

UNITED STATES OF AMERICA, ET AL.

vs

ORACLE CORPORATION,

No. C 04-0807 VRW

San Francisco, California

Mark E. Zmijewski

July 1, 2004

CHICAGO PARTNERS

A LIMITED LIABILITY COMPANY

140 South Dearborn Street

Chicago, Illinois 60603

DOJ Requests

- Document and summarize Oracle's "July 2003 Model" and the calculation of Oracle's Alleged Efficiencies
- Evaluate the reasonableness of the factual foundation and methodologies of the calculation of the Alleged Efficiencies (Verify Oracle's calculation)

Criteria Used to Verify Oracle's Calculation of the Alleged Efficiencies

- **Documentation**: If I can identify the documentation that allows one to understand Oracle's calculation (e.g., arithmetic) of the Alleged Efficiencies, I conclude that it has reasonable calculation documentation.
- **Factual Foundation**: If Oracle has provided factual bases for the assumptions and inputs into the calculation of the Alleged Efficiencies such that it is verifiable, I conclude that it has reasonable factual foundation.
- **Methodologies and Analyses**: If Oracle used standard, widely accepted methodologies and analyses to measure the Alleged Efficiencies and employed these methodologies and analyses appropriately, I conclude that it used reasonable methodologies and analyses.

These Criteria Are Pervasive

They are consistent with the principles used by:

- Accountants¹
- Financial economists and empirical researchers
- U.S. Securities and Exchange Commission²
- Other government agencies³

¹Financial Accounting Standards Board, "Qualitative Characteristics of Accounting Information," *Statement of Financial Accounting Concepts No. 2*. (1980).

²Securities and Exchange Commission, "Final Data Quality Assurance Guidelines," (<http://www.sec.gov/about/dataqualityguide.html>).

³For example, Office of Management and Budget, "Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility, and Integrity of Information Disseminated by Federal Agencies," 2001, (<http://www.whitehouse.gov/omb/fedreg/reproducible.html>). These guidelines implement Section 515 of the Treasury and General Government Appropriations Act for Fiscal Year 2001 (Public Law 106-554; H.R. 5658).

Opinions

- **Oracle's calculation of the Alleged Efficiencies is not verifiable.**
- **Oracle did not exclude potential efficiencies attainable as a result of the July 2003 PeopleSoft and J.D. Edwards merger.**
- **Oracle did not provide factual bases showing that the Alleged Efficiencies are independent of the projected decline in PeopleSoft and J.D. Edwards' output.**

Summary of Oracle's Alleged Efficiencies Calculation

(\$ in millions)

| PeopleSoft: | R&D | G&A | S&M | Total |
|-------------------------------|------------|------------|------------|--------------|
| FY03 "Baseline" Costs | \$340 | \$125 | \$505 | \$969 |
| - FY05 Projected Costs | 141 | 21 | 0 | 162 |
| = Alleged Efficiencies | 199 | 104 | 505 | 807 |

| J.D. Edwards: | R&D | G&A | S&M | Total |
|-------------------------------|-----------|-----------|------------|--------------|
| FY03 "Baseline" Costs | \$127 | \$89 | \$265 | \$481 |
| - FY05 Projected Costs | 60 | 17 | 34 | 111 |
| = Alleged Efficiencies | 67 | 73 | 231 | 371 |

| Combined: | R&D | G&A | S&M | Total |
|-------------------------------|------------|------------|------------|----------------|
| FY03 "Baseline" Costs | \$467 | \$214 | \$769 | \$1,450 |
| - FY05 Projected Costs | 201 | 37 | 34 | 273 |
| = Alleged Efficiencies | 266 | 177 | 735 | 1,178 |

PeopleSoft: July 2003 Model Assumptions for Alleged Efficiencies Calculation

| | A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | |
|-----|---|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|---------|-----------------------------------|---------|---------|-------|---|---|--|
| 163 | --> OPERATING EXPENSE BUILDUP | | | | | | | | | | | | | | | | | | | | | |
| 164 | | | | | | | | | | | | | | | | Pepper Quarterly Data | | | | | | |
| 165 | | | | | | | | | | | | | | | | Pepper Fiscal Year Ending May 31, | | | | | | |
| 166 | | | Mar-02A | Jun-02A | Sep-02A | Dec-02A | Mar-03A | Jun-03E | Aug-03E | Nov-03E | PF Adj. | Feb-04E | May-04E | 2H FY04E | FY05E | FY06E | FY07E | FY08E | | | | |
| 167 | RESEARCH & DEVELOPMENT COSTS | | | | | | | | | | | | | | | | | | | | | |
| 168 | | Number of Persons | 1,375 | 1,369 | 1,377 | 1,377 | 1,360 | 1,370 | 2,370 | 2,370 | 1,377 | 1,000 | 1,000 | 1,000 | 1,000 | 951 | 909 | 909 | | | | |
| 169 | | Average Salary per R&D Person (\$000s) | \$25.1 | \$25.0 | \$25.0 | \$25.0 | \$25.0 | \$25.0 | \$0.0 | \$0.0 | \$25.0 | \$25.0 | \$25.0 | \$100.0 | \$97.5 | \$95.1 | \$92.7 | \$90.4 | | | | |
| 170 | | Other Costs per Employee (\$000s) | \$4.9 | \$4.8 | \$4.9 | \$4.9 | \$4.9 | \$4.9 | \$0.0 | \$0.0 | \$4.9 | \$4.9 | \$4.9 | \$8.1 | \$15.7 | \$15.0 | \$14.9 | \$14.5 | | | | |
| 171 | | Total People Costs | \$68.9 | \$69.6 | \$69.9 | \$69.9 | \$68.2 | \$68.8 | \$0.0 | \$0.0 | \$29.0 | \$29.0 | \$29.0 | \$58.1 | \$113.2 | \$104.8 | \$99.5 | \$94.4 | | | | |
| 172 | | Other R&D Costs | \$13.1 | \$13.1 | \$14.1 | \$13.1 | \$15.1 | \$16.2 | \$0.0 | \$0.0 | \$7.0 | \$7.0 | \$7.0 | \$14.0 | \$28.0 | \$26.0 | \$24.0 | \$22.0 | | | | |
| 173 | | Total R&D Costs | \$82.3 | \$87.5 | \$83.0 | \$88.3 | \$83.7 | \$85.0 | \$0.0 | \$0.0 | \$36.0 | \$36.0 | \$36.0 | \$72.1 | \$141.2 | \$130.8 | \$123.5 | \$116.4 | | | | |
| 174 | SALES AND MARKETING COSTS | | | | | | | | | | | | | | | | | | | | | |
| 176 | | Number of Quota Reps | 465 | 489 | 465 | 465 | 425 | 437 | 437 | 437 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| 177 | | Average Salary per Sales Rep (\$000s) | \$40.0 | \$40.6 | \$40.0 | \$68.8 | \$40.0 | \$40.0 | \$0.0 | \$0.0 | \$40.0 | \$40.0 | \$40.0 | \$160.0 | \$160.0 | \$160.0 | \$160.0 | \$160.0 | | | | |
| 178 | | Total Direct Sales Costs | \$18.6 | \$19.4 | \$18.6 | \$30.9 | \$17.0 | \$17.5 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | | | |
| 179 | | Number of Other Sales & Marketing | 1,217 | 1,250 | 1,250 | 1,114 | 1,060 | 1,060 | 1,080 | 1,080 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| 181 | | Average Salary per Other S&M (\$000s) | \$28.5 | \$28.5 | \$28.5 | \$28.5 | \$28.5 | \$28.5 | \$0.0 | \$0.0 | \$28.5 | \$28.5 | \$28.5 | \$114.0 | \$114.0 | \$114.0 | \$114.0 | \$114.0 | | | | |
| 182 | | Total Other Sales Personnel Costs | \$34.7 | \$35.6 | \$32.1 | \$31.7 | \$30.2 | \$30.8 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | | | |
| 183 | | Other Costs per Employee (\$000s) | \$3.6 | \$3.6 | \$3.1 | \$3.6 | \$3.6 | \$3.6 | \$0.0 | \$0.0 | \$3.6 | \$3.6 | \$3.6 | \$7.2 | \$14.4 | \$14.4 | \$14.4 | \$14.4 | | | | |
| 185 | | Total S&M Employees | 1,682 | 1,735 | 1,590 | 1,564 | 1,485 | 1,517 | 1,517 | 1,517 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| 186 | | Total Other People Costs | \$6.1 | \$6.2 | \$5.7 | \$5.6 | \$5.3 | \$5.5 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | | | |
| 188 | | Total People Costs | \$59.3 | \$61.3 | \$58.4 | \$68.3 | \$52.6 | \$53.7 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | | | |
| 189 | | Other S&M Costs | \$55.3 | \$64.9 | \$71.2 | \$88.1 | \$87.0 | \$87.3 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | | | |
| 190 | | Total S&M Costs | \$124.6 | \$126.2 | \$127.6 | \$136.4 | \$119.6 | \$121.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | | | |
| 192 | GENERAL & ADMINISTRATIVE COSTS | | | | | | | | | | | | | | | | | | | | | |
| 193 | | Number of Persons | 920 | 910 | 895 | 869 | 860 | 865 | 865 | (715) | 150 | 150 | 150 | 150 | 125 | 100 | 90 | 80 | | | | |
| 194 | | Average Salary per G&A Person (\$000s) | \$23.0 | \$23.0 | \$23.0 | \$23.0 | \$23.0 | \$23.0 | \$0.0 | \$0.0 | \$23.0 | \$23.0 | \$23.0 | \$92.0 | \$92.0 | \$92.0 | \$92.0 | \$92.0 | | | | |
| 195 | | Other Costs per Employee (\$000s) | \$3.7 | \$3.7 | \$3.7 | \$3.7 | \$3.7 | \$3.7 | \$0.0 | \$0.0 | \$3.7 | \$3.7 | \$3.7 | \$7.5 | \$15.0 | \$15.0 | \$15.0 | \$15.0 | | | | |
| 196 | | Total People Costs | \$24.6 | \$24.3 | \$23.9 | \$23.2 | \$23.0 | \$23.1 | \$0.0 | \$0.0 | \$4.0 | \$4.0 | \$4.0 | \$8.0 | \$13.4 | \$10.7 | \$9.6 | \$8.6 | | | | |
| 197 | | Other G&A Costs | \$5.6 | \$3.1 | \$3.1 | \$4.0 | \$10.1 | \$8.9 | \$0.0 | \$0.0 | \$2.0 | \$2.0 | \$2.0 | \$4.0 | \$7.5 | \$6.5 | \$6.0 | \$5.5 | | | | |
| 198 | | Write-down of A/R | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$62.5 | \$0.0 | \$62.5 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | | | | |
| 199 | | Total G&A Costs | \$30.2 | \$27.4 | \$27.2 | \$32.2 | \$33.1 | \$32.0 | \$0.0 | \$0.0 | \$68.5 | \$6.0 | \$6.0 | \$74.5 | \$20.9 | \$17.2 | \$15.6 | \$14.1 | | | | |
| 201 | HEADCOUNT SUMMARY | | | | | | | | | | | | | | | | | | | | | |
| 202 | | Customer Support | 660 | 685 | 690 | 696 | 705 | 715 | 715 | 715 | (365) | 350 | 340 | 345 | 300 | 280 | 270 | 250 | | | | |
| 203 | | Professional Services | 2,875 | 2,850 | 2,790 | 2,785 | 2,780 | 2,850 | 2,850 | 2,850 | (1,650) | 1,200 | 800 | 1,000 | 400 | 450 | 450 | 430 | | | | |
| 204 | | Research & Development | 2,375 | 2,399 | 2,375 | 2,379 | 2,350 | 2,370 | 2,370 | 2,370 | (1,370) | 1,000 | 1,000 | 1,000 | 1,000 | 950 | 925 | 900 | | | | |
| 205 | | Sales Quota Reps | 465 | 485 | 465 | 450 | 425 | 437 | 437 | 437 | (437) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| 206 | | Other Sales & Marketing | 1,217 | 1,250 | 1,125 | 1,114 | 1,060 | 1,080 | 1,080 | 1,080 | (1,080) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| 207 | | General & Administrative | 920 | 910 | 895 | 869 | 860 | 865 | 865 | 865 | (715) | 150 | 150 | 150 | 125 | 100 | 90 | 80 | | | | |
| 208 | | Total Headcount | 8,512 | 8,579 | 8,340 | 8,293 | 8,160 | 8,317 | 8,317 | 8,317 | (5,617) | 2,700 | 2,290 | 2,495 | 1,825 | 1,780 | 1,735 | 1,660 | | | | |
| 210 | Note: Average salaries and other costs per employee have been estimated by corporate development. | | | | | | | | | | | | | | | | | | | | | |

Source: July 2003 Model, [PSFT Op Model] worksheet (Plaintiffs' Exhibit 3004, page 34).

