

**ORACLE SYSTEMS**

**FORM 10-K**

(Annual Report)

Filed 08/14/97 for the Period Ending 05/31/97

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REDWOOD CITY, CA 94065

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CIK 0000777676

SIC Code 7372 - Prepackaged Software Industry Software & Programming

Sector Technology Fiscal Year 05/31



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ORACLE CORP /DE/

FORM 10-K

(Annual Report)

Filed 8/13/1997 For Period Ending 5/31/1997

Address

Telephone CIK

Industry Sector

Fiscal Year

500 ORACLE PKWY

REDWOOD CITY, California 94065 650-506-7000

0000777676

Software & Programming Technology

05/31



**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON D.C., 20549

**FORM 10-K**

# [X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

**FOR THE FISCAL YEAR ENDED MAY 31, 1997**

OR

# [\_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

*COMMISSION FILE NUMBER: 0-14376*

**ORACLE CORPORATION**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 94-2871189

(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER

INCORPORATION OR ORGANIZATION) IDENTIFICATION NO.)

# 500 ORACLE PARKWAY REDWOOD CITY, CALIFORNIA 94065

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(415) 506-7000

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

# SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: COMMON STOCK, PAR VALUE $0.01 PER SHARE

**PREFERRED STOCK PURCHASE RIGHTS**

(TITLE OF CLASS)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [\_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [\_]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of July 31, 1997 was $27,587,690,611. This calculation does not reflect a determination that persons are affiliates for any other purposes.

Number of shares of common stock outstanding as of July 31, 1997: 653,228,341.

# DOCUMENTS INCORPORATED BY REFERENCE:

Part III--Portions of the registrant's definitive proxy statement to be issued in conjunction with registrant's annual stockholders' meeting to be

held on October 13, 1997.

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# FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report contains forward- looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements.

Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors That May Affect Future Results and Market Price of Stock." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. The Company undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed by the Company in fiscal year 1998.

# PART I

**ITEM 1. BUSINESS**

Oracle Corporation ("Oracle" or the "Company") is the world's leading independent supplier of software for information management. In 1979, the Company introduced the first commercially available relational database management system for the storing, manipulating and sharing of information. The Company's primary information management products can be categorized into three primary product families: Server Technologies (distributed database servers, connectivity products and gateways), Application Development and Business Intelligence Tools (tools for application design, development and data access) and Business Applications (modules for financial management, supply chain management, manufacturing, project systems, human resources and sales force automation). The Company's principal product, Oracle8(TM), is a multimedia, object-relational database management system ("DBMS") that runs on a broad range of computers, including massively parallel, clustered, symmetrical multi-processing, minicomputers, workstations, personal computers and laptop computers and over 85 different operating systems, primarily UNIX, Windows and Windows NT. The Oracle8(TM) relational DBMS is a key component of Oracle's database server offering for relational, object-relational, text, spatial, video and other types of data. The Company's Application Development and Business Intelligence Tools and Business Applications run on a broad range of operating systems including UNIX, Windows and Windows NT. The Company also offers consulting, education, support and systems integration services in support of its customers' use of the Company's software products.

The Company was incorporated on October 29, 1986 in connection with a reincorporation of the Company's predecessor in Delaware, which was completed on March 12, 1987. The Company's primary operating subsidiary, Oracle Corporation, a California corporation, was incorporated in June 1977. In May 1995, Oracle Corporation was merged into Oracle Systems Corporation, a Delaware corporation, whose name was changed to Oracle Corporation. Unless the context otherwise requires, the "Company" or "Oracle" refers to Oracle Corporation, its predecessor and its subsidiaries. The Company maintains its executive offices and principal facilities at 500 Oracle Parkway, Redwood City, California 94065. Its telephone number is (415) 506-7000.

# BACKGROUND

Computer software can be classified into two broad categories: system software and application software. System software includes (1) operating systems, which control the computer hardware, (2) compilers and interpreters, which translate programs into a form that can be executed by a computer,

(3) communications software, which permits computers to send data across a network, and (4) database management systems, which are used to create, retrieve and modify data stored in computers. Application software automates the performance of specific business data processing functions such as payroll processing, general ledger accounting and inventory control.

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Database management systems software permits multiple users and applications to access data concurrently while protecting the data against user and program errors and against computer and network failures. Database management systems are used to support the data access and data management requirements of transaction processing and decision-support systems.

The comparative advantage of a relational DBMS over a non-relational DBMS is that users need not know how or where their data is stored in the computer. To access data, users simply specify what data they desire, not how to retrieve it. Relational systems navigate automatically to the data, making database information readily accessible to all users, irrespective of their familiarity with the structure of the database.

Regardless of how the data is actually stored in the computer memory, the results of database queries are presented to users in familiar, two- dimensional tables of rows and columns of data. Relational DBMSs therefore are widely used for management information and decision- support systems which require flexible access to large quantities of data.

Relational databases are often chosen to support data warehouses. A data warehouse is designed to store large amounts of historical or reference data which typically is used to support the decision-making and information needs of an enterprise. Because they facilitate application development and maintenance, relational DBMSs also have become widely used in mid-range and low-end transaction processing environments. As their performance and reliability have improved, relational DBMSs increasingly have been chosen to support mission-critical data processing applications.

Managing multimedia information such as video, audio, text, messaging, spatial and multi-dimensional data, often dictates the use of relational DBMSs. The Company believes that such use of relational DBMSs is particularly important as application development becomes more prevalent on the Internet. Traditionally, web-based systems have been primarily transaction-oriented in nature. Because Internet applications are becoming more information-oriented, relational DBMSs have become more widely used for web-based systems. As the various forms of information on the Internet become more complex and widely used (video, audio, text, messaging, spatial and multi-dimensional data), the Company believes the demand for more sophisticated relational DBMSs will increase.

Object-oriented technology allows companies to more closely model their systems to an enterprise's business. In an object-oriented development environment, developers can define objects (data structures) and methods (operations) that correspond directly to a business application. To support these features, Oracle8 includes many new object-relational features such as custom object types, methods and object views.

# PRODUCT DEVELOPMENT HISTORY

In 1976, International Business Machines Corporation ("IBM") published the specifications for a simple, English-like command language called SQL (pronounced "sequel"), with which users define, retrieve, manipulate and control data stored in a relational DBMS. In 1977, the Company was formed to develop a relational DBMS using IBM's published specifications for the SQL language. Two years later, in June 1979, the Company introduced the Oracle relational DBMS, the first commercially available relational DBMS. IBM's first relational DBMS product, SQL/DS, was released in February 1982. In 1985, IBM announced DB2, its second relational DBMS product, and its second product to implement SQL. SQL has become the industry standard command language for relational DBMS products. In October 1986, the American National Standards Institute ("ANSI") approved a standard definition for the SQL command language, which was also adopted by the International Standards Organization ("ISO"). The SQL standard was updated with additional capabilities in 1989, and a second enhanced standard ("SQL92") was finalized in 1992.

The Company has periodically released updated versions of the Oracle relational DBMS containing performance and functionality enhancements for distributed computing, on-line transaction processing and decision support applications. Complementing the core server technology, Oracle also develops and markets a comprehensive family of application development tools for different types of applications. These application tools provide both development and deployment environments for building scalable, client server applications running on a broad

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range of platforms. The most recent version of Oracle's tool set includes Oracle Designer/2000 and Developer/2000, the core development tools for client server applications development. In addition, the Company introduced Oracle Web Tools in 1997 which allow users to convert Oracle based client server applications to web applications. In the data warehousing area, Oracle offers business intelligence tools including Discoverer/2000 and Oracle Express, which provide query, analysis and decision support capabilities.

The Company initially entered the business applications market in the late 1980's. Oracle's business applications products provide a comprehensive global business solution that allows for complete enterprise automation. The business applications product suite includes over 30 client server applications modules for financial management, supply chain management, project systems, manufacturing, sales force automation and human resources. In 1997, the Company introduced Web Applications which allow users to operate in a "thin- client" environment and companies to benefit from lower cost of ownership and easier systems management.

In 1992, the Company introduced Version 7 of the Oracle relational DBMS ("Oracle7"), which was developed to improve the product's ability to support large numbers of users and higher rates of transaction processing, to provide enhanced application development capabilities such as DBMS server-enforced business rules for data integrity, and to permit multiple computers running DBMSs of Oracle and other vendors to cooperatively share data with other computers across a communications network.

In 1994, the Company acquired the Rdb relational DBMS and associated software products (now known as "Oracle Rdb") from Digital Equipment Corporation ("DEC"). This product has many of the same attributes as the Oracle7 relational DBMS, but it operates only on hardware and operating systems developed by DEC.

In 1995, the Company acquired the Express(R) family of on-line analytical processing ("OLAP") software products from Information Resources, Inc. ("IRI") in order to enhance its existing data warehousing strategy. These products complement Oracle's existing products for the development and maintenance of data warehouses and enable customers to manage and perform complex analyses of business data.

In October, 1996, the Company introduced Network Computing Architecture(TM) (NCA). Oracle's Network Computing Architecture is a cross-platform environment for developing and deploying object-based, network-centric applications, including robust Web applications. Through this architecture, existing client server applications can take advantage of Web technology with minimal change. It also allows customers to implement distributed object technologies. Based on open de facto standards, CORBA and HTTP, Oracle's Network Computing Architecture supports the Netscape ONE client, the network computer and Microsoft's ActiveX Desktop. Network Computing Architecture enables customers to protect existing IT investments while taking advantage of new technologies by dynamically linking Internet, client server and legacy systems.

In 1997, Oracle acquired Datalogix, a provider of client server solutions for process manufacturing applications.

In June 1997, the Company introduced Oracle8, the latest major version of its primary product. Oracle8 is based on an advanced scalable architecture and leverages the broadest range of hardware. Key new features include object relational technology, data partitioning, server managed back-up and recovery, advanced queuing, heterogeneous services, index only tables and binary large objects.

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# PRODUCTS

The Company's product strategy is to deliver to its customers scalable solutions for personal, workgroup, department and enterprise computing as well as the public. The Company's products span all of these markets and are contained within three primary product families: Server Technologies, Application Development and Business Intelligence Tools and Business Applications, as follows:

|  |  |  |
| --- | --- | --- |
| SERVER | TOOLS | APPLICATIONS |
| ------ | ----- | ------------ |
| ORACLE8 | DESIGNER/2000 | FINANCIALS |
| ORACLE8 ENTERPRISE EDITION | DEVELOPER/2000 | HUMAN RESOURCES |
| WEB APPLICATION SERVER | WEB TOOLS | MANUFACTURING |
| EXPRESS SERVER | DATABASE DESIGNER | SALES FORCE AUTOMATION |
| ENTERPRISE MANAGER | POWER OBJECTS | SUPPLY CHAIN MANAGEMENT |
|  | GROUPWARE | PROJECTS |
|  | OLAP TOOLS | DATAWAREHOUSING |
|  |  | WEB APPLICATIONS |
| **SERVER TECHNOLOGIES** | **Products** |  |

The Company's Server Technologies product family consists of an integrated set of database server and networking products. The principal product is the Oracle relational DBMS. The Oracle relational DBMS gives users the ability to define, retrieve, manipulate and control data stored on multiple computers, using the industry standard SQL language. With the current version, Oracle8, additional capabilities have been included that allow users to manage unstructured information such as text, spatial, video, messaging, multidimensional data and object- relational information.

With the introduction of Oracle's Network Computing Architecture, Oracle introduced Oracle Web Application Server, a middleware component of Oracle's three-tier strategy. Oracle Web Application Server is an open-software platform for developing, deploying and managing distributed software application programs. Based on CORBA (Common Object Request Broker), the Oracle Web Applications Server ("thin-client") allows distributed transaction processing with large numbers of users and data while improving performance and lowering incremental deployment and maintainence costs. The current version 3.0 can run on Netscape, Microsoft and Oracle data servers.

Oracle Express Server, acquired in 1995 as part of IRI's Express family of products, is an advanced calculation engine and data cache for data warehousing and OLAP (On-line Analytical Processing) and a key component of Oracle's server technology family. The Express Server uses a multidimensional model that reflects how users view their business. Oracle Express integrates cross-departmental data, enabling managers to view their business from a common information base, along multiple dimensions. It provides users with the ability to work with all of the data in a data warehouse. Express can also go beyond the warehouse and integrate data from disparate systems--relational, legacy or external. This integration enables new applications, such as fact- based selling, activity-based costing and product profitability analysis to transcend the boundaries of a single department.

Another component of the Server Technologies product family is the Oracle Open Gateway products (Oracle Transparent Gateway(R) and Oracle Procedural Gateway(R)). These products allow non-Oracle DBMSs to be integrated into a distributed database environment. Users can employ the SQL language to access data stored in other relational DBMSs such as IBM's DB2 and data stored in older hierarchical DBMSs or file systems.

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# Key Features

The Oracle8 relational DBMS supports a client server architecture between application programs and database servers, as well as a network computing architecture among client devices, applications servers and database servers. Additionally, Oracle8 permits transparent data sharing across a communications network so that application programs and users can access data without knowing or specifying the location of the data within the network. The Oracle8 object- relational DBMS provides features to support the operational requirements of on-line transaction processing (OLTP), decision support and data warehouse environments for high systems availability and performance. The Oracle relational DBMS provides optional parallel server technology that further extends scalability and availability by allowing multiple, loosely coupled or clustered machines to access cooperatively a logical database spread across multiple disks. Furthermore, the Oracle8 DBMS provides optional parallel query capabilities that enable quick searching of large amounts of data for large- scale decision support and data warehouse applications. The Oracle8 relational DBMS also contains replication features that automatically copy data among multiple locations, providing systems architects and application developers with additional flexibility for managing data distribution and access throughout an enterprise.

The Company's database technology has supported the management of unstructured data, such as text, audio and video, since the introduction of Oracle 7.3. With the release of Oracle8, object-relational capabilities of the Company's database technology have been extended to support high-speed transactions, powerful decision-support and leading edge network computing applications.

Among the key features of the Oracle Express Server are functions that analyze, forecast, model and ask what-if questions of the data. The server has built-in functions for mathematical, financial, statistical, logical and string manipulation. Express Server can store and manage multidimensional arrays of data or provide direct analysis of relational data with a sophisticated multidimensional caching scheme. Other key features include the ability to structure data in ways users understand, portability to leading server platforms and on operating systems such as Microsoft, IBM, Digital and Hewlett-Packard, scalability from PC to mainframe, simultaneous accessibility to several multidimensional databases, accessibility through published Application Programming Interfaces (APIs) which include Dynamic Link Library (DLL), Visual Basic custom control and Dynamic Data Exchange (DDE), and the ability to combine relational and multidimensional data through APIs which include a SQL interface to any database that complies with the Open Database Connectivity (ODBC) standard, native SQL support for Oracle, Sybase, Ingres, Teradata, DB2 and SQLServer (both Sybase and Microsoft).

Applications developed with the Oracle relational DBMS are scalable from the desktop to massively parallel computers and are portable to a wide variety of hardware and operating system environments with little or no change to the underlying structure.

# APPLICATION DEVELOPMENT AND BUSINESS INTELLIGENCE TOOLS

**Products**

The Company provides a number of application development tools for different types of applications. For the personal and workgroup markets, Oracle offers Oracle Power Objects(R), a simple, easy-to-use development tool for client/server and web applications. For the departmental and enterprise systems, Oracle offers two products: Designer/2000(TM) and Developer/2000(TM). Designer/2000 is a set of development tools for modeling and generating both client server and web applications. Developer/2000 is an application development and deployment tool which offers a robust development environment for building scalable database applications that can be deployed on a variety of platforms, including the World Wide Web. The Company also offers a suite of business intelligence tools, Oracle Discoverer(TM) and Oracle(R) Express(R), which provide query, analysis and decision support capabilities to a wide range of users accessing data warehouses and data marts.

