14 Q. Ms. Catz, could you please state your name for
15 the record, please.
16 A. Safra, S-a-f-r-a, Ada, A-d-a, Catz, C-a t z.



Q. Just very briefly, your current position at Oracle Corporation is what?

A. I'm president, I'm one of the presidents of Oracle Corporation.

Q. Have you finished?

A. I think I have.

Q. And how long have you been in that position?

A. A few months.

Q. Prior to becoming a co-president of Oracle, what was your position with the company?

A. I was an executive vice president.

Q. You held that position for how long?

A. I think around four years. I'm also a board member of Oracle Corporation.

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Q. And how long have you been on the Oracle board?

A. At least two years.

Q. And who was involved in those considerations?

A. The board.

Q. And did you actually make a formal board

presentation regarding making a possibility of making an offer for J.D. Edwards?

A. I think we did.

Q. And what was your recommendation?

A. Not to do it.

Q. Why was that?

A. Because we thought we'd have to -- we would just bid it up and that if we allowed PeopleSoft to buy them, we could just buy them both.

Q. Do you recall when that was?

A. No. It had to have been before J.D. Edwards and PeopleSoft closed in July.

Q. Was there a formal board meeting on this point, whether or not to pursue J.D. Edwards independent of PeopleSoft?

A. I don't know if there was a formal board meeting or an acquisition committee meeting, but I'm sure that information is available in documents we've turned over to you.

Q. All right. Now, can you describe for me your involvement in pricing at Oracle. By "pricing" let's focus on pricing that is offered for Oracle's application

software.

A. I don't know if you're talking about list prices or price on any particular transaction.

Q. Let's start with list prices. What involvement do you have in setting list prices?

A. I attend a meeting called the PBMC, where pricing -- where new products are priced, a proposal is made, generally presented by Jacqueline Woods, who I mentioned, I think, to you earlier in -- maybe I didn't mention her name -- in this pricing group, and a presentation's made and the development organization that actually really makes the presentation gives the input for the presentation, presents a price, and we have a discussion about it. And I attend that meeting and I participate in the discussion.

Q. What factors are considered by this group in setting Oracle's prices for its application software?

A. Very importantly, the ease of managing the price and its consistency with the rest of the price list and the -- in some cases prices of competitive products and the type of product that it is, the type of metrics that would be appropriate to try to capture some of the value

of the product and also whether it should be even an independent product priced separately or whether it should be included at no extra charge with some of the other products, which is often the recommendation.

Q. What do you mean by "ease of managing the price"?

A. Well, customers have often many different products, either from us or from our competitors, and we like to set our prices in such a way that they're very simple for the customer to count and to measure as to avoid any kind of disputes or disagreements later.

Q. When you say that you at times consider the prices of competitive products in setting Oracle's list price for application software, what does that mean?

A. It would depend on the product, but we may look to see where some other companies have similar products and what their list prices are.

Q. Why would you look at that?

A. Just to get an idea of what's in the market.

Q. What do you mean by getting an idea of what's in the market?

A. What would be available to customers as an

alternative to Oracle's product.

Q. Why would that be important in setting your price?

A. Well, it could impact your strategy. It would relate to your strategy of how you want to position your product and what your goals are with it.

Q. And when you say it would impact your strategy of how you would want to position your product, what does that mean?

A. Well, for example, we have a feature of the data base that we call Real Applications Cluster, that for the -- that we actually give for free with our standard edition product because we like to position it as a standard part of the product and to expand its market penetration and its use.

Q. Focusing on application software, why would you look at what other products are being offered by other software vendors to execute whatever strategy you have regarding selling yours?

A. Well, for example, in Oracle many other things companies sell as add-on modules, we actually include as part of the base product in an effort to compete so that,

for us, the standard product may include some interesting intelligence part to it that we believe should be a part of it, while one of our competitors may decide that they want to charge extra for it and we think it gives us a competitive advantage to have a product that includes more.

Q. Does what your competitors or other software vendors charge factor in any other way into what you charge for your products?

A. In any other way beyond --

Q. Your strategy issues.

A. Oh, it can guide us as to what other folks are doing as to what we should set our price at.

Q. Well, why would what other folks are doing indicate to you what you should set your products at -- your prices at for products?

A. Well, in general, we don't feel that it would make a lot of sense to have a product that many customers don't even consider because the list price, in their mind, might be too high. So we like customers to feel that our products are a good price and so that they invite us to compete in a competition to be purchased.

Q. Are there particular application software vendors that you look at for when you do your pricing, you go through the exercise of determining what you will charge for your products?

A. Well, it depends on the different modules that or product that we would be pricing.

Q. So it varies?

A. It would vary.

Q. Do you have any understanding of what price discrimination strategies have been proposed by the plaintiffs in this matter?

A. I have read the Complaint and though I do not exactly know which customers you have defined within your market, I do believe that you are arguing that we will -- that Oracle, as a result of this merger, will be able to

increase prices on some group of customers that we will be able to identify in advance, and I guess that's my understanding of what you are arguing.

Q. And I take it you disagree with that argument?

A. I do.

Q. And could you tell me why you disagree?

A. For so many reasons. I could start -- I could start telling you.

Q. Well, that would be a good idea.

A. First of all, the customers that I think you are referring to receive the best prices, not the worst prices. Oracle would have no ability to -- if your definition is these largest -- whatever your definition -- highly complex companies, those companies, whoever they specifically are, to the extent that they are the largest companies, they receive the best prices, not the worst.

