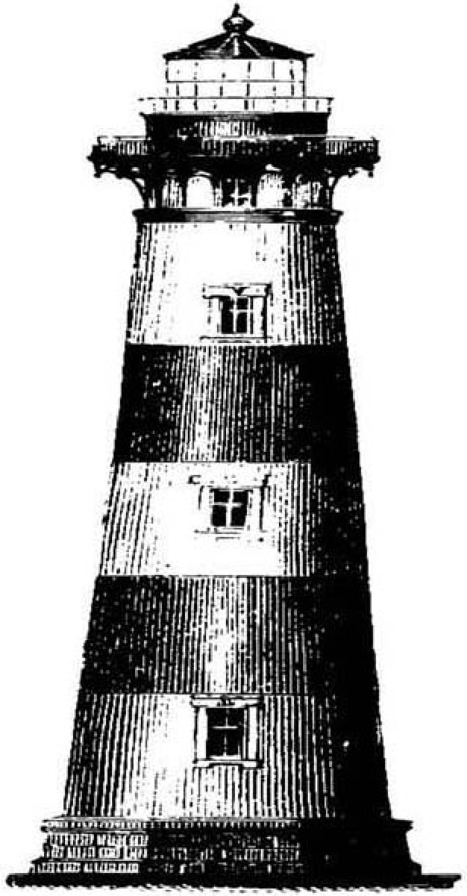

Beyond the Storm – A New Hybrid Cloud Future Emerges

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Key Trends – And the Evolution of Enterprise IT

- **Cloud Computing is now THE dominant / global trend in Enterprise IT**
  - 65 percent or more of all NEW business application / solution decisions in the enterprise will be Cloud-based or Hybrid by YE2014 (up from 20 percent in '09). All customer segments are impacted.
  - Key drivers today have shifted from "Better, faster and cheaper" to "Transforming the enterprise" – especially for larger enterprises, while mid-market companies remain focused on cost savings.
- **The Master Brands are moving aggressively into Cloud**
  - Investments made by traditional Master Brands (MB) such as IBM, MSFT, ORCL, HP and SAP will begin to bear fruit 2011-12. Joining them as emerging Cloud MBs are Google, Salesforce, Amazon.
  - 45-50 percent of ISVs have begun the move to the Cloud. PaaS, as a key enabler, has become a MB battleground. ISVs that do not invest by 2012, will become increasingly marginalized.
- **Customer demand for SaaS, PaaS and IaaS continues to evolve**
  - SaaS will remain the dominant Cloud delivery model through 2014, as enterprises of all shapes and sizes transition to a new way of managing their businesses and their application portfolios.
  - BI joins CRM, Customer Svc., Collaboration & SFA at top of SaaS solution demand – with growing interest in core operational systems (HR, Finance, Proc.); Supply Chain / ERP further out (2014-15).
  - Through 2010, buyers have predominantly preferred best-of-breed SaaS solutions. However, through 2013 the market will begin to shift to platform-driven integration of SaaS and on-premise solutions, creating de-facto multi-vendor solution suites, in addition to single-vendor suites.
  - By YE 2012, PaaS and IaaS evolve to make the Cloud a viable platform to develop and deploy new custom workloads (either to Public or Private Clouds).
  - By 2012, fears associated with IaaS (standards, transaction/data/security integrity) are resolved, as firms realize value lies less with savings & more with agility (for LEs), & svc. levels/compliance (for SMBs).
- **Interest in BPaaS emerges as the next major abstraction of Cloud IT**
  - BPaaS evolves across three phases: 1) *Cloud-enabled BPO*: traditional infra/apps/business process outsourcing gets cloud-enabled; 2) *New BPO Services*: the Cloud creates new service opportunities (especially vertical), and 3) *Business Process Utilities*: BPUs emerge as the next-gen of services.

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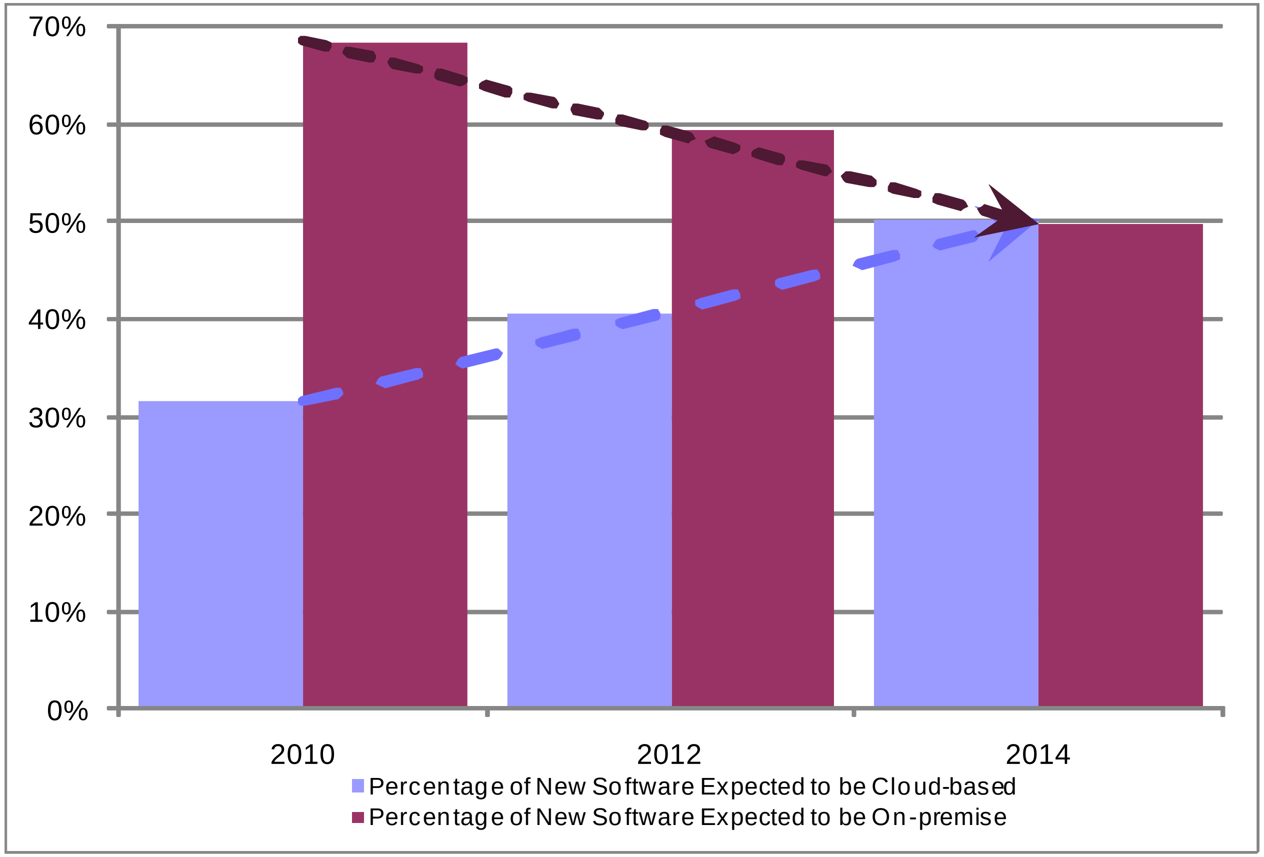
After the Storm – The Shift to the Cloud Accelerates

By YE 2014, 50 percent or more of NEW enterprise IT spend will be Cloud-based or Hybrid.
By YE 2014, 65 percent or more of NEW enterprise IT workloads will be Cloud-based or Hybrid.
By YE 2014, 25 percent or more of TOTAL enterprise IT workloads will be Cloud-based or Hybrid.