J.D. Edwards: July 2003 Model Assumptions for Alleged Efficiencies Calculation

| | A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S |
|-----|-----|---|--------------------------------|-------|-------|---------|--------|--------|---|---|---|---------|--|---------|---------|---------|---|---|---|
| 157 | --> | OPERATING EXPENSE BUILDUP | | | | | | | | | | | | | | | | | |
| 158 | | | Jalapeño Quarterly Data | | | | | | | | | | Jalapeño Fiscal Year Ending April 30, | | | | | | |
| 159 | | | | | | | | | | | | | | | | | | | |
| 160 | | | | | | | | | | | | | | | | | | | |
| 161 | | | | | | | | | | | | | | | | | | | |
| 162 | | RESEARCH & DEVELOPMENT COSTS | | | | | | | | | | | | | | | | | |
| 163 | | Number of Persons | | 1,282 | 1,282 | (587) | 700 | 660 | | | | 680 | 575 | 558 | 541 | 543 | | | |
| 164 | | Average Salary per R&D Person (\$000s) | | \$0.0 | \$0.0 | | \$20.0 | \$20.0 | | | | \$80.0 | \$80.0 | \$80.0 | \$80.0 | \$80.0 | | | |
| 165 | | Other Costs per Employee (\$000s) | | \$0.0 | \$0.0 | | \$3.5 | \$3.5 | | | | \$7.0 | \$14.0 | \$14.0 | \$14.0 | \$14.0 | | | |
| 166 | | Total People Costs | | \$0.0 | \$0.0 | | \$16.5 | \$16.5 | | | | \$32.0 | \$54.1 | \$52.5 | \$51.2 | \$50.5 | | | |
| 167 | | Other R&D Costs | | \$0.0 | \$0.0 | | \$1.5 | \$1.5 | | | | \$3.0 | \$6.0 | \$5.8 | \$5.8 | \$5.4 | | | |
| 168 | | Total R&D Costs | | \$0.0 | \$0.0 | | \$18.0 | \$17.0 | | | | \$35.0 | \$60.1 | \$58.3 | \$56.8 | \$55.9 | | | |
| 169 | | SALES AND MARKETING COSTS | | | | | | | | | | | | | | | | | |
| 170 | | Number of Quota Reps | 273 | 273 | 273 | (193) | 80 | 80 | | | | 80 | 75 | 67 | 60 | 53 | | | |
| 171 | | Average Salary per Sales Rep (\$000s) | | \$0.0 | \$0.0 | | \$40.0 | \$40.0 | | | | \$160.0 | \$160.0 | \$160.0 | \$160.0 | \$160.0 | | | |
| 172 | | Other Costs per Employee (\$000s) | | \$0.0 | \$0.0 | | \$3.2 | \$3.2 | | | | \$6.4 | \$12.0 | \$10.7 | \$9.6 | \$8.5 | | | |
| 173 | | Total Direct Sales Costs | | \$0.0 | \$0.0 | | \$3.2 | \$3.2 | | | | \$6.4 | \$12.0 | \$10.7 | \$9.6 | \$8.5 | | | |
| 174 | | Number of Other Sales & Marketing | 811 | 811 | 811 | (611) | 20 | 20 | | | | 20 | 17 | 14 | 11 | 11 | | | |
| 175 | | Average Salary per Other S&M (\$000s) | | \$0.0 | \$0.0 | | \$23.8 | \$23.8 | | | | \$95.0 | \$95.0 | \$95.0 | \$95.0 | \$95.0 | | | |
| 176 | | Other Costs per Employee (\$000s) | | \$0.0 | \$0.0 | | \$0.5 | \$0.5 | | | | \$1.0 | \$1.6 | \$1.5 | \$1.4 | \$1.2 | | | |
| 177 | | Total Other Sales Personnel Costs | | \$0.0 | \$0.0 | | \$0.3 | \$0.3 | | | | \$0.6 | \$1.1 | \$1.0 | \$0.9 | \$0.8 | | | |
| 178 | | Other Costs per Employee (\$000s) | | \$0.0 | \$0.0 | | \$3.0 | \$3.0 | | | | \$12.0 | \$12.0 | \$12.0 | \$12.0 | \$12.0 | | | |
| 179 | | Total S&M Employees | | 1,084 | 1,084 | | 100 | 100 | | | | 100 | 92 | 83 | 75 | 66 | | | |
| 180 | | Total Other People Costs | | \$0.0 | \$0.0 | | \$0.3 | \$0.3 | | | | \$0.6 | \$1.1 | \$1.0 | \$0.9 | \$0.8 | | | |
| 181 | | Total People Costs | | \$0.0 | \$0.0 | | \$4.0 | \$4.0 | | | | \$8.0 | \$14.7 | \$13.2 | \$11.9 | \$10.5 | | | |
| 182 | | Commissions on Oracle Migrations (20% of License) | | \$0.0 | \$0.0 | | \$0.0 | \$0.0 | | | | \$0.0 | \$6.8 | \$6.4 | \$6.4 | \$5.0 | | | |
| 183 | | Other S&M Costs | | \$0.0 | \$0.0 | | \$2.5 | \$2.5 | | | | \$5.0 | \$12.5 | \$11.0 | \$10.0 | \$8.0 | | | |
| 184 | | Total S&M Costs | | \$0.0 | \$0.0 | | \$6.5 | \$6.5 | | | | \$13.0 | \$34.0 | \$32.6 | \$28.3 | \$23.5 | | | |
| 185 | | GENERAL & ADMINISTRATIVE COSTS | | | | | | | | | | | | | | | | | |
| 186 | | Number of Persons | 672 | 672 | 672 | (587) | 85 | 82 | | | | 84 | 70 | 67 | 63 | 60 | | | |
| 187 | | Average Salary per G&A Person (\$000s) | | \$0.0 | \$0.0 | | \$20.0 | \$20.0 | | | | \$80.0 | \$80.0 | \$80.0 | \$80.0 | \$80.0 | | | |
| 188 | | Other Costs per Employee (\$000s) | | \$0.0 | \$0.0 | | \$3.3 | \$3.3 | | | | \$6.5 | \$13.0 | \$13.0 | \$13.0 | \$13.0 | | | |
| 189 | | Total People Costs | | \$0.0 | \$0.0 | | \$2.0 | \$1.9 | | | | \$3.9 | \$6.5 | \$6.2 | \$5.9 | \$5.6 | | | |
| 190 | | Other G&A Costs | | \$0.0 | \$0.0 | | \$3.0 | \$3.0 | | | | \$6.0 | \$10.0 | \$9.5 | \$9.5 | \$9.0 | | | |
| 191 | | Writedown of A/R | | \$0.0 | \$0.0 | | \$35.9 | \$0.0 | | | | \$35.9 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | | | |
| 192 | | Total G&A Costs | | \$0.0 | \$0.0 | | \$40.9 | \$4.9 | | | | \$45.8 | \$16.5 | \$15.7 | \$15.4 | \$14.6 | | | |
| 193 | | HEADCOUNT SUMMARY | | | | | | | | | | | | | | | | | |
| 194 | | Customer Support | 541 | 541 | 541 | (91) | 450 | 400 | | | | 425 | 290 | 280 | 270 | 260 | | | |
| 195 | | Professional Services | 1,371 | 1,371 | 1,371 | (741) | 630 | 500 | | | | 565 | 360 | 375 | 335 | 300 | | | |
| 196 | | Research & Development | 1,282 | 1,282 | 1,282 | (582) | 700 | 660 | | | | 680 | 575 | 558 | 545 | 537 | | | |
| 197 | | Sales Quota Reps | 273 | 273 | 273 | (193) | 80 | 80 | | | | 80 | 75 | 67 | 60 | 53 | | | |
| 198 | | Other Sales & Marketing | 811 | 811 | 811 | (791) | 20 | 20 | | | | 20 | 17 | 16 | 15 | 13 | | | |
| 199 | | General & Administrative | 672 | 672 | 672 | (587) | 85 | 82 | | | | 84 | 70 | 67 | 63 | 60 | | | |
| 200 | | Total Headcount | 4,950 | 4,950 | 4,950 | (2,985) | 1,965 | 1,742 | | | | 1,854 | 1,387 | 1,363 | 1,288 | 1,223 | | | |
| 201 | | Note: Average salaries and other costs per employee have been estimated by corporate development. | | | | | | | | | | | | | | | | | |

Source: July 2003 Model, [JDEC Op Model] worksheet (Plaintiffs' Exhibit 3004, page 41).

PeopleSoft (Excluding J.D. Edwards): Calculation of Alleged Efficiencies in R&D

| <u>RESEARCH & DEVELOPMENT COSTS</u> | <u>FY03</u> | <u>FY05E</u> | <u>Delta</u> | <u>FY05 Assumption</u> |
|---|--------------|--|----------------|------------------------|
| (\$ in millions unless noted) | | | | |
| Number of Persons | 2,370 | 1,000 | (1,370) | Yes |
| Average Salary per R&D Person (\$000s) | | x \$98 | | Yes |
| Other Costs per Employee (\$000s) | | \$16 | | Yes |
| Total People Costs | | = \$113 | | |
| Other R&D Costs | | + \$28 | | Yes |
| Total R&D Costs | <u>\$340</u> | <u>= \$141</u> | <u>(\$199)</u> | |

Examples of Factual Bases

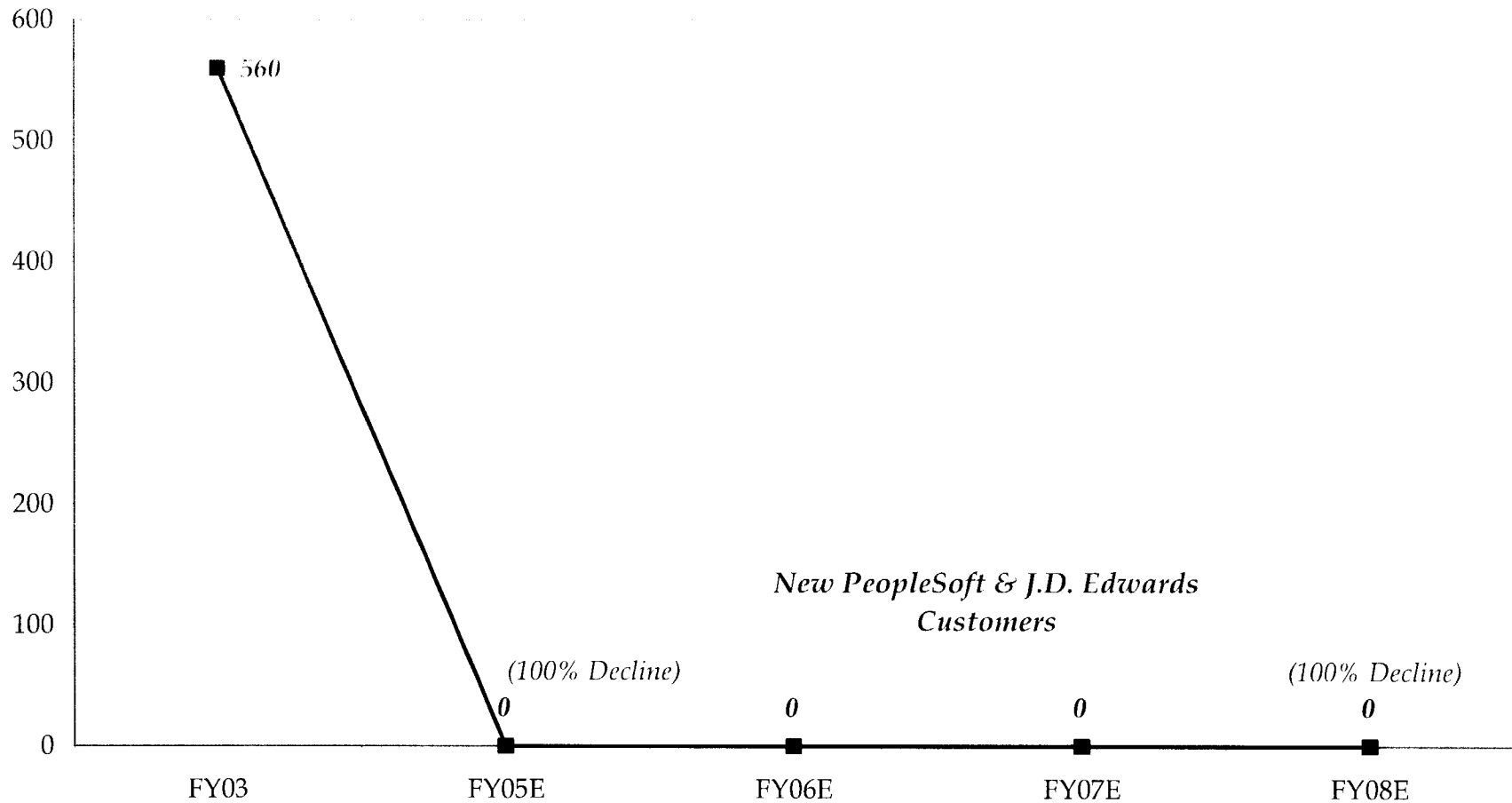
- **Types of Information** – use business records about:
 - Output and level of activity
 - Capacity utilization, labor efficiency and utilization rates
 - Performance variances (actual versus budget)
 - Customer reports – sales reports, bid reports
- **Analyses** – use the above factual bases to identify and/or measure:
 - cost-volume-profit relations, relation of various costs to various measures of activity (fixed costs, variable costs)
 - measure average costs (central tendency), growth rates, utilization rates, redundancies

Opinion: Oracle did not exclude potential efficiencies attainable as a result of the July 2003 PeopleSoft and J.D. Edwards merger

| | |
|--|-----------------|
| PeopleSoft FY03 "Baseline" R&D, S&M, G&A Costs | \$ 0.97 billion |
| + J.D. Edwards FY03 "Baseline" R&D, S&M, G&A Costs | \$ 0.48 billion |
| <hr/> | |
| Combined FY03 "Baseline" R&D, S&M, G&A Costs | \$ 1.45 billion |
| - Efficiencies that did/will result from the PSFT/JDE Merger | ?? |
| <hr/> | |
| = Corrected FY03 "Baseline" R&D, S&M, G&A Costs | ?? |
| <hr/> | |

Opinion: Oracle did not provide factual bases showing that the Alleged Efficiencies are independent of the projected decline in PeopleSoft and J.D. Edwards' output

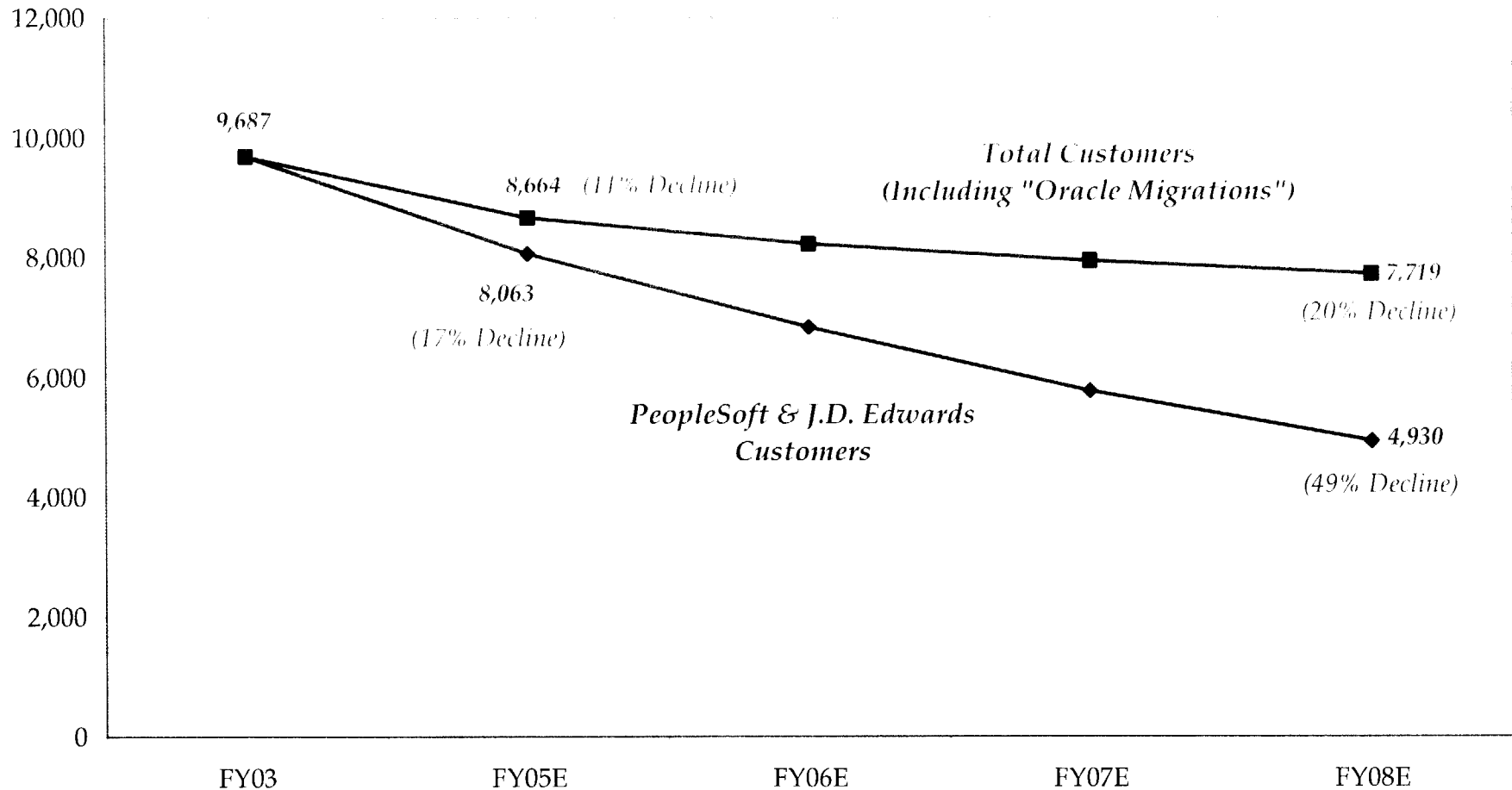
PeopleSoft and J.D. Edwards Combined: Oracle's Projection of Decline in New Customers



Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.

