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1 IN RE:

2 THE MATTER OF ORACLE'S PROPOSED ACQUISITION OF PEOPLESOFT

3 CIVIL INVESTIGATIVE DEMAND NO. 22722

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7 Washington, D.C.

8 Tuesday, December 16, 2003

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13 Videotaped Deposition of KEITH BLOCK, a witness

14 herein, called for examination in the above-entitled matter,

15 pursuant to notice, taken at the offices of the United States

16 Department of Justice, Antitrust Division, 600 E Street NW,

17 Suite 9500, Washington, D.C., 20530, beginning at 10:10 A.M.

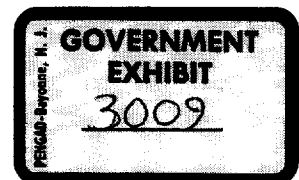
18 before Christina Anderson Smith, RPR, a Registered

19 Professional Reporter and Notary Public in and for the

20 District of Columbia.

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1 P R O C E E D I N G S

2 (10:10 A.M.)

3 (Government's Exhibit 1 was

4 marked for identification.)

5 EXAMINATION BY COUNSEL FOR THE DEPARTMENT OF JUSTICE

6 BY MR. SCOTT:

7 Q All right, sir. Could you state your name

8 for the record, please.

9 A Keith Block.

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1 Q All right. So now you understand that we'll
2 be asking you a series of questions today designed to
3 elicit information pursuant relating to the proposed
4 acquisition of PeopleSoft by Oracle.

5 A Right.

6 Q And you are required to, as you are under
7 oath, to respond to those questions as truthfully as
8 possible.

9 A Uh-huh.

10 Q You have to say yes or no for the record.

11 A Yes.

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18 Q All right, sir. Could you give us -- tell us

19 who you're currently employed by.

20 A Oracle Corporation.

21 Q All right, sir. And what's your work

22 address?

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1 A 1000 Winter Street, Waltham, Massachusetts.

2 Q And how long have you been with Oracle?

3 A Since 1986.

4 Q All right, sir. And very briefly, could you
5 describe your educational background?

6 A I have a Bachelor's and a Master's Degree from
7 Carnegie-Mellon University.

8 Q And what are those degrees in?

9 A Bachelor's Degree in Information Systems and a
10 Master's Degree in Management and Public Policy.

11 Q All right, sir. Beginning in 1986 and coming
12 forward to today, could you describe for me briefly the
13 positions you've held at Oracle.

14 A Sure. I started out with Oracle consulting as
15 a consultant, and worked my way up through the
16 management chain holding various management positions,
17 running geographic practices; got promoted to vice
18 president, moved up the vice president chain running
19 industry-specific practices, the CPG industry
20 particularly. And about a year ago I was asked to run
21 both the licensed sale software sales organizations
22 North America, as well as the North American consulting

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6 Q All right, sir. And the current position

7 that you hold, your title is what?

8 A Executive Vice President North America.

9 Q And your duties and responsibilities, could

10 you describe those briefly for us?

11 A I'm responsible for the software sales in the

12 North American commercial account base, as well as the

13 consulting, both government and commercial, in North

14 America.

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19 Q You may have said this earlier, so I

20 apologize. When did you take the -- when did you --

21 were you put in this position?

22 A Approximately a year ago.

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16 Q All right, sir. Now, then you said under
17 the -- in addition to the strategic accounts, there's
18 an applications group?

19 A Uh-huh.

20 Q You have to say yes or no for her.

21 A Yes. I'm sorry.

22 Q And the applications group, could you

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1 describe for me, first of all, who is in charge of it,

2 and then under that person how it's organized.

3 A Okay. Paul Ciandrini is responsible for the

4 applications group. And he has an eastern North

5 American applications group, a western North American

6 applications group, and he has responsibility for the

7 applications business group which I mentioned earlier.

8 Q And that applications -- how does that

9 applications business unit relate to Mr. Ciandrini's

10 sales efforts?

11 A They're deep product experts, and so they'd be

12 brought in on a sales cycle to demonstrate deep product

13 knowledge or competitive knowledge.

14 Q So, this group would have, under Mr.

15 Ciandrini, salesmen, I take it, that go out and call on

16 individual accounts?

17 A Yes, that's correct.

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2 Q All right. Well, let me ask you this.

3 Describe for me, in as much detail as you can, what the
4 software that will be sold to smaller companies, mid
5 market companies, the term is used in your documents,
6 will consist of?

7 A For applications?

8 Q Yes, sir.

9 A Any company or entity of any size is -- can
10 buy the entire E-Business Suite modules within the
11 E-Business Suite, the functional groupings -of the
12 E-Business Suite. We don't change the software. It's
13 the same software. We don't have different versions of
14 the software based on company size.

15 Q Are you putting together a version or a
16 package of the software to sell to smaller companies?

17 A It's not really a software package.

18 Q Well, what is it?

19 A What differentiates it is pre-configured set
20 ups, versions, pre-configured set ups. These are
21 service offerings that wrap around the same software,
22 so -- and just as a point of clarification, again, that

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1 offering, not software, that offering, could be sold to
2 a company or entity of 15 million that's a stand alone
3 entity, or it could be a division of GE, General Motors,
4 Boeing, pick it. But the software is the software is
5 the software. We don't modify the software.

6 Q Then what is it you're doing when you put
7 together this offering?

8 A Right.

9 Q What's the purpose of it?

10 A The offering is to give customers, certain
11 customers, a set of pre-configured software, which oh,
12 by the way, is the same software. It's just configured,
13 pre-configured, as opposed to drawing on a larger
14 project, an opportunity to implement as quickly as
15 possible.

16 Q When you say pre-configured software, what
17 does that mean?

18 A Those pre-configured set ups that I talked
19 about earlier, so there'd be a standard chart of
20 accounts in the general ledger module.

21 Q So they will be standard set ups in this
22 offering as opposed to the customer having -- when they

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1 implement the software, doing customized versions of

2 say general ledger, that type thing?

3 A That's generally right.

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5 Q Do you understand what's meant by a solution

6 in a box?

7 A Solution in a box to me would be a

8 pre-configured pre-set up solution.

9 Q Now is the ERP software that you sell to

10 larger companies, would you consider that a solution in

11 a box?

12 A The ERP software that we sell to any company

13 is not a solution in a box.

14 Q Is the package that you're putting together

15 now to sell to companies that have simpler needs, would

16 you consider this a solution in a box with your

17 pre-configured set ups?

18 A I'm sorry. Could you ask the question again.

19 Q You said you're currently putting together

20 some application software to sell to companies with

21 simpler needs, right? Under Mr. Ciandrini? He is

22 putting together some package like that, or at least is

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1 responsible for a number of people doing it, right?

2 A Uh-huh.

3 Q Yes.

4 A That's correct.

5 Q Would you consider what he's doing to be a
6 solution in a box?

7 A What Paul is heading up is a solution in a
8 box.

9 Q And by solution in a box, we mean what again?

10 A Pre-configured set ups of the software. So
11 it's the same software, it's just pre-configured and set
12 up.

13 Q Does the pre-configuring of the software, the
14 solution in a box have any implications regarding the
15 time and expense of implementing it?

16 A Yes, it does.

17 Q In what way?

18 A A typical project, broadly speaking, would
19 include several phases to it. There would be a strategy
20 phase, a requirements definition phase, a design phase,
21 a set up and configuration phase, several phases after
22 that, build, transition, production, change, management,

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1 all that good stuff.

2 You still can go through all those phases

3 with set ups in a box. But you can cut down the

4 time to do that because you can cut pieces out of

5 the strategy phase of a project or the set up and

6 configuration phase of a project or the requirements

7 phase of a project by essentially giving a

8 customer -- here's your set up, here's your system,

9 make some minor modifications and you can go.

10 Q So using a set up in a box would be faster

11 and cheaper for a customer to implement if they used

12 the pre-configured set ups?

13 A It would certainly cut down on the labor and

14 time to go live, yes.

15 Q And for, say, your -- in the package for

16 the -- that you're -- for pre-configured set ups that

17 you're working on now, you haven't worked out the

18 pricing of it, I take it, from what you said earlier.

19 A No.

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20 Q And you said earlier that you wouldn't

21 consider the ERPs, the enterprise software that you

22 sell to be a solution in a box, correct?

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1 A Stand alone? No.

2 Q What is different from -- well, first of all,
3 what do you mean by the term stand alone in your last
4 answer?

5 A Stand alone means it's just the software.
6 There is no set up or configuration, it's just the
7 software that's on the CD. That's it.

8 Q Is that generally how you sell the enterprise
9 software?

10 A Yes, it is.

11 Q As a stand alone?

12 A Yes, it is.

13 Q What is different between the stand alone ERP
14 software and the solution in a box?

15 A The solution in a box would include the
16 pre-configured set ups. Again, for an example, if you
17 have the general ledger, it would have a chart of -- a
18 pre-configured chart of accounts.

19 Q And the stand alone software, ERP software
20 would not have a pre-configured set up of accounts?

21 A That's correct.

22 Q Why?

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1 A We don't sell it that way.

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12 Q And the reason that you're standardizing --
13 doing standardized configurations in the out of the box
14 solution in a box package is because you perceive that
15 there are some customers who would want the software
16 sold in such a manner; is that accurate?

17 A Yes.

18 Q And what's the basis of that?

19 Why do you think that?

20 A There are examples of other companies in the
21 market who have been able to do this, so we have been
22 able to see that there's receptivity to it. Like

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1 Salesforce.com. We've also -- customers are always
2 interested in implementing faster, cheaper, less
3 expensive ways. So if you can give them something
4 that's pre-configured and set up, they're always going
5 to be interested in that.

6 Q Now, you sell the stand alone ERP software,
7 as I understand it, without pre-configured set ups like
8 you have in your solution in a box, correct?

9 A We sell it stand alone without the solution in
10 a box.

11 Q And without -- and by that statement, that
12 means that your stand alone ERP software does not have
13 pre-configured -- pre-configured aspects to it that the
14 solution in a box does have?

