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IN RE:

THE MATTER OF ORACLE'S PROPOSED ACQUISITION OF PeopleSoft

CIVIL INVESTIGATIVE DEMAND NO. 22795

San Francisco, California

Friday, January 16, 2004

Videotaped Deposition of PAUL CIANDRINI, a witness herein, called for examination in the above-entitled matter, pursuant to notice, taken at the Department of Justice, Antitrust Division, 450 Golden Gate Avenue, Room 10-010, San Francisco, California 94102, beginning at 9:16 a.m. before Judith Ladd, RPR and CSR.

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PAUL CIANDRINI,

after being sworn by the Certified Shorthand Reporter, the Witness testified as follows:

EXAMINATION BY COUNSEL FOR THE DEPARTMENT OF JUSTICE

BY MR. LOHRER:

Q State your name for the record, please.

A Paul Ciandrini.

Q Who are you employed by?
A Oracle Corporation.
Q What is your job with Oracle Corporation?
A My title?
Q Title.
A My title is senior vice president of North American Application Sales.
Q North American Application Sales?
A That is correct.
Q How long have you had that title?
A Six months.

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Q Beginning when?

A Beginning June of 2003.

Q Was it June 1, 2003?

A Approximately.

Q Line 9, customer name Gartner, key competitor PeopleSoft.

A Um-hmm.

Q Is the key competitor accurate there?

A They were one of the key competitors, but they didn't really go down to the wire. They didn't make the final cut.

Q Who made the final cut?

A SAP.

Q Okay. And when did that deal close?

A That deal closed the end of the second quarter. So probably about a month later.

Q A couple of weeks ago, right?

A Yeah. No. We ended the quarter in November. Our Q2 ended November 30th. So it's like five weeks, six weeks ago.

Q Let's go back on -- let's forget about end of the quarter because I think the dates are off. Do you remember when that opportunity concluded?

A Yeah, approximately November 30th.

Q Okay. And was Oracle successful in that opportunity?

A Yes.

Q Okay. And in that case, Oracle was successful and SAP was a finalist that was unsuccessful?

A Correct.

Q And how is it that you know that information?

A From talking to the sales team about the opportunity and they talking to the client and the third parties, what I told you before.

Q Right. And did you have information that indicated that SAP and Oracle were the two finalists?

A Yes.

Q And that PeopleSoft had been eliminated?

A I personally didn't really pay that much attention in that deal relative to early in the sales -- the procurement cycle. I usually get involved in them a little later on in the sales cycle.

At that time I don't think I heard that PeopleSoft -- I'm sure PeopleSoft was looked at, you know, probably like Lawson, probably like outsourcing, all the other stuff. But in the heat of the battle when we had talked about this exhibit, when it got down to this kind of area --

Q The deal closed November 30th. When was that -- when was that point in time when you became involved?

A Oh, in November, approximately November or late September -- November. Not really late September, more like November.

Q So that explains why in September the key competitor information on Ciandrini Exhibit 7 might have been incorrect, correct?

A That is a plausible explanation for it.

Q Any other explanation?

A It just was never changed.

Q It should have been changed to?

A Well, again, at this time, September 9th, this could have been the viable main competitor, okay. What we would need to do would be to look at this report closer to the actual conclusion date of this opportunity

to see if it was updated appropriately.

Q Right. And where else would we look for information on this particular opportunity?

A For competitive --

Q Yes.

A Just where we're looking.

Q Right. You didn't meet -- did you meet in person with that CEO male we were talking about?

A I did.

Q You didn't meet in person with the Gartner CEO or Gartner -- high-level Gartner employees, did you?

A I did not.

Q Mr. Henley and Mr. Block did, correct?

A Yes.

Q And did you -- were you the primary person from your sales group preparing them for their meeting?

A No.

Q Who did that?

A I believe it was John Bouche.

Q Was there a meeting relating to this?

A There probably was a phone conversation. There could have been a meeting. I'm unaware.

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Q You didn't participate?

A No.

Q You delegated that to Mr. Bouche -- let me take that -- let me withdraw that question.

How was it that Mr. Bouche ended up with that responsibility as opposed to you would report directly to Mr. Block?

