16   THE VIDEOGRAPHER: Will the reporter

17 swear in the witness, please.

18 Whereupon,

19   MARK JOHNSON,

20 a witness, was called for examination and, having

21 been duly sworn, was examined and testified as

22 follows:

10   Q.   Okay. Mr. Johnson, with whom are you

11 currently employed?

12   A.   Oracle Corporation.

13   Q.   And how long have you been employed with

14 Oracle?

15   A.   I started in 1989.

16   Q.   And what is your current official title?

17   A.   Senior vice president, federal sales.

18   Q.   And how long have you held that position

19 in federal sales?

20   A.   I believe 1998.

21   Q.   What position did you hold at Oracle

22 before '98?

00013

1   A. I ran our civilian sales. I was

2 director of civilian sales for Oracle.

3   Q. Any other positions at Oracle?

4   A. Before that I was a branch manager

5 within our civilian sales organization. And

6 before that I was a sales representative in the

7 civilian organization.

8   For the record, I did -- I had been at

9 Oracle since 1989. I did leave for three months

10 in early -- I think it was 1992, but I came back.

11 So there was a three-month period where I left and

12 came back, just so you know.

13   Q. Okay. And what did you do during that

14 time?

15   A. I left, went to a company, and shortly

16 came back.

17   Q. Okay. And how long were you the

18 director of civilian sales?

19   A. Approximately two years.

3   Q. -- as senior vice president of federal

4 sales at Oracle. What would you say are your

5 primary responsibilities in that position?

6   A. I run the sales organization to the

7 federal government, the product sales.

13   Q. And, in that capacity, you're familiar

14 with the sales process to federal customers?

15   A. Yes.

16   Q. Okay. And you possess knowledge of the

17 product functionality?

18   A. Yes.

19   Q. Is it part of your responsibility to

20 keep current with the federal marketplace

21 generally?

22   A. Yes.

00016

1   Q. The trends in the marketplace --

2   A. Yes.

3   Q. -- in technology and applications?

4   A. Yes.

5   Q. Also, I guess generally, the

6 requirements for a federal customer, what they're

7 seeking in technology and applications?

8   A. As far as I can, yes. I try to keep as

9 current as possible.

10   Q. And, with that, are you familiar, then,

11 just in your responsibilities, with the rules and

12 regulations that affect the applications that are

13 sold to the federal customers?

14   A. Yes.

00035

3   Q.   Who runs the government, education and

4   healthcare, I guess, section?

5   A.   Kevin Fitzgerald.

6   Q.   And is that who you report to directly?

7   A.   Yes.

5   Q.   How is that different than the product

6 that is offered to the commercial customer?

7   A.   It's -- we develop a financials product,

8 and then, for different industries, we will

9 develop enhancements for those specific

10 industries.

11   For example, in the federal government

12 there are certain legislative or regulatory

13 requirements that they have, that we have to

14 ensure that we meet within our software. And our

15 development organization will include those in the

16 software.

17   Q.   Okay. If you can elaborate on the --

18 you said certain regulatory requirements that are

19 developed with the software. What do you mean by

20 that?

21   A.   The way the government operates is

22 different, in some cases, than the private sector.

00043

1 So the way the private sector may close their

2 books, the way the private sector handles money,

3 let's say, is different, in some cases, than the

4 public sector. So the software has to conform to

5 that in order to meet the needs of the federal

6 government or other government entities.

3   Q. But is the federal sector general ledger

4 functionality unique in comparison to the private

5 sector?

6   A. There's different processes, different

7 functions that would have to be performed.

8 However, the software that's developed, the

9 commercial release, is the platform for which we

10 build and execute for the federal government.

11   So, in the federal government, you would

12 have additional requirements, let's say, that

13 would have to be added to a product so that you

14 were compliant with how the federal government

15 required a module, like general ledger, to work.

16   Q. Okay. You said that you build these

17 modules to meet the federal requirements. What

18 exactly do you mean by that? Are you writing

19 software code for that?

20   A. We have a development organization,

21 engineers, who develop product. So they are the

22 individuals I'm referring to.

00049

1   Q.   And they write code specific to meet the

2 functionality requirements that are demanded by

3 federal customers?