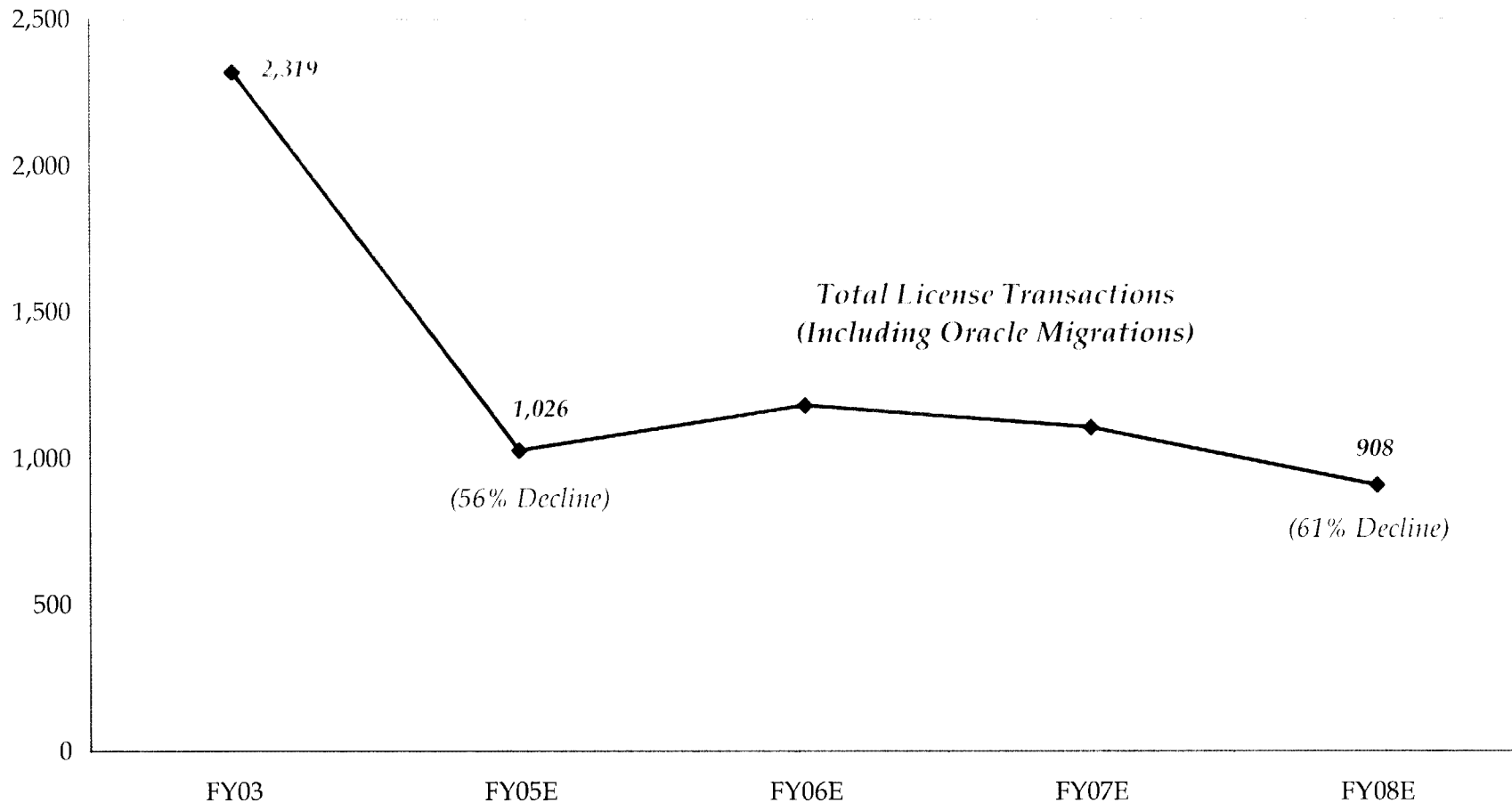
Source: July 2003 Model (Plaintiffs' Exhibit 3004). For FY03 J.D. Edwards numbers, source is Oracle spreadsheet dated July 7, 2003 (Plaintiffs' Exhibit 901).

PeopleSoft and J.D. Edwards Combined: Oracle's Projection of Decline in Customers



Notes: Customers numbers shown are end of period numbers. "Oracle migrations" are customers that switch from PeopleSoft/J.D. Edwards to Oracle products. Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.
Source: July 2003 Model (Plaintiffs' Exhibit 3004).

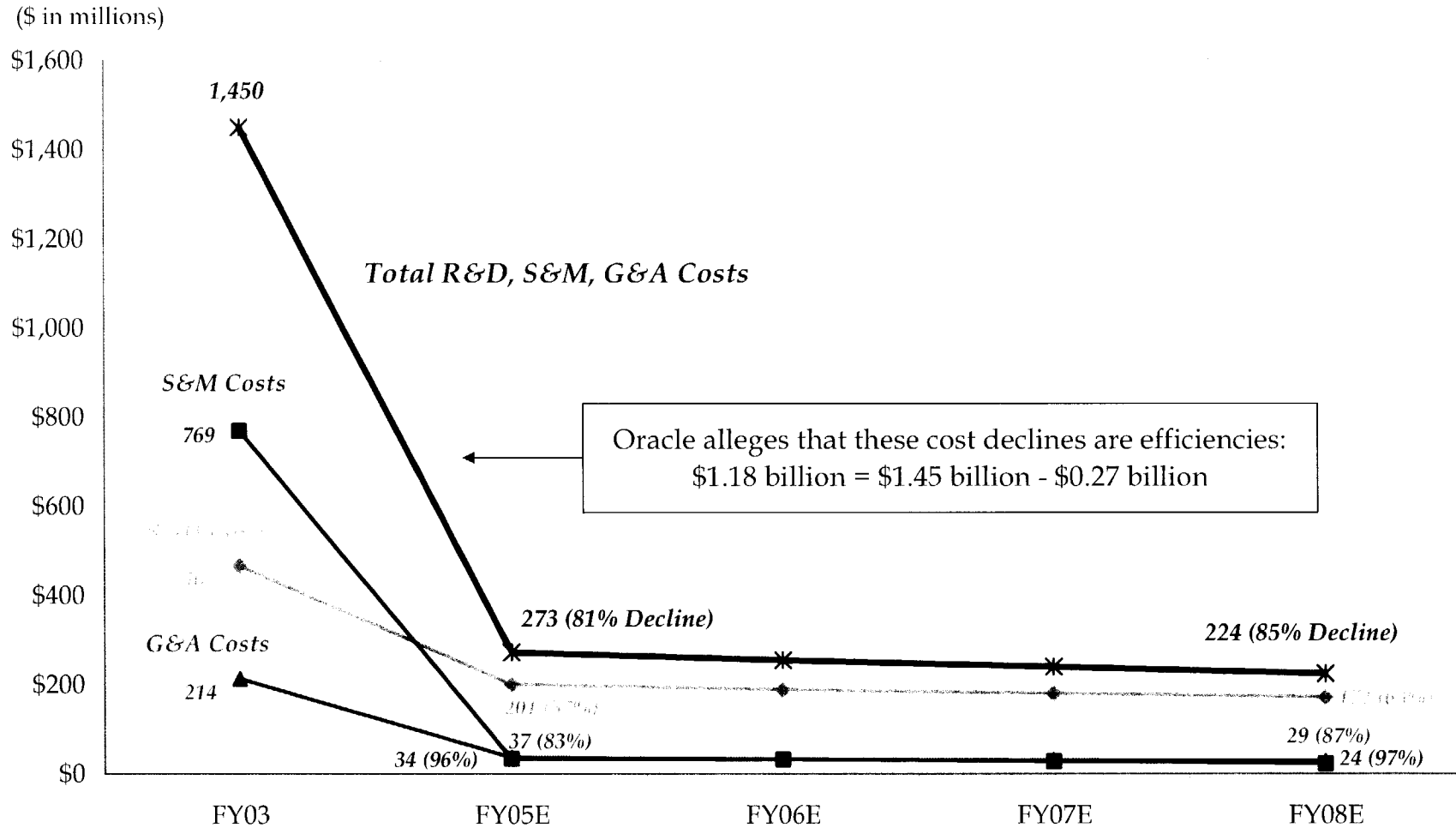
PeopleSoft and J.D. Edwards Combined: Oracle's Projection of Decline in Total License Transactions



Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.

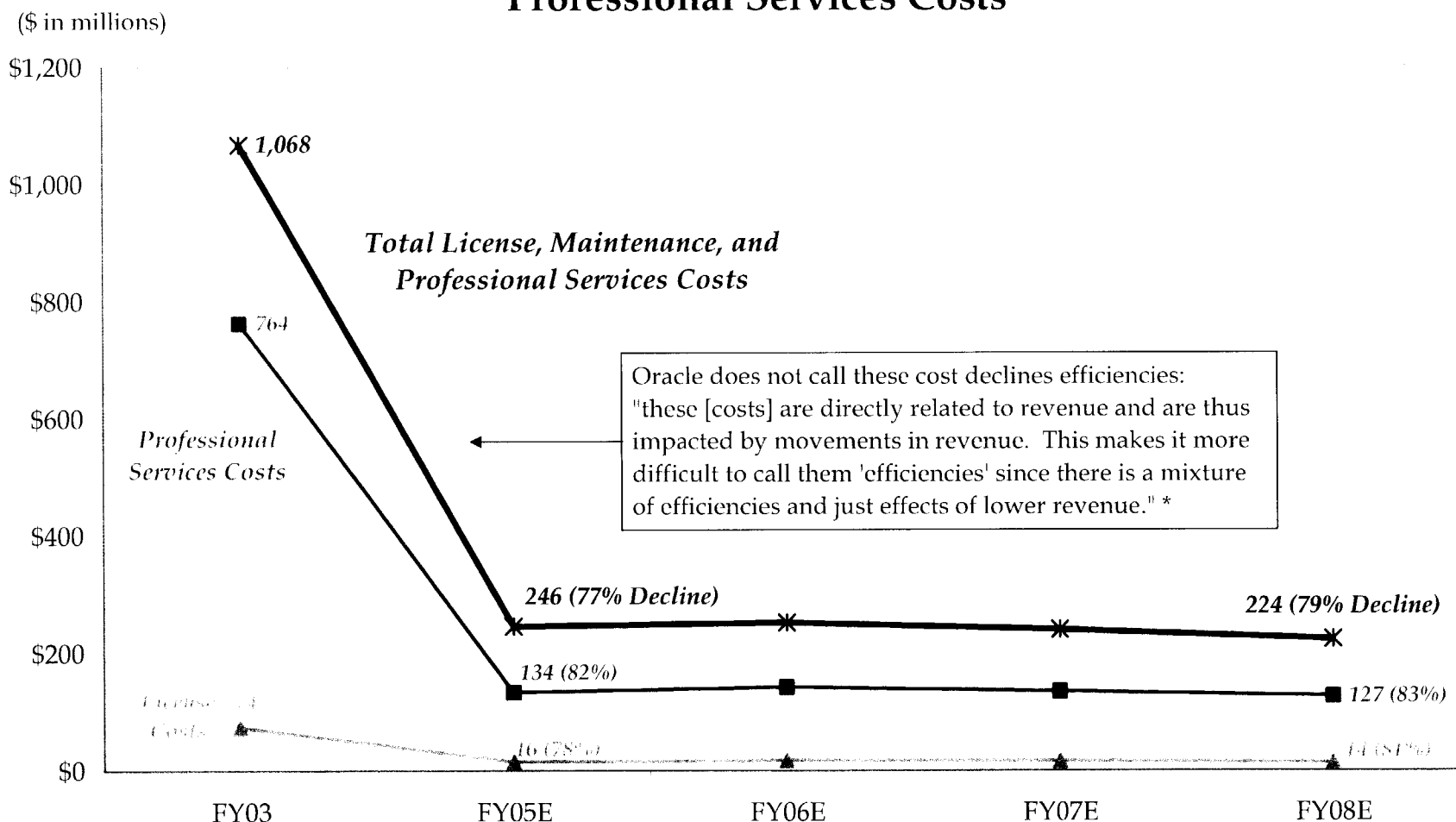
Source: July 2003 Model (Plaintiffs' Exhibit 3004). For FY03 J.D. Edwards numbers, source is Oracle spreadsheet dated July 7, 2003 (Plaintiffs' Exhibit 901).

PeopleSoft and J.D. Edwards Combined: Oracle's Projection of Declines in R&D, S&M, G&A Costs



Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.
Source: July 2003 Model (Plaintiffs' Exhibit 3004).

