

DATAWATCH CORP
Form SC 13G
September 29, 2006

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
Schedule 13G
(Rule 13d-102)
INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO
RULES 13d-1(b), (c), AND (d) AND AMENDMENTS THERETO FILED
PURSUANT TO RULE 13d-2(b)
Datawatch Corporation
(Name of Issuer)
Common Stock, \$0.01 par value
(Title of Class of Securities)
237917-20-8
(CUSIP Number)
September 20, 2006
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, *see the Notes*).

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NAMES OF REPORTING PERSONS:

1 Mercury Fund IV, Ltd.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

I.R.S Identification No. 11-3669642

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):

2 (a)
(b)

SEC USE ONLY:

3

CITIZENSHIP OR PLACE OF ORGANIZATION:

4 Texas

SOLE VOTING POWER:

5
NUMBER OF 75,818⁽¹⁾

SHARED VOTING POWER:

6
SHARES BENEFICIALLY OWNED BY -0-

SOLE DISPOSITIVE POWER:

7
EACH REPORTING PERSON 75,818⁽¹⁾

SHARED DISPOSITIVE POWER:

8
WITH: -0-

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

9

75,818 ⁽¹⁾

CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):

10

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

11

1.37%⁽²⁾

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

12

PN

(1) Kevin C. Howe (Mr. Howe) exercises voting and disposition power over such shares on behalf of Mercury Management, L.L.C. (Mercury Management), the General Partner of Mercury Ventures, Ltd. (Mercury Ventures), which is the General Partner of Mercury Fund IV, Ltd. (Mercury IV).

(2) Assumes a total of 5,512,239 shares of common stock outstanding based on Datawatch

Corporation's
Quarterly
Report on Form
10-Q for the
quarterly period
ended June 30,
2006.

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NAMES OF REPORTING PERSONS:

1 Mercury Fund VI, Ltd.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

I.R.S Identification No. 20-2196404

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):

2
 (a)
 (b)

SEC USE ONLY:

3

CITIZENSHIP OR PLACE OF ORGANIZATION:

4
 Texas

SOLE VOTING POWER:

5
 NUMBER OF 127,095⁽¹⁾

SHARED VOTING POWER:

6
 SHARES BENEFICIALLY OWNED BY -0-

SOLE DISPOSITIVE POWER:

7
 EACH REPORTING PERSON 127,095⁽¹⁾

SHARED DISPOSITIVE POWER:

8
 WITH: -0-

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

9

127,095⁽¹⁾

CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):

10

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

11

2.31%⁽²⁾

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

12

PN

(1) Kevin C. Howe (Mr. Howe) exercises voting and disposition power over such shares on behalf of Mercury Management, L.L.C. (Mercury Management), the General Partner of Mercury Ventures, Ltd. (Mercury Ventures), which is the General Partner of Mercury Fund VI, Ltd. (Mercury VI).

(2) Assumes a total of 5,512,239 shares of common stock outstanding based on Datawatch

Corporation's
Quarterly
Report on Form
10-Q for the
quarterly period
ended June 30,
2006.

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NAMES OF REPORTING PERSONS:

1 Mercury Fund VII, Ltd.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

I.R.S Identification No. 20-4881368

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):

2
 (a) p
 (b) o

SEC USE ONLY:

3

CITIZENSHIP OR PLACE OF ORGANIZATION:

4
 Texas

SOLE VOTING POWER:

5
 NUMBER OF 93,909⁽¹⁾

SHARED VOTING POWER:

6
 SHARES BENEFICIALLY OWNED BY -0-

SOLE DISPOSITIVE POWER:

7
 EACH REPORTING PERSON 93,909⁽¹⁾

SHARED DISPOSITIVE POWER:

8
 WITH: -0-

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

9

93,909⁽¹⁾

CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):

10

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

11

1.70%⁽²⁾

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

12

PN

(1) Mr. Howe exercises voting and disposition power over such shares on behalf of Mercury Management, the General Partner of Mercury Ventures II, Ltd. (Mercury Ventures II), which is the General Partner of Mercury Fund VII, Ltd. (Mercury VII).