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Saugatuck Cloud Ecosystem Model

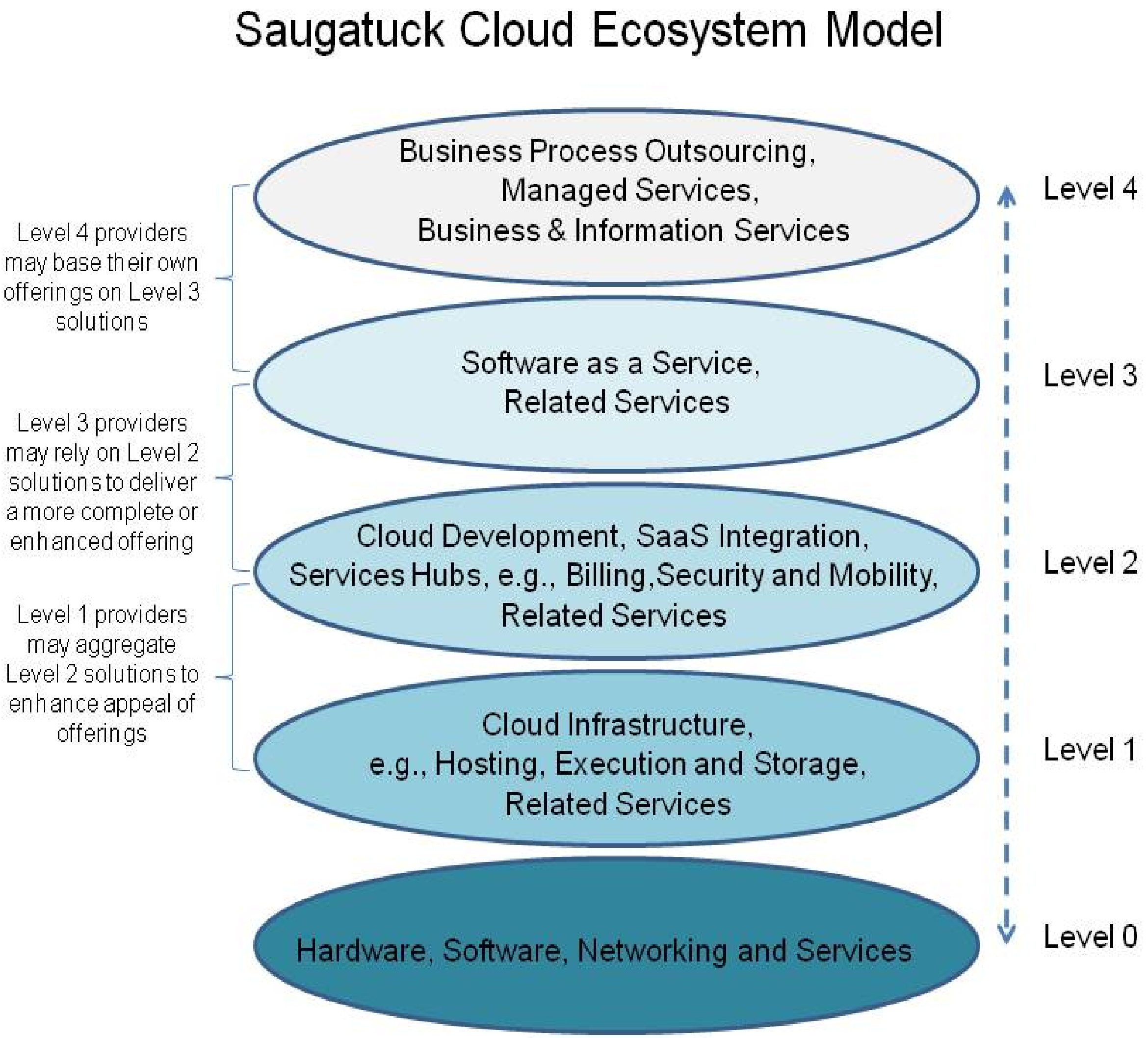
Level 4: BPO / Managed Services. *Specialized expertise often delivered in conjunction with a Cloud-based solution, e.g., Mobility as a Service, Cloud-based security.*

Level 3: SaaS (Waves I-III) and related services. *Business solutions delivered from the Cloud, typically in a multi-tenant architecture, and billed under subscription model.*

Level 2: Cloud development, PaaS, SaaS integration, Service Hubs, *including billing, administration, aggregation, security and mobility solutions, systems and infrastructure management, data warehousing, data access and analysis, and related professional services.*

Level 1: Cloud-based On-Demand infrastructure providers and platforms *that host SaaS and other on-demand solutions and provide service offerings to manage infrastructure platforms (collocation);*

Level 0: Suppliers *of hardware, system software and utilities, data center management software, networking equipment, hardware and software, and associated services*



Source: Saugatuck Technology

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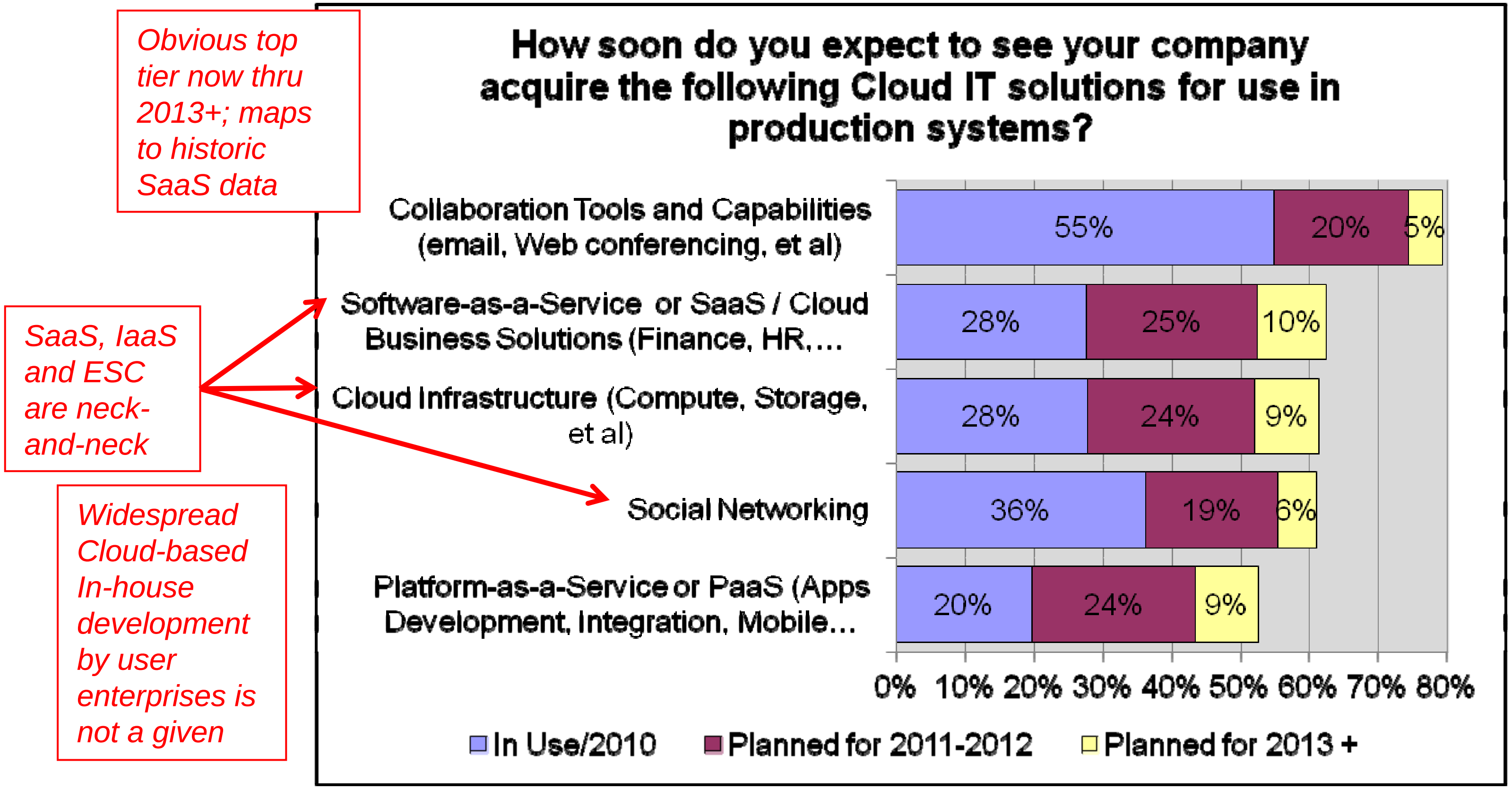
Cloud IT Solutions in Production Systems: Today Through 2013