15 A That's correct.

16 Q And so would it be a fair statement that the
17 reason you sell the ERP software, stand alone software
18 without the number of pre-configured aspects to it that
19 are in the solutions in a box is because you understand
20 customers, some customers want the ERP stand alone
21 software without all those pre-done configurations?

22 A That's correct.

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1 Q And what's the basis for that?

2 Why do you think that?

3 A They may want their-- they may want their
4 unique needs. They may feel their business is special.
5 They may have something proprietary, competitive
6 advantage. Could be a number of things. And they may
7 use it -- if we ever gave them or included it, they may
8 use it as a jump start to a project.

9 Q They may use what as a jump start to a
10 project?

11 A Pre-configured set ups.

12 Q Typically, the folks that you sell the stand
13 alone ERP software to today, though, don't buy the
14 pre-configured set ups that you have in the solution in
15 a box product?

16 A It's not bundled together.

17 Q And do you have -- can you identify any
18 instances where you were selling the stand alone ERP
19 software where people, in order to jump start the
20 project, as you put it, also ask for the solution in a
21 box product?

22 A Well, they're not aware of the solution in the

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1 box product.

2 Q Why is that?

3 A Well, it's not really generally available to

4 the market yet.

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14 **Let me ask this. Are you familiar with**

15 **the process by which sales of stand alone ERP**

16 **enterprise software are made by Oracle?**

17 **A Yes.**

18 **Q And how much do you get involved in the sales**

19 **process?**

20 **A I'm typically active in a discrete number of**

21 **opportunities playing an executive sponsorship role and**

22 **doing executive selling.**

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1 Q What is meant by executive sponsorship role
2 in executive selling?

3 A A lot of customers want to sit across from an
4 executive and understand what the high level value
5 proposition is, what Oracle brings to the table, or on
6 risk mitigation, about demonstrating return on
7 investment for the client in a corporate commitment.

8 Q Are you also in a position where you are kept
9 apprised as of transactions as they're ongoing as to
10 what's in the pipe line, what's likely to come in,
11 what's likely not to come in, that type of thing?

12 A I track a discrete number of sales pursuits.
13 And I also get overall pipe line information and
14 forecast information.

15 Q Now, as the process goes forward in selling
16 an account, do you also become involved in discussions
17 regarding price?

18 A Typically not. And if I do, it's usually at
19 the end of a sale cycle.

20 Q How is the pricing for your products, your
21 application software licensing done?

22 A It can be done on a suite basis. There's a

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1 standard set of prices for the suite. It can be done on

2 an employee basis, number of employees.

3 Q So I take it there is a list price for the

4 products that you sell?

5 A Yes, there is.

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20 Q Now, is the pricing for the -- is it typical
21 for, in the pricing of the applications that you folks
22 sell, for there to be some discounting off of the list

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1 price, however that list price is computed?

2 A Yes.

3 Q And what are the -- are there set or standard

4 discounts that can be given by different levels of

5 personnel at Oracle?

6 A Yes.

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12 Q At what levels are there approvals for

13 discounts?

14 A I believe there's a discount approval level

15 before me, below me. There may be more to be candid

16 with you. And there is one above me.

17 Q All right. And what's your level of discount

18 that you're authorized to go to?

19 A I believe it's 70 percent.

20 Q And that would be 70 percent off the list

21 price?

22 A Right.

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1 Q And the -- who above you has the authority?

2 A Safra Catz.

3 Q And what is her level of authority?

4 A Unlimited.

5 Q And the one below you, who is that?

6 A That would be my direct reports.

7 Q Including Mr. Ciandrini?

8 A Yes.

9 Q And what is his level of discount authority?

10 A I don't know. I believe it's 55 percent, but

11 I don't know.

12 Q All right, sir. And then -- and the process,

13 I take it, in order for someone to get -- take a

14 discount up to your level of authority, they have to

15 come to you and seek your dispensation on doing that?

16 A Yes, or my proxy, yes.

17 Q Under what circumstances or what types of

18 things would lead you to authorize a discount up to

19 your level of 70 percent?

20 A It could be a variety of factors. It could be

21 the customer's budget. In today's world the customer is

22 driving 99.9 percent of the pricing decisions anyway.

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1 It could be recognition of a significant investment over
2 time by an existing customer, so we want to reward them
3 for their investment in our products. It could be a
4 competitive situation. It could be budgetary
5 constraints. But again, primarily -the customer
6 dictates the price right now.

7 Q A request for approval to a discount at your
8 level, do they generally come to you in writing?

9 A They always do. They actually go to an
10 account called KB license approvals.

11 Q This is an electronic account, something on
12 the computer?

13 A Yes.

14 Q KB license approval?

15 A Yeah. KB underscore license approvals.

16 Q Is that just for ones where your approval is
17 sought, or is that all license approvals and discounts?

18 A Anything that needs to go to my level.

19 Q And who maintains that electronic account?

20 A Rich Blotner.

21 Q And what's Mr. Blotner's title and role in
22 the company?

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1 A He's part of the operations group.

2 Q All right. You said that sometime you will
3 try to reward in giving larger discounts a customer's
4 investment over time. What did you mean by that?

5 A We have some customers who have invested a lot
6 of money in our technology. They may have bought tens
7 of millions of dollars worth of software, and they may
8 have bought it at a lower discount, and we may reward
9 them for their loyalty.

10 Q And you said that sometimes you will discount
11 because of a competitive situation. What did you mean
12 by that?

13 A It's a buyer's market right now. And since
14 the turn of the century, candidly, it has been. So it's
15 very very competitive. Customers have limited IT spend,
16 and so it's -- we're all competing. Everybody is
17 competing very aggressively, all software vendors.

18 Q All right, sir. Now, in addition to selling
19 application software, do you typically sell some type
20 of maintenance or support contract?

21 A Yes, we do.

22 Q And how is that priced?

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1 A It's 22 percent of the discounted price of the
2 software.

3 Q All right. And why that number as opposed to
4 23, 24 or something else?

5 A You know, I couldn't begin to answer that
6 question.

7 Q Who set the number?

8 A The Oracle pricing committee.

9 Q And what is that committee made up of? Who
10 is that committee made up of?

11 A I don't know all eight members of the
12 committee. It's development, some key stakeholders,
13 Safra, some other folks, some people in business
14 practices who work for Safra.

15 Q The maintenance support contracts, what type
16 of services are provided to the customer under those,
17 generally speaking?

18 A There's standard support, which allows
19 customers to -- I would lump it up into two categories.
20 One is that that they receive update rights, so you
21 mentioned earlier something about, you know, 1158 as a
22 version of the product. Well, the customers are

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1 entitled under their support agreement to get 1159 and
2 other point releases as well as new versions of the
3 product.

4 They also get supported from -- if there's
5 an issue with the software, or a customer needs
6 help, they can log products, product issues or
7 technical requests to resolve the issues. They can
8 speak to a support customer representative to help
9 solve those issues.

10 Q Do the -- do most of your customers, if not
11 all of your customers, buy a maintenance and support
12 contract when they buy your application software?

13 A Yes.

14 Q Which is it, most or all?

15 A All.

16 Q You've used the term partners in reference to
17 them. Do you have some type of formal relationship
18 with the Accentures, Bearing Points of the world that
19 lead them to promote your software?

20 A One of the things that they actually pride
21 themselves on is being vendor neutral. So if you go
22 talk to Accenture or DeLoitte or Bearing Point they'll

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1 tell you, hey, you know we only act in the best interest
2 of the customer, and we're not going to promote
3 somebody's software over somebody else. Now, that's
4 what they'll say, and that's their stated objective.
5 That's why customers go to them to do evaluations.

6 Q What type of relationship do you have with
7 them that would lead you to call them partners?

8 A Partner is one of the most over used words in
9 the business world, as you probably know. But, we
10 would -- we have a very good relationship with them.
11 Sometimes we have a contractual agreement so that when
12 we work together these are the terms and conditions of
13 the agreement. A master services agreement. Mostly
14 with our consulting organization, so that if Accenture
15 does a project and they use Oracle consultants there's a
16 discount on the consulting services. It's the standard
17 discount that would apply for every deal that Accenture
18 did.

19 Q How do you interreact with say a Bearing
20 Point or an Accenture or -- who were the other -- you
21 said big five. Who is included in the rest of them?

22 A So Bearing Point, Accenture, DeLoitte, CGNY,

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1 Cap, Gemini, Ernst, Young and the big five is I guess
2 now the big four because PWC was acquired by IBM. But
3 we still -- we still partner with them.

4 Q All right. Now, and when you say you partner
5 with them, what is it then exactly that your sales
6 folks do in relation to these companies, these systems
7 integrators?

8 A Okay. So, for example, Accenture may be asked
9 to do an evaluation by a customer. And they typically
10 will have multiple teams, they may have multiple teams
11 doing evaluations demos, conference room pilots, and
12 we'll work with them to help them demo the software, put
13 together a solution for the customers. So that's one.

14 Another opportunity is sometimes a
15 customer will issue an RFP, request for proposal, to
16 a variety of partners and software providers. And
17 we may have an agreement with them that says okay on
18 this particular deal we're going to work with you
19 guys. Or we may work with many. And they may work
20 exclusively with us. They may work with many
21 software providers. That's how it works.

22 Q When you said in relation to the earlier --

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1 you know, where they might be working, not the RFP
2 process, but the circumstances where they may be
3 working with multiple teams, demoing and testing the
4 software --

5 A Yep.

6 Q Multiple teams meaning what in that context?

7 A At some point in the evaluation process -- and
8 you know, evaluation process goes through many rounds.
9 I mean, it's an exhaustive process. It takes a long
10 time. Especially, you know, if you're rolling out a
11 large portion of any application provider suite. Right.

12 And typically what'll happen is at some
13 point the customer will say okay, well, I think
14 it's, you know, these guys that I want to go with,
15 and so Accenture would say okay, well we're going to
16 have a team to work with this vendor, a team to work
17 with this vendor, a team to work with this vendor,
18 and eventually you get to that stage and then
19 Accenture will provide implementation bids for two
20 or three or four.

