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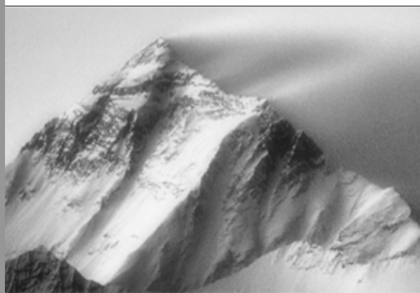

THIRD PARTY SUPPORT: NOT THE END OF SOFTWARE MAINTENANCE, BUT A PROFOUND CHANGE

Mark Murphy
Senior Analyst
Enterprise Software
415 616-1705
mark.r.murphy@pjc.com
Piper Jaffray & Co.

Matthew J. Coss
Research Analyst
Enterprise Software
415 616-1706
matthew.j.coss@pjc.com
Piper Jaffray & Co.

Pinjalim Bora
Research Analyst
Enterprise Software
415 616-1703
pinjalim.x.bora@pjc.com
Piper Jaffray & Co.

Executive Summary

We Surveyed 138 Oracle Applications Customers to Assess the Market Opportunity for Third Party Support Providers, such as Rimini Street, Spinnaker Management, and CedarCrestone. Third party support providers offer an alternative source of technical support for customers using enterprise applications from software vendors such as Oracle and SAP. In place of vendor-provided maintenance contracts, the customer pays a smaller recurring fee to a third party support provider, who resolves technical issues, delivers software fixes, and develops tax, legal and regulatory updates. Third party support is typically priced at a 50% discount to vendor-provided maintenance. Because of this price difference, third party support could pose an incremental threat to the well-established business model of the largest software companies if adoption continues along its growing trendline. While we size the long-term market opportunity at $10B, our math shows that the success of third party support providers and the success of large ERP vendors such as Oracle and SAP will not be mutually exclusive in the next several years.

- **Survey results indicate increasing awareness of third party support.** Based on our proprietary surveys conducted between 2H:10 and mid-2011, 89% of respondents experience material pain points with their vendor-provided maintenance service. 64% of these respondents think third party support providers will capture a larger portion of maintenance contracts from Oracle customers in the next 12 months. More than half, 56%, are currently paying maintenance on inactive "shelfware" licenses, and 54% indicate the price of vendor-provided support is too high relative to the value they receive. Finally, 52% of our survey respondents said they will consider the use of a third party support provider in the next three to five years.

- **Customers who view third party support favorably state that:** 1) "Our executives are demanding less cost on back-office systems, especially in this economy"; 2) Oracle "continues to outsource their support and still charge 22% for what has become abysmal support"; 3) "the concept is up and coming"; and 4) there is an opportunity "with customers that have an ERP system that is stable and no plans to upgrade." **Customers who negatively view third party support cite:** 1) "the lock Oracle seems to have on its customer base"; 2) "the ability to resolve issues in the applications code...can best be handled by Oracle, not a third party"; 3) "many companies …feel the need to stay tethered to the manufacturer in order to have a direct line of communication"; and 4) "if I didn't use Oracle I wouldn't be eligible to receive software updates and security updates from Oracle."

Risks: Competition, macroeconomic climate, litigation, financial viability of third party support providers.

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WHAT IS THIRD PARTY SUPPORT AND WHAT DOES IT OFFER?

When an organization licenses an application from a software vendor, such as Oracle, they purchase maintenance, or support, to ensure their application and all of its features functions correctly and reliably and to receive "update rights" to future versions of the product. Any number of issues can arise, depending on the application and the use. For example, a customer using PeopleSoft could run into trouble printing W-2 tax forms, or a customer using JD Edwards could have difficulty running queries. Frequently, skilled engineers are required to troubleshoot and resolve many of the issues application users encounter during normal business operations. Forgoing application support is generally not a viable option.

When a customer purchases an application, it typically elects to purchase support directly from the application vendor. This often makes sense because of convenience, the vendor's expertise in its own software, and the rights to upgrade to the latest version of an application with no additional license fee. The vendor realizes a strong incentive to get its customers to sign a maintenance contract; the revenue recurs and is a very high margin business.

Third party support is an emerging alternative to vendor-provided support. It is loosely analogous to selecting a generic mechanic for vehicle maintenance and repairs, rather than taking your car to the dealer where you bought the vehicle. Customers who have historically purchased vendor support can seek out a third party support provider to realize cost savings accompanied by the following benefits:

- Keeping applications up to date with local and national compliance, legal, accounting and tax requirements.
- Developing bug fixes and patches that address specific issues related to a customer's application or system, regardless of customization level.
- Supporting build and deployment issues, as well as configuration, platform, infrastructure, performance, security, database and change management issues.
- Interoperability analysis to determine compatibility with upgrades, applications or changes to other parts of an IT infrastructure.
- Named account manager and engineer for each customer.

Our due diligence indicates that private vendor Rimini Street has emerged as the leading independent third-party support provider based upon size and brand recognition. That said, other technology firms have offered third-party support in the past, including TomorrowNow, and in the present, including CedarCrestone, netCustomer, Spinnaker Management (which supports JD Edwards), Canvas Systems, and AppsLogic LLC.

Two distinct services that at least one third party vendor offers in its standard service package, which Oracle does not always provide, are support for customization and named account managers:

- Support for customization: Oracle will sometimes filter requests to first verify that a program or related code has not been modified before beginning problem resolution. When a customer requires vendor support for their custom code, they must hire external consultants or employ internal resources to support that code. Some third party vendors support all application code, including code that has been altered by the customer. To be clear, vendors will support customization, but not without requiring customers to purchase higher tiers of support.
- Named account managers: One third party vendor provides each customer with a named account manager and a primary support engineer. This gives its clients dedicated access to individuals and team members who are responsible for the client's problem identification, resolution, and ultimately, success.

SIZING THE MARKET OPPORTUNITY

$10B+ Tangible Current Market Opportunity

As the exhibit below shows, we can easily identify $14B worth of tangible annual maintenance revenue for five of the top 10 publicly traded ERP software providers, (SAP, Oracle, Lawson, Epicor and CDC Software). We believe this dollar value would quickly surpass $20B if we were to include Microsoft's ERP revenue, dozens of smaller public ERP providers, and dozens of private ERP providers such as Infor. However, because third party providers price their offerings at a 50% discount to vendor maintenance, the market opportunity is roughly $10B, by our estimate.

Exhibit 1

$14B MARKET OPPORTUNITY AMONG THE TOP 5 ERP COMPANIES

Top 5 Public ERP Software Vendors	Annual Applications Maintenance Revenue (CY2010, $B)
SAP	8.4
Oracle	4.5
Lawson	0.4
Epicor	0.2
CDC Software	0.1
Total	13.6

Source: Piper Jaffray Research & Company Reports

WHY DO CUSTOMERS CONSIDER THIRD PARTY SUPPORT?

Customers Can Save Money

Depending on the software vendor, annual support fees can range from 17% to 22% and beyond of the cost of the original license purchase. Many of these support fee contracts include built-in cost increases over time. These fees can grow to represent a significant portion of an IT budget. For example, Rimini Street, the largest third party support provider, offers to replace vendor support at a minimum of 50% cost savings relative to vendor support payments. Our research indicates netCustomer and Spinnaker Management also price their service at a 50% discount to vendor-provided support. Our proprietary survey suggests that almost half of Oracle's customers would consider third party support if they could save 50% off of their annual maintenance fees. "Considering" such a change is different than taking action, but nevertheless, the data shows that third party support is not a concept that every customer rejects automatically. Additional cost reduction can occur because Rimini Street, for example, does not charge to support licensed, yet non-deployed, seats (i.e. "shelfware"); 56% of survey respondents are paying maintenance on shelfware. Because vendors generally do not support customized code, more cost savings can be realized from a third party support provider that includes customized code support in its service agreement.

Customers Can Skip Upgrades

As mentioned previously, with third party maintenance a customer is not entitled to receive free upgrades. For example, a customer running version 4 of an application will not be entitled to receive version 5 unless vendor-provided maintenance is being purchased. However, 54% of customers we surveyed said that although they don't have to pay any license fees on the upgrades, upgrades are never actually free. Upgrades often require a significant amount of service, integration and testing before they can be put into a production environment. This is in addition to any cost of downtime. Furthermore, sometimes software vendors will require customers to upgrade to the latest application version by "sunsetting" support for the prior version. In contrast, third party support providers will often support a single version for 10 or 15 years, saving the customers the cost of upgrading every few years.