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# Key Features

The Company's application development tools are being developed to run on Oracle's Network Computing Architecture, with the goal of providing enterprise-class performance and compatibility with other applications. These tools run on a variety of platforms, support graphical user interfaces and allow for an efficient use of hardware resources.

# BUSINESS APPLICATIONS

**Products**

Oracle Applications consist of over 30 integrated software modules for financial management, supply chain management, manufacturing, project systems, human resources and sales force automation. These applications combine business functionality with innovative technologies, such as data warehousing and workflow, to build enterprise-wide solutions. Oracle currently provides or is in the process of developing industry solutions for the Consumer Packaged Goods, Energy, Healthcare, Telecommunications, Government/Higher Education, Industrial, Financial Services and other industries. Oracle Applications are designed for rapid implementation and continuous process improvement.

Oracle also provides a family of applications that have been specifically designed for the World Wide Web--Oracle Applications for the Web. These applications enable customers to lower the cost of their business operations by providing their customers, suppliers and employees self- service access to selected business information using the World Wide Web.

The Company is currently developing web-deployed applications which will have a "thin-client" technology based on the Oracle Network Computing Architecture and have the potential to reduce the costs of deployment and maintenance associated with traditional client server applications.

For better management, Oracle Applications Data Warehouse provides businesses the enterprise-wide view of information required for informed decision making.

# Key Features

Oracle is the only applications vendor that builds an integrated set of technologies: applications, tools and database. This enables the Company to build application enhancements within each technology layer for improved scalability and performance. Oracle's flexible and open applications architecture enables customers to tailor the applications with minimal programming and easily integrate Oracle Applications with third party and legacy systems. Release 10.7 of Oracle Applications is fully compliant with year 2000 requirements.

With web-deployed Oracle Applications, customers can reduce administrative and installation costs associated with traditional two-tier architectures by running Oracle Applications on any Java-enabled Web browser. This enables the applications to be run on traditional PCs and new low-cost clients such as network computers.

# CONSULTING, EDUCATION AND SUPPORT SERVICES

In most of its sales offices around the world, the Company has trained consulting and education personnel who offer consulting and education services that help customers realize the potential of the Company's products in meeting their information management needs. Consultants and instructors supplement the Company's product offerings by providing services to assist customers in the implementation of applications based on the Company's products and to ensure that customers have the necessary training to use the Company's products. Consulting and education revenues represented approximately 26% of total revenues in fiscal 1997 and 24% of total revenues in each of fiscal 1996 and 1995.

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The Company offers a wide range of support services that include on-site, telephone or Internet access to support personnel as well as software updates. Telephone support is provided by local offices as well as Oracle's five global support centers around the world. The prices of the Company's support services are generally based on the level of support services provided and the number of users authorized to access the Company's software products. Support revenues represented approximately 23%, 21% and 20% of total revenues in fiscal 1997, 1996 and 1995, respectively.

The Company believes that its broad-based service offerings and its current and planned product offerings facilitate the transfer of technology to customers and stimulate demand for the Company's products.

# MARKETING AND SALES

**Direct and Indirect Sales Organization**

In the United States, the Company markets its products and services primarily through its own direct sales and service organization. Sales and service groups are based in the Company's headquarters in Redwood City, California, and in field offices that, as of May 31, 1997, were located in approximately 60 United States metropolitan areas.

Outside the United States, the Company markets its products primarily through the sales and service organizations of approximately 60 subsidiaries. These subsidiaries license and support the Company's products both within their local countries and certain other foreign countries where the Company does not operate through a direct sales subsidiary. See Note 8 of Notes to Consolidated Financial Statements for a summary of operations by geographic region.

The Company also markets its products through value-added relicensors, hardware providers, systems integrators and independent software vendors that combine the Oracle relational DBMS, application development tools and business applications with computer hardware or software application packages for redistribution.

Additionally, the Company markets its products through independent distributors in international territories not covered by its subsidiaries' direct sales organizations.

As of May 31, 1997, headcount in the United States included 9,634 sales and service employees while the international sales and service groups consisted of 13,015 employees.

# Additional Customer Information

Revenues from international customers (including end users and resellers) amounted to approximately 53%, 57% and 58% of the Company's total revenues in fiscal 1997, 1996 and 1995, respectively. See Note 8 of Notes to Consolidated Financial Statements for a summary of operations by geographic region.

# PRODUCT DEVELOPMENT

The Company continually enhances its existing products and develops new products in order to meet its customers' ever-changing requirements and to expand its product base. Research and development expenditures were 10% of total revenues in fiscal 1997, 1996 and 1995, respectively (in each case prior to the effect of amounts capitalized in accordance with Statement of Financial Accounting Standards No. 86).

Significant areas of product development expenditures during fiscal 1997 included the following:

. Enhancing and extending the Oracle relational DBMS, including extending its distributed database capability, optimizing its performance in production applications, increasing its data capacity and ability to handle large user populations, adding additional security features, incorporating object oriented extensions to SQL and adding the ability to manage large objects, including video, audio, text and more complex structures of data;

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. Developing and enhancing network software products, including application development tools for networks, application deployment platforms for networks, and network management products, including support for the Internet and the World Wide Web;

. Developing new and enhanced network-oriented groupware products for document management, communication and personal productivity;

. Developing new and enhanced application development and business intelligence tools;

. Developing and enhancing client server and network computing business applications for financial management, supply chain management, project systems, manufacturing, sales force automation and human resources, including vertical industry extensions to meet specific industry solutions initiative ("ISI") requirements;

. Developing reference design specifications for a family of low-cost, easy-to-use network computing devices and applications, as well as some applications development for network computer devices; and

. Porting new versions and releases of the Company's products to the numerous computer models on which prior versions and releases operate, as well as extending the Company's products to make effective use of new hardware technologies.

# COMPETITION

The computer software industry is intensely competitive and rapidly evolving. The Company competes in various markets. Prospective customers often perform a detailed technical evaluation or benchmark of competitive products as a part of the DBMS, applications software and software development tools selection process. Technical support is therefore a critical element in the Company's sales and delivery process. Consequently, sales representatives typically are teamed with technical support specialists who can answer technical questions, help customers run benchmarks against competitive products and develop prototype databases and Oracle-based applications.

The principal independent software competitors in the enterprise and departmental DBMS marketplace include Informix Corporation, Sybase, Inc., Computer Associates International, Inc., Progress Software Corporation and Software AG. In the workgroup and personal DBMS marketplace, the Company competes with several desktop software vendors, including Microsoft Corporation. In addition, hardware systems vendors sell or license database software with which the Company competes, including International Business Machines Corporation. In the application development and business intelligence tools market, the Company competes primarily with Visual Basic, a product owned by Microsoft Corporation, PowerBuilder, a product owned by Sybase, Inc., and Forte Software, Inc. The Company also competes in the client server business applications software market. Competitors include SAP Aktiengeschellschaft, Peoplesoft, Inc. and The Baan Company in the financial, manufacturing and human resources applications markets. The Company also competes with systems integrators and consulting organizations in the services marketplace. In the data warehousing market, the Company's OLAP products compete with those of Red Brick Systems, Inc., Arbor Software Corporation, Cognos, Inc. and Business Objects, S. A.

In the enterprise market (massively parallel, clustered, symmetrical multi- processing, mainframes, minicomputers and workstations), the Company believes that the most important considerations for end user software customers are performance, functionality, product reliability, ease of use, quality of technical support and total cost of ownership, including initial price and deployment costs as well as ongoing maintenance costs. In the workgroup market, the Company believes that the principal competitive factors are strength in distribution and marketing, brand name recognition, price/performance characteristics, ease of use, ability to link with enterprise systems and product integration. The Company believes that it competes effectively in each of these markets, although the competition is intense in each market.

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# PRODUCT AND SERVICES REVENUES

The Company's standard end user license agreement for the Company's products provides for an initial fee to use the product in perpetuity up to a maximum number of users on a specified computer. The Company currently offers either CPU-based or user-based pricing for most products. The Company also enters into other license agreement types, typically with major end user customers, which allow for the use of the Company's products, usually restricted by the number of users, the number of employees, the number of CPUs or the license term. Fees from licenses with standard acceptance periods (15 days for commercial customers, and 30 days for shrink-wrap, government and telemarketing customers) are recognized as revenue upon shipment if there are no significant post-delivery obligations and payment is due within one year. If the acceptance period is longer than standard, revenues are not recognized until the end of the acceptance period. The Company provides for sales returns based on historical rates of return.

The Company receives sublicense fees from its Oracle Alliance members (value- added relicensors, hardware providers, systems integrators and independent software vendors) based on the sublicenses granted by the Oracle Alliance member. Sublicense fees typically are based on a percentage of the Company's list price and are generally recognized as they are reported by the reseller.

In general, the Company prices its support services based on the level of support services provided and the number of users authorized to access the Company's software products. Most customers take support initially and renew their support agreements annually. Support usually consists of two parts: (1) technical support, including telephone consultation on the use of the products and problem resolution; and (2) system updates for software products and user documentation. The Company generally bills support fees at the beginning of each support period.

Support revenues are recognized ratably over the contract period. Revenues related to consulting and education services to be performed by the Company generally are recognized over the period during which the applicable service is to be performed or on a services-performed basis.

The Company's quarterly revenues and expenses reflect distinct seasonality. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

# PRODUCT PROTECTION

The Company relies on a combination of trade secret, copyright, patent, trademark and other proprietary or intellectual property rights laws, license agreements and technical measures to protect its rights in its software products. The Company owns several issued patents and has numerous patent applications pending before the United States Patent and Trademark Office.

The Company has registered "ORACLE" as a trademark in the United States and in over 100 foreign countries and has additional registrations pending. The Company also has registered over 45 other trademarks in the United States for other product names and also has registration applications pending for products and services names in the United States and foreign countries.

The Company's products generally are licensed to end users on a "right to use" basis pursuant to a nontransferable perpetual license that restricts the use of the products to the customer's operations on either a single CPU or up to a maximum number of users across a network of services. Although the Company's license agreements prohibit a customer from disclosing the proprietary information contained in the Company's products to any other person, it is technologically possible for competitors of the Company to copy aspects of the Company's products in violation of the Company's rights. The Company's products are generally licensed pursuant to signed license agreements, or may be licensed pursuant to "shrink-wrap" licenses that are not signed by the licensee. The enforceability of such shrink-wrap licenses has not been conclusively determined in all jurisdictions. The Company also distributes certain of its workgroup products through the Internet pursuant to on-line licenses that are acknowledged by the licensee. The enforceability of such licenses has not yet been determined by the courts. In addition, the laws of certain foreign countries do not protect the Company's proprietary rights in its products to the same extent as do the laws of the United States.

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The Company believes that its trade secret, copyright, patent, trademark and other proprietary and intellectual property rights are important. However, because of the rapid pace of technological change in the computer software industry, factors such as the knowledge, ability and experience of the Company's personnel, brand recognition and ongoing product support may be more significant in maintaining the Company's competitive advantages.

# EMPLOYEES

As of May 31, 1997, the Company employed 29,431 full-time persons, including 21,617 in sales and services, 1,032 in marketing, 3,970 in research and development and 2,812 in general and administrative positions. Of such employees, 14,181 were located in the United States and 15,250 were employed in approximately 60 other countries outside the United States.

None of the Company's employees is represented by a labor union. The Company has experienced no work stoppages and believes that its employee relations are good.

# ITEM 2. PROPERTIES

The Company's headquarters facilities consist of approximately 1,900,000 square feet of office space in Redwood City and Belmont, California, of which 1,400,000 square feet is located in six buildings. The Company owns two of the buildings, is in the process of completing the purchase of two additional buildings, and has options to acquire the other two buildings, which are currently leased. As discussed in Note 2 to the Consolidated Financial Statements, the Company has capitalized leases for the two buildings which it is in the process of acquiring as well as both of the leased buildings. The Company also owns the land under its main headquarters buildings and owns or controls additional land near its headquarters site on which it is currently constructing an additional headquarters building. In addition, the Company has purchased land in the UK and has constructed a 100,000 square foot facility to be used for its UK subsidiary's headquarters and is constructing an additional 100,000 square foot facility in the UK. The Company also purchased land in New Hampshire where it has constructed a 70,000 square foot field office site. Additionally, the Company has purchased land in Virginia and Rocklin, California, on which the Company is constructing 200,000 and 100,000 square foot buildings, respectively. The Company also leases office space in numerous locations in the United States and many other countries.

The Company believes that its facilities are adequate for its current needs and that suitable additional or substitute space will be available as needed to accommodate expansion of the Company's operations. See Notes 2 and 5 of Notes to Consolidated Financial Statements for information regarding the Company's lease obligations.

# ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on the Company's consolidated results of operations or consolidated financial position.

# ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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# ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company are as follows:

NAME OFFICE(S)

---- ---------

Lawrence J. Ellison..... Chief Executive Officer and Chairman of the Board Raymond J. Lane......... President, Chief Operating Officer and Director

Jeffrey O. Henley....... Executive Vice President, Chief Financial Officer and Director David J. Roux........... Executive Vice President, Corporate Development

Robert W. Shaw.......... Executive Vice President, Worldwide Consulting Services and Vertical Markets

Daniel Cooperman........ Senior Vice President, General Counsel and Secretary Thomas A. Williams...... Vice President and Corporate Controller

Mr. Ellison, 52, has been Chief Executive Officer since he co-founded the Company in May 1977. Mr. Ellison has been Chairman of the Board since June 1995 and served as Chairman of the Board from April 1990 until September 1992. He also served as President of the Company from May 1977 to June 1996. Mr. Ellison is co-chairman of California's Council on Information Technology and is a member of President Clinton's Export Council. Mr. Ellison is also a director of SuperGen, Inc., a pharmaceutical company, as well as Apple Computer, Inc., a computer hardware company.

Mr. Lane, 50, has been President and Chief Operating Officer of the Company since July 1996. Mr. Lane served as Executive Vice President of the Company and President of Worldwide Operations from October 1993 to June 1996, and has been a Director since June 1995. He served as a Senior Vice President of the Company and President of Oracle USA from June 1992 to September 1993. Before joining Oracle, Mr. Lane served as Senior Vice President and Managing Partner of the Worldwide Information Technology Group at Booz-Allen & Hamilton from July 1986 to May 1992. He served on the Booz-Allen & Hamilton Executive Committee and its Board of Directors from April 1987 to May 1992. Mr. Lane is also a member of the Board of Trustees of Carnegie Mellon University.

Mr. Henley, 52, has been Executive Vice President and Chief Financial Officer of the Company since March 1991, and has been a Director since June 1995. Prior to joining Oracle, he served as Executive Vice President and Chief Financial Officer of Pacific Holding Company, a privately held company with diversified interests in manufacturing and real estate, from August 1986 to February 1991. Mr. Henley is also a director of Tricord Systems, Inc., a computer hardware company.

Mr. Roux, 40, has been Executive Vice President of Corporate Development since March 1996, and Senior Vice President of Corporate Development of the Company since September 1994. Before joining Oracle, Mr. Roux served as Senior Vice President, Marketing and Business Development at Central Point Software from April 1992 to July 1994. From October 1991 to April 1992, he served as Senior Vice President of the Portable Computing Group at Lotus Development Corporation and from June 1990 to October 1991, he served as Vice President of Business Development at Lotus Development Corporation. Mr. Roux is also a director of Voxware, Inc., a digital speech processing technology company, and the Western NIS Enterprise Fund.

Mr. Shaw, 49, has been Executive Vice President of Worldwide Consulting Services and Vertical Markets since February 1997, and Senior Vice President of Worldwide Applications and Services of the Company from August 1995 to January 1997. From June 1992 to July 1995, Mr. Shaw served as Senior Vice President of Global Services of the Company. Prior to joining Oracle, Mr. Shaw served as a Vice President of the West Coast Informations Systems group of Booz-Allen & Hamilton from June 1989 to June 1992.

