00007

22   Q. All right, sir. And could you tell us

00008
1 what, if anything, you did to prepare for today's

2 deposition?

3   A. Met with counsel.

4   Q. And that would be Mr. Wall?

5   A. Yes.

6   Q. And when did you meet with Mr. Wall to

7 prepare for today's deposition?

8   A. Yesterday.

9   Q. And how long was that meeting?

10   A. Five, six, five hours.

6   Q. All right, sir. You have a document in

7 front of you which, for identification purposes,

8 has marked been marked as Exhibit 550. It's a

9 multipage exhibit. It has numbered in the bottom

10 right-hand corner through page 48. The first page

11 has printed "Board Presentation on M & A

12 Opportunities," dated April 14th, 2003.

13   And I'll ask you if you have seen that

14 before?

15   A. I certainly may have. I don't recall

16 seeing the document.

17   Q. Do you recall Mrs. Catz giving a

18 presentation regarding potential M and A

19 opportunities in this time frame to the board?

20   A. Yes, I do, but I can't imagine it had

21 this many pages. I have never seen a presentation

22 of this length given to the board.

00013
1   Q. Well, let me ask you to turn to the third

2 page of the document where there is a heading

3 there "Enterprise Software Competitive Profile."

4 And then there are a list of technology and apps

5 on the left-hand side and across the top various

6 company names.

7   Do you see that?

8   A. Yes, I do.

9   Q. Have you seen this document before?

10   A. Again, I may have; I don't recall it

11 specifically.

12   Q. All right, sir. Now, on the left-hand

13 side there are -- like I said, there is a box that

14 says "Technology" next to a number of different

15 technological descriptors --

16   A. Yes.

17   Q. -- starting with "Database" ending with

18 "Content Management."

19   Do you see that?

20   A. Yes.

21   Q. Would you read through those to yourself

22 first and tell me when you are finished, and I

1 have a couple of questions about that information.

2   A. (Witness reviewing document.)

3   Okay.

4   Q. Are you familiar with the different types

5 of technologies listed there?

6   A. Yes, I am.

7   Q. And, first of all, database, the first

8 one, what do you understand that to mean?

9   A. General purpose software to manage the

10 storage and retrieval of information.

11   Q. All right, sir. And next to that, under

12 that, is the heading "App Servers."

13   A. Application server, yes.

14   Q. And what does that mean to you?

15   A. It is a development tool environment

16 whereby you create and run your applications. Let

17 me see if I can be a little more clear. In our

18 case it would be the Java language. You program

19 in the Java language and then we have -- so there

20 is a development environment and then there is the

21 execution or run-time environment for running your

22 applications, executing the Java programs.

00015
1   So it is the program logic. If the

2 database is the data-access portion of your

3 application, storing and retrieving information,

4 the program logic would be executed in the

5 application server. For example, the program that

6 says move that $50 out of the database -- out of

7 your savings account and into your checking

8 account. So those instructions, that portion of

9 your application, would be resident and run in the

10 application server.

11   Q. And then the term "Business

12 Intelligence," what, if any, meaning does that

13 have to you?

14   A. That, again, sits on top -- these all sit

15 on top of the database. Business intelligence

16 might look at your sales over the -- you know, the

17 last, you know, the first ten weeks of this

18 quarter and compare it to the first ten weeks of

19 the previous quarter and draw a graph for you.

20   Q. All right, sir. And "Development Tools,"

21 what are they?

22   A. Those would be the development

00016
 1 environment. Tools to help the programmer write

 2 the Java code, very much -- you have a

 3 word-processing editor you type in your documents

 4 too. There is a similar editor for programmers

 5 that allow them to type their computer

 6 instructions into, and it will -- just like if you

 7 have a spell checker, it would have the syntax

 8 checkers to make sure that you are putting the

 9 parentheses in the right place, as much as it

10 could. It also let's you test your program. So

11 it's the environment in which you write the

12 programs and test the programs.

13   Q. And "Application Integration," what does

14 that represent?

15   A. That's a piece of software, often has two

16 parts. One part is the part that allows one

17 program -- one computer program to talk to another

18 computer program. Let's say you are trying to

19 integrate SAP to Oracle, you know. Let's say it's

20 SAP manufacturing and Oracle financials. So you

21 have to have some way for the SAP application to

22 talk to the Oracle application. If you will, a

1 cell phone. Just like if I need to contact you,

2 I can call you up on my cell phone. So there is a

3 software that makes the connection.

4   And the most popular form of that now is

5 called Web Services, allows me to actually just --

6 one program to get in contact with another

7 program, but there still could be a problem though

8 because you might speak Hungarian and I speak

9 French. So there is the other part of the

10 integration software which has to translate how I

11 say "Let's have lunch on Thursday" in a way that

12 you can understand "Let's have lunch on Thursday."

13 And I think the met for is accurate.

14   So how Siebel stores customer records and

15 how SAP stores customer records and how we store

16 customer records is all different, so you need

17 something to translate these formats, these

18 customer record formats, into a common format so

19 the applications can understand one another. So

20 there is two pieces: The communication piece and

21 the translation piece.

22   Q. All right, sir. And the term "systems

00018
1 management," do you have any understanding of

2 that?

3   A. Sure. As these applications are running

4 on a daily basis, there are people in the data

5 center that have to watch the computers. They

6 make sure you don't run out of storage space, and

7 there are tools, consoles, whereby they can

8 monitor and manage the ongoing computer operation.

9   So let's say a disc drive should break

10 and they can -- they should know about that.

11 Sometimes that failure could be catastrophic, most

12 of the times it's not. The systems are relatively

13 fault-tolerant, but it does that you have to pull

14 that disc drive out and plug another one in at

15 some point in time.

16   So it's a set of tools to both monitor

17 and manage your software. Let's say your

18 Oracle -- or you're adding some antiviral software

19 to your e-mail systems, a new virus has just shown

20 up, and you need to upgrade your e-mail software

21 to protect yourself against this virus which is

22 spreading. So there needs to be management tools

 1 which allow you what's called a patch, to make

 2 small changes to the software you are running, and

 3 this is a management console that helps the people

 4 in the data center apply that fix or that patch to

 5 your software. So that's all part of system

 6 monitoring and management.

 7   Q. All right, sir. And "Storage

 8 Management," what, if any, meaning does that have

 9 to you?

10   A. Storage management is a subset of systems

11 management -- well, storage management can have a

12 couple meanings, but it's that subset of systems

13 management that has to do with disc storage space,

14 running out of space, failures, backing up the

15 system. So periodically -- you've got a large

16 system, you want to make sure you make a copy of

17 all the data on that system in case of

18 catastrophic failure, so backing it up, adding

19 more storage as you need it. If there is a

20 performance problem, one disc drive is being

21 exercised excessively, you want to split that data

22 across two separate disc drivers to balance

00020
1 performance.

2   Q. And "Network and Service Management,"

3 what meaning does that have to you, if any?

4   A. That would be the other end, again, of

5 this whole thing called systems management. That

6 would be looking at the network. In the case of

7 Oracle, we have a big data center in Texas, but we

8 have users of our system all over the world. So

9 attached to our Texas data center is this vast

10 private network that we've got, and sometimes we

11 can have -- if we want to know if there are

12 problems, performance problems, on the network, if

13 there has a failure of a device on the network.

14 So, again, it's a set of tools that let us look at

15 the state of the network, how its performing, if

16 there is any system failure, that allow us to,

17 again, monitor and fix faults in the network.

18   Q. All right, sir. And "Content

19 Management"?

20   A. Content management is an interesting,

21 relatively new term. It usually means -- it means

22 different things to different people. I guess the

00021
1 easiest way to describe content management is

2 looking at a lot of things that are on a typical

3 website. If you go to our website, there are a

4 lot of text files, there are a lot of references.