Third Party Vendors Can Provide Better Response Times

When seeking problem resolution, 44% of our survey respondents complained about unresponsiveness or sluggishness in resolving issues or cases. Customers report that vendors will often require them to answer a litany of questions regarding code, patches, other systems interfacing with the application, and so on, before troubleshooting actually begins. This process may take hours or days. For example, Rimini Street offers to begin examining an issue in less than 30 minutes.

Certain Premium Support Features Come Standard

Oracle currently offers Premier Support for Software and Advanced Customer Services. Within Advanced Customer Services, customers have four tiered support offerings they can choose from. We believe these offerings are very good, resulting in highly reduced resolution time and far fewer service requests over the long run. Certain third party support providers offer some of these premium features in their standard support offerings. Some of these include named account managers and engineers, short responses times and performance tuning/optimization.

WHAT ARE CUSTOMER RESERVATIONS TO USING THIRD PARTY SUPPORT?

Customers Lose Upgrade Rights with Third Party Support

The most significant barrier to switching to third party support is the loss of upgrade rights. With vendor support, customers have the right to upgrade to the latest application version offered by the vendor, at no additional license cost. 51% of the survey respondents indicated that this is their biggest reservation. One customer said, "it is impossible to avoid upgrading software forever."

The Third Party Vendor May Not be Financially Stable

38% of the survey respondents cited financial viability as a reservation to switching to third party maintenance; "we would have obvious questions with respect to financial viability." This stands to reason, in our view, because the third party support market is at a nascent stage and thus hasn't yet produced any mega-vendors on par with the likes of Oracle or SAP. Financial viability is a reason many companies are reluctant to purchase software from small vendors, and can drive the decision to select vendors like Oracle and SAP in the first place. Also, 38% of respondents cited their desire to only get support from Oracle: "I don't want to deal with a third party to be a roadblock between me and the answer to my questions and issues."

Switching May Not Yield Large Enough Cost Savings

28% of respondents said that they don't anticipate a third party support provider will provide the costs savings they claim. We believe it's reasonable to assume that not all application users can wait or want to wait a decade or longer between upgrades, thus obviating much of the savings offered by a third party support vendor. Also, 19% of our respondents are worried that switching support vendors will disrupt the organization. Even with significant cost savings, downtime of mission-critical applications can be damaging to both revenue and reputation, and that is a potential reason why the most risk-averse firms might not switch support vendors, in our view.

We Expect More Entrants To Move Into The Third Party Support Market

Our research indicates we are in the very early stages of a shift in enterprise software maintenance agreements. Maintenance agreements are highly valuable to software companies and we think more third party support providers will enter this market because: 1) cash is collected upfront, 2) revenue is recurring, 3) the retention rates are very high, 4) it offers a strong value proposition for customers that don't necessarily need or want new functionality (i.e., upgrades) or fixes and 5) the market will gradually become more educated/aware of a new alternative procuring support.

SUMMARY OF ISSUES IN THE TRADITIONAL VENDOR-PROVIDED SOFTWARE SUPPORT MARKET

Our proprietary survey of enterprise application customers shows that they are most concerned with the following issues surrounding their vendor-provided support:

- Rising support and maintenance fees despite slower-than-desired response times, limited access to technical experts, and declining quality of support
- Inability to reduce or eliminate maintenance fees on shelfware (i.e., licensed but unused products)
- Bug fixes that are delivered in next releases (rather than in the current release) and/or enhancements packaged as new licensed products
- Limited or no support of customized features or add-ons
- Forced upgrades

Mass Psychology In The Software Maintenance Market

- An oil change used to be recommended every 6K miles; then the suppliers told the market they need to change it every 3K miles, and everyone changed their behavior and expectations. This messaging worked out well for the oil suppliers and for Jiffy Lube. From the perspective of third party support providers, software vendors drive a similar agenda, as IT personnel are advised to upgrade their applications every 3 years.

- The industry analysts (Gartner, IDC, Forrester) for years have told customers they need to get closer to their vendor so when they need to escalate a support request, they will know who to call and where they are. The leading third party vendor tells customers the best thing they can do is to evaluate the true value proposition and costs for those additional upgrades, and if it does not make sense then they should divorce their vendor.

- IT managers are trained to believe that they need those updates and they are critically important, but they don't look at the costs and don't realize that for three years at a time (in between new product releases) they are essentially getting nothing. Third party support providers believe that it is cheaper to separate the support for 50% of the cost, save all that money and then go on a capital buying spree 10 years down the road for the new technologies they will need. Buy the car, drive it until it drops dead and then buy another one.

- Third party support providers estimate that 50% of the reason customers upgrade is for tax, legal, and regulatory changes (which are enabled by certain tweaks to the software code); some third party vendors take care of all of that as well.

Minimal Near-Term Financial Impact To Vendors

We estimate the entire third party software support industry will produce revenue of roughly $50M in 2011. If the industry were to continue along its healthy growth trendline for the next 5 years and reach $250M in revenue by 2016 (representing a 38% CAGR), then it would be displacing roughly $500M worth of annual vendor-provided software maintenance revenue, because third party support is typically provided at a 50% discount. We expect that most of the displaced vendor-provided maintenance revenue would come at the expense of SAP and ORCL, because they dominate the application software market.

Of the $12.9 billion share of ERP maintenance revenue held by SAP and Oracle in 2010 (see exhibit 1), we see that the SAP/Oracle revenue split is 65/35, or $8.4B/$4.5B. Incorporating the above-referenced revenue share gains for the third-party support industry would mean that for 2016, SAP would lose $325 million worth of annual maintenance revenue and Oracle would lose $175 million worth of annual maintenance revenue. Assuming that SAP and Oracle grow their total revenue by 6% annually between 2011-2016, SAP would reach $18.8B in total revenue and Oracle would reach $49.5B in revenue by 2016. Thus, the impact of the third party support industry would only equate to 1.7% of revenue for SAP and 0.3% of revenue for Oracle by 2016.

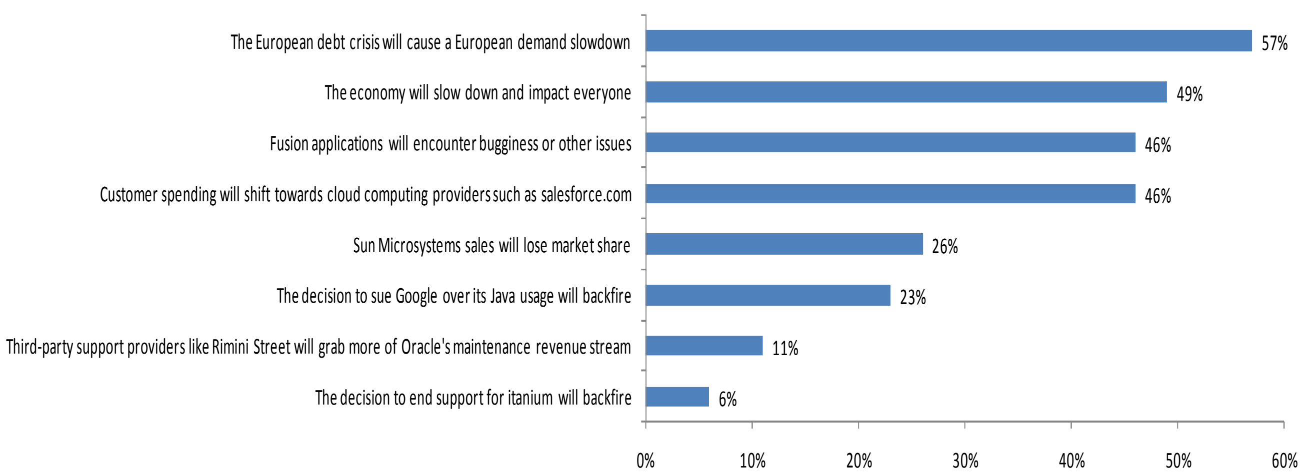
The bottom line is that third party support providers are unlikely to put much of a dent in the aggregate maintenance revenue streams of application software behemoths such as Oracle and SAP in the next several years. The impact is likely to be negligible.