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Mr. Cooperman, 46, has been Senior Vice President, General Counsel and Secretary of the Company since February 1997. Prior to joining Oracle, Mr. Cooperman had been associated with the law firm of McCutchen, Doyle, Brown & Enersen since October 1977, and had served there as a partner since June 1983. From September 1995 until February 1997, Mr. Cooperman was Chair of the law firm's Business & Transactions Group, and from April 1989 through September 1995, he served as the Managing Partner of the law firm's San Jose Office.

Mr. Williams, 45, has been a Vice President of the Company since October 1990 and Corporate Controller since May 1989. Prior to joining Oracle, Mr. Williams held various positions in the Audit Division of Arthur Andersen LLP, an international public accounting firm, including Partner from September 1987 to May 1989.

# PART II

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

The Company's Common Stock has been traded in the over-the-counter market and the NASDAQ National Market since the Company's initial public offering in 1986. According to records of the Company's transfer agent, the Company had approximately 8,396 stockholders of record as of May 31, 1997. Because many of such shares are held by brokers and other institutions on behalf of stockholders, the Company is unable to estimate the total number of stockholders represented by these record holders. The following table sets forth the low and high sale price as of the close of market of the Company's Common Stock in each of the Company's last eight fiscal quarters.

Fiscal 1997:

LOW SALE PRICE HIGH SALE PRICE

-------------- ---------------

|  |  |  |
| --- | --- | --- |
| Fourth Quarter................................ | $33.63 | $48.13 |
| Third Quarter................................. | 37.00 | 51.00 |
| Second Quarter................................ | 34.50 | 50.13 |
| First Quarter................................. | 32.00 | 42.13 |

Fiscal 1996:

|  |  |  |
| --- | --- | --- |
| Fourth Quarter................................ | $26.49 | $36.00 |
| Third Quarter................................. | 26.33 | 36.67 |
| Second Quarter................................ | 23.33 | 32.50 |
| First Quarter................................. | 22.67 | 29.58 |

The Company's policy has been to reinvest earnings to fund future growth. Accordingly, the Company has not paid dividends and does not anticipate declaring dividends on its Common Stock in the foreseeable future.

During fiscal 1997, the Company issued and sold securities without registration under the Securities Act of 1933 (the "Securities Act") in reliance on Section 4(2) thereof. On May 12, 1997, the Company issued and sold 3,000,000 Series A Equity Call Warrants to an institutional investor pursuant to a Warrant Purchase Agreement dated May 7, 1997 (Exhibit 4.2), and the related pricing agreement, for an aggregate purchase price of $17,946,000. On May 19, 1997, the Company issued and sold 3,000,000 Series I Equity Call Warrants to an institutional investor pursuant to a Warrant Purchase Agreement dated as of May 14, 1997 (Exhibit 4.5), and the related pricing agreement, for an aggregate purchase price of $17,952,000. There were no underwriters employed in connection with either of the two transactions.

On July 14, 1997, the Company announced a three-for-two stock split in the form of a common stock dividend to be distributed on August 15, 1997 to stockholders of record as of August 1, 1997. Per share data and numbers of common shares contained in these consolidated financial statements and in Management's Discussion and Analysis of Financial Condition and Results of Operations have not been adjusted to reflect the stock split that will be effective in the first quarter of fiscal 1998.

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# ITEM 6. SELECTED FINANCIAL DATA

YEAR ENDED MAY 31,

------------------------------------------------------ 1997 1996 1995 1994 1993

---------- ---------- ---------- ---------- ---------- (IN THOUSANDS, EXCEPT PER SHARE DATA)

Revenues............. $5,684,336 $4,223,300 $2,966,878 $2,001,147 $1,502,768

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Operating income..... | 1,262,985 | 904,891 | 649,721 | 419,953 | 216,979 |
| Net income........... | 821,457 | 603,279 | 441,518 | 283,720 | 98,256 |
| Earnings per share... | 1.22 | 0.90 | 0.66 | 0.43 | 0.15 |
| Total assets......... | 4,624,315 | 3,357,243 | 2,424,517 | 1,594,984 | 1,184,020 |
| Short-term debt...... | 3,361 | 5,623 | 9,599 | 6,898 | 10,684 |
| Long-term debt....... | 300,836 | 897 | 81,721 | 82,845 | 86,380 |
| Stockholders' equity. | 2,369,712 | 1,870,449 | 1,211,358 | 740,553 | 528,039 |

# ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS RESULTS OF OPERATIONS

In fiscal 1997, 1996 and 1995, the Company continued to improve its operating margins (prior to the effects of the fiscal 1997 and 1996 adjustments for acquired in-process research and development) over the corresponding prior year periods due to increases in revenue growth, coupled with lower general and administrative expenses as a percentage of revenues. The Company's revenue growth rate was 35%, 42% and 48% in fiscal 1997, 1996 and 1995, respectively. Sales and marketing expenses continued to represent the largest category of operating expenses, constituting 35% of revenues in fiscal 1997 and 37% of revenues in fiscal years 1996 and 1995. Cost of services as a percentage of total revenues increased to 27% in fiscal 1997 from 26% in both fiscal year 1996 and 1995. The Company's investment in research and development remained constant at 10% of revenues in fiscal years 1997, 1996 and 1995, prior to the impact of capitalized software development costs. General and administrative expenses as a percentage of revenues decreased to 5% in 1997 from 6% in both fiscal 1996 and 1995. Overall, operating income as a percentage of revenues was 22% (23% prior to the adjustment for acquired in-process research and development), 21% (23% prior to the adjustment for acquired in-process research and development), and 22% in fiscal 1997, 1996 and 1995, respectively.

Domestic revenues increased 47% in both fiscal 1997 and 1996, while international revenues increased 25% and 39% in fiscal 1997 and 1996, respectively. International revenues were unfavorably affected in both fiscal 1997 and 1996 when compared to the corresponding prior year periods as a result of the strengthening of the U.S. dollar against certain major international currencies. International revenues expressed in local currency increased by approximately 31% and 41% in fiscal 1997 and 1996, respectively. Revenues from international customers were approximately 53%, 57% and 58% of revenues in fiscal 1997, 1996 and 1995, respectively. Management expects that the Company's international operations will continue to provide a significant portion of total revenues. However, international revenues will be adversely affected if the U.S. dollar continues to strengthen against certain major international currencies.

Quarterly revenues reflect distinct seasonality. See "Quarterly Results of Operations" below.

# REVENUES:

FISCAL YEAR 1997 CHANGE FISCAL YEAR 1996 CHANGE FISCAL YEAR 1995 (DOLLARS IN THOUSANDS) ---------------- ------ ---------------- ------ -----------------

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Licenses and Other...... | $2,896,696 | 26% | $2,296,572 | 37% | $1,673,731 |
| Percentage of revenues.. | 51.0% |  | 54.4% |  | 56.4% |
| Services................ | $2,787,640 | 45% | $1,926,728 | 49% | $1,293,147 |
| Percentage of revenues.. | 49.0% |  | 45.6% |  | 43.6% |
| Total Revenues........ | $5,684,336 | 35% | $4,223,300 | 42% | $2,966,878 |

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LICENSES AND OTHER REVENUES. During the past three fiscal years, the Company's customer and product base has broadened as the Company has increased both the number of channels that it uses to market its products, as well as the number of computers and operating systems on which its relational DBMS operates, and as additional software products have been acquired or introduced. License revenues for software used on computers utilizing the UNIX operating system decreased to 70% of license revenues in fiscal years 1997 and 1996 from 73% in fiscal 1995. License revenues for use on desktop computers increased from 17% in 1995 to 19% in 1996 and 23% in fiscal 1997. License revenues from software for use on computers utilizing other proprietary operating systems, including DEC, IBM and other proprietary vendors were 7%, 11% and 10% in fiscal 1997, 1996 and 1995, respectively.

License revenues represent fees earned for granting customers licenses to use the Company's software products. License revenues also include revenues from the Company's systems integration business, documentation revenues, certain software development revenues and other miscellaneous revenues, which constituted 3% of total license and other revenues in both fiscal 1997 and 1996, and 4% of total license and other revenues in fiscal 1995. License and other revenue growth rates were 26% and 37% in fiscal 1997 and 1996, respectively. The lower license and other revenues growth rate experienced in fiscal 1997 was due primarily to relatively lower growth rates experienced by the overall database market, continued weakness in the performance of certain of its international subsidiaries and the strengthening of the U.S. dollar.

SERVICES REVENUES. Support, consulting and education services revenues each increased in fiscal 1997 and 1996 over the corresponding prior year levels. The Company's support revenues continued to constitute the largest portion of services revenues, and grew 46% and 55% in fiscal 1997 and 1996, respectively. This growth reflects the continued increase in the installed base of the Company's products under support contracts as well as an increase in the number of customers electing higher support service offerings. Consulting and education services grew 44% in both fiscal 1997 and 1996 as the Company continued to expand its services to assist customers in the use and implementation of applications based on the Company's products.

# OPERATING EXPENSES:

|  |  |  |
| --- | --- | --- |
|  | FISCAL YEAR 1997 CHANGE | FISCAL YEAR 1996 CHANGE FISCAL YEAR 1995 |
| (DOLLARS IN THOUSANDS) | ---------------- ------ | ---------------- ------ ---------------- |
| Sales and Marketing..... | $1,970,394 27% | $1,549,231 40% $1,103,345 |
| Percentage of revenues.. | 34.7% | 36.7% 37.2% |
| Cost of Services........ | $1,550,466 41% | $1,096,013 41% $ 779,012 |
| Percentage of revenues.. | 27.3% | 26.0% 26.3% |
| Research and Development |  |  |
| (1).................... | $ 555,476 43% | $ 389,093 49% $ 260,597 |
| Percentage of revenues.. | 9.8% | 9.2% 8.8% |
| General and Administra- |  |  |
| tive................... | $ 308,215 32% | $ 233,141 34% $ 174,203 |
| Percentage of revenues.. | 5.4% | 5.5% 5.9% |
| Acquired In-Process |  |  |

Research and

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Development............ | $ 36,800 | (28%) | $ 50,931 | \* -- |
| Percentage of revenues.. | 0.6% |  | 1.2% | -- |

* Not meaningful

(1) Pursuant to Statement of Financial Accounting Standards No. 86, the Company capitalized software development costs equal to 0.5%, 1.1% and 1.6% of total revenues during fiscal 1997, 1996 and 1995, respectively.

International expenses were favorably affected in both fiscal 1997 and 1996 when compared to the corresponding prior year periods due to the strengthening of the U.S. dollar against certain major international currencies.

SALES AND MARKETING EXPENSES. The Company continues to place significant emphasis, both domestically and internationally, on direct sales through its own sales force. However, the Company also continues to market its products through indirect channels in order to increase market share while reducing distribution costs. As a

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percentage of licenses and other revenues, sales and marketing expenses increased slightly in both fiscal 1997 and 1996 when compared to the corresponding prior year periods, due primarily to increased sales expenses incurred in anticipation of higher license growth rates than experienced. Included in sales and marketing expenses is the amortization of capitalized software development costs (see below).

COST OF SERVICES. The cost of providing services consists largely of consulting, education and support personnel expenses. As a percentage of services revenues, cost of services were 56% in fiscal 1997, having decreased from 57% in fiscal 1996 and 60% in fiscal 1995. The Company's service margins for fiscal 1997 were positively affected versus the prior years due primarily to higher margins in the consulting area and a higher percentage of support revenues which have higher margins than consulting and education revenues.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses would have been 10% of total revenues in each of the 1997, 1996 and 1995 fiscal years, without the capitalization of software development costs in accordance with Statement of Financial Accounting Standards No. 86. Before considering the impact of software capitalization, research and development expenses increased 34% and 42% in fiscal 1997 and 1996, respectively. The fiscal 1997 increase was due in part to increases in research and development staff hired in connection with the acquisitions of Datalogix International, Inc. and the on-line analytical processing business of Information Resources, Inc. The fiscal 1996 increase was due in part to research and development staff hired in connection with the acquisitions of the on-line analytical processing business of Information Resources, Inc. and the Rdb and repository businesses of Digital Equipment Corporation. The Company capitalized $28,064,000, $48,031,000 and $48,187,000, of computer software development costs in fiscal 1997, 1996 and 1995, respectively, which represented 5%, 11% and 16% of total expenditures for research and development in fiscal 1997, 1996 and 1995. Amortization of capitalized software development costs is charged to sales and marketing expenses and totaled $28,156,000, $48,815,000 and $48,662,000, in fiscal 1997, 1996 and 1995, respectively. The Company believes that research and development expenditures are essential to maintaining its competitive position and expects these costs to continue to constitute a significant percentage of revenues.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses as a percentage of revenues decreased in both fiscal 1997 and 1996 when compared to their corresponding prior year periods, due primarily to higher revenue levels.

ACQUIRED IN-PROCESS RESEARCH AND DEVELOPMENT. Based on the results of third- party appraisals, the Company recorded special charges of $36,800,000 in the third quarter of fiscal 1997 and $50,931,000 in the first quarter of fiscal 1996 to expense in-process research and development costs related to the acquisitions of Datalogix International, Inc. and the on-line analytical processing business of Information Resources, Inc., respectively. In the opinion of management and the appraiser, the acquired in-process research and development had not yet reached technological feasibility and had no alternative future uses.

# OTHER INCOME (EXPENSE):

FISCAL YEAR 1997 CHANGE FISCAL YEAR 1996 CHANGE FISCAL YEAR 1995 (DOLLARS IN THOUSANDS) ---------------- ------ ---------------- ------ ----------------

Other Income (Expense).. $ 20,542 41% $ 14,619 58% $ 9,261

Percentage of revenues.. 0.4% 0.3% 0.3%

Changes in other income and non-operating expenses primarily reflect fluctuations in interest income and expense related to changes in cash and debt balances and interest rates, as well as foreign exchange and other miscellaneous items. Additionally, the Company realized a gain of approximately

$3,100,000 during the first quarter of fiscal 1996 related to the sale of a portion of its investment in Datalogix International, Inc.

PROVISION FOR INCOME TAXES:

FISCAL YEAR 1997 CHANGE FISCAL YEAR 1996 CHANGE FISCAL YEAR 1995 (DOLLARS IN THOUSANDS) ---------------- ------ ---------------- ------ ----------------

Provision for Income

Taxes.................. $462,070 46% $316,231 45% $217,464

Percentage of revenues.. 8.1% 7.5% 7.3%

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The Company's effective tax rates have historically differed from the federal statutory rate primarily because of tax credits, certain foreign sales corporation income that is not taxed, state taxes, foreign income taxes provided at rates greater than the federal statutory rate, as well as foreign losses that could not be utilized. See Note 7 of Notes to Consolidated Financial Statements. The effective tax rate was 36% in fiscal 1997, 34.4% in fiscal 1996 and 33% in fiscal 1995. The increase in the tax rate in fiscal 1997 is due to the expiration of the federal research and development credit and the relative profitability of various foreign subsidiaries.

# NET INCOME AND EARNINGS PER SHARE:

FISCAL YEAR 1997 CHANGE FISCAL YEAR 1996 CHANGE FISCAL YEAR 1995 (DOLLARS IN THOUSANDS) ---------------- ------ ---------------- ------ ---------------- Net Income.............. $821,457 36% $603,279 37% $441,518

Percentage of revenues.. 14.5% 14.3% 14.9%

Earnings Per Share...... $ 1.22 36% $ 0.90 36% $ 0.66

# QUARTERLY RESULTS OF OPERATIONS

The Company believes that fourth quarter revenues and expenses are affected by a number of seasonal factors, including the Company's sales compensation plans. The Company believes that these seasonal factors are common in the computer software industry. Such factors historically have resulted in first quarter revenues in any year being lower than revenues in the immediately preceding fourth quarter. The Company expects this trend to repeat in the first quarter of fiscal 1998. In addition, the Company's European operations generally provide lower revenues in the summer months because of the generally reduced economic activity in Europe during the summer.

The following table sets forth selected unaudited quarterly information for the Company's last eight fiscal quarters. The Company believes that all necessary adjustments (which consisted only of normal recurring adjustments) have been included in the amounts stated below to present fairly the results of such periods when read in conjunction with the financial statements and related notes included elsewhere herein.