21 Q Okay. So what will happen is Accenture,
22 Bearing Point, whomever might set up different teams to

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1 work with different vendors --

2 A Uh-huh.

3 Q -- so that they can run and test the software
4 of each of them against the client's requirements and
5 see who the best fit is.

6 A That's generally right.

7 Q Are there circumstances where you folks are
8 working with say an Accenture or a Bearing Point or a
9 CGNY where you know that there are also showing and
10 demoing other people's software?

11 A Yes.

12 Q Is that typical?

13 A It's not uncommon.

14 Q And then these companies will typically --
15 will bid to do the implementation work.

16 A Yes. Although, on occasion, if they do the
17 evaluation, they're not asked to do the implementation
18 work.

19 Q Okay. Do the Big 5 generally have people in
20 there capable of doing the implementation work for most
21 of the major software vendors?

22 A Yes.

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1 Q And that would be including you?

2 A Yes.

3 Q Can you think of any of the Big 5 who don't
4 have the capability of doing implementation work for
5 you, Oracle's software?

6 A No.

12 Q Okay. And in the circumstances where the Big
13 5 are involved, typically won't there be some document
14 which lays out from a technical standpoint performance
15 standpoint what the customer's looking for?

16 A Yeah, typically there'll be a high level
17 requirements definition.

18 Q Is that -- do -- are RFPs more detailed than
19 these high level performance definitions that come
20 through the Big 5?

21 A It depends on the customer.

22 Q All right, sir. And in dealing with these

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1 circumstances, what type of information does the -- is
2 the client giving you making available to you regarding
3 what they want?

4 A It could be a number of things. It may be --
5 typically it's the scope of work that they're looking
6 for, the scope, the functionality, the scope of work,
7 where the software would be deployed. It could be -- it
8 could run the whole gamut.

9 Q Well, is there -- are these things fairly
10 uniform in the scope of work that you get from clients?

11 A No.

12 Q And why is that?

13 A Broadly speaking, there are probably
14 categories of things that they will ask about. But
15 every customer is different.

16 Q Broadly speaking -- when say they're broadly
17 speaking, there are categories of things that customers
18 will ask about, in doing that scope of work type of
19 document, what types of things typically will be in
20 such a document?

21 A Oh, it might be things like functionality. It
22 may be platform that you run on. It may be we want to

00168

1 see your references. It may be -- I mean, things like
2 that.

3 Q All right. So typically, then, in the scope
4 of work document you will get, one, from a client when
5 you're going in to sell enterprise software something
6 that describes the functionality they're looking for
7 and the software that they want to acquire, right?

8 A Yes, at a high level.

9 Q And by high level, what do you mean?

10 A It's not detailed requirements. I mean
11 typically what happens is that the customer has a
12 statement, a broad statement of requirements where they
13 think is -- they may think it's actually very detailed,
14 but it's typically a broad statement of requirements.

15 And then, you would go through, as part of
16 the sales cycle, a product fit analysis, right, to
17 identify what degree of fit does the product apply.

18 And to do that, you typically have to do demos. You
19 may have to do conference room pilots. You may have
20 to have multiple workshop sections till you get a
21 greater detail of their requirements.

22 Q All right. Now, when you say that, you'll do

00169

1 a product fit analysis, what is that? What does that
2 mean in more detail?

3 A It would be -- a customer may have a certain
4 business requirement. You want to make sure that the
5 software is -- if the software is able to meet that
6 business requirement, either through set up and
7 configuration or customization of the software.

8 Q And how do you -- and I take it you get
9 information from the client regarding what their
10 business requirements are for the software, what it is
11 they want it to do.

12 A Yes. In that stage typically it's at a very
13 high level.

14 Q All right. But then you follow up with that
15 to get more detail from the client as to what it is
16 they're looking for.

17 A We try to get as much detail as we can.

18 Q And how do you go about that process?

19 A Again, you do workshops. You may do
20 conference room pilots. You may do demonstrations. You
21 may do walk throughs of business processes.

22 Q When you say workshops in the context of

00170

1 working with the client to determine what it is that
2 they need functionally from software, what do you mean?

3 A We may ask them for a sample set of business
4 scenarios that they want to run the software on, and
5 then we would set up and configure the software. And
6 the workshop may help define what those business
7 scenarios are, or it may take the business scenarios, if
8 they're reasonably well defined and we may load them and
9 configure our software and do a demonstration and, you
10 know, candidly say is this what you meant by this. It's
11 a kind of give and take exercise. It's a hands on
12 workshop.

13 Q Is it typical in selling application
14 enterprise software to do this type of demonstration
15 and workshops?

16 A Yes.

17 Q Is it typical to do this type of
18 demonstration when you're selling an out of the box
19 solution to smaller companies?

20 A Well, a demonstration is. Most customers want
21 to see a demonstration of the software.

22 Q Is there some difference in the level of

00171

1 demonstration that you do for the out of the box

2 product versus your enterprise software?

3 A Well, the out of the box product doesn't exist

4 yet, right.

5 Q Right.

6 A So, when we demo, a demo is a demo is a demo.

7 But what we try to do is we'll try and tailor the

8 business requirements to the demo. So for example, if

9 we're demoing to a bank we're going to do a financial

10 services demo. If we're demoing to, you know, a retail

11 goods, you know somebody in the retail market, we're not

12 going to do a financial services demo. We'll do some

13 sort of an industry flavor to it.

14 Q All right. Now. When the -- you typically

15 in selling your application software, how many of these

16 workshops will you have in dealing with the client to

17 see if -- determine what it is they really want and

18 whether your software fits it in the way of

19 functionality?

20 A I'd say it's around two or three iterations

21 maybe.

22 Q Okay. And when you say, in these workshops,

00172

1 how many people from your side would be involved in
2 putting on one of these things?

3 A It really depends.

4 Q Well, for example, if you're selling an
5 application, enterprise software to a company, do you
6 have teams of people that are working on those, or is
7 it just one sales rep with whoever they call in?

8 A No, it's always a team.

9 Q Okay. And the team would consist typically
10 of what?

11 A It could be any permutation or combination of
12 the sales rep, sales consultants, partners, our own
13 consultants, and the customer's people.

14 Q And your consultants would include what?

15 A We have under my responsibilities I run a
16 consulting organization for commercial and government
17 consulting in North America. And these are people who
18 understand our products. Many of them actually are EX
19 Big 5 consultants, so they understand the consulting
20 industry and implementation, and they have industry
21 expertise.

22 Q The product -- you say you also do something,

00173

1 you sell conference room pilots?

2 A Yep.

3 Q And what is a conference room pilot?

4 A It's basically a workshop, or it's an extended
5 workshop. It's a little more detailed than a workshop.

6 Q Again, working with the client to see if your
7 software can match up with the needs that they think
8 they have, or they're looking for functionally. I -

9 A That's generally right.

10 Q And so there would be multiple workshop
11 sessions with a client to be sure that what you're
12 selling matches up to what they want from a functional
13 standpoint?

14 A Right. And sometimes the customer dictates.
15 They want more, they want more sessions because they
16 want that comfort level.

17 Q Right. Now typically, in one of these
18 processing, how long does it -- are you working with
19 the client in selecting an enterprise software
20 application?

21 A That varies.

22 Q Well, it's been suggested by one -- I think

00174

1 it was Mr. Ciandrini that the process could go from six
2 to 18 months.

3 A That is not atypical.

4 Q And during that 16 to 8 -- 6 to 18 month
5 period, roughly how many people would you typically
6 have dedicated to the sales process with the client?

7 A Again, that really depends. But, I mean
8 obviously always the sales rep would be dedicated to the
9 customer. But it may be a virtual team of resources
10 from, again, our sales consultant organization, our
11 consultants, partners.

12 Q All right, sir. And then you said that
13 the -- at the end of the day -- well, strike that.

14 How do you get to the point where you can
15 determine how closely your product does fit the
16 client's needs?

17 A Well, again we go through these exercises.
18 The customers always want to do due diligence as much as
19 they possibly can because it's all about risk
20 mitigation. That's certainly a big factor. So they
21 want to have a high comfort level that the degree of fit
22 is there. So they'll typically drive how much of the

00175

1 drill down happens. But, you know, we generally get a
2 feeling for what the requirement is because we've worked
3 with them. They've been open and up front with us about
4 what their business requirements are. And you typically
5 go through that sort of a process.

6 Q And I take it the clients, generally the
7 customers that you're working with are generally pretty
8 forthcoming about from a functional standpoint what it
9 is they've got to have.

10 A Yeah, it's in their best interest.

11 Q Is it typical in one of these situations
12 where they will be going through this process with
13 someone other than you while they're doing it with you?

14 A When you say someone other than --

15 Q Another vendor.

16 A It's not atypical.

17 Q Do they -- as part of the process of doing
18 this, do your salesmen attempt to learn whether or not
19 there is another vendor at play in the client?

20 A We strongly encourage them to get as much
21 information as possible, yes.

22 Q Including that, whether there's another

00176

1 vendor at play?

2 A Sure.

3 Q And why do you want as much information as
4 possible about the process, including whether there are
5 other vendors at play?

6 A It helps us qualify the opportunity. It also
7 helps us identify the degree of risk in the opportunity,
8 what level of investment we need to make, how we need to
9 adjust our sales cycle if it's applicable.

10 Q Okay. When you say to qualify the
11 opportunity, what do you mean by that term?

12 A How serious the customer is about buying or if
13 they're just kicking the tires.

14 Q And how do you go about qualifying a customer
15 to determine if they're kicking the tires or ready to
16 drive it away?

17 A There's a number of ways to do it. You ask
18 them how they're going to make their decision, who the
19 decision makers are. Do they have budget, is there a
20 return on investment that's already been done.
21 There's typical things that you look for. And if the
22 customer has done all those things, you know that

00177

1 they're a qualified buyer.

2 Q And are there buyers that, because you don't
3 believe that they are serious about it, that you will
4 say no, we're not going to go through the process with
5 you?

6 Well, let me put it another way. Buyers
7 that you don't qualify and therefore pursue the
8 opportunity with?

9 A We typically don't want -- excuse me. We
10 typically don't like to walk away from an opportunity.
11 But in the qualification process if we find red flags,
12 like hey, this deal's not really qualified, we'll do a
13 time out and try get to a key decision maker, alleged
14 key decision maker and really find out are you guys
15 serious about this or not.