In addition to our detailed survey of 138 Oracle applications customers, we also periodically survey Oracle's partner ecosystem to assess their awareness of third party support providers. The question below, posed to Oracle's partners in June of 2011, clearly indicates that the loss of maintenance revenue to third party support providers is of minimal concern within the overall equation. Economic factors are viewed to drive a much greater influence on Oracle's results, and while partners do expect Oracle's next-generation Fusion applications to encounter some bugginess, they do not anticipate much overall impact from third party support providers in the next 12 months. This further supports our contention that the success of third party support providers and the success of large ERP vendors such as Oracle and SAP will not be mutually exclusive in the next several years.

Exhibit 2

WHAT COULD "GO WRONG" WITH ORACLE?

If something is going to "go wrong" for Oracle in the next 12 months, what do you think will cause it? (multiple responses allowed)



Source: Piper Jaffray Research, survey of 39 Oracle Partners, June 2011

Lawsuits Could Garner More Attention For Third Party Support Providers

Considering that maintenance revenue is recurring (often with 90%+ retention rates) and highly profitable, we are not surprised to see Oracle taking action to "protect its turf" through legal remedies. Nevertheless, we think the lawsuits may actually garner more attention for the value proposition third party support providers offer. In our survey work, many customers were unaware that they could receive third party support for 50% of their normal maintenance rates. Additionally, if Rimini Street wins its suit against Oracle then it could potentially establish and extend a legal basis for the third party support industry, in our view. Conversely, if Rimini Street loses the lawsuit against Oracle, the entire third party support industry could suffer a material setback. Below is a brief history of the ongoing related lawsuits:

- Mar-2007: Oracle sued TomorrowNow (a former subsidiary of SAP that provides third party support) claiming "SAP gained access to [our] password-protected customer support systems and stole software products and other confidential materials that Oracle developed to service its own support customers."
- Jan-2010: Oracle sued Rimini Street claiming "massive theft of Oracle's software and related support materials through an illegal business model."
- Mar-2010: Rimini Street counter-sued Oracle claiming "copyright misuse, defamation, disparagement, trade libel, and unfair competition"
- Aug-2010: SAP proposed that it would not contest the liability of TomorrowNow for copyright infringement and downloading conduct alleged in Oracle's complaint.
- Nov-2010: a jury awards Oracle $1.3B for damages relating to the SAP/TomorrowNow case.
- Jan-2011: Oracle subpoenas 25 Rimini Street customers, seeking to determine if Rimini Street used customer credentials to acquire documents from Oracle in excess of contracted allowances. [1]

1 Thomson-Reuters

QUOTABLE QUOTES FROM THE SURVEY OF 138 ORACLE APPLICATIONS CUSTOMERS

Customers who think third party support providers will capture a larger portion of Oracle maintenance contracts in the next 12 months:

- Most companies are in a position where they need to cut costs and save money when and where they can.
- If there are lower cost alternatives that are at least as effective as Oracle, I see no reasons why customers would not seek to move their support contracts, or at least leverage a better offering from Oracle.
- With significant budget pressures, something has to give. More affordable support is one option that will be looked at.
- Most large companies have already deployed an ERP system and are maintaining it only, so they do not need direct vendor interaction as much as when they were implementing.
- Third party providers will capture a greater portion as companies that do not gain a competitive advantage or ROI from upgrading Oracle software can achieve sizable savings from dropping Oracle maintenance.
- If 3rd party providers such as Rimini Street can save companies money and not pose additional risks (support/upgrade options) I believe they will capture a larger portion of maintenance contracts from Oracle customers over the next 12 months.

Customers who think third party support providers will capture a smaller portion of Oracle maintenance contracts in the next 12 months:

- I feel that most Oracle customers will remain loyal to Oracle Corporation when the "rubber meets the road". There will most likely be a smaller portion of maintenance contracts landed by 3rd party support firms due to: 1) the general financial outlook of the economy, especially within the smaller company space; 2) the lack of significant cost savings in the end with a switch from one provider to another; and 3) the lack of expertise with new releases of the Oracle software and applications by 3rd party providers.
- I think that it is possible that 3rd party vendors may capture some support contracts from Oracle. However, it is very risky, in my opinion, to use a 3rd party for Oracle support. If the 3rd party goes out of business or provides less than adequate support, the cost to return to Oracle for support is significant.
- The only people who are moving to 3rd parties are those who are walling off their Oracle applications and either freezing them where they are or planning to move to some other vendor. It is impossible to avoid upgrading software forever. Sooner or later you have to do it if you plan to stay in business. There are too many inter-dependencies and the other players don't stand still.
- Most companies in the [Middle East] would not be willing to compromise on the support and also no manager wants to take the responsibility of third party support failure if it happens.
- Oracle software continues to get more complicated and I believe the more complicated it gets, the harder it will be for a third party provider to keep up and give good support.
- We have had several 3rd party companies say they can save us money and they can never beat what we get from Oracle.

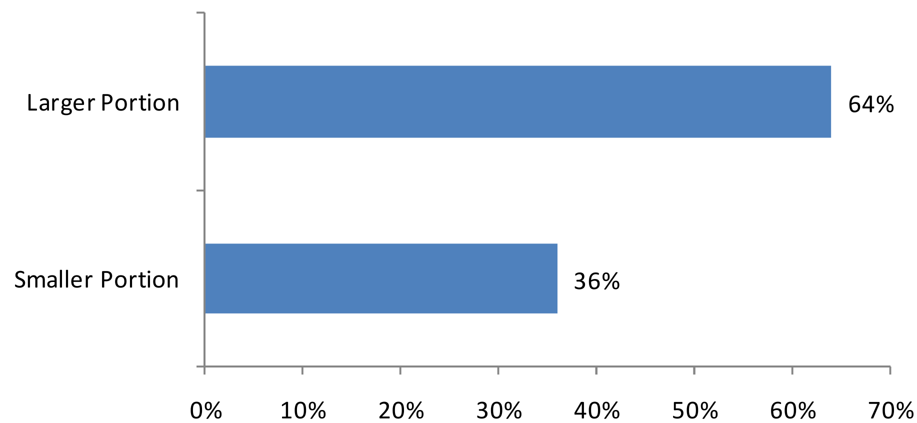
SURVEY RESULTS FROM 138 ORACLE APPLICATIONS CUSTOMERS

We surveyed 138 Oracle applications customers to assess the market opportunity for third party support providers. Listed below are the results of the survey.

Exhibit 3

PORTION OF ORACLE MAINTENANCE CONTRACTS THIRD PARTY SUPPORT PROVIDER WILL CAPTURE

Do you think third party support providers will capture a larger portion or a smaller portion of maintenance contracts from Oracle customers in the next twelve months than the previous twelve months and why?



Source: Piper Jaffray Research & Company Reports

Key Takeaways From The Chart Above

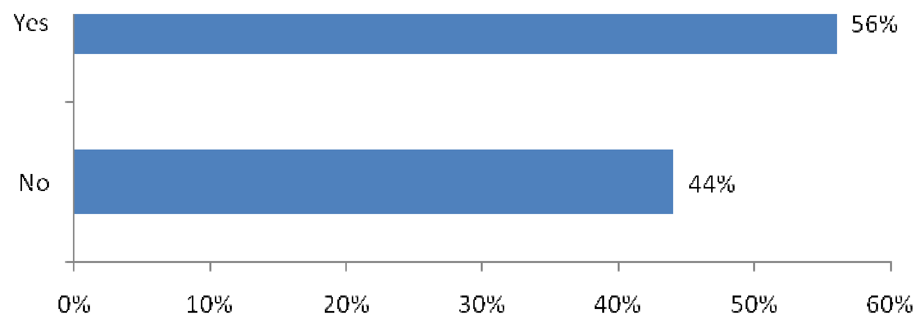
1. Nearly two-thirds of respondents expect third party support providers will capture a larger portion of maintenance contracts from Oracle customers in the next twelve months than the previous twelve months.

2. As highlighted on the prior page, the primary reasons include the need to cut costs and save money due to budget pressures, the idea that many ERP systems are currently in a static mode several years subsequent to their original deployment, and the viewpoint held by certain IT managers that upgrades aren't always of high value.

