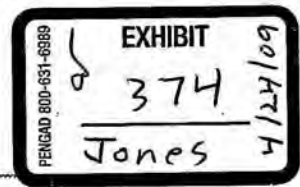


EXHIBIT 12



From: Juan C. Jones [juan.jones@oracle.com]
Sent: Monday, September 19, 2005 5:17 PM
To: Ian Plummer; Earl Owens; Mary Ann Bianco; James McLeod; Jamie Blackford; Rob Lachs; Rick Cummins; Chris Madsen; Jeff Pape
Cc: Dave Sweat; Kathy Lindsey; Jason Taylor
Subject: Fw: Fw: SAP: What, Us Worry About Oracle?

Let's ensure we don't overreact to these gnats. I expect there will be more. Go on the offensive!

----- Original Message -----

From: Juan C. Jones
To: Nancy Lyskawa
Cc: ROTTLER JUERGEN ; MILLER GARY N ; HARE DAVID D. ; Milani Mark ; Chris Hummel
Sent: Monday, September 19, 2005 9:13 AM
Subject: Fw: Fw: SAP: What, Us Worry About Oracle?

F Seth and his Rickety Street, which has yet to be paved...

Same argument as below. While the WSJ sadly finds this newsworthy and places it next to a story about Oracle and IBM, we must not react in kind as we'll lend false credibility to what is nothing more than a start-up. That said, from a renewals perspective we will continue our focus on these 3rd parties in our customer base as they are obviously 'noisy' and serve as excellent negotiating ploys given they provide, at most, a pseudo alternative.

Regards,
Juan

----- Original Message -----

From: Juan C. Jones
To: Chris Madsen ; Jason Taylor ; Kathy Lindsey ; Dave Sweat ; Rick Cummins ; Earl Owens ; Ian Plummer ; Mary Ann Bianco ; Saleem Haque ; Jeff Pape
Cc: Dave Hare ; Gary Simler ; Jean Reiczky ; Neeracha Taychakhoonavudh ; Chris Hummel
Sent: Saturday, September 17, 2005 6:16 PM
Subject: Fw: SAP: What, Us Worry About Oracle?

Team,

I don't know about you guys, but I'm thrilled with a couple of the articles that have hit the press recently. Combined with announcements we will make at Open World, these provide us with serious ammo against some of the common arguments for 3rd party maintenance of our PeopleSoft and JDE product lines. I'm more confident than ever that we will marginalize TomorrowNow and make them nothing more than a negotiating ploy: something to be taken seriously with each threat, but simply a ploy nonetheless.

Take a look at the Forbes article everyone's sending around (I've received tons of copies via email). Let's start with the catchy, intimidating headline followed by the tough topic sentence: will Oracle "be able to hang onto the lucrative maintenance contracts that accompany software purchases. The answer? "...those concerns may be overblown." Now, let's go on the offensive!

TomorrowNow releases the results of a study: customers BELIEVE they're paying too much for something and would consider an alternative provider. Wow. That's insightful! Which customers believe they're paying too little for maintenance (or any other service!)

ORCL00192008

UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF CALIFORNIA
Case No. <u>4:07-cv-01658 PJH/EDL</u>
DEFENDANT Exhibit No. <u>A-0374</u>
Date Admitted: _____
By: _____ Nicole Heurman, Deputy Clerk

and who would be foolish enough to say they would not CONSIDER an alternative?! Even the article goes on to say: It's not surprising that JDE customers, or any customer for that matter, would respond "yes" when asked if they are willing to consider paying less for the same product or service. But wait, if that's not enough, "the "independent" study of JDE customers was conducted by a company whose FOUNDER says was paid for by TomorrowNow. And where was this "independent" source of truth before he started his unbiased company? "He spent nine years at PeopleSoft!"

But, at least he's honest. And the "independent" consultant that TomorrowNow was more than happy to fund writes: "That's why **most customers are not making a switch nor do they profess to want to make a switch,**" says Averbook. He says he has found that "**most [customers] are very happy with the support Oracle has provided to this point, and they are optimistic about future product direction.**" Is there a better quote in the world available that supports our cause?! Might it have been paid for by SAP?!

The article then accurately states that Oracle has promised to support PeopleSoft and JDE products for years longer than the companies would have independently, a message that seems to be resonating with customers. (And we'll be expanding on that promise at Open World so it should resonate even more with customers!)