16 Q And that is because you don't want to spend a
17 lot of resources with no potential return coming back
18 to you.

19 A Well, we don't want to waste their time and we
20 don't want to waste our time.

21 Q Sure. You indicated or you said something
22 about an ROI, a return on investment analysis. That

00178

1 you ask the client if they have done one of those.

2 What is that?

3 A It's typically a study or an analysis that's

4 done to determine what the benefits are of implementing

5 the software, what the payback period is, and measure

6 that against the costs and the risks.

7 Q And is that something typically that the

8 client will share with you?

9 A Some customers do and some don't.

10 Q All right. And is there any advantage to the

11 customer in sharing that information with you?

12 A I think it really depends on the relationship

13 you have with the customer.

14 Q Meaning what?

15 A Meaning that if you have a straight -- if you

16 have a strong partnership with a customer, and you've

17 worked well with them in the past, and you've

18 demonstrated a sincere interest in making that customer

19 successful, and they really feel that way, a true

20 partnership, people open the books. They'll tell you,

21 and then you try to design a solution that fits their

22 books.

00179

1 Q Do you, yourself, do a return on investment
2 analysis as part of your qualifying customers?

3 A We do offer that service for those customers
4 who either won't share or haven't done it.

5 Q All right. You offer that service to the
6 customer, or you do it for your own purposes of
7 qualifying the customer?

8 A No. We formally do it for the customer.

9 Q Okay. If the customer does not want you to
10 does it does, not ask you to do it, do you typically do
11 it?

12 A Sometimes we will.

13 Q And in what circumstances will you, as
14 opposed to circumstances where you might not?

15 A It may be a question of confidence of whether
16 or not we're going to win the deal, whether or not we
17 feel that they have really done a good job justifying
18 it, whether or not we feel they're really on board with
19 doing this. We want to give them a compelling reason to
20 buy our software.

21 Q Now, you also indicated that you do something
22 to analyze the risk involved in an account, to see if

00180

1 you can actually win business from the account,

2 correct?

3 A That's correct.

4 Q Is that different from the qualification of

5 the customer's opportunity?

6 A It's an aspect of it.

7 Q And what does that mean?

8 A What does what mean?

9 Q What you just said. It's an aspect of what.

10 What is an aspect of what?

11 A It's a step in the qualification process.

12 Q So the risk analysis would be part of the

13 qualification analysis.

14 A Typically.

15 Q What is it you're trying to judge when you do

16 the risk analysis?

17 A Degree of success of an implementation,

18 whether or not we're really going to win and whether

19 it's worth expending enormous resource.

20 Q Do you, in the context of doing a risk

21 analysis, try to determine who may be competing against

22 you for that particular opportunity?

00181

1 A That's possible.

2 Q And why would you care about that?

3 A Because if you understand who your competition
4 is you understand how to win.

5 Q How so?

6 A There may be characteristics about a
7 particular software provider or the way they sell, the
8 way they go to market, their messaging, the way they
9 position themselves.

10 Q Okay. So there may be -- different software
11 vendors may have different product and business
12 characteristics that differentiate themselves from
13 others. I understand that. How does that factor into
14 your risk of being able to win the account?

15 A I would factor -- I would consider that more
16 of a qualification. Let me give you an example. This
17 would be an extreme example, but it's an existing SAP
18 account on top of the sequel server data base. So in
19 that particular scenario, we would look at it and say,
20 well they're already a Microsoft data base customer.
21 Why do we think we they're going to magically become an
22 Oracle customer. And we may say well, why are you

00182

1 magically SAP you may -- you're already an SAP customer.

2 Why would you magically became an Oracle customer.

3 Those are the kind of things that we can look at.

4 Q Do the performance and functional

5 characteristics of individual vendors factor into your

6 qualification process?

7 For example, if you know Vendor X or Y is

8 in, you know you match up well against their product

9 for some reason. So that would make it a more

10 attractive proposition for you?

11 A Yeah. We would typically try to look at that

12 from an industry perspective.

13 Q Meaning what?

14 A Meaning that every software product has

15 strengths and weaknesses in a particular industry.

16 Q Could you explain what you mean, in a

17 particular industry, meaning what?

18 A Well, every industry has unique requirements.

19 Q Okay.

20 A And some software providers are uniquely

21 positioned because they focus particularly on that

22 industry.

00183

1 Q And so there are characteristics that they
2 have built into their product which may make them more
3 attractive to that industry than other vendors
4 products.

5 A That's generally right.

6 Q Are there industries within Oracle where you
7 think is particularly attracted to?

8 A I think we're pretty strong in most
9 industries.

10 Q Well, could you give me an example of
11 somebody who is particularly strong in a given industry
12 that would -- you would want to factor into your
13 decision whether to qualify an account?

14 A Yeah. The retail industry. There's an
15 enterprise application vendor called ReTech, and their
16 software is pretty much unique to the retail industry.
17 It understands things like size, color, style and all
18 that good stuff. And they're very good. Very strong
19 player.

00190

19 Q Then you indicated in dealing with the
20 customer on the sales cycle there would be something,
21 you said information that might be requested regarding
22 references. Do you recall that?

00191

1 A Yes, I do.

2 Q And what did you mean in that context by the
3 term references?

4 A A reference would be a customer who's had a
5 positive experience with our software.

6 Q Is it typical for customers for application
7 ERP stand alone software to request information
8 regarding references of people who have successfully
9 run your software?

10 A It's not atypical.

11 Q It happens, the vast majority of the time
12 doesn't it?

13 A It's fairly common. It's not atypical.

14 Q And do you have any understanding of why
15 customers want that information?

16 A Again, going back to my earlier statements
17 about risk mitigation, if a customer wants to have a
18 good comfort level that the software that they're
19 considering has a good reputation and other customers
20 have had good experiences with it.

21 Q Have you ever, you being Oracle, been
22 eliminated from a competition for a particular account

00192

1 because you didn't have a reference of a particular
2 application that you were selling having been run
3 before?

4 A I'm sorry. Repeat the question again, please.

5 Q Sure. Is it -- have you been -- has
6 Oracle -- have you at Oracle -- do you know of any
7 circumstances where Oracle has been eliminated because
8 you had a new application that you were trying to sell
9 but you didn't have a reference for it, so the customer
10 took you out of consideration?

11 A I could not give you a specific example.

12 Q Do you believe that there have been
13 circumstances like that?

14 A I think it's possible.

15 Q Now, in -- doing the demonstrations that you
16 talked about in the context of -- in dealing with
17 customers, is a fair amount of time spent with them
18 before the demonstration is done?

19 I'm trying to understand what it is they
20 want to achieve by acquiring the software.

21 A The demonstration is -- they're trying -- we
22 try to get as much time as we possible can to understand

00193

1 the business scenario that they want to see in the
2 demonstration.

3 Q So there will typically be multiple meetings
4 with the customer to discuss what it is they're looking
5 for in the way of business solution so that you can
6 understand what it is you should show them or when you
7 do do a demonstration.

8 A That happens, yes.

9 Q And typically, when these meetings occur, who
10 are you dealing with at the customer side of this?

11 A Meaning?

12 Q I mean, meaning is it the people that are
13 just in the -- their IT people, is it people in the
14 business side of the particular operation?

15 Who is it that you're interfacing with to
16 understand what it is they want?

17 A It really depends on the customer.

18 Q It can be any or all of them, IT business
19 personnel, fairly high up executive, just depends on
20 the circumstances.

21 A That's correct, yes.

22 Q Now, when you -- if you're doing a

00194

1 demonstration, what does that entail?

2 A You mean the actual demonstration?

3 Q Yes, sir.

4 A It's a re -- typically it's a reaffirmation of

5 the business scenarios, a demonstration that the

6 software can execute on the business scenario.

7 Q Well, for example, do you demonstrate it on

8 the hardware that currently is owned by the client?

9 A Not necessarily.

10 Q Do you bring in hardware?

11 A We'll usually do demos on our laptops.

12 Q Okay. So you'll do a demo on your laptop.

13 You'll have loaded your software onto the laptop. Do

14 you have to configure it to match the client's business

15 needs?

16 A To do the -- to demonstrate that we can

17 execute on the high level business scenarios we will do

18 set up and configurations, yes, of our software.

19 Q And what do you mean by set up and

20 configurations of your software?

21 A All our enterprise application software is run

22 by a set of rules, definitions. For example, let's say

00195

1 they were going to demonstrate the order management
2 process for a customer. So when you're typing in an
3 order and you're in the high tech industry, for example,
4 you're typing in an order and you want to type in all
5 the different -- you want to be able to pick from a set
6 of products, so there would be a pop up window that
7 would show, you know, here's 25 different products and
8 35,000 configurations of those products that you can
9 choose from.

10 So we would put together a list. We would
11 set up in our applications a list of those products
12 and configurations that you can choose from. That's
13 what I'm talking about.

14 Q Now, when you go into the sales process with
15 a client, do you prepare a budget of what -- the
16 resources or money that you're prepared to spend in
17 order to obtain that business?

18 A Do we prepare a budget?

19 Q Yes, sir.

20 A For the customer.

21 Q For you. How much we're spending here --
22 we're going in, we're going to be -- we're going to

00196

1 have multiple meetings, we're going to be dedicating
2 sometime I guess dozens of people to the process, at
3 least on a part-time basis?

4 A A budget is not prepared.

5 Q Okay. But it is true that in the process of
6 meeting with the client, understanding what their needs
7 are, that you will have multiple meetings, correct?

8 A That is typical.

9 Q And what typically -- you'll have, certainly,
10 a number of people, maybe over a dozen, who are
11 involved in the sales process with the client, at least
12 on a part-time basis.

13 A I don't know if it's a dozen or three. I mean
14 it really depends.

15 Q Depends on the client?

16 A It real does.

17 Q But that would include the sales person?

18 A Right.

19 Q It would include your demo people.

20 A Right.

21 Q A sales process would include the folks who
22 have to configure the software for you to do the demo.

00197

1 A That might be the sales consultant.

2 Q Then you also have, in some cases have

3 industry specific consultants within your company that

4 would come in and help you talk to the client about

5 what their business needs so that you can configure

6 your software to meet them, correct?