Exhibit 4

ARE CUSTOMERS PAYING MAINTENANCE ON SHELFWARE?

Is your organization currently paying maintenance on shelfware? (i.e., licenses previously bought but never deployed)



Source: Piper Jaffray Research & Company Reports

Key Takeaways From The Chart Above

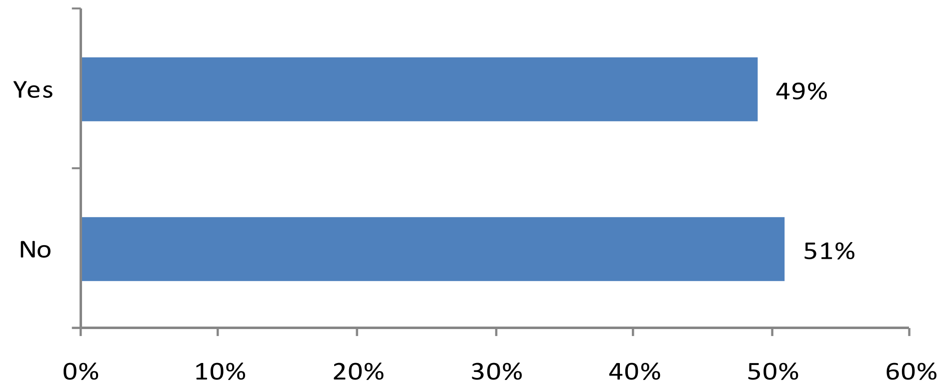
1. More than half of the respondents (56%) indicated that they are currently paying maintenance on inactive "shelfware" licenses that have never been deployed.

2. This is important because it highlights another area of potential cost savings in adopting third party support. Third party support providers do not charge a fee for shelfware, which increases their value proposition relative to the software vendors.

Exhibit 5

WILLINGNESS TO SWITCH TO A 3RD PARTY SUPPORT PROVIDER FOR A 50% DISCOUNT

If your organization could save at least 50% off its annual maintenance fees, would your organization consider using a third party support provider instead of procuring support directly from Oracle?



Source: Piper Jaffray Research & Company Reports

Key Takeaways From The Chart Above

1. The chart above shows that roughly half of the respondents would consider using a third party support provider if they could save at least 50% off of their annual maintenance fees.

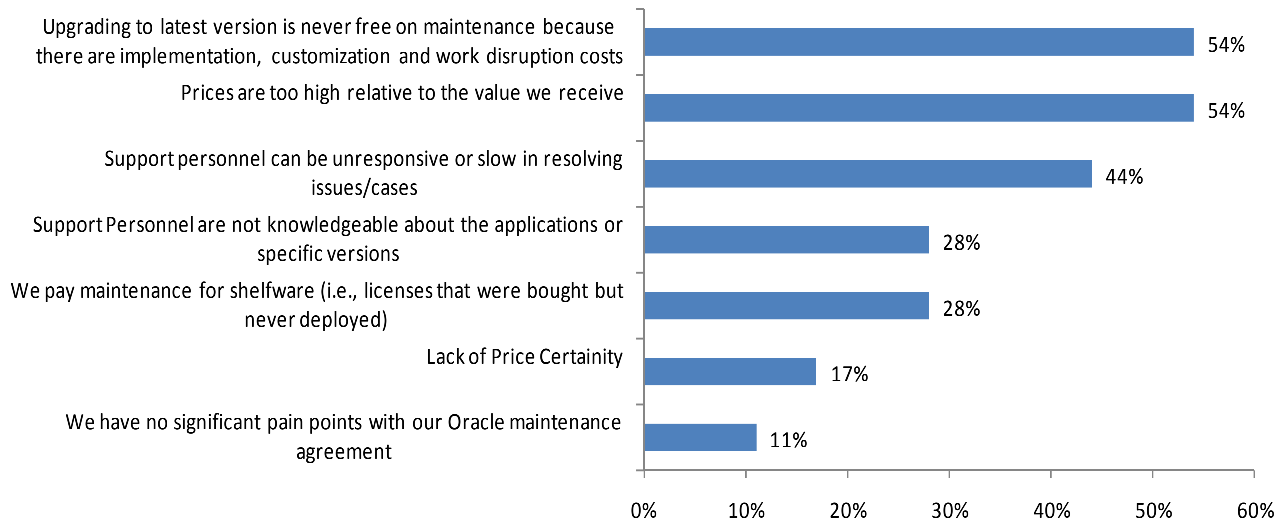
2. The balanced response suggests that a stalwart core of Oracle customers does not want to even consider un-tethering from the Oracle mother-ship because they are satisfied with their current experience or reluctant to experiment with an alternative.

3. However, the fact that roughly half of respondents would consider moving to a third party support provider suggests to us enough open-mindedness in the marketplace to support an ongoing healthy growth trajectory for the third party support industry.

Exhibit 6

MOST SIGNIFICANT PAIN POINTS OF THE MAINTENANCE AGREEMENT

What are your Organizations MOST SIGNIFICANT PAIN POINTS with the current Oracle maintenance Agreement? (Check All That Apply)



Source: Piper Jaffray Research & Company Reports

Key Takeaways From The Chart Above

1. The chart above shows the various pain points that currently exist with vendor-provided maintenance.

2. The hidden cost of version upgrades and the perception of poor value received top the list, with slow or unresponsive support personnel coming in third.

3. Other issues do exist, such as poor knowledge of support personnel, paying for shelfware, and lack of price certainty, but these factors are only mentioned by a minority of Oracle customers.

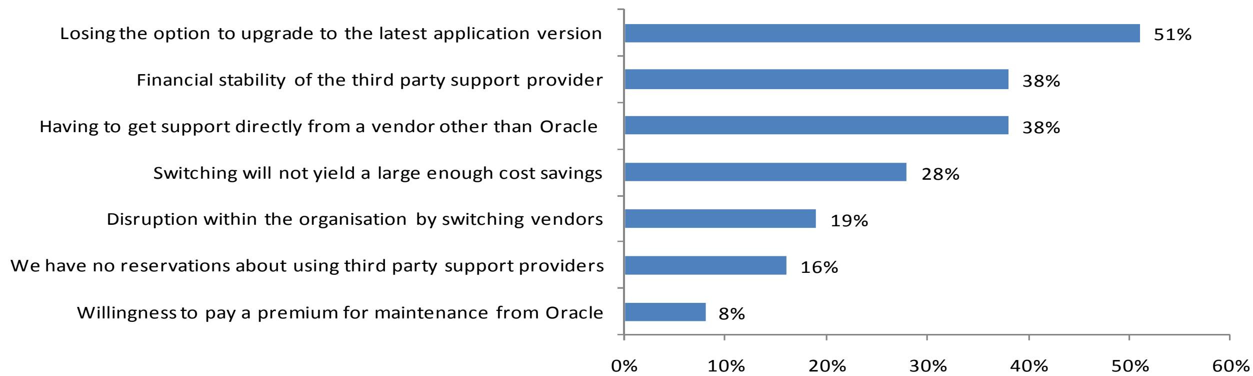
4. Finally, 11% of respondents indicated no significant pain points with their vendor-provided maintenance.

5. It is worth noting that our research over the course of many years has suggested that Oracle applications customers are relatively more satisfied than the customers of the other major ERP vendors. Thus, we would expect the customers of other major ERP vendors to suffer more seriously from a broader array of pain points.

Exhibit 7

MOST SIGNIFICANT RESERVATIONS TO SWITCH OFF THE CURRENT MAINTENANCE AGREEMENT

What are the MOST SIGNIFICANT RESERVATIONS preventing your organization from using a third party support provider such as Rimini Street, instead of procuring support directly from Oracle? (Check all that apply)



Source: Piper Jaffray Research & Company Reports

Key Takeaways From The Chart Above

1. The chart above depicts the various reservations that may prevent customers from switching to a third party support provider.

2. Far and away, the biggest reservation is the loss of ability to upgrade to the latest application version. The irony is that customers complain about the hidden expense of upgrading versions, and yet at the same time they can be afraid of losing the option to upgrade.