FISCAL 1997 QUARTER ENDED

--------------------------------------------

FEBRUARY

AUGUST 31 NOVEMBER 30 28 MAY 31

---------- ----------- ---------- ---------- (IN THOUSANDS, EXCEPT PER SHARE DATA)

Revenues....................... $1,052,320 $1,311,373 $1,372,612 $1,948,031

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Operating Income............... | $ 168,875 $ | 274,188 | $ 260,127 $ | 559,795 |
| Net Income..................... | $ 112,771 $ | 179,496 | $ 169,253 $ | 359,937 |
| Earnings Per Share (1)......... | $ 0.17 $ | 0.27 | $ 0.25 $ | 0.54 |
| Number of Common and Common |  |  |  |  |
| Equivalent Shares Outstanding. | 673,810 | 675,949 | 673,186 | 668,508 |

FISCAL 1996 QUARTER ENDED

--------------------------------------------

FEBRUARY

AUGUST 31 NOVEMBER 30 29 MAY 31

---------- ----------- ---------- ---------- (IN THOUSANDS, EXCEPT PER SHARE DATA)

Revenues....................... $ 771,803 $ 967,184 $1,020,239 $1,464,074

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Operating Income............... | $ 74,191 $ | 204,612 | $ 219,942 $ | 406,146 |
| Net Income..................... | $ 53,763 $ | 136,901 | $ 146,290 $ | 266,325 |
| Earnings Per Share (1)......... | $ 0.08 $ | 0.20 | $ 0.22 $ | 0.40 |
| Number of Common and Common |  |  |  |  |
| Equivalent Shares Outstanding. | 669,776 | 670,710 | 670,479 | 671,667 |

1. Earnings per share before the effect of the adjustment for acquired in- process research and development were $0.29 and $0.13 per share in the quarters ended February 28, 1997 and August 31, 1995, respectively.

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# LIQUIDITY AND CAPITAL RESOURCES

FISCAL YEAR ENDED MAY 31,

------------------------------------------- 1997 CHANGE 1996 CHANGE 1995

---------- ------ -------- ------ -------- (IN THOUSANDS)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Working capital.................. | $1,348,957 | 63% | $829,501 | 48% | $562,045 |
| Cash and cash investments........ Cash provided by operating activ- ities........................... | 1,329,527  1,030,504 | 51%  16% | 882,871  889,157 | 51%  56% | 585,818  568,684 |
| Cash used for investing activi- |  |  |  |  |  |
| ties............................ | 777,381 | 41% | 551,488 | 11% | 495,769 |
| Cash used for financing activi- |  |  |  |  |  |
| ties............................ | 57,122 | (35%) | 88,291 | 451% | 16,034 |

Working capital increased in both fiscal 1997 and 1996 over the corresponding prior year periods, due primarily to increased cash flow from operations as well as proceeds from the issuance of Senior Notes in fiscal 1997 (see below), offset in part by stock repurchases, which resulted in higher cash levels.

The Company generated higher positive cash flows from operations in both fiscal 1997 and 1996, due primarily to improved profitability and strong cash collections.

Cash used for investing activities increased in both fiscal 1997 and 1996 as compared to the corresponding prior year periods due primarily to changes in the levels of cash investments. In both periods, the Company made significant investments in capital expenditures. In addition, the Company acquired Datalogix International, Inc. for $82,000,000 in cash in the third quarter of fiscal 1997 ($58,000,000 net of cash assumed) and the on-line analytical processing business of Information Resources, Inc. for $100,000,000 in cash in the first quarter of fiscal 1996. The Company expects to continue to invest in capital assets and capitalized software development activities to support its growth.

The Company's Board of Directors has approved the repurchase of up to 47,000,000 shares of Common Stock on the open market to reduce the dilutive effect of the Company's stock plans. Pursuant to this repurchase program, the Company purchased 12,807,500 shares of the Company's Common Stock for approximately $528,209,000 in fiscal 1997, 4,478,134 shares of the Company's Common Stock for approximately

$113,087,000 in fiscal 1996, 4,201,875 shares of the Company's Common Stock for approximately $75,859,000 in fiscal 1995 and 13,437,000 shares of the Company's Common Stock for approximately $124,787,000 prior to fiscal 1995. The Company used cash flow from operations and proceeds from the issuance of Senior Notes in fiscal 1997 to repurchase the Company's Common Stock and to invest in working capital and other assets to support its growth.

During fiscal 1995 and 1994, the Company sold 5,752,500 put warrants. On March 24, 1995, 3,502,500 of these put warrants were canceled at minimal cost and the remaining warrants expired without being exercised. Additionally, the Company purchased 3,595,500 call options in fiscal 1995 and 1994. On July 6, 1995, the Company sold 2,189,250 of the call options and credited the net proceeds of $17,175,000 to equity. The remaining 1,406,250 call options were exercised in October 1995 at $21.08 per share for a total of $29,648,000 and were included in stock repurchases for fiscal 1996.

During fiscal 1997, the Company sold 6,000,000 warrants, each of which entitles the holder to purchase one share of Common Stock at prices between $77.00 and $77.55. These warrants expire in May 2000 and the proceeds of $35,898,000 were credited to equity.

During the third quarter of fiscal 1997, the Company issued $150,000,000 in 6.72% Senior Notes due in the year 2004 and $150,000,000 in 6.91% Senior Notes due in the year 2007. The Senior Notes are unsecured general obligations of the Company that rank on parity with all other unsecured and unsubordinated indebtedness of the Company that may be outstanding.

At May 31, 1997, the Company also had other outstanding debt of approximately $4,197,000, primarily in the form of other notes payable and capital leases.

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Subsequent to May 31, 1997, the Company announced the completion of the merger of its wholly owned subsidiary, Network Computer, Inc., and Navio Communications, Inc. in a stock for stock exchange. Additionally, the Company announced that it had reached agreement to acquire all of the outstanding shares of Treasury Services Corporation, subject to certain regulatory approvals and other conditions, for up to $120 million in cash. Both of these acquisitions will be accounted for using the purchase method of accounting and are expected to result in one time charges for the write-off of in-process research and development expenses in the first quarter of fiscal 1998.

The Company anticipates that current cash balances, as well as anticipated cash flows from operations, will be sufficient to meet its working capital and capital expenditure needs at least through May 31, 1998.

# FACTORS THAT MAY AFFECT FUTURE RESULTS AND MARKET PRICE OF STOCK

The Company operates in a rapidly changing environment that involves numerous risks, some of which are beyond the Company's control. The following discussion highlights some of these risks.

MANAGEMENT OF GROWTH. The Company has a history of rapid growth. The Company's future operating results will depend on management's ability to manage growth, continuously hire and retain significant numbers of qualified employees, forecast revenues and control expenses. An unexpected decline in the growth rate of revenues without a corresponding and timely slowdown in expense growth could have a material adverse effect on the Company's business, results of operations or financial condition.

COMPETITIVE ENVIRONMENT. The computer software industry is an intensely competitive industry with several large vendors that develop and market databases, applications, development tools or decision support products. Certain of these vendors have significantly more financial and technical resources than the Company. The introduction of new competitive products into one or more of the Company's various markets could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, new distribution methods (e.g. electronic channels) and opportunities presented by the Internet have removed many of the barriers to entry historically faced by small and start-up companies in the software industry. The Company expects to face increasing competition from such companies in the various markets in which it competes.

PRICING. Intense competition in the various markets in which the Company competes may put pressure on the Company to reduce prices on certain products, particularly in the database marketplace where certain vendors offer deep discounts in an effort to recapture or gain marketshare. In addition, the bundling of software products for promotional purposes or as a long-term pricing strategy by certain of the Company's competitors could have the effect over time of significantly reducing the prices that the Company can charge for its products. Shifts toward the use of operating systems on which the Company experiences relatively greater price competition could result in lower average license prices, thereby reducing license revenues for the Company. Any such price reductions and resulting lower license revenues could have a material adverse effect on the Company's business, results of operations or financial condition if the Company cannot offset these price reductions with a corresponding increase in sales volumes.

INTERNATIONAL SALES. A substantial portion of the Company's revenues is derived from international sales and is therefore subject to the risks attendant thereto, including the general economic conditions in each country, the overlap of different tax structures, the difficulty of managing an organization spread over various countries, changes in regulatory requirements, compliance with a variety of foreign laws and regulations and longer payment cycles in certain countries. The Company has experienced relatively slower growth rates in certain international countries during the last several years, primarily as a result of weaker economies relative to the rest of the world, slower adoption of information technology, a strong U.S. dollar which negatively affects reported revenue growth in U.S. dollars, and senior management changes in several major countries. There can be no assurance that the Company will be able to successfully address each of these challenges in the near term. Other risks associated with international operations include import and export licensing requirements, trade restrictions and changes in tariff rates.

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A significant portion of the Company's business is conducted in currencies other than the U.S. dollar. Changes in the value of major foreign currencies relative to the value of the U.S. dollar therefore could adversely affect future revenues and operating results. Foreign currency transaction gains and losses are primarily related to sublicense fee agreements between the Company and selling distributors and subsidiaries. These gains and losses are charged against earnings in the period incurred.

The Company has reduced its transaction and translation gains and losses associated with converting foreign currencies into U.S. dollars by using forward foreign exchange contracts to hedge transaction and translation exposures in major currencies. Such contracts meet the criteria established in FASB 52 for hedge accounting treatment. The Company finds it impractical to hedge all foreign currencies in which it conducts business. As a result, the Company will continue to experience foreign currency gains and losses.

INDUSTRY GROWTH AND ECONOMIC CONDITIONS. The strength and profitability of the Company's business depends on the overall demand for computer software and growth in the computer industry. Because the Company's sales are primarily to major corporate, government, education and other business customers, the Company's business also partly depends on general economic and business conditions. A softening of demand for computer software, caused by a weakening of the economy or otherwise, may result in decreased revenues or declining revenue growth rates for the Company. For example, industry analysts have noted that a significant amount of current demand for applications software is generated by customers in the process of replacing and upgrading applications not designed to automatically accommodate the change in date from December 31, 1999 to January 1, 2000. Once such customers have completed their preparations for the year 2000, the software industry and the Company may experience a significant deceleration from the strong annual growth rates recently experienced in the applications software marketplace.

NEW PRODUCTS. The markets for the Company's products are characterized by rapid technological advances in hardware and software development, evolving standards in computer hardware and software technology and frequent new product introductions and enhancements. Product introductions and short product life cycles necessitate high levels of expenditure for research and development. To maintain its competitive position, the Company must enhance and improve existing products and continue to introduce new products and new versions of existing products that keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance. The Company's inability to port to or run on new or increasingly popular operating systems, or the Company's failure to successfully improve, position and/or price its products, could have a material adverse effect on the Company's business, results of operations or financial condition.

Significant undetected errors or delays in new products or new versions of a product may affect market acceptance of the Company's products and could have a material adverse effect on the Company's business, results of operations or financial condition. If the Company were to experience delays in the commercialization and introduction of new or enhanced products, if customers were to experience significant problems with the implementation and installation of products or if customers were dissatisfied with product functionality or performance, this could have a material adverse effect on the Company's business, results of operations or financial condition.

There can be no assurance that the Company's new products will achieve significant market acceptance or will generate significant revenue. Additional products that the Company plans to directly or indirectly market in the future are in various stages of development. Some of these products, such as web applications server and network computing software, are in business areas that are relatively new to the Company's product development and sales and product marketing personnel. See "New Business Areas."

UNEVEN PATTERNS OF QUARTERLY OPERATING RESULTS. The Company's revenues in general, and its license revenues in particular, are relatively difficult to forecast and vary from quarter to quarter due to various factors, including

* 1. the relatively long sales cycles for the Company's products, (ii) the size and timing of individual license transactions, which tend to be initiated by customers at the end of a fiscal quarter as a negotiating tactic, (iii) the timing of the introduction of new products or product enhancements by the Company or its competitors, (iv) the

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potential for delay or deferral of customer implementations of the Company's software, (v) changes in customer budgets and (vi) seasonality of technology purchases and other general economic conditions. Accordingly, the Company's quarterly results are difficult to predict until the end of the quarter, and delays in product delivery or closing of sales near the end of a quarter can cause quarterly revenues and net income to fall significantly short of anticipated levels.

The Company's license revenues in any quarter are substantially dependent on orders booked and shipped in that quarter. Because the Company's operating expenses are based on anticipated revenue levels and because a high percentage of the Company's expenses are relatively fixed, a delay in the recognition of revenue from even a limited number of license transactions could cause significant variations in operating results from quarter to quarter and could cause net income to fall significantly short of anticipated levels.

SALES FORCE AND ALTERNATE DISTRIBUTION CHANNELS. The Company historically has relied heavily on its direct sales force. However, the Company is moving increasingly toward indirect, electronic and other alternate distribution channels to meet competitive demands. In addition, the Company is training and reorganizing part of its sales force to provide specialized expertise within certain vertical markets. There can be no assurance that the Company will be successful in increasing sales within these alternate distribution channels or within these markets. If the Company is not successful, it may lose significant sales opportunities.

UNCERTAINTY OF EMERGING AREAS. The impact on the Company of emerging areas such as the Internet, on-line services and electronic commerce is uncertain. There can be no assurance that the Company will be able to provide a product offering that will satisfy new customer demands in these areas. In addition, standards for network protocols, as well as other industry adopted and de facto standards for the Internet, are evolving rapidly. There can be no assurance that standards chosen by the Company will position its products to compete effectively for business opportunities as they arise on the Internet and other emerging areas.

NEW BUSINESS AREAS. The Company has in recent years expanded its technology into a number of new business areas to foster long-term growth, including Internet/electronic commerce, interactive media and data warehousing. It also has begun to promote the use of network computers. These areas are relatively new to the Company's product development and sales and marketing personnel. There is no assurance that the Company will compete effectively or will generate significant revenues in these new areas. The success of network computers and, in particular, the Company's current network computer products is difficult to predict because network computers represent a method of computing that is new to the entire computer industry. The successful introduction of network computers to the market will depend in large measure on (i) the commitment by hardware and software vendors to manufacture, promote and distribute network computers, (ii) the lower cost of ownership relative to personal computers, and (iii) the ease of use. There can be no assurance that sufficient numbers of vendors will undertake this commitment, that the market will accept network computers or that network computers will generate significant revenues to the Company. See "New Products."

HIRING AND RETENTION OF EMPLOYEES. The Company's continued growth and success depend to a significant extent on the continued service of its senior management and other key employees and the hiring of new qualified employees. Competition for highly-skilled business, product development, technical and other personnel is intense. There can be no assurance that the Company will be successful in continuously recruiting new personnel and in retaining existing personnel. None of the Company's employees is subject to a long-term employment or a noncompetition agreement. The loss of one or more key employees or the Company's inability to attract additional qualified employees or retain other employees could have a material adverse effect on the continued growth of the Company. In addition, the Company may experience increased compensation costs in order to attract and retain skilled employees.

FUTURE ACQUISITIONS. As part of its business strategy, the Company has recently completed the acquisition of Navio Communications, Inc. and has announced plans to acquire Treasury Services Corporation, subject to certain regulatory approvals and other conditions, and expects to make acquisitions of, or significant investments in, businesses that offer complementary products, services and technologies. Any acquisitions or investments will

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be accompanied by the risks commonly encountered in acquisitions of businesses. Such risks include, among other things, the difficulty of assimilating the operations and personnel of the acquired businesses, the potential disruption of the Company's ongoing business, the inability of management to maximize the financial and strategic position of the Company, the maintenance of uniform standards, controls, procedures and policies and the impairment of relationships with employees and clients as a result of any integration of new management personnel. These factors could have a material adverse effect on the Company's business, results of operations or financial condition. Consideration paid for future acquisitions, if any, could be in the form of cash, stock, rights to purchase stock or a combination thereof. Dilution to existing stockholders and to earnings per share may result to the extent that shares of stock or other rights to purchase stock are issued in connection with any such future acquisitions.