PeopleSoft and J.D. Edwards Combined: Oracle's Projection of Declines in License, Maintenance, and Professional Services Costs

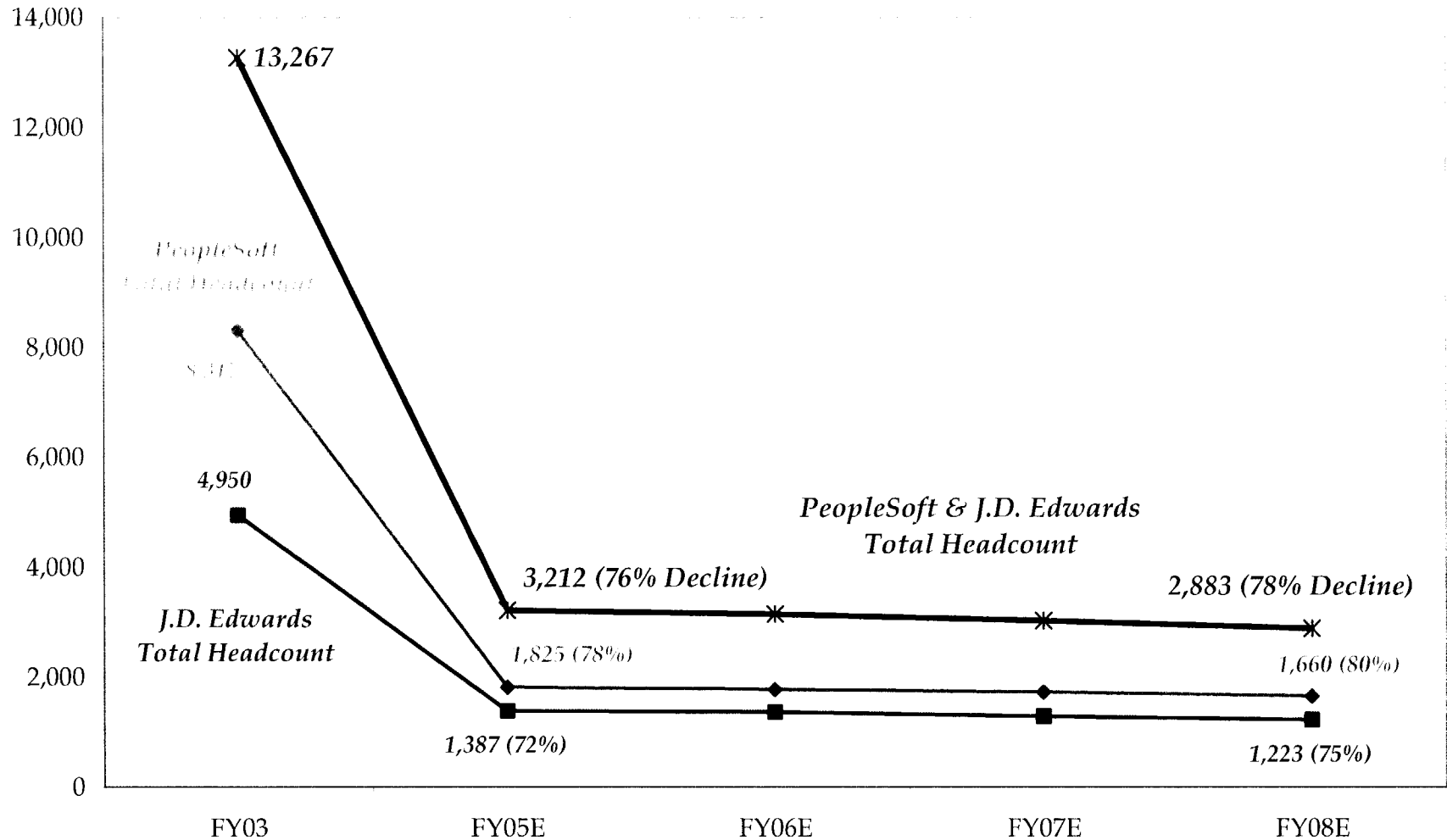


Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.

Source: July 2003 Model (Plaintiffs' Exhibit 3004). For FY03 J.D. Edwards numbers, source is Oracle spreadsheet dated July 7, 2003 (Plaintiffs' Exhibit 901).

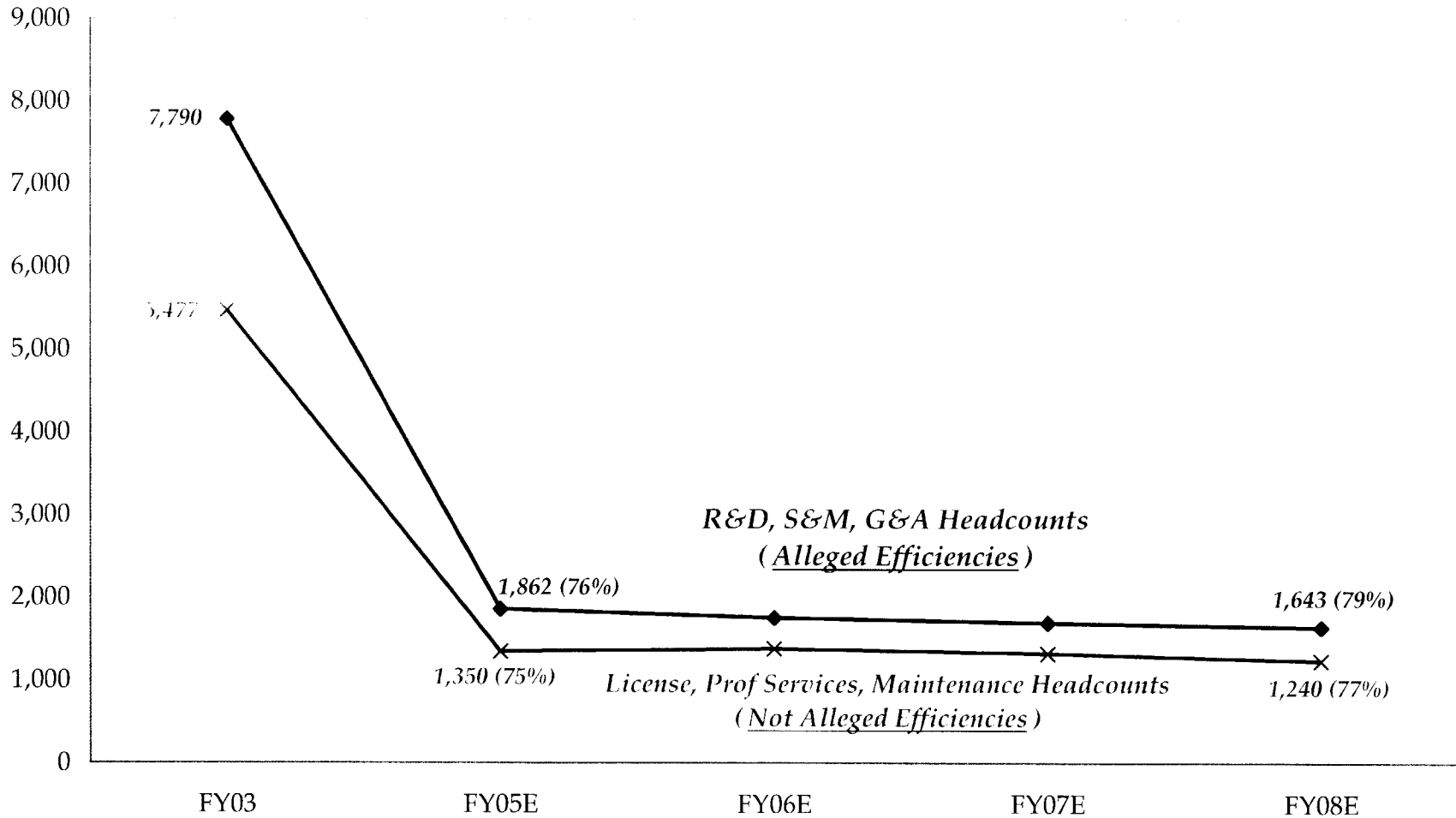
* See "Acquisition Efficiencies Analysis" summary chart (Defendants' Exhibit 7132).

Oracle's Projection of Declines in Total Headcounts



Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.
 Source: July 2003 Model (Plaintiffs' Exhibit 3004).

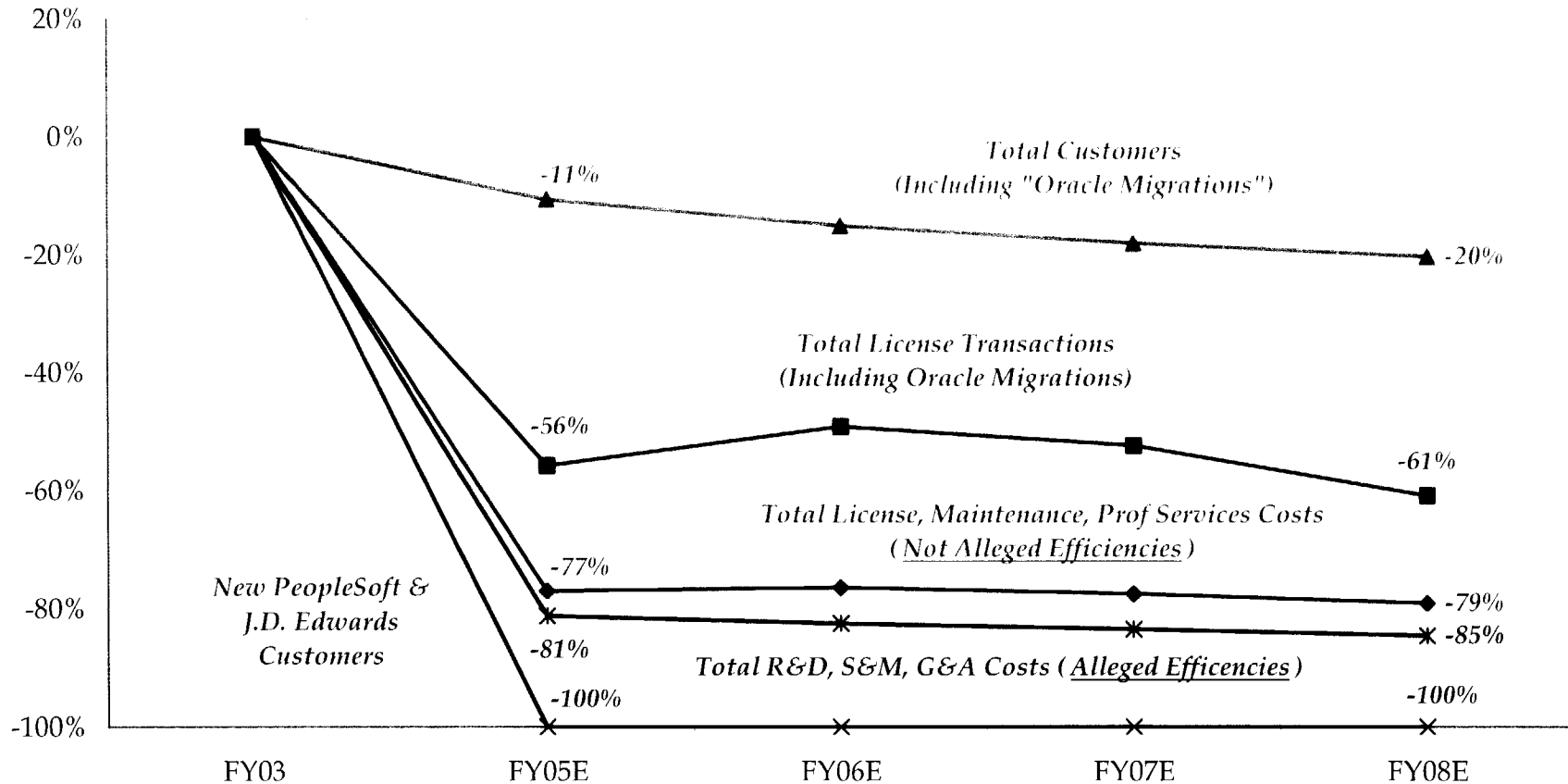
PeopleSoft and J.D. Edwards Combined: Oracle's Projection of Declines in Headcounts by Types of Costs



Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.
Source: July 2003 Model (Plaintiffs' Exhibit 3004).

PeopleSoft and J.D. Edwards Combined: Oracle's Projection of % Declines in Output and Costs

(Percent change from FY03)



Notes: Total customers shown are end of period numbers. Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.

Source: July 2003 Model (Plaintiffs' Exhibit 3004). For certain FY03 J.D. Edwards numbers, source is Oracle spreadsheet dated July 7, 2003 (Plaintiffs' Exhibit 901).

Summary of July 2003 Model Projected % Declines in “Output,” Costs, and Headcount (From FY03 to FY05)

| | <u>PeopleSoft</u> | <u>J.D. Edwards</u> | <u>Combined</u> |
|--|-------------------|---------------------|-----------------|
| <u>Output:</u> | | | |
| New Customers | -100% | -100% | -100% |
| Total Customers | -13% | -8% | -11% |
| Total License Transactions | -67% | -42% | -56% |
| <u>Costs:</u> | | | |
| Components of the Alleged Efficiencies | | | |
| R&D Costs | -58% | -53% | -57% |
| S&M Costs | -100% | -87% | -96% |
| G&A Costs | -83% | -82% | -83% |
| Total R&D, S&M, G&A Costs | -83% | -77% | -81% |
| License Costs: | -80% | -77% | -78% |
| Maintenance Costs: | -64% | -47% | -58% |
| Professional Services Costs: | -86% | -75% | -82% |
| Total License, Maintenance, Prof Services Costs | -81% | -69% | -77% |
| <u>Total Headcount:</u> | -78% | -72% | -76% |

Notes: Output numbers include Oracle migration customers. Total customers are end of period numbers.
Source: July 2003 Model (Plaintiffs' Exhibit 3004). For certain FY03 J.D. Edwards numbers, source is Oracle spreadsheet dated July 7, 2003 (Plaintiffs' Exhibit 901).