(2) Assumes a total of 5,512,239 shares of common stock outstanding based on Datawatch Corporation's Quarterly Report on Form

10-Q for the
quarterly period
ended June 30,
2006.

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NAMES OF REPORTING PERSONS:

1 Mercury Ventures, Ltd.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

I.R.S Identification No. 75-2796235

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):

2
 (a)
 (b)

SEC USE ONLY:

3

CITIZENSHIP OR PLACE OF ORGANIZATION:

4
 Texas

SOLE VOTING POWER:

5
 NUMBER OF 202,913 ⁽¹⁾

SHARED VOTING POWER:

6
 SHARES BENEFICIALLY OWNED BY -0-

SOLE DISPOSITIVE POWER:

7
 EACH REPORTING PERSON 202,913 ⁽¹⁾

SHARED DISPOSITIVE POWER:

8
 WITH: -0-

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

9

202,913 ⁽¹⁾

CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):

10

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

11

3.68%⁽²⁾

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

12

PN

(1) Mr. Howe exercises voting and disposition power over such shares on behalf of Mercury Management, the General Partner of Mercury Ventures, which is the General Partner of Mercury IV and Mercury VI. Includes 75,818 shares owned by Mercury IV and 127,095 shares owned by Mercury VI.

(2) Assumes a total of 5,512,239 shares of common stock outstanding based on Datawatch

Corporation's
Quarterly
Report on Form
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quarterly period
ended June 30,
2006.

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NAMES OF REPORTING PERSONS:

1 Mercury Ventures II, Ltd.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

I.R.S Identification No. 20-4736567

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):

2
 (a)
 (b)

SEC USE ONLY:

3

CITIZENSHIP OR PLACE OF ORGANIZATION:

4
 Texas

SOLE VOTING POWER:

5
 NUMBER OF 93,909 ⁽¹⁾

SHARED VOTING POWER:

6
 SHARES BENEFICIALLY OWNED BY -0-

SOLE DISPOSITIVE POWER:

7
 EACH REPORTING PERSON 93,909 ⁽¹⁾

SHARED DISPOSITIVE POWER:

8
 WITH: -0-

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

9

93,909 ⁽¹⁾

CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):

10

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

11

1.70%⁽²⁾

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

12

PN

(1) Mr. Howe exercises voting and disposition power over such shares on behalf of Mercury Management, the General Partner of Mercury Ventures II, which is the General Partner of Mercury VII, the owner of all 93,909 shares.

(2) Assumes a total of 5,512,239 shares of common stock outstanding based on Datawatch Corporation's Quarterly Report on Form 10-Q for the quarterly period

ended June 30,
2006.

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NAMES OF REPORTING PERSONS:

1 Mercury Management, L.L.C.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

I.R.S Identification No. 75-2796232

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):

2
 (a)
 (b)

SEC USE ONLY:

3

CITIZENSHIP OR PLACE OF ORGANIZATION:

4
 Texas

SOLE VOTING POWER:

5
 NUMBER OF 296,822⁽¹⁾

SHARED VOTING POWER:

6
 SHARES BENEFICIALLY OWNED BY -0-

SOLE DISPOSITIVE POWER:

7
 EACH REPORTING PERSON 296,822⁽¹⁾

SHARED DISPOSITIVE POWER:

8
 WITH: -0-

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

9

296,822⁽¹⁾

CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):

10

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

11

5.38%⁽²⁾

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

12

OO

(1) Mr. Howe exercises voting and disposition power over such shares on behalf of Mercury Management, the General Partner of Mercury Ventures and Mercury Ventures II. Mercury Ventures is the General Partner of Mercury IV and Mercury VI. Mercury Ventures II is the General Partner of Mercury VII. Includes 75,818 shares owned by Mercury IV, 127,095 shares owned by Mercury VI and

93,909 shares
owned by
Mercury VII.

