15   Could you state your full name for the record,

16 please.

17   A. Lawrence Joseph Ellison.

18   Q. And what is your current work address,

19 Mr. Ellison?

20   A. 500 Oracle Parkway, Redwood Shores, California.

6   MR. SCOTT: Q. Before we get into the document,

7 let me just nail down a couple of pieces of terminology

8 you used in some of your earlier questions.

9   In talking about PeopleSoft you said that they

10 had obviously an H.R. product; right?

11   A. Yes.

12   Q. And that they had a financial management

13 product?

14   A. Yes.

15   Q. And then you indicated they also had a business,

16 an ERP suites business?

17   A. Yes.

18   Q. Could you tell me -- I'm not sure we had you

19 define what that term means yet, what "ERP suite

20 business" is.

21   A. ERP means enterprise resource planning, but

22 that's not terribly illuminating, that title. It's the

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1 back office portion of the business. It's accounting,

2 human resources, payroll, manufacturing, planning,

3 purchasing, your supply chain, which is just basically a

4 chain of all of the suppliers you might need if you're a

5 manufacturer.

6   It's all the things that happen in the back

7 office of a company as opposed to the front office, which

8 might be usually characterized as sales, marketing and

9 service. So the front office is called CRM, customer

10 relationship management, the back office is called ERP.

11 All of the products that automate the back office are

12 called an ERP suite.

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

14 suite product?

15   A. E-business suite?

16   Q. Yes, sir.

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

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

19   A. The union of those two, yes.

20   Q. Do you sell financial services -- I'm sorry,

21 financial management software and H.R. software in a

22 combination in any other context other than your

1 E-business suite?

2   A. Not a combination, we sell them separately. You

3 buy H.R. separately and buy financials separately or you

4 can buy E-business suite, which includes them both and

5 many other components, as well.

6   Q. The E-business suite, when did that product

7 first become available through Oracle?

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

9   Q. Was there a reason you started offering the

10 products combined like that?

11   A. We tried to be the first company -- I

12 mentioned -- you asked if we had been leap-frogged

13 before. SAP leaped-frogged us by getting all the back

14 office modules working on top of a single data base and

15 SAP really invented the term "ERP." They were the first

16 ERP suite.

17   We, in turn, were trying to leapfrog them by

18 having the first suite of products working on one data

19 base that included all the front office modules, all the

20 CRM products as well as all the back office ERP products.

21   Q. I'm going to hazard a guess, but when you were

22 trying to market this product, you'd tell customers there

00131
1 are advantages of having it brought together in one

2 package; correct?

3   A. Yes.

4   Q. What are those advantages?

5   A. Lower cost, better information.

6   Q. How does having the product sold, the ERP suite,

7 result in lower cost and better information?

8   A. If you -- either if you buy discreet components,

9 you buy your H.R. from PeopleSoft, you buy your sales

10 force automation from Siebel, or your call center from

11 Siebel and your sales force automation from

12 Salesforce.com and your accounting from SAP, and your

13 H.R. from PeopleSoft, if you buy a lot of separate

14 pieces, you're going to have to do what's called software

15 integration or systems integration.

16   You're going to have to connect these pieces

17 that were never engineered to fit together. You, as a

18 customer, are going to have to use your own labor or hire

19 a consultant to fit these pieces together. And what we

20 wanted -- what our offer -- the contrasting aspect of our

21 offer is we've engineered these pieces to fit together.

22 You don't have to do any software integration.

1   So it's much lower cost. It's much less labor

2 involved in putting in our suite than what's called best

3 of breed components, a lot of separate components from

4 separate suppliers. So there is less labor associated

5 with it, gives you a much less cost of ownership.

6   The other thing is, because of all of our

7 applications are engineered around a single data base,

8 all your information is in one place, therefore, everyone

9 knows where to look to find the information. So you get

10 a much higher quality of information.

11   The worst problem facing companies, government

12 agencies, information problem, is that their data is

13 fragmented; it's stored in lots and lots of different

14 places and people have a very hard time finding what

15 they're looking for, they don't even know where to look.

16   Companies, government agencies, have lots and

17 lots of separate data bases. If you build your

18 application around a single, unified data base, it's much

19 easier to get accurate, up-to-date information about your

20 business.

21   Q. Did you -- does PeopleSoft have something that

22 you consider an integrated ERP product?

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1   A. Yes.