7 A That's possible.

8 Q And is there any other category -- and an

9 executive such as yourself, I think you indicated,

10 would sit down across the table from the client in a

11 lot of circumstances to talk to them about what you can

12 do for them and the value enhancement of buying Oracle

13 versus PeopleSoft, SAP or some other vendor, right?

14 A That typically would not be somebody like

15 myself. We wouldn't do that in a demo.

16 Q No, I'm not talking about in a demo, but at

17 some point along the process you would have, you may be

18 involved with a lot of customers, you or some other

19 executive talking to the customer trying to close the

20 sale.

21 A That's correct.

22 Q And is there any other category of individual

00198

1 or employee of Oracle who would be involved in the
2 sales process that we have not touched upon so far?

3 A It really depends on the nature of the sale.

4 Q Well, can you give me some examples of other
5 type of personnel who may be involved other than the
6 ones we just discussed?

7 A I might bring -- if outsourcing was part of
8 the deal I might bring in somebody from the outsourcing
9 organization.

10 Q Okay. Any other type of people that you
11 could think of?

12 A Other than executives?

13 Q Yes.

14 A I may bring in people from the consulting
15 organization or the education organization. I mean it
16 really depends on the configuration of the deal.

17 Q All right. But you may want to bring in the
18 education people to explain what you can make available
19 to the client and the customer in the way of training.

20 A That's correct.

21 Q And find out what they think they need in the
22 way of training.

00199

1 A That's correct.

2 Q And the consulting group, what would they be
3 in talking to clients about?

4 A They may be talking about our capabilities to
5 do implementations, and they may talk about scenarios
6 where we've done similar implementations before so we
7 can talk about what we call war stories or experiences.

8 Q Now, in circumstances where the -- an outside
9 systems integrator is involved in the selection
10 process, is typically your interfacing with the client
11 the same as you've described in an RFP setting?

12 A Who's you?

13 Q You being Oracle.

14 A It depends.

15 Q Okay. Well, then let's walk through it. In
16 circumstances where you have been involved with a
17 systems integrator, where you're trying to make a sale,
18 are you going to have information made available to you
19 regarding the functional requirements of the client?

20 A That's possible.

21 Q Isn't it typical?

22 A It depends on if we've been in that

00200

1 customer -- for example, we may have been working with
2 that customer for a long time and done some work with
3 them before, and we may have a lot of knowledge about
4 the customer and their business and their environment.

5 Q Well, in those circumstances would you
6 typically be working with a systems integrator for a
7 selection process?

8 A It's possible.

9 Q Okay. Well, then in -- either you would
10 already have information regarding the client, or you'd
11 need it in order to determine whether -- how close your
12 software could get to their functional requirements,
13 right?

14 A Yeah, that's true.

15 Q And is it typical in circumstances where the
16 selection process is being run through a systems
17 integrator such as the Big 5 that you will have
18 multiple meetings with the client to discuss what it is
19 they want?

20 A That's probable.

21 Q And is it typical in the selection process
22 through -- involved where there is a systems integrator

00201

1 involved, where you will do various types of and
2 various numbers of demonstrations to show the client
3 whether your software can in fact perform the business
4 requirements that they're asking you to?

5 A Yes.

6 Q And would you also have involved people from
7 these various support groups that you talked about,
8 your industry consultants, people who have integrated
9 your software so they can do the demonstrations, that
10 type of thing where the Big 5 are involved in the
11 process.

12 A It depends.

13 Q But it does happen?

14 A Yes.

15 Q Is the process of selection any shorter when
16 there is -- the systems integrators are involved versus
17 when you're doing it just in response to an RFP?

18 A I wouldn't say one way or the other.

19 Q Just there's no real demarcation between
20 length of time and the complexity of the selection
21 process between just a straight RFP versus having the
22 Big 5 involved?

00202

1 A Some customers are incredibly diligent in
2 their own RFP process, moreso than the Big 5. It really
3 depends on the customer.

4 Q Now, earlier I -- and correct me if I'm wrong
5 about this, but I thought you had something to the
6 effect that each customer -- and I took it you were
7 talking about customers who are looking to purchase or
8 may be in the market for application stand alone
9 application software, the ERP software that you sell,
10 are unique. Do you recall saying something to that
11 effect?

12 A I'm not sure I understand the context of the
13 statement.

14 Q Well, I'm not sure either, that's why I was
15 trying to go back and get us to a point where I could
16 ask you what the context of the statement was.

17 In the context of selling product, selling
18 enterprise application software, do you believe each
19 customer is unique, or there are certain basic needs
20 and requirements that cut across a larger range of
21 customers?

22 A I personally believe that there's degrees of

00203

1 freedom here, but there's commonality within certain
2 industries where the requirements are not that unique.
3 But some customers like to think that they have
4 something that's proprietary and confidential and
5 differentiates them from the competition.

6 Q All right. When you say that there's some
7 commonality across industry verticals, what do you mean
8 by that?

9 A Meaning that the business requirements for
10 financial services institutions are largely the same at
11 a certain level. Just as an example.

12 Q And when you say at a certain level, what do
13 you mean?

14 A Well, again, every customer probably believes
15 that they do something unique and different and that's
16 what their competitive advantage is all about. And I'm
17 sure as you drill down on a customer's requirements they
18 will say oh, well that's unique to my industry. Or
19 excuse me. That's not unique to my industry. That's
20 unique to the way I do business. That's what separates
21 me from the pack.

22 Q So then, for example, if you're going in and

00204

1 attempting to sell enterprise software to a financial
2 services company, you don't believe -- that's pretty
3 much you're selling the same product without too much
4 modification across the board to these people?

5 A Well, we always sell the same product.

6 Q But the clients needs may be different. Or
7 not?

8 A It's possible that at the lowest, most
9 granular level of requirements that it's different.

10 Q So would you agree or not disagree with the
11 statement that every buyer is unique when it comes to
12 buying enterprise software?

13 A I would say that's true.

14 Q In what sense?

15 A The way they procure the software, the way
16 they evaluate software, their business rules may be
17 different.

18 Q So if your -- when you say their business
19 rules may be different, what do you mean by that?

20 A Well, I'll give you an example. I know of a
21 customer who prides itself on -- they're a manufacturing
22 customer, and they pride themselves on how they do field

00205

1 services, what differentiates them from their
2 competition. So in that sense, they're very unique.
3 They feel as though they're unique. And the business
4 rules that support how they do their field services are
5 unique.

6 Q So from the standpoint of your -- you, as a
7 vendor, does that make them unique from the standpoint
8 of what you're providing them as an application
9 enterprise software?

10 A Not the software itself.

11 Q Well, is there something else that you're
12 providing them from the standpoint that you believe
13 that makes each instance unique, each instance of
14 selling the product unique?

15 A The way that the product would be used may be
16 unique.

17 Q So from that standpoint -- is what you're
18 saying is that the customer's view of your product and
19 whether it meets its needs may vary depending on what
20 it views is the unique business processes they need to
21 support it?

22 A I'd say that's fairly true.

00206

1 Q How is that the case?

2 I mean, how does this, you know, the
3 unique business needs, business processes needs of
4 the customer play into the overall selection
5 process?

6 A Well, if the customer's going to buy software
7 they want to make sure that can be configured to support
8 their business.

9 Q Okay. I'm with you so far. But how does
10 that play into the selection process of counting --
11 since you're selling the same product to each client,
12 then how does that make anything within the process
13 unique to that client?

14 A The customer may have different requirements.
15 For example, we may have two pharmaceutical firms that
16 manufacture generic product. They use different
17 manufacturing algorithms. Same product. We sell the
18 same product, but they'll set up and deploy the product
19 differently. They both manufacture aspirin.

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11 Let me ask it this way. You're sitting
12 here and using your example, you've got two or three
13 pharmaceutical firms, all of who are coming to you
14 and saying, I want to buy some application
15 enterprise software for either HR support, human
16 resources functionality, or financials or ERP
17 generally. Is it your position that each of those
18 customers are unique for some reason?

19 A Yes.

20 Q And what is that reason?

21 A It may vary. It may be the way that they buy,
22 the way they evaluate, the way they're going to deploy,

00208

1 the way they'll set up and configure the software. It

2 could be the duration of the project, how they want to

3 absorb the project, how many people they want to have --

4 I mean, there's a number of things.

5 Q So the individualized needs that the customer

6 has or perceives it has may affect what it -- the

7 vendors that it looks at as potential to satisfy those

8 needs.

9 A I'd say that's probably -- that's reasonably

10 true, yeah.

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18 **Q** All right, sir. Now, going back for a moment
19 to the sales process, you indicated that you go through
20 a great deal of effort to find out functionally what
21 the client wants and to demonstrate to the client that
22 you can meet those requirements. Do you recall that?

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1 A Yes.

2 Q Now, typically, in the process of doing this,
3 going through the sales process with clients, do you
4 begin to discuss price with them at a point in time
5 prior to them determining that you can meet their
6 functional needs?

7 A Define price.

8 Q Well, how much are you going to charge them
9 to get the software.

10 A We really wouldn't be able to do that without
11 understanding their requirements.

12 Q So you would have to go through the process
13 of determining what their functional requirements are,
14 how well you match up, before price was going to be
15 discussed?

16 A I'd say by and large that's true.

17 Q And when you say that you really couldn't
18 talk price with them before you understood --
19 understanding their requirements, what do you mean by
20 that?

21 A There's a number of factors, and price can
22 mean -- software price, are you talking about software

00214

1 price?

2 Q Well, let's start with that. In a
3 circumstance where you're making a pitch for -- you're
4 working with a client to try to sell them enterprise
5 software --

6 A Uh-huh.

7 Q -- would you -- the stand alone enterprise
8 software that you folks sell, would you be able to
9 discuss price with them in any meaningful way prior to
10 going through the effort of determining what their
11 requirements were and how well you fit them?

