2007	2006
Weighted-average grant-date fair value per share	\$ 8.49	\$ 5.95	\$ 7.08	\$ 5.09
Total intrinsic value of stock options exercised (in millions)	\$ 15.59	\$ 6.28	\$ 46.03	\$ 34.98

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award. The fair value of the stock options granted during the three and nine month periods ended June 30, 2007 and 2006 were

calculated using the following weighted-average assumptions:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2007	2006	2007	2006
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected volatility	46.3%	63.5%	49.2%	63.1%
Average risk-free interest rate	4.6%	5.0%	4.7%	4.7%
Expected term (in years)	3.8	4.6	3.8	4.6

The dividend yield of zero is based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends. Expected volatility is based on the historical volatility of the Company's common stock over the period commensurate with the expected life of the options and the historical implied volatility from traded options with a term of 180 days or greater. The risk-free interest rate is derived from the average U.S. Treasury STRIPS rate during the period, which approximates the rate in effect at the time of grant, commensurate with the expected life of the instrument. Upon the adoption of

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NUANCE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

SFAS 123R, the Company used the simplified method provided for under SEC's SAB 107, which averages the contractual term of the Company's options (7.0 years) with the vesting term (2.2 years). Beginning in the fourth quarter of fiscal 2006 the Company has estimated the expected life based on the historical exercise behavior.

Restricted Awards

The Company is authorized to issue equity incentive awards in the form of Restricted Awards, including Restricted Units and Restricted Stock, which are individually discussed below. Unvested Restricted Awards may not be sold, transferred or assigned. The fair value of the Restricted Awards is measured based upon the market price of the underlying common stock as of the date of grant, reduced by the purchase price of \$0.001 per share of the awards. The Restricted Awards generally are subject to vesting over a period of two to three years, and may have opportunities for acceleration for achievement of defined goals. Beginning in fiscal 2006, the Company began to issue certain Restricted Awards with vesting solely dependent on the achievement of specified performance targets. The fair value of the Restricted Awards is amortized to expense over its applicable vesting period using the straight-line method. In the event that the employees' employment with the Company terminates, or in the case of awards with only performance goals those goals are not met, any unvested shares are forfeited and revert to the Company.

Restricted Units are not included in issued and outstanding common stock until the shares are vested. The table below summarizes activity relating to Restricted Units for the nine months ended June 30, 2007:

	Number of Shares Underlying Restricted Units	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value(1)
Outstanding at September 30, 2006	2,750,054		