COWEN AND COMPANY

Non-Consensus Idea Series

Software

Maintenance Revenue: High Margin or High Risk?

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Consensus View: Applications maintenance, fees for technical support and product update rights, is a $20B annual business with 80%+ margins. Maintenance revenue, which is approximately 50% of total sales for most apps vendors (Oracle, SAP, Lawson and Epicor), is a highly reliable, high margin, recurring revenue stream that provides earnings stability and enables margin expansion even if license sales falter. Companies with a high proportion of maintenance revenue should sell at premium PEs.

Our View: We believe that application software vendor maintenance fees are at risk. Our research indicates that companies continue to tighten their belts around IT spending, and ERP upgrades are not a priority. This is not a macro issue that we expect to diminish as the economy strengthens. We believe ERP upgrades, the primary motivation to pay maintenance fees, are on the wane because it's a mature market. Vendor investments in R&D are on the decline, innovation is lagging and redeployment costs are multiples of the license fee. As a result, customers are increasingly questioning the value of paying annual maintenance fees of 20% of the cost of the original license for the occasional use of technical support. We believe that as the value proposition around maintenance fees diminishes, there is significant opportunity for third party service providers to offer low cost tech support. While there are only a small number of these third party providers today, we believe that as Apps sales continue to decline, there is a significant over capacity of consultants with ERP expertise looking for opportunities to leverage their skills. We believe these dynamics will result in the creation of a number of businesses designed to chip away at the exorbitant revenues and margins associated with vendor maintenance fees.

Please see addendum of this report for important disclosures.

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Summary

Virtually all perpetual license software companies charge customers an annual maintenance fee for day to day technical support and rights to future upgrades for software licenses they own. These maintenance fees are typically between 17% and 22% of the price of the original purchase price of the software license. For the largest ERP vendors like Oracle (ORCL, Neutral, $21.17) and SAP ($49.21, Underperform), these maintenance fees now comprise approximately 50% of total annual sales and carry margins that can climb to the 90%+ range. We believe many software investors are willing to overlook anemic organic license revenue growth and instead focus on maintenance revenue, which they perceive to be a very reliable and highly recurring revenue stream. Despite the fact that new license growth is the primary indicator of a company's health and momentum in the market, many single-digit to negative license revenue growth companies that grow margins via cost cutting, not license growth, are trading at mid to high teen multiples to earnings.

We believe that investors are over estimating the reliability and predictability of maintenance revenue.

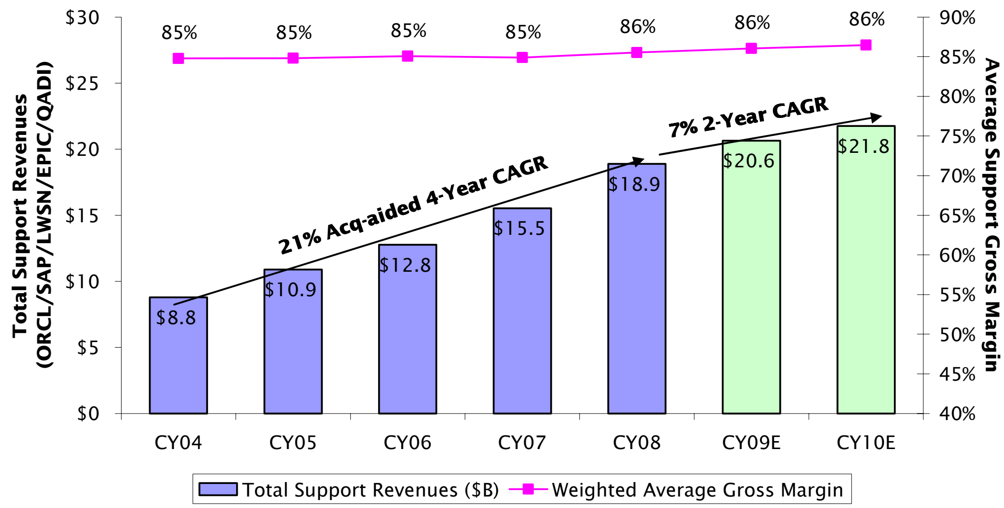
- We believe that any multi billion dollar business that generates 80%+ margins is at risk of disintermediation from third party competition. Particularly at risk are ORCL and SAP, and we provide details on the exposure of each.
- We are concerned that ERP software is past its prime as far as product innovation, thus delaying the necessity for upgrades and enabling customers to utilize existing products for longer. This means that a customer's willingness to pay for upgrade rights is diminishing.
- The cost of implementation services relative to license fees are typically about 5:1 for major ERP roll outs. We view this as a further disincentive to upgrade and thus pay maintenance fees for upgrade rights.
- Absolute and relative R&D investments by the major ERP vendors are on the decline. This means that customers are watching their ERP vendors generate expanding margins without plowing that profit back into the product.
- ERP growth has gone negative over the last few years and implementation work has slowed down yielding an abundance of underutilized talent with deep expertise in ERP. We would not be surprised to see that unused capacity reorganize itself to deliver third party support.

