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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.

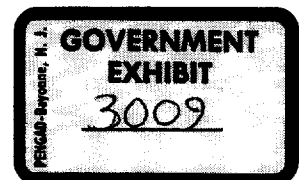
18 before Christina Anderson Smith, RPR, a Registered

19 Professional Reporter and Notary Public in and for the

20 District of Columbia.

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PROCEEDINGS

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(10:10 A.M.)

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(Government's Exhibit 1 was

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marked for identification.)

5 **EXAMINATION BY COUNSEL FOR THE DEPARTMENT OF JUSTICE**

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BY MR. SCOTT:

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Q All right, sir. Could you state your name

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for the record, please.

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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?