Our friendly CEO at TomorrowNow states: "The vast majority [of customers] aren't on the latest versions of software," he says. "This forced march of upgrades is at odds" with what customers want. The article goes on to state: It's not clear to what extent customers of TomorrowNow's parent company, SAP, might complain about the same upgrade march. Oracle's supporting our customers until 2013. It's 2005. 7 years 'til we get to 2013. Forced march?! What forced march?! Ms. Customer you've got 7 years to upgrade! Does that feel forced to you? And we're announcing a Lifetime Support Policy to boot!

Let's leave our friendly CEO and get back to our "independent" consultant whom our friendly CEO at TomorrowNow has paid. What else is he saying about 3rd party maintenance? Averbook likens it to buying an extended warranty, not from the manufacturer but from a third party that lacks certain capabilities and knowledge of future product direction. "TomorrowNow offers no implementation services or training. They don't have a full-service services organization to duplicate Oracle's. They're doing [maintenance] for half the cost ... a much more minimal level of support, but an acceptable level of support for some customers," Averbook says.

Could you imagine telling your Dad that you bought an extended warranty, not from the manufacturer, but from some shop that lacks capabilities and original parts? "Well Dad, it was cheap, the mechanics lack capabilities and they jimmy-up their own parts. Yes Dad, I don't know what I'll do when I have it up to 75 mph and one of their parts breaks, but it'll be under extended warranty." Would you drive such a car? Would your Dad let you? Would you run your business on such a system in the days of "Compliance" and "Sarbanes-Oxley"? Hell no!

So what are the analysts saying. (They're the last bastion of honor and "independence" with the lone exception of Henry Blodget of course. ;-) The article states: Analysts have generally been positive on Oracle's PeopleSoft acquisition, noting that the company has not seen any significant customer defections or heard much in the way of disgruntled customers. And let's remember Samsonite, as Safra reminded us at the NAS kickoff, doesn't qualify as a "significant customer defection!" Hell, I'm a Support guy and even I have a Coach briefcase!

Oracle is well aware of the increased pressure and urgency to keep customers happy. Well, the article got that right. And our announcements and presentations at Open World will prove it. And you, our Support leadership team, are focused on it. And we were smart enough to keep our service and support personnel when we acquired PeopleSoft/JDE. And we'll be smart enough to do it again when if we acquire Siebel. And that will leave the bottom of the barrel for our friendly CEO, whose company today doesn't currently support Siebel as he states. (I'd tell him he's not currently supporting anything if he lacks "certain capabilities and knowledge of future product direction. What could he be supporting? The software business is all about capabilities and knowledge of future product direction! And you and all of our customers will hear all about ours next week at Open World.)

Finally, let's get serious and talk about switching Apps suppliers. "Safe Passage". (I've gotta hand one to their marketing team. "Safe Passage" is almost as good as "No Child Left Behind," "Clear Skies," or "Patriot Act." That marketing guru from the administration must have left the public sector!) I often hear the following silly argument: TomorrowNow told our customers that they'll save them lots of money and the customer can bank that money annually and then use the accumulation to pay for an SAP implementation. Say what?! Does anyone think a CIO could go to their CFO and Board of Directors and say "now that I 'saved' \$300k in annual expenses for 3 years I'd like to draw on my 'account' and spend \$900k on an SAP implementation?" Could you imagine such a conversation with Larry or Safra? Could you imagine the look in Larry's eyes when he asked you what planet you were on? Where is this 'savings account' that you have been depositing these funds into? What accounting statement is it in when we report our financial statements? Even if a customer could concoct such a thing, imagine the look in your eyes when the CEO said "I have a little account too, let's look back on these three years when I was paying you bonuses on reducing costs by \$300k per year and give me all the bonus money back since you now want to spend \$900k and put our business at risk!" This is the silliest argument I have ever heard! Can anyone at least spell accounting?!