5 There might be an interview with a customer saying

6 how wonderful the Oracle products are. We

7 certainly wouldn't put up an interview if they

8 didn't say they liked our products. So keeping

9 track of customer references, customer interviews,

10 analyst reports, all sorts of things that are

11 not -- that are not traditional database data,

12 that aren't structured data, like these reports,

13 videos, interviews, images, all of those things

14 fall into this rough area called "content

15 management."

16   Q. All right. So now --

17   A. By the way, if I can just say, content

18 management, some content management runs on top of

19 a database and some content management runs on top

20 of file systems.

21   Q. I'm sorry, the last part?

22   A. Some content management runs inside of

 1 the database. Most of the stuff sits on top of

 2 the database, but you can run it on a file system,

 3 if you like.

 4   Q. All right, sir.

 5   A. Okay.

 6   Q. Now, are you familiar with the term

 7 "technology stack"?

 8   A. Yes.

 9   Q. And what does that term mean to you?

10   A. It's a collection of these -- it's a set

11 of these things listed as technology, with the

12 foundation, if you will, you can start at hardware

13 if you want to, say the computer and the disc

14 drives and then you put the operating system

15 software on that, is the most primitive, lowest

16 level piece of software; the database software on

17 top of that, the application server software on

18 top of that. And you can include business

19 intelligence, if you want, and all of those other

20 things as part of your technology stack.

21   Q. You use the term the "operating system

22 software." Is that listed somewhere in the

00023
1 documents you have got in front of you?

2   A. No, it's not, but it's certainly part of

3 the technology stack.

4   Q. And the operating system software is the

5 software that actually runs the hardware?

6   A. That's correct.

7   Q. And gives the hardware the instructions

8 on what to do in order to manage and manipulate

9 the data?

10   A. Correct.

11   Q. Now, does Oracle supply that type of

12 software?

13   A. No, we don't.

22   Q. Well, let's go back this way. Why don't

00024

1 you describe to me again what's in the technology

2 stack as you understand the term.

3   A. Okay. If I can separate the two things.

4 The technology stack would be again, by its very

5 nature, technical. The users of the technology

6 stack are professional programmers. So -- and

7 they build applications. So the two major areas,

8 two major software areas, are technology where the

9 consumers are professional programmers and

10 engineers, and application programs where the

11 users are everybody, you know.

12   So the technology stack, the

13 foundation -- starting with -- ignoring the

14 hardware and just going straight to the software,

15 the lowest level portion of the technology stack

16 is the operating system. On top of the operating

17 system would be data management, which is

18 separated into two pieces, a file system and a

19 database system, and both of those manage

20 information. One is much more powerful than the

21 other. One is much more easier to use than the

22 others.

1   So on your PC, you just store a word file

2 and it's a file. It doesn't go into a database,

3 but you can't do content search. You can't

4 search -- there are a lot of limitations. It gets

5 lost periodically, which some people find

6 annoying. The database tries not to do that, so

7 the simplicity versus complexity, more features,

8 more complexity.

9   So operating system, data management made

10 up of database and file management. On top of

11 that, would be, if you will, your application

12 development software or application server, if you

13 prefer, and those are the three major pieces and

14 all of the other pieces here I would say are

15 somewhat important but peripheral to those three

16 major layers.

17   Q. All right, sir. In the documents you

18 have in front of you, the areas that would fit

19 within what you have just described would be the

20 application servers?

21   A. Absolutely.

22   Q. And then the systems management?

1   A. Well, again, the three critical pieces,

2 if you are drawing a picture, operating system,

3 database and application server. Again, those to

4 me are the large pieces. Then there are

5 peripheral pieces. There are the system

6 management tools. And these are used by people

7 inside of the data center to kind of keep the

8 computer running every day. They do maintenance.

9 We have handed over this pile of stuff to them and

10 they have got to keep it running. So they have

11 basically gauges they watch to monitor what is

12 going on, and if something breaks they have tools

13 to fix what breaks. Those are the monitoring and

14 management tools and that includes for the

15 network, for the storage, for all the software,

16 for the applications, for all of it. So there is

17 a whole cluster of these management tools.

18   Content to management is really part of

19 the data management services. So if I was drawing

20 this picture, our operating system, then the

21 database -- then the data management services,

22 applications server, and then these -- other side,

00027
1 kind of the management tools to keep it running

2 and then the development tools. The programmers

3 have their own set of tools. There are two

4 different jobs here in building these. They are

5 people who build the applications and then the

6 people who run them every day.

7   Q. All right, sir.

8   A. So the development environment for the

9 builders and the monitoring and management tools

10 for the runners, if will you.

11   Q. On the document that you have in front of

12 you, Exhibit 550, on the column next to technology

13 what on there would be the equivalent of the

14 application server? I guess that's up at the top

15 where it says "App Server."

16   A. App server, yeah.

17   Q. And the data management system would be

18 equivalent to what other items listed here?

19   A. Database and content management. And

20 what's not listed there is file management.

21   Q. Okay. And then the other piece that you

22 mentioned -- data management, application server

1 and the operating system.

2   A. And the operating system is not listed

3 here at all. Because, again, this is -- again,

4 this is a competitive profile and we just don't

5 compete in the operating system. So this was not

6 intended to be a complete list of the technology

7 stack, just the areas in which we compete.

8   Q. In the technology, would you include

9 software applications as part of the technology

10 stack?

11   A. No.

12   Q. And why is that?

13   A. Because the users are different. So in

14 one case in the technology stack the users are

15 data processing professionals. In the case of

16 applications, the users are everybody. Microsoft

17 Word is an example of a desktop application. Our

18 accounting systems are designed for professional

19 accountants, not for -- and employees of companies

20 to fill out expense reports on the internet. So

21 these are not aimed -- you do not have to be an IT

22 professional to use applications. You have to be

1 an IT professional to use parts of the technology

2 stack.

3   Q. All right, sir. Now, in the portions --

4 the parts of the technology stack that you

5 described, in which ones of those does Oracle

6 offer a product?

7   A. I think in everything listed here. So

8 this is our list. So we offer a product in

9 database, application server, business

10 intelligence, development tools, application

11 integration, systems management. I'm not sure I

12 would separate out storage management as separate

13 from systems management, but, you know, network

14 services management, content management. So those

15 are all areas in which we compete.

17   Q. All right. Now, is there in the stack as

18 described it, is there a layer there that you

19 would equate with the term middleware?

20   A. Yeah, absolutely.

21   Q. And what layer is that?

22   A. The application server certainly,

00032
1 business intelligence, parts of content

2 management, application integration are all

3 middleware.

4　　Q. And you offer those products that you

5 have described as part of middleware?

6　　A. Yes.

7　　Q. Who else out there offers products that

8 would fit in the category of middleware?

9　　A. IBM, Microsoft, Sun, BEA, SAP.

10　　Q. What middleware products does SAP offer?

11　　A. They have a product called Net-Weaver.

12 And, again, since we last talked, SAP has

13 aggressively moved into the middleware business.

14 They used to just be in the middleware business

15 for SAP applications, but they have gotten very,

16 very aggressive with their Net-Weaver product and

17 they are now selling it. They have aggressively

18 entered the market in competition with IBM and

19 Oracle and Microsoft and a lot of others.

20　　Q. And what do you understand their

21 Net-Weaver product to consist of?

22　　A. It's got a Java-execution environment.

00033
1 It has an ABAP 4. SAP is written in a language --

2 mainly in a language called ABAP 4.

5   And it's got a Java environment in it.

6 It has business intelligence tools. It has

7 integration components.

8 BY MR. SCOTT:

9   Q. All right, sir. And what function --

10 what does the SAP product do, as you understand

11 it?

