11   Q. I just want to make sure I understand

12 what we're talking about here.

13   The Microsoft -- if you're allowed to

14 acquire PeopleSoft, that would increase your

15 customer base?

16   A. Yes.

17   Q. And by increasing your customer base, is

18 it your view that that would allow you to compete

19 with Microsoft better in various pieces of the

20 stack or only of the technology stock or in the

21 applications area or both?

22   A. Every place. We -- if we have more

1 customers, we can have more salespeople. If we

2 have more customers, we can spend more money on

3 engineering. If we have more application

4 customers, we sell more database. If we have more

5 application customers, we sell more application

6 server. If we have more application customers, we

7 can spend more on support. If we have more

8 application customers, we can do all of that while

9 lowering our price.

10   Q. Now, the scale -- your view regarding

11 scale resulting from the PeopleSoft deal assisting

12 you in competing with Microsoft, is that argument

13 also true as it relates to IBM?

14   A. Absolutely.

15   Q. And how is that the case?

16   A. Same thing. The larger we are, more

17 customers we have, the more money we spend on

18 engineering.

19   Q. Let me stop you and ask the question very

20 specifically so I'll be sure I'm following you

21 now.

22   For example, Microsoft in the area of its

1 database product --

2   A. Yes.

3   Q. -- the PeopleSoft transaction, if

4 permitted, would allow you to compete better with

5 Microsoft in the database arena by what mechanism?

6   A. We would do a better job of -- two

7 things. If we're the supplier, your applications

8 supplier, and let's say you're running PeopleSoft

9 on top of IBM, on top of the IBM database, or on

10 top of the Microsoft database. That was -- for

11 some reason you decided not to buy Oracle. Most

12 people buy Oracle, but you decided to buy

13 Microsoft for whatever reason, or IBM.

14   Now you might choose to simplify your

15 support by saying, gee, my application guy also

16 sells application servers, they also sells

17 database, I can have a much simpler relationship.

18 I make one phone call, I get all my answers.

19 There is no finger pointing. It's not the

20 application guys says: Oh, no, no, no, not my

21 problem. Call IBM. That's a database problem.

22 IBM says: Oh, no, no, no. Call PeopleSoft,

1 that's a -- you know, this finger pointing is not

2 uncommon in our industry, and it's very attractive

3 to a lot of customers to say, Oracle, hey, this is

4 your problem, you fix it. I don't know if it's

5 database. I don't know if it's applications. I

6 don't care if it's application server. It's all

7 your software. You own the problem. You fix it.

8 That's extremely attractive to customers.

9   Q. Now, if you look again at page 3 --

10   A. I would like to add to that.

11   Q. Oh, sure.

12   A. Okay. In addition, if they then elect to

13 go that route, we also now can give them a better

14 price on database and a better price on

15 application server and a better price on

16 applications, because we're selling them more

17 stuff. So our cost of sales comes down, our cost

18 of support comes down. There is a lot of

19 advantages to size. And, again, Microsoft has it.

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2   Q. Well, now, Ms. Catz testified that you

3 folks had looked at JD Edwards.

4   A. Yeah.

5   Q. And, in fact, she had approached JD

6 Edwards, though they didn't call her back, just

7 before this transaction was announced.

8   A. Right.

9   Q. Did you see the potential of an

10 acquisition of JD Edwards lending scale to you in

11 the way you described it to allow you to spread

12 costs across a larger base of customers at a lower

13 price?

14   A. Less attractive than PeopleSoft, but yes.

15   Q. And why was it less attractive than

16 PeopleSoft?

17   A. A lot of their customers were off

18 support; in other words, the JD Edwards technology

19 was so old people had stopped paying support.

20 They were kind of running the JD Edwards stuff,

21 but had no plans to ever -- they weren't keeping

22 it current. Lots of small departments. It was

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1 just lots of little departments, a lot of, quote,

2 what I'll call nonstrategic implementations, much

3 less profitable business. Overall, a much less

4 profitable business. Their margins were always

5 razor thin.

6   Q. So the idea of the amount of additional

7 scale may have been less than PeopleSoft?

8   A. That's all. Oh, absolutely. All the

9 other dynamics are the same, just a matter of

10 degree, but BEA quite different.

11   Q. Have you looked at any other potential

12 software vendors other than PeopleSoft to try to

13 acquire this type of scale?