4   A.   Yes.

5   Q.   And one example of that is these core

6 functionalities that you were talking about, the

7 four core functionalities within the financial

8 management product that you offer to federal

9 customers?

10   A.   Well, those four modules are offered to

11 the private sector as well.

12   What I'm referring to would be as it

13 relates, let's say, to JFMIP and the requirements

14 that they distribute to the software community.

15 An engineering group -- a development organization

16 will have to look at those requirements and ensure

17 that the software that was developed could meet

18 those needs and, if not, they'd have the developer

19 enhance the software.

9   Q.   And what do you do to -- what has been

10 done to federalize HR?

11   A.   We collect requirements from agencies.

12 We fuel them back through product development, the

13 engineers. And they, through their

14 product-release cycles, will develop product. So

15 as we release to Oracle customers, it includes

16 that capability for the federal government.

17   Q.   And what are some of the unique

18 capabilities of the federal government, within HR,

19 that are demanded?

20   A.   I believe there is something called an

21 SF52, which is a standard form that the government

22 uses to track personnel actions. I believe that's

00053
1 unique. I'm sure there's many other areas. I

2 just can't go into details around those areas.

5   Q.   And you said it's the responsibility of

6 the sales team to understand the customer needs.

7 What exactly is involved in that? What does a

8 sales team do to understand the customer's needs?

9   A.   There's not just one individual that

10 does that. There is a sales representative, but

11 they are merely a facilitator, I will say, to a

12 customer.

13   So, for example, the Department of

14 Justice, as an example, has a number of sales

15 representatives within my group that service the

16 Department of Justice. They will assemble a

17 number of other resources that help them manage an

18 account, and that team will meet with various

19 individuals across Department of Justice,

20 understand what their IT requirements are, and

21 they will, in turn, consistently meet with a

22 customer, like DOJ, to understand what those

00088
1 business requirements are, propose solutions to

2 help them meet those needs.

3   So it's more of an iterative dynamic

4 process that we establish with all the customers

5 that we have within my responsibility.

20   Q. Let me ask in sort of a different way.

21 How do you know, from your perspective, what to

22 propose to the customer, if they're asking for a

00091
1 financial management system, whether it be your

2 outsourcing service or maybe just selling them a

3 license to your application?

4   A. We read the requirements within that

5 request for proposal and respond to the

6 requirements.

7   Q. Okay. So the requirements will dictate

8 what type of proposal you give, whether it's

9 applications or whether you're outsourcing the

10 service.

11   A. Sure.

16   Q. Back on page 20, the strategy for HR,

17 under the applications initiative. The second

18 sentence there reads "target competitive win-back

19 accounts with replacement strategies."

20   A. Yes.

21   Q. What does that mean?

22   A. Accounts where they may be running

00133

1 another product. Go back in and try to win it

2 back.

3   Q. Another vendor's product, HR product?

4   A. Yes.

5   Q. And how do you -- how do you target, you

6 know, your competitive win-back accounts?

7   A. I think customers that have purchased a

8 product and have failed in implementing it, that's

9 one potential win-back.

10   Customers that have purchased a product

11 and are not referenceable, for example. They may

12 have it up and running, but they're not happy with

13 the experience or the software. That could be a

14 potential win-back as well.

15   So we'll look at accounts or services

16 like that and see if there's an opportunity for us

17 to come back in and sell our software.

18   Q. Is there a particular vendor that you

19 target specifically for the competitive win-back

20 accounts?

21   A. For HR?

22   Q. Yes.

00134

1   A. PeopleSoft is -- they have a lot of the

2 core HR systems today. So they would be,

3 probably, the primary software company that we'd

4 be going after as it relates to owning some of the

5 core HR functions today in the federal government.

6   Q. They have the majority of HR

7 installations in the federal government for HR,

8 the core HR?

9   A. I wouldn't say they have the majority.

10 They have a number of agencies that have selected

11 them years ago.

12   Today, I'm not seeing a lot of core HR

13 procurements, I will say. A lot of those

14 procurements have been done many years ago. A lot

15 of what I see today, from an HR perspective, are

16 the surrounding modules, the things like

17 self-service, things that compliment a core HR

18 system.

19   And in that case, you know, there's a

20 number of -- whether it's SAP or PeopleSoft or

21 niche solution providers can -- that we would, you

22 know, provide or go competitively against in that

00135
1 area.