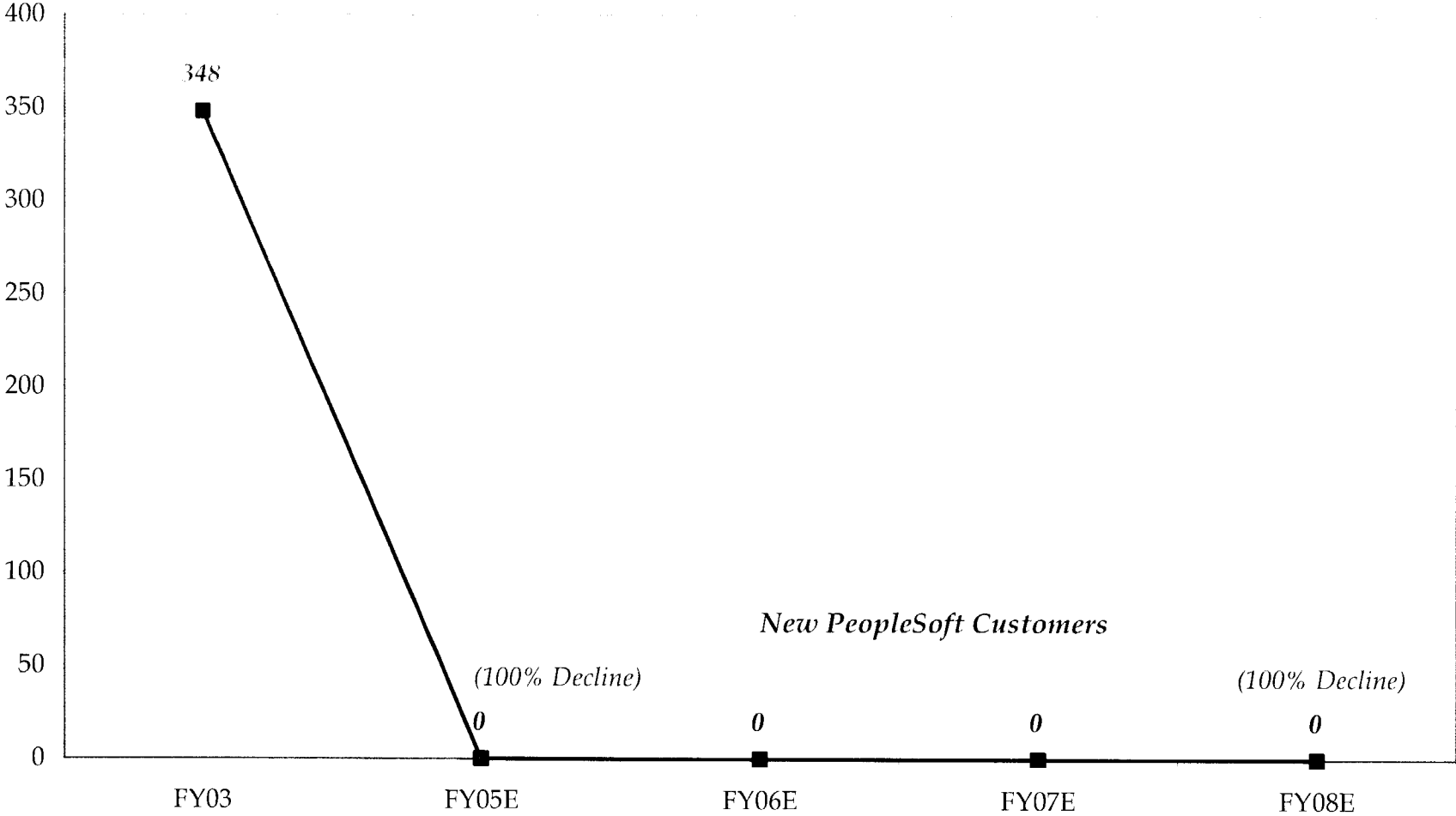
Summary of July 2003 Model Projected % Declines in “Output,” Costs, and Headcount (From FY03 to FY08)

| | <u>PeopleSoft</u> | <u>J.D. Edwards</u> | <u>Combined</u> |
|--|-------------------|---------------------|-----------------|
| <u>Output:</u> | | | |
| New Customers | -100% | -100% | -100% |
| Total Customers | -23% | -17% | -20% |
| Total License Transactions | -63% | -58% | -61% |
| <u>Costs:</u> | | | |
| Components of the Alleged Efficiencies | | | |
| R&D Costs | -66% | -56% | -63% |
| S&M Costs | -100% | -91% | -97% |
| G&A Costs | -89% | -84% | -87% |
| Total R&D, S&M, G&A Costs | -87% | -80% | -85% |
| License Costs: | -77% | -85% | -81% |
| Maintenance Costs: | -70% | -52% | -64% |
| Professional Services Costs: | -86% | -79% | -83% |
| Total License, Maintenance, Prof Services Costs | -82% | -74% | -79% |
| <u>Total Headcount:</u> | -80% | -75% | -78% |

Notes: Output numbers include Oracle migration customers. Total customers are end of period numbers.
Source: July 2003 Model (Plaintiffs' Exhibit 3004). For certain FY03 J.D. Edwards numbers, source is Oracle spreadsheet dated July 7, 2003 (Plaintiffs' Exhibit 901).

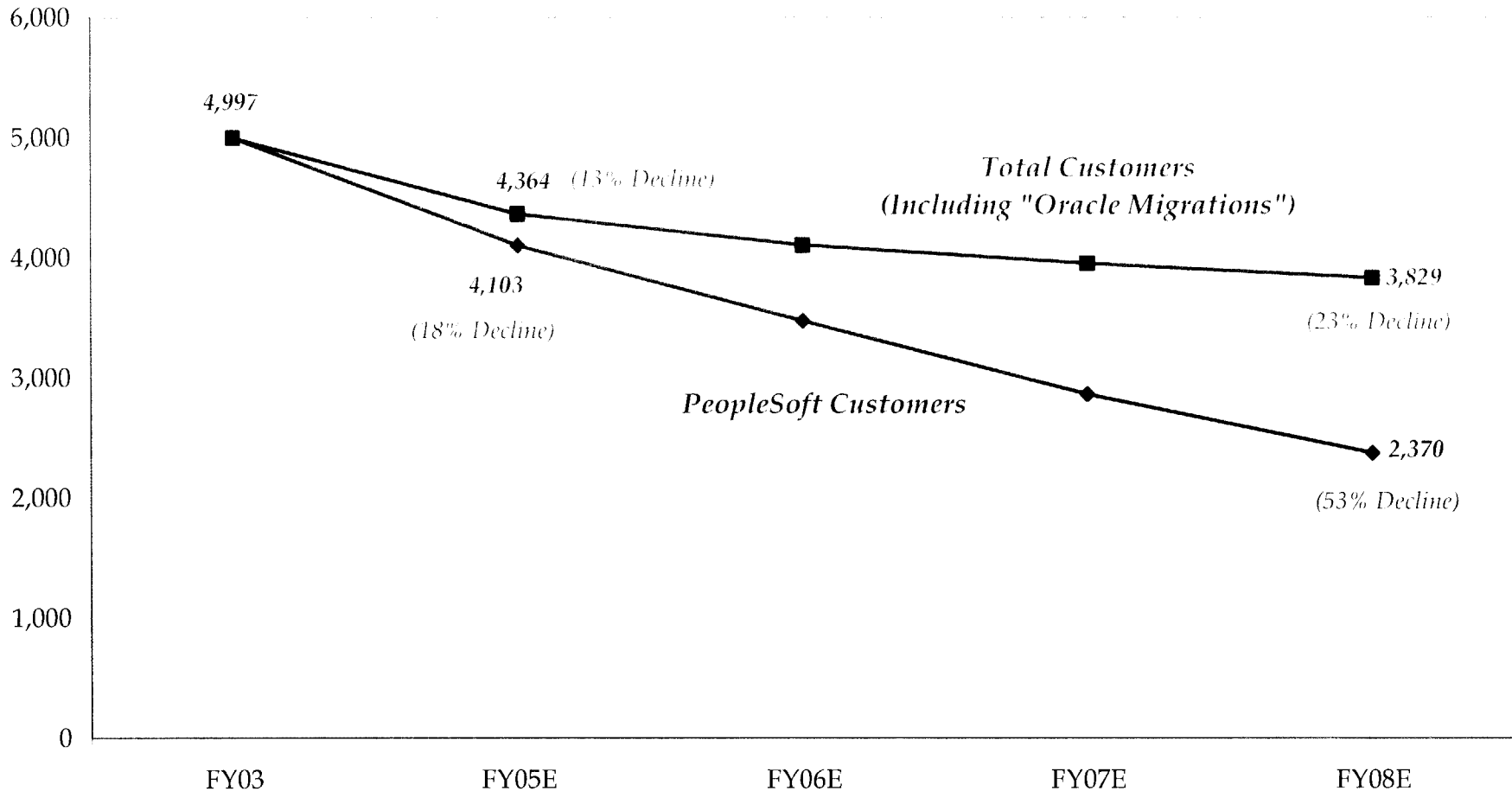
Additional Charts

PeopleSoft (Excluding J.D. Edwards): Oracle's Projection of Decline in New Customers



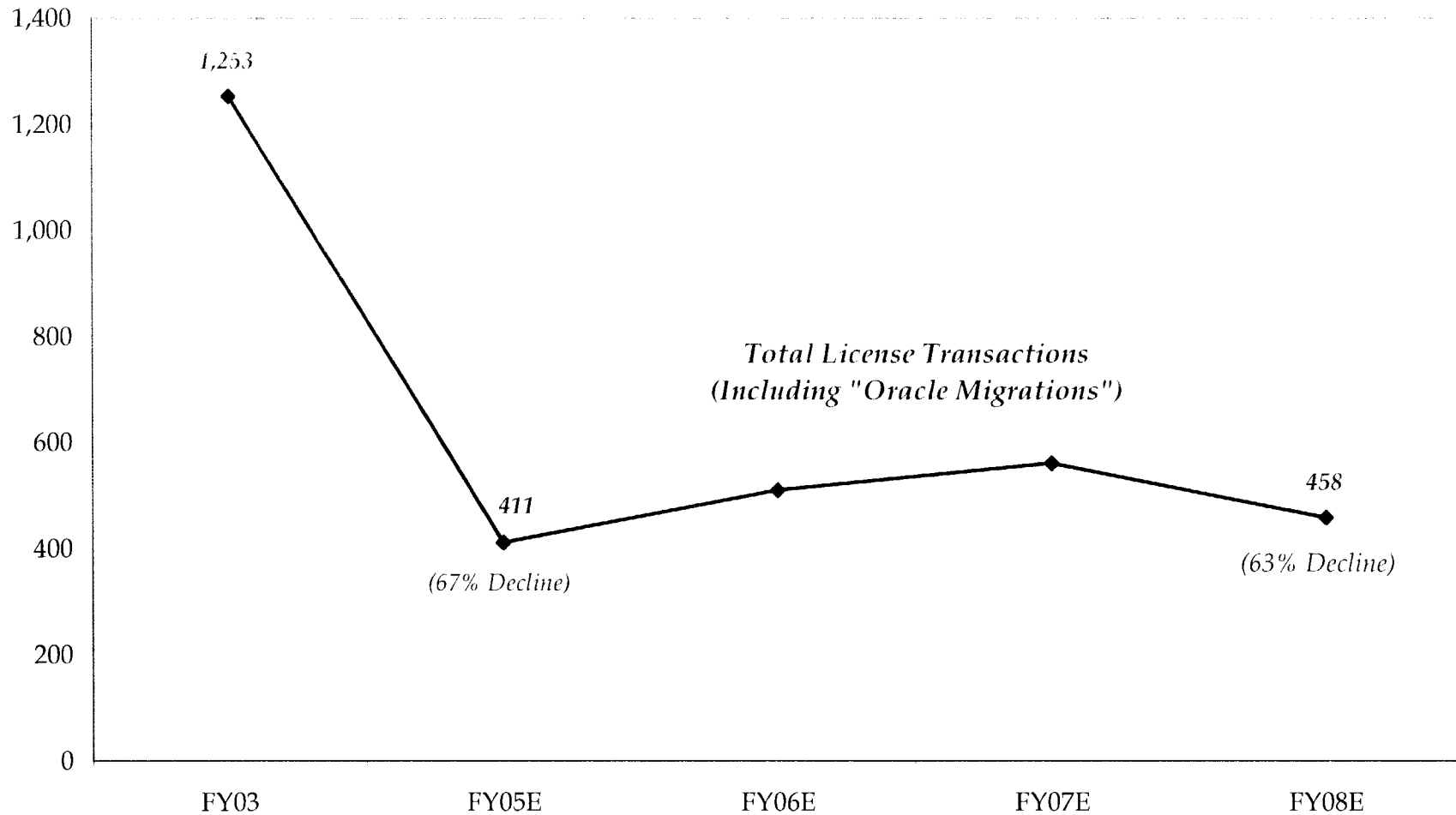
Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.
Source: July 2003 Model (Plaintiffs' Exhibit 3004).

PeopleSoft (Excluding J.D. Edwards): Oracle's Projection of Decline in Customers



Notes: Customers numbers shown are end of period numbers. "Oracle migrations" are customers that switch from PeopleSoft to Oracle products. Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.
Source: July 2003 Model (Plaintiffs' Exhibit 3004).

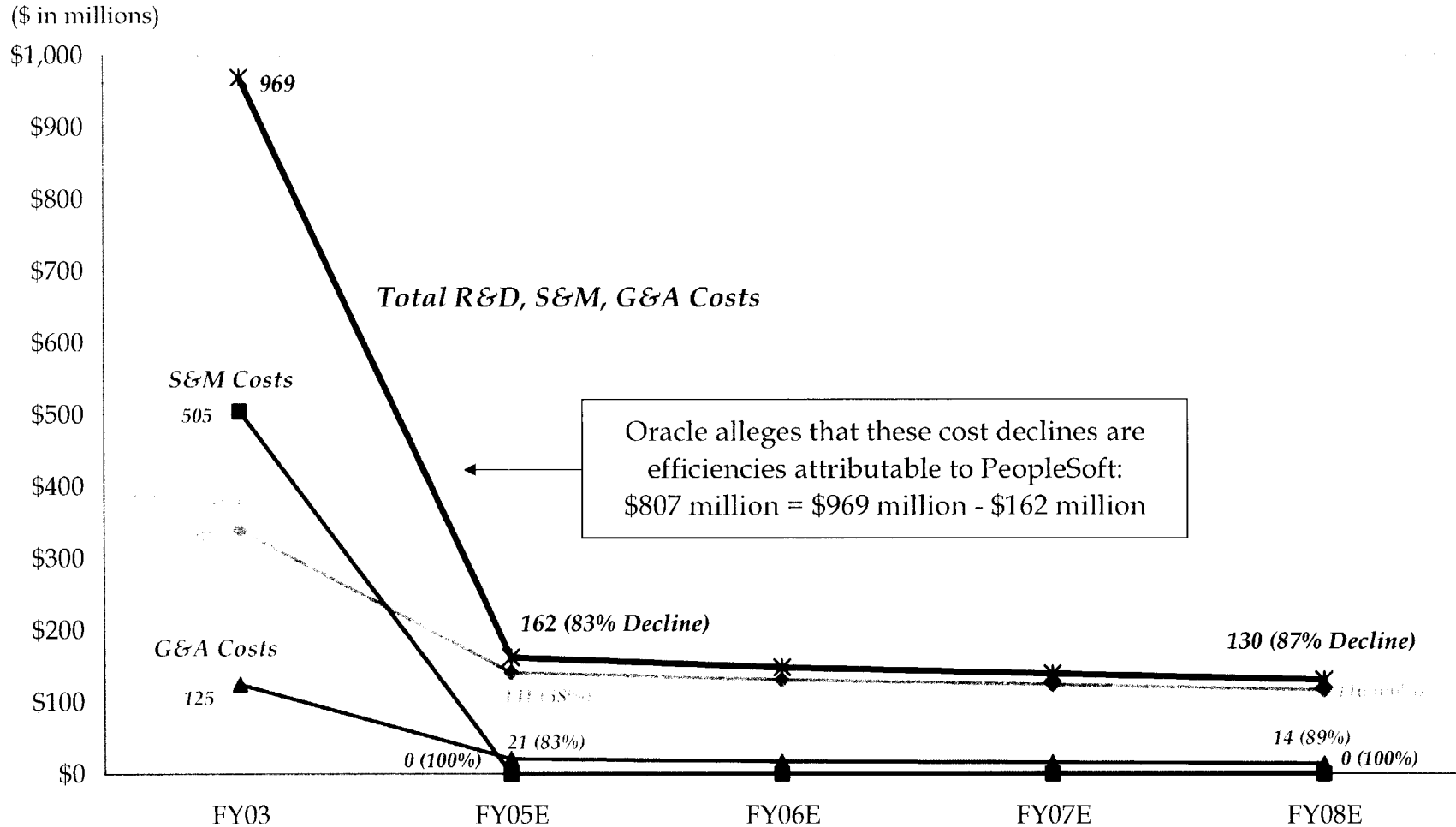
PeopleSoft (Excluding J.D. Edwards): Oracle's Projection of Decline in Total License Transactions



Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.