Through 2012, the combination of Collaboration and Social Networking tools will lead all forms of Cloud deployment.

Integration will remain the dominant form of Cloud Platform use through 2013, as 25 percent or more of Public and Private Cloud workloads are integrated with on-premise solutions, and Cloud-to-Cloud integration continues to increase.



Source: Saugatuck Technology Inc., 2010 Cloud IT Survey (September 2010), Global N=546

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Cloud Business Solutions Go Mainstream

Globally, Business Intelligence now joins CRM, Customer Service, Collaboration and SFA as the leading Cloud Business Solutions in demand and deployed through 2012.

Cloud Business Solutions / SaaS – Installed Base + Purchase Intent Through 2012

	Worldwide	US	Europe	AsiaPac
Customer Relationship Mgmt.	1 (52%)	3	1 (t)	1 (t)
Customer Service and Support	2 (51%)	4	5	4
Collaboration	3 (51%)	1	4	17
Business Intelligence	4 (50%)	2	9	7 (t)
Salesforce Automation	5 (50%)	6	12	3
Financial Analysis & Reporting	6 (49%)	9	8	1 (t)
Planning & Budgeting	6 (49%)	7	1 (t)	11
E-Commerce	8 (49%)	5	11	9
Human Resource Admin.	9 (48%)	13	3	7 (t)
Payroll	10 (48%)	8	13	5
Time and Labor Mgmt.	11 (47%)	11	10	19
Benefits Admin.	12 (46%)	12	18	14 (t)
Procurement	13 (46%)	10	22	20
Supplier Relationship Mgmt.	14 (46%)	16	14	6
Sourcing	15 (45%)	14	17	16
Corp. Performance Mgmt.	16 (45%)	18	15	12
Supply Chain	17 (45%)	19	6	14 (t)
Core Financials	18 (45%)	17	16	13
Talent & Performance Mgmt.	19 (44%)	15	20	18
Governance, Risk & Compliance	20 (44%)	21	7	22
Treasury & Cash Mgmt.	21 (43%)	20	19	10
Product Lifecycle Mgmt.	22 (43%)	22	21	21
ERP-Manufacturing	23 (36%)	23	23	23

However . . . . when looking at buyer demand within a functional domain, the numbers tell a slightly different story:

Top Finance Solutions targeting Finance Execs:
- Planning & Budgeting
- Business Intelligence
- Core Financials
- Financial Analysis & Reporting
- Governance, Risk & Compliance
- Treasury / Cash Mgmt.

Top Human Capital Solutions targeting HR Execs:
- Payroll
- Time & Labor Mgmt.
- HR Administration
- Talent & Performance Mgmt.
- Benefits Administration

Top Procurement Solutions targeting Purchasing/ Procurement Execs:
- Sourcing
- Supplier Relationship Mgmt.
- Procurement

Source: Saugatuck Technology Inc., 2010 Cloud Business Solutions / SaaS Survey (March 2010), US=362, Europe=223, Asia=161)

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Cloud Business Solutions – Shift to "Core" Operational Systems

By 2014, spending on core / operationally-focused Cloud business solutions begins to rival – and in some segments overtake – front-office and tactical solution demand.

By 2014, three-to-four category leaders emerge for each of the major Cloud / SaaS business solution segments – more than half of which do not have a heritage as on-premise providers.

	2008	2010	2012	2014
Knowledge Worker Collaboration	**Collaboration Early Cloud Market Leader** Google, Cisco/Webex, IBM and others help make Cloud mainstream		**Core Cloud Solution** Master Brands migrate collaboration suites to the cloud, e.g., Microsoft – as collaboration is cloud category with some of the most significant rip & replace of traditional on-premise solutions	
Finance / Analytics/ Planning/ Budgeting	**Emerging** SMBs take lead Early leaders include NetSuite, Intacct, and regional players such as Twinfields (Netherlands)	**Gaining Traction** Large Enterprise early-adopters begin to deploy. SAP along with variety of core and niche financial start-ups gain traction (Kyriba, Sabrix), along with niche CPM / BI players (Host Analytics, Adaptive Planning)		**Becoming Core** Single-vendor and de-facto platform-driven suites emerge
Sales / Marketing / Performance Mgmt.	**CRM / SFA Early Cloud / SaaS Leaders** Salesforce and others (e.g., Xactly, Callidus, RightNow, SugarCRM) help make SaaS mainstream, as well as a variety of niche players (e.g., Prolifiq)		**Core Cloud Solution** Beyond sales & marketing – becoming key solution around which small and large enterprises are adding complimentary offerings, especially finance	
Human Capital Management	**Emerging** Initially very tactical offerings. Early market leaders Taleo, Successfactors, ADP / Employease	**Rapidly Growing** Rapidly expanding category - Talent Mgmt., HR/Benefits Admin., Payroll, Time & Labor Mgmt. all "hot" segments – Workday leading drive to gain traction in large enterprises, along with regional players such as UK-based Patersons		**Core Cloud Solution** Becoming lead solution category for many large enterprise SaaS portfolios
Procurement / Expense Mgmt.	**Emerging** An emerging segment that plays naturally to Cloud / SaaS architecture. Concur early market leader.		**Growing Nicely** A variety of direct & indirect procurement and sourcing providers emerge, led by long-time market leader Ariba and smaller niche providers.	
Manufacturing / Supply Chain	**Primarily Niche Deployments** Interesting innovation – e.g., shop floor / production (Plex), MRP / discrete suite (NetSuite / Rootstock), transport / logistics (Descartes), fleet optimization (Xata), supplier compliance (Trace One) – but still early		**Emerging** While not typically an early-adopter segment, it may move faster than usual due to potential cost savings and supply chain execution / collaboration needs	

