

# **EXHIBIT L**

Message

**From:** Zepecki, John [/O=SAP/OU=AMERICA2/CN=RECIPIENTS/CN=000000230476]  
**Sent:** 1/5/2005 5:55:59 PM  
**To:** Shenkman, Arlen [/O=SAP/OU=AMERICA1/CN=RECIPIENTS/CN=000000225832]; Mackey, James [/O=SAP/OU=AMERICA1/CN=RECIPIENTS/CN=000000065459]; Geers, Torsten [/O=SAP/OU=AMERICA1/CN=RECIPIENTS/CN=000000100655]  
**CC:** Word, Jeffrey [/O=SAP/OU=AMERICA2/CN=RECIPIENTS/CN=000000064566]  
**Subject:** TomorrowNow/PSFT related background info  
**Attachments:** Peoplesoft 1-2-3 01 05 05.doc

Arlen, Jim, Torsten,

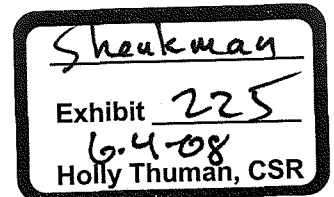
I am enclosing a document that I sent to Shai a couple of weeks back (although there are some updates since then). I think the summary of discussion of points was forwarded to all of you earlier, but probably not the document.

It might have some value for the business case or as general background. Questions, please let me know.

Regards,  
Johnz



Peoplesoft 1-2-3  
01 05 05.doc



## Peoplesoft 1-2-3

Version 1.2, John Zepecki Jan-05-05

### Peoplesoft Background

Peoplesoft customers can be segmented into three major groups – Peoplesoft Enterprise (applications based on PeopleTools technology), Peoplesoft Enterprise One (applications based on JD Edwards' web enabled client server technology – a combination of C code and proprietary scripting language) and Peoplesoft World (JD Edwards historic product that runs only on AS/400 systems and is written in RPG). The Peoplesoft Enterprise customer profile is much more similar to the 'typical' SAP customer profile than the typical Enterprise One or World customer. The majority of customers shared between SAP and Peoplesoft can be expected to be Peoplesoft Enterprise customers.

Peoplesoft Enterprise One and World are both delivered as a single integrated package that resides in one physical database, often on one single machine (often an AS/400). The typical Enterprise One or World customer will install an instance of the software and manage core manufacturing, distribution, etc. business functions. Larger customers who leverage Enterprise One and World will typically deploy a unique software instance at each division or plant and leverage functionality to consolidate financial data and other shared information in one master instance. Both Enterprise One and World are "light" on HCM related functionality with new functionality added to Enterprise One in the past twelve months.

The majority of the JD Edwards installed base (70-80%) is on the traditional World product line. JD Edwards (and now Peoplesoft) has had little success in moving the World installed base from the AS/400 platform and World application suite. The World customer base in many cases is content with the level of functionality in the World product, has heavily customized their systems in many or most cases, and has strong and sometimes fanatical loyalty to the AS/400 platform. World software installations have received some Web based access in recent World software update via a partnership with a third party "screen scraping" technology. Despite the lack of significant new functionality in the World product line, the overwhelming majority of World customers continue to pay software maintenance.

The general resistance of the World/AS400 base to change and the profile of this customer base does not make this customer base that attractive as an upgrade opportunity. JD Edwards has failed to move this customer base for years and SAP is unlikely to move this customer group to mySAP ERP in mass numbers. The World software product line is an extremely profitable software maintenance revenue stream.

The organization supporting the World software product is relatively small (less than 50 full time development resources total with a very stable software base). SAP's ability to establish a critical mass of personnel is possible as Oracle is very likely to move World software support to a low cost country. SAP's ability to provide an attractive alternative to Oracle/Peoplesoft support is questionable unless there was some inherent cost

The vast majority of Peoplesoft Enterprise customers use either the Oracle or SQL Server database platform. Additionally, there are several batch processing environments with in PeopleTools (although all leverage the same database connectivity layer) including an integrated batch engine called Application Engine, COBOL, and SQR (report writer language originally developed by Brio although Peoplesoft owns the source code). Supporting DB2/AIX or DB2/MVS is possible, but is difficult and extremely difficult without the support of IBM and/or access to a mainframe environment.