RELATIVE PRODUCT PROFITABILITY. Certain of the Company's revenues are derived from products which, as a percentage of revenues, currently require a higher level of development, distribution and support expenditures compared to certain of its other core products. To the extent that revenues generated from such products become a greater percentage of the Company's total revenues, the Company's operating margins may be adversely affected, unless the expenses associated with such products decline as a percentage of revenues.

ENFORCEMENT OF THE COMPANY'S INTELLECTUAL PROPERTY RIGHTS. Despite the Company's efforts to protect its intellectual property rights, it may be possible for unauthorized third parties to copy certain portions of the Company's products or to reverse engineer or obtain and use technology or other information that the Company regards as proprietary. In addition, the laws of certain countries do not protect the Company's proprietary rights to the same extent as do the laws of the United States. Accordingly, there can be no assurance that the Company will be able to protect its proprietary technology against unauthorized third party copying or use, which could adversely affect the Company's competitive position.

The Company from time to time receives notices from third parties claiming infringement by the Company's products of third party patent and other intellectual property rights. The Company expects that software products will increasingly be subject to such claims as the number of products and competitors in the Company's industry segments grows and the functionality of products overlaps. Regardless of its merit, responding to any such claim could be time-consuming, result in costly litigation and require the Company to enter into royalty and licensing agreements which may not be offered or available on terms acceptable to the Company. If a successful claim is made against the Company and the Company fails to develop or license a substitute technology, the Company's business, results of operations or financial condition could be materially adversely affected.

POSSIBLE VOLATILITY OF STOCK PRICE. The market price of the Company's Common Stock has experienced significant fluctuations and may continue to fluctuate significantly. The market price of the Common Stock may be significantly affected by factors such as the announcement of new products or product enhancements by the Company or its competitors, technological innovation by the Company or its competitors, quarterly variations in the Company's or its competitors' results of operations, changes in prices of the Company's or its competitors' products and services, changes in revenue and revenue growth rates for the Company as a whole or for specific geographic areas, business units, products or product categories, changes in earnings estimates by market analysts, speculation in the press or analyst community and general market conditions or market conditions specific to particular industries. The stock prices for many companies in the technology sector have experienced wide fluctuations which often have been unrelated to their operating performance. Such fluctuations may adversely affect the market price of the Company's Common Stock.

LONG-TERM INVESTMENT CYCLE. Developing and localizing software is expensive and the investment in product development often involves a long payback cycle. The Company's plans for its fiscal year ending May 31, 1998 include significant investments in software research and development and related product opportunities from which significant revenues are not anticipated for several years.

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# ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is submitted as a separate section of this Form 10-K. See Item 14.

# ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

# PART III

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information regarding directors required by Item 10 is incorporated by reference from the Company's definitive proxy statement for its annual stockholders' meeting to be held on October 13, 1997.

# ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference from the Company's definitive proxy statement for its annual stockholders' meeting to be held on October 13, 1997. The information specified in Item 402 (k) and (l) of Regulation S-K and set forth in the Company's definitive proxy statement for its annual stockholders' meeting to be held on October 13, 1997 is not incorporated herein by reference.

# ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 is incorporated by reference from the Company's definitive proxy statement for its annual stockholders' meeting to be held on October 13, 1997.

# ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 is incorporated by reference from the Company's definitive proxy statement for its annual stockholders' meeting to be held on October 13, 1997.

# PART IV

**ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K**

(A) 1. FINANCIAL STATEMENTS

The following financial statements are filed as a part of this report:

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[Report of Independent Public Accountants 28](#_TOC_250001)

Consolidated Financial Statements:

Balance Sheets as of May 31, 1997 and 1996 29

Statements of Operations for the years ended May 31, 1997, 1996 and 1995 30

Statements of Stockholders' Equity for the years ended May 31, 1997,

1996 and 1995 31

Statements of Cash Flows for the years ended May 31, 1997, 1996 and 1995 32

[Notes to Consolidated Financial Statements 33](#_TOC_250000)

(A) 2. FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule is filed as a part of this report:

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II Valuation and Qualifying Accounts 48

All other schedules are omitted because they are not required or the required information is shown in the financial statements or notes thereto.

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1. 3. EXHIBITS

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the Commission. The Company shall furnish copies of exhibits for a reasonable fee (covering the expense of furnishing copies) upon request.

EXHIBIT

NUMBER EXHIBIT TITLE

------- -------------

3.01(1) Registrant's Restated Certificate of Incorporation, as amended to March 11, 1987.

3.02(3) Certificate of Amendment of Certificate of Incorporation, dated June 30, 1989.

3.03(1) Registrant's Bylaws, as adopted October 30, 1986.

3.04(6) Amendment to Registrant's Bylaws, dated January 13, 1989.

3.05(5) Amendment to Registrant's Bylaws, dated December 3, 1990. 3.06(5) Certificate of Designation specifying the terms of the Series A

Junior Participating Preferred Stock of Registrant, filed with the Secretary of State of Delaware on December 7, 1990.

3.07(5) Rights Agreement between Oracle Systems Corporation and the Bank of America, N.T. & S.A., dated December 3, 1990.

3.08(1) Specimen Certificate of Registrant's Common Stock.

3.09(13) Certificate of Amendment of Certificate of Incorporation, dated November 4, 1993.

3.10(14) Amendment Number One to Rights Agreement, dated December 3, 1990, between Oracle Systems Corporation and the Bank of America, N.T.

& S.A.

3.11(14) Rights Agreement, dated August 1, 1991, between Oracle Systems Corporation and Harris Trust Company of California.

3.12(16) Certificate of Amendment of Certificate of Incorporation, dated January 13, 1995.

3.13(18) Certificate of Amendment of Certificate of Incorporation of the Company filed with the Delaware Secretary of State on October 29, 1996.

4.1(19) Indenture between Oracle Corporation and State Street Bank and Trust Company of California, N.A., dated February 24, 1997.

* 1. Warrant Purchase Agreement between Oracle Corporation and Morgan Stanley & Co. Incorporated, as agent for Morgan Stanley & Co. International Limited dated May 7, 1997.
  2. Warrant Agreement between Oracle Corporation and BankBoston, N.A. dated May 12, 1997.
  3. Warrant Certificate dated May 12, 1997.
  4. Warrant Purchase Agreement between Oracle Corporation and Goldman, Sachs & Co. dated May 14, 1997.
  5. Warrant Agreement between Oracle Corporation and BankBoston, N.A. dated May 19, 1997.
  6. Warrant Certificate dated May 19, 1997.

10.01(2)\* Registrant's Stock Option Plan (1985), as amended to date, and related documents.

10.02(2)\* Stock Option Agreement with Lawrence J. Ellison for the purchase of 720,000 shares of the Registrant's Common Stock, dated October 2, 1986.

10.03(4)\* 1990 Directors' Stock Option Plan, as adopted July 30, 1990, and related documents.

10.04(7)\* 1990 Executive Officers' Stock Option Plan, as adopted October 15, 1990, and related documents.

10.05(8)\* 1991 Long-Term Equity Incentive Plan, as adopted July 31, 1991. 10.06(10)\* Oracle Systems Corporation Employee Stock Purchase Plan (1992), as

adopted August 24, 1992.

10.07(11)\* 1993 Directors' Stock Option Plan, as adopted May 24, 1993. 10.08(15)\* Amendment to 1993 Directors' Stock Option Plan, as adopted May 31,

1994.

10.09(3) Lease Agreement for 500 Centrum Plaza Drive by and between Oracle Corporation and Centrum V Associates, dated May 10, 1989.

10.10(3) Lease Agreement for 400 Centrum Plaza Drive by and between Oracle Corporation and Centrum V Associates, dated May 10, 1989.

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EXHIBIT

NUMBER EXHIBIT TITLE

------- -------------

10.11(4) Lease Agreement for 300 Centrum Plaza Drive by and between Oracle Corporation and Centrum V Associates, dated December 11, 1989.

10.12(4) Lease Agreement for 100 Square by and between Oracle Corporation UK Limited, Oracle Systems Corporation and Guidefront Limited, dated June 8, 1989.

10.13(12) Loan purchase and sale agreement among Oracle Corporation and Connecticut General Life Insurance Company, dated August 19, 1993, the related notes and related documents.

10.14(13)\* 1993 Oracle Corporation Deferred Compensation Plan.

10.15(9) Preferred Strategic Relationship Agreement by and among Oracle Systems Corporation, Oracle Corporation, Oracle Corporation Japan, and Nippon Steel Corporation, dated December 9, 1991.

10.16(9) Holding Warrant Agreement by and among Oracle Systems Corporation, Oracle Corporation, Oracle Japan Holding, Inc., Nippon Steel Corporation, and Nippon Steel Europe B.V., dated December 9, 1991.

10.17(9) Common Stock Warrant Certificate of Oracle Japan Holding, Inc., dated December 9, 1991.

10.18(9) Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock of Oracle Japan Holding, Inc., dated December 9, 1991.

10.19(9) Oracle Japan Warrant Agreement by and among Oracle Systems Corporation, Oracle Corporation, Oracle Japan Holding, Inc., Nippon Steel Corporation, and Nippon Steel Europe B.V., dated December 9, 1991.

10.20(9) Common Stock Warrant Certificate of Oracle Corporation Japan, dated December 9, 1991.

10.21(9) Product Activities Agreement by and among Oracle Systems Corporation, Oracle Corporation, and Nippon Steel Corporation, dated December 9, 1991.

10.22(9) Integration Agreement among Oracle Systems Corporation, Oracle Corporation, Oracle Corporation Japan, Oracle Japan Holding, Inc., Nippon Steel Corporation, Nippon Steel U.S.A., and Nippon Steel Europe B.V., dated December 9, 1991.

10.23(9) Tax Sharing and Payment Agreement by and between Oracle Systems Corporation, Oracle Corporation, Oracle Japan Holding, Inc., Nippon Steel Corporation, and Nippon Steel Europe B.V., dated December 9, 1991.

10.24(17)\* Restatement of Employment Agreement with David Roux as of August 31, 1996.

10.25 Amendment No 1 to 1991 Long-Term Equity Incentive Plan dated December 9, 1996.

21.01 Subsidiaries of the Registrant.

23.01 Consent of Arthur Andersen LLP.

27.1 Financial Data Schedule.

* Indicates management contract or compensatory plan or arrangement.
  1. Incorporated by reference to the Form S-1 Registration Statement filed March 27, 1987, File No. 33-12941.
  2. Incorporated by reference to the Form S-8 Registration Statement filed February 24, 1986, File No. 33-3536, as amended.
  3. Incorporated by reference to the Form 10-K filed August 25, 1989.
  4. Incorporated by reference to the Form 10-K filed on August 27, 1990.
  5. Incorporated by reference to the Form 8-K filed on December 10, 1990.
  6. Incorporated by reference to the Form 10-Q filed on January 11, 1991.
  7. Incorporated by reference to the Form 10-K filed on August 28, 1991.
  8. Incorporated by reference to the Form S-8 Registration Statement filed December 23, 1991, File No. 33-44702.

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* 1. Incorporated by reference to the Form 10-Q filed on January 13, 1992.
  2. Incorporated by reference to the Form 10-Q filed on January 7, 1993.
  3. Incorporated by reference to the Form 10-K filed on July 22, 1993.
  4. Incorporated by reference to the Form 10-Q filed on September 23, 1993.
  5. Incorporated by reference to the Form 10-Q filed on January 11, 1994.
  6. Incorporated by reference to the Form 8-A filed on February 28, 1994.
  7. Incorporated by reference to the Form 10-K filed on July 27, 1994.
  8. Incorporated by reference to the Form 10-K filed on August 25, 1995.
  9. Incorporated by reference to the Form 10-Q filed on October 11, 1996.
  10. Incorporated by reference to the Form 10-Q filed on January 10, 1997.
  11. Incorporated by reference to the Form 10-Q filed on April 10, 1997.

1. REPORTS ON FORM 8-K None.

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# REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

**To Oracle Corporation:**

We have audited the accompanying consolidated balance sheets of Oracle Corporation, a Delaware corporation, and subsidiaries as of May 31, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended May 31, 1997. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oracle Corporation and subsidiaries as of May 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 1997, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed under Item 14(a)2 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

# ARTHUR ANDERSEN LLP

San Jose, California June 16, 1997

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# ORACLE CORPORATION CONSOLIDATED BALANCE SHEETS AS OF MAY 31, 1997 AND 1996

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

# ASSETS

CURRENT ASSETS

MAY 31,

---------------------- 1997 1996

---------- ----------

Cash and cash equivalents.............................. $ 890,162 $ 715,742

Short-term cash investments............................ 323,028 125,166 Trade receivables, net of allowance for doubtful ac-

counts of $127,840 in 1997 and $105,711 in 1996....... 1,540,470 1,084,858

Other receivables...................................... 168,469 119,118

Prepaid and refundable income taxes.................... 274,366 171,560 Prepaid expenses and other current assets.............. 74,601 68,021

---------- ---------- Total current assets.................................. 3,271,096 2,284,465

LONG-TERM CASH INVESTMENTS.............................. 116,337 41,963

PROPERTY, net........................................... 868,948 685,754

COMPUTER SOFTWARE DEVELOPMENT COSTS, net of accumulated

amortization of $36,303 in 1997 and $78,025 in 1996.... 98,981 99,072

OTHER ASSETS............................................ 268,953 245,989

---------- ---------- Total assets.......................................... $4,624,315 $3,357,243

========== ==========

CURRENT LIABILITIES

LIABILITIES AND STOCKHOLDERS' EQUITY

Notes payable and current maturities of long-term debt. $ 3,361 $ 5,623 Accounts payable....................................... 185,444 169,895

Income taxes........................................... 203,646 181,999

Accrued compensation and related benefits.............. 394,153 295,048 Customer advances and unearned revenues................ 602,862 434,435 Value added tax and sales tax payable.................. 121,914 99,409 Other accrued liabilities.............................. 410,759 268,555

---------- ----------

Total current liabilities............................. 1,922,139 1,454,964

LONG-TERM DEBT.......................................... 300,836 897

OTHER LONG-TERM LIABILITIES............................. 24,226 21,726

DEFERRED INCOME TAXES................................... 7,402 9,207

COMMITMENTS (Note 5).................................... -- -- STOCKHOLDERS' EQUITY

Preferred stock, $0.01 par value--authorized, 1,000,000

shares; outstanding: none............................. -- --

Common stock, $0.01 par value, and additional paid in capital--authorized, 2,000,000,000 shares; outstand- ing: 651,980,213 shares in 1997 and 655,825,902 shares

in 1996............................................... 696,018 475,833

Retained earnings...................................... 1,686,170 1,382,203

Accumulated foreign currency translation adjustments

and unrealized gain on equity securities.............. (12,476) 12,413

---------- ----------

Total stockholders' equity............................ 2,369,712 1,870,449

---------- ----------

Total liabilities and stockholders' equity............ $4,624,315 $3,357,243

========== ==========

See notes to consolidated financial statements.

