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Q. All right. This will be the deposition of Jeffrey O. Henley taken pursuant to notice issued by the United States. Mr. Henley, would you state your full name for the record, please?

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A. Jeffrey Owen Henley.

A. My home is 1605 Alisa Lane, A-L-I-S-A, Lane in Santa Barbara, California. My work address is 500 Oracle Parkway in Redwood Shores, California.

Q. All right, sir. Could you give us a brief description of your educational background?

A. I grew up in Southern California, attended

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college at the University of California at Santa Barbara. Got an economics degree. Then I got a Master's in business administration at UCLA.

Q. All right, sir. Approximately when was that?

A. I graduated from Santa Barbara in '66 and I got my MBA in 1967.

Q. All right, sir. Now could you tell me how long you have been with Oracle?

A. Just over thirteen years.

Q. All right, sir. So that would take us back to about '91?

A. March of '91 I joined.

Q. All right, sir. What was your position with Oracle in March of '91?

A. The Chief Financial Officer. I have always been the Chief Financial Officer during my tenure.

Q. All right. At some point in time you took on the additional title of Chairman of the Board?

A. Yes. Very recently. I believe it was January of this year.

Q. Just so we're clear on the record, could you describe generally what your responsibilities are in your role as CFO?

A. Right. So I have responsibility as Chief Financial Officer of, obviously, all the financial functions. So tax, treasury, controllership, forecasting, so forth.

And, as I just mentioned, I also have responsibility for some other administrative functions. So more of a management oversight. We have a Chief Legal Officer, General Counsel. We have a Chief Human Resource Officer. So they run those functions but report through me to the company.

So, again, HR, legal. I have a -- there is a function called manufacturing distribution that distributes our software and materials to customers. I have -- we have a leasing business where we perform a leasing function for some of our customers for their technology. So that reports to me, as well.

Q. Leasing what?

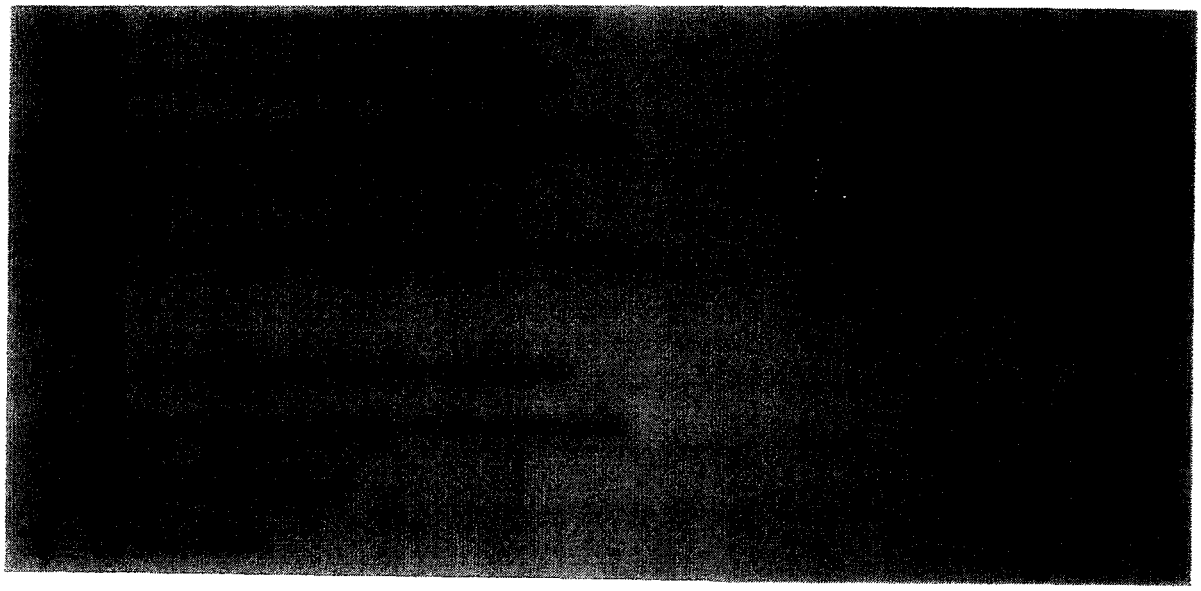
A. Leasing our software. So customers want payment plans, if you will, for buying our technology. So we have a business to help provide