But why listen to me make an argument when you can listen to the CEO of SAP. He will help you crush TomorrowNow. He's your biggest ally. In the BusinessWeek article below, he states: "Migrating an application involves some expense; you don't just decide it overnight and the next day you spend the millions." That's right. It takes MILLIONS. The customer has to "spend the MILLIONS." And it's fraught with business disruption and RISK! How much were you going to 'save' on that support bill Mr. Customer? Let's kick some ass! Have a great Open World!
Regards,
Juan

PS The end of the article states: *An earlier version of this story reported that TomorrowNow has 13,000 customers. CEO Andrew Nelson was referring to the company's entire addressable market of 13,000 customers. TomorrowNow has 100 customers (maybe ;-). Oracle has 100 too: 100's of THOUSANDS!

Forbes
*.com

Computer Hardware & Software

Hitting Oracle Where It Hurts

Lisa DiCarlo , 09.16.05, 11:00 AM ET

ORCL00192010

One of the more talked-about scenarios around **Oracle's** acquisition of **PeopleSoft/JD Edwards**, and one that is sure to surface around this week's acquisition of **Siebel Systems**, is whether Oracle will be able to hang onto the lucrative maintenance contracts that accompany software purchases.

But it turns out that those concerns may be overblown.

Earlier this week, **TomorrowNow**, a third-party maintenance provider for PeopleSoft and JD Edwards, released the results of a study reporting that more than 80% of JDE's customers "believe they're paying too much for their maintenance and support and would consider a third-party provider" presumably like TomorrowNow.

What wasn't mentioned in the news release or the survey is that TomorrowNow is owned by Oracle (nasdaq: ORCL - news - people) archrival **SAP** (nyse: SAP - news - people), which bought the company in January as a way to potentially, eventually, migrate Oracle's customers to SAP. Icing on the cake: SAP can use TomorrowNow to siphon off some of Oracle's maintenance revenue. In fiscal 2005 ended May 31, 45% of Oracle's total revenue of \$11.8 billion came from maintenance.

Further, the "independent" study of JDE customers, conducted by a company called Knowledge Infusion, was paid for by TomorrowNow, according to Knowledge Infusion founder **Jason Averbook**. He spent nine years at PeopleSoft before starting the company, a consultancy for PeopleSoft and JDE customers.

Switching software providers is not easy. Most experts and customers agree that replacing big applications from one company with those from another is far too costly (millions at minimum) and time consuming to be worth the bother.

"That's why most customers are not making a switch nor do they profess to want to make a switch," says Averbook. He says he has found that "most [customers] are very happy with the support Oracle has provided to this point, and they are optimistic about future product direction."

Oracle has promised to support PeopleSoft and JDE products for years longer than the companies would have independently, a message that seems to be resonating with customers.

Still, TomorrowNow chief **Andrew Nelson** says his company, which has 100 customers, has grown 100% a quarter for each of the last three quarters.* The company is very small with a tiny market share, but Nelson says there may be as much as a billion-dollar market in providing basic maintenance on older JDE and PeopleSoft applications.

"The vast majority [of customers] aren't on the latest versions of software," he says. "This forced march of upgrades is at odds" with what customers want.

It's not clear to what extent customers of TomorrowNow's parent company, SAP, might complain about the same upgrade march.

It's not surprising that JDE customers, or any customer for that matter, would respond "yes" when asked if they are willing to consider paying less for the same product or service. But Averbook says, and TomorrowNow readily acknowledges, that it's not offering the same level of services.

Averbook likens it to buying an extended warranty, not from the manufacturer but from a third party that lacks certain capabilities and knowledge of future product direction.

"TomorrowNow offers no implementation services or training. They don't have a full-service services organization to duplicate Oracle's. They're doing [maintenance] for half the cost ... a much more minimal level of support, but an acceptable level of support for some customers," Averbook says.

The notion of switching maintenance providers is a fairly new concept resulting from the PeopleSoft acquisition. Typically, customers bought maintenance contracts (on average about 20% of the annual cost of the software license) directly from the provider, and third party providers didn't come into the picture until and if the manufacturer stopped providing support.

Analysts have generally been positive on Oracle's PeopleSoft acquisition, noting that the company has not seen any significant customer defections or heard much in the way of disgruntled customers.

Next week will bring more clarity on both fronts, as the company hosts a big customer conference called Oracle OpenWorld, beginning on Sept. 17 and reports first fiscal-quarter 2006 results on Sept. 22.

Oracle is well aware of the increased pressure and urgency to keep customers happy. Stuart Williams of Technology Business Research points out that "any redirection of the lucrative maintenance dollars from Oracle into SAP are direct wins."