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# ORACLE CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS

**FOR THE YEARS ENDED MAY 31, 1997, 1996 AND 1995**

(IN THOUSANDS, EXCEPT PER SHARE DATA)

YEAR ENDED MAY 31,

----------------------------------

|  |  |  |
| --- | --- | --- |
| 1997 | 1996 | 1995 |
| ---------- | ---------- | ---------- |

REVENUES

Licenses and other........................ $2,896,696 $2,296,572 $1,673,731

Services.................................. 2,787,640 1,926,728 1,293,147

---------- ---------- ----------

Total revenues........................... 5,684,336 4,223,300 2,966,878

---------- ---------- ----------

OPERATING EXPENSES

Sales and marketing....................... 1,970,394 1,549,231 1,103,345

Cost of services.......................... 1,550,466 1,096,013 779,012

Research and development.................. 555,476 389,093 260,597

General and administrative................ 308,215 233,141 174,203 Acquired in-process research and develop-

ment..................................... 36,800 50,931 --

---------- ---------- ----------

Total operating expenses................. 4,421,351 3,318,409 2,317,157

---------- ---------- ----------

OPERATING INCOME........................... 1,262,985 904,891 649,721

---------- ---------- ----------

OTHER INCOME (EXPENSE)

Interest income........................... 47,381 30,235 21,095

Interest expense.......................... (6,806) (6,632) (6,970)

Other..................................... (20,033) (8,984) (4,864)

---------- ---------- ----------

Total other income (expense)............. 20,542 14,619 9,261

---------- ---------- ---------- INCOME BEFORE PROVISION FOR INCOME TAXES... 1,283,527 919,510 658,982

Provision for income taxes................ 462,070 316,231 217,464

---------- ---------- ----------

NET INCOME................................. $ 821,457 $ 603,279 $ 441,518

========== ========== ========== EARNINGS PER SHARE......................... $ 1.22 $ 0.90 $ 0.66

========== ========== ==========

COMMON AND COMMON EQUIVALENT SHARES

OUTSTANDING............................... 672,863 670,658 665,399

========== ========== ==========

See notes to consolidated financial statements.

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# ORACLE CORPORATION

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE YEARS ENDED MAY 31, 1997, 1996 AND 1995** (DOLLARS IN THOUSANDS)

COMMON STOCK AND ADDITIONAL PAID-IN

|  |  |  |
| --- | --- | --- |
|  | ACCUMULATED |  |
| FOREIGN |  |
| CURRENCY |  |
| TRANSLATION |  |
| ADJUSTMENTS |  |
| AND UNREALIZED |  |
| RETAINED | GAIN ON EQUITY |  |
| EARNINGS | SECURITIES | TOTAL |

CAPITAL

---------------------- NUMBER OF

SHARES AMOUNT

----------- --------- ---------- -------------- ---------- BALANCES, May 31, 1994.. 644,311,763 $ 254,500 $ 488,595 $ (2,542) $ 740,553

Common stock issued un-

der stock option plans. 7,009,377 19,679 -- -- 19,679 Common stock issued

under stock purchase

plan................... 2,916,367 40,968 -- -- 40,968

Reclassification of put

warrant obligations.... -- 328 (336) -- (8)

Repurchase of common

stock.................. (4,201,875) (2,187) (73,672) -- (75,859)

Effect of common stock

dividend............... -- 1,967 (1,967) -- --

Tax benefits from stock

plans.................. -- 23,731 -- -- 23,731

Foreign currency trans-

lation adjustments..... -- -- -- 20,776 20,776 Net income.............. -- -- 441,518 -- 441,518

----------- --------- ---------- -------- ---------- BALANCES, May 31, 1995.. 650,035,632 338,986 854,138 18,234 1,211,358

Common stock issued un-

der stock option plans. 7,145,391 31,720 -- -- 31,720 Common stock issued

under stock purchase

plan................... 3,123,013 61,071 -- -- 61,071

Reclassification of put

warrant obligations.... -- 1,053 37,385 -- 38,438 Proceeds from sale of

call options........... -- 17,175 -- -- 17,175

Repurchase of common

stock.................. (4,478,134)

Effect of common stock dividend............... --

Tax benefits from stock

(113,087)

--

|  |  |  |
| --- | --- | --- |
| (2,676) | (110,411) | -- |
| 2,188 | (2,188) | -- |

plans.................. -- 26,316 -- -- 26,316

Foreign currency trans-

lation adjustments..... -- -- -- (12,147) (12,147) Unrealized gain on eq-

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| uity securities........ | -- | -- | -- | 6,326 | 6,326 |
| Net income.............. | -- | -- | 603,279 | -- | 603,279 |
|  | ----------- | --------- | ---------- | -------- | ---------- |
| BALANCES, May 31, 1996.. | 655,825,902 | 475,833 | 1,382,203 | 12,413 | 1,870,449 |
| Common stock issued un- |  |  |  |  |  |
| der stock option plans. | 5,876,177 | 46,013 | -- | -- | 46,013 |

Common stock issued under stock purchase

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| plan................... | 3,085,634 | 92,171 | -- | -- | 92,171 |
| Sale of warrants to pur- |  |  |  |  |  |
| chase stock............ | -- | 35,898 | -- | -- | 35,898 |

Repurchase of common

stock.................. (12,807,500) (10,719) (517,490) -- (528,209)

Tax benefits from stock

plans.................. -- 56,822 -- -- 56,822

Foreign currency trans-

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| lation adjustments.....  Unrealized loss on eq- uity securities........ | -- | -- | -- | (18,565) | (18,565) |
| -- | -- | -- | (6,324) | (6,324) |
| Net income.............. | -- | -- | 821,457 | -- | 821,457 |
|  | ----------- | --------- | ---------- | -------- | ---------- |
| BALANCES, May 31, 1997.. | 651,980,213 | $ 696,018 | $1,686,170 | $(12,476) | $2,369,712 |
|  | =========== | ========= | ========== | ======== | ========== |

See notes to consolidated financial statements.

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# ORACLE CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOWS

**FOR THE YEARS ENDED MAY 31, 1997, 1996 AND 1995**

(IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES

YEAR ENDED MAY 31,

------------------------------- 1997 1996 1995

--------- --------- ---------

Net income................................... $ 821,457 $ 603,279 $ 441,518

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization............... 264,773 219,494 147,772 Write-off of acquired in-process research

and development............................ 36,800 50,931 --

Provision for doubtful accounts............. 92,635 64,412 53,784 Changes in assets and liabilities, net of

effects of acquisitions;

Increase in trade receivables.............. (628,025) (449,780) (347,311)

Increase in prepaid and refundable income taxes..................................... (102,864) (20,377) (80,183)

Increase in prepaid expenses and other cur-

rent assets............................... (8,893) (37,685) (5,464)

Increase in accounts payable............... 16,807 48,392 24,113

Increase in income taxes................... 78,050 86,367 90,713

Increase in other accrued liabilities...... 275,534 210,984 181,638 Increase in customer advances and unearned

revenues.................................. 175,657 127,126 77,223

Increase (decrease) in deferred income tax- es........................................ 6,286 (25,351) (13,341)

Increase (decrease) in other non-current liabilities............................... 2,287 11,365 (1,778)

--------- --------- ---------

Net cash provided by operating activities.... 1,030,504 889,157 568,684

--------- --------- ---------

CASH FLOWS FROM INVESTING ACTIVITIES

|  |  |  |  |
| --- | --- | --- | --- |
| Purchases of cash investments............... | (524,313) | (238,960) | (176,536) |
| Proceeds from maturities of cash invest- |  |  |  |
| ments...................................... | 252,077 | 177,491 | 130,824 |
| Capital expenditures........................ | (390,741) | (308,392) | (262,046) |
| Capitalization of computer software develop- |  |  |  |
| ment costs................................. | (28,064) | (48,031) | (48,187) |

Increase in other assets, net of cash ac-

quired from acquisitions................... (86,340) (133,596) (139,824)

--------- --------- ---------

Net cash used for investing activities....... (777,381) (551,488) (495,769)

--------- --------- ---------

CASH FLOWS FROM FINANCING ACTIVITIES

Net borrowings (payments) under notes pay-

able and long-term debt.................... 298,321 (81,624) 5,346

Payments of capital leases.................. (1,316) (3,546) (6,168)

Proceeds from common stock issued........... 138,184 92,791 60,647 Proceeds from sales of call options......... -- 17,175 -- Proceeds from sales of warrants............. 35,898 -- -- Repurchase of common stock.................. (528,209) (113,087) (75,859)

--------- --------- ---------

Net cash used for financing activities....... (57,122) (88,291) (16,034)

--------- --------- --------- EFFECT OF EXCHANGE RATE CHANGES ON CASH....... (21,581) (13,794) 18,467

--------- --------- ---------

Net increase in cash and cash equivalents.... 174,420 235,584 75,348 CASH AND CASH EQUIVALENTS

Beginning of year............................ 715,742 480,158 404,810

--------- --------- ---------

End of year.................................. $ 890,162 $ 715,742 $ 480,158

========= ========= =========

See notes to consolidated financial statements.

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# ORACLE CORPORATION

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

# Organization

Oracle Corporation designs, develops, markets and supports computer software products with a wide variety of uses, including database management, application development and business intelligence tools and business applications. The Company also offers consulting, education and support services in support of its customers' use of its software products.

# Basis of Financial Statements

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances between the companies have been eliminated.

# Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Foreign Currency Translation

In general, the functional currency of a foreign operation is deemed to be the local country's currency. Consequently, assets and liabilities of operations outside the United States are translated into United States dollars using current exchange rates, and the effects of foreign currency translation adjustments are included as a component of stockholders' equity. At May 31, 1997 and 1996, accumulated foreign translation balances were $(12,478,000) and $6,087,000, respectively.

The Company hedges certain portions of its exposure to foreign currency fluctuations through a variety of strategies and financial instruments. The primary hedging instruments are forward foreign exchange contracts. At May 31, 1997, the Company had approximately $226,628,000 of forward foreign exchange contracts outstanding used to hedge intercompany accounts of certain of its international subsidiaries, and approximately $100,299,000 of equity hedges outstanding used to hedge the net assets of certain of its international subsidiaries. The intercompany balances primarily reflect sub-license fees owed to Oracle Corporation or intercompany loans. The fair value of foreign currency contracts is estimated based on the spot rate of the various hedged currencies as of the end of the period. Gains and losses associated with currency rate changes on forward foreign exchange contracts used to hedge intercompany accounts are recorded currently in income, as they offset corresponding gains and losses on the foreign currency-denominated assets and liabilities being hedged. Net foreign exchange transaction losses and expenses were $6,645,000, $4,232,000 and $3,732,000 in fiscal 1997, 1996 and 1995, respectively, and are included in other income and expense. Net gains on equity hedges were $7,598,000 and $9,051,000 in fiscal 1997 and 1996, respectively, and net losses on equity hedges were $10,213,000 in fiscal 1995. These net gains and losses on equity hedges were recorded as a component of accumulated foreign currency translation adjustments in stockholders' equity.

As of May 31, 1997, the fair value (and carrying amount) of outstanding foreign forward exchange contracts were as follows:

CONTRACT

AMOUNT FAIR VALUE

------------ ------------

Intercompany account hedges................... $226,628,000 $226,629,000 Equity hedges................................. $100,299,000 $ 91,659,000

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

At May 31, 1997, maturities of the Company's forward foreign exchange and equity hedge contracts were twelve months or less in term.

# Supplemental Statements of Cash Flows Data

The Company paid income taxes in the amount of $533,914,000, $438,791,000 and $223,725,000, and interest expense of $843,000,

$8,616,000 and $6,087,000 during the fiscal years ended 1997, 1996 and 1995, respectively. In fiscal 1997, 1996 and 1995, the Company received income tax refunds in the amount of $13,273,000, $6,201,000 and $809,000, respectively. The Company purchased equipment under capital leases in the amount of $946,000, $803,000 and $1,438,000 in fiscal 1997, 1996 and 1995, respectively.

Non-cash transactions in fiscal 1996 included the expiration of $38,438,000 of put warrants which were reclassified from liabilities to stockholders' equity.

Substantially all of the Company's cash and cash equivalents at May 31, 1997 consisted of highly liquid investments in time deposits of major world banks, commercial paper, money market mutual funds and tax-free municipal securities with original maturities or puts of 90 days or less. The Company considers such investments to be cash equivalents for purposes of the statements of cash flows. Cash investments at May 31, 1997 primarily consisted of tax-exempt municipal securities, commercial paper and U.S. Government Agency Paper with original maturities or puts of 91 days or more. No individual investment security equaled or exceeded 2% of total assets.

# Investments in Debt and Equity Securities

In accordance with SFAS No. 115 and based on the Company's intentions regarding these instruments, the Company has classified all marketable debt securities and long-term debt investments as held-to-maturity and has accounted for these investments at amortized cost. The Company has classified its marketable equity securities as available for sale (included in "Other Assets" in the accompanying consolidated balance sheets) and recorded net unrealized holding gains in equity of $2,000 and $6,326,000 as of May 31, 1997 and 1996, respectively, which were included in "Accumulated foreign currency translation adjustments and unrealized gain on equity securities" in the accompanying consolidated balance sheets.

At May 31, 1997, the amortized cost basis, aggregate fair value and gross unrealized holding gains and losses by major security type were as follows:

Fiscal 1997:

Debt securities issued by states of the United States and politi-

AMORTIZED AGGREGATE FAIR UNREALIZED COST VALUE GAINS/(LOSSES)

--------- -------------- ------------- (IN THOUSANDS)

cal subdivisions of the states.. $251,670 $251,993 $ 323 Corporate debt securities........ 187,695 187,786 91

-------- -------- -----

Total cash investments......... $439,365 $439,779 $ 414

======== ======== =====

Fiscal 1996:

Debt securities issued by states

|  |  |  |  |
| --- | --- | --- | --- |
| of the United States and politi- |  | | |
| cal subdivisions of the states.. | $131,119 | $130,625 | $(494) |
| Corporate debt securities........ | 36,010 | 36,101 | 91 |
|  | -------- | -------- | ----- |
| Total cash investments......... | $167,129 | $166,726 | $(403) |
|  | ======== | ======== | ===== |
| All of the Company's long-term investments mature within 29 months. | 34 |  |  |

# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

**Concentration of Credit Risk**

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash investments and trade receivables. The Company has cash investment policies that limit investments to investment grade securities. The Company performs ongoing credit evaluations of its customer's financial condition and the risk with respect to trade receivables is further mitigated by the fact that the Company's customer base is highly diversified.

# Property

Property is stated at cost. Capital leases are recorded at the present value of the future minimum lease payments at the date of acquisition. Depreciation is computed using the straight-line method based on estimated useful lives of the assets which range from three to forty years. Capital leases and leasehold improvements are amortized over the estimated useful lives or lease terms, as appropriate.

In fiscal 1997, 1996 and 1995, the Company purchased approximately $15,000, $300,000 and $1,000,000, respectively, in computer equipment and maintenance services from nCUBE Corporation, the principal shareholder of which is Lawrence J. Ellison, Chief Executive Officer of the Company, for use for a variety of internal development and production purposes.

# Software Development Costs

The Company capitalizes internally generated software development costs in compliance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed." Capitalization of computer software development costs begins upon the establishment of technological feasibility for the product. Capitalized software development costs amounted to $28,064,000, $48,031,000 and $48,187,000 in fiscal 1997, 1996 and 1995, respectively.

Amortization of capitalized computer software development costs begins when the products are available for general release to customers, and is computed on a product-by-product basis as the greater of: (a) the ratio of current gross revenues for a product to the total of current and anticipated future gross revenues for the product; or (b) the straight-line method over the remaining estimated economic life of the product (generally two to three years). Amortization amounted to $28,156,000, $48,815,000 and $48,662,000, for the fiscal years ended May 31, 1997, 1996 and 1995, respectively, and is included in sales and marketing expenses.

# Acquisitions

As of December 31, 1996, the Company had a minority investment in Datalogix International, Inc. of approximately 13.4%. Effective January 1, 1997, the Company completed a merger transaction, by which it acquired the remaining outstanding shares of Datalogix International, Inc. for approximately $82,000,000 in cash. The Company received an appraisal of certain intangible assets which indicated that $36,800,000 of the acquired intangible assets consisted of in-process research and development. In the opinion of management and the appraiser, the acquired in- process research and development had not yet reached technological feasibility and had no alternative future uses. Accordingly, the Company recorded a special charge of $36,800,000 in the accompanying consolidated statement of operations in fiscal 1997. The remaining intangible assets acquired, with an assigned value of approximately $20,000,000, were included in "Other Assets" in the accompanying consolidated balance sheets and are being amortized over a five year period. Amortization expense of approximately $1,700,000 was included in the accompanying consolidated statement of operations in fiscal 1997.