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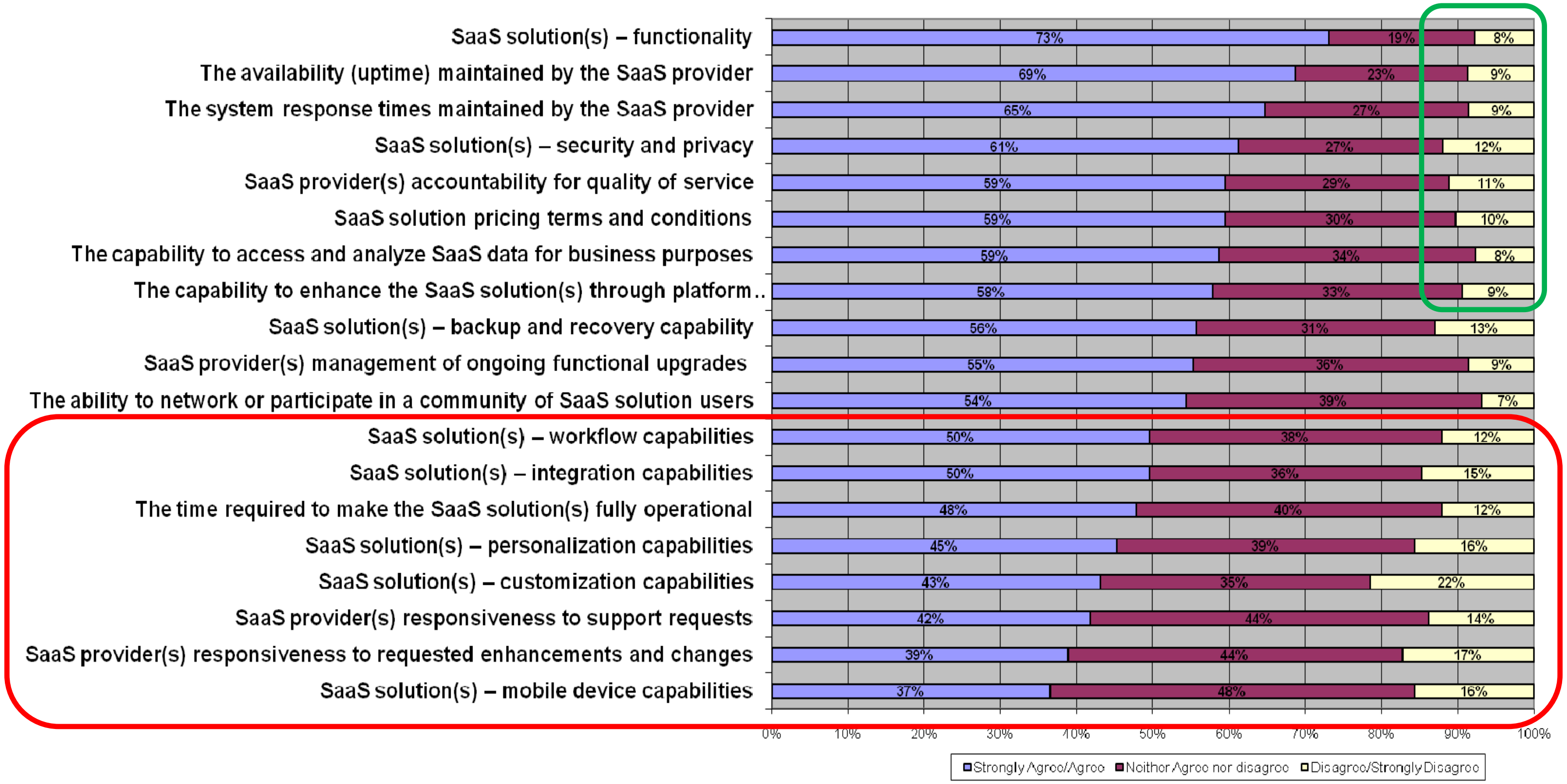
Cloud Satisfaction – Strong Today But Challenges Exist

Through 2014, Cloud satisfaction levels remain high, resulting in 90 percent plus average customer renewal rates, and 100 percent plus average contract value renewal rates.

Through 2011, Cloud business solutions remain challenged to fully address large enterprise requirements related to key Wave II & Wave III capabilities – including workflow, data and process integration, personalization, customization and broad-based mobility support.

In Regard to Our Experience with Cloud Business Solutions (SaaS), My Company is Satisfied with . . .



Overall, very high satisfaction

But significant and important issues exist – especially around key capabilities:
- *workflow*
- *integration*
- *personalization*
- *customization*
- *mobility support*

Source: Saugatuck Technology Inc., 2010 Cloud Business Solutions / SaaS Survey (March 2010), Global N=790

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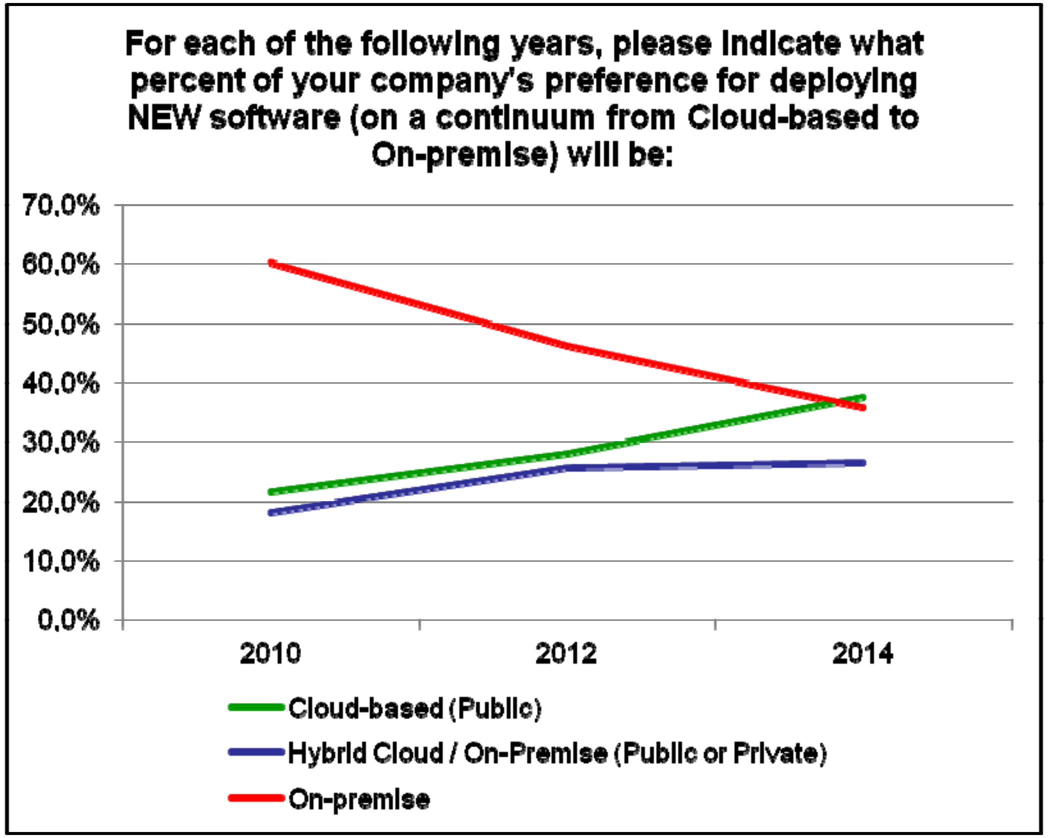
New Software Deployments: Pure Cloud vs. Hybrid vs. On-Prem

By 2014, the combination of new Public Clouds and Hybrid solutions make up more than 65 percent of new software deployments.

By 2014, up to 35 percent of the Hybrid solutions will be based on Public or Private Cloud deployments using Platform-as-a-Service.



Source: Saugatuck Technology Inc., 2010 Cloud IT Survey (September 2010), Global N=546

But significant differences in adoption by size of company!