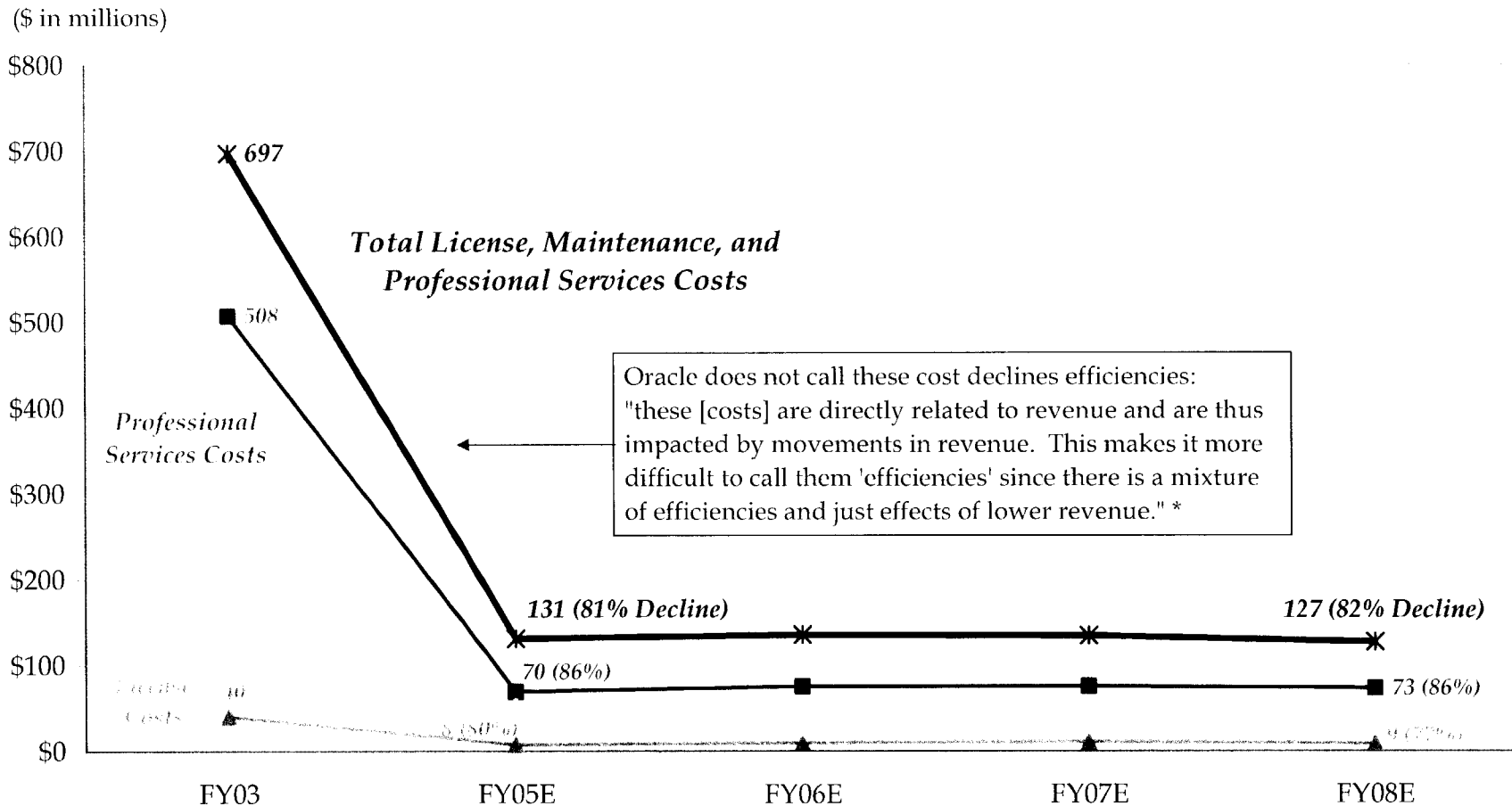
Source: July 2003 Model (Plaintiffs' Exhibit 3004).

PeopleSoft (Excluding J.D. Edwards): Oracle's Projection of Declines in R&D, S&M, G&A Costs



Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.
Source: July 2003 Model (Plaintiffs' Exhibit 3004).

PeopleSoft (Excluding J.D. Edwards): Oracle's Projection of Declines in License, Maintenance, and Professional Services Costs

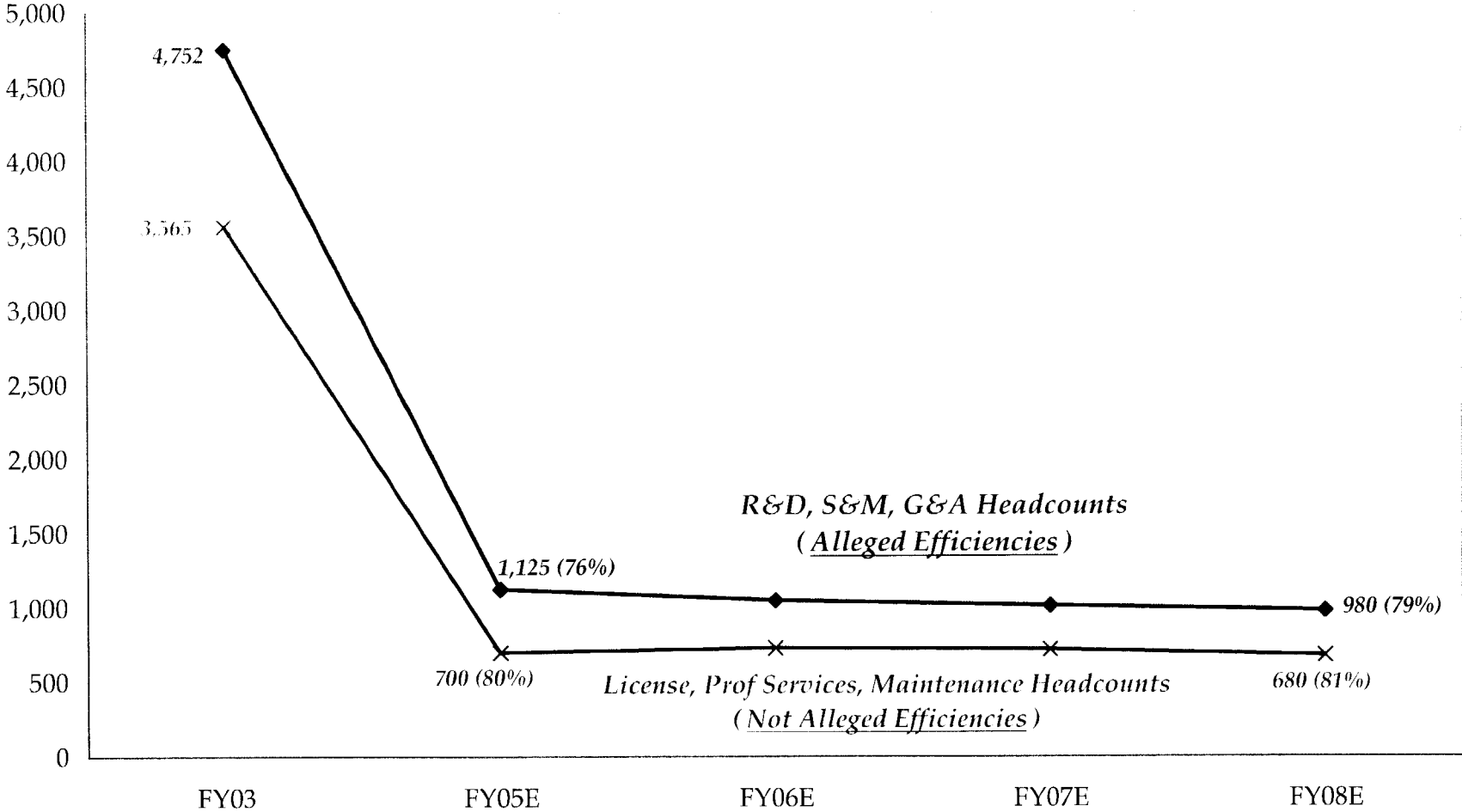


Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.

Source: July 2003 Model (Plaintiffs' Exhibit 3004).

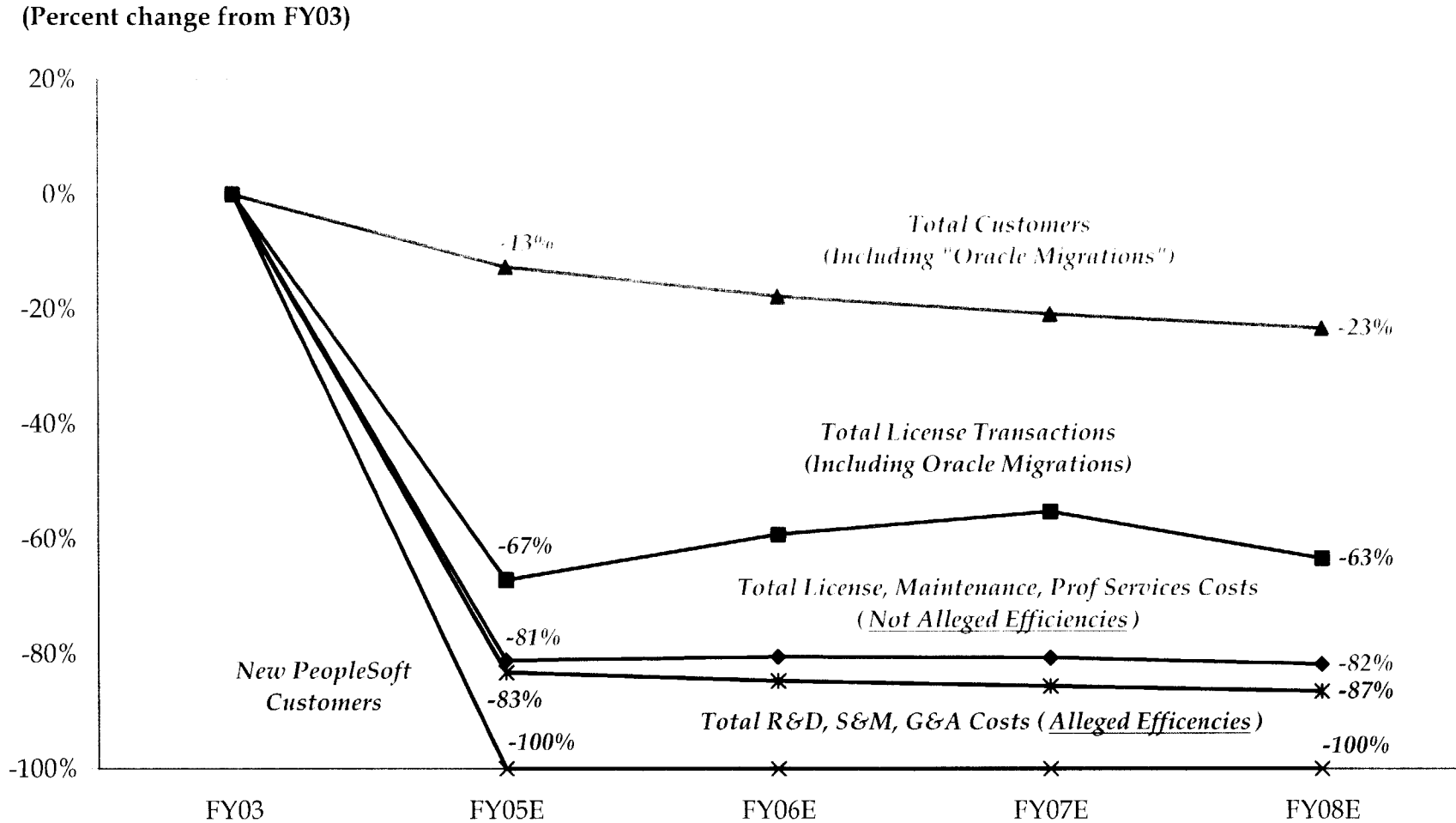
* See "Acquisition Efficiencies Analysis" summary chart (Defendants' Exhibit 7132).

PeopleSoft (Excluding J.D. Edwards): Oracle's Projection of Declines in Headcounts by Types of Costs



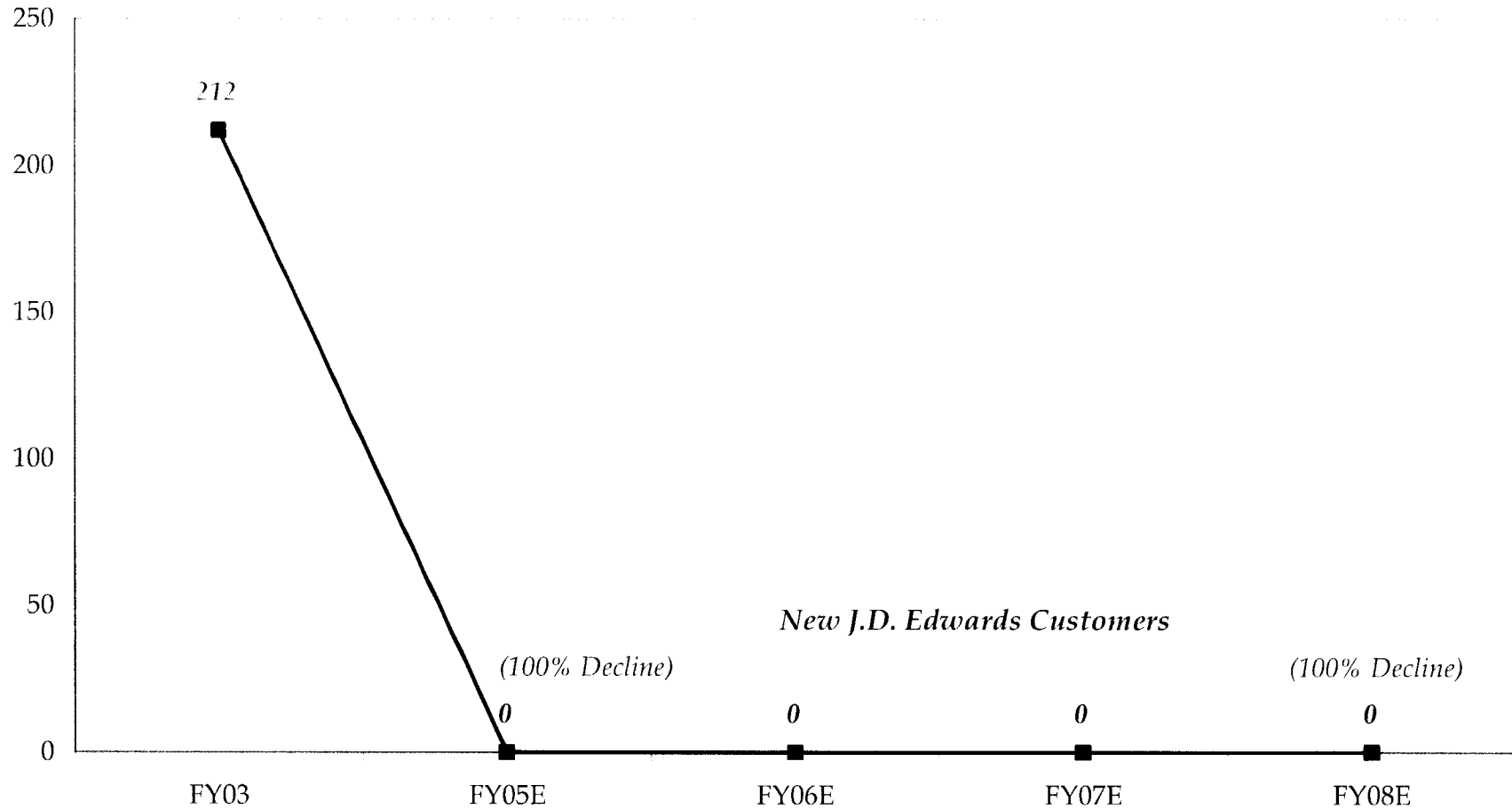
Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.
Source: July 2003 Model (Plaintiffs' Exhibit 3004).