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

On July 27, 1995, the Company completed the acquisition of the on-line analytical processing business of Information Resources, Inc. for approximately $100,000,000 in cash. The Company received an appraisal of certain intangible assets which indicated that $50,931,000 of the acquired intangible assets consisted of in-process research and development. In the opinion of management and the appraiser, the acquired in- process research and development had not yet reached technological feasibility and had no alternative future uses. Accordingly, the Company recorded a special charge of $50,931,000 in the accompanying consolidated statement of operations in fiscal 1996. The remaining intangible assets acquired, with an assigned value of approximately $33,000,000, were included in "Other Assets" in the accompanying consolidated balance sheets and are being amortized over a five year period. Amortization expenses of approximately $6,000,000 and $5,000,000 were included in the accompanying consolidated statement of operations in fiscal 1997 and 1996, respectively.

On November 30, 1994, the Company completed the acquisition of the Rdb database and repository businesses of Digital Equipment Corporation, including all related software products and customer support services, for approximately $108,000,000 in cash. Intangible assets, with an assigned value of approximately $105,000,000, were included in "Other Assets" in the accompanying consolidated balance sheets and are being amortized over a seven year period. Amortization expense of approximately $15,000,000 in fiscal 1997 and 1996, and $8,000,000 in fiscal 1995, were included in the accompanying consolidated statements of operations.

Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of

Effective June 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 121 ("SFAS No. 121"), "Accounting for the Impairment of Long- Lived Assets and for Long-Lived Assets to be Disposed Of." The adoption of SFAS No. 121 did not have a material impact on the results of operations or financial position of the Company.

# Long Term Debt

Based on the borrowing rates currently available to the Company for loans similar in terms and average maturities, the stated value of long term debt approximated market value at May 31, 1997.

# Revenue Recognition

The Company generates several types of revenue including the following:

License and Sublicense Fees. The Company's standard end user license agreement for the Company's products provides for an initial fee to use the product in perpetuity up to a maximum number of users on a specified computer. The Company also enters into other license agreement types, typically with major end user customers, which allow for the use of the Company's products, usually restricted by the number of employees, the number of users, the number of computers or the license term. Fees from licenses with standard acceptance periods (15 days for commercial customers, and 30 days for shrink-wrap, government and telemarketing customers) are recognized as revenue upon shipment if there are no significant post-delivery obligations and payment is due within one year. If the acceptance period is longer than standard, revenues are not recognized until the end of the acceptance period. The Company provides for sales returns based on historical rates of return.

The Company receives sublicense fees from its Oracle Alliance Members (value- added relicensors, hardware providers, systems integrators and independent software vendors) based on the sublicenses granted by the Oracle Alliance member. Sublicense fees typically are based on a percentage of the Company's list price and are generally recognized as they are reported by the reseller.

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

Support Agreements. Support agreements generally call for the Company to provide technical support and certain software updates to customers. Revenue on technical support and software update rights is recognized ratably over the term of the support agreement and is included in services revenue in the accompanying statement of operations.

Consulting and Education Services. The Company provides consulting and education services to its customers; revenue from such services is generally recognized as the services are performed.

Deferred Revenues. Deferred revenues primarily relate to post-contract support which has been paid by the customers prior to the performance of these services.

# Accounting for Stock-Based Compensation

Effective June 1, 1996, the Company adopted the disclosure provisions of Financial Accounting Standards No. 123, ("SFAS No. 123"), "Accounting for Stock-Based Compensation." In accordance with the provisions of SFAS No. 123, the Company applies Accounting Principles Board Opinion 25 and related interpretations in accounting for its employee stock option plans. Note 6 to the Consolidated Financial Statements contains a summary of the pro forma effects on reported net income and earnings per share for fiscal 1997 and 1996 based on the fair value of options and shares granted as prescribed by SFAS No. 123.

# Income Taxes

Deferred income taxes are provided for timing differences in recognizing certain income, expense and credit items for financial reporting purposes and tax reporting purposes. Such deferred income taxes primarily relate to the methods of accounting for capitalized software development costs, the timing of recognition of certain revenue items, the timing of the deductibility of certain reserves and accruals for income tax purposes and the timing of recognition of dividends from subsidiaries.

# Earnings Per Share

On July 14, 1997, the Company announced a three-for-two stock split in the form of a common stock dividend to be distributed on August 15, 1997 to stockholders of record as of August 1, 1997. Per share data and numbers of common shares contained in these consolidated financial statements and in Management's Discussion and Analysis of Financial Condition and Results of Operations have not been adjusted to reflect the stock split that will be effective in the first quarter of fiscal 1998.

Earnings per share was computed based on the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares are calculated using the treasury stock method and represent incremental shares issuable upon the exercise of outstanding stock options and warrants.

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 128 "Earnings per Share," which will be adopted by the Company in the third quarter of fiscal 1998. SFAS No. 128 requires companies to compute net income per share under two different methods, basic and diluted, and to disclose the methodology used for the calculation. If SFAS No. 128 had been applied by the Company during fiscal 1997 and 1996, basic net income per share would have been $1.25 and $0.92 and diluted net income per share would have been $1.22 and $0.90, respectively.

# Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

1. PROPERTY Property consists of:

YEAR ENDED MAY 31,

-------------------- 1997 1996

--------- --------- (IN THOUSANDS)

|  |  |  |
| --- | --- | --- |
| Computer equipment.................................... | $ 681,324 | $ 523,991 |
| Furniture and fixtures................................ | 217,109 | 172,355 |
| Automobiles........................................... | 6,653 | 4,764 |
| Buildings and improvements............................ | 486,208 | 344,071 |
| Land.................................................. | 85,980 | 83,413 |
|  | --------- | --------- |
| Total............................................... | 1,477,274 | 1,128,594 |
| Accumulated depreciation and amortization............. | (608,326) | (442,840) |
|  | --------- | --------- |
| Property, net....................................... | $ 868,948 | $ 685,754 |
|  | ========= | ========= |

In fiscal 1997, the Company became a 74% limited partner in III Centrum Associates Limited Partnership, a real estate limited partnership which owns one of the buildings leased by the Company at its headquarters site, by making a capital contribution of $2.5 million. Additionally, in fiscal 1997, the Company loaned the partnership $60.4 million in the form of a promissory note secured by a deed of trust which was used to pay off a mortgage on a building owned by the partnership. The Company has the right to leave the partnership on January 1, 2000, and to take title to the building without making further capital contributions. The Company continues to lease the building from the partnership. As a result of the loan and capital contribution, the Company has capitalized the building lease, and the $62.9 million in payments have been classified as buildings and improvements.

During fiscal 1994, the Company purchased $85.1 million in mortgage notes. These notes are the obligations of IV Centrum Associates, a real estate limited partnership, which owns two buildings leased by the Company at its headquarters site. The Company also became a 74% limited partner in IV Centrum Associates by making a capital contribution of approximately $4 million. The Company intends to leave the partnership in the first quarter of fiscal 1998 and to take full title to both buildings without making further capital contributions. As a result of the original note purchases and capital contribution, the Company capitalized the two building leases, and the $89.1 million in payments have been classified as buildings and improvements.

Additionally, during fiscal 1994, the Company entered into an arrangement whereby it leased an office building adjacent to its headquarters site and concurrently acquired the land under the building and all outstanding mortgage notes for a total of $22.1 million. The Company has various options to extend the lease and to purchase the building at various times during the lease term. As a result of the land and note purchases, the Company has capitalized the building lease, and the $22.1 million in payments have been classified as land and buildings and improvements.

Equipment under capital leases included in property at May 31, 1997 and 1996 was $29,452,000 and $30,428,000, respectively. Accumulated amortization of leased equipment at such dates was $27,698,000 and $27,650,000, respectively.

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

As of May 31, 1997, future minimum annual lease payments under capital leases together with their present value were:

YEAR ENDED MAY 31,

------------------ (IN THOUSANDS)

1998..................................................... $1,104

1999..................................................... 452

2000..................................................... 269

2001..................................................... 45

------

Total minimum lease payments........................... 1,870

Amount representing interest............................. (269)

------

Present value of minimum lease payments................ $1,601

======

1. NOTES PAYABLE AND CURRENT MATURITIES OF LONG-TERM DEBT

At May 31, 1997 and 1996, the Company had unsecured short-term borrowings from banks which were payable on demand in the amounts of

$2,532,000 and $4,377,000, respectively. Interest on the borrowings outstanding at May 31, 1997 ranged from 2% to 15%. The Company also had current maturities of long-term debt of $829,000 and $1,246,000 at May 31, 1997 and 1996, respectively.

1. LONG-TERM DEBT Long-term debt consists of:

YEAR ENDED MAY 31,

------------------- 1997 1996

-------- --------- (IN THOUSANDS)

Senior Notes....................................... $300,000 $ --

Other.............................................. 64 100

Capital lease obligations (See Note 2)............. 1,601 2,043

-------- --------- Total............................................ 301,665 2,143

Current maturities................................. (829) (1,246)

-------- --------- Long-term debt..................................... $300,836 $ 897

======== =========

During the third quarter of fiscal 1997, the Company issued $150,000,000 in 6.72% Senior Notes due in the year 2004 and $150,000,000 in 6.91% Senior Notes due in the year 2007. The Senior Notes are unsecured general obligations of the Company that rank on a parity with all other unsecured and unsubordinated indebtedness of the Company that may be outstanding.

As of May 31, 1997, maturities of long-term debt (excluding the Senior Notes discussed above and the lease payments related to capitalized facilities discussed in Note 2) are:

YEAR ENDED MAY 31,

------------------ (IN THOUSANDS)

1998..................................................... $31

1999..................................................... 25

2000..................................................... 8

--- Total.................................................. $64

===

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

1. COMMITMENTS

In December 1996, the Company entered into a seven year master lease facility which provides for the construction or purchase of up to

$150,000,000 of property and improvements to be leased to the Company. The Company's obligation to make lease payments generally will begin at the end of the construction period. Rent will be payable quarterly in arrears over a term of seven years. The Company's obligations under the lease facility currently are collateralized by U.S. treasury securities. The Company has the discretion to substitute other collateral for the treasury securities. The Company may, at its option, purchase the leased properties during the term of the lease at approximately the amount expended by the lessor to construct or purchase such properties. In the event that the Company does not exercise its purchase option, the Company has agreed to guarantee that the properties will have a specified residual value which will be determined at the lease inception date for each property. As of May 31, 1997, the Company has drawn down approximately $46,500,000 of the master lease facility. Leases under the provisions of this agreement are accounted for as operating leases.

Facilities and certain furniture and equipment are leased under operating leases. As of May 31, 1997, future minimum annual lease payments (excluding the master lease facility discussed above and the lease payments related to capitalized facilities discussed in Note 2) are as follows:

YEAR ENDED MAY 31,

------------------ (IN THOUSANDS)

1998..................................................... $129,777

1999..................................................... 104,827

2000..................................................... 79,079

2001..................................................... 55,935

2002..................................................... 43,768

Thereafter............................................... 192,880

-------- Total.................................................. $606,266

========

Rent expense was $184,468,000, $179,227,000 and $132,647,000, for fiscal years 1997, 1996 and 1995, respectively. Rent expense in fiscal 1997, 1996 and 1995 is net of sublease income of approximately $1,394,000, $2,020,000 and $2,076,000, respectively.

1. STOCKHOLDERS' EQUITY

# Stock Option Plans

The Company's 1985 Stock Option Plan provided for the issuance of incentive stock options to employees of the Company and non-qualified options to employees, directors, consultants and independent contractors of the Company. Under the terms of this plan, options were generally granted at not less than fair market value, became exercisable as established by the Board (generally ratably over four to five years), and generally expire ten years from the date of grant. As of May 31, 1997, options to purchase 1,655,022 shares were outstanding and vested. As of May 31, 1997, there were no options for shares of Common Stock available for future grant under this plan.

In fiscal 1991, the Company adopted both the 1990 Directors Stock Option Plan and the 1990 Executive Officers Stock Option Plan which provide for the issuance of non-qualified stock options to directors and non-qualified or incentive stock options to executive officers of the Company, respectively. Under the terms of these plans, options to purchase up to 9,630,000 shares of Common Stock were reserved for issuance, generally are granted at not less than fair market value, become exercisable as established by the Board (generally ratably over four years), and generally expire ten years from the date of grant. As of May 31, 1997, options to purchase 1,144,127 shares of Common Stock were outstanding, of which 919,127 shares were vested. Options for 2,306,920 shares were available for future grant under these plans at May 31, 1997.

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

In fiscal 1992, the Company adopted the Long-term Equity Incentive Plan which provides for the issuance of non-qualified stock options and incentive stock options, as well as stock purchase rights, stock appreciation rights (in connection with options), and long-term performance awards to eligible employees, officers, directors who are also employees or consultants, and advisors of the Company. Under the terms of this plan, options to purchase 22,500,000 shares of Common Stock were reserved for issuance, generally are granted at not less than fair market value, become exercisable as established by the Board (generally ratably over four years), and generally expire ten years from the date of grant. An additional 18,000,000 shares of Common Stock were reserved for issuance under the plan in both fiscal 1994 and fiscal 1996. In fiscal 1997, an additional 34,000,000 shares of Common Stock were reserved for issuance under the plan. As of May 31, 1997, options to purchase 40,342,450 shares of Common Stock were outstanding, of which 16,360,953 shares were vested. Options for 39,978,146 shares were available for future grant under the plan at May 31, 1997. To date, the Company has not issued any stock purchase rights, stock appreciation rights or long-term performance awards under this plan.

In fiscal 1993, the Company's Board of Directors adopted the 1993 Directors Stock Option Plan (the "1993 Directors Plan") which provides for the issuance of non-qualified stock options to outside directors. Under the terms of this plan, options to purchase 2,250,000 shares of Common Stock were reserved for issuance, are granted at not less than fair market value, become exercisable over four years, and expire ten years from the date of grant. Under the terms of the 1993 Directors Plan, all grants of options to purchase shares of the Company's Common Stock are automatic and nondiscretionary. The plan provides for initial stock option grants of 22,500 shares to each individual who was an outside director on May 24, 1993. In addition, the Chairman of the Executive Committee of the Company's Board of Directors was automatically granted options to purchase 180,000 shares of the Company's Common Stock. Each individual who becomes an outside director after May 24, 1993 shall automatically be granted options to purchase 56,250 shares. The 1993 Directors Plan also provides for subsequent stock option grants. On May 31 of each year beginning on May 31, 1994, each outside director will be granted options to purchase 16,875 shares of the Company's Common Stock, provided that on such date the outside director has served on the Company's Board of Directors for at least six months. In addition, each outside director who has served as a Chairman of the Executive or Finance and Audit Committee of the Company's Board of Directors will be granted options to purchase 39,375 shares of Common Stock on May 31 of each year beginning on May 31, 1994, provided that the outside director has served as a Chairman of any such committee for at least one year. As of May 31, 1997, options to purchase 488,188 shares of common stock were outstanding, of which 169,998 were vested. Options for 1,536,814 shares were available for future grant under this plan at May 31, 1997.

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

The following table summarizes stock option plan activity:

SHARES UNDER

OPTION OPTION PRICES

---------- ----------------

Balance, May 31, 1994..................... 37,508,414 $ 0.10 -- $16.06

Granted................................. 8,375,025 15.36 -- 24.67

Exercised............................... (6,368,127) 15.50 -- 24.67

Canceled................................ (2,215,530) 1.28 -- 21.33

----------

WEIGHTED AVERAGE EXERCISE PRICE

---------------- Balance, May 31, 1995..................... 37,299,782 $ 9.21

Granted................................. 12,457,219 30.34

Exercised............................... (7,066,368) 4.42

Canceled................................ (2,472,707) 18.44

----------

Balance, May 31, 1996..................... 40,217,926 $ 16.04

---------- Granted................................. 11,443,612 38.55

Exercised............................... (5,877,143) 8.12

Canceled................................ (2,154,608) 25.00

----------

Balance, May 31, 1997..................... 43,629,787 $ 22.50

==========

As of May 31, 1997, the Company had reserved 87,451,667 shares of Common Stock for the exercise of options. The range of exercise prices for options outstanding at May 31, 1997 was $1.14 to $47.25. The range of exercise prices for options is due primarily to the increasing price of the Company's stock over the period of the grants.