< 100 Employees	**2010**	**2012**	**2014**
Cloud-based (Public)	26.5%	34.5%	43.6%
Hybrid Cloud	17.7%	23.8%	22.5%
On-premise	55.7%	41.6%	33.9%

5,000 + Employees	**2010**	**2012**	**2014**
Cloud-based (Public)	17.0%	24.5%	34.6%
Hybrid Cloud	17.5%	24.7%	27.3%
On-premise	65.0%	50.8%	38.1%

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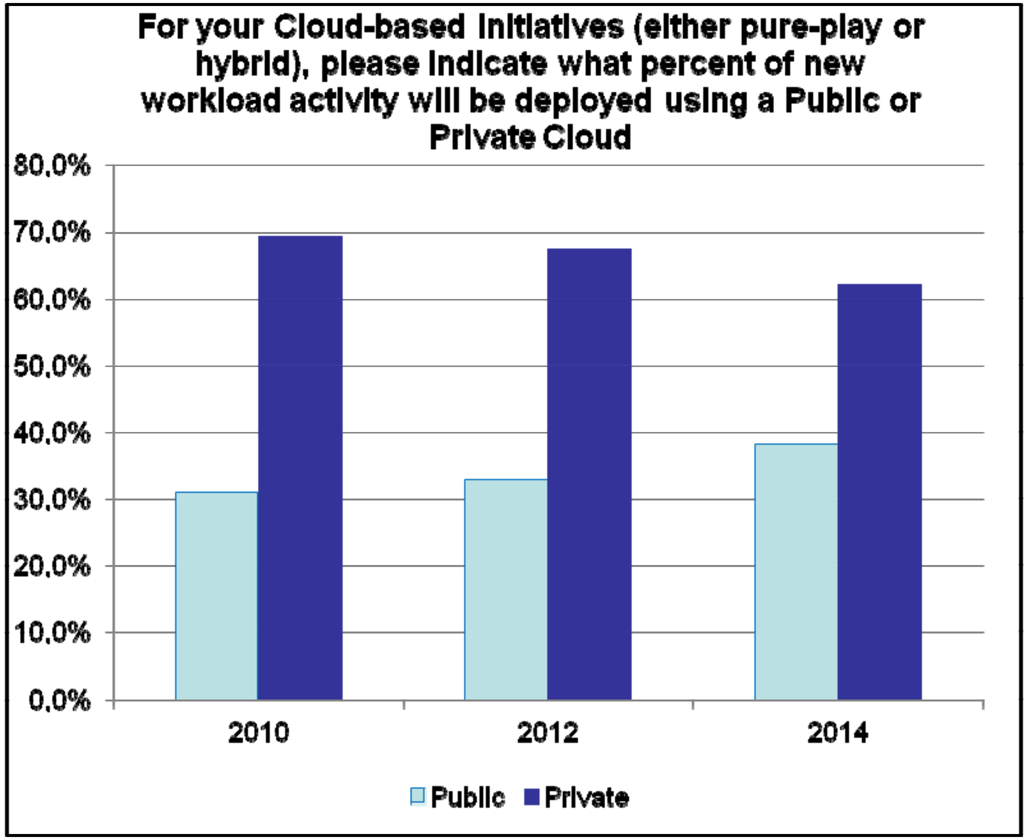
New Cloud Workloads: Public vs. Private Cloud Adoption

Through 2014, 60 percent or more of Private Clouds will focus on specific workloads such as analytics, social networking or applications development / test.

Through 2014, 70 percent of Private Cloud deployments will be packaged vendor offerings delivered as a drop-in appliance or as software to be deployed on customer infrastructure.



Source: Saugatuck Technology Inc., 2010 Cloud IT Survey (September 2010), Global N=546

But significant differences in adoption by size of company!

< 100 Employees	2010	2012	2014
Public	47.6%	43.8%	46.3%
Private	52.4%	56.2%	53.8%

5,000 + Employees	2010	2012	2014
Public	21.2%	24.0%	30.3%
Private	78.8%	75.1%	69.7%

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Cloud IT Solution Types: Today Through 2013

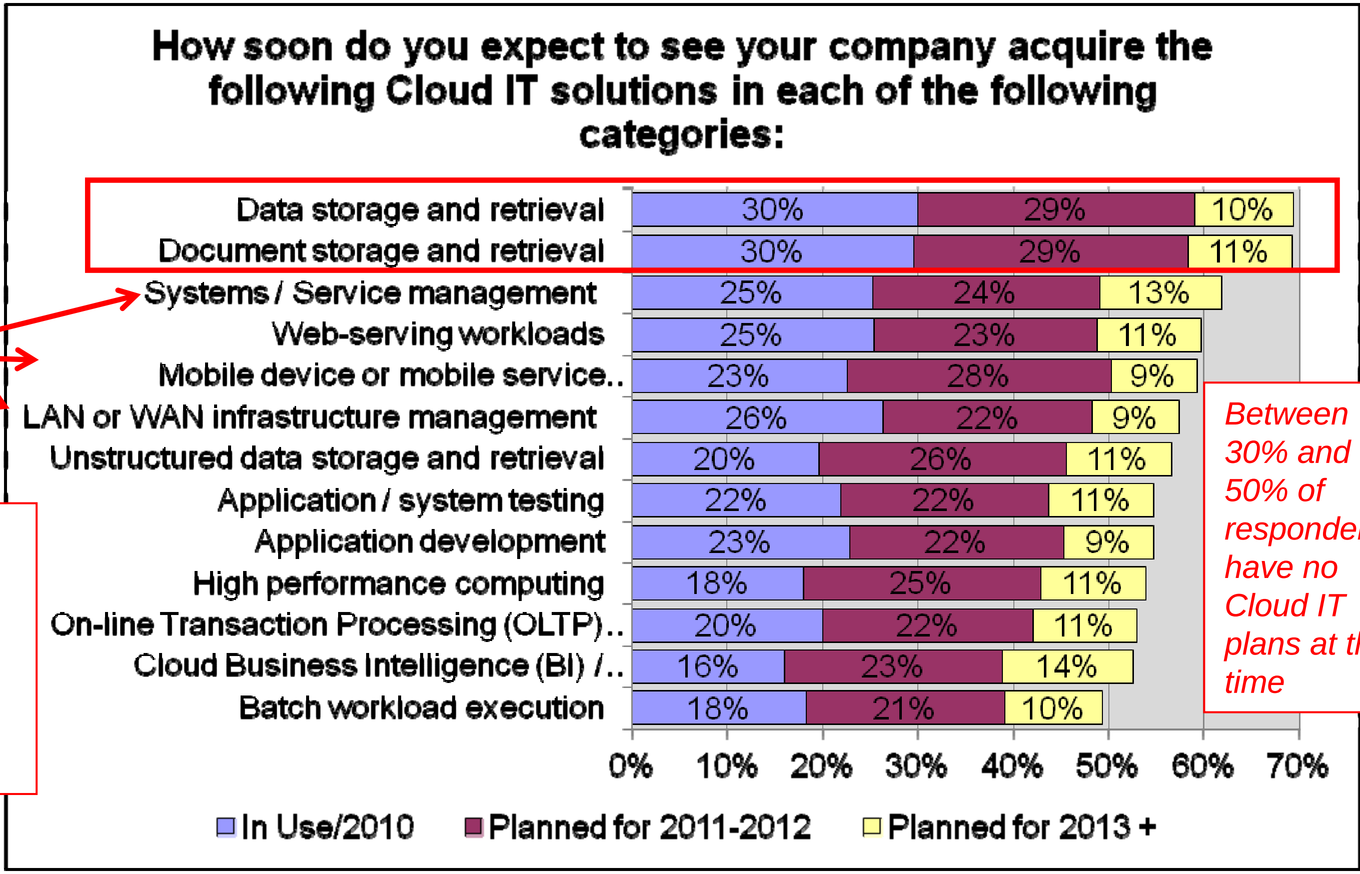
Through 2014, Cloud Storage (including data and documents) tops the list of infrastructure solutions in demand, largely due to strong demand from departmental business use.

