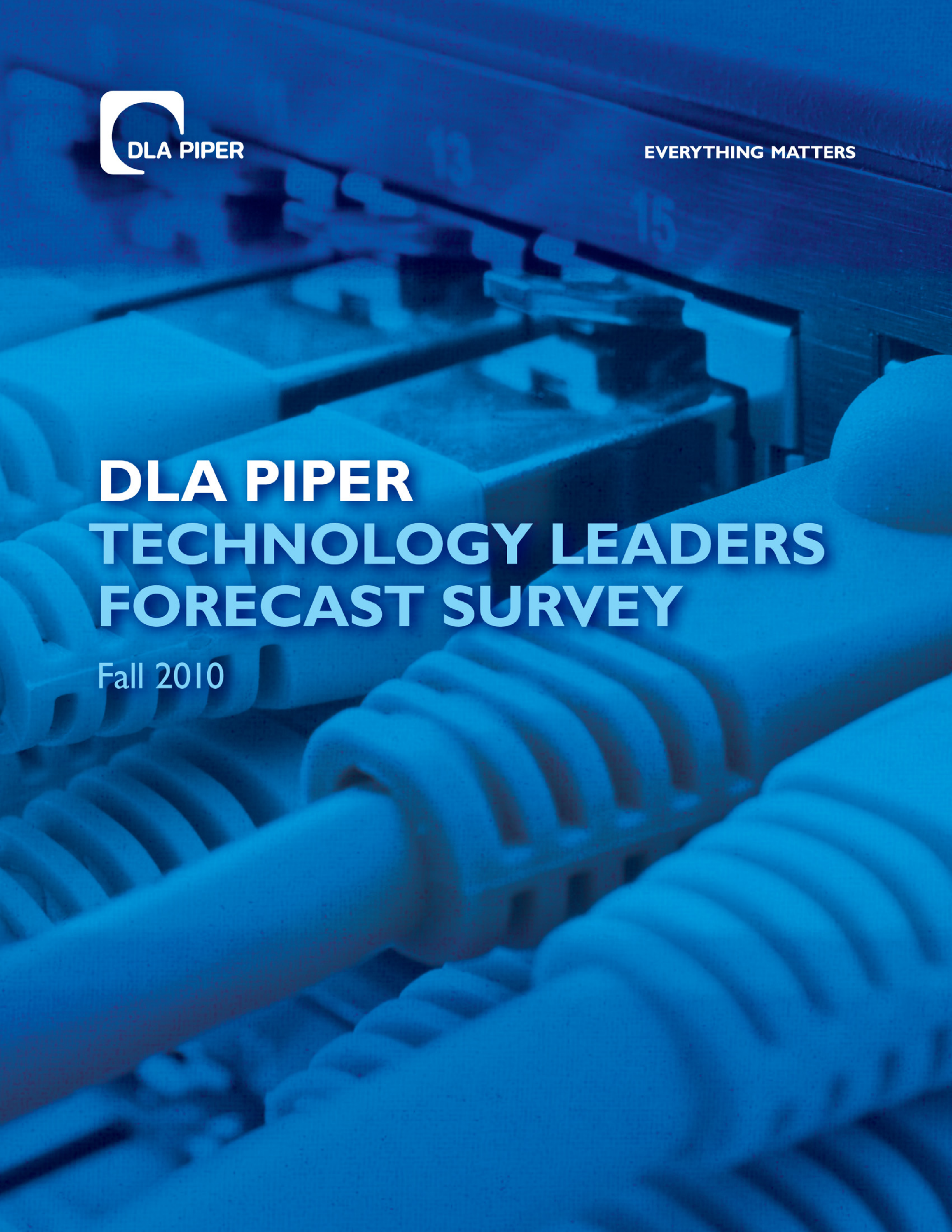

DLA PIPER

EVERYTHING MATTERS

DLA PIPER TECHNOLOGY LEADERS FORECAST SURVEY

Fall 2010

EXECUTIVE SUMMARY

As the economy slowly recovers from the "Great Recession" and amid economic and political uncertainty, global law firm DLA Piper commissioned its third DLA Piper Technology Leaders Forecast Survey.

Hundreds of technology leaders were asked their opinions and insights into the pressing questions of the day:

- Will the economic recovery stay on track or will we experience a "double dip" recession?
- Will the IPO market rebound to historical levels? Will it grow at all during the foreseeable future?
- Has the venture capital model been permanently altered? If so, what might that mean for the technology industry?
- What will the impact of the mid-term elections be on the technology industry? In what ways will Washington impact the technology sector?
- What is the future of Clean Tech investment?

The DLA Piper Technology Leaders Forecast Survey is a measure of current perspectives and attitudes on the major trends, challenges and opportunities confronting the tech industry. Key findings and themes in this report include:

- ***Cautious Optimism on the Economy***: ***85 percent*** of technology leaders believe the global economy is on a sustained path of economic recovery, albeit with just moderate growth.
- ***Optimism on Sales Growth***: ***72 percent*** of tech companies report that they expect sales increases in the next six- to 12 months, with small tech companies expecting the strongest growth.
- ***Guarded on Hiring and Investment***: In a sign that jobs growth will not rebound quickly, ***43 percent*** of these same executives and companies expect to keep staffing levels flat, and 17 percent of large tech companies are prepared for possible job reductions.
- ***Venture Model Permanently Altered***: Nearly ***64 percent*** of technology leaders believe that IPOs will not return to historical levels – and nearly 60 percent of these executives believe the traditional venture capital model has been "permanently altered."
- ***Impact of Expiration of Bush Tax Cuts:*** A majority of business leaders (***56 percent***) believe that expiration of the Bush tax cuts will result in reduced investments in start-up tech companies.
- ***Silver Lining Technologies***: Cloud Computing, Clean Tech and Mobile technologies are seen as the tech industry's most promising investments.

CAUTIOUS OPTIMISM FOR A SUSTAINED ECONOMIC RECOVERY

On the heels of one of the most severe economic downturns of the last century, and amid a continued sluggish global economy, one of the more surprising and notable findings of the DLA Piper Technology Leaders Survey is the extent of optimism in the technology industry – albeit of a cautious variety. Close to 85 percent of technology and venture capital executives participating in the survey believe the global economy is on a sustained path of economic recovery. This is a notable increase in confidence over the survey DLA Piper commissioned six months ago, when 69 percent of technology leaders projected that an economic recovery was at hand.

This particular metric begs the question: What has changed since the spring to account for a 23 percent rise in confidence among the executives surveyed? The absence of a major international financial spectacle, such as the Greece debt crisis that intensified during the first months of 2010 and was fresh in the minds of technology leaders during the spring survey, probably plays a role in the increase in confidence. Steady growth and rapid development in China probably does as well.

Although economic fundamentals in the United States, such as unemployment and underemployment, consumer confidence, and access to credit for both consumers and businesses, remain stubbornly similar to their undesirable spring levels, they have not significantly worsened. This is likely an element of respondents' increasing confidence in an economic recovery.

Respondents to the DLA Piper Technology Leaders Forecast Survey have been quite accurate in predicting economic and tech industry developments. In October 2008, 66 percent of survey respondents felt a recession was imminent, and 83 percent predicted the recession would last until late 2009 or early 2010.