While it is technically feasible to provide to support and software maintenance to all three customer groups and all supported hardware and database platforms, all Peoplesoft product lines and functional areas within the Peoplesoft Enterprise product line are not equally attractive. On the ability to execute and cost to execute side, limiting Peoplesoft support to just Peoplesoft Enterprise and/or World (at least initially) and a limited number of system landscapes (i.e. Oracle, SQL Server, no mainframe operating system support) makes sense in limiting SAP's risk and maximizing ROI. As SAP has more experience, adding additional platforms and products (with perhaps a variable pricing model) is possible.

SAP should research with its customers who run Peoplesoft which modules are in production. SAP may get a significant ROI and limit its risk by focusing a limited set of system landscapes and a limited set of modules (like core HR modules or core finance modules) and stable releases. As newer modules and release stabilize, these release could be added.

### **TomorrowNow's Peoplesoft Support**

A third party company named TomorrowNow offers maintenance for all Peoplesoft product lines today with the bulk of customer running Peoplesoft Enterprise 7.x. TomorrowNow was founded in 1998 to provide consulting services (packaged, time and materials basis) and evolved into a support service. Peoplesoft World and Enterprise One support was added in late 2004 with no customers "live" on support or signed by January 1, 2005.

TomorrowNow offers a "no frills" support model. TomorrowNow customers have stable production systems. TomorrowNow delivers updates (tax, legislative, etc.) to keep software "current". A TomorrowNow customer essentially "freezes" a working implementation. TomorrowNow will provide assistance if a customer is "down", but does not provide any guarantees or warranty of service. A TomorrowNow customer pays one half of their current Peoplesoft support contract value for the "no frills" level of support.

TomorrowNow creates a replica of the customer's system landscape or has access to a replicate of the customer's system landscape via VPN. TomorrowNow uses a vanilla "DEMO"-version of Peoplesoft software. TomorrowNow works as a consulting party on the customer's behalf and claims access rights via a customer's license agreement. TomorrowNow packages updates via standard PeopleTools mechanism (called projects).

Each TomorrowNow customer receives a unique set of fixes (i.e. each customer has their own posting of a tax update).

In order to set a new customer up for the service, TomorrowNow will request all software and or fixes (including 3<sup>rd</sup> party software) that the Peoplesoft customer is entitled too. This library of software and intellectual property represents all the intellectual property from Peoplesoft that a customer has rights to. The newer versions of Peoplesoft software could provide a way for a customer or TomorrowNow to diagnose a problem with an older version of software (i.e. a fix for a problem in release 8.4 could be a fix for a problem in 8.0)

With the uncertainty of Peoplesoft products with the Oracle takeover and general cost pressures on IT organizations, TomorrowNow provides a cost effective alternative. Many Peoplesoft customers will view their next Peoplesoft upgrade as a "reimplement"/repurchase decision instead of an upgrade. Peoplesoft's new upgrade methodology further enforces the perception of a complete new system as well. As a standalone support business, the end game of freezing Peoplesoft customer and generating revenue based on a "no frills" support model is interesting. This support model will be attractive to a niche of customers. Whether the model is attractive to larger organizations with more sophisticated needs and environments is unclear.

TomorrowNow brings domain expertise and some basic processes to the Peoplesoft support arena. Nearly two years of practical experience with customers is valuable as well. Both assets provide a time to market advantage for offering support to Peoplesoft customers. Given TomorrowNow's public explanations of its support offering and lack of unique and defensible intellectual property, it can be expected that other new entrants to this market will emerge.

Many Peoplesoft partners will be displaced by Oracle's product directions and providing Peoplesoft support represents a potentially lucrative option for Peoplesoft domain experts. With Oracle's need to cut costs and make the Peoplesoft acquisition work financially, it can be expected the Peoplesoft domain experts around the world will be in much higher supply by the end of January 2005.

Leveraging a TomorrowNow type service within SAP presents new challenges. Freezing a Peoplesoft customer "forever" is not an end goal for SAP. SAP ultimately wants to sell more software and upgrade a customer to mySAP. SAP will need to develop some type of tiered pricing/support model to help support both a disruption and upsell/migration strategy. SAP needs to be considerate of any conflicts it may create in the SAP installed base when offering a "no frills"/lower cost support offering to Peoplesoft customers.

Given the cost of enterprise software maintenance, it is not difficult to see a Peoplesoft support offering as a profitable business. It can be expected that Peoplesoft customers will push for more than a "no frills" model and that Oracle will respond with legal action in some way or another.