2   But this bullet is referring to where

3 customers have selected a COTS package, let's say

4 a PeopleSoft, and how they're doing, and are they

5 potential for possibly getting Oracle in there.

6   Q. Okay. And the vendor that you would

7 target most often for these type of accounts would

8 be, as you testified, was PeopleSoft?

9   A. Yeah. I'd say they have most of them,

10 that we'd be targeting here.

8   Q.   Okay. Are you aware of any other vendor

9 that has a core HR implemented at any of these

10 agencies, aside from the ones that are listed.

11 PeopleSoft and, you said, SAP for a couple of

12 those. Any other vendors?

13   A.   I don't believe so. I think it's

14 Oracle, SAP, and PeopleSoft for the HR. I

15 believe. That's my understanding.

5   Q.   First, let me ask, you testified earlier

6 that AMS doesn't have an HR product for the

7 federal market, correct, that you're aware of?

8   A.   I'm not aware of one. No, I'm not.

8   Q.   And when you are in selling an ERP

9 application, such as your core financial

10 management or your HR, how you sell or what you

11 propose depends on who you're up against?

12   A.   Not necessarily. As I mentioned

13 earlier, any acquisition that we go into, there is

14 a set of capabilities that we provide, and we are

15 going to communicate those to a customer. Okay?

16 Regardless of whether we're going up against

17 multiple competitors.

18   So if you're going up against one

19 company or five companies, you're going to follow

20 the same process, communicate the same

21 differentiators, let's say, when you're up in

22 front of a group or trying to help them make a

00253
1 decision around a software package.

00254

19   Q. Speaking specifically about the HR

20 marketplace with federal customers.

21   A. Yes.

22   Q. Earlier you testified that SAP,

1 PeopleSoft, and Oracle are the primary competitors

2 in that space; is that correct?

3   A.   From a COTS, commercial off-the-shelf

4 software perspective, yes.

5   Q.   What other vendors, if any at all, do

6 you compete with to sell commercial off-the-shelf

7 software HR solutions to federal customers?

8   A.   The only other competition we'd have

9 would be existing systems that they have, an

10 existing system that's currently running, and

11 they'd have to make a decision whether or not they

12 wanted to go out and automate that.

13   You're also competing with the

14 franchise-fund agencies -- the NFCs, the

15 Interiors -- that actually have COTS solutions

16 that they're cross-servicing other agencies. They

17 are a competitor.

18   And then you have systems integrators

19 who may come in with a creative proposal to

20 actually provide a software as a service through

21 their host of capabilities.

22   So the traditional -- the traditional

1 acquisition of "I have three companies," when you

2 enter in outsourcing or software as a service, it

3 changes that paradigm to offer a lot of

4 opportunities and alternatives to federal

5 customers today.

6   Q. And just to clarify. The systems

7 integrators, they will come in and compete for the

8 business using, say, a license software they

9 received from PeopleSoft, SAP, or Oracle, for

10 example.

11   A. Yeah, but let me clarify. The

12 government, when they send out a solicitation for

13 a service, they don't care what software is

14 running in that service.

15   For example, TSA came out with an RFP a

16 year or so ago. I don't know if you're aware of

17 that one. They were looking for a service for

18 their human resource requirements. They never

19 stipulated a product. They wanted a service.

20 Accenture actually won that with an already hosted

21 solution that they had.

22   So, yes, they have to, obviously, go out

00257
    1 and buy a package or have a package already

    2 running. But, in many cases, it's not something

    3 the agency is going to dictate or allow them to

    4 compete. They're going to provide what they have.

15   Q. And why is it that some of these

16 discounts varying? What's your assessment of why

17 the discounts vary between the different

18 opportunities that I've been presenting you?

19   A. It depends, you know, how well you're

20 positioned in an account.

21   Q. And what do you mean by how well you're

22 positioned in an account?

00273

1　A.　You know, how are you perceived in an

2　account, for example. You know, are you -- have

3　you been working in the account for a long time,

4　do you have a presence, that type of thing. In

5　some cases, if you're not in early, you're just

6　coming in at the end, you might be asking for high

7　discounts, like in this situation.

8　Q.　That's what occurred here? Oracle was

9　coming in at the end?

10　A.　We were not well positioned for this

11　opportunity.