These predictions proved to be quite accurate in relation to other broad economic predictions held by business leaders at the time. On September 20th, the National Bureau of Economic Research issued a statement confirming the recession in the United States ended in June of 2009 and had lasted 18 months, making it the longest-lasting recession since World War II[1].

Although some economists and headlines are questioning whether the US economy is headed for a double-dip recession, technology leaders seem confident of a sustained recovery, even if at subdued levels of less than 2 percent or 3 percent of GDP growth. Just 12 percent of survey respondents foresee a

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[1]The NBEC uses a range of economic activity in identifying recessions in the United States, including real gross domestic product and real gross domestic income as well as the "depth of decline" in economic activity. For the 18-month recession of 2007 to 2009, it observed real GDP declined during the first, third, and fourth quarters of 2008 and the first quarter of 2009, and that real GDI declined for six consecutive quarters during that period of time.

possible double-dip recession. Again, this is an improvement from six months ago when almost a quarter (22 percent) of technology leaders had concerns about a relapse that would result in a double-dip recession.

Assuming these predictions prove to be true and the domestic economy does not slip into a double-dip recession, the technology industry's priorities may shift from guarding against the harmful effects of recession to focusing on growth amid an environment that is rife with opportunities. To that end, the survey data show some notable, specific expectations technology executives have for the near term.

Technology Industry Expectations

In spite of an economy that is recovering but still generally unhealthy, survey respondents indicated high levels of confidence for their own respective business plans and financial forecasts during the next six- to 12 months. Nearly 72 percent of respondents expect their firms to experience sales growth during that time period.

Moreover, an expectation for increasing demand was prevalent. Nearly 70 percent expect to enjoy a rise in *consumer* demand for their products or services, while more than 82 percent forecast that *business* demand will rise. Survey participants included both business-to-business and consumer-focused technology firms and investors.

Looking closer at the data, other trends emerge. Despite these expectations for increasing demand, many respondents did not predict a corresponding increase in their research and development expenditures – nor in hiring. This matches the broader economic trend of companies acting defensively and sitting on cash as a response to an economy that is expected to improve incrementally, not rapidly. It also encapsulates the reason many of these companies are reporting they are "cautiously optimistic."

Further, virtually all of the respondents, 96 percent, do not expect the credit markets to change, for better or for worse, "significantly" during the next six- to 12 months. Although most respondents expect demand as well as revenue growth in the near-term future, notwithstanding credit challenges, the limitations on access to credit appear to be one of the factors contributing to expectations of slow growth.

So what else could impede growth during the next six- to 12 months? Just more than half said they think expiration of the Bush-era tax cuts would slow consumer and business spending, thereby negatively impacting technology companies (around 25 percent disagreed with the notion; the rest were neutral). This is an important near-term issue for the sector, and the Obama administration's current legislative priority is neither to extend the cuts nor to let them expire entirely. Current tax law mandates an end to the cuts entirely on January 1, 2011, without legislative action.

In this vein, the upcoming mid-term elections, and their corresponding effect on law-making, is another important near-term issue, and respondents' expectations for them were mixed.

Spotlight on Clean Tech

One element of the government-technology interplay that was not mixed was the need for active government involvement in the Clean Tech industry, with nearly 84 percent of respondents placing importance on tax incentives and other active involvement in that sector. The data, however, do not support the same level of government involvement in other corners of the technology sector; only 23 percent of respondents agreed that government intervention into the private-sector technology market spurs growth.

This makes sense, considering that many Clean Tech companies cannot be fully funded by traditional venture capital models because of the large capital requirements of their projects. Not only are the infrastructure and financing requirements for many Clean Tech companies viewed as too costly for venture capital firms, generating a meaningful return on the original capital takes far longer than most venture capital investors are willing to wait. The government, on the other hand, has the reserves necessary to support multi-hundred-million dollar investments in Clean Tech and the capabilities to see longer projects through.

A Changing IPO Market

Respondents also widely agreed that the weakness in the IPO market continues notwithstanding some improvement in 2010, with nearly 72 percent of respondents indicating that they no longer view an IPO as an optimal exit strategy, and that technology firms as well as investors need to "assume that M&A must be the optimal exit route."

This is a game-changing confirmation. Of course, the most common exit for technology companies has always been mergers and acquisitions rather than IPOs. However, a reduction in IPOs has broader implications, reducing the number of dramatic "home runs" for venture capital investors and lowering overall returns. Fewer IPOs also means fewer small- and medium-size public technology companies which traditionally have been the acquirers for many technology company exits. In parallel, new technology developments such as open source and the availability of on-demand cloud computing infrastructure have reduced the costs of building many new technology companies. Lower costs allow for profitable exits at lower valuations, but at the same time, reduce the opportunity for significant amounts of venture capital to be profitably invested.

Prevalent Themes

Respondents were asked "What three words or phrases best describe your general outlook for the technology sector?" The following cloud is a visual representation of the words most frequently used in response to the question. The size of each word corresponds with the number of times the word was used by technology leaders. The larger the word, the more dominant the theme.

While the words **Optimistic**, **Growth**, and **Innovation** are among the more dominant themes in the cloud, the words **Cautious** and **Guarded** are very prevalent as well.

ECONOMIC AND TECHNOLOGY INDUSTRY OUTLOOK

The DLA Piper Technology Leaders Forecast Survey asked a series of wide-ranging questions to technology industry insiders. Their responses are summarized in the text and graphs that follow.

WILL THE ECONOMY UNDERGO A DOUBLE-DIP RECESSION OR WILL WE SEE A SUSTAINED ECONOMIC RECOVERY?

RESPONSES	%	PERCENTAGE OF TOTAL RESPONDENTS
Double-dip recession	13%	
Weak but sustained economic recovery	79%	
Sustained economic recovery	5%	
Total Responses		**20% 40% 60% 80% 100%**

A strong majority of respondents predicted an economic recovery, while a minority predicted a double-dip recession. The strong agreement that a forthcoming recovery will be weak but sustained reflects the guarded optimism of the sector.

Technology leaders were asked to rate the following economic indicators with regard to their company's current business plans and forecasts over the next six- to 12 months:

- Sales Growth
- Employment
- Research & Development

Tech Leaders Expect Moderate to Strong Sales Growth; Business Solutions to Outpace Consumer Technologies

SALES GROWTH FORECAST

RESPONSES	%	PERCENTAGE OF TOTAL RESPONDENTS
Expect strong increase	16%	
Expect moderate increase	55%	
Expect no change	23%	
Expect moderate decrease	5%	
Expect strong decrease	0%	
Total Responses		**20% 40% 60% 80% 100%**

Guarded optimism is further on display when tech leaders discuss their sales forecasts and plans for investment and hiring:

- Tech leaders are optimistic in their expectations for increased sales revenues, with 72 percent reporting that they expect a moderate to strong increase in sales in the next six- to 12 months.
- The majority of those executives expect only moderate increases, but one in seven expect a strong increase in sales revenue over the next year.
- Notably, just 5 percent of respondents project a possible moderate decrease in sales; while close to a quarter (23 percent) expect flat sales in the near term.