12 A Can you define meaningful?

13 Q At all.

14 A We may broadly talk about it.

15 Q Can you define broadly?

16 A If we had those conversations we may show them
17 our standard pricing, maybe. But it's likely that we
18 would need to understand more about their requirements.

19 Q Before you actually talked about any
20 discounting from the standard price?

21 A Yes.

22 Q And quite often, is it the case that you

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1 don't even show them your standard pricing until after
2 you understand what their financial requirements are?

3 A I'd say that's more often than not.

4 Q More often than not you don't show them?

5 A That's correct.

6 Q Now, why do you need to know what their
7 functional requirements are before you can actually
8 just start discussing price with them this detail?

9 A Number of reasons -FPT. One is what -- if we
10 understand their functionality we can decide what
11 modules they need, both current in near term plans, long
12 term plans, so we need to understand what the roll out
13 plans are. If we understand what their return on
14 investment is we can match that it to perhaps how they
15 want to purchase the software. There's a number of
16 things. Do we need to customize the software.

17 Q Now, in discussing price with the clients,
18 customers, is it a give and take process, or is it an
19 okay, here's the price, take it or leave it process?

20 A Are you speaking as the customer or as Oracle?

21 Q As Oracle. And again I'm talking when you're
22 selling the -- I'm talking about the license fee for

00216

1 the application software, the enterprise software,
2 stand alone software.

3 A When we get to those -- that level of
4 conversation, that dialogue, it's typically a give and
5 take discussion.

6 Q Okay. In those discussions, does the
7 potential -- does the subject of who else may be an
8 option for the client come up in any way? I.e., I
9 understand what your price is, but you've got to get
10 here or I've got somewhere else I can go get it, that
11 type of thing?

12 A That happens.

13 Q Does that happen often?

14 A It's not uncommon.

15 Q Well, what percentage of cases do you think
16 that the -- where you folks have been selling the stand
17 alone enterprise software has it been the case that
18 you've been told that you have somebody's who you have
19 to beat on a price in order to get the transaction?

20 A It depends on the circumstances of the deal.

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2 Q Well, let's take circumstances where you're
3 selling to someone who's not an existing customer of
4 yours, or they're not -- you know, where there's not a
5 circumstance where they may be an existing customer but
6 they don't want to just automatically buy another
7 module from you. They're looking -- you know, they may
8 do something besides just buy Oracle.

9 In circumstances where -- like that, are
10 you told over half of the time in fact you may have
11 to beat somebody else's price?

12 A I'd say that's probably true.

13 Q And what's the basis of that information or
14 knowledge?

15 A Meaning?

16 Q How do you know that?

17 A Usually the customer will tell us, or somebody
18 will tell us.

19 Q And by the time you get to talking the price,
20 isn't it true that quite often you know who it is
21 you're competing with because your salesmen have picked
22 up some information along the way from the client

00219

1 regarding who you're going head to head with?

2 A I would be disappointed if my sales people

3 didn't know who they were competing against.

4 Q When you get down to the standpoint of when

5 you're talking price with the customer --

6 A Yes.

7 Q -- because that's pretty late in the sales

8 cycle, isn't it?

9 A Typically.

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16 Q All right, sir. Let me hand you a document

17 which has been marked for identification purposes

18 marked as Deposition Exhibit 16. Exhibit 16 is a

19 multi-page document bearing identification numbers

20 ORCL-EDOC-00054481 through ORCL-EDOC-00054524, and ask

21 you if you've seen this document before.

22 A It's likely I saw this.

00221

1 Q All right, sir. And why do you think it's
2 likely you saw this document, Exhibit 16?

3 A Because this was for my first full quarter on
4 this job.

5 Q All right sir. So then as a reference to, on
6 page -- the third page of the document, the one bearing
7 identification numbers 54483, a chart that says win
8 loss program scope and approach talking about field
9 sales reps completing win loss surveys for all
10 applications deals under Number 1, do you see that?

11 A Yes, I do.

12 Q What understanding if any do you have as to
13 what is a win loss survey?

14 A I'm not sure I've ever seen one, so I couldn't
15 give you the particular elements. But I believe it's a
16 survey that the reps fill out to discuss aspects of the
17 deal.

18 Q Aspects of any deal that they were involved
19 in?

20 A I don't know the scope of the deals. I
21 suspect it's not all deals since we do thousands of
22 transactions.

00222

1 Q Well, there's -- if you would turn over to
2 the 16th page of Exhibit 16, the one bearing
3 identification numbers ORCL-EDOC-00054496, where
4 there's a table at the top, the chart actually, which
5 has at the top won 16, lost 19 to PeopleSoft. Do you
6 see that?

7 A Yes, I do.

8 Q Do you have any information regarding what
9 that's referring to?

10 A I believe it says, it implies that in the
11 quarter, we -- in dealings where PeopleSoft was
12 involved, we won 16 and lost 19.

13 Q Now, when you're in dealing with vendors,
14 competing with vendors for sales of enterprise
15 software --

16 A Uh-huh.

17 Q -- do you make an effort to determine why
18 you lost individual sales?

19 A Yes.

20 Q And how do you go about doing that?

21 A Our management team will either formally or
22 informally do post mortems on certainly deals.

00223

1 Q Formally or informally, meaning what?

2 A Meaning depending on the deal, if it was a

3 very visible deal the team we'd do a postmortem to

4 determine why we won or why we lost so we can learn

5 lessons.

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7 You know, when you're selling the software
8 to enterprise customers where you're going through
9 the detailed sales process that you described
10 earlier with all the meetings and demonstrations and
11 what not, how important is the functionality of the
12 software that they're purchasing as compared to
13 other factors such as price?

14 A I think functionality is important.

15 Q In fact, is there any point in talking about
16 price if you can't meet the functional requirements of
17 the client?

18 A I would find it unlikely.

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22 Q And why would you find it unlikely that you'd

00225

1 be talking price to the client if you can't meet their

2 functional requirements?

3 A I think it really depends on the degree of

4 risk that a customer wants to take on.

5 Q And what does that mean?

6 A Well, it just doesn't seem reasonable to me

7 that a customer would want to purchase software that

8 didn't meet its needs.

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5 Q All right, sir. Let me hand you a document
6 which for identification purposes has been marked as
7 Exhibit 21 to your deposition. It is a one page
8 document bearing identification numbers
9 ORCL-EDOC-00043147. It's an e-mail dated 5/12/2003 to
10 Keith Block license approvals, KB license from Keith
11 Block with a BCC to Linda McFarland. Do you see that?

12 A Yes, I do.

13 Q Who is Linda McFarland?

14 A She's my executive assistant.

15 Q All right. And this would be a request for
16 approval or your response a request for approval that
17 would be sent to your KBL license account?

18 A That's correct.

19 Q Now, in this case, it says here for your
20 review please. Customer is getting images world
21 largest collection of artistic images for sale. Paren
22 Matt Mills, close paren. Old apps suite at 45 percent

00254

1 for the migration from current Oracle apps. Only 230
2 thousand, 230 K. The competition is Cognos and
3 business objects on business intelligence and home
4 grown apps. Customer likes the integration but doesn't
5 seem willing to pay a lot for it. Do you see that?

6 A Yes, I do.

7 Q Is that something you wrote, or is that
8 something someone wrote to you in the context of doing
9 this?

10 A This is Rich Blotner.

11 Q Mr. Blotner wrote this to you?

12 A Right.

13 Q Then he goes on to state that so the choice I
14 guess is do we fight these niche guys and internal
15 development one at a time, or would you take it off the
16 table now? Do you know what he meant by that?

17 A Uhm --

18 Q Well, let me break the question down. Do you
19 understand what he meant by niche guys?

20 A I believe I do in this context, yes.

21 Q And what is that?

22 A That we're talking about the business

00255

1 intelligence market, and Cognos and business objects are
2 players in that market.

3 Q And the niche being what?

4 A Business intelligence functionality.

5 Q And in this -- and it goes on here internal
6 apps. What is he referring to there?

7 A Internal development you mean?

8 Q Yeah.

9 A I actually don't understand what he's talking
10 about in this context.

11 Q All right. Do you understand generally what
12 he's talking about, so the choice I guess is do we
13 fight these niche guys and internal development one at
14 a time or take it off the table now?

15 A I don't understand what he means by internal
16 development one at a time.

17 Q Well, do you understand what he means by take
18 it off the table now?

19 A Yes, I do.

20 Q Which is?

21 A Get the deal done.

22 Q And it goes on to say this one doesn't appeal

00256

1 to me as much as a PeopleSoft direct competition. They
2 are asking for 20 percent above the E-business prices
3 and two years price hold at 15 and one. We can approve
4 and it doesn't have to go to HQ, which I recommend
5 since this case isn't that strong. Okay. Do you see
6 that?

7 A Yes.

8 Q Do you understand when he meant when he says
9 this one doesn't appeal to me as much as a PeopleSoft
10 direct competition?

11 A Yes.

12 Q What was your -- is your understanding of
13 what he meant there?

14 A Well, the context of this is in Rich's opinion
15 this is an aggressive discount for a small deal.

16 Q And what does he mean -- how does that factor
17 into a PeopleSoft direct competition?

18 A In Rich's opinion, I believe, this is my
19 interpretation of Rich's opinion, what Rich would
20 probably say is that this is a non strategic deal. It's
21 a a small deal. And against a niche player do we want
22 to be aggressive in our pricing.

00257

1 Q Okay. And how does this factor into -- what
2 would you -- what do you understand he meant by a
3 PeopleSoft direct competition.

4 A PeopleSoft plays in many functional areas,
5 many modules that we compete against. Cognos and
6 business objects really only play -- they're limited in
7 the business intelligence space.

8 Q So based on your earlier testimony then, the
9 Cognos would not be a strategic customer or account
10 that you would be trying to develop as opposed to a
11 strategic account where that may be the case -- well,
12 strike that.

13 Why would you be more willing to be
14 aggressive in competing with PeopleSoft directly
15 than you would be competing for this business with
16 Cognos?