While nothing ever happens quickly in enterprise IT, we believe that these trends do not bode well for software vendors that generate the vast majority of growth and profits from their services businesses.

Maintenance: Big Business, Bigger Margins

The chart below shows the aggregate maintenance revenue and margins for the applications providers in our coverage universe.

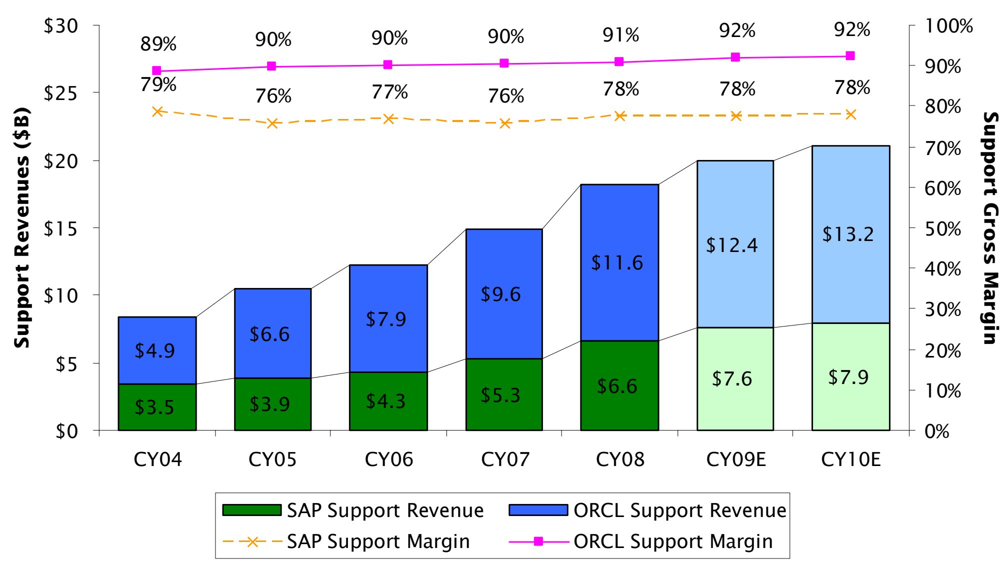
Support Revenues and Gross Margins for Apps Companies in Coverage Universe



Source: Company reports, Cowen and Company estimates

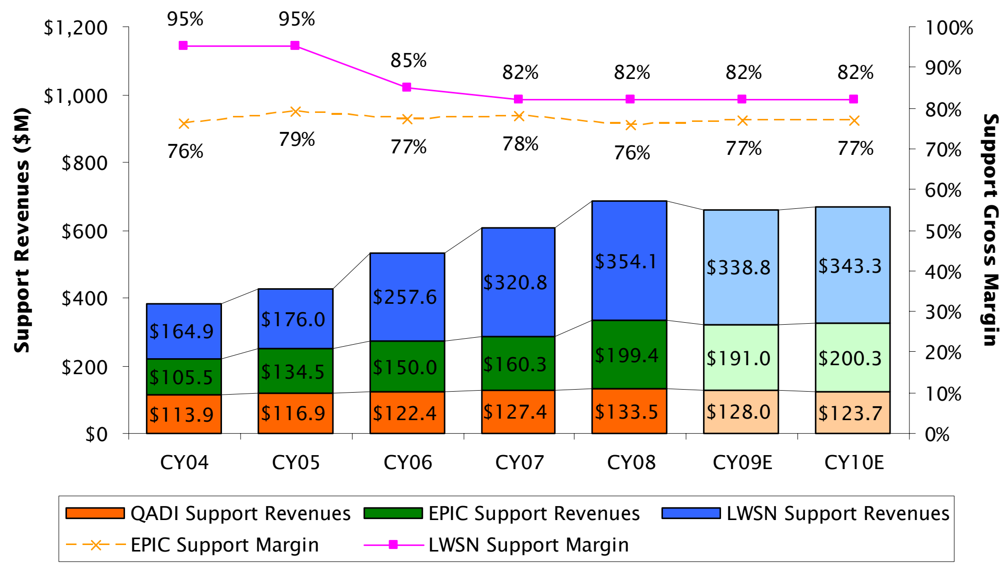
Substantially all of the slight increase in maintenance margins is due to ORCL and, since 2007, SAP. Margins have been roughly flat for the remaining providers.

ORCL and SAP Support Gross Margins have Grown with Support Revenues



Source: Company reports, Cowen and Company estimates

Mid-Market App Provider Support Gross Margins have Stayed Flat with Revenue Growth



Source: Company reports, Cowen and Company estimates

ORCL and SAP are Juicier Targets than LWSN, EPIC and QADI…For Now

The size of the maintenance streams of the smaller apps providers is likely not as attractive initially to third party support providers.