TBR says it's also possible that through TomorrowNow, resource-rich SAP could recruit laid-off Siebel service and support personnel in an attempt to divert Siebel maintenance revenue away from Oracle.

"I'd never be shocked to see us support Siebel applications," says Nelson. "We don't currently support Siebel [but] there's no reason we can't."

Even still, Averbook cautions against being lured in by lower maintenance prices.

"Changing maintenance providers doesn't make sense until a contract is up for renewal, and only then for a very distinct buyer at a specific time in their application strategy." Such a change might include a plan to discontinue use of the application anyway.

In the meantime, Averbook, who says he is in constant talks with PeopleSoft and JDE customers, "the mood is still guarded but is definitely more positive."

The real test of one's ability to hang onto customers will not come when maintenance contracts expire but when the major software companies, Oracle, SAP, **Microsoft** (nasdaq: MSFT - news - people) and to some extent **IBM** (nyse: IBM - news - people), transition to so-called "service oriented architectures," a fundamental change in the way applications are deployed, integrated and accessed.

According to its own timetables, SAP is the furthest along, due in 2007.

*An earlier version of this story reported that TomorrowNow has 13,000 customers. CEO Andrew Nelson was referring to the company's entire addressable market of 13,000

customers.

----- Original Message -----

From: [Juan C. Jones](#)

To: [Chris Hummel](#)

Cc: [Rick Cummins](#) ; [Rob Lachs](#) ; [Jamie Blackford](#) ; [James McLeod](#) ; [Chris Madsen](#) ; [Dave Hare](#)

Sent: Thursday, September 15, 2005 3:00 PM

Subject: SAP: What, Us Worry About Oracle?

Here's a juicy quote from Henning Kagermann, SAP CEO (from below):

BusinessWeek: We are hearing, though, that you may not be getting as much bounce as you had hoped for out of the uncertainty following the PeopleSoft acquisition. Are you satisfied with the level of defections you're seeing?

Henning Kagermann: "Yes. But I don't view this as a short-term thing. What's happening is that these customers are, to some extent, locked in for some time. **Migrating an application involves some expense; you don't just decide it overnight and the next day YOU SPEND THE MILLIONS.**"



SEPTEMBER 15, 2005

NEWSMAKER Q&A

SAP: What, Us Worry About Oracle?

Its rival's recent acquisitions aren't costing CEO Henning Kagermann any sleep. As he se it, building beats buying

When Oracle ([ORCL](#)) announced plans on Sept. 12 to buy software maker Siebel Systems ([SEI](#)) for \$5.85 billion, no one should have been more alarmed than arch-rival SAP ([SAP](#)), the world's largest seller of big-ticket corporate-software suites.

The driving motivation of Oracle's two-year, \$19 billion binge has been catching SAP in the mark for so-called enterprise applications, which help companies handle all manner of tasks, from trac finances to managing salespeople (see BW Online, 09/12/05, "[Now, Oracle May Finally Rest](#)"). E snapping up Siebel, which pioneered the category known as customer relationship management CRM, Oracle has rounded out its product portfolio with a package widely seen as the best of its breed.

Along the way, Oracle Chief Executive Larry Ellison has whittled the corporate-software industry two behemoths towering over hundreds of small makers serving local markets or specialty niche

MESH OR MASH? Oracle's growth spurt makes life more difficult for SAP. The German giant's strongest response is that its own packages -- which handle accounting, human resources, custc and supplier relationships, and product planning -- mesh better than the so-called point solutions from various vendors that handle one job apiece. Oracle faces a mammoth task weaving together the half-dozen packages, including PeopleSoft's, that it has bought recently. But when it does, its suite could finally match SAP's crown jewels.

SAP doesn't seem worried. It's partway through a modernization of its packages that analysts sa could revolutionize business software (see BW, 07/11/05, "[SAP: A Sea Change in Software](#)"). O may stumble trying to get all of its new programs to work together. And some former PeopleSoft Siebel customers could flock to SAP amid possible concerns that Oracle won't support their products.

To gauge SAP's reaction to the Oracle-Siebel deal, BusinessWeek European technology correspondent [Andy Reinhardt](#) to SAP CEO Henning Kagermann on Sept. 13. Edited excerpts o their conversation follow:

Why are there so many mergers and acquisitions these days in the software business?