As might be expected as the economy emerges from the recession with continued high unemployment rates, there is greater optimism for sales growth of technologies geared to business markets than to consumer markets. Approximately 67 percent of survey respondents expect moderate to strong sales growth in consumer technologies, whereas 82 percent of respondents expect moderate to strong increases in sales of business technologies solutions and services.

- Venture capitalists are particularly bullish on technologies geared to business markets with 93 percent of VCs projecting a moderate to strong increase in sales of B-to-B technology solutions and services.

Start-ups and mid-sized technology companies were slightly more optimistic about their sales growth prospects than were larger technology companies.

- Among technology companies with more than $1 billion in annual revenues, 66 percent expect moderate or strong sales growth – with just 7 percent expecting a strong increase.
- In comparison, technology companies with less than $100 million in annual revenue, 75 percent expect sales growth – and 23% expect strong sales growth in the next six- to 12 months.

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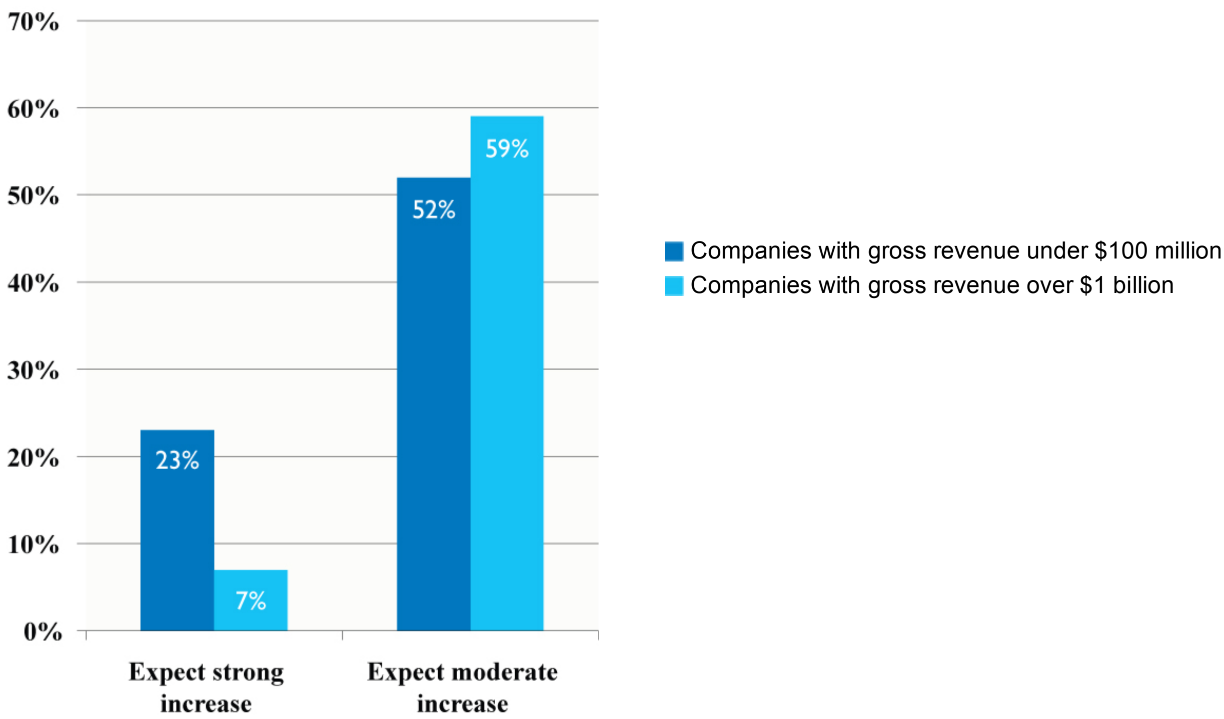
SALES GROWTH FORECAST



Flat to Modest Job Growth Expected; Outlook Gloomier Among Large Tech Companies

EMPLOYMENT FORECAST

RESPONSES	%	PERCENTAGE OF TOTAL RESPONDENTS
Expect strong increase	4%	
Expect moderate increase	41%	
Expect no change	43%	
Expect moderate decrease	9%	
Expect strong decrease	2%	
Total Responses		**20% 40% 60% 80% 100%**

With the US unemployment rate hovering above 9.5 percent and the economy struggling to add jobs, the tech sector appears to anticipate flat to modest job growth.

- Just over 41 percent of companies participating in the survey reported that they expect to increase hiring, albeit moderately. This finding is echoed by several other recent studies on technology industry employment and job creation.

Still, in a clear illustration of the caution with which companies are proceeding in the current economic environment, 43 percent of companies reported that they expect to keep staffing levels flat.

- The outlook is gloomier among large tech companies. For those companies with over $1 billion in annual revenue, nearly 60 percent report an expectation of flat or decreasing employment over the next six- to 12 months.
- The employment outlook is most promising at mid-size companies, those with revenues between $100 million and $1 billion.

EMPLOYMENT FORECAST – COMPANIES WITH GROSS REVENUE OVER $1 BILLION

RESPONSES	COUNT	%	PERCENTAGE OF TOTAL RESPONDENTS
Expect strong increase		2%	
Expect moderate increase		39%	
Expect no change		41%	
Expect moderate decrease		17%	
Expect strong decrease		0%	
Total Responses			**20% 40% 60% 80% 100%**

R&D Spending to be Largely Flat over Next 12 Months

The conservative approach in the tech industry extends past employment to planned Research & Development investment as well, with the vast majority of companies planning flat R&D budgets over the next year.

PLANNED RESEARCH AND DEVELOPMENT EXPENDITURES

RESPONSES		%	PERCENTAGE OF TOTAL RESPONDENTS
Expect strong increase		6%	
Expect moderate increase		43%	
Expect no change		44%	
Expect moderate decrease		7%	
Expect strong decrease		1%	
Total Responses			**20% 40% 60% 80% 100%**

"Tech leaders are forecasting stronger sales and earnings across the board, yet they are not planning to invest in hiring nor R&D. This suggests that we may be in for a prolonged period of guarded investment and only moderate growth."

– Peter Astiz, Global Co-Head, Technology Sector, DLA Piper

Outlook on Credit Markets Mixed, but Impact is Clear

PROJECTIONS ON CREDIT MARKETS

RESPONSES		%	PERCENTAGE OF TOTAL RESPONDENTS
Significant tightening of credit		2.29%	
Slight tightening of credit		20.57%	
No change in the credit markets		33.14%	
Slight loosening of credit		42.29%	
Significant loosening of credit		1.71%	
Total Responses			**20% 40% 60% 80% 100%**

Nearly 68 percent of tech executives say that a tightening of credit has negatively impacted their business, and the majority does not expect the credit markets to improve significantly during the next six- to 12 months.

The problem is more pronounced among mid-market and large technology companies that more often access commercial credit – and less pronounced among small tech enterprises which rely more heavily on equity invested by angels and venture funds.

- Almost 21 percent of respondents predict the credit markets will slightly tighten over the next six- to 12 months, while 33 percent predict no improvement or change in the availability of credit.
- However, a sizeable minority of respondents (42 percent) expect greater availability of credit over the next 12 months.

Despite the mixed outlook, there is broad acknowledgement that the credit markets continue to present a challenge to the industry.