We therefore believe that any attempts by third parties to steal maintenance revenues away from primary providers in our space will be focused on SAP and ORCL.

Assumptions we have made in the analyses and charts shown previously include:

- Conversion of SAP revenues and costs from Euro to USD in FY08, FY09 and FY10 assume an exchange rate of approximately $1.39 per Euro per the company's last annual filing. FY07 assumes a rate of $1.31 per Euro and an exchange rate of $1.23 per Euro is used for earlier periods.
- As SAP does not break out support costs, we made a simplifying assumption that license revenues have 92% gross margins and that its subscription software line has similar gross margins to its support segment. License gross margin is based on a regression of cost of software vs. license, support and subscription revenues. The regression table is shown at the end of this note.
- We assume SAP's on demand gross margins are in line with its support gross margins.
- Like SAP, Oracle does not separate its support costs from its license costs. However, as Oracle produces substantially all of its underlying technology, we assume license costs are essentially zero and that its software cost is primarily support.

Maintenance is a Huge, High Margin Business

The two largest ERP vendors, Oracle and SAP, will generate almost $20 billion in maintenance revenues this year. We expect these revenues will drive 85% of the net profits for these two vendors. We believe there are a lot of entrepreneurs that would love to chip away at this phenomenal cash cow.

Rimini Street

At present, the most prominent vendor providing third party maintenance is a small Las Vegas-based company called Rimini Street, which has grown its bookings from $6M in 2007 to approximately $150M exiting 2009, primarily providing third party maintenance for Oracle and its acquired Apps entities. The company recently launched a similar service for SAP. While it is easy to dismiss a relatively small company, we cannot ignore the fact that nine of the world's largest companies, including AT&T, PetCo, Virgin Mobile, Fairchild Semi, Union Pacific Railroad and PepsiCo, are using Rimini Street in part of their organizations.

ERP Software is Past its Prime as Far as Product Innovation

We believe that ERP software has matured as a product, thus delaying the necessity for upgrades and mitigating the need to pay for upgrade rights. The lack of desire to upgrade is compounded by the material incremental implementation expense associated with upgrades.

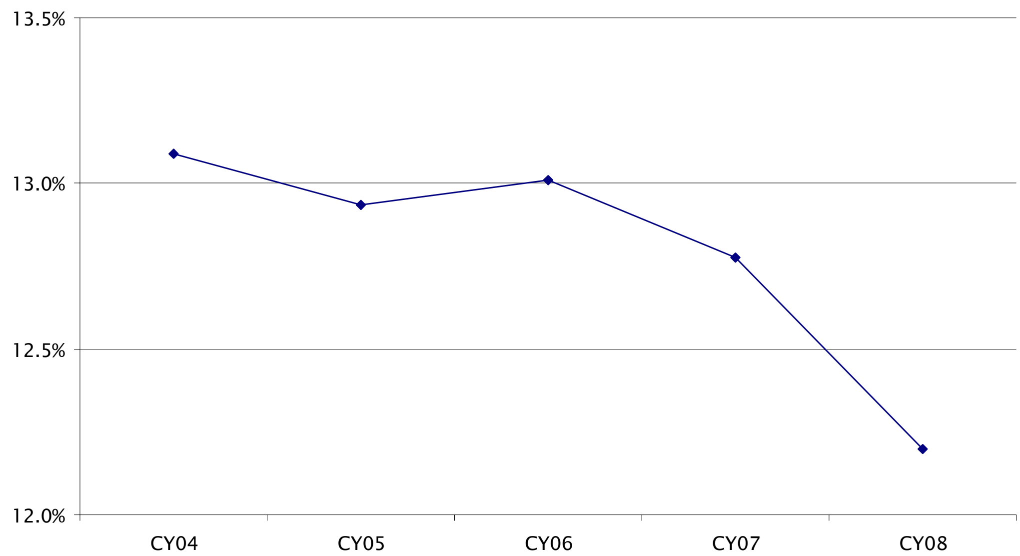
We are concerned that ERP software is past its prime as far as "must have" product innovation, thus delaying the need to upgrade and enabling customers to utilize existing products for longer. While Oracle and SAP to a lesser extent are pushing improvements in middleware as a catalyst to upgrade, our research indicates that a lack of material functional improvements in the apps themselves is keeping buyers on the sidelines. Additionally, the cost of implementation services relative to licenses, which is typically around 5:1 for major ERP roll outs, is a further disincentive to upgrade.

While the current economic downturn has CIOs examining maintenance budgets, we believe that the only real near term threat to maintenance revenues is the likelihood that companies stop paying maintenance on software they've never deployed (aka shelf ware). Unfortunately, the amount of shelf ware and maintenance fees on that shelf ware is virtually impossible to quantify.

R&D Investments are on the Decline

The following chart shows R&D investments over the last five years for the entire Apps space. In order to get an accurate trend, our chart includes R&D budgets from many acquired entities.