12   A. Exactly what all of the middleware

13 software does. It's an environment for running

14 applications. In other words, they have their own

15 set of development tools, and you develop either

16 an ABAP 4 or Java. You write the instructions and

17 then you put the instructions into the application

18 server and the application server executes the

19 program, runs the SAP program.

20   Q. All right, sir. Is the Net-Weaver

21 product, does that operate software applications

22 other than SAP?

00034

1   A. Sure.

2   Q. And is there any that you know of that it

3 does not operate?

4   A. So it runs languages. So the best way to

5 describe it is, if you wrote a program in Java,

6 the Net-Weaver environment would run it. If you

7 wrote -- now, ABAP really is a proprietary

8 programming language to SAP. Java is not. Java

9 is an industry standard language. So it supports

10 both SAP's old proprietary language, ABAP, and

11 where SAP is going, which is Java.

12   Q. Now, your middleware products, what

13 language are they written in?

14   A. Very similar to SAP. Well, you shouldn't

15 say "written in." What languages do they run.

16 It's really a run-time environment.

17   So they run our old fashion forms

18 environment. We move to Java a long time ago, so

19 a lot -- so we were very early on on the Java

20 train. We were the first application company

21 really to go to the internet and we were the first

22 application company to adopt Java as its

00035

1 programming environment. So we support our older

2 environment forms, as well as our new environment,

3 Java.

4   Q. All right, sir. And we may have hit on

5 this, and if I have I apologize. I just want to

6 be clear. Does your middleware product operate

7 applications other an Oracle?

8   A. Of course.

9   Q. Now, are you aware of there being some

10 agreement reached recently between SAP and

11 Microsoft pertaining to the Net-Weaver product?

12   A. Yeah, I think so.

13   Q. And what, if any, understanding do you

14 have of that agreement?

15   A. I believe -- well, Microsoft has its own

16 project language called C-Sharp, and Microsoft has

17 been moving to improve its coexistence with its

18 competitors, to improve its relationships with its

19 competitors. And Oracle, SAP and even Sun have

20 signed agreements or announced agreements with

21 Microsoft supporting coexistence with Microsoft's

22 technology platform which is called .Net.

7   Q. All right, sir. You indicated that

8 Microsoft and Oracle had reached some agreement?

9   A. Right.

10   Q. And could you describe that agreement,

11 please?

12   A. Again, it's pretty much a coexistence

13 with Microsoft's .Net, specifically Microsoft's

14 development tools. Microsoft is very, very strong

15 in providing an environment called Visual Studio

16 for programmers. And sometimes programmers want

17 to program in Java, and if they want to program in

18 Java, that's great. We happen to have a Java

19 development environment ourself and a lot of other

20 people have a Java development environments, but

21 Microsoft has its own development environment for

22 C-Sharp and it's called Visual Studio. And we

00037

1 want to make sure if programmers would like to

2 program in Visual Studio they can still use the

3 Oracle database. So you can use Microsoft tools

4 to write applications and run those applications

5 on top of our database. So, again, it's to make

6 sure there is graceful coexistence between these

7 companies even though we compete.

14   Q. What is your understanding of the deal

15 Sun has with Microsoft?

18   THE WITNESS: Yeah. Again, I think

19 besides the fact that they settled their lawsuits,

20 again, it's all around coexistence. It's all

21 designed -- the general umbrella for all of this

22 is companies have different vendors' products

00038

1 inside the company and Microsoft would like to

2 make sure that their products work well with Sun's

3 products and their products work well with

4 Oracle's product and their products work well with

5 SAP products.

7   Q. Does .Net work well with Oracle's ERP

8 application?

9   A. Well, it depends what you mean by "work

10 with." Oracle's ERP applications are either

11 written in forms or written in Java. They are not

12 written in .Net. It doesn't mean you can't write

13 a program in .Net and integrate it too and have it

14 talk to Oracle applications. So it's back -- you

15 go through our integration layer to go ahead and

16 do that, but, yes, we certainly can coexist, and

17 if you have a Web Services program over here

18 written in .Net and our programs are web-service

19 enabled, and they are, and they are written in

20 Java, those programs can communicate and coexist.

6   Q. Microsoft -- what portions of the

7 technology stack does Microsoft supply?

8   A. Microsoft and IBM are the two companies I

9 can think of that pretty much supply the entire

10 stack. So they have the operating -- everything

11 you have in here, plus the operating system, you

12 name it, they have got it. Those two companies

13 are the only companies I can think of that

14 participate in every area of the stack.

15   Q. And, again, I'm not trying to misstate

16 you, so if I have got the terminology wrong please

17 tell me. I understand, for example, with your

18 product, there is a middleware product upon which

19 your applications are placed and then they work

20 directly off that middleware product; correct?

21   A. Correct.

22   Q. Would your product be able to be put

00041
1 directly on top of the Microsoft middleware

2 product and be able to operate?

3   A. Could our applications?

4   Q. Yes, sir.

5   A. Okay. No. Because our applications are

6 written in Java and the Microsoft middleware

7 doesn't understand Java. In fact, that was the

8 big argument between Sun and Microsoft. So

9 Microsoft doesn't support Java. You come and

10 speak Hungarian to Microsoft, they have no idea

11 what you are saying. So no, you couldn't rehost

12 or you couldn't recompile or you couldn't take our

13 applications and have it run natively on top of

14 the Microsoft middleware because they wouldn't

15 understand the language we were speaking, because

16 we're speaking Java and they speak C-Sharp.

9   Q. Now, the on-demand service that you are

10 offering you used to call outsourcing?

11   A. We used to call it outsourcing.

12   Q. So you are actually running somebody's

13 software for them on your machines?

14   A. It's usually our software, but it's not

15 exclusively our software. So as distinguished

16 between IBM that does outsourcing and Oracle that

17 does outsourcing, we try to -- we specialize in

18 running our own software. IBM really will run

19 anyone's software. We run our own software

20 primarily, but we will run third-party

21 applications and we will run custom applications

22 as well as part of a larger suite.

00051

13 Q. In your outsourcing service does the

14 customer buy the software?

15 A. Yes, they do.

13   Q. All right, sir. Now, you indicated

14 earlier, and, again, please correct me if I have

15 gotten this wrong, that in addition to Microsoft,

16 IBM has what you would call all the components of

17 the stack?

18   A. Yes.

19   Q. And which of the components offered by

20 IBM does your application software work with?

21   A. Which do we work with?

22   Q. Yes, sir.

00055
1   A. Well, again, we coexist. Now, IBM's

2 application server supports Java. Most of the

3 application servers support Java. In fact, the

4 only application server that I know of that

5 doesn't support Java is Microsoft's.

6   So we can -- an application written on

7 top of Web Sphere, which is the name of IBM's

8 application server, an application written on top

9 of Web Sphere is likely written in Java, and it

10 can communicate through Web Services with an

11 Oracle application. You can actually take an

12 application written on top of the Oracle

13 application server and run it on top of the IBM

14 application server. You can't do that with

15 Microsoft. We talked about that before, but you

16 can actually lift one of our Java programs off our

17 application server and run it on -- without

18 modification run it on the IBM application server.

19   Q. Do your applications, if you put them on

20 the middleware that's offered by IBM, would they

21 operate?

22   A. The Java -- so if our applications were

00056
1 written 100 percent in Java, which they will be at

2 some point in time in the future, the answer would

3 be yes. But since they are not, since our

4 applications are written in a combination of Java

5 and an older language called Forms, the Java

6 portion would, but the Forms position would not.

7   Q. Now, you indicated that at some point in

8 time that your software would be written entirely

9 in Java?

10   A. We think so, yes.

11   Q. And when do you project that to occur?

12   A. Oh, every last bit, it would be years.

13   Q. And what percentage of your application

14 software is currently written in Java?