- Two-thirds of companies (68 percent) claim the tight credit markets have negatively impacted their business, while just one-third (32 percent) report no significant impact.

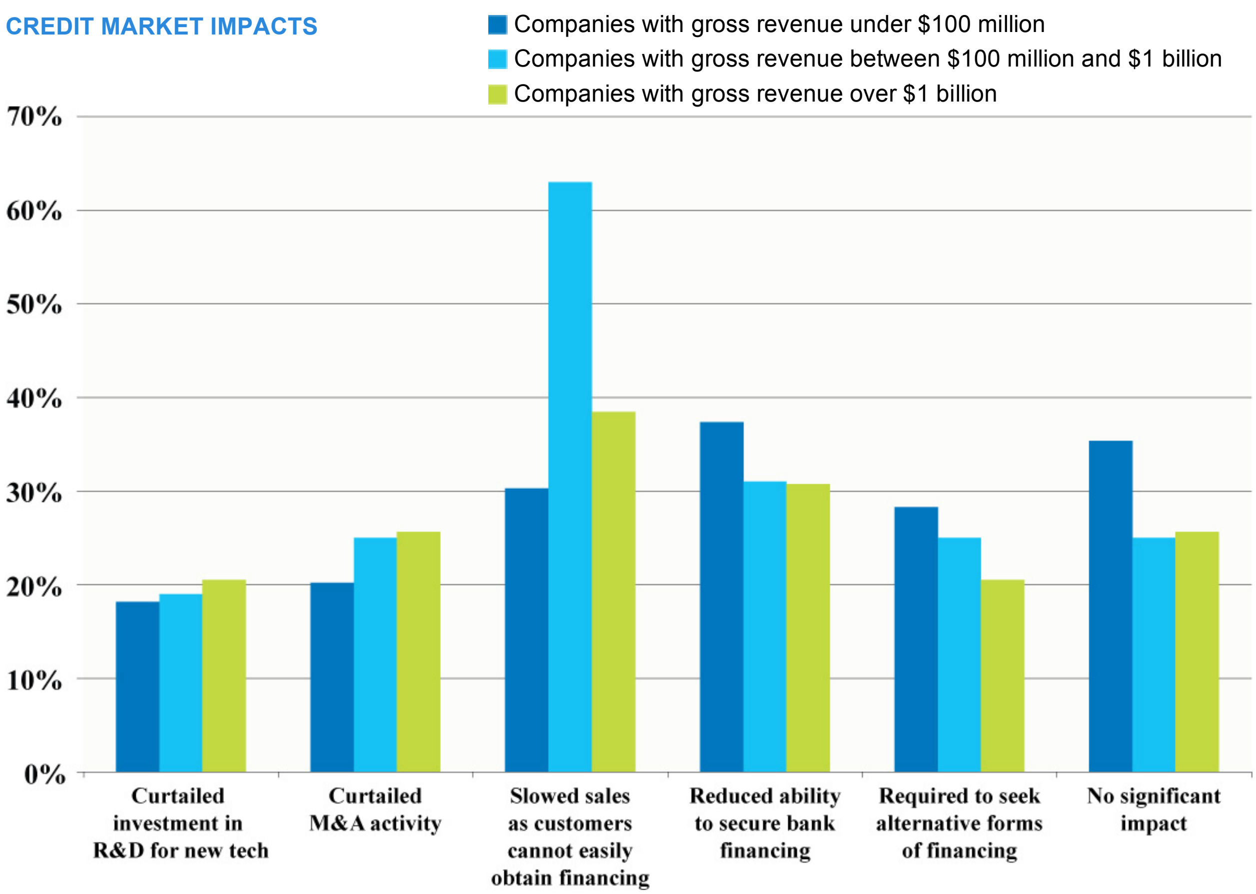
Respondents indicated the current credit environment is negatively impacting their businesses by curtailing strategic and operational expansions, including mergers and acquisitions activity and investments in Research & Development.

- One of their core concerns (36 percent reporting) is that customers cannot access financing to purchase their products and services. This is particularly problematic for mid-market companies, those with gross annual revenues between $100 million and $1 billion, with 62 percent reporting slower sales as a result of poor availability of credit.

HOW IS THE CURRENT CREDIT ENVIRONMENT IMPACTING YOUR BUSINESS?

RESPONSES		%	PERCENTAGE OF TOTAL RESPONDENTS
Curtailed our investment in R&D for new technologies		19.38%	
Curtailed our M&A activity		21.88%	
Slowed company sales as customers cannot easily obtain financing		35.63%	
Reduced our ability to secure bank financing for strategic or operational purposes		35.00%	
Required us to seek alternative forms of financing		25.63%	
No significant impact		32.50%	
Total Responses			**20% 40% 60% 80% 100%**

CREDIT MARKET IMPACTS



Intersection of Washington and Silicon Valley

With the 2010 mid-term elections just a few weeks away, Silicon Valley and the tech industry are keenly focused on developments in Washington. Nearly 86 percent of technology executives seem to be aligned with many political pundits in projecting a Republican takeover of the House of Representatives. Of these, a majority of respondents, more than 54 percent, expect to see legislative gridlock in Washington following the elections; whereas nearly one-third (32%) see such a development as a chance to reset national priorities with a pro-business agenda.

The following verbatim responses capture the broad sentiments of technology leaders:

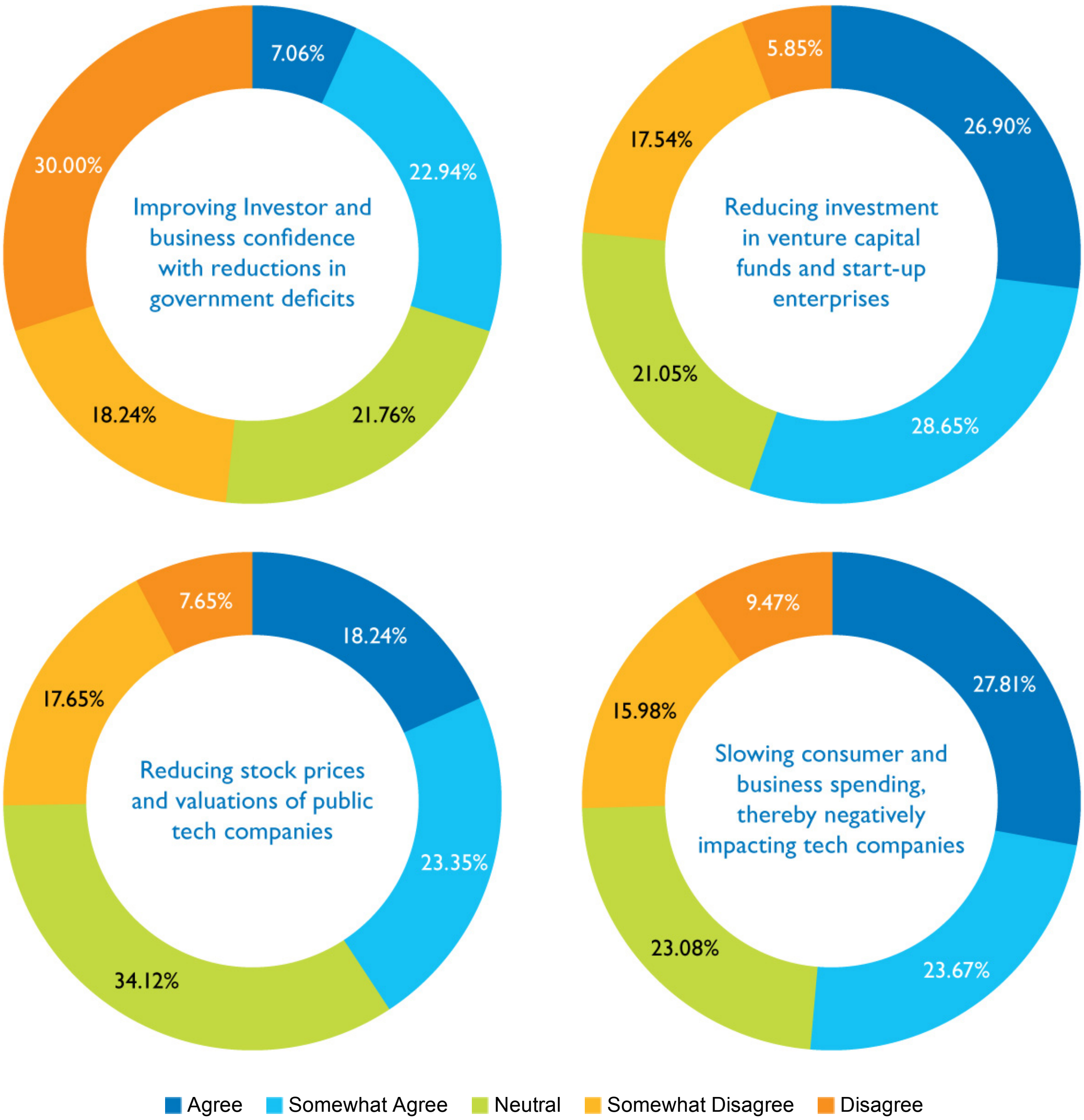
- "We already have deadlock/gridlock in Washington. Regardless of who wins, that will likely continue."
- "Divided government will create a more balanced approach to legislation. As a result, less laws will be passed, which is a good thing."
- "If Republicans gain majorities in both chambers, there will be gridlock but also a turning to priorities with a pro-business agenda. It's really a mixture of both."

However, technology leaders seem more focused on the political agenda in Washington than on what the political landscape will look like post-November 2nd. There was a surprisingly mixed reaction to the expected debate and vote on the Bush-era tax cuts that are set to expire at the end of the year.

- A majority of these business executives (56 percent) believe that an expiration of the tax cuts would result in reducing investments in start-up tech companies and venture capital funds.
- Further, 52 percent of these executives express concern that expiration of the Bush tax cuts would slow consumer and business spending on technologies.
- As might be expected, the above concerns and percentages were approximately 10 percent higher among venture capital and finance professionals.

However, 30 percent of tech executives believe the increased government revenues generated with the resulting tax increase would help reduce deficits and improve general economic confidence. Opinions were mixed on whether expiration of the tax cuts would negatively impact the stock market and valuations of public companies.

YEAR-END EXPIRATION OF THE BUSH TAX CUTS, AND CHANGES IN THE TREATMENT OF CAPITAL GAINS, WILL AFFECT THE TECHNOLOGY SECTOR BY:



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As the government considers further economic stimulus and President Obama signs the Small Business Jobs Act, there appears to be a bit of a dichotomy in how business executives view government involvement in the tech industry: 36 percent see government as a hindrance to economic growth and innovation, while 23 percent believe government can help to fuel growth.

However, when it comes to the Clean Tech industry and energy policy, the tech industry is united in seeing government investment as critical to enabling and promoting private sector Clean Tech investments.

> "The capital requirements and ROI timing for Clean Tech are not ideal for the current venture capital model. The infrastructure and financing requirements are massive, often in the hundreds of millions of dollars. There is a significant funding gap here. This suggests that the financing models for Clean Tech companies will continue to evolve, and must allow meaningful growth of these technologies in the US. Clearly, venture capital will play an important role, but government and alternative forms of private financing will play an equally, if not more critical role."
>
> *–Craig Tighe, Partner, DLA Piper*

DO YOU SEE THE GOVERNMENT AS AN AGENT OF GROWTH FOR TECHNOLOGY INVESTMENT, DEVELOPMENT AND INNOVATION OR AS A HINDRANCE TO THE TECHNOLOGY INDUSTRY?

RESPONSES	%	PERCENTAGE OF TOTAL RESPONDENTS
Primarily Spurs Growth	23%	
Neutral	41%	
Primarily Hinders Growth	36%	
Total Responses		**20% 40% 60% 80% 100%**

HOW IMPORTANT ARE GOVERNMENT TAX INCENTIVES AND INVESTMENTS IN PROMOTING/ENABLING PRIVATE SECTOR CLEAN TECH INVESTMENT?

RESPONSES	%	PERCENTAGE OF TOTAL RESPONDENTS
Important	46%	
Somewhat Important	36%	
Unsure	14%	
Somewhat Unimportant	3%	
Not Important at All	1%	
Total Responses		**20% 40% 60% 80% 100%**

VENTURE MODEL "PERMANENTLY ALTERED"

It has been nearly a decade since the "Tech Bubble" burst and IPOs fell off their historic highs. Many explanations have been offered for the continued weakness in the market, such as the complexities and costs for IPOs brought on with Sarbanes-Oxley, competition from foreign exchanges and the extended stagnation fueled by the global economic downturn.

The DLA Piper Technology Leaders Forecast Survey found that a strong majority of tech leaders now believe that IPOs will not return to historic levels – and that as a result, the venture capital model for tech start-ups has been permanently altered.

- Nearly 64 percent of venture capitalists, entrepreneurs and tech executives believe that IPOs will not return to the historical norms of the 1990s and early part of 2000.
- This belief is heightened among venture capital and finance executives, with 73 percent expressing that opinion.
- As a result, more than 59 percent of these executives believe the traditional venture capital model has been "permanently altered" – and expect both fewer venture capital firms and funded technology companies in the future.

Although mergers and acquisitions (M&A) historically have been the primary exit route for venture-backed technology companies, venture capital and tech executives believe M&A is also the *optimal* exit strategy.

- 72 percent of respondents said they think tech companies must now assume M&A is the primary and optimal exit route; 80 percent of venture capitalists expressed this view.

Despite these changes, the vast majority of tech executives (87 percent) think that significant capital will still continue to be invested by venture capital and private equity firms, as well as by angel investors, in technology start-ups. Further, a vocal minority (22 percent) believes that the venture model hasn't changed, that the market is merely experiencing a normal economic down cycle, and the IPO market will heat up once again and return to normal levels in 2011 or 2012.

Only 38 percent of respondents saw exchanges outside the US as a viable or preferable option for a tech company IPO.