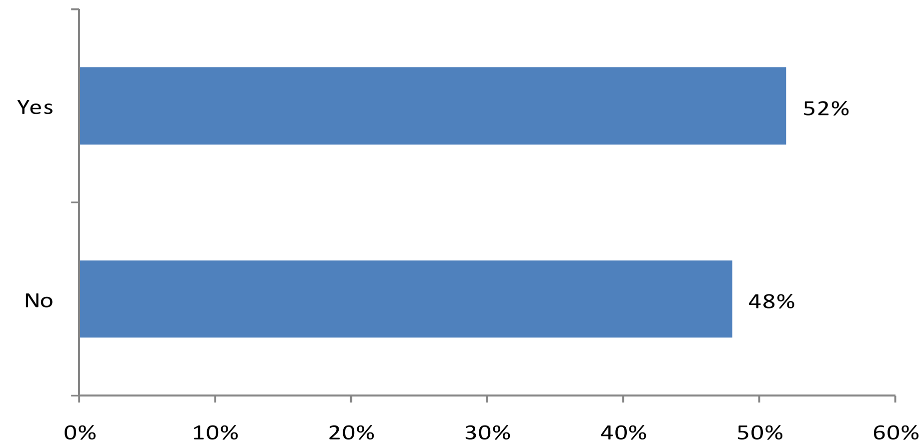
3. The next most common reservations include concerns about the financial stability of the third party support provider (which clearly would lack the scale and financial resources of Oracle or SAP), and having to get support from a vendor other than Oracle (which probably reflects the belief that Oracle knows more about its own software code than the third party provider knows).

4. Several other reservations exist, but in general, customers aren't skeptical that they would receive a material cost savings, and aren't heavily concerned with the disruption that could result from switching vendors.

Exhibit 8

WILLINGNESS TO USE A 3RD PARTY SUPPORT PROVIDER IN THE NEXT 3 TO 5 YEARS

Will your organization consider the use of third party support providers in the next 3 to 5 years?



Source: Piper Jaffray Research & Company Reports

Key Takeaways From the Chart Above

1. The chart above depicts the willingness to consider moving to a third party support provider across a multi-year time horizon of 3 to 5 years.

2. Customers are roughly evenly split in their responses.

3. Again, we see that a central core of ERP customers has no interest in switching to a third party support provider, while the other 52% do show some willingness to entertain the idea.

4. In our view, only a small portion of customers that "consider" such a move would actually undertake it. This means that Oracle will continue to retain the bulk of its ERP customer base, but we also see enough customer interest to create a good growth trendline for the third party support industry off of a small run-rate.

Qualitative Feedback

Reasons Why 78 Oracle Customers (64%) think third party support providers, such as Rimini Street, Spinnaker Management, and CedarCrestone, will capture a LARGER portion of maintenance contracts from Oracle customers in the NEXT TWELVE MONTHS than the PREVIOUS TWELVE MONTHS:

- I believe that third party support providers will capture a larger portion of maintenance contracts from Oracle customers in the next twelve months than the previous twelve months. Most companies are in a position where they need to cut costs and save money when and where they can.

- Larger as the value proposition in changing to a third party becomes greater unless Oracle provides a compelling upgrade justification.

- Larger. As long as Oracle continues to outsource their support and still charge 22% for what has become abysmal support.

- Probably larger. Sounds like the concept is up and coming. Costs are high so there is opportunity with those customers that have an ERP system that is stable and no plans to upgrade. Again, my concern is that I no longer pay Oracle. But when I want to upgrade to the latest major version (which we'll always do every 5 years) then I understand I need to pay in-arrears support or completely re-license the product again. Not sure that cost benefit works out.

- 3rd parties will capture a larger portion from companies that will get limited benefit of a Fusion upgrade or a later version of Apps Unlimited--if no upgrade plans for 3+ years then 3rd party probably cost-neutral or cheaper based on relicensing.

- Larger share because more customers are going to go to [a third party support provider]. I'm looking at getting a quote from them now.

- I think they will capture a larger portion of the support and maintenance contract - especially if they find a way where the customer does not have to have a CSI (customer service incident) number with Oracle. I still want to get patches and upgrades from Oracle, but would like to have an option when it comes to support since Oracle's support is so poor. I have noticed a dramatic decline in support from Oracle since all of the company acquisitions took place. If you are going to purchase other companies' products, then you better be able to support them or your sales will decline. I am under pressure from my management to see what Oracle products we can get rid of due to the amount of money we pay for support and maintenance and the level of support we receive.

- I think they will gain, due to the increases in maintenance costs from Oracle. Consider our situation, where we are paying high maintenance prices on a version of software that no longer gets development fixes. As part of maintenance, Oracle needs to provide more upgrade assistance. Instead, due to the complexity, customers have to pay for upgrades on top of the already high maintenance costs. If there are lower cost alternatives that are at least as effective as Oracle, I see no reasons why customers would not seek to move their support contracts, or at least leverage a better offering from Oracle.

- I think 3rd party providers shall capture a larger portion due to complexity of vendors like Oracle's or Microsoft's licensing models.

- Larger considering some companies may not be ready to move to Release 12. [Third party support providers] will have an opportunity to pick up these companies.

- Larger as organizations are looking for ways to cut costs/resources, they may need to look to third party vendors to take on responsibilities handled by current employees.

- I think a larger portion as there seems to be more awareness of third party support providers. Also finding that their support/skill/response levels are higher, but there is always the fear of disruption of support from primary vendor. With the economy so risky and cuts to local government spending getting larger every year, I would think that smaller, more affordable service providers would see an increase in business.

- Larger; organizations are getting squeezed more and more. With significant budget pressures, something has to give. More affordable support is one option that will be looked at.

- Larger because the responsiveness and knowledge base of Oracle's support staff is not what it was for the product suites that I use. A percentage of clients will decide to live with current functionality/versions of software they are using (freeze) for a number of years and then re-purchase later when they need to upgrade. This may be a valid strategy if the maintenance fees are high enough.

- To the extent that Oracle does not provide high value in their upgrades I assess that [third party support providers] will be able to capture a larger portion of the market. The cost to upgrade is too high without significant functionality, and we do not assess the support to be that different with [third party support providers].

- Larger, due to Oracle's lower than average performance in this area.

- They will capture a larger portion because of faster response and lower costs.

- I believe there will be a mixed outcome, with a slight preference toward taking a larger share as some companies do not necessarily need knowledgeable people directly employed by them, where others need to have people knowledgeable in both Oracle and the business processes.

- Possibly larger. There is some grumbling among people using Oracle support.

- Larger, because support costs are relatively high.

- If Oracle's support does not improve, yes, they will capture a larger portion of maintenance contracts.

- I've spoken with [a leading third party support provider] and they offer a compelling option for some companies. Strictly depends on case by case basis. I would expect them to maintain and/or expand their client portfolio.

- I can see a third party capturing a larger market share from Oracle as companies look for ways to reduce costs in this tough economy.

- My guess is the 3rd party support providers will continue to gain some ground, especially with the customers that have a relatively limited exposure to Oracle products (e.g. only EBS Financials). The customers that have more complex environments (full EBS, integrated with CRM On Demand, using Fusion MW) will rightfully shy away from 3rd party support. So in short, my guess is the 3rd party segment will see growth, but not very big growth. And when the economy pulls out hopefully in the near future, a fair part of the customers that switched to 3rd party support in the hope to cut costs will be back with Oracle Support, having experienced the downside to 3rd party support and having larger budgets at their disposal.

- Yes a larger portion of maintenance contracts will move away from Oracle. All around cost for service provided as Oracle's costs are high vs. perceived response / relationship management within client IT departments.

- I think they will gain as companies look to lower costs and not deploy/upgrade as many components in the next few years. Most large companies have already deployed an ERP system and are maintaining it only, so they do not need direct vendor interaction as much as when they were implementing.

- Third party support providers may gain a small portion of market share as customers are more cost conscious. At this point we are not considering third party support.

- My expectations are that the portion will be larger in the short-term. Organizations wanting to lower costs will select 3rd party providers, but as we emerge from this recession companies will invest in newer software applications, including Fusion, for which they will use vendor support.

- Larger. This is the first I have heard of third party support providers, and we need to look into them.

- 3rd parties will get a larger portion because of cost savings and the urgency of achieving cost savings.

- I think they will capture a large share if it reduces the time and cost.

- Slightly larger due to the fact that Oracle's maintenance fees are higher than most users are willing to pay.