R&D as a % of Revenues (ORCL, SAP, LWSN, EPIC, QADI)



Source: Company reports, Cowen and Company

As we interpret this data, we can't tell if vendors aren't investing in R&D because customers aren't buying products, or customers aren't buying products because vendors aren't investing in R&D. Regardless of the cause and effect, the trend is clear. Absolute investments in ERP are down dramatically, way beyond the synergies created by scale via M&A. The net result is that customers no longer look at material ERP upgrades as a competitive advantage and therefore vendors are unwilling to increase investments. Customers are watching their ERP vendors generate expanding margins without plowing that profit back into the product and we believe customers are getting resentful.

Software Vendors Value Maintenance Renewals According to Product and Customer Size

We believe many software vendors are very aware of the difference between maintenance for core products where the relationship with the customer is key, versus milking maintenance contracts for revenue on legacy products where there is little to no incremental investment in R&D. Additionally, vendors are more focused on providing higher quality services to larger companies, often at the expense of smaller companies. These dynamics, combined with the fact that the current economic environment is putting pressure on renewal rates, have created opportunity for outsourced renewals.

ServiceSource

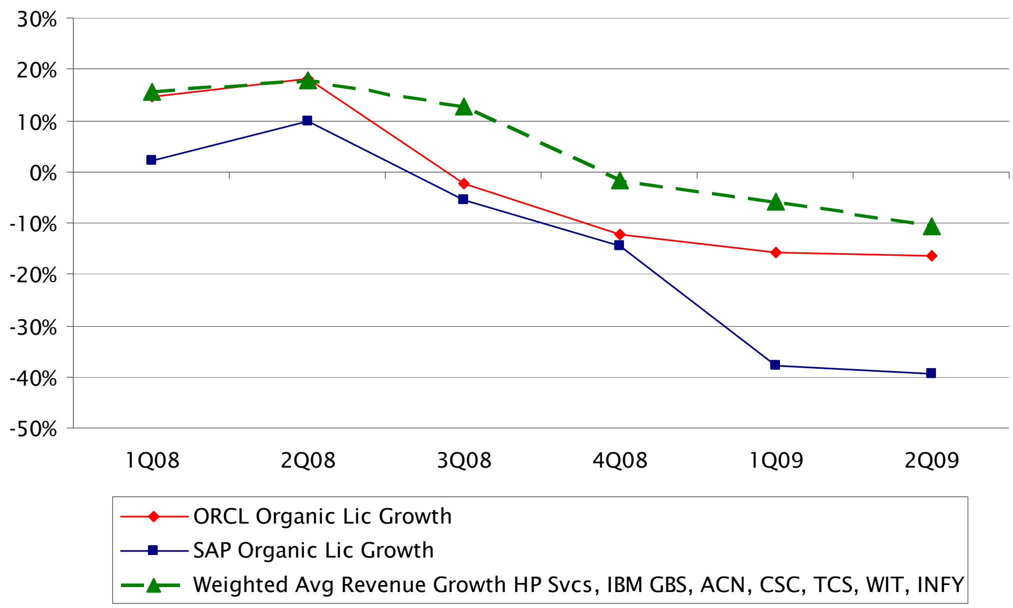
ServiceSource, based in San Francisco, is on a $150M revenue run rate selling software and services to help technology vendors outsource the renewal of maintenance contracts. ServiceSource's value proposition is revenue enhancement via a rigorous process that enables vendors to identify and close a higher volume of renewals, not just outsourcing for lower cost renewals. The company manages over

$4B in maintenance revenue for 50 different technology companies. ServiceSource's customers outsource non strategic renewals, which can refer to both products as well as smaller customers. We believe the fact that companies like ServiceSource can exist and thrive is an important confirmatory data point that many large vendors aren't focused on maintenance revenue and may take renewal rates for granted. An alternative and equally valid interpretation is that companies DO value their maintenance contracts and their renewals are so critical, they are looking to market leaders like ServiceSource for help.

We See Large Pools of Future Competitors

It doesn't escape our notice that Oracle and SAP's negative organic Apps license growth for the last two years is having a quantifiable impact on the growth prospects for the companies' largest System Integrator (SI) partners like IBM (Global Business Services), HP (EDS), Accenture and Tata Consulting Services.

Recent Organic License Growth for ORCL and SAP vs. SI Partner Growth



Source: Company reports, Cowen and Company

We would not be surprised to see this deep knowledge around Oracle and SAP ERP solutions repurposed to provide third party maintenance. While it would not likely come from these vendors themselves, we believe that there is enough business out there to support a number of independent firms.

Oracle and SAP Support Vulnerability

As SAP and ORCL support customers represent the likely at-risk market, there are several nuances about their offerings that need to be understood.