15   A. I'm guessing 30 percent.

16   Q. Now, when did you begin first producing

17 it using Java? And, again, talking about your

18 application software.

19   A. Just starting five years ago.

20   Q. And why did you begin using Java to write

21 your application software?

22   A. We are a great believer in industry

1 standards and interoperability, so our database

2 was based on a standard language called SQL, and

3 we will invent proprietary languages only in so

4 far as that there is no standard out there that we

5 can adopt. So we much prefer a adopting standard

6 languages.

7   Actually, to promote a proprietary

8 language you really have to be the gorilla in the

9 marketplace, and the only companies that have

10 promoted these proprietary languages successfully

11 was IBM when they were number one and Microsoft

12 now because they are number one.

13   Q. Now, the Microsoft -- the Microsoft stack

14 you said doesn't operate on Java.

15   A. Correct.

16   Q. As your software becomes more and more

17 Java enriched --

18   A. Yes.

19   Q. -- for want of a better term, will that

20 make it easier for it to operate on the IBM stack?

21   A. Sure. On the IBM middleware. On the IBM

22 Web Sphere. Let me clarify that.

00058
1   Q. Sure.

2   A. On the IBM middleware, yes.

3   Q. Now, you have used the term "IBM Web

4 Sphere a couple of times.

5   A. Yes.

6   Q. What is that?

7   A. That's IBM's brand name for their

8 middleware.

9   Q. And that's a Java-based product?

10   A. Yes, it is. It's Java plus many other

11 things.

20   Q. All right, Mr. Ellison. Let me ask you,

21 if you would, to turn back to Exhibit 550 to your

22 deposition.

00059
1   A. Yeah.

2   Q. Still on page 3.

3   A. Yes.

4   Q. And just so that -- because we've been

5 over a number of topics, so the record is clear on

6 this, could you describe what database product

7 Oracle currently has available?

8   A. The Oracle database, it's actually called

9 Oracle, same as the name of our company. We have

10 a couple -- three versions actually: Enterprise

11 Edition, Standard Edition and Standard Edition 1.

12   Q. All right, sir. And the difference

13 between those products is what?

14   A. You have the most features in Enterprise

15 Edition, and you can run the most number of

16 processors with Enterprise Edition. So it's

17 scaled. It's just designed for a larger number of

18 users, larger databases.

19   Q. And IBM's database products, what are

20 they?

21   A. DB2. IBM has some older ones called IMS,

22 but they are no longer relevant.

00060
1   Q. And the IBM DB2 product is a product that

2 your Oracle database product competes with?

3   A. Yes.

4   Q. And Microsoft, what database products do

5 they offer?

6   A. It's a product called Sequel Server.

7   Q. All right, sir. And that is roughly

8 equivalent to your Oracle database product?

9   A. Yeah, we don't think it's as good, but...

10   Q. That's why I said "roughly."

11   A. Roughly.

00061

16   Q. Does Oracle's applications product work

17 with the IBM DB2 database?

18   A. No, it does not.

19   Q. Does Oracle's applications products work

20 with the Microsoft Sequel Server database product?

21   A. No, it does not.

22   Q. All right, sir. Now, in the application

00062

1   server, what products does Oracle offer?

2   A. We have a product called the Oracle

3   Application Server.

4   Q. And that product is essentially what?

5   A. It is integration software. Our Java

6   run-time environment, business intelligence

7   software. Again, I'm not sure what I have already

8   mentioned. Forms, Java, business intelligence,

9   integration, those things.

10   Q. And when you say integration software in

11 the context of your application server product,

12 what do you mean?

13   A. It actually has connectors to Siebel

14 systems and SAP Systems and PeopleSoft systems and

15 Lawson systems and Cerner systems and all sorts of

16 other systems for connecting up these systems.

17   Q. To your database?

18   A. No. To connect a Siebel system, Siebel

19 application system, to an Oracle application

20 system. To connect a Lawson system to an Oracle

21 system. It's that software we talked about before

22 where there is two portions; one allows them -- I

1 used the cell phone metaphor; one piece allows

2 program A to connect to program B so you can talk,

3 and then there is the translation piece.

4   Q. All right, sir. And the IBM App Server

5 product, do you know what that is?

6   A. The IBM application server product?

7   Q. Yes, sir.

8   A. Called Web Sphere.

9   Q. And does the Oracle applications, the ERP

10 software, work with that product?

11   A. No. I think you asked me, but it would

12 runs the -- it would run the Java portion of our

13 applications but not the portion in written Forms.

14 So the intent is to get our applications to

15 100 percent to Java, and I said that will take

16 years. At that point it should run on the IBM

17 application server.

18   Q. And the Microsoft, their application

19 server product is called what?

20   A. Just Windows.

21   Q. And Oracle's ERP software does not run

22 with that application software?

00064

1   A. They don't support the Java language. So

2 it couldn't execute. It couldn't run -- we can

3 coexist, coexisting versus running on, but, no, we

4 will never be able to run on the Microsoft

5 application server because Microsoft has no

6 intention of supporting the Java language.

7   Q. And IBM, does it have an application

8 integration product that is over and above what is

9 offered in its application server?

10   A. "Web Sphere" is one of these terms like

11 "On Demand." It's a big umbrella term and IBM

12 throws almost everything with the kitchen sink

13 underneath it. So when IBM says our Web Sphere

14 revenue was so many dollars, I believe it includes

15 all their integration software. But it really --

16 Web Sphere is many different products, including,

17 so Web Sphere is not exactly a product. It's,

18 again, this umbrella term under which lots of

19 products are listed. And it includes -- and all

20 their integration software falls under the

21 category of Web Sphere products.

22   Q. Does IBM offer an integration software

00066

1 product that is independent of its application

2 servers?

3   A. They offer integration software

4 independent of their Java server. Again, what IBM

5 calls an application server, it's like a menu.

6 It's just like you can put this list of products

7 on a menu and we'll call this menu Web Sphere, and

8 so it's this name of this list -- Web Sphere is a

9 name of a list of products. IBM would like you to

10 believe it's a product, but it's really a bunch of

11 products written by different people at different

12 times and they just aggregate it together as this

13 conceptually aggregate thing together.

14   Q. And Microsoft, what do they have in the

15 way of application integration software that's

16 available?

17   A. Windows Event Server.

18   Q. Is that part of the application server?

19   A. It's part of a Windows Event Server,

20 which is an application server, and that is a

21 product.

22   Q. Now, BEA, what type of application server

1 product do they offer?

2   A. Again, it's Java-based. The name of the

3 product is WebLogic and they have integration

4 software and portal software and it's got the same

5 thing. We all compete in these areas.

6   Q. Now, BEA does not have a database

7 product?

8   A. They do not.

9   Q. Their application server, what databases

10 are you aware of that that will operate with?

11   A. All of the majors. Most all of them. I

12 mean IBM, Oracle, Microsoft, Sybase. Probably

13 more than that.

14   Q. And will your application software

15 operate on -- operate with a BEA application

16 server?

17   A. Will our application software coexist --

18   Q. Can you run your application server

19 software on a BEA system application server?

20   A. If it's written in Java. So same thing

21 with IBM. So the Java portion of the application

22 can run on the BEA application server, but the

1 Forms portions cannot.

2   Q. And going down the chart, we have on page

3 3 of Exhibit 550, it shows BEA having a circle

4 half black and half white, which indicates

5 "player" at the top next to application

6 integration.

7   Do you see that?

8   A. Yes, I do.

9   Q. Do you have any idea what that means?

10   A. I guess, you know, they're a relatively

11 new player in applications integration.

12   Q. What integration product does BEA have?

13   A. Again, it's around -- it's built around

14 web services. Again, it has a lot of the

15 characteristics of ours. It's built around Java

16 Web Services and specific application translators.

17   Q. And WebLogic that you talked about, the

18 product that BEA, has what is that?