- I think they will capture a larger portion if some issues can be resolved such as application upgrade, maintenance releases.

- Third party providers will capture a greater portion as companies that do not gain a competitive advantage or ROI from upgrading Oracle software can achieve sizable savings from dropping Oracle maintenance.

- Yes, I've seen quite a few companies switch or talk about switching. Customers are getting fed up with the high maintenance costs from Oracle.

- Larger - as the economic conditions stay low, companies will be forced to evaluate the cost of Oracle support and benefits of maintaining the current model or move to a smaller more cost effective solution/provider.

- I think 3rd party support providers will capture a larger portion of the market due to 2 factors: 1) the value received from the latest upgrade in a large number of the cases is not worth the cost and pain to do the upgrade; and 2) the cost of maintenance and support from Oracle in these economic times is extremely high.

- This will depend on Oracle - if they do not correct some of the problems in their support website and increase training of their support techs then third party support providers will probably capture a larger portion of maintenance contracts...but the third party support providers would need to prove their reliability and ability to get the job done when it counts.

- I think it is possible that they will increase the market share of this business as companies become more aware of the option and cost pressures increase.

- I believe they will capture a larger portion based on price only, as most customers are looking for a way to save on expenses. As we have looked at, a change may not be as valuable as it could be if we lose the access to all the online tools that are currently available to us through our current Oracle maintenance contract. As well as being able to get patches and updates as needed will be more difficult as a third party support vendor may not be able to supply the patches and updates as needed.

- Larger portion of SMB Oracle customers due to disparity of support costs allocated to SMB software purchases. My company is a large enterprise, so we tend to get high leverage on support and maintenance. SMB's usually get little discounting yet pay premium prices for the license packs.

- I think third party providers may increase market share for certain customers. It depends on the potential risk a customer is willing to take on such a strategically important service.

- Larger portion in the next 12 months as the macro economic conditions will not show any significant growth, companies will be forced to drive to lower costs in ways previously not considered.

- More due to the end-of-life of Oracle 11i.

- Yes because Oracle maintenance is too expensive. I see clients moving to other third party ERP packages like SAP and Lawson as well.

- Larger portion due to the high fees charged by Oracle. Oracle can counter this by lowering fees.

- Larger. Organizations are always looking for value and ways to reduce the operating costs. Any options to do so will be looked at and evaluated. We will also consider where we are in the implementation lifecycle and may consider a switch once we have reached a certain maturity.

- Potentially larger as companies look to lower total cost of ownership particularly in more challenging economic environment. But [third party support providers] will have to prove that they can deliver and ensure similar rights/coverage for "custom" work using Oracle tool sets and to use clout to force Oracle to make bug fixes and enhancements.

- I believe third party support going forward will capture a larger portion as long as they maintain a high level of support and control annual costs.

- A larger portion due to cost, time and aggravation with the maintenance renewal process, lack of consistent responsiveness to SRs (service requests), inexperienced support staff (at times).

- Yes, with the current Oracle maintenance/support plans, and the state of the economy and department budgets, it makes sense to seek alternative solutions as long as the 3rd party vendors can provide the upgrades.

- Probably a larger portion. Oracle contracts / support agreements are difficult to understand. Smaller companies will not have the strength in their procurement department to muddle through these contracts, understand Oracle's pricing, or deal with the complexity.

- Larger - Oracle support is extremely difficult to work with, and if value can be shown for support from a third party vendor then I believe a lot of companies will consider it.

- Use of third party providers will definitely grow. Our biggest application maintenance cost is with our PeopleSoft system which is at least 50% higher than our most important system. Our executives are demanding less cost on back-office systems especially in this economy.

- I believe that third party support providers will capture a larger portion of maintenance contracts from Oracle customers in the next twelve months than the previous twelve months as long as they can offer 24/7 top notch support and services at a cost effective price with minimum interruption to the existing internal processes.

- If they can save money, they should be able to increase their market share - assuming their service is comparable to the Oracle service. From our standpoint though, we don't spend enough on the maintenance and service agreements to really make it worth our while to go outside.

- They will capture a larger portion with the current economy, as all companies are looking at how to reduce costs.

- If they can significantly undercut the cost of obtaining directly from Oracle, their share will likely increase. However the amount of increase is questionable, until the third parties can prove they can add value by reducing issue resolution time.

- I am not familiar with what Oracle is doing to keep customers. With declining budgets and reductions in in-house support personnel third party support vendors have a great opportunity to get their foot in the door. If they provide flexibility and cost savings while maximizing availability they will establish themselves in the market. We see more and more functions getting outsourced. We need to be able to bring in someone with a wide range of experience to help us overcome and avoid problems. Whether or not third party support providers capture a larger or smaller portion of maintenance contracts is up to them. But the opportunity is there for them.

- I believe larger but I guess it would depend on the type of service that can be provided and what effect this would have on our relationship with Oracle.
- Larger because of the slow response times we now get and the problems that are inherent in any upgrade that are not addressed by Oracle.
- Larger, especially if they provide value and/or cost savings with their services, then they might certainly be in a position to capture more market share from Oracle -- assuming the lawsuit goes away.
- I believe the current economy will lead organizations to look for additional cost cutting measures. If 3rd party providers can save companies money and not pose additional risks (support/upgrade options) I believe they will capture larger portion of maintenance contracts from Oracle customers over the next 12 months.
- They could capture a larger portion if Oracle continues to push everyone to migrate to R12. Companies are going to R12 simply for support, not for new functionality.
- Larger. Some companies that do not have a long history with Oracle may believe that it will lower their cost of ownership.
- I would expect them to capture a slightly larger portion of maintenance contracts, mostly from organizations such as ours which are on EBS version 11.5.9 or before. Oracle's Sustaining Support is very limited, so we need someone who can be more proactive in solving problems for us.
- Larger, as organizations attempt to cut costs yet retain software support.
- Larger. For the past two years, Oracle support has been on a steady decline, in terms of ability to resolve issues that are resolvable. We are just at the point where we will begin to investigate other support options over the next twelve months. I hear similar concerns regarding Oracle support from a number of other Oracle EBS clients.
- Larger because of cost savings and quality of support provided.
- Larger - Oracle's fixed 22% maintenance is too steep for the long-term.
- Larger. Cost Savings. Unique value.
- Yes because of cost and response issues with Oracle, 3rd Party support will be getting a greater share of the contracts in the coming months.
- I believe they will capture a larger portion due to cost cutting measures.
- Market share will increase only if Oracle no longer addresses customer concerns or significantly increases support and maintenance fees.
- I think third party support will increase since customers are not satisfied with the current level of support from Oracle.
- If they provide the same service at a lower cost, I would think they would capture a larger portion of maintenance contracts.

- I think they will capture a larger share because of their price /value proposition. Oracle support is very slow and inconsistent and if third party providers can prove responsive, they could enhance their market share.

Reasons Why 43 Oracle Customers (36%) think third party support providers, such as Rimini Street, Spinnaker Management, and CedarCrestone will capture a SMALLER portion of maintenance contracts from Oracle customers in the NEXT TWELVE MONTHS than the PREVIOUS TWELVE MONTHS:

- I do not think most customers will move to 3rd party support providers in the next 12 months because of the lock Oracle seems to have on its customer base. When you think about it, the lock is understandable because the applications and their relationship with each other are becoming more and more complex. Therefore, the ability to resolve issues in the application's code when they are encountered can best be handled by Oracle, not a 3rd party. Third party support makes the most sense when the customer is OK with their current version of the application and does not plan to upgrade to newer versions.

- I think 3rd party providers will gain a larger share of Oracle customers for support if Oracle loses legal battles around the practice (maybe much larger share) and a smaller share if they (Oracle) win.

- I believe that third party support providers can be a better option than Oracle-only support because they typically have employees who have real world experience in addition to their certification and training. However, I do not believe they will gain a larger portion of maintenance contracts because many companies, such as my own, feel the need to stay tethered to the manufacturer in order to have a direct line of communication.