Cloud-based IT Management, including service management, mobility support and LAN / WAN management, is quickly emerging to address a new set of enterprise IT requirements.

Obvious top tier of basic storage and retrieval now thru 2013+

Cloud-based IT management is important

Broad second tier suggests Cloud use everywhere within enterprises = Hybrid environments and a broad need for integration



Between 30% and 50% of respondents have no Cloud IT plans at this time

Source: Saugatuck Technology Inc., 2010 Cloud IT Survey (September 2010), Global N=546

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IaaS and Hosters / Telecoms

By YE2011, 30 percent of customers will actively begin transitioning existing workloads from traditional hosting offerings to Public and Private Cloud computing offerings.

By YE2014, over 60 percent of all customer external Cloud computing workloads will be operating on infrastructures owned by fewer than 20 providers (globally).

Through 2014, buyers will prefer focused hosters over Telecom providers (except in Europe & Asia), despite their having a strong foundation in Cloud-related services (i.e., billing, on-boarding).

Traditional Hosting Offerings	Related Cloud Offerings / Opportunities	Pre-Requisites for Success	Considerations / Challenges
Co-location	• **Private Cloud** • *Customer-owned & managed* infrastructure located on provider premises	• Enterprise-class physical site • Affordable Private Network • Strong Physical Site Mgmt. Skills	• Need strong "back-office" processes (e.g., customer on-boarding) • Natural opportunity for traditional hosters and telecoms
Managed Servers	• **Private Cloud** • *Provider-owned & managed* infrastructure located on provider premises	• Enterprise-class physical site • Affordable private network • Strong physical site mgmt. skills • Strong infra. support skills • Strong customer support skills	• Need strong "front-office" processes (e.g., tech support, provisioning) • Natural opportunity for trad. hosters • Potential challenges for telecoms outside of network-centric offers
Shared Servers	• **Public Cloud** • *Provider-owned & managed* infrastructure located on provider premises	• Enterprise-class physical site • Affordable private network • Strong physical site mgmt. skills • Strong infra. support skills • Strong Cloud support skills • Strong customer support skills	• Need strong Cloud automation and mgmt. (e.g., rapid & dynamic provisioning, billing) • Both opportunity and potential challenge for traditional hosters and telecoms

Source: Saugatuck Technology Inc.

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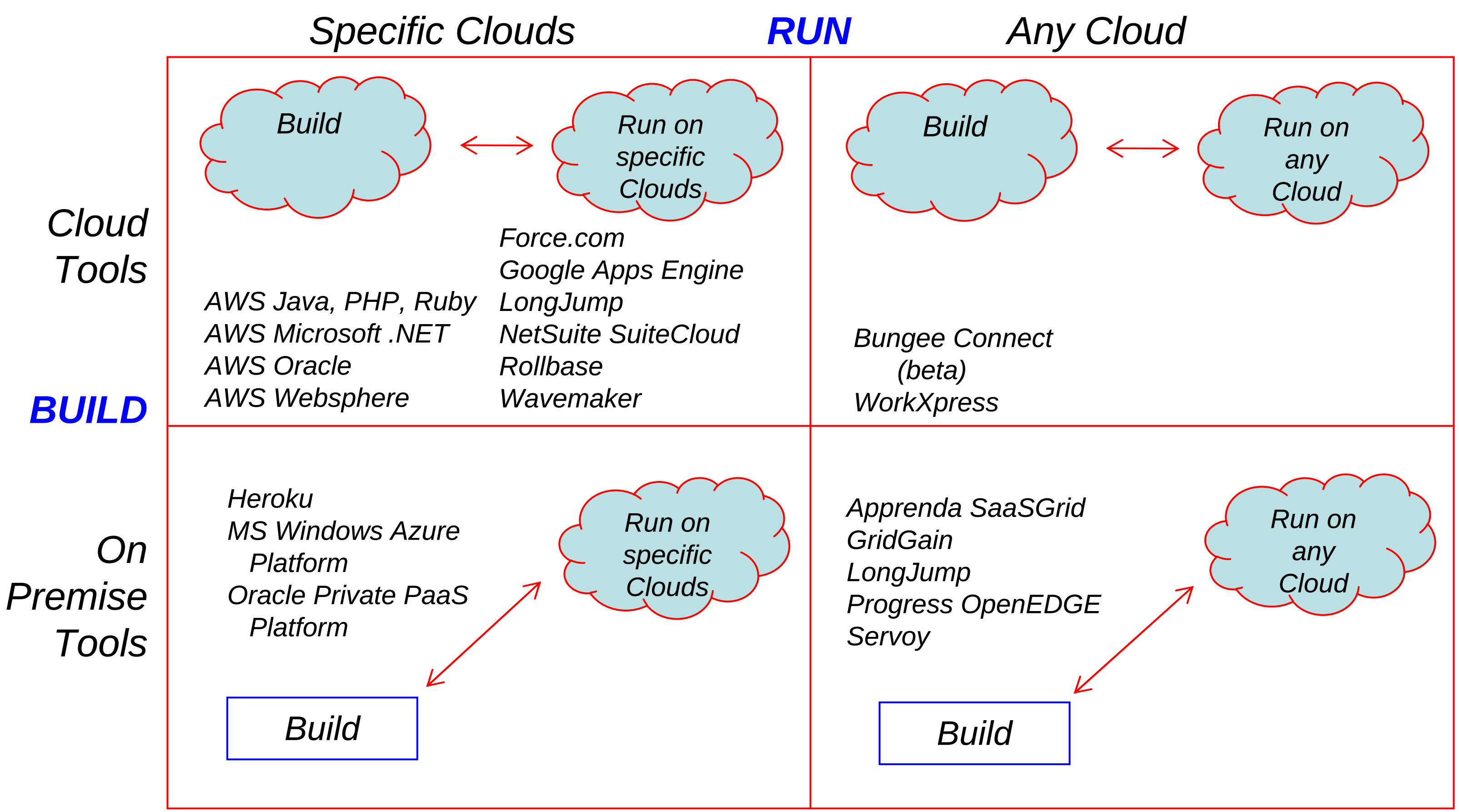
Saugatuck's Platform-as-a-Service Taxonomy

Through 2013, 60 percent or more of PaaS development will remain on-premise based.
By 2014, five dominant PaaS providers will capture 70 percent or more of Public and Private Cloud development.



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Platform-as-a-Service Heat Map

By 2012, all of the leading PaaS providers will move aggressively to mature their platforms to include certifications, built-in multi-tenant support and transparency into platform utilization.

By 2014, all of the leading PaaS providers will offer completely automated dynamic scaling, a session monitoring console and a robust cloud-based test suite.