17 A I'm only interpreting what I think Rich is
18 saying.

19 Q Sure.

20 A And again, I think it goes back to the
21 aggressiveness and the discount relative to the size of
22 the deal. That's certainly a factor in this e-mail.

00258

1 And I believe that since Cognos and business objects
2 only play in a very small slice of the market, business
3 intelligence is a very small slice of the market. I
4 think Rich is essentially questioning, you know, look at
5 PeopleSoft or Lawson or SAP or Microsoft. You know,
6 these are people who we're going to run into more often
7 than not. But we're going to run into Cognos and
8 business objects only in the business intelligence space
9 so it's really a segmentation in Rich's opinion of where
10 they are in the market.

11 Q All right. In this case, the one that he
12 mentions that, I take it, is PeopleSoft as being the
13 one, the reference that you take as meaning that this
14 is somebody that we compete with in a lot of areas and
15 we'll run into again.

16 A PeopleSoft and others, yes.

17 Q But in his document, in the document he
18 doesn't refer to others. He just refers to as the
19 PeopleSoft direct competition, since this is not one it
20 doesn't appeal to him so much.

21 A He does refer to PeopleSoft.

22 Q And you approved this based on his rationale?

00259

1 A Yes, I did.

2 (Government Exhibit 22 was

3 marked for identification.)

4 BY MR. SCOTT:

5 Q Now, when you go into looking at an
6 opportunity to sell applications software, the stand

7 alone enterprise application software that Oracle has

8 as represented by your E-business suite, do you --

9 before you pursue a transaction, do you look -- you say

10 you qualify them. Do you remember the testimony around

11 that?

12 A Yes.

13 Q And I take it part of the qualification

14 process would be to look at the client's needs, and

15 what they think they want to do in the way of

16 satisfying those needs to determine if your product

17 matches up with those needs.

18 A Yes.

19 Q Now, are there circumstances where you look

20 at what the client wants and the indications of how

21 they think they want to do it and decide not to

22 participate in the sales cycle?

00260

1 A Yes.

2 Q And under what circumstances would you not
3 participate in the sales cycle?

4 A I'll give you an example of one -- I'd rather
5 not disclose who the prospect is. Is that --

6 Q Well, this is all confidential.

7 A Okay. They're a company out in Denver. And
8 they are evaluating our software, and in my mind there
9 are several issues with the evaluation that I'm
10 uncomfortable with and we may not pursue it.

11 Q What type of issues?

12 A Functional fit is one. Business terms are
13 another. The requirements that they have on the table
14 in terms of the way they want to pay for the software
15 and over what period of time. The sort of the
16 guarantees and remedies that they want to see in the
17 contract. It's -- they're looking for some pretty
18 punitive business terms, plus we'll have to write a lot
19 of customizations to the software. It's high risk.
20 Plus I also know this guy personally, and I know how he
21 operates, so there are a number of risk factors involved
22 where it may not be worth us pursuing the deal.

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22 Q. All right, sir. Are you familiar with the

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1 term BPO?

2 A. Yes, I am.

3 Q. What is your understanding of what that

4 acronym means?

5 A. BPO is business process outsourcing. It is

6 the outsourcing of a business function, company or an

7 entity to an outsourcing provider.

8 Q. All right, sir. And can you give us

9 examples of companies that provide that type of

10 service?

11 A. EDS, Ecenture, Deloitte, ASC, Perot, I can

12 probably give you more if you want.

13 Q. Now from your perspective do those companies

14 the service they offer give advantages over the

15 service or the product that you offer for Stand Alone

16 Application Enterprise Software?

17 A. Could you rephrase the question?

18 Q. Sure. You're going into an account to sell

19 your Stand Alone Enterprise Application Software for

20 Human Resources, Financial Management or ERP Suite.

21 What do you tell the customer why they should buy

22 that as opposed to going to BPO?

00517

1 A. The difference between purchasing the
2 software and the BPO is that BPO you physically, for
3 example, if you wanted to take accounts payable
4 rather than a company or an entity having their own
5 accounts payable clerks you would take that function
6 and give that function to Ecenture or EDS. So it's
7 as much a labor component as it is a software
8 component. I don't know if I make myself clear or
9 not.

10 Q. I understand. Well, why, would you tell a
11 customer as to why they should purchase your software
12 as opposed to outsourcing to a BPO?

13 A. Well, they could purchase our software and
14 outsource through a BPO.

15 Q. How is that?

16 A. They can actually own the software and have
17 the physical labor associated with the BPO performed
18 by Ecenture or EDS, anybody else they would just use
19 our software platform.

20 Q. Does that happen, does that happen often?

21 A. Although I can't point to one example it's
22 possible.

00518

1 Q. All right, sir. Are there circumstances
2 where people have relationships with BPOs an they do
3 not purchase software such as yours?

4 A. Absolutely.

5 Q. If you were in a situation like that what
6 would you tell customers as to why the option of
7 buying your software, your Enterprise Stand Alone
8 Application Enterprise Software is a better option
9 than going through a BPO route?

10 A. It would just be a function of control.

11 Q. Meaning what?

12 A. Control of the resources, control of the
13 technology platform.

14 Q. Now for some customers is it important to
15 maintain control of the resources and technology
16 platform nearby the information?

17 A. Some customers it is more important than
18 others, no question about it.

19 Q. Under what and why is it to the extent you
20 know based on the experience in the industry, why is
21 it more important to some customers than others to
22 maintain the control over the data and the resources

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1 and manage it?

2 A. Particularly with all of the corporate

3 governance that's being regulations and laws that are

4 being introduced, you will see more concern over the

5 confidentiality of data, financial institutions in

6 particular so they are more sensitive to that

7 confidentiality than perhaps you know, an industrial

8 manufacturer manufacturing nuts and bolts. Who cares

9 when there's nothing sensitive about that? But you

10 know, your personal bank account is pretty sensitive

11 information, right.

12 Q. All right. Now so are there cost

13 differences between going the BPO route as opposed to

14 buying your software manage HR Financial or the ERP

15 suites?

16 A. Well, in a sense it is a little bit of

17 apples and oranges. So there is a software decision,

18 a platform piece to this, and then there is the

19 physical labor. So is it cheaper, some customers

20 would make an argument that is the total cost of

21 ownership associated with BPO would be cheaper, sure.

22 They would say that, yes. Because they could send

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1 their labor off shore to India to do the accounts
2 payable functions or the HR functions. They could
3 make an argument.

4 Others would probably come up with some
5 rationale that would say it really isn't any cheaper
6 and there's business risk associated with it, and I
7 don't want to do it.

8 Q. So the selection of your software or software
9 similar to yours for managing HR, Financial
10 Management, and software that the ERP Suites that
11 manage a variety of things versus the BPO would
12 depend upon the client's unique needs?

13 A. I would say that's true.

14 Q. Now are there other than the OSO data, well,
15 strike that. Do you know of any circumstances where
16 you folks after having gone through the demo stage,
17 the functional qualification stage with your software
18 when you got down to the end where you were competing
19 for price primarily, where you had been head to head
20 with a BPO?

21 A. Are you asking me where we had been head to
22 head competing on price against a BPO?

00521

1 Q. Yes.

2 A. Again I get involved in very limited set of
3 transactions. Right. I think we talked about that
4 before. But it would not be uncommon, nor would it
5 surprise me. There's a growing trend toward BPO and
6 outsourcing. So there's more and more of that going
7 on. It is actually a very fast growing business.

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6 mem. So with the economy it is just very

7 competitive. If I could name one in particular again

8 I get involved in a limited set. So I think the last

9 time we talked I think I mentioned to you that we

10 competed against ADP at Huntington Bank. The real

11 nitty gritty about that deal I wouldn't be close

12 enough to it.

13 Q. If you're going into an account to sell HR,

14 Financial Management or ERP Suite and they told you

15 that they were considering your product and they were

16 considering an in house solution, would you tell them

17 regarding why your offering was a better option for

18 them?

19 A. Well, for example, I would say do you really

20 want to be in the software business? Do you want to

21 be in the business of maintaining software? This is

22 what we do. This is our core competency. Your core

00527

1 competency isn't software. It's manufacturing cars,
2 or you know, sewing machines, or washing machines, or
3 whatever it is that you do. Why don't you spend your
4 resources on that as opposed to spending your
5 resources on building your own home grown systems.

6 Q. Would you talk to the customer who was
7 considering an in house system regarding the value of
8 taking advantage of your economies and scale in
9 writing software to meet their particular needs?

10 A. Again I would focus more on this is what we
11 do for a living. It's our expertise. So you want to
12 use ERP, I use EPR as an example. We are in the
13 business of ERP. We, that's all we do. Again if you
14 are Ford Motor Company, you really aren't in the
15 business of ERP. You're in the business of building
16 Fords. So why don't you use your resources more
17 strategically instead of building your own home grown
18 systems. Why don't you buy off the shelf software.

19 Q. Would off the shelf software generally be a
20 cheaper option than building your own in house
21 system?

22 A. That really depends. It could be a number

00528

1 of factors that go into that.

2 Q. Well, as you're trying to pitch a client to
3 buy your software versus building their own, are you
4 going to try to convince them that the total cost of
5 ownership of buying your product has already been
6 developed versus building their own, is a better
7 option for them?

8 A. Absolutely.

9 Q. Is when you're in do you generally try to
10 take that argument to clients, considering an in
11 house option?

12 A. Well, we always try to sell, we'll always go
13 to market around the TCO story in almost any
14 situation.

15 Q. Why would the total cost of ownership buying
16 your product as opposed to building in house solution
17 be lower?

18 A. Why would the TCO be lower by what we have?

19 Q. Yes.

20 A. Well, for example over time if you want to
21 maintain your legacy system you have to maintain an
22 IT staff, you have to maintain them. That means you

00529

1 have to keep them trained. It may mean that you are,
2 that it would require you to use old technology. Old
3 technology could be software, it could be networking,
4 it could be hardware. And so if you wrote something
5 in Cobalt, for example in 1970 while there aren't
6 many Cobalt programmers left unfortunately. So at
7 some point you're going to have to migrate your
8 Legacy Cobalt System to something else, because
9 nobody is going to be left to maintain it. You want
10 to make a change because your business changes.
11 There is not going to be a person left on earth with
12 Cobalt skills.