19   A. WebLogic is the name of their Java

20 application server, but it also now includes --

21 they have expanded it again since we last talked.

22 They have added a lot of integration software,

1 they have added portal software, so they have

2 expanded their footprint.

3   Q. And the integration software that BEA has

4 added since we last talked, what does that consist

5 of, what does it do?

6   A. It's more connectors to more -- you know,

7 to more databases, more application systems. It's

8 a more capable portal. A portal takes data from

9 lots of separate systems and puts them on the same

10 web page.

11   Q. Now, you mentioned Web Services is a

12 means of application integration; correct?

13   A. Yes.

14   Q. And how long have Web Services been a

15 significant means of doing that type of

16 application integration?

17   A. For years.

18   Q. Beginning approximately when? Well, let

19 me ask you --

20   A. Four years ago.

21   Q. Let me ask this follow-up question. Who

22 was the first one that offered Web Services as a

00070
1 way of doing application integration?

2   A. Sun BEA.

3   Q. And was that offered for a particular

4 type of product?

5   A. For their Java -- for their Java server.

6   Q. When did Oracle first begin offering Web

7 Services as a means of application integration?

8   A. Very shortly thereafter.

9   Q. And what products did you offer that

10 integration service for?

11   A. For our application server. It came as

12 part of our application server.

13   Q. And when you say it came as a part of

14 your application server, what does that mean?

15   A. Well, it means if you use our tool set,

16 if you build -- if you build your applications

17 using our Java development environment and you run

18 our application server, those -- and program

19 according to the Web Services standards, I mean,

20 programmers have to -- it's a set of standards the

21 way you program to, then program A will be able to

22 communicate with program B across the internet.

00071

1   Q. And does SAP offer similar type services?

2   A. Yes, they do.

3   Q. And do you recall when they began doing

4 that?

5   A. Sometime after -- they adopted Java later

6 than we did, but two years ago.

7   MR. WALL: I'm sorry, what is the "that"?

8 I'm not clear what the antecedent is.

9   MR. SCOTT: The web integration through

10 Web Services.

11   THE WITNESS: So -- and it depends where

12 it shows up in the stack. You might have the

13 ability to support Web Services in your

14 application server or your applications might not

15 be written to the standards, so Web Services are a

16 set of standards you have to write to.

17   So first you would create the technology

18 for Web Services and then you would adapt your

19 applications to support Web Services. So first

20 comes the technology then the applications have to

21 be modified.

22

00072

1 BY MR. SCOTT:

2   Q. And were your applications modified to

3 work with Web Services at the time you offered

4 that product?

5   A. The very beginning -- no. The answer is

6 no. It took more time for us. And it's an

7 ongoing process. We because have a lot of

8 application code and a lot of application code has

9 to be updated and updated to support Web Services.

10   Q. And does PeopleSoft offer integration

11 through Web Services?

13   Q. And are you aware of any other software,

14 ERP software, vendor who has developed their

15 software to the point where integration can take

16 place through Web Services?

17   A. I think everyone is doing this, but I

18 just don't know the status of each vendor

19 separately.

10   Q. How was software integration done before

11 the possibility of doing it through Web Services

12 was introduced to the market?

13   A. Again, all Web Services are is a standard

14 protocol. I hate -- I think the metaphor holds.

15 It's just a way of program A, you know,

16 establishing a connection to program B. So for

17 years we've been able to -- we've had different

18 techniques called remote procedure calls, RPCs,

19 where a program in computer A could issue a remote

20 procedure call and talk to computer B. But now

21 that the internet has become a standard way of

22 lacing these computers together, and now that we

00075
1 have -- it's really about standards.

2   We have always been able to have a

3 program -- program A and program B agree on how to

4 communicate through what's called a remote

5 procedure call. What's different about Web

6 Services now is there is a global standard for

7 interconnecting machines called the internet, and

8 there are intranets and private internets and all

9 these other things, but it's a global standard.

10 Now that there is this global standard for

11 interconnecting machines, we can build a program

12 that uses these standards and these are called Web

13 Services that adopts that standard way of

14 interconnecting.

15   It's as if every cellular telephone --

16 and there is not -- there is not a global standard

17 for cellular telephones. The reason you need a

18 different cell phone in Europe is because there

19 are different ways, you know, different

20 technologies, but there is -- so there is no

21 standard way of cell phones communicating

22 globally. There is a standard way for computers

00076

1 to communicate globally. So now we can say, all

2 right, we're all going to go to this standard

3 protocol called Web Services to establish a

4 connection. So any program that can communicate

5 with any other program on any computer any place

6 in the world just as long as they are attached to

7 an internet or intranet or connected in this

8 standard way.

9   It does not solve the problem of, okay,

10 now once we have established a connection, you

11 know, just like me calling someone in Budapest, if

12 I don't speak Hungarian and they don't speak

13 English, we've got a problem.

14   Q. And that would bring into play the

15 translation point of the integration that you

16 talked about earlier?

17   A. Correct.

18   Q. And is that translation point something

19 that's available through the web or is that

20 something that is available through the

21 application server?

22   A. It's definitely not available through the

1 web. It would be available through the

2 application server and perhaps even the

3 applications themselves have to adapt.

4   Q. And when you say the applications

5 themselves may to have adapt, what does that mean?

6   A. We've recently introduced this thing

7 called the customer data hub, and the customer

8 data hub recognizes that companies would like to

9 have -- our big thrust in the e-business suite,

10 the holy grail, the way I sold the e-business

11 suite, one of the great things about it, was all

12 your customer data was in one database. So think

13 about get all your data in one database and then

14 kind of attached the applications to this data.

15   The problem with the e-business suite is

16 it requires customers to get the bulk of their

17 applications from Oracle, and a lot of companies

18 have existing -- have lots of different

19 applications from lots of different vendors. They

20 have been buying applications for the last 10

21 years and they don't want to switch out all those

22 applications and bring in only Oracle, but they

00078
1 love the idea of having all their customer data in

2 one place.

3   So we said, all right, as an alternative

4 to the e-business suite, I think we can solve the

5 problem another way. And solving the problem

6 another way is saying, all right, keep your Siebel

7 and keep your SAP and keep your whatever you got,

8 your PeopleSoft, who knows what you got, all this

9 different stuff, keep it all, the Oracle

10 financials, I mean live in this environment, but

11 we will refer to it as a spoke system and we will

12 have at the center this database called the

13 customer data hub, and every time a salesman

14 enters a new customer into the Siebel we'll make a

15 copy of that data, if you will, it goes from the

16 hub to the spoke. Every time the billing system

17 notes that a customer is late in paying, we'll

18 make a copy of that, that customer information,

19 put that in the customer data hub.

20   So you are going to collect all much this

21 information from all of these spoke systems into

22 this hub system and you can interconnect them

00079
1 using Web Services to establish the connection and

2 then the translation software to -- and then

3 Oracle provides what is called a data model for a

4 very rich database. So we can handle sales

5 information and billing information and marketing

6 information and service information for all

7 different kinds of customers in all different

8 kinds of industries.

9   Q. Do you see this product as a replacement

10 for your application software?

11   A. No. No.

12   Q. Then what is the purpose of it?

13   A. It's -- not everyone is going to buy

14 Oracle's application software. Not everyone is

15 going to buy only Oracle application software.

16 Very large companies, even if they decided to go

17 the e-business way, would take them years to get

18 from where they are today to get to the e-business

19 suite, and they would like to take advantage of

20 having that 362-degree view of their customers.

21 They like the idea of all their customer

22 information in one place. So it is something

00080
1 that's very attractive to large customers who live

2 in an environment of heterogenous technologies and

3 heterogenous applications.