PeopleSoft (Excluding J.D. Edwards): Oracle's Projection of % Declines in Output and Costs



Notes: Total customers shown are end of period numbers. Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.
Source: July 2003 Model (Plaintiffs' Exhibit 3004).

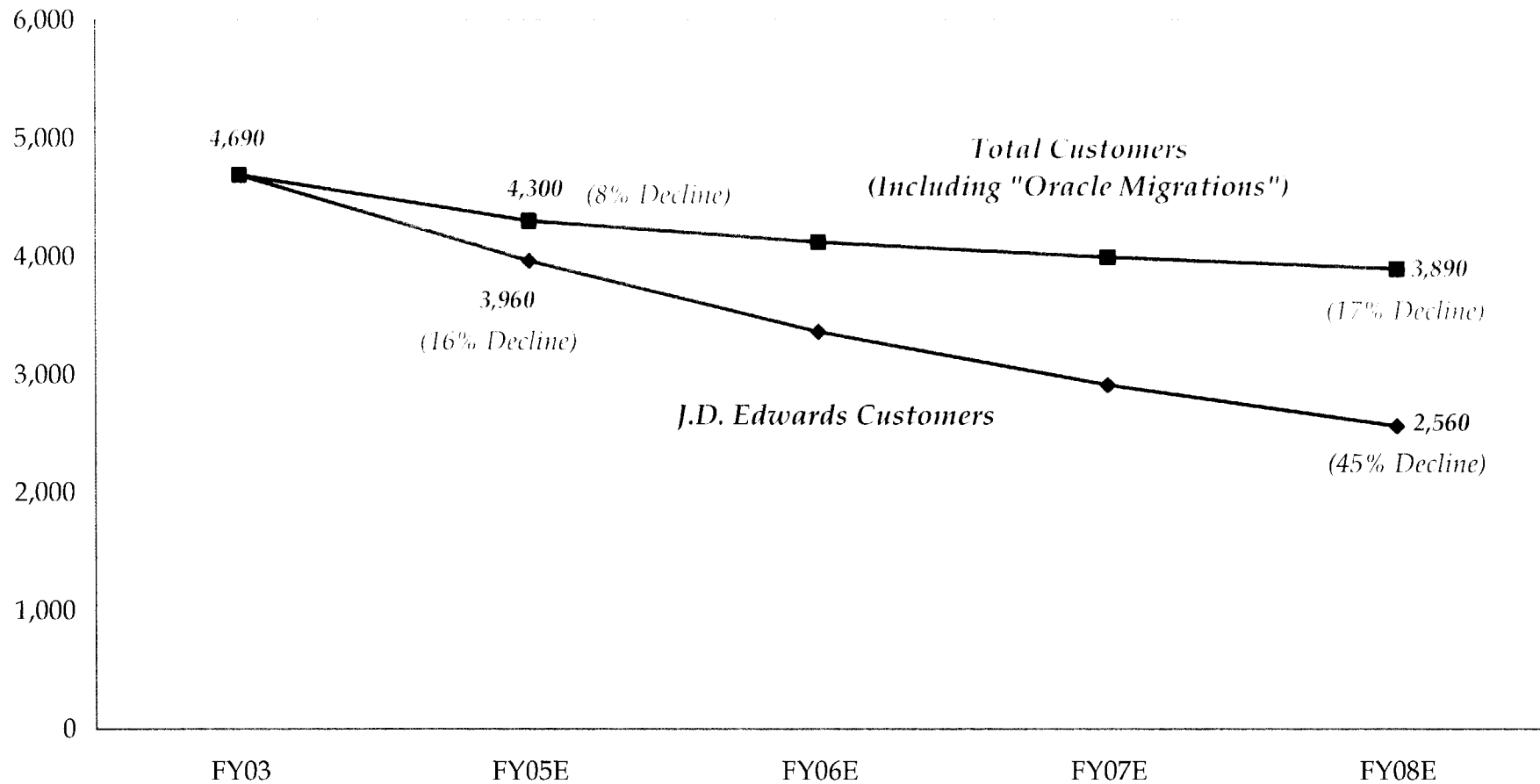
J.D. Edwards: Oracle's Projection of Decline in New Customers



Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.

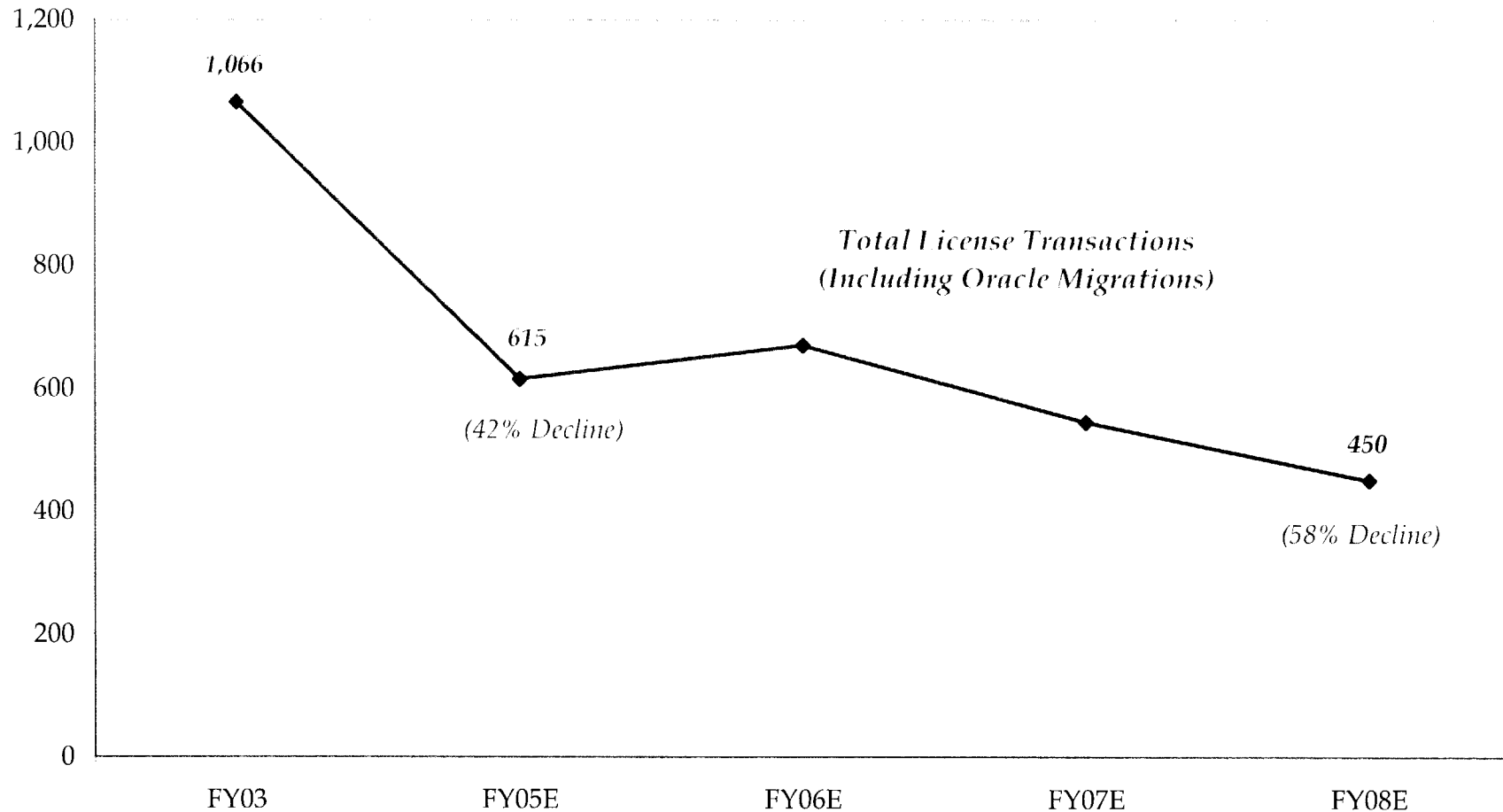
Source: July 2003 Model (Plaintiffs' Exhibit 3004). For FY03 J.D. Edwards numbers, source is Oracle spreadsheet dated July 7, 2003 (Plaintiffs' Exhibit 901).

J.D. Edwards: Oracle's Projection of Decline in Customers



Notes: Customers numbers shown are end of period numbers. "Oracle migrations" are customers that switch from J.D. Edwards to Oracle products. Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.
Source: July 2003 Model (Plaintiffs' Exhibit 3004).

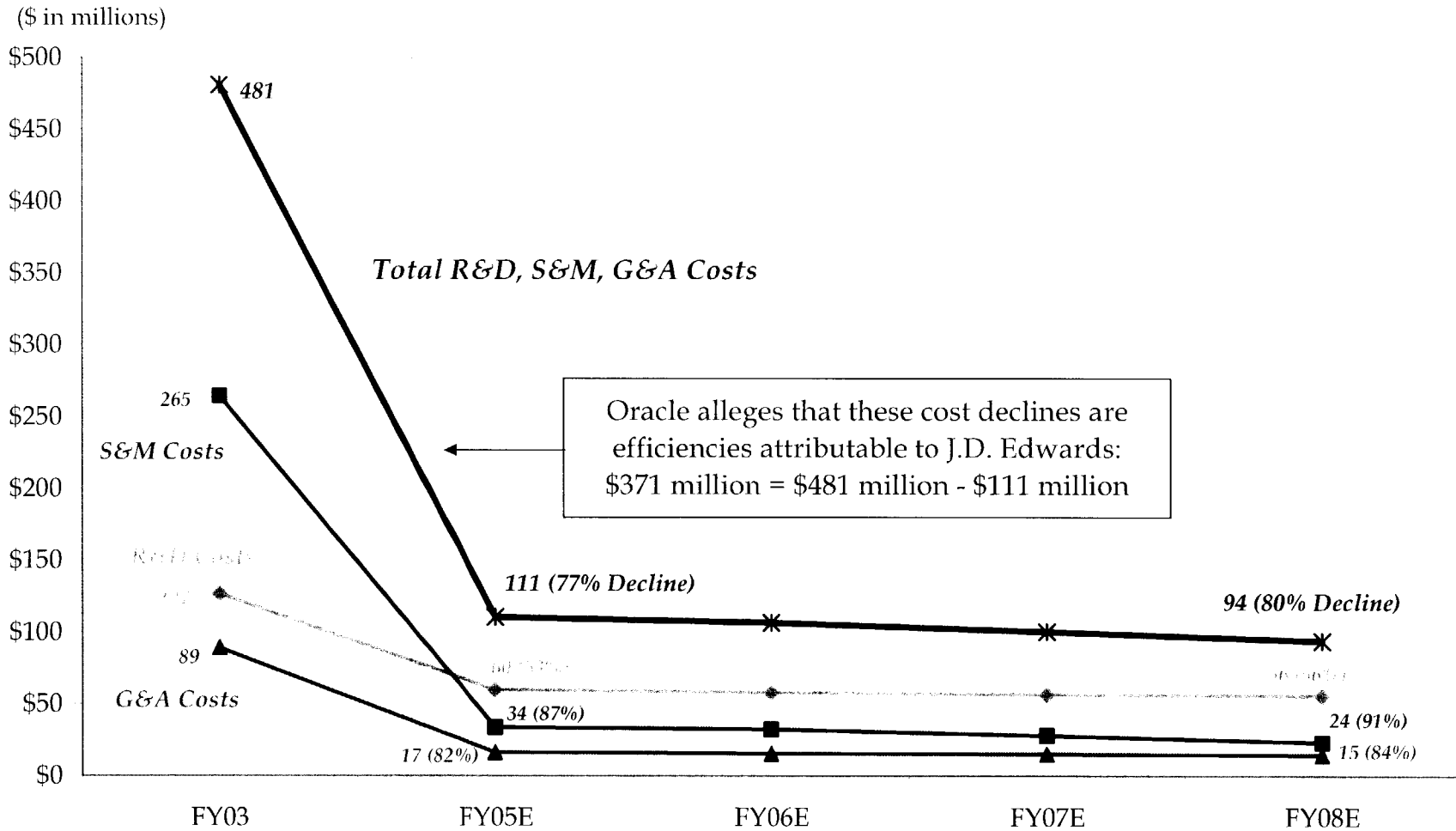
J.D. Edwards: Oracle's Projection of Decline in Total License Transactions



Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.

