Could you state your full name for the record, please.

A. Lawrence Joseph Ellison.

Q. And what is your current work address, Mr. Ellison?

A. 500 Oracle Parkway, Redwood Shores, California.

MR. SCOTT: Q. Before we get into the document, let me just nail down a couple of pieces of terminology you used in some of your earlier questions.

In talking about PeopleSoft you said that they had obviously an H.R. product, right?

A. Yes.

Q. And that they had a financial management product?

A. Yes.

Q. And then you indicated they also had a business, an ERP suites business?

A. Yes.

Q. Could you tell me -- I'm not sure we had you define what that term means yet, what "ERP suite business" is.

A. ERP means enterprise resource planning, but that's not terribly illuminating, that title. It's the

back office portion of the business. It's accounting, human resources, payroll, manufacturing, planning, purchasing, your supply chain, which is just basically a chain of all of the suppliers you might need if you're a manufacturer.

It's all the things that happen in the back office of a company as opposed to the front office, which might be usually characterized as sales, marketing and service. So the front office is called CRM, customer relationship management, the back office is called ERP. All of the products that automate the back office are called an ERP suite.

Q. Your business solutions product, that's an ERP suite product?

A. E-business suite?

Q. Yes, sir.

A. It is both an ERP suite and a CRM suite.

Q. Has both in there, depending upon what --

A. The union of those two, yes.

Q. Do you sell financial services -- I'm sorry, financial management software and H.R. software in a combination in any other context other than your

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E-business suite?

A. Not a combination, we sell them separately. You buy H.R. separately and buy financials separately or you can buy E-business suite, which includes them both and many other components, as well.

Q. The E-business suite, when did that product first become available through Oracle?

A. Again, it's an estimate, four years ago.

Q. Was there a reason you started offering the products combined like that?

A. We tried to be the first company -- I mentioned -- you asked if we had been leap-frogged before. SAP leaped-frogged us by getting all the back office modules working on top of a single data base and SAP really invented the term "ERP." They were the first ERP suite.

We, in turn, were trying to leapfrog them by having the first suite of products working on one data base that included all the front office modules, all the CRM products as well as all the back office ERP products.

Q. I'm going to hazard a guess, but when you were trying to market this product, you'd tell customers there

are advantages of having it brought together in one package; correct?

A. Yes.

Q. What are those advantages?

A. Lower cost, better information.

Q. How does having the product sold, the ERP suite, result in lower cost and better information?

A. If you -- either if you buy discreet components, you buy your H.R. from PeopleSoft, you buy your sales force automation from Siebel, or your call center from Siebel and your sales force automation from Salesforce.com and your accounting from SAP, and your H.R. from PeopleSoft, if you buy a lot of separate pieces, you're going to have to do what's called software integration or systems integration.

You're going to have to connect these pieces that were never engineered to fit together. You, as a customer, are going to have to use your own labor or hire a consultant to fit these pieces together. And what we wanted -- what our offer -- the contrasting aspect of our offer is we've engineered these pieces to fit together. You don't have to do any software integration.

So it's much lower cost. It's much less labor involved in putting in our suite than what's called best of breed components, a lot of separate components from separate suppliers. So there is less labor associated with it, gives you a much less cost of ownership.

The other thing is, because of all of our applications are engineered around a single data base, all your information is in one place, therefore, everyone knows where to look to find the information. So you get a much higher quality of information.

The worst problem facing companies, government agencies, information problem, is that their data is fragmented; it's stored in lots and lots of different places and people have a very hard time finding what they're looking for, they don't even know where to look.

Companies, government agencies, have lots and lots of separate data bases. If you build your application around a single, unified data base, it's much easier to get accurate, up-to-date information about your business.

Q. Did you -- does PeopleSoft have something that you consider an integrated ERP product?

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A. Yes.

Q. What does that consist of?

A. Well, you can argue about the degree of integration, but it means that the pieces are at least partially engineered to fit together. We'd argue that ours really were, again, conceived around this common data model.

We would say the PeopleSoft H.R. isn't even integrated with their financials, they operate on separate data bases. So -- so we think we're more integrated. But it's not an all or nothing thing. There are advantages. There are connections between PeopleSoft H.R. and PeopleSoft financials, though they don't use a common data base. Our big pitch is we store everything in one data base. SAP doesn't do that and PeopleSoft doesn't do that.

Q. You used a term a bit ago, a best of breed; what is that?

A. That's the notion of -- it's an industry term, meaning rather than trying to find the best suite supplier, you go out and find individual vendors who offer the best marketing package, the best sales package,

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the best service package, the best financial package, the best H.R. package, the best payroll package, you find the best suppliers and you buy from the best suppliers, ignoring the integration issues, you just get the best parts.

And I actually have a bit of a satire presentation I make. What a wonderful way to buy a car. Maybe Porsche makes the best fuel injection, maybe Mercedes makes the best transmission, Cadillac makes the best air-conditioning, and the best catalytic converter comes from Ford, but these pieces were never designed to fit together. And they might be the very best components but the best components don't assemble into the best system.

But it was the normal -- it was conventional for a lot of companies to go ahead and buy, you know, the best components, then those companies took on the burden of assembling those components into a working system.

Q. In addition to assembling best of breed components into a working system, are you likely to have problems in making them to continue to work together over time?

A. Systems integration is a gift that keeps on giving.

Q. Meaning what?

A. Every time -- let's say SAP upgrades their accounting, so you have to unplug the SAP accounting from your H.R. -- your Siebel sales and your PeopleSoft H.R. and plug in the new version.

So this is an ongoing cost as you do upgrades. These vendors use different technologies, they have different upgrade cycles, all of the labor associated with connecting SAP to PeopleSoft 7, you have to do it again. Now you connect SAP to PeopleSoft 8.

Q. So any upgrade you did to any piece of it, you're going to have to go back and reconfigure the entire system?

A. It's the gift that keeps on giving.

Q. To the people who actually do the work for you?

A. Absolutely. That's why the biggest recommenders of best of breed are the IBM's and Accentures, who provide the labor for gluing it all together.

Q. The best -- you indicated -- again, I'm not trying to misstate you, so correct me if I got this

wrong -- I thought you'd said something the best of breed approach was the norm at one point in time.

A. Very recently -- there was a huge debate in the industry, just -- when Oracle moved to the Internet early, there was a huge controversy inside of Oracle and we were considered mad by some because we were the first company to move to the Internet. We were also the first company to say that the best of breed is -- only works at dog shows and it's really the gift that keeps on giving. It's unbelievably expensive for companies to talk to best of breed strategy.

No one buys car parts and takes those parts and assembles them into cars. What you should do is buy a complete and integrated suite where the pieces are designed to work together. You should look to suite suppliers and the suite suppliers are going to win and the best of breed companies are going to lose.

Q. When you say the suite suppliers are going to win and best of breed companies are going to lose, what do you mean by that?

A. That means if you are a specialist -- let's say all you do is supply chain, company like i2, but you had

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the best supply chain software in the world, and may still have the best supply chain software in the world, the cost of installing it, the cost of connecting it to Oracle or to Oracle manufacturing or SAP manufacturing and purchasing, all of those different pieces, the cost of connecting it was so high, that you're much better off if you buy your financials and manufacturing from SAP. You should probably get your supply chain software from SAP, as well.

If you buy your manufacturing and purchasing software from Oracle, you probably should buy your supply chain software from Oracle, as well. It's much, much cheaper than trying to put in that -- glue in that i2 problem.