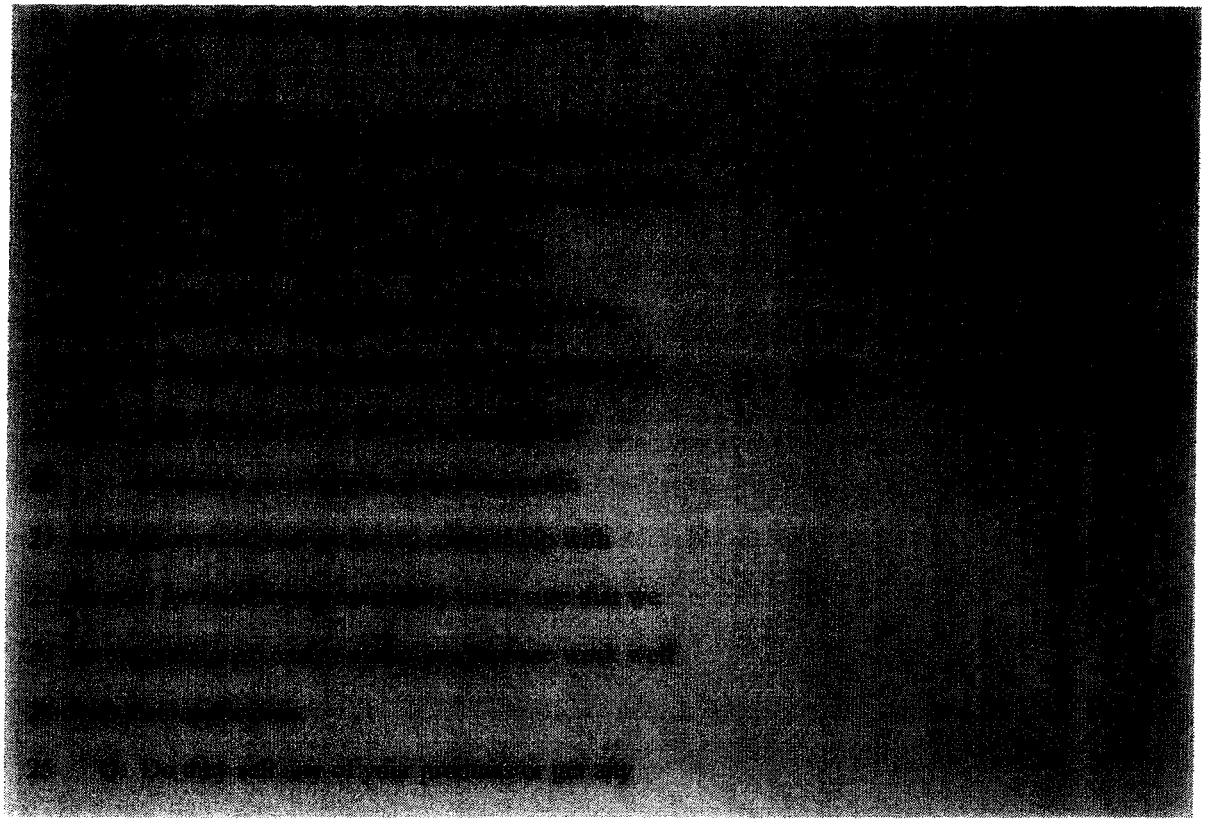
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financing if they don't care to do it themselves.

It's kind of a one-stop shopping idea.

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compensation because of this relationship?

A. They actually have a reseller relationship. So they go to the customers and actually have a right to sell them our database and then send us a royalty for the sale, on those sales, send part of that money back to us.

Q. Is that done just in Europe or is that true, also, in the United States?

A. I think it's global. I believe it's a global agreement.

Q. Do you know how long that relationship has been in place?

A. Many years. Many, many years. Maybe as long as I have been here. If not, shortly thereafter. I mean, it's been well over ten years.

Q. Do you have a relationship with any other software applications vendor where you have people that work with them to help them maximize their software's interaction with your database?

A. Absolutely. We have a number of applications

companies who draw upon our resources, if they have questions or want to have training or whatever. So we have a bigger relationship at SAP only because they are so large.

So they have asked for more dedicated resources over the years, and we've been happy to do it, because it's to our benefit since they generate a lot of business and generate a lot of Oracle database business. But we make available to -- some form of support to literally any company that wants to run their application on our database.

Q. But nobody else has a dedicated team actually at their site?

A. I don't know the answer to that. I am not sure.

Q. Okay. Does any other application software vendor have a reseller relationship for your database product, other than SAP?

A. For our database product. I believe that -- again, I don't get involved in the pricing of this, but my understanding is we have an option but now with many ISVs. These are -- SAP would be an independent software vendor, that's the term. Where they give us a percentage of their deal, so we have an option.

How many people use that option, I don't

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know. But if you go out and sell your software for $50,000 to somebody and it runs on our database, you give us X percent of the 50,000 as relating -- as a payment for the fact the database is running the application.

So we actually have royalty payments we get from many, many software companies. But SAP is by far the largest. I mean, it's a disproportionate amount of money we get from them.

Q. Other than SAP, can you name any other

software application vendors who have an arrangement with you where you resell their database product in exchange for a royalty?

A. Where they resell our database?

Q. Yes.

A. I can't name them, but I'm positive there are many. But, again, I'm told that we actually have got a standardized fee deal now where we offer that. So I believe there were a number of maybe small ones. I just don't know. But I just don't know the names.

Q. But SAP, as you said, would be probably the biggest?

A. Oh, yes, by far, because they are the biggest applications company in the world.

Q. Do you have any idea of what volume of sales of your database that they make annually?

A. I think they generate royalty payments back to us of over a hundred million dollars a year. I mean, it's enormous. They dwarf any other company in terms of reporting royalties back to us.

MR. SCOTT: Q. All right, sir. You have in front of you a document which has been marked for identification purposes as Plaintiffs' Exhibit 35. It's a multipage document, which does not have identification numbers other than on the front being June 10, 2003. This was part of the 4C filings that were submitted to the United States.

The document is numbered on the bottom

right-hand corner. It's 48 pages in length. The first page says Board Presentation on M&A Opportunities, April 14th, 2003.

Do you see this?

A. Yes.

Q. Is this -- does this document have anything to do with the board meeting that you talked about where M&A opportunities were discussed?

A. Yes.

Q. And what is the relationship between that board meeting and this document, Exhibit-35?

A. We periodically have had discussions, so we decided at this board meeting we should update the board and have a discussion about what potential M&A ideas we had.