- (2) Assumes a total
of 5,512,239
shares of
common stock
outstanding
based on
Datawatch
Corporation's
Quarterly
Report on Form
10-Q for the
quarterly period
ended June 30,
2006.
-

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1 NAMES OF REPORTING PERSONS:
Kevin C. Howe

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY):

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS):
(a)
(b)

3 SEC USE ONLY:

4 CITIZENSHIP OR PLACE OF ORGANIZATION:
United States

5 SOLE VOTING POWER:
NUMBER OF 296,822⁽¹⁾

6 SHARES BENEFICIALLY OWNED BY SHARED VOTING POWER:
-0-

7 EACH REPORTING PERSON SOLE DISPOSITIVE POWER:
296,822⁽¹⁾

8 WITH: SHARED DISPOSITIVE POWER:
-0-

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON:

296,822⁽¹⁾

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS):

o

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9):

5.38%⁽²⁾

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS):

IN

(1) Mr. Howe exercises voting and disposition power over such shares on behalf of Mercury Management, the General Partner of Mercury Ventures and Mercury Ventures II. Mercury Ventures is the General Partner of Mercury IV and Mercury VI. Mercury Ventures II is the General Partner of Mercury VII. Includes 75,818 shares owned by Mercury IV, 127,095 shares owned by Mercury VI and 93,909 shares owned by Mercury VII.

- (2) Assumes a total of 5,512,239 shares of common stock outstanding based on Datawatch Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006, of which 1.37% are owned by Mercury IV, 2.31% are owned by Mercury VI and 1.70% are owned by Mercury VII.

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

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Item 1(a). Name of Issuer

Item 1(b). Address of Issuer's Principal Executive Offices:

Item 2(a). Name of Person Filing

Item 2(b). Address of Principal Business Office or, if None, Residence

Item 2(c). Citizenship

Item 2(d). Title of Class of Securities

Item 2(e). CUSIP Number:

Item 3. If this statement is filed pursuant to Rules 13d-1(b), or 13d-2(b) or (c), check whether the person filing is a:

Item 4. Ownership

Item 5. Ownership of Five Percent or Less of a Class

Item 6. Ownership of More than Five Percent on Behalf of Another Person

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company

Item 8. Identification and Classification of Members of the Group

Item 9. Notice of Dissolution of Group

Item 10. Certification:

SIGNATURE

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Introduction

Pursuant to Rule 13d-1(k)(1) of the Securities Exchange Act of 1934, Mercury Fund IV, Ltd. (Mercury IV), Mercury Fund VI, Ltd. (Mercury VI), Mercury Fund VII, Ltd. (Mercury VII), Mercury Ventures, Ltd. (Mercury Ventures), Mercury Ventures II, Ltd. (Mercury Ventures II), Mercury Management, L.L.C. (Mercury Management) and Kevin C. Howe (Mr. Howe) are making this joint filing on Schedule 13G.

Item 1(a). Name of Issuer:

Datawatch Corporation, a Delaware corporation

Item 1(b). Address of Issuer s Principal Executive Offices:

271 Mill Road, Quorum Office Park, Chelmsford, MA 01824

Item 2(a). Name of Person Filing:

Mercury Fund IV, Ltd.

Mercury Fund VI, Ltd.

Mercury Fund VII, Ltd.

Mercury Ventures, Ltd.

Mercury Ventures II, Ltd.

Mercury Management, L.L.C.

Kevin C. Howe

Item 2(b). Address of Principal Business Office or, if None, Residence:

The principal business office of Mercury IV, Mercury VI, Mercury VII, Mercury Ventures, Mercury Ventures II, Mercury Management and Mr. Howe is 5416 Arbor Hollow, McKinney, Texas 75070

Item 2(c). Citizenship:

Mercury IV s place of organization is Texas

Mercury VI s place of organization is Texas

Mercury VII s place of organization is Texas

Mercury Ventures place of organization is Texas

Mercury Ventures II s place of organization is Texas

Mercury Management s place of organization is Texas

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Mr. Howe is a citizen of the United States

Item 2(d). Title of Class of Securities:

Common Stock, \$0.01 par value per share

Item 2(e). CUSIP Number:

237917-20-8

Item 3. If this statement is filed pursuant to Rules 13d-1(b), or 13d-2(b) or (c), check whether the person filing is a:

Not Applicable.