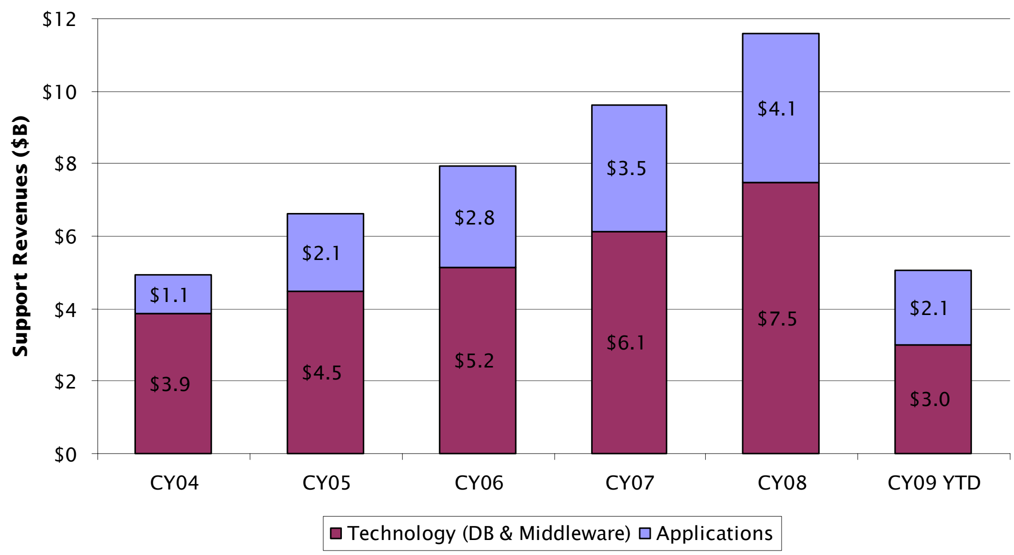
Only Oracle Apps Support is Vulnerable to 3rd Parties

We believe that only the 35%-40% of Oracle's maintenance revenue stream derived from supporting Applications is vulnerable to 3rd-party disintermediation.

A significant value of product support is the right to receive bug fixes for the product when needed. In order for a third party to be able to deliver these bug fixes, they must have access to download the fix or have access to the program's source code to develop the fix.

Oracle's technology products, including the database, generally do not ship with source code and so must rely on download access to bug fixes. Since Oracle has recently discontinued its nominal-cost support access program, we do not believe that its database support revenues are at any significant risk. However, Oracle Applications do ship with source and could be supported by a lower-cost 3rd-party provider.

ORCL Database vs. Applications Support Revenues



Source: Company reports, Cowen and Company

Although this dynamic limits Oracle's exposure to 3rd-party support poachers, we note that apps maintenance is still a $4B-$5B revenue stream, representing 15%-20% of Oracle's expected CY09 revenues of $23.5B. Given current gross margins of over 90% for this business, each $250M lost in applications support revenue would translate to a negative impact of $0.03 to the company's EPS.

Impact of Support Revenue Loss to Oracle EPS

Apps Support Revenue Lost to 3rd Party ($M)	Apps Support Gross Margin 85%	86%	87%	88%	89%	90%	91%	92%	93%	94%	95%
($250)	($0.03)	($0.03)	($0.03)	($0.03)	($0.03)	($0.03)	($0.03)	($0.03)	($0.03)	($0.03)	($0.03)
($500)	($0.06)	($0.06)	($0.06)	($0.06)	($0.06)	($0.06)	($0.06)	($0.06)	($0.07)	($0.07)	($0.07)
($750)	($0.09)	($0.09)	($0.09)	($0.09)	($0.09)	($0.10)	($0.10)	($0.10)	($0.10)	($0.10)	($0.10)
($1,000)	($0.12)	($0.12)	($0.12)	($0.12)	($0.13)	($0.13)	($0.13)	($0.13)	($0.13)	($0.13)	($0.13)
($1,250)	($0.15)	($0.15)	($0.15)	($0.16)	($0.16)	($0.16)	($0.16)	($0.16)	($0.16)	($0.17)	($0.17)
($1,500)	($0.18)	($0.18)	($0.18)	($0.19)	($0.19)	($0.19)	($0.19)	($0.19)	($0.20)	($0.20)	($0.20)
($1,750)	($0.21)	($0.21)	($0.22)	($0.22)	($0.22)	($0.22)	($0.22)	($0.23)	($0.23)	($0.23)	($0.23)
($2,000)	($0.24)	($0.24)	($0.25)	($0.25)	($0.25)	($0.25)	($0.26)	($0.26)	($0.26)	($0.27)	($0.27)
($2,250)	($0.27)	($0.27)	($0.28)	($0.28)	($0.28)	($0.29)	($0.29)	($0.29)	($0.30)	($0.30)	($0.30)
($2,500)	($0.30)	($0.30)	($0.31)	($0.31)	($0.31)	($0.32)	($0.32)	($0.32)	($0.33)	($0.33)	($0.34)
($2,750)	($0.33)	($0.33)	($0.34)	($0.34)	($0.35)	($0.35)	($0.35)	($0.36)	($0.36)	($0.37)	($0.37)
($3,000)	($0.36)	($0.36)	($0.37)	($0.37)	($0.38)	($0.38)	($0.39)	($0.39)	($0.39)	($0.40)	($0.40)
($3,250)	($0.39)	($0.39)	($0.40)	($0.40)	($0.41)	($0.41)	($0.42)	($0.42)	($0.43)	($0.43)	($0.44)
($3,500)	($0.42)	($0.43)	($0.43)	($0.43)	($0.44)	($0.44)	($0.45)	($0.45)	($0.46)	($0.46)	($0.47)
($3,750)	($0.45)	($0.46)	($0.46)	($0.47)	($0.47)	($0.48)	($0.48)	($0.49)	($0.49)	($0.50)	($0.50)
($4,000)	($0.48)	($0.49)	($0.49)	($0.50)	($0.50)	($0.51)	($0.51)	($0.52)	($0.53)	($0.53)	($0.54)
($4,250)	($0.51)	($0.52)	($0.52)	($0.53)	($0.53)	($0.54)	($0.55)	($0.55)	($0.56)	($0.56)	($0.57)
($4,500)	($0.54)	($0.55)	($0.55)	($0.56)	($0.57)	($0.57)	($0.58)	($0.58)	($0.59)	($0.60)	($0.60)
($4,750)	($0.57)	($0.58)	($0.58)	($0.59)	($0.60)	($0.60)	($0.61)	($0.62)	($0.62)	($0.63)	($0.64)
($5,000)	($0.60)	($0.61)	($0.61)	($0.62)	($0.63)	($0.64)	($0.64)	($0.65)	($0.66)	($0.66)	($0.67)