- I feel that most Oracle customers will remain loyal to Oracle Corporation when the "rubber meets the road". There will most likely be a smaller portion of maintenance contracts landed by 3rd party support firms due to: 1) the general financial outlook of the economy, especially within the smaller company space; 2) the lack of significant cost savings in the end with a switch from one provider to another; and 3) the lack of expertise with new releases of the Oracle software and applications by 3rd party providers. The expertise within a company the size of Oracle is tremendous and there will not be a major shift in "company swapping" with those highly knowledgeable personnel in a grim regional and national economic state. Typically the 3rd party providers have personnel who originally started with the larger companies such as Oracle as their base employees. With the grim economy, people are more prone to "stay put" with the "mother Oracle" company, thus not shifting and providing the necessary expertise for new products hitting the market. The 3rd party providers will not have the product expertise that the market will demand.
- I think that it is possible that 3rd party vendors may capture some support contracts from Oracle. However, it is very risky, in my opinion, to use a 3rd party for Oracle support. If the 3rd party goes out of business or provides less than adequate support, the cost to return to Oracle for support is significant. In addition, there are no guarantees that upgrades will be made available through a 3rd party vendor in the future. There may be an upgrade available now, but I don't think there could possibly be any guarantees for future availability. Given what Oracle attempts to do to 3rd party vendors (Noetix, Apps Logic, Clearorbit) - Oracle clearly wants to dominate the market.

- We pay support so that we are entitled to upgrades, patches and metalink. If a third party can provide the same things at a lower price then we would consider it. If they provide helpdesk support only (i.e. not upgrades) then we would not switch.

- Smaller. The only people who are moving to 3rd parties are those who are walling off their Oracle applications and either freezing them where they are or planning to move to some other vendor. It is impossible to avoid upgrading software forever. Sooner or later you have to do it if you plan to stay in business. There are too many inter-dependencies and the other players don't stand still.

- Smaller. From a support standpoint, if you don't have access to the source code ... it's really hard to fix bugs and fix specific problems. The best supports are coming from the vendor itself.

- In the next twelve months, where economic outlook is arguably getting better, companies are not much in cost cutting mode anymore and will be back to use vendor as the support provider for the highest quality service. So, I think third party support providers will capture a smaller portion of maintenance contracts from Oracle customers.

- I think their share will be smaller, as most companies are tightening up their controls, and want to manage their systems internally.

- I don't think that third party service providers will gain an appreciable amount over the next twelve months. I'm not sure if the additional 10% in fees for Extended Support will be enough to get Oracle customers to switch. However, as it gets closer to the date when 11i EBS goes onto Sustaining Support then organizations will have to make a decision; do we upgrade, do we stay where we are, do we switch ERP packages, or do we switch support vendors?

- Smaller. Oracle support most likely has a fast track to Oracle Development for resolving bugs and providing enhancements. Customers who are hosted by Oracle On Demand will need to continue to use Oracle Support Services. Managing applications via a single vendor is advantageous for the customer.

- Smaller because it is very tough adapting the Oracle support structure in a small organization.

- Smaller. I don't want to deal with a third party to be a roadblock between me and the answer to my questions and issues.

- Should be less market share as Oracle provides clearer direction on Fusion releases.

- I am not sure...things are just too volatile right now and there is significant change at Oracle, it seems, that makes me think people might be hesitant about using a third party.

- We will not consider a third party maintenance provider as we are an Oracle partner in addition to being an Oracle customer. This would jeopardize our relationship with Oracle.

- No, not in the Middle East. Most companies in the region would not be willing to compromise on the support and also no manager wants to take the responsibility of third party support failure if it happens.

- Smaller portion. I think most corporations would prefer to deal directly with Oracle.

- Smaller portion due to poor performance of third party organizations to date. I suppose as their customer base grows they may be in a position to improve performance.

- Smaller. I believe most that are willing to switch have already done so. I feel there is significant risk to using a third party support provider, and not all organizations will be willing to accept this risk.

- Smaller, because of the support advantages you get from dealing directly with the software vendor.

- Smaller because you lose the option to upgrade without additional support costs.

- Smaller. Oracle software continues to get more complicated and I believe the more complicated it gets, the harder it will be for a third party provider to keep up and give good support.

- Since I had never considered the use of a 3rd party for maintenance, I would think many others would be in the same mind set. Because of that lack of knowledge, I think it will stay even unless there is some significant marketing done by these companies.

- The risk is too great should the third party model not work out. What happens with upgrade path....what happens with all Oracle apps and how well can they support "obscure" apps. Losing the direct relationship with Oracle would be a mistake.

- Smaller due to the upgrade to 11g and 12R.

- It will be smaller because I don't think organizations such as ours can rely on third party support only. You will still need some level of Oracle support plus the third party support. The economics don't make sense.

- I think they will capture a smaller portion of maintenance contracts for the following reasons: 1) switching vendors could be costly; 2) Will most likely be disruptive to the business at least during the implementation stages; 3) Extra cost for customization; and 4) Customers can rely on Oracle Customer Service (timely problem resolutions, expertise, available resources ...etc).

- Smaller - most companies prefer to deal with the main vendor.

- Smaller because Oracle has been working to improve their support site and the level of their support has improved.

- We have not researched 3rd party vendors in detail. Due to our desire to continue with the latest upgrades, we have not considered them. We do not use Oracle support that much - our cost per support call is high, but when it's needed it's needed.

- I don't really know, but I'd have to think smaller; to me it's a show stopper because I assume that if I didn't use Oracle I wouldn't be eligible to receive software updates and security updates from Oracle.

- Smaller because it is easier sometimes to renew existing contracts than to switch over to a new provider, especially if there is no significant savings or cost benefit.

- I do not feel that third party vendors will capture a larger portion of the maintenance contracts from Oracle because most users, such as myself, want to deal directly with the software provider; not a third party.

- We have had several 3rd party companies say they can save us money and they can never beat what we get from Oracle.

- Oracle Support is tied to product bug fixes and patches beyond normal "support". A third party support vendor will not be able to provide 'certified' fixes and patches. Hence, third party providers will be unlikely to capture a large portion of the maintenance contracts.

- Smaller. Most corporations that have more than $1B in revenues tend to deal directly with Oracle itself.

- No, tough to bite off using a 3rd party that may not be able to bail us out in a tough situation.

- [Third party support providers] will have a tough time, as they are not Oracle, and as such are not in contact with development, nor do they have access to the same resources.

- It is still too early for third party support providers to capture large portion. So, I would say they will capture a smaller portion. Main criterion for choosing a support vendor is based on their ability to provide quality service. That is only determined over time when more people adopt them and provide feedback.

- I believe that third party support providers are going to have a difficult time capturing a larger market share as I think that most customers of Oracle are more interested in maintaining the relationship with Oracle and being able to get the latest software than they are interested in lowering support costs.
- I do not handle the transactions between our company and support providers, Oracle or otherwise. I can say that everything is a function of cost. We perform ROIs on everything we do, so if there is a 3rd party support provider that offers the same level of support as Oracle but cost less, we are going with the 3rd party support provider. That said we are moving more of our maintenance contracts from 3rd party to Oracle because the level of service outweighs the cost.

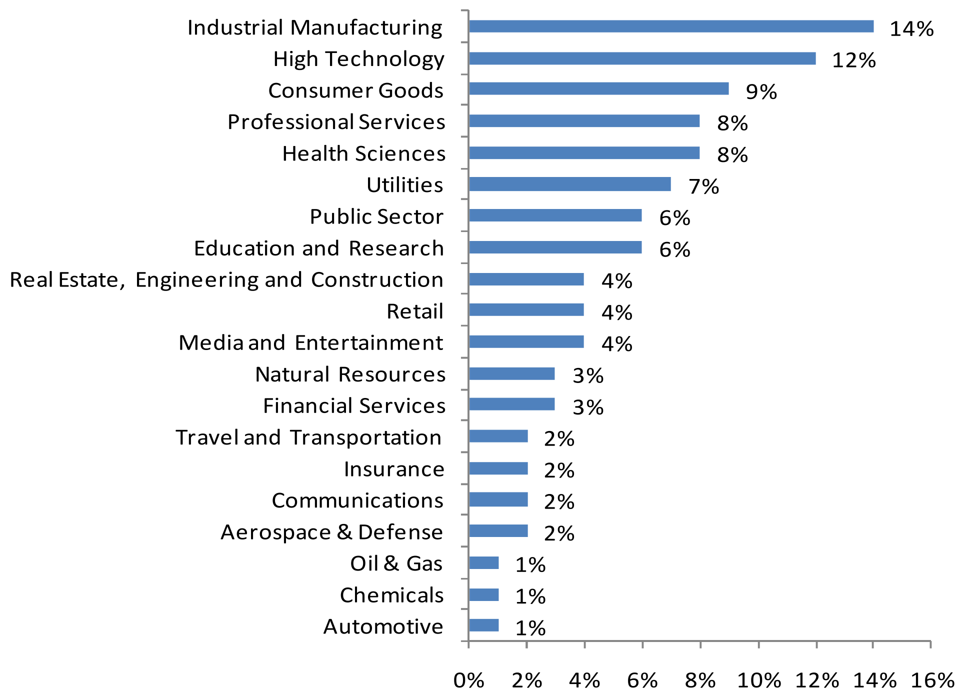
- I think smaller portions from Oracle customers.