Item 4. Ownership:**Mercury IV**

(a) Amount beneficially owned:	75,818 ⁽¹⁾
(b) Percent of class:	1.37% ⁽²⁾
(c) Number of shares as to which the person has:	
(i) Sole power to vote or direct the vote	75,818 ⁽¹⁾
(ii) Shared power to vote or direct the vote	-0-
(iii) Sole power to dispose or to direct the disposition of	75,818 ⁽¹⁾
(iv) Shared power to dispose or to direct the disposition of	-0-

(1) Mr. Howe exercises voting and disposition power over such shares on behalf of Mercury Management, the General Partner of Mercury Ventures, which is the General Partner of Mercury IV.

(2) Assumes a total of 5,512,239 shares of common stock outstanding based on Datawatch Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30,

2006.

Mercury VI

(d) Amount beneficially owned:	127,095 ⁽¹⁾
(e) Percent of class:	2.31% ⁽²⁾
(f) Number of shares as to which the person has:	
(i) Sole power to vote or direct the vote	127,095 ⁽¹⁾
(ii) Shared power to vote or direct the vote	-0-
(iii) Sole power to dispose or to direct the disposition of	127,095 ⁽¹⁾
(iv) Shared power to dispose or to direct the disposition of	-0-

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- (1) Mr. Howe exercises voting and disposition power over such shares on behalf of Mercury Management, the General Partner of Mercury Ventures, which is the General Partner of Mercury VI.
 - (2) Assumes a total of 5,512,239 shares of common stock outstanding based on Datawatch Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006.
-

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(a)	Amount beneficially owned:				93,909 ⁽¹⁾
(b)	Percent of class:				1.70% ⁽²⁾
(c)	Number of shares as to which the person has:				
	(i) Sole power to vote or direct the vote				93,909 ⁽¹⁾
	(ii) Shared power to vote or direct the vote				-0-
	(iii) Sole power to dispose or to direct the disposition of				93,909 ⁽¹⁾
	(iv) Shared power to dispose or to direct the disposition of				-0-

(1) Mr. Howe exercises voting and disposition power over such shares on behalf of Mercury Management, the General Partner of Mercury Ventures II, which is the General Partner of Mercury VII.

(2) Assumes a total of 5,512,239 shares of common stock outstanding based on Datawatch Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006.

Mercury Ventures

(a)	Amount beneficially owned:				202,913 ⁽¹⁾
(b)	Percent of class:				3.68% ⁽²⁾
(c)	Number of shares as to which the person has:				
	(i) Sole power to vote or direct the vote				202,913 ⁽¹⁾
	(ii) Shared power to vote or direct the vote				-0-
	(iii) Sole power to dispose or to direct the disposition of				202,913 ⁽¹⁾
	(iv) Shared power to dispose or to direct the disposition of				-0-

- (1) Mr. Howe exercises voting and disposition power over such shares on behalf of Mercury Management, the General Partner of Mercury Ventures, which is the General Partner of Mercury IV and Mercury VI. Includes 75,818 shares owned by Mercury IV and 127,095 shares owned by Mercury VI.

- (2) Assumes a total of 5,512,239 shares of common stock outstanding based on Datawatch Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006.

Mercury Ventures II

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CUSIP No.	37245R107	Page	13	of	17
(a)	Amount beneficially owned:				93,909 ⁽¹⁾
(b)	Percent of class:				1.70% ⁽²⁾
(c)	Number of shares as to which the person has:				
	(i) Sole power to vote or direct the vote				93,909 ⁽¹⁾
	(ii) Shared power to vote or direct the vote				-0-
	(iii) Sole power to dispose or to direct the disposition of				93,909 ⁽¹⁾
	(iv) Shared power to dispose or to direct the disposition of				-0-

(1) Mr. Howe exercises voting and disposition power over such shares on behalf of Mercury Management, the General Partner of Mercury Ventures II, which is the General Partner of Mercury VII, the owner of all 93,909 shares.