Let me start with some background. SAP was very much challenged at the end of the 1990s by other companies, like Siebel, i2 Technologies (ITWO), Ariba (ARBA), and so on -- more than we were Oracle.

At that time, we lost market share. We were not losing to Oracle and PeopleSoft as much as we were to the new guys, who took share. They took it because they had a new concept and good products, so they could grow very fast, organically.

You might ask why larger players, including SAP, didn't respond more. The answer is that we were all -- at least at SAP -- very focused on completing our offerings in the areas where we were strong that is ERP (Enterprise Resources Planning) and industry solutions around it.

At that time, four or five years ago, people urged us to acquire companies to catch up. They said we would never make it (on our own), and suggested we buy another CRM company, in order at least to have something we could use to fight back against Siebel. Instead, we decided to do most of it ourselves, and we made only a few very small acquisitions.

Was that a wise move?

If you look to history, you see that we were right. What the customers really wanted, after some time, was a better-integrated solution, all from one vendor, and not the complexity they got from using best-of-breed programs. They bought best-of-breed for a while, but they didn't like it.

We have gained market share more or less continuously since 2001. Back then, Oracle - at No. 2 in the market -- was roughly half SAP's size globally. Since then, the gap has widened. We gained market share, Oracle lost share, and the best-of-breeds, particularly, lost share.

What's happening now, as I predicted a few years ago, is a movement to a few very large players. That's more or less a consequence of what customers demand. You will not see many of the midsized companies survive because they don't have the muscle, and they can't complete their offerings. They are only point-solution providers.

Of course, other people could have bought Siebel. It could even have been SAP. But why should we when we have the better product, and we are the market leader, and we can grow organically and gain market share?

So what motivated Oracle to buy Siebel?

Why did Larry Ellison do it? Because he had lost market share. He was not a friend of acquisitions in 2001 or 2002. He said the same thing we said back then. But things have since changed, and Oracle has a different strategy. It has acquired most of these companies--JD Edwards, PeopleSoft, Reti and now Siebel.

Yet, what has happened is surprising. Oracle has spent roughly \$19 billion on its last five acquisitions. But if you look at it from a market-share point of view, even with the five combined, Oracle is still the same size relative to SAP as it was four years ago -- half our size.

I think he [Ellison] had no other choice. He says he wants to be No. 1, but he's just half of SAP, so I ask myself, how can he become No. 1 when there are no other targets left to buy?

How are customers reacting to the Oracle acquisitions?

When we speak to customers that have both SAP and Oracle or Siebel software, we see that they are concerned. Why? Because -- look -- there is no clear roadmap for what will happen to these products.

How will customers cope with the complexity of the combined Oracle/PeopleSoft/JD Edwards portfolio? It includes competing offerings for CRM, human resources, and others, built on different technologies and designs. But which solutions will be continued? And what will be the migration from one to another? Who will take care of the maintenance issues for discontinued products? All these questions are critical for customers, and they can't see a clear answer.

Is that driving business to SAP?

At the very least, it's strengthening our position. We have a very clear and compelling strategy we announced three years ago, and we deliver on it every year. And customers know what to expect. There is no uncertainty around SAP. If you follow us, you can see that we make promises and then deliver. We are executing on a transparent roadmap, and our customers appreciate it.

We are hearing, though, that you may not be getting as much bounce as you had hoped for out of the uncertainty following the PeopleSoft acquisition. Are you satisfied with the level of defections you're seeing?

Yes. But I don't view this as a short-term thing. What's happening is that these customers are, to some extent, locked in for some time. Migrating an application involves some expense; you don't decide it overnight and the next day you spend the millions.

What customers want is options, choice, and time, and we have given them all that, so they can decide what is best for them in the years to come. We have had a lot of interest, but the nature of business means customers don't come over immediately.

What is your strategy for on-demand software that is delivered over the Internet, like a service?

We know what we want to do, from a strategy point of view. The question is more one of communication. We will have an announcement, both about product and go-to-market strategy. You will see it before the end of the year.

Are we seeing the formation of a new tech bubble?

No, we're not even close to what happened in the last bubble. It's not the same thing at all. People should not be worried about it.