A This opportunity falls in his geography. Keith is out of Boston. John Bouche is out of Boston. We're -- we communicate. Keith, Bouch, me are a team. We kind of know how we work. Bouch handled it.

Q And do you think you met specifically with Mr. Block and Mr. Henley?

A I don't know that, that they met face to face. I don't know that.

Q Would it come up in one of the forecast calls that they were going to meet?

A What would come up in a forecast call would be -- would be a dialogue about strategy on the deal, and from that strategy could be "We want to get Jeff and/or Keith in front of these guys."

Q Have you had a conversation like that, strategy

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on the deal when we're in the range when we're negotiating price and terms --

A Sure.

Q -- with any of these customer names, these customer opportunities recently?

A Recently?

Q Pick one.

A Recently, Hallmark.

Q All right. Who was involved in that conversation?

A Myself and Matt Mills and Matt Renner.

Q Okay. And when did that conversation occur?

A Sometime in November.

Q Has that opportunity closed?

A Yes.

Q And what was the result of that opportunity closing, who got it?

A We did.

Q Okay. When did it close?

A Sometime in November. I'm not going to recall the exact date.

Q Do you recall the product?

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A Yeah. It was H.R.

Q And what was the conversation you had with -- was it the two Matts?

A Correct.

Q What was the conversation? What do you recall about the conversation you had with the two Matts?

A I recall that there was some slight preference for Oracle. PeopleSoft understood that. They basically came in and did what they normally do, which is lowball the price to nowhere. And talking to them about steps to find out about where we thought that could be so that, you know, we didn't have to discount any more than we necessarily needed to to get the deal and leverage the positive differentiation that we thought Hallmark saw in our product over the PeopleSoft product.

Q Did you discuss other competitors in that conversation with the two Matts?

A No.

Q And how did you arrive at the dollar figure?

A Through negotiation with the client, painfully.

Q How many different levels -- do you know, as we sit here today, the dollar amount that Oracle is going

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to derive from that opportunity with Hallmark?

A I will give you an approximate amount. I believe it was a $1.2 million transaction.

Q Do you know what is involved in that? We talked about those four products that you sell. There's license, there's maintenance and the two types of professional services.

A That was comprised of license, services and maintenance.

Q What was PeopleSoft offering?

A Excuse me?

Q What was PeopleSoft offering?

A I'm sure the same things.

Q And how was it -- and again, the dollar amount that you arrived at in the end was what?

A I think, I think that the opportunity went for 1.2 million for license.

Q Okay. Where did Oracle start with pricing this opportunity?

A I don't know specifically. I'm sure they quoted them some slight discount off of list.

Q It was 1.2 million, correct, at deal's end?

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A We can validate that. That is my recollection.

Q Subject to check, the final amount is 1.2 million?

A Correct.

Q Okay. And prior to arriving at 1.2 million, how does that painful negotiation with the customer take place?

A Ask me something specific.

Q Who is calling the customer?

A The sales rep, the RM, the RVP.

Q Everybody?

A GVP. Just depends.

Q I understand. Either of the two Matts?

A Both of the Matts were involved in it.

Q Right. And do you know which is the individual who said -- who conveyed to Hallmark "We will go to 1.2 million"?

A I believe subject to verification, it was Matt Renner.

Q What was Matt's number before he gave the 1.2 million number? What was Oracle's number?

A The original number quoted to them?

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Q Start with the original number.

A To be honest, I will not recall what the original number was.

Q Okay. So let's try to recall the number prior to the 1.2 million number.

A Might have been -- from looking at this report, what I would say is that they probably started somewhere around 1.9 to $2 million, as articulated in line 26. I would presume that it was a step-down process of some sort.

Q Meaning not all at once but a number of steps to get to the 1.9 to 2 million ballpark down to 1.2?

A I would presume that to be the scenario.

Q Two or three steps?

A Again, subject to validation, approximately.

Q Okay. Were you involved in those steps?

A Yes.

Q How were you involved?

A We were just discussing strategy.

Q You were discussing the dollar figures, too?

A The dollar figures. But in these procurements the buyer, right, is working multiple angles, right.

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They can talk to the -- they can get an offer from, in this instance, PeopleSoft. They can talk to an analyst like a Gartner. They can be talking to a third party implementer.

Q Right.