In fact, the ability of Oracle as a vendor to a -- to take advantage of those customers is absolutely none; that, in fact, there are many constraints on our ability to raise prices to those customers, including the many alternatives that they have.

Q. Any other reasons that you believe that Oracle would not have the ability to charge some customers higher prices post merger?

A. Because the customers have many alternatives, because we don't have full information of who even these, quote, vulnerable customers would be so that in the event that we guess wrong, we would lose much more than we could possibly gain by raising their price say ten percent or whatever it is, and the risk of being wrong, so outweighs any potential value of increasing prices on these customers.

The fact that many of these customers, if we could in figure out who they are, have already purchased their H.R. products and their core accounting and will not be making any purchases. So, again, the potential of us increasing prices on them is none.

The fact that we could even get away with charging smaller customers less than large customers is just foolish and counterintuitive and impossible; that many companies are actually considering doing away entirely with their H.R. and financial software and are going to outsourcers and business process outsourcers.

That's not a complete list. It's a long couple days and by the time I testify, I will have remembered so many of the reasons if I'm asked.

Q. Now, there's here a number of justifications, Request 1, Justification 1, justification 2, Justification 3 and I take it that those are set up to deal with different aspects of the transaction, at least on this form?

A. No, they have to do with different requests.

Q. That's what I meant.

A. Oh, okay. Yes, so whatever the requests were. As I mentioned, I don't usually see -- I don't usually actually look at the forms so and this one is actually kind of a funny one because this is -- obviously, I'm kind of deciphering it. This happened clearly at the end of Oracle's fiscal year and they're almost dated like daily here during a negotiation.

And so it's obviously kind of an in-process thing and at the very top of it they're sort of saying "This is the last request" and they -- the things we were looking at right now, reading, were stuff done previously in the month.

Q. Okay. Do you know to what extent Oracle's salesmen know who their competition is in these deals?

A. I don't know.

Q. So let me -- to understand the analysis that you go through here, some of the things you look at when you're looking at whether to approve a different discount would include the identity of the customer and if they're in an industry or vertical that you're interested in establishing a presence at?

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A. Uh-huh.

Q. Correct?

A. Yeah, or if they're a good reference for some other reason; they're a good name to have; they're a new customer; they're good to have as a customer.

Q. So if they're good to have for some of those reasons as a customer, you may be inclined to give them a lower price in order to get them in the door?

A. Yes, and a dramatically lower price, especially if they are historically not a data base user also.

Q. So also if there's a chance by selling the application software you can get them as a data base customer, that may lead you to give them a lower price on the application?

A. To introduce them to Oracle, if we don't have them at all and this would be an opportunity to have a new customer.

Q. If they have a software from someone else, PeopleSoft or SAP, would that lead you to possibly give them a lower price than you otherwise might, if you were going to --

A. If they're install base and I could replace one

of the competitors?

Q. Yes, ma'am.

A. Replacing a competitor is also a very good reference because then when you're competing in -- head to head, you can -- in another competition, the salesmen can say, "We replaced these guys." So, again, it's a value of a good reference.

Q. All right. The other factors you said what might be also -- I've lost them in my notes.

A. I can give you some more actually. There's additional ones where there's potential to sell more later, so a customer that's starting with one thing and you understand that this transaction may not be as large but there's a lot of potential going forward to sell more.

Then, of course, very important is the size of the transaction. Large transactions often have the best discount, that's just volume purchasing that everybody knows about.

Q. When you're making your decisions regarding how to -- what level of discount you're going to get in the license -- strike that.

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Let me ask you this question. Does the amount of the license fee affect their maintenance price, dollar volume?

A. The way it works is that the discount, if you look at it, you'll see that the discount that we approve for the license, applies for the support, which is the maintenance fee.

That maintenance fee at Oracle, though I think at some of our competitors they actually -- they differ and they may charge them off list prices. At Oracle your maintenance fee is a percentage of your net -- your discounted license fee.

Q. So the discount that they get on the license will have an affect on the price that they're praying on a going forward basis for their support fees?

A. Yes.

Q. Now, when you are pricing or deciding what level of discount to approve on a particular transaction, do you take into account at all the cost of the product to you?

A. I don't have.

Q. Do you take into account the cost of sales, for

example, your salesmen, the demo people, that type of thing?

A. Well, it kind of depends what you mean. And I should answer the previous question better, in that since the product -- when one of my customers when they buy let's say a license for a thousand users, which would be -- which could be a typical -- they actually -- it may not cost me an additional anything. I may not even have to send them a CD because they could download the software from our servers.

So when you ask the cost, if you meant the cost of the CD and stuff, since the -- it comes into my mind in that the cost is nothing, very, very low.

So if it was very, very high, for example, I would have to consider that.

Q. When you do the pricing, do you consider, in addition to any costs associated with providing them with the physically preparing the product, do you include any or consider any costs associated with the sales process, salesmen, the amount of demo, how much you had to invest to get that transaction?

A. What I really think of is that if we don't get

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that deal, we don't get anything, regardless of how much we've spent trying to get it. So we want to get it.

Q. So the sales costs are not factored into your pricing of the transaction --

A. To me --

Q. -- from the standpoint of approving discounts?

A. To me, in fact, I think I don't even know what has been spent by the salesforce in trying to get that customer, generally. I want all the customers.