

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.



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

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

13 Q. Have you finished?

14 A. I think I have.

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

16 A. A few months.

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

19 A. I was an executive vice president.

20 Q. You held that position for how long?

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

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

2 A. At least two years.

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20 Q. And who was involved in those considerations?

21 A. The board.

22 Q. And did you actually make a formal board

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

3 A. I think we did.

4 Q. And what was your recommendation?

5 A. Not to do it.

6 Q. Why was that?

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

10 Q. Do you recall when that was?

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

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

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

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

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1 software.

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

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

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

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

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

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

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

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

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

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

18 Q. Why would you look at that?

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

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

22 A. What would be available to customers as an

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1 alternative to Oracle's product.

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

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

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

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

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

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

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

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

10 A. In any other way beyond --

11 Q. Your strategy issues.

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

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

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

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

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

7 Q. So it varies?

8 A. It would vary.

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

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

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

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

5 A. I do.

6 Q. And could you tell me why you disagree?

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

9 Q. Well, that would be a good idea.

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

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

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

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

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

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

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

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

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

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1 Q. That's what I meant.

2 A. Oh, okay. Yes, so whatever the requests were.

3 As I mentioned, I don't usually see -- I don't usually
4 actually look at the forms so and this one is actually
5 kind of a funny one because this is -- obviously, I'm
6 kind of deciphering it. This happened clearly at the end
7 of Oracle's fiscal year and they're almost dated like
8 daily here during a negotiation.

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

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

16 A. I don't know.

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

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1 A. Uh-huh.

2 Q. Correct?

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

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

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

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

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

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

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

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1 of the competitors?

2 Q. Yes, ma'am.

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

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

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

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

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

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

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

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

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

16 A. Yes.

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

21 A. I don't have.

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

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

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

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

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

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

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

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1 that deal, we don't get anything, regardless of how much

2 we've spent trying to get it. So we want to get it.

3 Q. So the sales costs are not factored into your

4 pricing of the transaction --

5 A. To me --

6 Q. -- from the standpoint of approving discounts?

7 A. To me, in fact, I think I don't even know what

8 has been spent by the salesforce in trying to get that

9 customer, generally. I want all the customers.