Source: Company reports, Cowen and Company

Virtually All of SAP's Maintenance Revenue is at Risk. The Recent Price Hike Isn't Helping SAP Make Friends

We note that, unlike Oracle, nearly all of SAP's maintenance revenue is vulnerable to disintermediation as the substantial majority of its products are business applications for which source code is available to customers.

However, some would likely argue that SAP is less sensitive to a loss in maintenance as its support margins are not as high as ORCL's. Others would also argue that SAP could protect against some of the maintenance loss downside by improving these margins, a dynamic that will occur when SAP completes rolling out its price hike (from 17% of license list price to 22% of license list price).

While we do concur that SAP's maintenance revenues and margins will likely rise, this will be a one-time lift. This 30% maintenance hike is an additional $1.6B in support revenues, assuming that SAP is able to achieve it.

Revenue Impact of SAP Maintenance Increase

Average Maintenance	Incremental Revenues ($M)
5%	$260
10%	$520
15%	$780
20%	$1,040
25%	$1,300
30%	$1,550

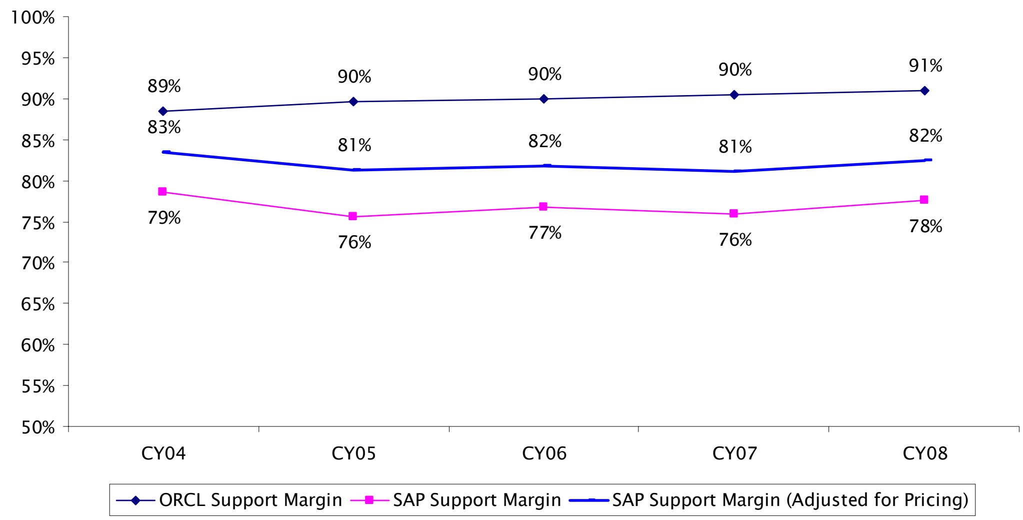
Source: Company reports, Cowen and Company

We note that a 30% increase in maintenance fees is likely a daunting proposition to many customers for which there has been much pushback reported in the press.

Once this one-time lift is over, we believe that the expansion potential is not as great as the spread between Oracle's class-leading margins is lower than the 13% observed in CY08.

The following compares historical SAP and ORCL support gross margins if we hold support costs constant and scale all of SAP's support revenues up to account for the price differential.