> "This is a profound, game-changing development. If there is a long-term expectation that the IPO market will not rebound, that means a reduction in the number of dramatic home runs for venture capital investors and lower overall returns. Fewer IPOs also means fewer small- and medium-size public technology companies which traditionally have been the acquirers for many of the technology company exits."
>
> *– Peter Astiz, Global Co-Head, Technology Sector, DLA Piper*

“Conservative, cautious are the words of the day. Cheaper models such as SaaS, Cloud and Mobile companies will be built on smaller rounds of angel and venture financing. More expensive investments such as Clean Tech and technology manufacturing will require new finance models, and those models are still developing.”

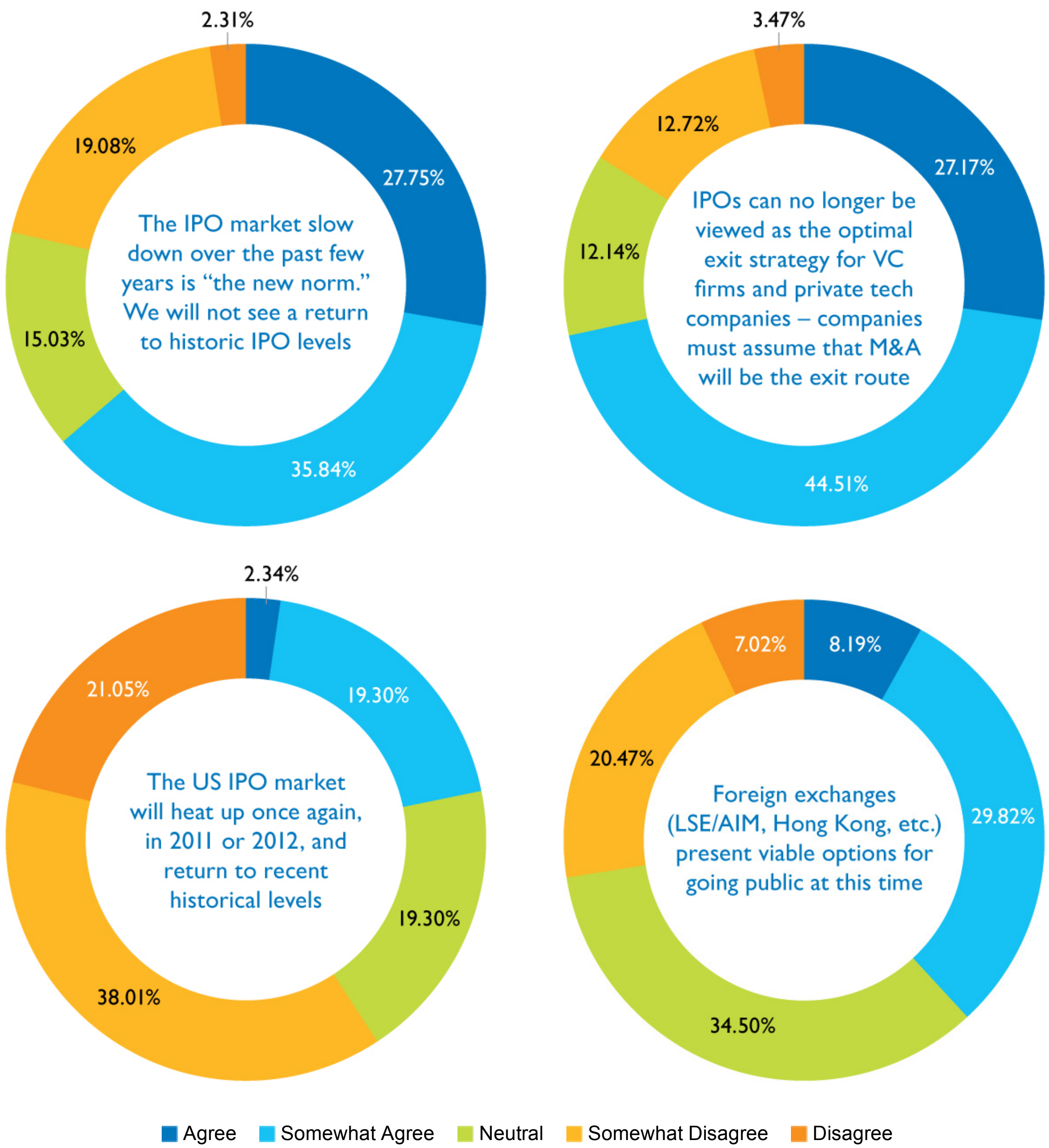
– James Koshland, Partner at DLA Piper

WHAT IS REQUIRED TO REVIVE THE IPO MARKET?

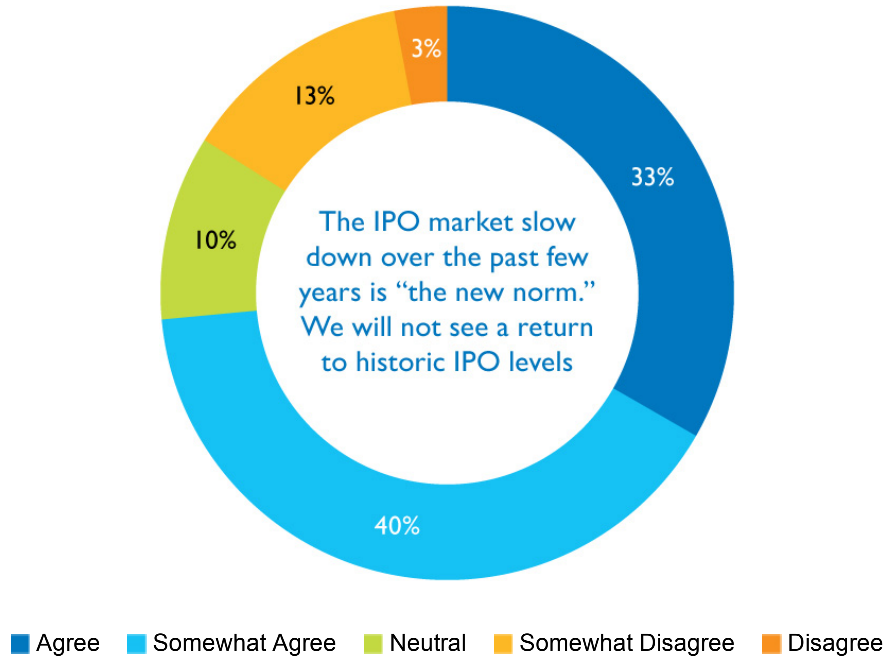
The IPO and venture capital model survey questions received the most verbatim comments, with the vast majority saying reform to Sarbanes-Oxley and a general lessening of regulatory burdens on public companies was required to revive the IPO market. Respondents also repeatedly commented on the need for predictable steady growth in the capital markets and for predictable regulatory and tax environments. Below is a sampling of those verbatim comments:

- “Revision to Sarbanes Oxley to reduce the expense and burden of being a public company, stability of the capital markets and more predictability from government on regulations and taxes.”
- “Simply time, the IPO market will not recover until the equity markets improve.”
- “The VCs must adapt to the new realities and begin investing again. This will create a greater supply of IPO candidates and increase investor confidence to feed the pipeline.”
- “Greater confidence for economic growth and stability in the financial markets.”
- “An IPO is still a viable option, just for fewer companies.”

TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS:



VENTURE CAPITAL AND FINANCE RESPONDENTS:
TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS:



"I view fluctuations in the amount of venture capital available or liquidation preference terms as more periodic and transitory than 'fundamental' in nature. There remains phenomenal power in the venture capital model developed in Silicon Valley: talented, risk-embracing, active investors partnering with brilliant technologists and entrepreneurs. In our firm's Emerging Growth and Venture Capital practice, we are reminded every day of the desire culturally ingrained in America to create, compete and succeed. This desire is enduring and independent of current economic conditions. I believe if government fiscal and regulatory activity can avoid any dramatic reshaping of incentives for capital formation and investment, we will see, as we've historically seen, our economic resurgence led by emerging growth companies."

— Paul Hurdlow, Co-Chair Emerging Growth and Venture Capital Practice at DLA Piper

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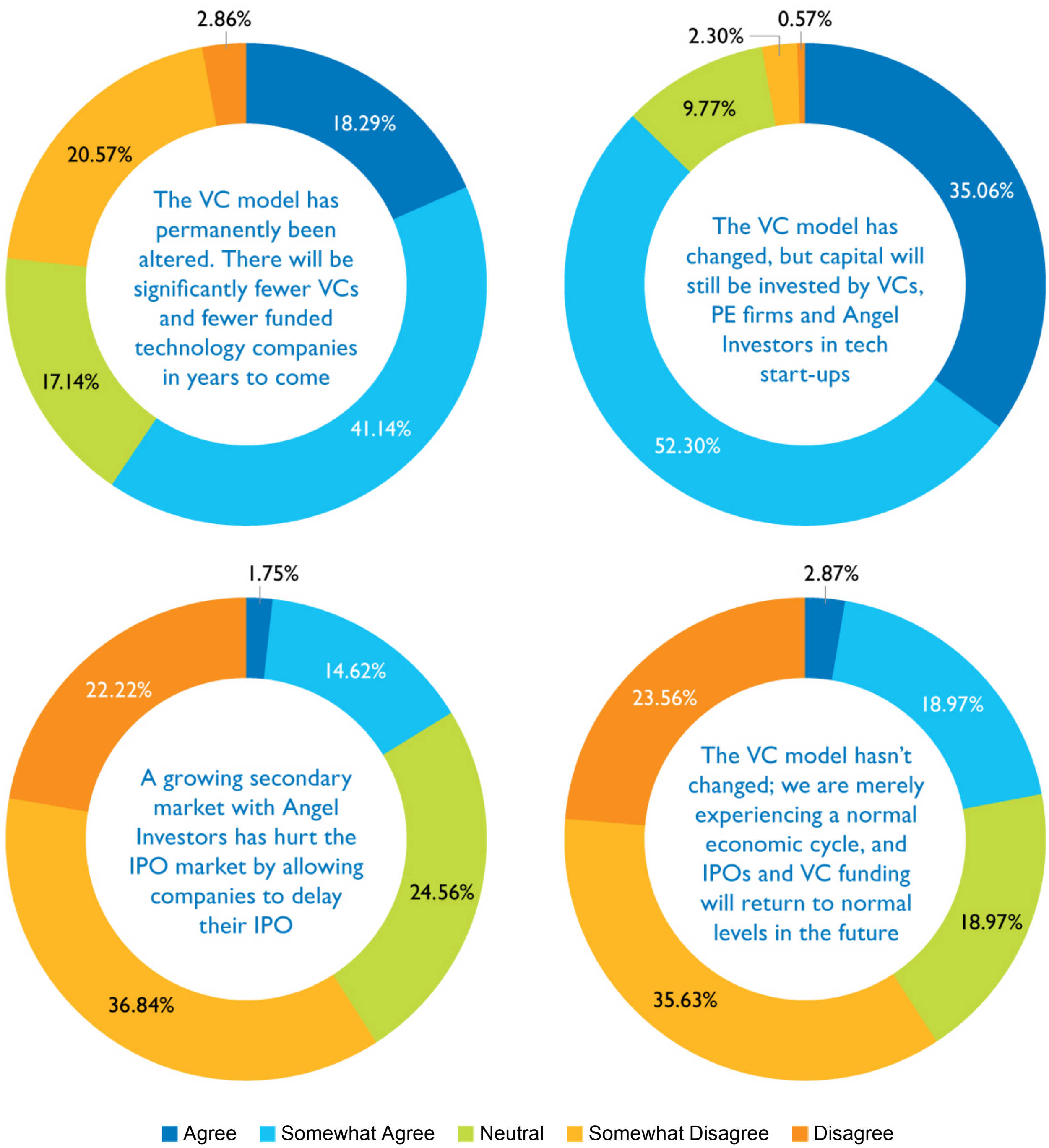
TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS REGARDING THE CURRENT BUSINESS MODEL FOR VENTURE CAPITAL FUNDS:

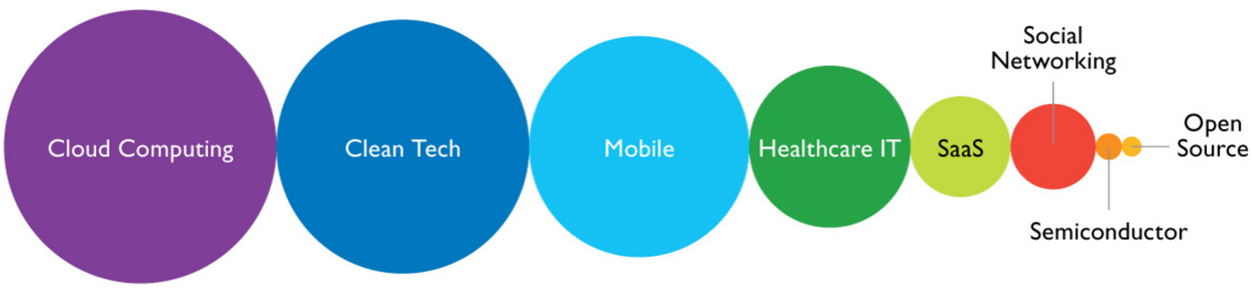


Cloud Computing, Clean Tech and Mobile Viewed as Most Promising Sectors

Cloud Computing and Clean Tech offer the most promising growth opportunities in the tech industry according to the survey. Although Clean Tech was viewed as the strongest growth opportunity by a sizeable number of respondents, and received the most #1 rankings, Cloud Computing was seen by a broader segment of the tech industry as the most promising growth opportunity.

More than 72 percent of respondents ranked Cloud Computing as one of the top three tech sub-sectors. On a weighted scale, (1) Cloud Computing, (2) Clean Tech, and (3) Mobile were seen as the most promising tech sectors. In another recent DLA Piper technology industry survey, 56 percent of respondents expressed a belief that Cloud Computing will be "pervasive" in organizations of all sizes within three to five years.

WHICH OF THE FOLLOWING SECTORS PRESENT THE MOST PROMISING GROWTH OPPORTUNITIES FOR THE TECHNOLOGY INDUSTRY?



The largest cited area of concern in Cloud Computing is security. Close to half of all respondents (49 percent) to that survey believed that security concerns are the biggest challenge to broad adoption of Cloud Computing.