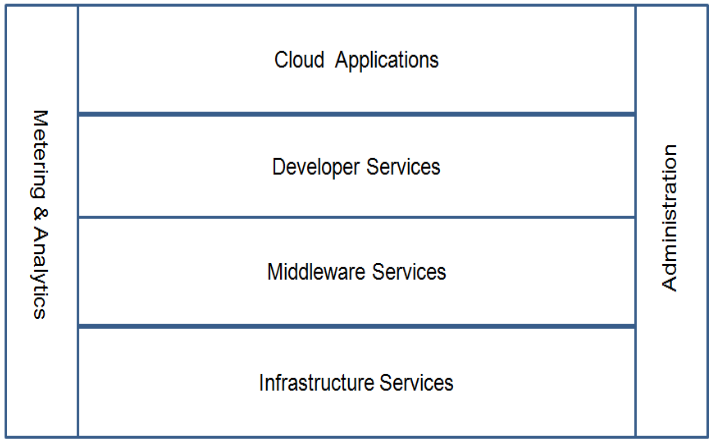
The Most Important PaaS Buying Criteria – By Region

	North America	Europe	Asia
Backup and recovery	39%	35%	34%
Availability for a private Cloud	27%	23%	22%
Reporting and analytics	27%	22%	33%
Service level agreements	24%	29%	26%
Support for very large databases	18%	23%	14%
Transparency into platform utilization	14%	18%	16%
Workflow modeling and management capability	13%	21%	25%
High volume storage (tables and BLOBs)	12%	15%	15%
Cloud-based application development tools	11%	16%	13%
Automated, dynamic scaling	10%	14%	14%
Certification (PCI, HIPAA, SAS70, FISMA, etc.)	9%	17%	12%
Built-in multi-tenancy support	7%	13%	11%
Support for specific programming language environments	6%	8%	12%
Robust Cloud-based test suite	6%	5%	12%
Fully-functional DBMS middleware	6%	7%	11%
Session monitoring console	3%	8%	7%

Source: Saugatuck Technology Inc., 2010 Cloud IT Survey (September 2010), Global N=546

What is PaaS? *What distinguishes a PaaS from an IaaS offering? Is it simply ease of use? Or are there things that a PaaS solution must have in order to differentiate itself from IaaS? Should a PaaS solution permit or require deployment to an IaaS platform for production execution?*

We proposed that a PaaS should have:



Our stack model includes ***Metering and Analytics*** *and* ***Administration,*** *spanning and integrating all other layers:*

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The Cloud and Business/IT Services

By 2015, 50 percent of new BPO deals are delivered as BPaaS (significantly cloud enabled).

By 2013, "non-traditional" service providers with specific vertical and business IP will aggressively enter the BPaaS market. They will both partner and challenge traditional outsourcers with new Cloud-enabled business solutions and services.

By 2015, Business Process Utilities (BPU) emerge as the preferred means of consuming horizontal / commoditized BPO offerings (F&A, Procurement, HR) and select vertical opportunities (e.g., Navitaire / airline reservations).

Evolving Service Provider Dynamics

	Legacy Business Model (s)	**Cloud Business Model (s)**
Deal Type	Horizontal "Tower" Deals	Vertical Integrated Processes
Deal Length	Long term 5-10 years "Billion Dollar Diet"	Shorter / leaner / iterative relationships <3 years
Deal Focus	Asset intensive (transfer of capital and labor)	Asset Lite (leveraging external Cloud computing services)
Deal Team	Pyramid (partner approach)	Flatter (expert ninjas) from offshore centers of expertise
Deal Partner	Established ecosystem	New partners, co-opetition / competition
Deal Flow	US and W. EU	Global - growth especially from BRIC
Deal Scalability	One-to-one / "mess for less"	One-to-many (repeatable business solutions)

Ten Cloud Computing Concerns Shaping Service Provider Strategies

- Cloud Computing abstracts functionality to business layer.
- Cloud Computing challenges services providers to sell beyond IT.
- IT service providers need to become more nimble / agile.
- Cloud Computing breaks traditional service provider pricing models.
- Cloud IT consulting work will grow but not into the billions
- The army of consultants will continue to get smaller, leaner and more specialized.
- Traditional ISVs eventually shape up as services competitors.
- The SaaS explosion means a Hoster implosion [for those who do not adapt].
- Service Providers enter the software market.
- Cloud Assessments useful but in danger of adding complexity.

Source: Saugatuck Technology

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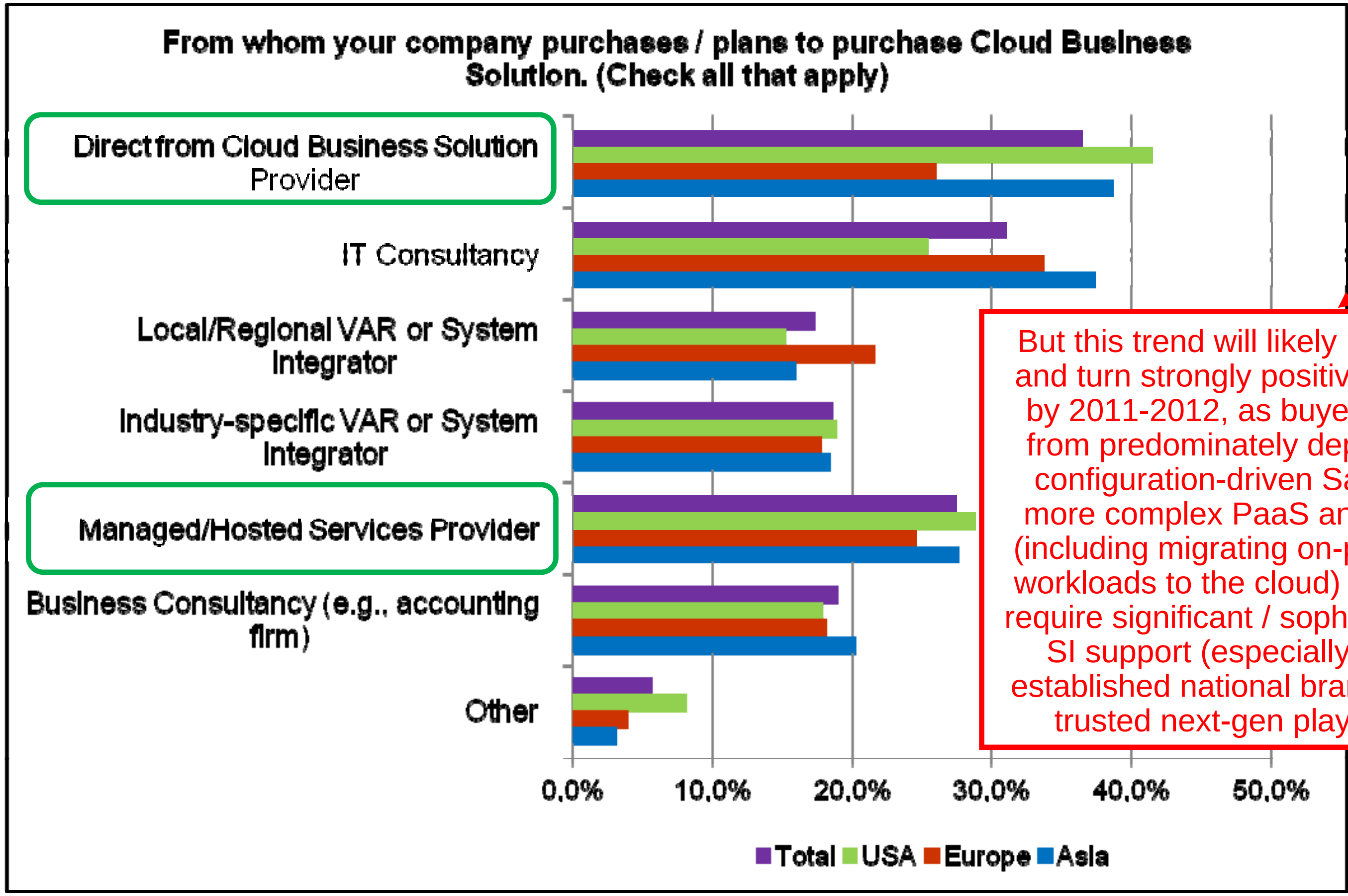
The Cloud, the Channel and Evolving Routes to Market

By 2014, the Cloud helps reshape 50 percent or more of traditional IT spend and channel relationships – with significant regional variations.