Historical SAP Adjusted and Unadjusted Support Margins vs. ORCL Support Margins



Source: Company reports, Cowen and Company

This shows that the spread between support margins of SAP and ORCL is at most 9% once adjusted for price.

We believe that the bulk of the difference is due to the following two factors.

- SAP includes higher-cost custom product development as part of its cost of maintenance. Oracle reports this as consulting income. If this business accounts for 5% of SAP's support revenues, we believe that it could account for a 3%-4% drag on SAP's support margins.

Estimated Impact of Custom Development on SAP Support Margins

	% of Support in Custom Apps									
Custom Development Margin	**1.0%**	**2.0%**	**3.0%**	**4.0%**	**5.0%**	**6.0%**	**7.0%**	**8.0%**	**9.0%**	**10.0%**
0.0%	(0.8%)	(1.7%)	(2.6%)	(3.4%)	(4.3%)	(5.3%)	(6.2%)	(7.2%)	(8.2%)	(9.2%)
2.5%	(0.8%)	(1.6%)	(2.5%)	(3.3%)	(4.2%)	(5.1%)	(6.0%)	(7.0%)	(7.9%)	(8.9%)
5.0%	(0.8%)	(1.6%)	(2.4%)	(3.2%)	(4.1%)	(4.9%)	(5.8%)	(6.7%)	(7.7%)	(8.6%)
7.5%	(0.8%)	(1.5%)	(2.3%)	(3.1%)	(3.9%)	(4.8%)	(5.6%)	(6.5%)	(7.4%)	(8.3%)
10.0%	(0.7%)	(1.5%)	(2.2%)	(3.0%)	(3.8%)	(4.6%)	(5.5%)	(6.3%)	(7.2%)	(8.1%)
12.5%	(0.7%)	(1.4%)	(2.2%)	(2.9%)	(3.7%)	(4.5%)	(5.3%)	(6.1%)	(6.9%)	(7.8%)
15.0%	(0.7%)	(1.4%)	(2.1%)	(2.8%)	(3.6%)	(4.3%)	(5.1%)	(5.9%)	(6.7%)	(7.5%)
17.5%	(0.7%)	(1.3%)	(2.0%)	(2.7%)	(3.4%)	(4.1%)	(4.9%)	(5.6%)	(6.4%)	(7.2%)
20.0%	(0.6%)	(1.3%)	(1.9%)	(2.6%)	(3.3%)	(4.0%)	(4.7%)	(5.4%)	(6.2%)	(6.9%)
22.5%	(0.6%)	(1.2%)	(1.9%)	(2.5%)	(3.2%)	(3.8%)	(4.5%)	(5.2%)	(5.9%)	(6.7%)
25.0%	(0.6%)	(1.2%)	(1.8%)	(2.4%)	(3.0%)	(3.7%)	(4.3%)	(5.0%)	(5.7%)	(6.4%)
27.5%	(0.6%)	(1.1%)	(1.7%)	(2.3%)	(2.9%)	(3.5%)	(4.1%)	(4.8%)	(5.4%)	(6.1%)
30.0%	(0.5%)	(1.1%)	(1.6%)	(2.2%)	(2.8%)	(3.3%)	(3.9%)	(4.6%)	(5.2%)	(5.8%)

- Typical margins for custom development

Source: Company reports, Cowen and Company estimates

- Enterprise applications are more difficult to support than Oracle's technology products. Oracle's supports a mix of technology (database and middleware) and applications products. The majority of SAP's support is focused on applications. Our experience in the field and development at Oracle suggests that applications are more difficult to support given the wider variety of setups and configurations, and the resulting complexity associated with applications.

Given these conditions, we do not believe that there is any upside to SAP margins that would make a material enough impact on support to alleviate the effects of any business lost to 3rd party providers.

Evaluating the Cost of Upgrades

A significant component of the logic for paying maintenance revenue is not just day to day support, but for rights to future upgrades of existing products. So if we break out the maintenance contracts into those two components, half is for support and half is upgrade rights. If a customer isn't planning to upgrade to the latest version of the product within a certain time period, then fees for update rights are wasted money. The following chart is an attempt to recreate the math customers work through as they evaluate the benefits of paying maintenance. This chart shows a break even point for switching from vendor maintenance to third party maintenance assuming that:

1. 3rd party maintenance is priced at 50% of vendor maintenance.
2. Vendors raise maintenance prices 5% every year.
3. Customers upgrade products every 5 years.
4. Upgrades require either a re-purchase of license from the OEM or the customer purchasing maintenance at 150% of its last maintenance payment to the original vendor. The latter is Oracle's support resumption policy.
5. The original license was worth $1M and the customer had to purchase the first year of maintenance with the license.