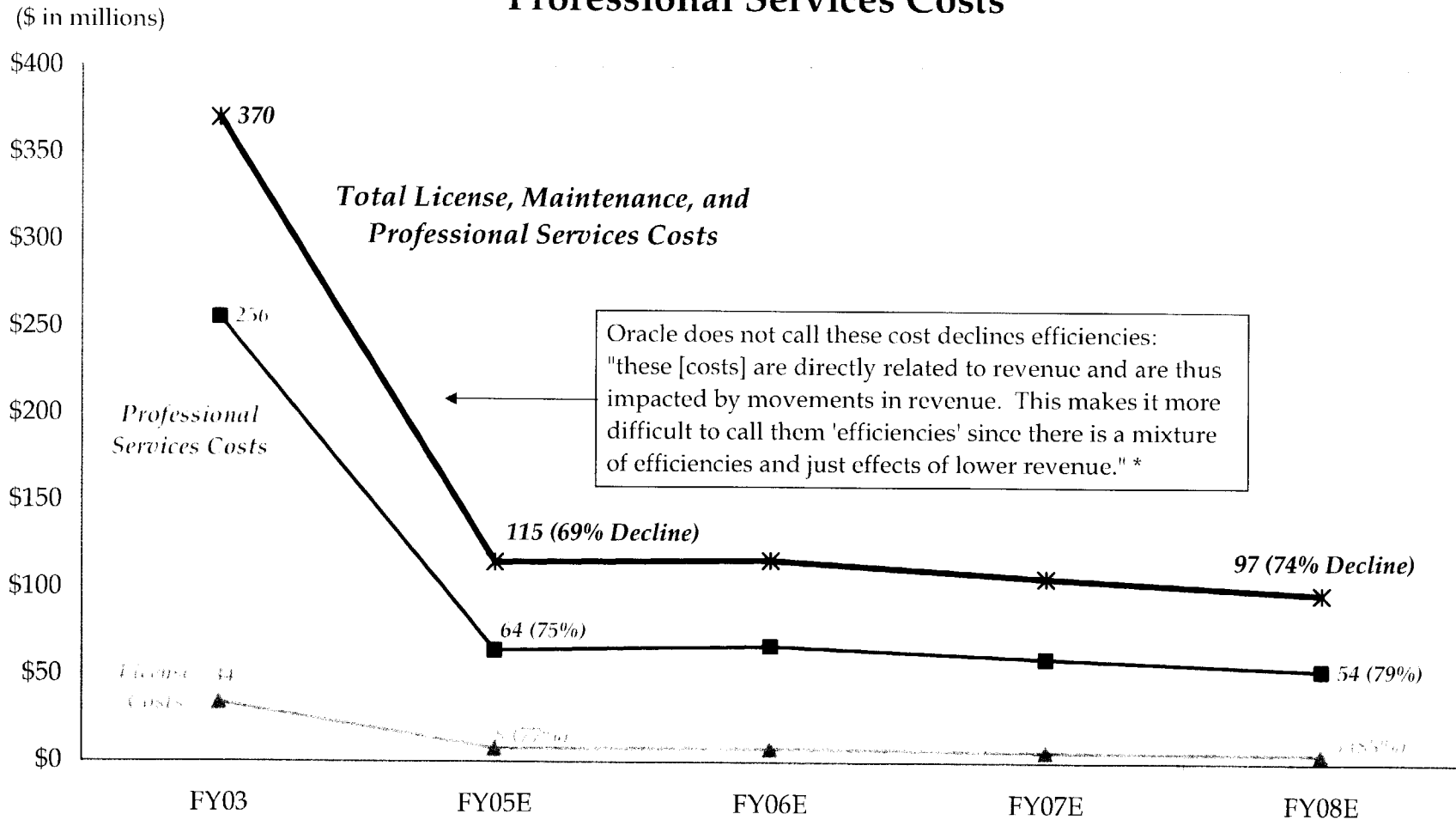
Source: July 2003 Model (Plaintiffs' Exhibit 3004). For FY03 J.D. Edwards numbers, source is Oracle spreadsheet dated July 7, 2003 (Plaintiffs' Exhibit 901).

J.D. Edwards: Oracle's Projection of Declines in R&D, S&M, G&A Costs



Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.
Source: July 2003 Model (Plaintiffs' Exhibit 3004).

J.D. Edwards: Oracle's Projection of Declines in License, Maintenance, and Professional Services Costs

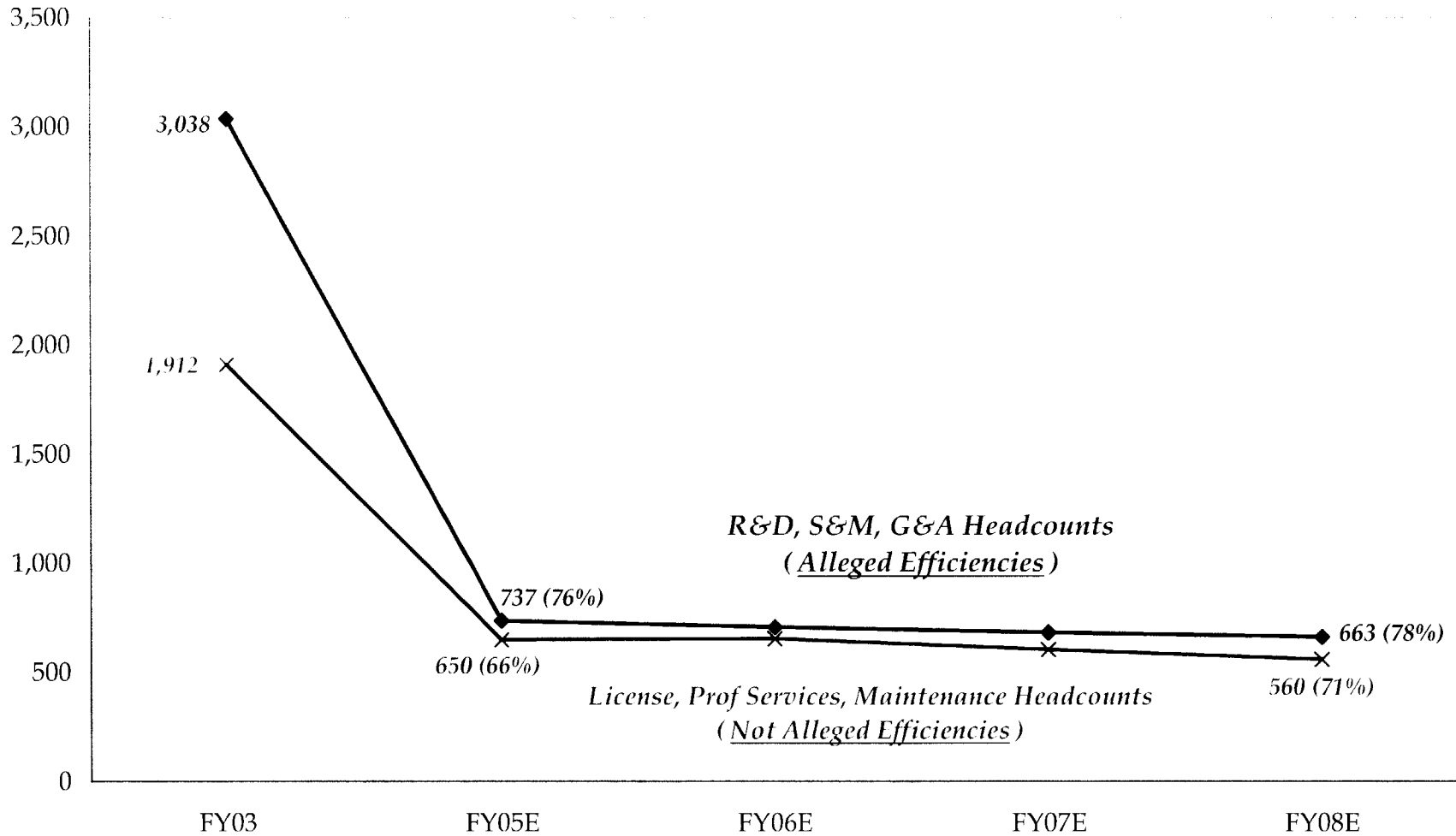


Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.

Source: July 2003 Model (Plaintiffs' Exhibit 3004). For FY03 J.D. Edwards numbers, source is Oracle spreadsheet dated July 7, 2003 (Plaintiffs' Exhibit 901).

* See "Acquisition Efficiencies Analysis" summary chart (Defendants' Exhibit 7132).

J.D. Edwards: Oracle's Projection of Declines in Headcounts by Types of Costs

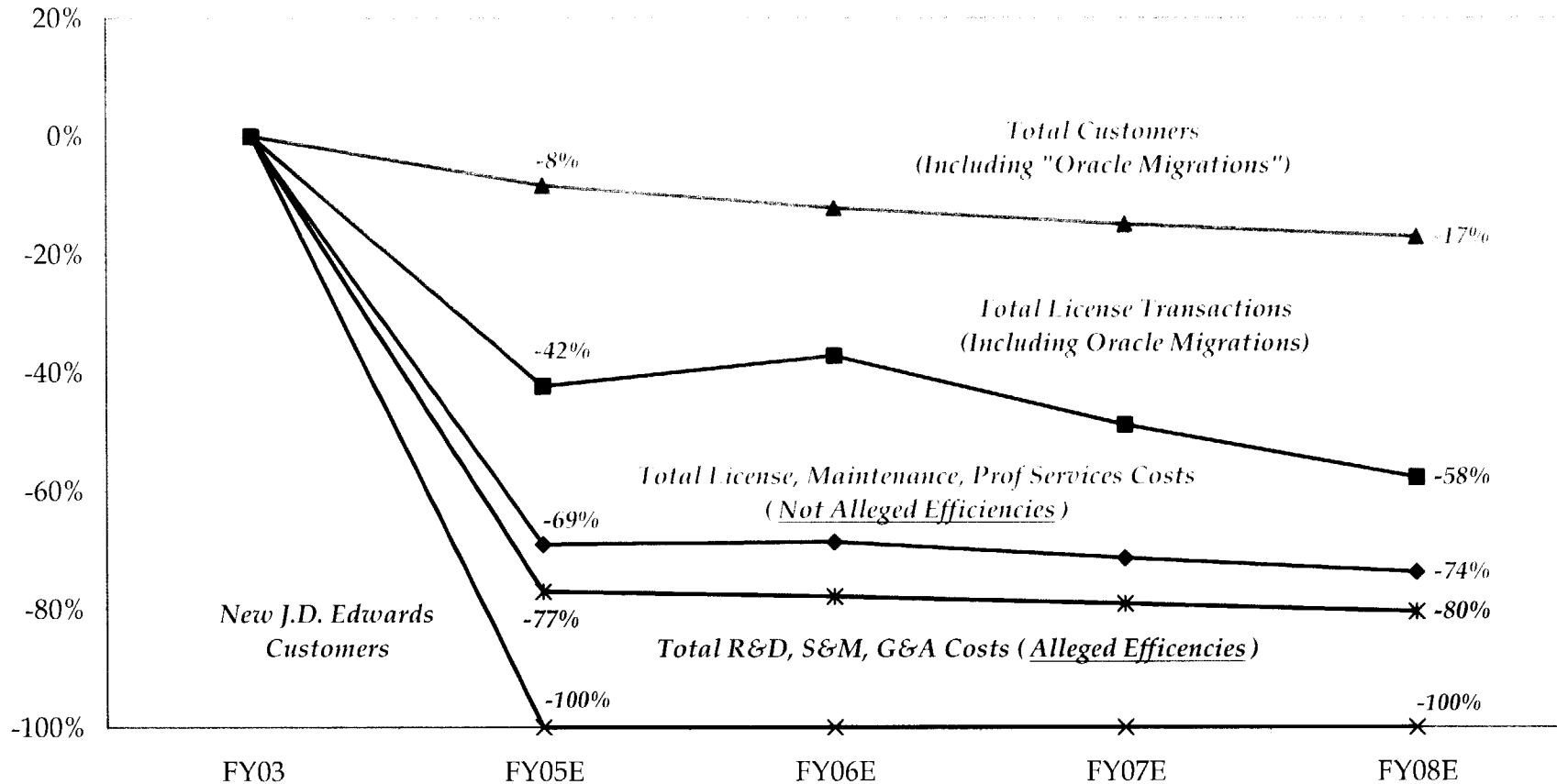


Notes: Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.

Source: July 2003 Model (Plaintiffs' Exhibit 3004).

J.D. Edwards: Oracle's Projection of % Declines in Output and Costs

(Percent change from FY03)



Notes: Total customers shown are end of period numbers. Charts exclude FY04 since the July 2003 Model only provides partial year forecast for FY04.

Source: July 2003 Model (Plaintiffs' Exhibit 3004). For certain FY03 J.D. Edwards numbers, source is Oracle spreadsheet dated July 7, 2003 (Plaintiffs' Exhibit 901).

J.D. Edwards: Calculation of Alleged Efficiencies in R&D

| <u>RESEARCH & DEVELOPMENT COSTS</u> | <u>FY03</u> | <u>FY05E</u> | <u>Delta</u> | <u>FY05</u> <u>Assumption</u> |
|---|--------------|--|---------------|----------------------------------|
| (\$ in millions unless noted) | | | | |
| Number of Persons | 1,282 | 575 | (707) | Yes |
| Average Salary per R&D Person (\$000s) | | x \$80 | | Yes |
| Other Costs per Employee (\$000s) | | x \$14 | | Yes |
| Total People Costs | | = \$54 | | |
| Other R&D Costs | | + \$6 | | Yes |
| Total R&D Costs | <u>\$127</u> | = <u>\$60</u> | <u>(\$67)</u> | |

J.D. Edwards: Calculation of Alleged Efficiencies in G&A

| <u>GENERAL & ADMINISTRATIVE COSTS</u> | <u>FY03</u> | <u>FY05E</u> | <u>Delta</u> | <u>FY05</u> <u>Assumption</u> |
|---|-------------|--|---------------|----------------------------------|
| (\$ in millions unless noted) | | | | |
| Number of Persons | 672 | 70 | (602) | Yes |
| Average Salary per G&A Person (\$000s) | | x $\left(\begin{array}{c} \$80 \\ \$13 \end{array} \right)$ | | Yes |
| Other Costs per Employee (\$000s) | | <u> </u> | | Yes |
| Total People Costs | | = \$7 | | |
| Other G&A Costs | | + \$10 | | Yes |
| Writedown of A/R | | + \$0 | | Yes |
| Total G&A Costs | <u>\$89</u> | = <u>\$17</u> | <u>(\$73)</u> | |

J.D. Edwards: Calculation of Alleged Efficiencies in S&M

| <u>SALES AND MARKETING COSTS</u> (\$ in millions unless noted) | <u>FY03</u> | <u>FY05E</u> | <u>Delta</u> | <u>FY05 Assumption</u> |
|---|--------------|----------------|----------------|------------------------|
| Number of Quota Reps | | 75 | | Yes |
| Average Salary per Sales Rep (\$000s) | | x <u>\$160</u> | | Yes |
| Total Direct Sales Costs | | = \$12 | | |
| Number of Other Sales & Marketing | | 17 | | Yes |
| Average Salary per Other S&M (\$000s) | | x <u>\$95</u> | | Yes |
| Total Other Sales Personnel Costs | | = \$2 | | |
| Other Costs per Employee (\$000s) | | \$12 | | Yes |
| Total S&M Employees | 1,084 | x <u>92</u> | (992) | |
| Total Other People Costs | | = \$1 | | |
| Total People Costs | | \$15 | | |
| Commissions on Oracle Migrations (20% of License) | | + \$7 | | Yes |
| Other S&M Costs | | + <u>\$13</u> | | |
| Total S&M Costs | <u>\$265</u> | = <u>\$34</u> | <u>(\$231)</u> | |