Safra Catz made -- led the discussion and presented this package or presented some of these documents to the board in terms of ideas that we had about possible acquisitions.

Q. And you are a member of the board?

A. That's correct.

Q. And were at that time?

A. That's correct.

MR. SCOTT: Q. And this document, Exhibit-35, was put together by the M&A group that works for Ms. Catz?

A. That's my -- as well as her. I don't know what role she played, but obviously she probably had some role in terms of this, as well. But she has people in her group that clearly helped her put this together.

Q. All right, sir. If you would look at page 3 of the document. Again, we're still talking about Exhibit-35 to your deposition.

On page 3, there is a chart headed Enterprise Software Competitive Profile. Do you see that?

A. Up here (indicating)?

Q. Yes, sir.

A. Yes, sir. Yes, I do.

Q. Do you recall whether this document was the subject of discussions with the board at the board presentation?

A. I don't remember if we showed this particular slide. They got a copy, I believe, of all of this. I don't think we went through every slide. So I am -- but, I mean, it wouldn't surprise me if they presented this. But clearly they were exposed to the information.

Q. All right, sir. Do you have any understanding of what it means across the top, the Key: No Presence, Not Significant, Player, Competitive?

A. Yeah. I think this was an attempt to kind of take all these different areas where we either compete or might want to compete, look across at some of the larger competitors. There is, obviously, other smaller competitors that you just can't put everybody on the list, and try to give visually some way of saying, here is the landscape. Here is some of the major competitors. Here is kind of where even Oracle plays.

But, I mean, there are some areas here where

we don't play, but they were still listed because they were areas where we have logically from time to time thought about maybe going next.

Q. Well, for example, when you have got on the Key the indication, "No Presence," I take it that would mean that the company that you are referring to on the charts does not have a product?

A. Yeah. For instance, IBM -- and, again, it's an oversimplified chart. IBM actually does have a few applications, but we don't think that they are material, so we say "no presence."

But, typically, they have a big business in implementing other software for Siebold, us. They bought PWC, so they are in the business of implementing Oracle applications.

They have an outsourcing business where they run our applications. So, but yes, they don't have any significant play in products per se in the applications space.

Q. Well, then we've got the presence here, the next key point is Not Significant. So what is the difference then, as you described it, between Not Significant and No Presence on this chart?

A. Again, I think the idea is sort of going up the level of importance or amount of presence, at

least at the present time. So it's kind of a way to visually say they have something but at least for right now they don't appear to have as much as some of the other people on this chart.

Q. Okay. And Player, what does that mean?

A. There, again, going up this level that they are clearly more presence than not significant, but they are maybe not fully effective yet. So it's a way of kind of rating the effectiveness of the competition, at least.

And, again, this is not meant to be so much perspective as right here now a year ago when they put this chart together. And, again, based on their knowledge. Sometimes we have imperfect knowledge, too.

Q. And Competitive, what was meant by that on the chart?

A. Clearly, we see them here and now. We see them a fair amount of time. So they are clearly one of the people we really are battling with right now in the space that we're in, which changes, as well.

Again, I'd stress in every one of these spaces there is many other competitors. There is a whole bunch of business intelligence people that weren't displayed on here.

For instance, Business Objects, Cognos, I mean, people that are really the major business intelligence players don't even show up on this list. This was meant really just to sort of a give a quick overview to the board without getting into the details of every segment.

As you know, the bulk of this related to just a few key people we thought would make sense to look at. In fact, I just saw Business Objects on here. I don't think they are even on this top screen here.

Q. But they are listed as one of the --

A. Yeah, but they are not on this chart you have been making me go through here. It's clearly not all inclusive chart of all the competitors or people that are competitive or people who are players.

Q. All right. So let me ask you to flip over, if you would, in the document to Exhibit-35, page 36.

A. (Complies.)

Q. All right, sir. Was Lawson one of the companies, potential acquisition partners, that was discussed at this board meeting?

A. I can't remember if we discussed it. I believe we probably would have at least talked briefly about it. I mean, in these meetings, these things trigger a lot of conversation, and so typically you

sort of, you know -- but I'm sure we must have at least mentioned it.

But, again, the whole pack was here. I just don't remember what degree of discussion we would have had about Lawson. But we wouldn't have put it in here if we didn't think this was something we should think about.

Q. All right, sir. Do you know if there were ever any discussions between Oracle and Lawsons regarding potential acquisition?

A. I don't know.

Q. All right. So looking at the Lawson chart on page 36 of Exhibit-35, under the heading Potential Upside, there is a bullet point which states, "Focus on mid-market services sector is complimentary to Oracle's strengths," and then it goes on to say, "Health care is strongest vertical with 21 percent of customer base. Others include retail, 12 percent, professional services, 8 percent, financial services, 8 percent, and public sector, 6 percent." Do you see that?

A. I do.

Q. Do you recall any discussions regarding Lawson having a focus on mid-market services sector?

A. Again, I don't remember the discussion but, I

mean, it's ironic. I mean, clearly we misuse terms at Oracle. When you talk about health care, clearly some of their health care customers are hardly small customers. Mayo Clinic Center, enormous, enormous hospital chain.

So we mix all kinds of terms here. But I don't remember exactly what we would have discussed about Lawson in the meeting.

Q. So is it your testimony that the use of the term "mid-market services sector" in the presentation to the board on potential acquisition products is somehow inaccurate in describing Lawson?