Evaluating the Cost of 1st-Party Support vs. 3rd-Party Support

Scenario 1: Use First-Party Support

Year	1	2	3	4	5	6	7	8	9	10	Total
License Cost	$1.0										
1st-Party Maintenance	$0.2	$0.2	$0.2	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	
Cumulative Cost	**$1.2**	**$1.5**	**$1.7**	**$1.9**	**$2.2**	**$2.5**	**$2.8**	**$3.1**	**$3.4**	**$3.8**	**$3.77**
PV, 5% Discount Rate	$1.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	**$3.20**
PV, 10% Discount Rate	$1.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.1	**$2.80**
PV, 20% Discount Rate	$1.2	$0.2	$0.2	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	$0.1	**$2.30**

Scenario 2: 3rd-Party Maintenance, Purchase New License Resumption Policy

Year	1	2	3	4	5	6	7	8	9	10	Total
License Cost	$1.0					$1.3					
1st-Party Maintenance	$0.2					$0.3					
3rd-Party Maintenance		$0.1	$0.1	$0.1	$0.1		$0.1	$0.1	$0.2	$0.2	
Cumulative Cost	**$1.2**	**$1.3**	**$1.4**	**$1.6**	**$1.7**	**$3.2**	**$3.4**	**$3.5**	**$3.7**	**$3.8**	**$3.81**
PV, 5% Discount Rate	$1.2	$0.1	$0.1	$0.1	$0.1	$1.2	$0.1	$0.1	$0.1	$0.1	**$3.24**
PV, 10% Discount Rate	$1.2	$0.1	$0.1	$0.1	$0.1	$0.9	$0.1	$0.1	$0.1	$0.1	**$2.83**
PV, 20% Discount Rate	$1.2	$0.1	$0.1	$0.1	$0.1	$0.6	$0.0	$0.0	$0.0	$0.0	**$2.29**

Scenario 3: 3rd-Party Maintenance, Purchase Maintenance at 150% Rate Resumption Policy

Year	1	2	3	4	5	6	7	8	9	10	Total
License Cost	$1.0										
1st-Party Maintenance	$0.2					$0.3					
3rd-Party Maintenance		$0.1	$0.1	$0.1	$0.1		$0.1	$0.1	$0.2	$0.2	
Cumulative Cost	**$1.2**	**$1.3**	**$1.4**	**$1.6**	**$1.7**	**$2.0**	**$2.2**	**$2.3**	**$2.5**	**$2.6**	**$2.63**
PV, 5% Discount Rate	$1.2	$0.1	$0.1	$0.1	$0.1	$0.3	$0.1	$0.1	$0.1	$0.1	**$2.32**
PV, 10% Discount Rate	$1.2	$0.1	$0.1	$0.1	$0.1	$0.2	$0.1	$0.1	$0.1	$0.1	**$2.09**
PV, 20% Discount Rate	$1.2	$0.1	$0.1	$0.1	$0.1	$0.1	$0.0	$0.0	$0.0	$0.0	**$1.81**

Source: Cowen and Company estimates.

We note that 3rd party maintenance immediately pays back. If companies have a longer time horizon, the decision to use 3rd party providers will depend on the resumption policy of the OEM vendor, the company's discount rate for IT projects, and the upgrade cycle.

The case for 3rd party support is not as compelling for companies that use OEMs for which a license has to be re-purchased because of the imminent lump sum license payment. However, 3rd party support will always be cheaper if the customer's OEM is like Oracle where the support resumption policy is just a price hike over its original annual maintenance fee.

Additionally, many software vendors further antagonize their customers by calling updated products new products, thus charging a brand new license fee.

SAP Cost of Software Regression Analysis (Used to Derive Approximate License Gross Margin)

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	18.69249	60.40064999	0.309474981	0.760514141	-108.2045666	145.5895466	-108.2045666	145.5895466
Support Revenues	0.199329194	0.067401694	2.957332124	0.008431552	0.05772349	0.340934897	0.05772349	0.340934897
License Revenues	0.008373151	0.015670105	0.534339173	0.599645271	-0.024548519	0.041294821	-0.024548519	0.041294821
Subscription	0.330399821	0.582507275	0.56720291	0.577582324	-0.893402549	1.554202191	-0.893402549	1.554202191

Source: Company reports, Cowen and Company

Stocks mentioned: prices and ratings

Stock	Ticker	Price ($, 9/24/2009)	Cowen and Company rating
Accenture	ACN	35.96	Outperform
Epicure Software	EPIC	6.45	Neutral
IBM	IBM	120.94	Outperform
Lawson Software	LWSN	6.40	Outperform
Oracle	ORCL	21.17	Neutral
QAD	QADI	4.49	Neutral
SAP AG	SAP	49.21	Underperform

Source: Cowen and Company

Addendum

STOCKS MENTIONED IN IMPORTANT DISCLOSURES

Ticker	Company Name
ACN	Accenture
EPIC	Epicor Software
IBM	IBM
LWSN	Lawson Software
ORCL	Oracle
QADI	QAD
SAP	SAP AG (ADR)

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(a) Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period.

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Hold (c)	49.4%	0.3%
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