(2) Assumes a total of 5,512,239 shares of common stock outstanding based on Datawatch Corporation's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006.

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Mercury Management

(a) Amount beneficially owned:	296,822 ⁽¹⁾
(b) Percent of class:	5.38% ⁽²⁾
(c) Number of shares as to which the person has:	
(i) Sole power to vote or direct the vote	296,822 ⁽¹⁾
(ii) Shared power to vote or direct the vote	-0-
(iii) Sole power to dispose or to direct the disposition of	296,822 ⁽¹⁾
(iv) Shared power to dispose or to direct the disposition of	-0-

(1) Mr. Howe exercises voting and disposition power over such shares on behalf of Mercury Management, the General Partner of Mercury Ventures and Mercury Ventures II. Mercury Ventures is the General Partner of Mercury IV and Mercury VI. Mercury Ventures II is the General Partner of Mercury VII. Includes 75,818 shares owned by Mercury IV, 127,095 shares owned by Mercury VI and 93,909 shares owned by Mercury VII.

(2) Assumes a total of 5,512,239 shares of common stock

outstanding
based on
Datawatch
Corporation's
Quarterly
Report on Form
10-Q for the
quarterly period
ended June 30,
2006, of which
1.37% are
owned by
Mercury IV,
2.31% are
owned by
Mercury VI and
1.70% are
owned by
Mercury VII.

Mr. Howe

(a) Amount beneficially owned:	296,822 ⁽¹⁾
(b) Percent of class:	5.38% ⁽²⁾
(c) Number of shares as to which the person has:	
(i) Sole power to vote or direct the vote	296,822 ⁽¹⁾
(ii) Shared power to vote or direct the vote	-0-
(iii) Sole power to dispose or to direct the disposition of	296,822 ⁽¹⁾
(iv) Shared power to dispose or to direct the disposition of	-0-

- (1) Mr. Howe exercises voting and disposition power over such shares on behalf of Mercury Management, the General Partner of Mercury Ventures and Mercury Ventures II. Mercury Ventures is the General Partner of Mercury IV and Mercury VI. Mercury Ventures II is the General Partner of

Mercury VII.
Includes 75,818
shares owned by
Mercury IV,
127,095 shares
owned by
Mercury VI and
93,909 shares
owned by
Mercury VII.

- (2) Assumes a total
of 5,512,239
shares of
common stock
outstanding
based on
Datawatch
Corporation's
Quarterly
Report on Form
10-Q for the
quarterly period
ended June 30,
2006, of which
2.31% are
owned by
Mercury VI and
1.70% are
owned by
Mercury VII.

Item 5. Ownership of Five Percent or Less of a Class:

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following.

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Not Applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

Not Applicable

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company:

Not Applicable

Item 8. Identification and Classification of Members of the Group:

The following lists each member of the group filing this Schedule 13G pursuant to Rule 13d-1(c):

Mercury Fund IV, Ltd.

Mercury Fund VI, Ltd.

Mercury Fund VII, Ltd.

Mercury Ventures, Ltd.

Mercury Ventures II, Ltd.

Mercury Management, L.L.C.

Kevin C. Howe

Item 9. Notice of Dissolution of Group:

Not Applicable

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

[Remainder of Page Intentionally Left Blank]

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SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

September 28, 2006

MERCURY FUND IV, LTD.

By: MERCURY VENTURES, LTD.
General Partner

By: MERCURY MANAGEMENT, L.L.C.
General Partner

By: /s/ Kevin C. Howe

Name: Kevin C. Howe
Title: Manager

September 28, 2006

MERCURY FUND VI, LTD.

By: MERCURY VENTURES, LTD.
General Partner

By: MERCURY MANAGEMENT, L.L.C.
General Partner

By: /s/ Kevin C. Howe

Name: Kevin C. Howe
Title: Manager

September 28, 2006

MERCURY FUND VII, LTD.