A. I am saying that to use the word "mid-market" and to put in below it health care is a vertical does not imply that the only health care customers we serve are mid-market customers. And, again, the whole word mid-market, my experience in this industry is everybody has a definition, differing definitions of what mid-market means.

But if the term, I think, generically means at some point something smaller than large is what they call. I don't know where you break that off. Everybody has different definitions. Then I would submit that Lawson sells lots of health care organizations that are clearly not small or that are

medium. They are large health care companies.

So that's why I say to me if I were doing the presentation I would have segmented health care off to the side and never implied that that's a mid-market sector.

It's just like any other sector. There is some large small hospitals and there are some very big ones. There is big health care chains. So to me it's just a little bit confusing.

I am not trying to be critical of whoever put this chart together, but it kind of makes two different points under one bullet point, in my opinion.

Q. Do you recall any discussions at the board meeting regarding this part of the study focusing mid-market service sectors and talking about Lawson health care was inaccurate?

A. No, I don't. I'm just telling you since you keep asking me about mid-market, I'm just telling you looking at the chart, thinking about it, I have no idea if we even went through this particular chart at the board meeting.

Q. Do you know, are there health care companies that you would consider to be in the mid-market?

A. Again, in my definition, which I think

everybody has their own definition, even in our company, let alone industry analysts, I would say there clearly are very small hospitals that might have a hundred beds, and then there is very big hospitals that might have 1200, 1500, and then there is something like Mayo that actually has multiple hospitals.

So, at some point, you know, one is large, one is small, and what's medium I have no idea. But clearly the hospitals vary in size and scope and all that sort of thing.

Q. What is your definition of mid-market?

A. I have tended in the commercial side to think of businesses around a quarter of a billion and smaller. But, again, you can interview five people at Oracle, and I bet you they will all give you a different size. Different industry analysts, some people say 500, some people 50.

It's a term that I think is meant to be something less than very large. Then the breakdown is how do you really define that. Everybody has a different definition. At some point, where is this break point?

Q. Okay. Do you believe that there is, in fact, though, however you define it, a group of customers

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that you would define as being in the mid-market?

MR. ROSCH: Object.

THE WITNESS: I think there are customers that are clearly significantly smaller than large customers, and clearly -- at a minimum much smaller, have many fewer employers and that sort of thing. And then sometimes they are in one country.

So sometimes large connotes just an enormous US company versus some small US company, or sometimes large gets even more complicated because they are multi-national.

But I think there is clearly small customers, there is medium customers, there is big customers. So as I testified earlier about these break points, you know, we've tended to recognize that there are different kinds of customer needs, price driven, all sorts of things, and so there is classic market segmentation that goes on in our industry in terms of kind of thinking about the differences between customers.

MR. SCOTT: Q. Why -- do you have any recollection as to why Oracle thought JD Edwards would be a good fit as an acquisition partner?

A. Again, the theme has been that we felt that getting a stronger presence in the applications space would be useful to us. So they were in the applications space, along with Lawson, Peoplesoft, a number of other -- Cerner, a number of other companies that are in the package there.

So it was really in that spirit that it gives us a bigger presence, a bigger foot print in the

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applications business.

Q. Well, if you would look at page 26 of Exhibit-35.

A. Uh-huh.

Q. Under the heading Potential Upside, the second bullet point indicates one potential upside of Oracle acquiring JD Edwards is it would be "addition of a strong mid-market presence." Do you see that?

A. Yes.

Q. Do you recall any discussions about that?

A. Whether this meeting --

Q. At the board meeting.

A. Again, I am not sure. I mean, clearly, we've had discussions, but I don't know at the board meeting if we talked specifically about that.

Q. Did you talk to anybody in any context other than the board meeting about JD Edwards adding a mid-market presence to your portfolio?

A. I'm sure we have. I mean, JD Edwards had a strong AS-400 base over the years. Clearly, the AS-400 market IBM has huge presence in the AS-400 market that's on their hardware. It's clearly been geared more towards either smaller customers or divisions of big companies.

But, I mean, it's classically -- you know, IBM

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had their mainframes and then they had their AS-400s. Classic market segmentation on the part of IBM.

JD Edwards had that business and then they got into Unix and some other platforms, and they were selling also to large customers.

Q. When you talk about the AS-400 that JD Edwards had a product for, and you said that that was used primarily by smaller companies, what did you mean by "smaller companies" in that context?

A. Again, I don't know where you draw the line, but typically either companies of, you know, a few hundred people versus thousands and tens of thousands or divisions of big companies that had chose to use that platform.

That platform has been around for years, and there is many, many people who have used the AS-400 platform, and JD Edwards built a good business around selling packaged applications on that platform.

Q. When in Exhibit-35 it has the phrase that a

potential upside is the addition of a strong mid-market presence by acquiring JD Edwards, do you know what definition is used there for mid-market?

A. No. Again, I believe that it's the same. I think everybody has got a difference, but in my mind it connotes, you know, smaller to substantially smaller organization size than very large, large organization size.

Q. All right. And the significance of the company's being smaller is what in the context of segmenting the market, as you referred to it?

A. Again, to me it's just numbers of people and transactions. It's not necessarily a reflection of complexity or sophistication. It can be that, too. It can be a company that's just real simple and basic, but I don't think that's the big -- the biggest thing is just size, and ultimately budgets.

There is a lot of people that actually want -- that's why we think we can do better and better with our products if we can hit these price points.

It's just you have to be -- you have to figure out a way to hit a certain price point to get smaller organizations interested or have enough budget to be able to take on your products.