"The Cloud provides enormous opportunities for both emerging growth companies and established companies. However, data ownership, security and continuity of business continue to be hot-button issues. Those cloud computing companies that can most actively address these concerns will be the ones with the greatest likelihood of success."
— Victoria Lee, Partner, DLA Piper

Social networking companies were seen as one of the least promising opportunities, likely due to the fact that well established companies already operate in key social media markets. In the last DLA Piper Technology Leaders Forecast Survey, close to half (47 percent) of respondents felt that poor monetization would define the social networking arena in the near future. Even those who saw continued growth in social networking businesses (32 percent) also thought the industry would see consolidation as larger players absorb smaller companies and growth opportunities.

CHINA TO SURPASS U.S. AS WORLD'S LARGEST ECONOMY

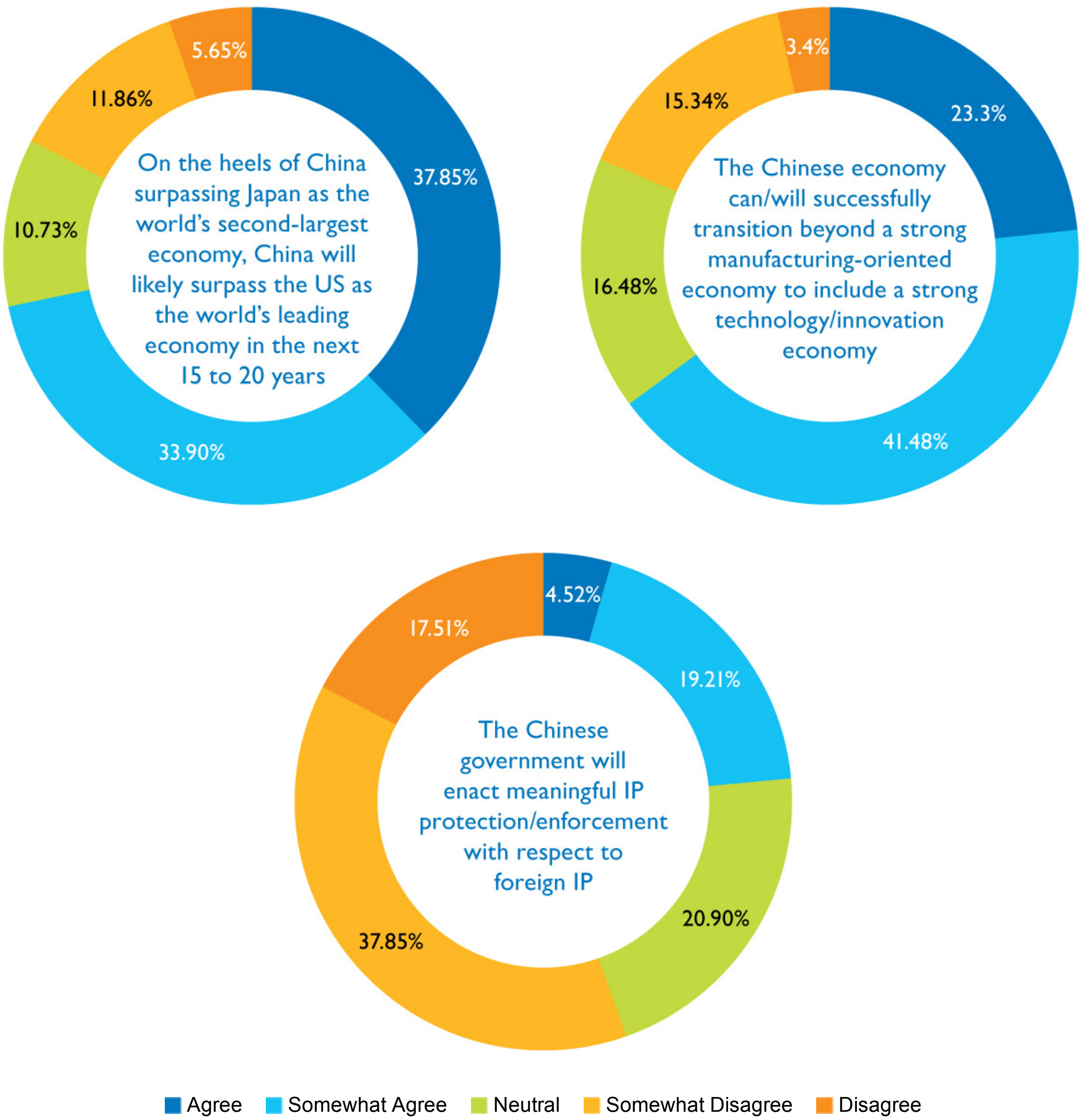
China recently passed Germany and Japan to become the world's second-largest economy. Although its economy is less than one-third the size of the $14 Trillion US economy, technology leaders (72 percent) believe that China will surpass the economic production of the US within the next 15 to 20 years.

Further, these technology leaders (65 percent) believe that China can successfully transition from a manufacturing-oriented economy to develop a strong technology and innovation economy. Of course, this poses challenges and opportunities for US, European and other Asia-based technology companies. A core concern among some tech companies is how China will handle intellectual property protections. More than 55 percent of tech leaders do not see China enacting meaningful IP protections for foreign IP anytime soon.

Tech leaders, as reported in the last DLA Piper Technology Leaders Forecast Survey, see the US national debt and the quality of higher education as among the factors that will have the greatest impact on the ability of the US to maintain its competitive advantage in the global technology industry. More than 60 percent of technology leaders express concern about an overhang from the national debt negatively impacting the US technology industry – and 44 percent express concern about the quality and costs of higher education in the US and its impact on the sector's competitiveness.

> "With the Chinese economy emerging as the world's second largest and growing at a close to 9 percent annual rate, it's no wonder business leaders see it emerging as the world's leading economy. Still, the fact that 72 percent of tech leaders see this happening within 15 years is quite striking."
> *— Curtis Mo, Partner, DLA Piper*

TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THE FOLLOWING:



DLA PIPER GLOBAL TECHNOLOGY LEADERS SUMMIT

The DLA Piper Global Technology Leaders Summit, is to be held in Menlo Park, California on October 12, 2010. For further information on the DLA Piper Technology Leaders Survey or the DLA Piper Technology Leaders Summit, please contact Peter Astiz at peter.astiz@dlapiper.com.

METHODOLOGY

In September 2010, DLA Piper, the international law firm, distributed its Technology Leaders Forecast Survey via e-mail to a group of thousands of senior executives and advisors in the technology industry, including CEOs, CFOs and other company officers at technology companies, as well as to venture capitalists, entrepreneurs and consultants.

The 2010 survey is the third such technology market analysis developed by DLA Piper, with the last survey issued in April 2010 and the inaugural survey issued just prior to the recession in October 2008.

Respondents were asked a series of more than 20 questions and provided multiple possible responses; they were also given the opportunity to elaborate on their answers with direct commentary.

Due to rounding, all percentages used in some questions may not add up to 100 percent. Percentages in some questions may not add up to 100 percent because respondents were asked to check all answers that applied. A few minor edits were made to verbatim responses, mostly to correct spelling and verb tense.

For further information on the study and its methodology, please contact Kip Guthrie at kip.guthrie@dlapiper.com.