00095

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21      Q.  Now, do you -- in implementing the data

22  hub and product, do you see that as a means by
```

00096
1 which you could end up selling more or less

2 application software?

3   A. More.

4   Q. And how is that?

5   A. Again, we think it's a very

6 interesting -- there are two kinds of barriers --

7 there is two problems with selling the e-business

8 suite. One is the conceptual problem which is,

9 gee, I don't want to throw away all my existing

10 applications and go to Oracle, just get out of my

11 office, I'm not going to do it. The other is, I

12 love the idea, but how do I get from here to

13 there. It's going to take years.

14   Q. How do I get from here to there in

15 relation to what?

16   A. How do I go from my heterogenous

17 environment of thousands of separate systems to

18 this nirvana you're talking about of this Oracle

19 e-business suite. I don't know how I gracefully

20 migrate from where I am today. I don't know how

21 to get there. Tell me how I get there.

22   And a customer data hub is designed to

00097
1 address both of those customers. Where the

2 e-business suite has been very successful is

3 smaller companies where the cost and the time

4 required to put in the e-business suite is just

5 not onerous.

15   Q. The data hub product you believe will

16 allow you to sell more application software

17 because it will give a mechanism for customers who

18 want a central database to transition from having

19 a lot of systems to the e-business suite and get

20 the benefit of having a central database during

21 that process?

22   A. Correct.

1   Q. And then for other customers who are not

2 in the market to change because they don't want to

3 go buy a system, it will allow them to centralize

4 their data in one area and allow you to sell some

5 application software to operate on top of the hub?

6   A. Right. Right. Otherwise that customer

7 would just be closed to us for some time.

8 Clearly, we would have opportunities in very large

9 companies. You have opportunities to sell this

10 division and that division and this application,

11 but it's nice to not be on the periphery. It's

12 nice to be in the center.

13   Q. When was the data hub product rolled out

14 by Oracle?

15   A. In the last six months.

00114

14   Q. When your deposition was taken last year,

15 you had decided to roll out the data hub product?

16   A. What was the date of my deposition?

17   Q. January 20th, 2004. I misspoke. This

18 year.

19   A. This year, right. Probably.

20   Q. Do you have a specific recollection as of

21 the time of your deposition that you had decided

22 to roll out the data hub product?

00115
    1   A. I don't.

    2   Q. Would there be documents within Oracle

    3 that would indicate when you had decided to roll

    4 out that product?

    5   A. Well, clearly we roll -- it was shortly

    6 before we announced it. Shortly, as I say, no

    7 more than 60 days before we announced it and maybe

    8 as soon as -- the decision might not have been

    9 made -- may have been two weeks before, so I just

    10 don't remember.

    11   Q. Well, certainly when your deposition was

    12 taken in January 20th, 2004, you were aware of the

    13 data hub product being under development at

    14 Oracle?

    15   A. Yes, probably, yeah.

00120

1   Q. Now, does the data hub only handle

2 customer-related information?

3   A. Yes, but that's a little bit misleading

4 because when you keep track of customers, you

5 would like to know what products those customer

6 buy. So when you say I'm just going to keep track

7 of customer data, you are forced to keep track of

8 product information.

9   Q. For example, does the data hub and the

10 software that comes with it, does that support

11 what we will call human resource functionality?

12   A. In a narrow sense. For example, you

13 might want to know who are the customer support

14 people that support General Electric, right, so

15 the answer is yeah, kind of.

16   Q. Okay. Well, does the data hub product,

17 as currently constituted, support things like

18 payroll and benefits and information and functions

19 related to a company's own employees?

20   A. Well, the answer is we are coming out

21 with a product shortly called the Employee Data

22 Hub, something like that, but, again, these things

00121
1 are all -- the trouble -- everything is connected.

2 So one of the things you would like to know is how

3 much am I spending selling to General Electric.

4 So to find that out you would have to know who are

5 the salespeople, how much they make, what you pay

6 to them in commissions. So, in other words,

7 you're asking the question show me my most

8 profitable customers, show me my most unprofitable

9 customers, how much did GE buy, how much should we

10 spend supporting General Electric, selling to

11 General Electric, all of those things. So you can

12 argue that's all customer data, that's all -- is

13 that customer data or HR data.

14   Q. Well, you said you are going to come out

15 at some point with something you are calling the

16 HR data hub?

17   A. Right.

18   Q. What is that?

19   A. That is -- again, a lot of people have

20 separate -- I think it's called an Employee Data

21 Hub, and there is a lot of the employee

22 information that you might not necessarily keep in

1 your HR system. For example, you're authorized to

2 approve purchases over $10,000 -- up to $10,000.

3 That might be stored in your accounting system.

4 So your -- your territory includes all of the

5 State of Maine for sales. Well, that might be

6 stored in the sales system. So there is a lot of

7 information that's tied to people that you don't

8 think of necessarily being part of the HR system.

9   Q. Well, first of all, when did you start

10 developing the employee hub?

11   A. We are just -- it's a work-in-progress

12 right now.

13   Q. Do you have an estimated time of arrival

14 for that to hit the market?

15   A. We might, but I don't know what it is.

00124

22   Q. Does the current data hub handle

00125
1 financial management support, things such as

2 general ledger, accounts payable, accounts

3 receivable, asset management, those types of

4 functions?

5   A. No.

6   Q. Do you have any plans to roll out a

7 product that will do that in a data hub context?

8   A. No. The general ledger in a sense is a

9 data hub. There is what's called a consolidated

10 general ledger. Our general ledger product

11 actually allows you to have several different

12 companies in your -- General Electric uses it.

13 They have several different businesses, lots of

14 different businesses and they do what is called a

15 consolidation inside of their general ledger,

16 which is a hub function, statutorily required.

17   Q. So I take it that you're not coming out

18 with a financial data hub that will do that type

19 of thing?

20   A. It would be duplicative.

21   Q. Of your current products?

22   A. Yes.

13   Q. All right, sir. Looking at page 3 on

14 Exhibit 550 again, the pieces that go in the

15 technology stack that you have defined would

16 include database, application servers and

17 application integration, correct?

18   A. The three primary chunks I would describe

19 would be operating system at the bottom, database

20 in the middle, and application server on top. We

21 put application integration as one of the

22 components of application server.

10   Q. All right, sir. Now, in relation to

11 operating systems -- or the technology stack

12 generally, as you have defined it, operating

13 systems, database and application server, would

14 the acquisition of PeopleSoft allow you to compete

15 better with Microsoft?

16   A. Absolutely.

17   Q. And how so?

18   A. Well, Microsoft's -- that's a very -- to

19 compete with Microsoft, we think -- Microsoft

20 relies on its scale to compete. So they sell

21 software in high volume at a low price. And what

22 enables you to sell software at a low price is

00130

1 high volume, because you have a very high fixed

2 cost and almost insignificant or nonexistent

3 marginal cost. So if you can amortize your fixed

4 cost over a large number of customers, you're able

5 to lower prices. That's why the biggest software

6 company in the world has very low prices. So to

7 compete with Microsoft, and the driving force for

8 this acquisition, is for us to get larger, for us

9 to have more customers, so we can compete on price

10 in what's going to be an increasingly

11 price-competitive market.

12   Q. All right. Now, let me back up here.

13 The idea of the PeopleSoft acquisition assisting

14 you in competing with Microsoft is a function of

15 scale?

16   A. Largely a function of scale.

17   Q. And in that context, you define "scale"

18 as meaning what?

19   A. More customers.