Survey Demographics of The 138 Oracle Customers

Exhibit 9

INDUSTRY MIX

In which Industry does your organization operate?

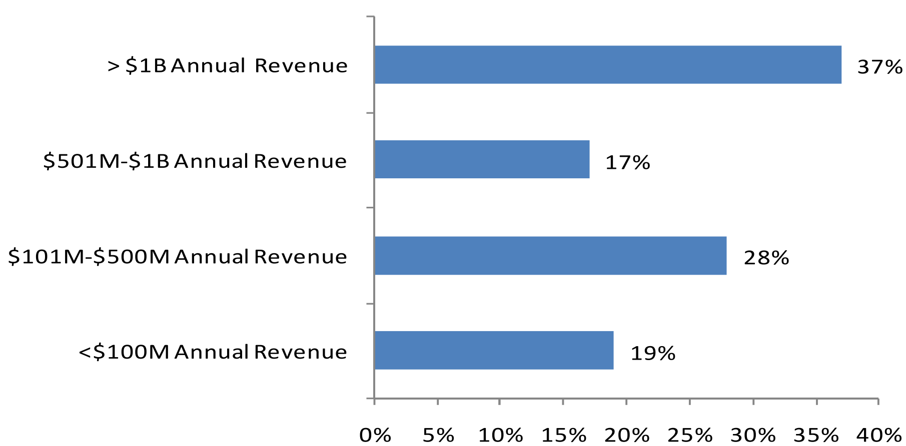


Source: Piper Jaffray Research & Company Reports

Exhibit 10

ORGANIZATION SIZE BY ANNUAL REVENUE

What is the size of your organization? (blended average is ~$600M in annual revenue)

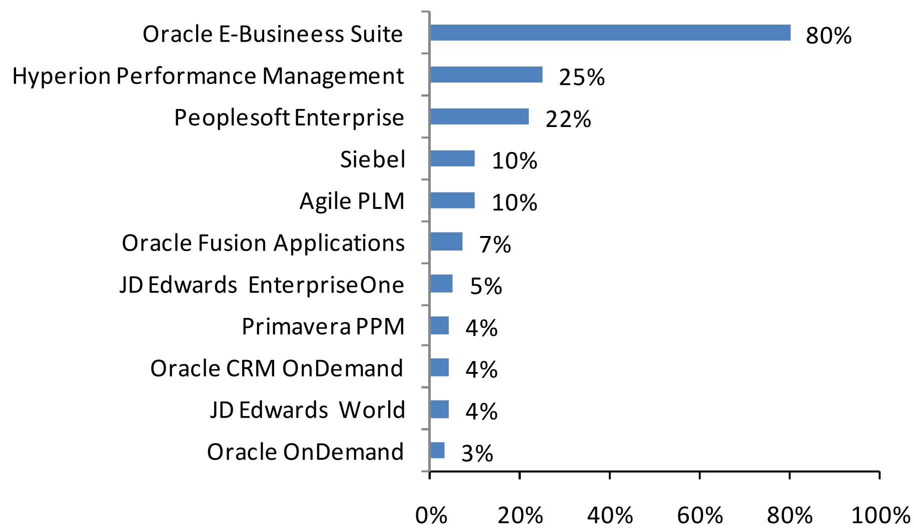


Source: Piper Jaffray Research & Company Reports

Exhibit 11

ORACLE PRODUCT MIX

Which Oracle application(s) does your organization run? (Check all that apply)



Source: Piper Jaffray Research & Company Reports

THIRD PARTY SUPPORT PROVIDERS[2]

Rimini Street

Rimini Street is the leading third-party provider of enterprise software support services. Its award-winning support program allows Oracle and SAP licensees to save at least 50 percent in annual support fees and save up to 90 percent in total support costs over a decade. Clients can remain on their current software release without any required upgrades or migrations for at least ten years. More than 400 global, Fortune 500, midmarket and public sector organizations from virtually all industries depend on Rimini Street as their independent provider of enterprise software support.

CedarCrestone

CedarCrestone offers a broad range of fully integrated services which include consulting, technology, and managed services for full life-cycle solutions designed to optimize Oracle applications. As a Platinum Partner of Oracle, CedarCrestone has extensive expertise in Oracle technology and Oracle applications with specific expertise in PeopleSoft Enterprise, Oracle E-Business Suite, and Fusion Middleware.

Spinnaker Management

Spinnaker is a global leader in supply chain consulting and execution. It delivers Supply Chain Excellence with world-class people, processes, technology and operational know-how. Spinnaker maintains one of the supply chain industry's leading JDA implementation practices, having supported more than 100 implementations and upgrades across numerous market verticals including: Retail, Telecommunications, Manufacturing, and Pharmaceuticals. Spinnaker is also the largest J.D.Edwards support provider and offers a compelling value proposition to its customers by offering third party maintenance support at roughly 50% of vendor provided maintenance fees.

netCustomer

netCustomer provides maintenance, support and development services for PeopleSoft, J.D. Edwards and Siebel products. netCustomer pioneered a unique support model to deliver application support to customers around the world leveraging a 24x7 center in India. netCustomer's pay-for-use model enables customers to take control of their IT budget. Customers can sign-up for a monthly subscription and pay for what they use. netCustomer's customized services empower enterprise software customers to spend only what is right by their business and eliminate or reduce entitlement from their enterprise software budget.

[2] Company Websites, Yahoo Finance, Wikipedia, Piper Jaffray Research

Canvas Systems

Canvas Systems is the leading global and independent supplier of IT Hardware and Support, providing the largest channel alternative for data center and hardware services. It supplies refurbished and used information technology equipment and systems worldwide. Its products include servers, storage equipment, Internet protocol telephony products, and software, as well as networking equipment, such as routers, switches, access servers, and security products. Canvas Systems also provides integration services, including network, security, and Internet protocol telephony, virtualization and system migrations, and storage optimization and backup/recovery, as well as offers information technology equipment rentals and leasing, data center relocation, disaster recovery and business continuity, and asset management services. Canvas Systems is also an authorized reseller and integration partner for a number of leading technology vendors such as Oracle, Dell, Juniper Networks, and VMWare etc.

AppsLogic LLC

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SELL [UW]	43	6.90	1	2.33

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Analyst Certification — Mark R. Murphy, Sr. Research Analyst

— Pinjalim Bora, Research Analyst

— Matthew J. Coss, Research Analyst

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PiperJaffray.

MINNEAPOLIS - Headquarters
800 Nicollet Mall, Suite 800
Minneapolis, MN 55402
612 303-6000
800 333-6000

BOSTON
265 Franklin Street, Suite 710
Boston, MA 02110
617 654-0721

CHICAGO
Hyatt Center, 24th Floor
71 South Wacker Drive
Chicago, IL 60606
312 920-3200
800 973-1192

HONG KONG
Piper Jaffray Asia Securities Limited
Suite 1308, 13/F Two Pacific Place
88 Queensway, Admiralty
Hong Kong
+85 2 3755-2288

LONDON
One South Place
London EC2M 2RB
+44 203 142-8700

LOS ANGELES
633 W. 5th Street, Suite 2800
Los Angeles, CA 90071
213 629-1031

NEW YORK
345 Park Avenue, Suite 1200
New York, NY 10154
212 284-9300
800 982-0419

SAN FRANCISCO
345 California Street, Suite 2400
San Francisco, CA 94104
415 616-1600
800 214-0540

www.piperjaffray.com