Q. Is that the rationale behind running out the

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-- rolling out the Oracle standard product in Europe?

A. That's what I told you earlier. That's correct. It's very much geared towards simplification and ultimately getting to a price point that we can be competitive in smaller organizations.

Q. Was the rollout of that product in Europe the first time that you had actually come out with a package of software that was configured in a way that you thought would attract to smaller customers with lower price points?

A. It's one of a series of things we've tried over time. We've had an active program in the United States to try to sell to smaller companies. We've organized a separate sales force for a number of years. So there is a variety of techniques we've tried to do to get focus to find different partners who could implement cheaper.

The distinction, I would say, with Standard Edition was that in addition to that in Europe we tried to say, okay, we will just sell it to this channel and we will preconfigure a set of apps, and so we will really, really go to the extreme here to see if that will work. And if it works in Europe, then maybe we can make it work in Asia, the Americas, and so forth.

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Q. You indicated that at some point in time you had a separate sales force aimed at smaller companies. Did I hear that right?

A. Oh, absolutely.

Q. Do you still have that?

A. Effectively, yes.

Q. What does that mean?

A. Well, we used to have a separate sales management in the United States that we carved out. We said, you people are what we call general business.

IBM has used that term over there, so people have all kinds of terms: Mid-market, general business, whatever. But basically geared towards smaller organizations who had, who are very price sensitive. And so we think that the sales force has to behave differently.

They have to learn how to be very nimble, not get involved in long sales cycles so that we can make money with these small companies.

We worked with a different set of small local implementers. So then we put the groups back together again a couple years ago. But effectively, the way the sales force in many of the cities works, there still is a general business sales force. They just

happen to be all part of one geography now.

But you cut through it and there is still managers and all they do and their sales reps is call upon these smaller organizations. We think it's important to be organized that way, because we have to be very nimble.

The only way we can make money is we've got to turn a lot of deals and we've got to learn how to use different partners and that sort of thing. So there is a segmentation in the way we think and the way we focus.

Q. You say that -- and you just used the term "general business." That talks about the smaller companies that you are hoping to be able to get price points that are attractive for?

MR. ROSCH: Objection.

THE WITNESS: That's what we called the organization that we at one time had in the US, our general business sales force. We don't call it that anymore, because it's been melded into the regular sales force.

But, effectively, that's the way they are still organized in some of these markets. They still have this sort of separate group of people that tend to sell to smaller companies.

We also have sales forces that sell to industries. So it's very complex. There is some people that have an industry focus and they may even sell to smaller and large customers, too.

MR. SCOTT: Q. But you indicated that the folks that sell to the smaller businesses, the ones that used to be called the general business sales force, have to be more nimble and do a shorter sales cycle so you folks can make money, right?

A. Uh-huh.

Q. What did you mean by that?

A. That when you are selling to some big companies sometimes they -- the sales cycles are much longer, there is many more people involved, and so you get used to a way of selling.

You are trained as a salesperson to go through all the steps of selling, and how -- you can't afford to do that in these small companies.

So we've found that the mentality of a salesperson who had sold to IBM or sold to some huge company was -- the way they are prepared, the way they just thought, that it was almost counter intuitive for them to now go out and now call on 20 customers in the course of a year.

And we're not the only people, by the way.

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IBM had a general business sales force. We are not reinventing the wheel here. That's just the way selling works, in general, in this industry.

Q. Why would the smaller companies going through the longer sales cycle that you do for the bigger companies with the smaller people result in you not makings sufficient return on those sales?

A. Because if you absorb a lot of resources to do a nine-month sale, and you now do the same sale to a small company, by resource, we may have 10 people working on the deal for a large customer.

A small customer, you've got two people working half the time. So the amount of effective people and expense to sell can't be the same when you sell to a small company as a large company.

Q. Okay. Is the --

A. So a salesperson -- just continue.

Q. Sure.

A. So if you are really selling to a large sophisticated customer sometimes you have to marshal some additional resources, and so the sales rep gets very food at that.

A sales rep to sell to a small company has to be a one man band, or a one woman band, and they have got to be nimble and be able to wear a lot of hats.

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1 So it's difficult to find people who can do both.

Q. Now, is the idea of using this product, the Oracle -- I'm sorry. Your product is what, again, the name of it? I have gotten confused now.

A. I believe it's called Special Edition.

Q. Okay. The Special Edition product in Europe, that was implemented in order to see if that would have attraction, be attractive to smaller companies?

00121

A. Yes. The idea is could we hit a price point that would -- and could we find, run this through the channel, hit a price point that we could sell it in much greater volume. A combination of preconfiguration, but most importantly giving an exclusive to a new channel to go out and sell this thing in volume.

24 Q. All right, sir. Now, it states here in the
25 first line of the answer part of that on page -- in

Exhibit-34 on page 00204472 that, "There is minimal integration risk. It will be clear to customers that the O product is the surviving product." Do you see that?

A. Yes.

Q. Do you have any understanding of what's meant there by the term "the surviving product"?

A. Yes. I testified earlier to you this morning about why this integration risk is far less than the Peoplesoft strategy. So all of the things I told you before supports this statement that he's made here.

Q. All right, sir. If you would look over at the next page of the document, the page with the identification number 204473. About two-thirds of the way down the page there is a couple of -- well, actually three questions, all bunched together.

"Don't O and P have a lot of overlap already in the customer base? Where's the incremental cross selling opportunity in growth?" And "Does this in any way raise the organic growth of O?" Do you see those?