2   Q. What does that consist of?

3   A. Well, you can argue about the degree of

4 integration, but it means that the pieces are at least

5 partially engineered to fit together. We'd argue that

6 ours really were, again, conceived around this common

7 data model.

8   We would say the PeopleSoft H.R. isn't even

9 integrated with their financials, they operate on

10 separate data bases. So -- so we think we're more

11 integrated. But it's not an all or nothing thing. There

12 are advantages. There are connections between PeopleSoft

13 H.R. and PeopleSoft financials, though they don't use a

14 common data base. Our big pitch is we store everything

15 in one data base. SAP doesn't do that and PeopleSoft

16 doesn't do that.

17   Q. You used a term a bit ago, a best of breed; what

18 is that?

19   A. That's the notion of -- it's an industry term,

20 meaning rather than trying to find the best suite

21 supplier, you go out and find individual vendors who

22 offer the best marketing package, the best sales package,

00134
1 the best service package, the best financial package, the

2 best H.R. package, the best payroll package, you find the

3 best suppliers and you buy from the best suppliers,

4 ignoring the integration issues, you just get the best

5 parts.

6   And I actually have a bit of a satire

7 presentation I make. What a wonderful way to buy a car.

8 Maybe Porsche makes the best fuel injection, maybe

9 Mercedes makes the best transmission, Cadillac makes the

10 best air-conditioning, and the best catalytic converter

11 comes from Ford, but these pieces were never designed to

12 fit together. And they might be the very best components

13 but the best components don't assemble into the best

14 system.

15   But it was the normal -- it was conventional for

16 a lot of companies to go ahead and buy, you know, the

17 best components, then those companies took on the burden

18 of assembling those components into a working system.

19   Q. In addition to assembling best of breed

20 components into a working system, are you likely to have

21 problems in making them to continue to work together over

22 time?

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1   A. Systems integration is a gift that keeps on

2 giving.

3   Q. Meaning what?

4   A. Every time -- let's say SAP upgrades their

5 accounting, so you have to unplug the SAP accounting from

6 your H.R. -- your Siebel sales and your PeopleSoft H.R.

7 and plug in the new version.

8   So this is an ongoing cost as you do upgrades.

9 These vendors use different technologies, they have

10 different upgrade cycles, all of the labor associated

11 with connecting SAP to PeopleSoft 7, you have to do it

12 again. Now you connect SAP to PeopleSoft 8.

13   Q. So any upgrade you did to any piece of it,

14 you're going to have to go back and reconfigure the

15 entire system?

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

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

18   A. Absolutely. That's why the biggest recommenders

19 of best of breed are the IBM's and Accentures, who

20 provide the labor for gluing it all together.

21   Q. The best -- you indicated -- again, I'm not

22 trying to misstate you, so correct me if I got this

00136

1 wrong -- I thought you'd said something the best of breed

2 approach was the norm at one point in time.

3   A. Very recently -- there was a huge debate in the

4 industry, just -- when Oracle moved to the Internet

5 early, there was a huge controversy inside of Oracle and

6 we were considered mad by some because we were the first

7 company to move to the Internet. We were also the first

8 company to say that the best of breed is -- only works at

9 dog shows and it's really the gift that keeps on giving.

10 It's unbelievably expensive for companies to talk to best

11 of breed strategy.

12   No one buys car parts and takes those parts and

13 assembles them into cars. What you should do is buy a

14 complete and integrated suite where the pieces are

15 designed to work together. You should look to suite

16 suppliers and the suite suppliers are going to win and

17 the best of breed companies are going to lose.

18   Q. When you say the suite suppliers are going to

19 win and best of breed companies are going to lose, what

20 do you mean by that?

21   A. That means if you are a specialist -- let's say

22 all you do is supply chain, company like i2, but you had

1 the best supply chain software in the world, and may

2 still have the best supply chain software in the world,

3 the cost of installing it, the cost of connecting it to

4 Oracle or to Oracle manufacturing or SAP manufacturing

5 and purchasing, all of those different pieces, the cost

6 of connecting it was so high, that you're much better off

7 if you buy your financials and manufacturing from SAP.

8 You should probably get your supply chain software from

9 SAP, as well.

10   If you buy your manufacturing and purchasing

11 software from Oracle, you probably should buy your supply

12 chain software from Oracle, as well. It's much, much

13 cheaper than trying to put in that -- glue in that i2

14 problem.