20   Q. And more customers would help you compete

21 with Microsoft how?

22   A. Okay. So let's say in order to build an

1 application it costs you a million dollars. Let's

2 say you have one customer. You only got one

3 customer for the application. You have got to

4 charge at least a million dollars for it or you

5 lost money. Let's say you have a million

6 customers for it. You could make two dollars for

7 it and make a lot of money.

8   So the development costs are fixed. In

9 our business the development costs are different

10 than almost any other business in the world. We

11 have very, very large fixed costs and we have to

12 get back the money on the fixed costs by selling

13 more than one copy. The more copies we sell, the

14 more we can lower the price.

15   So if we think that price competition is

16 going to increase, and whenever Microsoft gets in

17 the neighborhood price competition increases,

18 guaranteed. As price competition increases, what

19 enables us to compete is having more customers,

20 because then we can charge a lower price.

21   And -- but, again, it's obviously more

22 complicated than that. We can also spend more on

00132
1 innovation and engineers and engineering and

2 enhancements. So if we have more customers -- if

3 we have one customer we can't spend a million

4 dollars on the product. You can't do it because

5 no one is going to pay you a million dollars for

6 the product. But if you have a million customers

7 or 10,000 customers, you can spend more.

8   So it's a combination. So as you get

9 more and more customers two things happen. You

10 spend more on R and D and you lower the price and

11 you kind of split the difference and, God willing,

12 your profits increase also. So that's the

13 dynamic. That's why Microsoft is so profitable.

14 They have low prices, but they have a huge number

15 of customers. They spend a lot of money in R and

16 D. They spend more money in R and D than anybody.

17 They have the lowest prices, just in general.

18 That's how they beat all their competition in the

19 PC application business. They just had the lowest

20 prices. And the way they get away with that is

21 they have lots and lots of customers. They make

22 it up in volume.

00133
1   For us to compete -- and that's who we're

2 competing with. So here comes Microsoft. What do

3 you do? You have to have lots of customers.

4 Because you have to increase your spending in R

5 and D and you have to lower prices simultaneously,

6 and the only way you can do that is to get to

7 scale, is to get more customers.

00137

20   Q. Now, in relation to -- again, looking at

21 exhibit -- page 3 of Exhibit 550 --

22   A. Right.

00138

1   Q. -- on the column at the end --

2   A. I have memorized this page now.

3   Q. I would hope so.

4   At the last column there is the heading

5 "PSFT," which I take it stands for PeopleSoft?

6   A. Yes.

7   Q. And under that it indicates that

8 PeopleSoft has some presence, though according to

9 the key, not significance presence in business

10 intelligence, developmental tools and application

11 integration.

12   Do you see that?

13   A. Yes, I do.

14   Q. Does the technology -- or do you know

15 anything about the technology they have in those

16 areas?

17   A. Yeah. There development tools are --

18 they have this proprietary language called

19 PeopleTools and they built business intelligence

20 on top. Their programs are written in this

21 language called PeopleTools. And this is all the

22 stuff that's around PeopleTools. Because it's

00139
1 unique to PeopleSoft, they have to build their own

2 integration pieces and their own development

3 environment.

4   Q. And I take it that since those are

5 proprietary, obtaining that technology is not what

6 is driving you to do this deal?

7   A. No. No.

8   Q. Okay.

9   A. No.

5   Q. Is there a particular size or scale that

6 you have as a target out there that you want to

7 achieve either through this acquisition or some

8 other mechanism?

9   A. Yeah, you have to -- I mean, our

10 problem -- our problem is, you know, in the

11 technology area is IBM's a little bit bigger than

12 us in software and Microsoft is a lot bigger than

13 us in software. So we certainly have to -- you

14 know, and those are our two major areas in the

15 technology stack, two major competitors in the

16 technology stack. And we have to get -- if you

17 take away Microsoft's X box business or MSN, we

18 have to get close to their size in software. So

19 if we're 10 billion dollars now, I would be much

20 more comfortable that we could defend ourself if

21 we were 20 billion, than 10. We would probably

22 have to be twice as large as we are now.

00153

13   Q. So you see the world as we go forward

14 ending up being Microsoft on one side and

15 essentially everybody else on the other?

16   A. Microsoft versus mankind with Microsoft

17 in the lead.

00160

9   Now, based on your earlier testimony, I

10 take it that you have competed with Microsoft in

11 the database arena for quite sometime?

12   A. Yes.

13   Q. And how long have you folks been going

14 head to head in database products?

15   A. Certainly over a decade.

16   Q. Were they in first or were you?

17   A. We were.

18   Q. And how much of a lead did you have on

19 them timewise?

20   A. We had a huge lead, but they actually

21 purchased their product from Sybase. They bought

22 the code from Sybase, very much like they bought

00161
1 NetVision and, you know...

2   Q. All right, sir. And over time, do you

3 have any -- as of today, do you have any idea,

4 roughly, of what your share is versus their share

5 in the market?

6   A. We're definitely --

7   MR. WALL: "The market" defined as what?

8   MR. SCOTT: As database products.

9   MR. WALL: So all relational database?

10   MR. SCOTT: All relational database

11 products.

12   THE WITNESS: They are probably slightly

13 larger than we are on Windows and of course they

14 don't exist on mainframes or on Unix or on Linux

15 at all, so we're considerably larger there.

16 BY MR. SCOTT:

17   Q. Now, in the area of relational database

18 products, have you been able to grow share against

19 them or have they grown it against you?

20   A. I think they have consistently grown it

21 against us.

22   Q. Are they at a point in database products

1 where you could consider them to have a monopoly

2 on relational database products?

3   A. No.

4   Q. Now, in the relational database product

5 area, how is it that you have been able to

6 maintain a competitive position against them such

7 that they have not been able to monopolize that?

8   A. We had a many, many year head start and

9 we have been able to keep our engineering team

10 together, but we think we have an engineering team

11 that's better than theirs and we started before

12 them, way before them.

13   Q. From a cost standpoint, looking at it

14 from a customer standpoint, how do you compare to

15 Microsoft in the relational database arena?

16   A. We have more customers.

17   Q. I'm sorry, I meant how much does it a

18 customer, the cost of acquiring yours, versus the

19 cost of acquiring Microsoft's comparable products.

20   A. Microsoft has a lower purchase price.

21 Again, I'm oversimplifying. But, in general,

22 Microsoft has a lower purchase price and we think

1 we have a lower total cost of ownership. For

2 example, if we run substantially faster on a

3 computer than they do, you don't have to spend as

4 much money on the computer. You can get a smaller

5 computer. If we require less labor to operate the

6 system, you don't have to hire as many people to

7 run it. So when we talk about the total cost of

8 ownership, it's very different than purchasing

9 just the database component.

10   Q. Now, in the area of enterprise software,

11 based on your experience in competing with

12 Microsoft in database, do you believe that they

13 would be able to monopolize the sales of

14 enterprise application software?

15   A. No.

16   Q. And why is that?

17   A. It's a very competitive market right now.

18 The systems installed are highly durable. People

19 don't pull these systems out and reinstall them.

20   Now, I suppose if you said, you know, 25

21 years out could they get to a monopoly position or

22 30 years out, I wouldn't so glibly answer no, but

00164

    1 certainly in my -- in the next 10 years, no

    2 chance. The rate of turnover of these products is

    3 relatively slow. People don't change their

    4 accounting system, HR, manufacturing, supply chain

    5 systems very frequently. Even small businesses

    6 don't change them very frequently.

00189

11   Q. All right. Mr. Ellison, you have in

12 front of you a document which has been marked for

13 identification purposes as Exhibit 553 to your

14 deposition.

15   A. Yes.

16   Q. It's a one-page document bearing