A. Yes.

Q. If you would, just again so you've got the context, go ahead and read the answer that goes with those questions and continues over to the next page, and then I will have a couple questions about it.

00147

A. (Complies.) Yes, I have read it.

Q. All right, sir. The first line of the answer part of it says, "We do have plenty of common customers, which we view as a strong reason to approach this acquisition in the manner we've chosen." Do you see that?

A. Yes.

Q. Do you have any understanding of what is being referred to there by the term "common customers"?

THE WITNESS: Yes. Yes, I think I do.

MR. SCOTT: Q. All right, sir. What is that understanding?

A. This is a customer who might have Oracle financials or Oracle HR. It might have Peoplesoft/Oracle HR financials. So our market is financials at Oracle and Peoplesoft HR, the same customer. Okay? Or they might have Oracle procurement or Peoplesoft HR, something. So these would be basic customers have both our applications.

Q. All right, sir. Do you have any idea of how many such customers there are?

A. No.

Q. Do you have any idea of whether it's fairly uncommon for one of your customers to also have

Peoplesoft applications?

A. No, I would not characterize it as uncommon. I think there are many. I just don't know how many, but I think there are many customers that have, for instance, our financials and their HR system. I have talked to a number of customers who do.

Q. Have you -- other than talking to customers that have that type of configuration, have you had access to information from withinside Oracle that indicated that there are a substantial number of customers who had both you and Peoplesoft as part of their software applications?

A. Yes, statements have been made like that, which I have validated in talking to customers, but I have never seen a precise number. But I agree with the statement. We have plenty of common customers. To what I know, I think that's true.

Q. Now, in the accounts where you and Peoplesoft both have a presence, do you know whether or not your sales force tries to sell that customer your product to replace the Peoplesoft products that they have?

A. Hum. We are asked sometimes by customers to quote to replace, and then there is times where I suppose we've gone in and tried to displace Peoplesoft.

00149

So it happens on either side. Either the customer approaches us or we've heard the customer has some concerns or issues, and we will aggressive -- proactively approach them.

Q. Do you know whether or not there are circumstances where Peoplesoft has made overtures to customers to displace you from their installed base?

A. I assume so. Just like we've done it in our case, I'm sure it's happened with SAP.

Q. I'm sorry?

A. It happens with SAP. I think it's an industry phenomena. From time to time there is an opportunity to displace another competitor at an account.

Q. Now, in Oracle's current plans as they relate to Peoplesoft's products, is it your expectation that there will a new version of Peoplesoft beyond Peoplesoft 8, if you are allowed to acquire the company?

A. No. We've been quite clear that that's not our expectation. Our expectation is that we would continue to support the version 8 product for ten years or longer. We would do bug fixes. We'd honor contractual enhancements.

We would make minor enhancements. It wouldn't be exactly static. We would try to improve the product and respond to -- but we would not invest large amounts of time on a brand new version, if you will.

And, again, we've explained this in these documents in all the briefings we've given. The idea

would be we would take some of the best ideas from Peoplesoft developers, marry that with ours, and create a next generation product or version on the Oracle platform.

Offer the migration scripts, give the free license exchange. And the ideas would be that customers migrating to the next version of Oracle would get an improved product over version 8. So that's the way they would get the next version. They would get a next improved version on the Oracle platform.

Q. Now, if you were -- well, let me back up and be sure I understand what you are saying here. On a going forward basis for the Peoplesoft product you say you will do contractual enhancements? What are they?

A. Yes. Yes.

Q. What are they?

A. Well, if a customer has contracted for a certain piece of functionality or something, we're certainly going to honor the contract. We are not going to tell a customer, well, you have a contract that Peoplesoft agreed to do. We're just kidding, we are not going to honor that. Of course, we're going to honor that.

So we're going to take care of the customers

and do what's been agreed to in writing for them. We have no idea all the things that have been honored. But inevitably there has been written promises made, and that sort of thing. We have to honor that.

Q. Would that be just for that particular customer or is that something you would launch for the whole product?

A. To the extent that we build it in the core Peoplesoft product, then that would be available to any customer. Peoplesoft, also, has a consulting business. To the extent their consultants have agreed to build some code or do something around the product, we will have to honor that contract, as well, obviously.

Q. All right, sir. Then you said you would do -- on the Peoplesoft product post-acquisition you would do bug fixes. What did you mean by that?

A. Well, any software products everybody has them, has bugs. So there are defects in the software that occasionally will show themselves and your performance suffers or something happens, and so the developer team has to go in and change some code to make the product work properly.

Oracle, SAP, IBM, everybody has -- it's just the way the software industry works. That's one of

the reasons people buy maintenance or buy support, because they want to be sure that if there is a bug that shows up in their product and affects their application that the vendor is going to stand up and fix that product for them. So that's what's called support.

Q. Right. Then on an ongoing basis post-acquisition, you indicated you would do some other type of enhancements, and I don't remember what the word you used to describe them were. Do you recall what it is or --

A. I think I said minor enhancements, within the release number. So, typically, there is lots of little things that you may see that you can do to change the code to, you know, do things, but it doesn't mean you have to build a brand new version for it. Right?

Q. Could you give me an example of the type of thing that you are talking about?

A. I can talk about our own products. I assume they do it this way, too. But we have a number of things that our customers ask us for. Gee, this application doesn't show something this way. We'd like it to show this way.