13 Q. When you folks are looking at, talking to
14 customers about buying your software as opposed to
15 going with an in house solution, is that in house
16 solution generally staying with the legacy system as
17 opposed to building something new?

18 A. It depends. It could be patching an old
19 legacy system. It could be building a new module in
20 house on top of that existing legacy system.

21 Q. Is it, do you run into circumstances the
22 client is talking about, for example, is an in house

00530

1 solution building an HR comparable to what you have
2 for a Financial Management Suite comparable to what
3 you have or ERP comparable to what you have from the
4 ground up as an option, rather than buying your
5 software?

6 A. I think it would be extremely rare that you
7 would find any US commercial entity to build its own
8 ERP system from scratch. Now they may already have
9 one that they built twenty years ago, and one that
10 they're going to continue to patch it.

11 Q. Right.

12 A. But for them to write their own application
13 software from scratch, you know, on that scale that
14 is sort of mission critical scale. I can't even
15 begin to think of somebody that would do that.

16 Q. Why is that?

17 A. It would take a very long time to do it, and
18 there is already commercially available software.
19 Why would you build a car from scratch when you can
20 buy one off the lot?

21 Q. Would it be fairly expensive to do that as
22 well, building an ERP Suite or HR Suite, or

00531

1 Financial Management Suite comparable to yours from
2 scratch?

3 A. For, you mean for a customer?

4 Q. Yes.

5 A. Somebody who was not in the software
6 business?

7 Q. Right.

8 A. I think it would be more expensive building
9 from scratch for a customer than buying off the
10 shelf, sure.

11 Q. To what degree?

12 A. I couldn't begin to tell you.

13 Q. Well, for example, how much do you folks
14 spend in R and D at Oracle each year in upgrading and
15 maintaining the software that you sell for ERP or HR
16 or Financial Management to the extent that you know?

17 A. I think we spend, I'm going to rough it
18 here. I think we spend 5% of our revenues in R and
19 D. So it is pretty substantial.

20 Q. And that is something that has been spent,
21 something similar to that over a number of years in
22 building up and improving your software packages

00532

1 to the point that they are what they are today,
2 correct? It is not just a one shot deal where you're
3 building something from the ground up now?
4 A. No, I mean that's true. A comment, I think
5 you asked the question, I'm not sure if this is the
6 answer to the question that you asked earlier, but I
7 think it is important to understand. There have been
8 so many changes in technology over the last three
9 years, five years, ten years, that the ability to
10 deploy and build applications is so much easier and
11 so much faster than it was twenty or thirty years
12 ago. And as technology continues to evolve the
13 ability to rapidly build and deploy will become
14 faster and faster and faster.

15 There are all sorts of tools available now
16 that were never available before. You know that is
17 why you see a lot of software companies that spring
18 up.

19 Q. All right, but you, okay. When you're
20 talking about this Legacy System, you use the
21 example, you said a lot of these are old technology
22 that would have to be patched, what did you mean by

00533

1 that, the term patched?

2 A. Well, there is a change in legislation.

3 There is a new accounting requirement, a generally
4 accepted accounting principle. So to be compliant
5 with the new government regulations you might apply a
6 patch which is you know, an additional piece of
7 software code written to comply with, you know,
8 whatever the government wants you to do for
9 accounting principles.

10 Q. All right. So the initial system that may
11 have been there, may have been there twenty years and
12 they have a variety of patches that have been in
13 addition to the main system and the patches have to
14 be maintained as well?

15 A. That's correct.

16 Q. So you would have to keep IT staff on
17 available to deal with maintaining the system as well
18 as doing whatever patching needs to be done in order
19 to address new requirements?

20 A. That's correct.

21 Q. And when you sell software to a customer if
22 there are new requirements in general accounting

00534

1 principles or some type of government reporting
2 requirement, that's generally part of upgrades that
3 become available to the client through maintenance
4 contracts, correct?

5 A. That's correct.

6 Q. So that would be built in, those
7 improvements would be built into the price that they
8 are paying you for the software when they initially
9 buy it?

10 A. That's correct.

11 Q. Now when you said that technology you would
12 get to the point where you may not be able to get
13 people for the Legacy Systems, you can actually
14 support it, you used Cobalt for an example. Would
15 that be true of systems other than something that
16 would be Cobalt supported?

17 A. Well, there are technologies out there that
18 are, that were done in the 1960s, you know, most of
19 them written on main frames with Cobalt, and Cobalt
20 is a programming language is one of the original
21 programming languages. So you know there are others,
22 there is stuff that is written in things like

00535

1 Assembly Language, PIC, Fortran, and again that is
2 circa sixties, seventies. So when you think about
3 the population of people that are going to service
4 that over time, it's going to go away. I'm trying to
5 be politically correct here, but I think you know
6 what I'm talking about. So there are other
7 technologies, sure.

8 Q. And because those technologies are not
9 current and they're not being taught or commercially
10 being pursued does that generally mean that at some
11 point most of these people have these older Legacy
12 Systems are going to have to switch over to something
13 else?

14 A. I think eventually that is probably true.

15 Q. For software applications, Stand Alone
16 Software Applications, the Enterprise Applications
17 that you testified about earlier, how often do you
18 see Microsoft as a competitor?

19 A. I couldn't give you an exact number, but I
20 will tell you we're seeing more and more of them.

21 Q. Seeing more and more of them means what?

22 A. Well, you know, 12 to 18 months ago you

00536

1 really wouldn't see them. But you know, now they're
2 starting to compete and they're building a direct
3 sales force. So now they're really starting to
4 compete and they have made some acquisitions. You
5 know they've got enormous resources.

6 Q. They built a direct sales force for what?

7 A. They're building a direct sales force in
8 general now, whether it is segmented applications or
9 technology or if they can sell any Microsoft product,
10 I have no idea. As you probably know Microsoft
11 traditionally has gone with an all indirect model
12 going through, you know, what you buy on your PC.
13 Well now they're actually building a direct sales
14 force just like things like Oracle.

15 Q. Do you folks use an all indirect model
16 selling software?

17 A. We have direct and indirect.

18 Q. For selling the Stand Alone Enterprise
19 Software Applications the HR, the FM the Financial
20 Management, the ERP, they usually do that in a direct
21 model through direct sales?

22 A. Primarily direct.

00537

1 Q. And why is that?

2 A. To be able to sell applications. Selling
3 applications, although you can sell it indirect, we
4 do sell some of our applications as you have seen in
5 some of those reports, we do sell them through
6 indirect channels. A lot of it is you have to be in
7 front of the customer. You have to explain business
8 functions to the people you sell, when you sell
9 applications that are different than the people you
10 sell to in technology.

11 Q. Why do you need when you say you have to be
12 in front of them to sell the applications, what does
13 that mean?

14 A. When you're selling application software
15 you're typically selling it to a director of
16 procurement, you may be selling it to the Chief
17 Financial Officer or Vice President of the supply
18 chain, because they want to have a business
19 discussion. They don't want to just say here is the
20 shrink wrapped software, boom. All right. They're
21 talking about running their business, so they want to
22 make sure that whatever you're selling is going

00538

1 to run your business. So that requires face to face
2 dialog.

3 Q. They want to have these business discussions
4 so they can determine if your software can actually
5 be configured in such a way to match a particular
6 business processes that they want supported?

7 A. That's correct.

8 Q. As opposed to the shrink wrap which is what?

9 A. Shrink wrap would be Microsoft's historical
10 business, Excel spreadsheets, Word in your laptop or
11 PC. You can slide a disc in an boom. You know, you
12 can do whatever you want. AOL is shrink wrapped if
13 you use AOL. But for running businesses, that's not
14 a shrink wrap software.

15 Q. By shrink wrap software you're talking about
16 software that has preconfigured setups for general
17 ledger and other functions that would be supported as
18 part of the software application?

19 A. When I, the example I gave you about shrink
20 wrap software, I'm thinking of the very, very, very
21 simple running your business stuff that you can use
22 in your house.

00539

1 Q. Got you. The out of the box solution has
2 the stuff, has the preset configuration, right?

3 A. Yes, you can do that, you can call that off
4 the shelf software, yes. You could refer to it that
5 way if you wanted to.

6 Q. For the product that fits between Enterprise
7 Application Software that you call out of the box,
8 what do you call it?

9 A. Well, we sell the same set of software
10 period, no matter who we sell it to.

11 Q. But some of it has preset configurations in
12 it that the Enterprise Applications that you sell do
13 not, right?

14 A. To be, yes. To be available soon. That's
15 the offering that we're looking at now.

16 Q. And that offering that you're looking at now
17 is there a term for it?

18 A. We haven't come out with an official name.

19 Q. Well, just as a generic term what would you
20 call it?

21 A. It is a solution that is geared towards
22 small to medium size entities.

00540

1 Q. That solution I believe you testified in
2 your prior time we were together is directed at
3 entities whose needs are simpler than the companies
4 who buy the Application Enterprise Software, correct?

5 A. I would say that that is by and large true.

6 Q. When you say that they're, these companies
7 needs are simpler than those that buy the Application
8 Enterprise Software, simpler in what sense?

9 A. If you run a 40 million dollar company that
10 is a very simple business process, it doesn't require
11 a lot of complex business rules, you know, a very
12 simple turn of accounts functions different product
13 codes that are very simple, that's the kind of thing
14 that I'm talking about.

15 Q. Before we get into the document, Mr. Block,
16 let me ask you going back to outsourcing for a
17 minute, are there particular types of customers that
18 seem to be drawn to that type of solution?

19 A. Particular type of customers that are drawn
20 towards outsourcing?

21 Q. Yes, sir.

22 A. I think it really is pretty much a, it's a

00543

1 unique customer. There's a number of things. It's

2 pretty unique. I mean it is a customer driven

3 situation, so it depends on the customer.

4 Q. So whether or not a customer would look at

5 an outsourcer solution for running its business

6 processes for HR, Financial Management, or for ERP

7 would be an individualized determination by that

8 part, by that customer based on their perceived

9 business needs?

10 A. Yes.