17 ORCL-EDOC-0122 -- 12 -- let me start that again.

18   All right. You have in front of you a

19 document which has been marked as Exhibit 553,

20 identification ORCL-EDOC-01242183. It's dated

21 June 7th, 2003, e-mail from you to Charles

22 Phillips and Safra Catz, re:

00190
1 Accenture/PeopleSoft.

2   Do you see that?

3   A. Yes.

4   Q. And that's an e-mail that you wrote, the

5 one at the top, "What a great opportunity to

6 expand our reach. This is looking better every

7 hour. Larry."

8   A. Yep.

9   Q. And below that is an e-mail that you

10 appear to have been sent from Mr. Phillips,

11 talking about a call that he had received from the

12 CFO at Accenture?

13   Do you see that?

14   A. Yes.

15   Q. Is that someone that you knew?

16   A. His name is Harry Eu. I know him now,

17 but I didn't know him then.

18   Q. And this says, "The potential acquisition

19 of PeopleSoft hit home and made them," referring

20 to Accenture, "realize we could turn into a

21 must-have partner and he offered to set up a

22 meeting between me and their top 10 partners which

1 I plan to do."

2   Did you have any understanding of what he

3 meant by Oracle turning into a must-have partner

4 from Accenture's standpoint?

5   A. As we get bigger, our importance in the

6 marketplace increases; so, yeah, we're a bigger,

7 more important company.

8   Q. Well, do you know if Accenture had any

9 type of relationship with PeopleSoft prior to your

10 announcement that you were going to try to acquire

11 PeopleSoft?

12   A. We have a relationship with Accenture.

13 PeopleSoft has a relationship with Accenture. SAP

14 has a relationship with Accenture. Cerner has a

15 relationship --

16   MR. WALL: Slow down. You are hitting

17 warp speed at this point.

18   THE WITNESS: Sorry.

19   I think most major software companies --

20 Accenture is one of the two largest system

21 integrators in the world, and I think every major

22 software company has a relationship with them.

00192
1 BY MR. SCOTT:

2   Q. And your reply to this e-mail says, "What

3 a great opportunity to expand our reach." What

4 did you mean by that?

5   A. To get to get more Accenture partners

6 involved in our business.

7   Q. And what do you mean by the term

8 "Accenture partners"?

9   A. Accenture, even though it's a publicly

10 held corporation now, still has a partnership

11 structure, and each of these partners runs their

12 own business in certain geographic areas, and we

13 would rather -- they would be increasing the

14 amount of business they did with Oracle.

15   Q. So by developing a relationship with more

16 of these partners, you have the potential to do

17 more business and thereby expand your reach?

18   A. Yes.

19   Q. When you said here "This is looking

20 better every hour" in this e-mail, what did you

21 mean by that?

22   A. I guess this is the day after our tender,

00193
1 so things were happening quickly at this time, and

2 I think we were happy with our decision to make

3 the tender.

7   Q. Well, do you recall at any point in time

8 where your growth slowed to a point in

9 applications where it was unacceptable to you

10 personally?

11   A. Sure. The last -- 2001, 2002, 2003 were

12 tough years, you know, post-bubble. I mean,

13 people were spending a lot less on tech. And,

14 plus, some companies had accustomed themselves to

15 a much higher rate of spending. At least we

16 hadn't done that.

17   Q. And you attribute your dissatisfaction

18 with your level of applications sales to what?

19   A. Well, primarily, not only, but primarily

20 the macroeconomy then. I mean, we can blame

21 ourselves, you know, our own people after that.

22 It's our own.

00216

1   Q. So would it be fair to say that there was

2 less applications business out there with the same

3 number of players trying to win it?

4   A. There was a lot less of all technology

5 business. There was less database. There was

6 less computer hardware, less PC business. You

7 name it, there was less of it.

8   Q. As a result of the economy having an

9 impact on what people were spending in tech, did

10 that make competition more aggressive?

11   A. That's an interesting question. It's a

12 brutal business. I'm not sure it's any more

13 competitive in bad times than it is in good, to

14 tell you the truth. I have heard, but I don't

15 really think it's -- you know, it affected that

16 dynamic. It's a very tough -- people fight for

17 every deal.

18   Q. But in 2002-2003, you would agree there

19 was less business to be had with essentially the

20 same number of players trying to have it?

21   A. Yes.

22   Q. In the applications area?

00217
1   A. Yes.

2   Q. Let me ask the question again so we're

3 clear.

4   A. Sure.

5   Q. You said that you saw in some period of

6 time after the dot-com bubble burst that there was

7 a reduction in tech spending by companies,

8 correct?

9   A. Yes.

10   Q. Over what period of time did you see

11 that?

12   A. It dropped quite rapidly in 2001, and the

13 thing is I would like to distinguish -- you use

14 the metaphor "dried up." It really didn't dry up,

15 but it dropped down. I realize it's just a

16 metaphor, but it did drop down to a lower level

17 and then people always talked about, gee, we're

18 going to have this recovery. We're going to have

19 this recovery. And recovery didn't come.

20 Recovery didn't come. And I made several speeches

21 saying there wasn't going to be a recovery if what

22 you meant by recovery was a return to the year

1 2000 or 1999, that there was never going to

2 happen.

3   And, in fact, people had been spending --

4 if you look at the curve, their IT spending just

5 shot up precipitously and actually returned to

6 what I would call a more normal level. And I

7 think as much as it dropped -- now, industry by

8 industry. If we look at the telecommunications,

9 which just got killed, and the suppliers, you

10 know, to those industries. Cisco dropped

11 precipitously and other suppliers. Lucent dropped

12 precipitously. Nortel, those suppliers really got

13 hurt as tech suppliers. But, in general, whether

14 you looked at Oracle or Microsoft or IBM, HP, any

15 of the major tech companies, our sales dropped

16 down, but it wasn't -- you know, it wasn't -- it's

17 not going to be a curve that looks like this, down

18 and then back up. You are going along nicely with

19 normal growth. You had some huge spike and now

20 you just slip back to where you would have been

21 had that spike not occurred.

22   And there were a lot of reasons for that

1 spike. The year 2000 phenomenon, the -- my

2 counsel said the mass hysteria of the dot-com

3 investment boom, all these companies being formed

4 and taken public, and them buying software and

5 computer systems and doing all this stuff and they

6 hadn't shown a penny of profit. All that should

7 have never happened. So I don't think this is a

8 valley we're going through and then it's going to

9 go back up again. I think the environment we're

10 in right now is the tech environment for some time

11 to come. It will grow slowly with the economy,

12 but it's not going to, quote, recover to its

13 former glory, nor should it, because they were

14 spending way too much money on tech in those days.

15   Q. Within Oracle, do you see any signs that

16 the spending for technology has increased over the

17 past twelve months?

18   A. You know, maybe a little, but I'll

19 emphasize, just a little. Again, I publicly said

20 I don't expect there to be a comeback. This is

21 the recovery. This is it.

22   Actually, the economy is doing quite

00221

1 well. The people don't think so. The American

2 people don't think so necessarily, but

3 unemployment is lower now than it was in the

4 1970s, 1960s, 1980s, 1990s. The economic growth

5 is really quite good. We've added a lot of jobs

6 recently. The economy is not doing badly at all.

7 So this is it. There is not going to be a sudden

8 upturn coming. So the competitive climate -- I

9 know you just said is competition tougher now.

10 This is it. This is the environment we live in

11 and will be living in for some time.

12   Q. You saw less business available with

13 essentially the same number of competitors after

14 the dot-com bubble burst?

15   A. Right, because that was an abnormal

16 demand spike. In a rational world it would not

17 have occurred.

18   Q. And the level of business available that

19 you saw after the dot-com bubble you don't expect

20 to get significantly higher?

21   A. No, I don't.

22   Q. So either the same number of players will

00222

1 be going after that level of business or some of

2 those players will fall by the wayside.

3   A. And, again, I publicly stated that the

4 industry is going to go through -- as this

5 industry matures, we'll go through a

6 consolidation. We have to.