So, many times we will add that into the

software, and it is released in six months or something as part of the current version. So the versions are actually what we call point releases along the way.

We've had 10 point releases in the current version of 11 of Oracle. So along the way there is lots of enhancements.

So we expect to keep a lot of developers on the Peoplesoft products to fix bugs, but also to make some improvements, make the product better. Again, in the spirit that we want the customers to be happy. If they've got some minor issues and some things that the development team has been in discussions for, and they are not massive things that require a brand new release, we will certainly try to do that for the customers.

Q. Well, what type of thing would require a brand new release as opposed to what you've referred to as minor --

A. Um --

Q. Let me get the question out, just for her sake. What type of enhancements to the product would require a new release as opposed to what you have described as a minor enhancement?

A. One would be architectural changes. Sometimes

there is changes in the industry, tool sets, architecture. So, for instance, the Peoplesoft 8 was a major architectural release where they went from what was referred to as a client server architect to an Internet architecture.

So they did a lot of their screens in a new technology called HTML and so forth. So that is visually different. It requires an architectural change. That's a major change. That's one example.

Sometimes it is just -- there is a whole series of functionality that is really a major rewrite of the application. So a development team will set aside, dedicate themselves to create a lot of new code, and they will say we're going to put that in the next release, because that's just a major rewrite of this particular application. So those would be a couple examples of what would be included in a new release.

Q. Okay. And that's the type of thing you are not planning on doing with the Peoplesoft product post-acquisition?

A. That is correct. And to the extent there are inevitable major new requirements, major architectural changes, we will certainly do that in the Oracle platform and then allow customers, as I've described

00182

earlier, a very easy way to move to that, so they can take advantage of new architectural change, major new functionality or changes in industry thinking. But wouldn't do it in a new version of Peoplesoft, that's correct.

Q. Okay. Now, over what period of time did you believe that Peoplesoft had a competitive advantage over you in the HR area?

A. Oh, I think in terms of functionality, I would say for most of the nineties. I think they were --

you know, we were trying to play catchup, but it took us a long time. It took us many years.

Q. So when you say you were trying to play catchup, do you mean you were trying to duplicate the functional offerings --

A. Requirements. Trying to add enough functionality to be able to be head up when you go through a demo, when you go through a scripted thing, I can do this, I can do this, I can do this, I can do this. Right?

So clearly -- and it wasn't just HR. We to do it in payroll. We had to build a benefits module. So it's a lot of areas where we've had to make a very heavy investment. And beyond the money, there is a passage of time that it takes to catch up.

I'm convinced from everything I know that we are, by and large, very competitive now with them across the board.

Q. Why did you spend the money in developing these HR modules to catch up with Peoplesoft?

A. Because, again, we believe that many customers want fewer vendors. They want more integrated applications. Not all do, but some do.

And so our strategy has been to be able to compete in markets like HR, financials, whatever,

because there is a large market, so there is revenue opportunity, but also as a strategy if we can make them all talk together and be integrated, we can offer more of a one-stop shopping kind of opportunity for customers, to lower their costs, to get better information integration, and so forth. So this was part of our strategy.

As I testified earlier, we had HR when I joined the company thirteen years ago. The reason we played catchup is we did a poor job in the early years of developing the product. We, frankly, didn't do a very good job. So we brought in a new management team five years into my reign and they basically started over again.

But we had long believed strategically we needed to be in the HR space. We just didn't execute well in the early days, so we had to then catch up.

Q. So if I got the timing right then, when you came in in '91 you had an HR product but you don't think it was a very effective product?

A. I think history proved it wasn't, because people came in and cleaned our clock.

Q. And then beginning in '95, roughly, is it five years?

A. Roughly. I want to say '95, '96, we hired a

new head. It had previously been developed in the UK, and we set up a development team here in the U.S., kept the UK team. We still have two development centers, but the primary leadership more and more shifted to the U.S. under this new person that we hired.

Q. And then how long did it take you, beginning from '95, '96, when you hired this guy, this new team, to the point where you got to the point you thought you had caught up with Peoplesoft and HR functionality?

A. It's hard to say. I think within three or four years we were starting to be reasonably competitive.

Then the next thing we did was start to segment our sales force. We started adding a separate HR sales force to sort of -- all they did was sell HR, and that also proved to be helpful.

So it was a combination of getting more sales focus, once we had a product that was pretty good. Then we started developing new modules. We believe in some of these new modules we're actually ahead of Peoplesoft.

Q. If I could point you to Exhibit-38. It says here that you told him that we were behind until

00228

recently but have equivalent functionality to HR payroll, self-service, benefits, et cetera.

A. Uh-huh.

Q. And we're cheaper and we're integrated with our financials, and this is dated 06 -- December 6, 2003. Does that help you put a time frame on when you think you got caught up with Peoplesoft functionally in HR?

THE WITNESS: Again, when I say "until recently," I didn't try to put a time frame. The point is there is a market perception that still exists today in many people's mind, and many HR people made a decision five years ago on HR.

They think Peoplesoft is still better. They did it at Merrill Lynch. They did at Michael Stores. Once we came in and did a demo. Merrill Lynch we did one two years ago. They go, "My God, I had no idea your functionality was so good now." When I say recently, I don't mean yesterday.

MR. SCOTT: Q. Sure.

A. The point was, people's perception is this. That's not true.

Q. Okay. So you developed a product over the

course of would you say three or four years that you thought was reasonably competitive?

A. Reasonably competitive. But, again, I wouldn't say we had every little bit, but it put us back in the ball games. By the later part of the nineties, we were at least in the ballpark.