Comparing Results from Saugatuck's 2010 Global Survey vs. 2009

2009	***2010***
31%	*37%*
40%	*31%*
22%	*17%*
29%	*19%*
19%	*28%*
18%	*19%*
3%	*6%*

Source: Saugatuck Technology Inc., 2010 Cloud Business Solutions / SaaS Survey (March 2010), Global N=790

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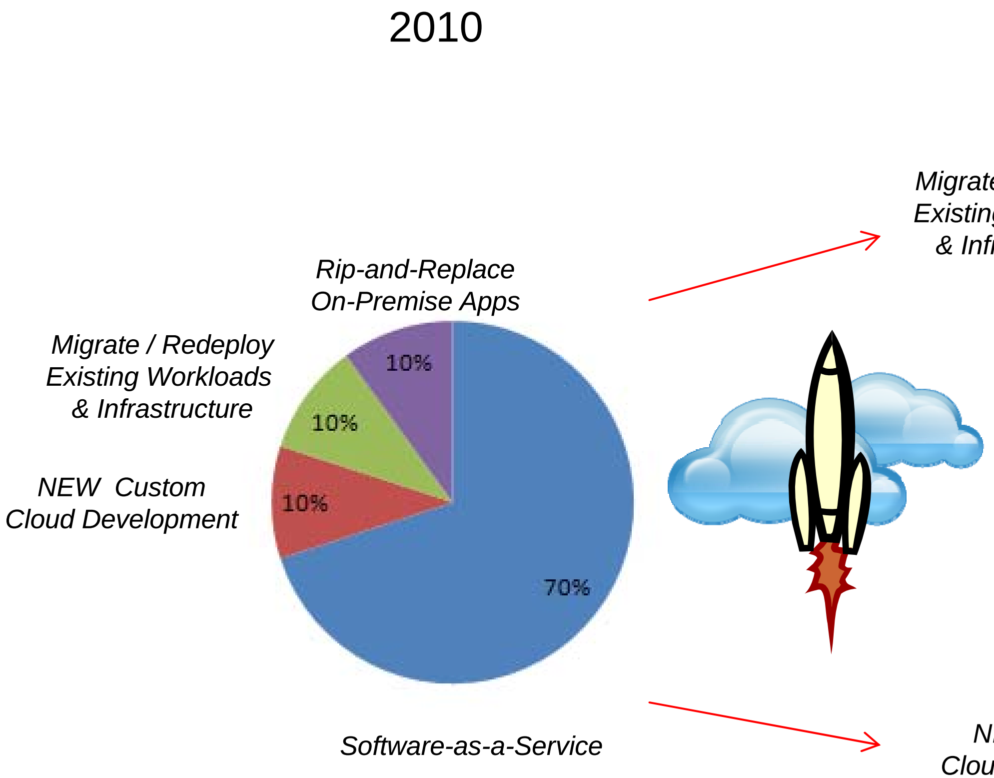
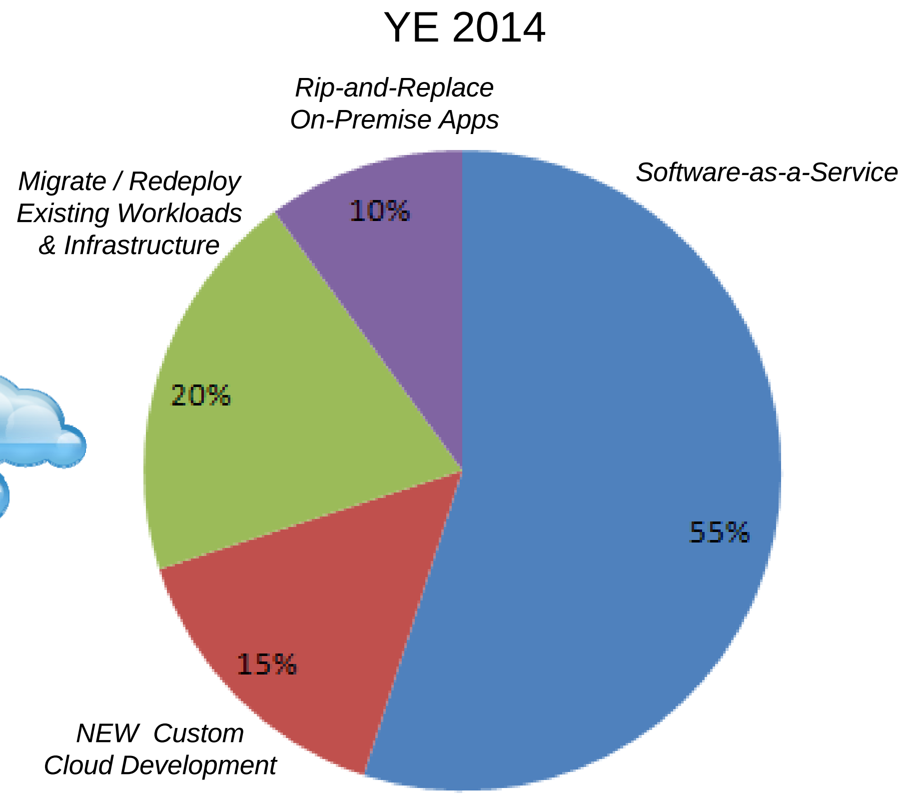
Best-Estimate Distribution of 2014 Cloud Workload Activity

By YE 2014, the largest driver of Cloud IT workloads will continued to Software-as-a-Service solutions, followed by the migration of on-premise applications and business productivity capabilities (including collaboration platforms and infrastructure).





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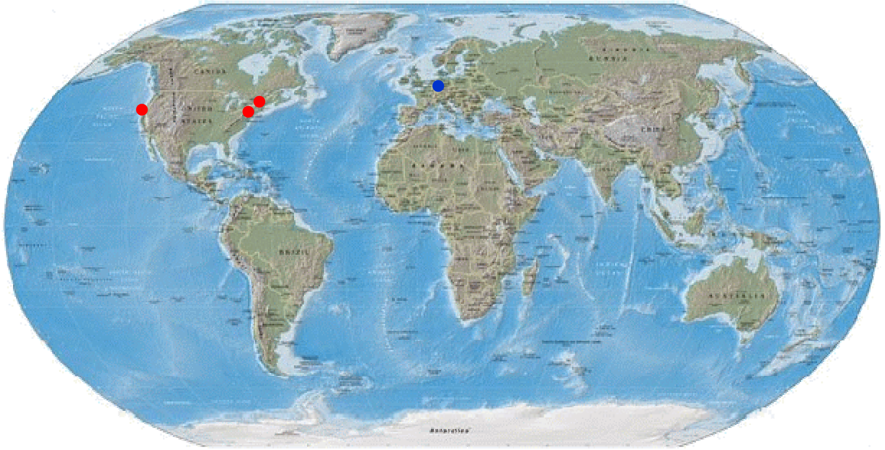

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