

From: Kevin Miller [kevin.miller@oracle.com]
Sent: Tuesday, November 02, 2004 10:37 PM
To: Jeff Johnson
Cc: Tapomoy Dey; Aseem Chandra; Mark Grutzmacher; Ramesh Shankar; Miranda, Steven; Fothergill, Alan; "mendez, lina" @rgmgw2.us.oracle.com; Cavacchioli, Gabriel; Mark Wood; Singh, Amit; John Boucher; Joseph
Subject: Re: [Fwd: [Fwd: [Fwd: Re: ca/jeff clarke]]]

Oracle Corporation et al v. SAP AG et al

Doc. 1206 Att. 2

All - I'm forwarding Jeff's email to a wider distribution as I believe it's a good summary of CA's concerns with the current functionality.

Kevin

Jeff Johnson wrote:

All,

The issue is the extension of the end-date of an existing contract. CA does not believe our standard functionality is usable for them.

Standard functionality is to terminate the lines of the contract for the items for which there is a new end-date. Then copy/add the items onto new lines with the new end-date. The applications will then calculate the Revenue/Deferred Revenue entries correctly. The applications do unapply cash and generate a credit invoice for the unearned amounts, which must later, manually, be re-applied to a subsequent invoice.

CA frequently has up to 500 line items on their contracts. So the usability issue is the actual termination of each line and re-creation of it. Especially at the end of a quarter when they are at peak volumes and trying to beat the quarter end clock.

I believe an acceptable solution is allowing the user to alter the end-date of the contract at a header level and having it cascade down to all the line items. There are two options that I can think of for this:

1. We create a form to allow them to change the end-date. A program kicks off to terminate the line items and replicate them, with the new dates and \$ amount. Then standard functionality should reverse the revenue distributions created when the original lines booked and new revenue distributions should be created for the new line items.
2. We add the contract extension functionality to the existing forms which then changes the end-dates for all the line items. A program would need to evaluate the amount of deferred revenue remaining for each line as of the termination date, reverse the remaining revenue distributions, and establish new revenue distributions for the revised contract \$ and duration.

For the credit/invoicing portion, I think we can get away with one of the following:

- A. a program to automatically apply the credit invoice and the unapplied cash to an invoice that is generated due to the new line items on the contract (reapplied to scenario 1 above), or
- B. have the applications NOT unapply cash, create a credit invoice associated with reversing the revenue distributions, create an invoice for the opposite amount of the credit invoice and apply the credit invoice to it automatically (this assumes we need an invoice document to create the revenue/deferred revenue distributions), and require the customer to set up a billing schedule for

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ORCL00647144

UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF CALIFORNIA Case No. <u>4:07-cv-01658 PJH/EDL</u> DEFENDANT Exhibit No. <u>A-6329-1</u> Date Admitted: _____ By: _____ Nicole Heuerman, Deputy Clerk Dockets.Justia.com
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invoicing the customer for the additional periods of time for the extended contract.

I expect that there are a host of challenges with each alternative and am wide open to other alternatives.

Jeff

Kevin Miller wrote:

Tapo - I believe there still is a problem with the calculation of the duration under daily rev rec scenarios.

Ramesh, Aseem - please touch base with Tapo today so we have clarity for the call tomorrow.

Tapomoy Dey wrote:

Just spoke to Mark Grutzmacher.

Apparently, there have been no issues raised on daily rev rec. Regarding cancel / replace of contract ...the customer did not raise any specific objection during the demo, but later concluded that SAP does it better.

Thanks,
Tapo.

Aseem Chandra wrote:

Mark, Jeff,
Is there any additional gap on the accounting front other than the daily rev rec issue that we discussed during the demo to CA couple of weeks ago?
Aseem

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

Subject:[Fwd: [Fwd: Re: ca/jeff clarke]]

Date:Tue, 02 Nov 2004 11:27:33 -0800

From:Kevin Miller <Kevin.Miller@oracle.com>

Organization:Oracle Corporation

To:Chandra,Aseem

<ASEEM.CHANDRA@oracle.com>,
Shankar,Ramesh

<RAMESH.SHANKAR@oracle.com>

here's the full email trail.

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thanks,
Aseem

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Subject: [Fwd: Re: ca/jeff clarke]
From: Don Klaiss <don.klaiss@oracle.com>
Date: Tue, 02 Nov 2004 08:19:16 -0800
To: "Kevin,Miller" <KEVIN.MILLER@oracle.com>, "Campbell,Harold"
<HAROLD.CAMPBELL@oracle.com>

Kevin/Drew - note the comments about SAP's better support for "subscription accounting" than us. Do we believe this to be the case? I assume this relates to our ability to sell and bill for subscription services. Do we believe 11.11 will bring us on par with SAP in this area?
Don

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

Subject: Re: ca/jeff clarke
Date: Tue, 02 Nov 2004 08:10:24 -0800
From: Jeff Henley <jeff.henley@oracle.com>
Organization: Oracle Corporation
To: Keith Block <Keith.Block@oracle.com>
CC: Charles Phillips
<charles.phillips@oracle.com>,
"Wohl,Ronald" <RON.WOHL@oracle.com>,
John Wookey <John.Wookey@oracle.com>,
Steven Miranda
<steven.miranda@oracle.com>,
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"Ellison,Lawrence"
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References: <4186C0CA.ED14CF28@oracle.com>

I spoke to Jeff this morning and he gave me the same feedback as he ga you last night.

1. They will make a decision either late this week or early next week at the latest. It's a "horserace."

2. SAP is leading in functionality pretty much across the board in their mind. The biggest need they have is subscription accounting given their SEC and Sarbanes problems. Second biggest need is CRM through order taking. In both areas they say SAP is better and more integrated plus they've spoken to 4-5 SAP references who say the software works well in these areas.

3. Pricing and cost of ownership is a wash.

4. Relationship favors Oracle.

5. They assume go-to-market for either company is a function of what makes sense for both sides so he discounts this area somewhat (he did say SAP offered to bundle some of their stuff with NetWeaver).

Net, net I think we'll lose because of the functionality so unless we can turn this around this week somehow I'm not optimistic.

Keith Block wrote:

>Jeff, right now I believe they are leaning towards sap given perceived functionality and a stronger go to market offer from sap. I think that Jeff wants to go with us, but Barrenchea and their users like sap. The key points to make are:

>
>- Lots of large global software companies run Oracle for financials quite successfully, including ourselves. We were one of the first to sign off on our statements to the SEC. This should really resonate with him.

>
>- There is a time and cost element that they also have - our stuff can go in much faster at lower cost and at a lot less disruption to the business.

>
>- Once we get past the initial April go-live deadline, there is huge shareholder value that we can help them unleash (our example of transformation and increased operating margin)

>
>- The GTM plans are as good as the people behind them and ours has more reach, more places for synergy, specifically with database, apps and Peoplesoft.

>
>- We stand behind CA with more than our product - the whole organization - sales, consulting, support, development, EC. He has to be feeling heat about risk.

>
>His number is Redacted. Let me know how it goes....Keith

>
>

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Tapomoy Dey
Director, Financial Applications Development
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