A Right. So there's a lot of strategy around trying to identify what you are competing against because you don't usually know very specifically. There's strategy around how you try to validate the value of differentiation that one vendor has over another.

Q Did that differentiation of value occur in this Hallmark case?

A It occurs pretty much in every sales cycle.

Q Do you recall it occurring in this case?

A Sure.

Q And how did that play out?

A In what respect?

Q How did -- how was it that in your conversations with the Matts you strategized how to differentiate your value?

A By going back to events in the sales cycle

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where we were told by the evaluation team that they preferred the way we handled this particular function or they preferred a particular feature.

Q Preferred to whom?

A To whomever they were looking at.

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Q Now, in strategizing with the two Matts in trying to win the opportunity for the Hallmark business, what did you talk about in terms of the strategy for the price negotiation?

A Pretty much what I just said to you. Validate that Hallmark sees value in the feature function differentiation, in the product architecture, in the -- you know, preference to do business with Oracle versus another competitor, with the relationships that we have established, with the knowledge we had developed of their business.

Q I'm going to break that down to two -- all those reasons, I counted four. There's preference to do business and knowledge of business, and that goes to the expertise and the hard work your sales force has done

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throughout the sales cycle, doesn't it?

A Knowledge of their business, of Hallmark's business becomes important. It could be references as well, experience in that vertical.

Q Okay. And then there's the value associated with the features and function and the product architecture, and that certainly is part of the sales cycle that you testified about earlier that goes to meeting the customer's needs in terms of functionality, right?

A Correct.

Q Okay. And so you strategized about those things and your strategy revealed, with respect to the customer functionality items, that what, that what, that Oracle was what?

A That what we had heard from Hallmark was there were areas of our functionality that they preferred.

Q Did you believe that?

A The reality of that situation is that there are -- in most instances, there's something in everyone's product that they prefer.

Q What did you tell Hallmark about your product

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that might have made them think that?

A Not necessarily that we told them. It would have been something they would have seen in a demonstration based on their requirements.

Q Right. Okay. What do you believe about your functionality for Hallmark as compared to the functionality of PeopleSoft for Hallmark?

A In this instance, I specifically don't know what they preferred in Oracle's functionality versus PeopleSoft.

Q I didn't ask that. What I asked is what you believe about the functionality of PeopleSoft's offering as compared to the functionality of Oracle's offering to Hallmark, what do you believe?

A As the differentiation?

Q Yes.

A I don't really know.

Q Do you think they are the same?

A They are not the same. There are definitely differences.

Q What are the differences?

A I would say the architecture of the products.

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Q What does that lead to for someone in Hallmark's --

A It may or may not lead to anything.

Q Does it go more towards a preference for how the software as opposed to absolute functionality versus non-functionality?

A Fit, preference is in the eyes of the beholder, the buyer.

Q No doubt that PeopleSoft, at that point in time, was viewed as by Hallmark as functional, correct? You have no doubt about that?

A They wouldn't be where they were if they wouldn't -- if they weren't considered to be able to do the job is my opinion.

Q Right. And it's because of that that Oracle was willing to cut price, correct?

A It was really because in this particular instance, to the best of my recollection, PeopleSoft realized they were losing the deal and they were cutting their price to nothing to compete on price.

Q PeopleSoft was cutting it to nothing to compete on price?

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A Yeah.

Q But it was because PeopleSoft had already passed the functionality test in Hallmark's term that Oracle was willing to compete on price?

A I would restate that to say PeopleSoft was probably one of two finalists. As the decision leaned towards Oracle, PeopleSoft realized they were losing and they cut prices as a point of differentiation because they could not find other points of differentiation.

Q What did they cut the price to?

A You know, I don't remember. I could totally speculate, but I won't because I don't remember.

Q I don't want you to speculate. But we have an example here where you're going from 1.9, 2.0 to 1.2, and these are strategy decisions that you make with your North American Sales Groups, a day-to-day thing, and the two Matts have got to do it?

A Right.

Q Okay. So what range do you want to give me of where PeopleSoft is? If your final number that's going to be the win, retrospective is 1.2?

A I think they were probably somewhere between

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800 and a million.

Q And that was – now that I put it in that context, do you recall now that that's where you and the two Matts thought they were?

A I would say that that's approximately where we thought they probably were in the deal price-wise.