14   A. Have I looked at? Sure. I think I

15 publicly said Tom Siebel came over to my house and

16 tried to sell me Siebel Systems.

17   Q. Okay. And was that something you were

18 considering doing?

19   A. It certainly wouldn't be in my -- I think

20 PeopleSoft and BEA are much more attractive -- are

21 more attractive than Siebel. I mean, at some time

22 you've asked me -- you gave me a list of 100

00145
1 companies and told me to put them in order, what

2 order would I want them, you know, like a

3 Christmas shopping list or whatever, Siebel would

4 be on there.

5   Q. For example, if this transaction is not

6 permitted and you can't acquire PeopleSoft, would

7 you be able to do other transactions to acquire

8 the scale that you apparently want to acquire in

9 order to compete with Microsoft IBM and others?

10   A. Yeah, I think so.

11   Q. Now, in relation to page 3 of Exhibit

12 550, the SAP Web-Weaver product that we've talked

13 about earlier, you recall?

14   A. SAP Net-Weaver.

15   Q. Net-Weaver. I'm sorry. You're right. I

16 can't read my own handwriting.

17   Would the PeopleSoft --

18   A. If I can clarify the question before

19 this, would we be able to make other acquisitions

20 that would allow us to compete --

21   Q. Yes.

22   A. -- I'll say yes, but not as effectively.

1 If we make no acquisitions, will we be able to

2 compete, the answer is yes. If we make other

3 acquisitions would that help, yes, it would help.

4 Do we think this is the best acquisition that

5 would enable us to compete most effectively, the

6 answer is yes.

7   Q. Why is that?

8   A. We think -- well, A, there are either --

9 we think they have a good engineering team. They

10 have got a large customer base, a larger and more

11 important customer base than our second choice,

12 which would be Siebel.

13   Q. All right, sir. In relation to the

14 Net-Weaver product, would acquiring PeopleSoft put

15 you in a position where you can compete with that

16 aspect of SAP's offering more effectively than you

17 do today?

18   A. No -- well, again, applications -- excuse

19 me. The answer is yes. Applications influence

20 the purchase of application servers and databases.

21 So -- but SAP is kind of funny, because if you buy

22 our applications, you end up buying our

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 1 application server. It comes with it. If you buy

 2 SAP's applications, you buy SAP's application

 3 server, kind of comes with it. These things are

 4 rather tightly coupled together.

 5   Q. I see. Let me ask the question

 6 differently.

 7   A. Okay.

 8   Q. If you acquired PeopleSoft, would that

 9 give you any technology or add anything to your

10 product that would make it more attractive in the

11 marketplace in your view as compared to the

12 Net-Weaver aspect of SAP's offer?

13   A. No.

14   Q. Now, the process -- assume for a moment

15 that the PeopleSoft transaction is permitted and

16 you are going forward and, as you said, you would

17 get economies of scale and larger and be able to

18 spread costs, for example, over your database

19 product --

20   A. Right.

21   Q. -- if and when people transfer from

22 whatever they're using --

1   A. Right.

2   Q. -- to yours. Do you have any idea how

3 long that process would take?

4   A. Years, you know, but if we do -- we've

5 done this before. We purchased a database from

6 what was then called Digital Equipment

7 Corporation. We purchased a database system

8 called RDB and we did a good job of supporting the

9 customers and the vast majority of those customers

10 bought the Oracle database.

11   So insofar as we execute well and do a

12 good job as people make decisions -- I mean, we

13 said we would support these PeopleSoft

14 applications for a decade. Some people will just

15 not want to pull these things out. But someone

16 makes a decision four years from now to go ahead

17 and do something, we think if we have done a good

18 job supporting that customer that we're more

19 likely to win them to upgrade to one of our

20 products than one of our competitor's products.

21 Though we know SAP is going to be all over -- they

22 have said they are going to be all over these

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1 customers. We know SAP is going to be all over

2 these customers. And so will Microsoft, though

3 with a very different approach.

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15   Q. Now, the scale that you have talked about

16 earlier that you want to achieve in order to

17 spread your costs over a larger customer base, is

18 it possible for you to achieve that scale without

19 an acquisition?

20   A. Well, we achieve that -- we march towards

21 that scale every year. We have more customers

22 this year than we had last year, but -- pardon me.

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1   Q. I'm sorry. Go ahead.

2   A. So we're constantly selling to new

3 customers. So our profits are going up and our

4 number of customers are going up every year.