By: MERCURY VENTURES II, LTD.
General Partner

By: MERCURY MANAGEMENT, L.L.C.
General Partner

By: /s/ Kevin C. Howe

Name: Kevin C. Howe
Title: Manager

September 28, 2006

MERCURY VENTURES, LTD.

By: MERCURY MANAGEMENT, L.L.C.
General Partner

By: /s/ Kevin C. Howe

Name: Kevin C. Howe

Title: Manager

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September 28, 2006

MERCURY VENTURES II, LTD.

By: MERCURY MANAGEMENT, L.L.C.
General Partner

By: /s/ Kevin C. Howe

Name: Kevin C. Howe
Title: Manager

September 28, 2006

MERCURY MANAGEMENT, L.L.C.

By: /s/ Kevin C. Howe

Name: Kevin C. Howe
Title: Manager

September 28, 2006

/s/ Kevin C. Howe
Name: Kevin C. Howe

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**EXHIBIT A
JOINT FILING AGREEMENT**

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**SCHEDULE 13G
JOINT FILING AGREEMENT**

This Agreement is dated as of September 28, 2006 by and between Mercury Fund IV, Ltd. (Mercury IV), Mercury Fund VI, Ltd. (Mercury VI), Mercury Fund VII, Ltd. (Mercury VII), Mercury Ventures, Ltd. (Mercury Ventures), Mercury Ventures II, Ltd. (Mercury Ventures II), Mercury Management, L.L.C. (Mercury Management) and Kevin C. Howe (Mr. Howe).

WHEREAS, pursuant to paragraph (k)(1) of Rule 13d-1 promulgated under Section 13d(1) of the Securities Exchange Act of 1934, as amended (the Act), the parties hereto have decided to satisfy their filing obligations under the Act by a single joint filing.

NOW, THEREFORE, the undersigned do hereby agree as follows:

1. The Schedule 13G (the Schedule 13G) with respect to Datawatch Corporation, a Delaware corporation, to which this Agreement is attached as Exhibit A is filed on behalf of Mercury IV, Mercury VI, Mercury VII, Mercury Ventures, Mercury Ventures II, Mercury Management and Mr. Howe. Mercury VI, Mercury VII, Mercury Ventures and Mercury Management hereby authorize Mr. Howe to file the Schedule 13G on their behalf.

2. Each of Mercury IV, Mercury VI, Mercury VII, Mercury Ventures, Mercury Ventures II, Mercury Management and Mr. Howe is responsible for the completeness and accuracy of the information concerning such person or entity contained therein; provided that each person or entity is not responsible for the completeness or accuracy of the information concerning any other person or entity making such filing.

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IN WITNESS WHEREOF, the undersigned hereunto set their hands as of the date first above written.

MERCURY FUND IV, LTD.

By: MERCURY VENTURES, LTD.
General Partner

By: MERCURY MANAGEMENT, L.L.C.
General Partner

By: /s/ Kevin C. Howe

Name: Kevin C. Howe
Title: Manager

MERCURY FUND VI, LTD.

By: MERCURY VENTURES, LTD.
General Partner

By: MERCURY MANAGEMENT, L.L.C.
General Partner

By: /s/ Kevin C. Howe

Name: Kevin C. Howe
Title: Manager

MERCURY FUND VII, LTD.

By: MERCURY VENTURES, LTD.
General Partner

By: MERCURY MANAGEMENT, L.L.C.
General Partner

By: /s/ Kevin C. Howe

Name: Kevin C. Howe
Title: Manager

MERCURY VENTURES, LTD.

By: MERCURY MANAGEMENT, L.L.C.
General Partner

By: /s/ Kevin C. Howe

Name: Kevin C. Howe

Title: Manager

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MERCURY VENTURES II, LTD.

By: MERCURY MANAGEMENT, L.L.C.
General Partner

By: /s/ Kevin C. Howe

Name: Kevin C. Howe
Title: Manager

MERCURY MANAGEMENT, L.L.C.

By: /s/ Kevin C. Howe

Name: Kevin C. Howe
Title: Manager

/s/ Kevin C. Howe

Name: Kevin C. Howe