Today, arguably, we're better in certain cases. So it just keeps getting better. We continue to push along here.

Q. So as of today you think you are certainly equal to Peoplesoft in most areas of HR and better than they are in some?

A. Yes. Absolutely.

Q. But you are still having a problem with the market understanding that you have that functionality in HR available?

A. In some cases, absolutely. I think particularly with customers who made a decision several years ago and haven't thought about it since. When we go out and compete on a new transaction, and they don't have any notion, they just come into look, then that's not a problem. It's really more that people had a past perception. That's the challenge.

Q. Would it be accurate to state that a general -- that a large company could be considered a general business customer if it has a decentralized management system and therefore runs different divisions independently from the standpoint of the software it uses to support its functions?

A. I think that's true, in terms of their usage. I mean, that may not be the way we're organized to sell to them, but in terms of the way they think of themselves, if they are highly decentralized and they have a plant with 200 people and they are making an independent decision, I would consider them more of a small company, because they are really just talking about software to run a small company, even though they might be a part of a big company.

Q. Does that happen fairly often, that you have a company that buys independently from different business units?

A. Yes, although less so than in the past. There is a trend for large companies to try to get more consistency across their company, but there still are a number of independent decisions made in larger

companies where divisions or countries are making sort of independent decisions.

But I would say the trend is somewhat less of that than in the past, because it's expensive, because they can't get information shared across the company.

So I would say that with the technology, the Internet, all of these things there is more of a bias towards centralization.

Q. And over what period of time have you seen the bias towards centralizing software functions within a business having occurred?

A. Golly. I mean, I just think that -- I think it's -- it's a gradual thing, and it's somewhat driven by changes in technology. It's scaleability of computers, the lowering cost of telecom globally, the Internet.

So probably over the last six or seven years, the technical advances, price performance. There has been some barriers removed technically that offer advantage to centralization, but there are still lots of cultural organizational challenges, too, that keep companies making these incremental, you know, local decisions. So there is still a fair amount of local decision-making going on.

Q. All right. Well, this one -- let me direct your attention inside of the document maybe to page ORLITF0025994, and there is a slide there that has the heading "Oracle's Data Hub." Do you see that?

A. Uh-huh.

Q. Are you familiar with that slide?

A. I am familiar with the concept. Again, I have seen certain presentations, not delivered by Larry but others, about our data hub. So I certainly understand the concept, but this particular slide I am not sure I have seen before.

Q. Fair enough, sir. What is the data hub?

A. It is a -- it draws upon our database and some of our application technology and schemas to create a way for customers to bring data from multiple data

sources and multiple applications into one place so they can have a unified view about information like customer information, product information.

Q. All right, sir. When was that product rolled out?

A. We announced the product, I believe, at our Applications World in San Diego. I think it was held this January. So it's a relatively new product that we've announced.

Q. And is there a target market for that product?

A. I'm not sure. When you say target market --

MR. ROSCH: Yeah, objection, ambiguous.

THE WITNESS: There is many customers who may want to use this in some form. I mean, there is many customers who don't have all of their information in one place, most customers don't, and there is some that intend to have heterogenous systems, different databases of customers and products and things.

So there is a lot of customers that we think will view this as a way to amalgamate information about -- have what we call a single source of truth. But that percentage of that market is out there that wants this or exact target market, I am not quite clear. But certainly we think that this could appeal to a lot of customers.

MR. SCOTT: Q. And what organization within Oracle is marketing this product?

A. I think actually both of our sales organizations are. Our technology sales organization and our applications sales organization will describe this and be involved in selling this to some degree.

It's not clear to me yet, but right now it appears that probably both of them will discuss it. And whether who will actually sell it, I am not sure.

Q. Have you seen any sales results from this product?

A. I have not. I mean, I think this is -- it's too early to say. We are in an announcement description, people talking about it sort of thing, but I don't think we've actually seen a lot of new sales yet out of this.

Q. If you would look at the previous page, the page which has the designation ORLITF0025993.

A. Okay.

Q. Which has a table or a slide on it that's headed, "We still want your data in one place." Do you see that?

A. Yes.

Q. Now, whether or not you've seen this particular slide, have you been involved in

discussions regarding a homogeneous application environment, i.e, Oracle applications integrated together on an Oracle database being a better solution than the data hub?

A. Let me start by saying, we believe, after conversations with many customers -- I certainly have had conversations with many customers -- that many customers complain that their information is too fragmented. Their information is in too many places. It's in too many databases.

So we have a couple of approaches to help them unify data. One is to use our e-business suite, where you can deploy a lot of our applications and run them all under a single database, and this data hub is an alternative way for customers to integrate unified data without having to deploy all the Oracle applications.

So they don't have to use, you know, any or all of the e-business suite to do that. They can simply take advantage of some of the architecture of the e-business suite architecture as well as our data warehousing architecture and migrate that.

So there is a couple of approaches we offer to customers to solve what we think is one of the fundamental problems with customers, and that is data

fragmentation.

Q. And which way do you get the best information quality?

A. We believe that the homogeneous approach is still a more pure way to do this, but it's not realistic for some customers, at least in the short term. So I think what we've said is in a short term, the hub can be a way to bridge this or maybe even forever.

So we're not trying to tell customers what to do. We're trying to give them different solutions. But to answer your question again, we think in a pure world it's the single best and cheapest solution is the e-business suite, because it's a little less complicated.