The following table summarizes information about stock options outstanding at May 31, 1997:

WEIGHTED

WEIGHTED AVERAGE

NUMBER AVERAGE WEIGHTED NUMBER EXERCISE OUTSTANDING REMAINING AVERAGE EXERCISABLE PRICE OF

RANGE OF EXERCISE AS OF CONTRACTUAL EXERCISE AS OF EXERCISABLE PRICE 5/31/97 LIFE PRICE 5/31/97 OPTIONS

----------------- ----------- ----------- -------- ----------- -----------

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| $ 1.14 | -- | $ 1.33 | 1,162,529 | 3.43 | $ 1.33 | 937,529 | $ 1.33 |
| $ 1.38 | -- | $ 2.03 | 4,908,882 | 4.09 | $ 2.02 | 4,908,882 | $ 2.02 |
| $ 2.04 | -- | $ 9.36 | 4,759,307 | 5.19 | $ 5.72 | 4,318,182 | $ 5.86 |
| $ 9.69 | -- | $15.17 | 4,610,394 | 6.47 | $13.53 | 3,224,818 | $13.47 |
| $ 15.22 | -- | $21.33 | 5,062,635 | 7.27 | $19.16 | 2,407,275 | $18.94 |
| $ 21.42 | -- | $27.92 | 4,742,095 | 7.76 | $24.13 | 1,434,471 | $23.80 |
| $ 28.25 | -- | $33.25 | 2,911,326 | 8.62 | $31.60 | 704,436 | $31.65 |
| $ 33.50 | -- | $33.88 | 4,448,026 | 8.57 | $33.87 | 1,122,625 | $33.87 |
| $ 34.38 | -- | $37.63 | 4,394,595 | 8.85 | $34.98 | 32,204 | $35.54 |
| $ 38.13 | -- | $47.25 | 6,629,998 | 9.53 | $41.12 | 14,678 | $43.14 |
|  |  |  | ---------- | ---- | ------ | ---------- | ------ |
| $ 1.14 | -- | $47.25 | 43,629,787 | 7.28 | $22.50 | 19,105,100 | $11.60 |
|  |  |  | ---------- | ---- | ------ | ---------- | ------ |

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

**Stock Purchase Plan**

In October 1987, the Company adopted an Employee Stock Purchase Plan (the "1987 Purchase Plan"), and reserved 36,000,000 shares of Common Stock for issuance thereunder. In September 1992, the plan was amended to reserve an additional 1,125,000 shares of Common Stock for the purpose of ensuring that sufficient shares remained available for a full allocation of shares to all participants in the offering period ended September 30, 1992. The 1987 Purchase Plan was terminated on September 30, 1992, and the remaining shares became available for issuance under the 1992 Purchase Plan.

In August 1992, the Company adopted the Employee Stock Purchase Plan (1992) (the "Employee Stock Purchase Plan"), and reserved 9,000,000 shares of Common Stock for issuance thereunder. An additional 9,000,000 and 7,000,000 shares of Common Stock were reserved for issuance under the plan in fiscal 1994 and fiscal 1997, respectively. Under the stock purchase plan, the Company's employees may purchase shares of Common Stock at a price per share that is 85% of the lesser of the fair market value as of the beginning or the end of the semi-annual option period. Through May 31, 1997, 15,020,681 shares had been issued and 10,392,621 shares are reserved for future issuances under this plan.

During fiscal 1997 and 1996, the Company issued 3,085,634 and 3,123,013 shares, respectively, under the Employee Stock Purchase Plan. If the Company had elected to recognize the compensation cost based on the fair value of the employee's purchase rights, the cost would have been estimated using the Black-Scholes model with the following assumptions for each of the two six- month periods in fiscal 1997 and 1996:

(i) dividend yield of zero percent for all periods, (ii) expected life of one-half year for all periods, (iii) expected volatility of 37.5%, and (iv) risk-free interest rates within a range of 6.11% to 6.37%. The weighted-average fair value of each purchase right granted in fiscal 1997 and 1996 was $9.52 and $6.29 per share, respectively.

# Shareholder Rights Plan

On December 3, 1990, the Board adopted a Shareholder Rights Plan. Pursuant to the Plan, the Company distributed Preferred Stock Purchase Rights as a dividend at the rate of one Right for each share of the Company's Common Stock held by stockholders of record as of December 31, 1990. The Board also authorized the issuance of Rights for each share of Common Stock issued after the record date, until the occurrence of certain specified events. The Shareholder Rights Plan was adopted to provide protection to stockholders in the event of an unsolicited attempt to acquire the Company.

The Rights are not exercisable until the earlier of (i) ten days following an announcement that a person or group has acquired beneficial ownership of 20% of the Company's Common Stock or (ii) ten business days (or such later date as may be determined by the Board) following the announcement of a tender offer which would result in a person or group obtaining beneficial ownership of 20% or more of the Company's outstanding Common Stock, subject to certain exceptions (the earlier of such dates being called the "Distribution Date"). The Rights are initially exercisable for one forty-five hundredth of a share of the Company's Series A Junior Participating Preferred Stock at a price of $55.56 per one forty-five hundredth share, subject to adjustment. However, if

(i) after the Distribution Date the Company is acquired in certain types of transactions, or (ii) any person or group (with certain exceptions) acquires beneficial ownership of 20% of the Company's Common Stock, then holders of Rights (other than the 20% holder) will be entitled to receive upon exercise of the Right, Common Stock of the Company (or in the case of acquisition of the Company, Common Stock of the acquiror) having a market value of two times the exercise price of the Right.

The Company is entitled to redeem the Rights, for $0.00022 per Right, at the discretion of the Board of Directors, until certain specified times. The rights are not exercisable until the Company's period for redemption has passed. The Company may also require the exchange of rights, at a rate of one share of Common Stock, or one forty-five hundredth share of Series A Junior Participating Preferred Stock, for each Right, under certain circumstances. The Company also has the ability to amend the Rights, subject to certain limitations.

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

**Stock Repurchases**

The Company's Board of Directors has approved the repurchase of up to 47,000,000 shares of Common Stock on the open market to reduce the dilutive effect of the Company's stock plans. Pursuant to this repurchase program, the Company purchased 12,807,500 shares of the Company's Common Stock for approximately $528,209,000 in fiscal 1997, 4,478,134 shares of the Company's Common Stock for approximately

$113,087,000 in fiscal 1996, 4,201,875 shares of the Company's Common Stock for approximately $75,859,000 in fiscal 1995 and 13,437,000 shares of the Company's Common Stock for approximately $124,787,000 prior to fiscal 1995.

# Stock Warrants

During fiscal 1995 and 1994, the Company sold 5,752,500 put warrants. On March 24, 1995, 3,502,500 of these put warrants were canceled at minimal cost and the remaining warrants expired without being exercised. Additionally, the Company purchased 3,595,500 call options in fiscal 1995 and 1994. On July 6, 1995, the Company sold 2,189,250 of the call options and credited the net proceeds of $17,175,000 to equity. The remaining 1,406,250 call options were exercised in October 1995 at $21.08 per share for a total of $29,648,000.

During fiscal 1997, the Company sold 6,000,000 warrants, each of which entitles the holder to purchase one share of Common Stock at prices between $77.00 and $77.55. These warrants expire in May 2000 and the proceeds of $35,898,000 were credited to equity.

# Accounting for Stock-Based Compensation

Pro forma information regarding net income and earnings per share is required by SFAS No. 123. This information is required to be determined as if the Company had accounted for its employee stock options granted subsequent to May 31, 1995 under the fair value method of that statement. The fair value of options granted for fiscal years ending May 31, 1997 and May 31, 1996 reported below has been estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

YEAR ENDED MAY 31,

-------------------------

EMPLOYEE STOCK OPTIONS 1997 1996

---------------------- ------------ ------------

Expected life from vest date (in years): Employees.................................... 0.41 0.41

Officers and Directors....................... 0.43 -- 6.14 0.43 -- 6.14

|  |  |  |
| --- | --- | --- |
| Risk-free interest rates....................... | 5.6 -- 6.8% | 5.3 -- 6.7% |
| Volatility..................................... | 37.5% | 37.5% |
| Dividend yield................................. | -- | -- |

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. The Company's options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate. Based upon the above assumptions, the weighted average fair value of employee stock options granted during fiscal 1997 and 1996 was $17.40 and $13.33 per share, respectively.

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options' vesting period. Had the Company's stock option and stock purchase plan been accounted for under SFAS No. 123, net income and earnings per share would have been reduced to the following pro forma amounts:

Net income:

YEAR ENDED MAY 31,

----------------- 1997 1996

-------- -------- (IN THOUSANDS,

EXCEPT PER SHARE DATA)

As reported.......................................... $821,457 $603,279

Pro forma............................................ $737,779 $572,913

Earnings per share:

|  |  |  |
| --- | --- | --- |
| As reported.......................................... $ | 1.22 $ | 0.90 |
| Pro forma............................................ $ | 1.10 $ | 0.86 |

The effects of applying SFAS No. 123 on pro forma disclosures of net income and earnings per share for fiscal 1997 and 1996 are not likely to be representative of the pro forma effects on net income and earnings per share in future years.

1. INCOME TAXES

The following is a geographical breakdown of the Company's income before taxes:

YEAR ENDED MAY 31,

------------------------------ 1997 1996 1995

---------- -------- -------- (IN THOUSANDS)

|  |  |  |  |
| --- | --- | --- | --- |
| Domestic................................ | $ 952,131 | $680,172 | $526,815 |
| Foreign................................. | 331,396 | 239,338 | 132,167 |
|  | ---------- | -------- | -------- |
| Total................................. | $1,283,527 | $919,510 | $658,982 |
|  | ========== | ======== | ======== |

The provision for income taxes consists of the following:

Current Payable:

YEAR ENDED MAY 31,

------------------------------ 1997 1996 1995

---------- -------- -------- (IN THOUSANDS)

Federal............................... $ 318,976 $253,514 $189,012

State................................. 55,387 42,738 31,831

Foreign............................... 169,080 109,712 108,695

---------- -------- --------

Total current....................... 543,443 405,964 329,538

---------- -------- --------

Deferred Payable (Prepaid):

|  |  |
| --- | --- |
| Federal............................... | (53,480) (67,865) (63,398) |
| State................................. | (11,136) (8,129) (4,282) |
| Foreign............................... | (16,757) (13,739) (44,394) |

---------- -------- --------

Total deferred...................... (81,373) (89,733) (112,074)

|  |  |  |  |
| --- | --- | --- | --- |
|  | ---------- | -------- | -------- |
| Total................................. | $ 462,070 | $316,231 | $217,464 |
|  | ========== | ======== | ======== |

The provision for income taxes differs from the amount computed by applying the federal statutory rate to the Company's income before taxes as follows:

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

YEAR ENDED MAY 31,

---------------------------- 1997 1996 1995

-------- -------- -------- (IN THOUSANDS)

Tax provision at statutory rate........... $449,234 $321,829 $230,643 Tax credits............................... (13,455) (692) (4,600)

|  |  |  |  |
| --- | --- | --- | --- |
| Tax benefit of exempt FSC income.......... | (22,130) | (20,831) | (16,368) |
| State tax, net of federal benefit......... | 31,632 | 22,800 | 17,308 |
| Foreign taxes provided at rates other than |  |  |  |
| the U.S. statutory rate.................. | (6,538) | (10,373) | (8,575) |
| Foreign losses not tax benefited.......... | 13,335 | 8,396 | 4,104 |
| Other..................................... | 9,992 | (4,898) | (5,048) |
|  | -------- | -------- | -------- |

Provision for income taxes................ $462,070 $316,231 $217,464

======== ======== ========

The components of the deferred tax assets and liabilities, as reflected on the balance sheet, consist of the following:

Deferred Tax Liabilities:

YEAR ENDED MAY 31,

----------------------------- 1997 1996 1995

--------- -------- -------- (IN THOUSANDS)

Capitalized software development costs. $ (40,506) $(34,858) $(33,681) Other tax liabilities.................. (793) (16,319) (27,450)

--------- -------- --------

Total deferred tax liabilities....... (41,299) (51,177) (61,131) Deferred Tax Assets:

|  |  |  |  |
| --- | --- | --- | --- |
| Reserves and accruals.................. | 121,616 | 74,802 | 45,990 |
| Differences in timing of revenue recog- |  |  |  |
| nition................................ | 104,561 | 51,366 | 47,698 |
| Foreign earnings deemed repatriated.... | 25,400 | 49,325 | 22,938 |
| Net operating loss carryovers.......... | 24,935 | 16,417 | 19,516 |
| Depreciation and amortization.......... | 65,368 | 29,670 | 6,294 |
| Other tax assets....................... | 21,944 | 40,381 | 30,939 |
|  | --------- | -------- | -------- |
| Total deferred tax assets............ | 363,824 | 261,961 | 173,375 |
| Valuation allowance.................... | (8,784) | (7,815) | (4,243) |
|  | --------- | -------- | -------- |
| Net.................................. | $ 313,741 | $202,969 | $108,001 |
|  | --------- | -------- | -------- |

Recorded as:

Prepaid and refundable income taxes.... $ 274,366 $171,560 $135,491 Deferred income taxes.................. (7,402) (9,207) (27,490)

Other assets........................... 46,777 40,616 --

--------- -------- --------

$ 313,741 $202,969 $108,001

========= ======== ========

The Company provides United States income taxes on the earnings of foreign subsidiaries unless they are considered permanently invested outside the United States. As of May 31, 1997, the cumulative amount of earnings upon which United States income taxes have not been provided are approximately $35,183,000. At May 31, 1997, the unrecognized deferred tax liability for these earnings is approximately

$8,477,000.

Certain foreign subsidiaries of the Company have net operating loss carryforwards at May 31, 1997, totaling approximately $61,430,000, which may be used to offset future taxable income. The carryforwards expire at various dates; $1,555,000 in 2000, $4,573,000 in 2001,

$31,507,000 in 2002, $3,901,000 in 2003, $4,132,000 in 2004, and the remaining balance has no expiration. As of May 31, 1997, the Company has recorded a gross

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# ORACLE CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)**

deferred tax asset related to the loss carryforwards of $24,935,000, and a related valuation allowance of $8,784,000. At May 31, 1996 and 1995, the deferred assets were $16,417,000 and $19,516,000, respectively, and the related valuation allowance attributed to loss carryforwards were $7,815,000 and $4,243,000, respectively.

1. SEGMENT INFORMATION

The Company operates in one industry segment: the development and marketing of computer software and related services. The Company's products are marketed internationally through the Company's subsidiaries and through distributors. Intercompany revenues are generally based on a sublicense fee, representing a percentage of license and support revenues generated by non-U.S. operations from their unaffiliated customers.

The following table presents a summary of operations by geographic region:

Revenues from Unaffiliated Customers:

YEAR ENDED MAY 31,

-------------------------------- 1997 1996 1995

---------- ---------- ---------- (IN THOUSANDS)

Domestic operations................... $2,664,962 $1,815,725 $1,234,330

---------- ---------- ----------

International operations:

Europe/Middle East/Africa operations. 1,881,157 1,541,308 1,165,181

Asia Pacific operations.............. 809,604 605,244 385,787

Other Americas operations............ 328,613 261,023 181,580

---------- ---------- ----------

Total international operations...... 3,019,374 2,407,575 1,732,548

---------- ---------- ----------

Consolidated........................... $5,684,336 $4,223,300 $2,966,878

========== ========== ==========

Intercompany revenues:

Domestic operations................... $ 646,389 $ 508,201 $ 365,814

========== ========== ==========

|  |  |  |  |
| --- | --- | --- | --- |
| Operating Income (Excluding Acquired  In-Process Research and Development): | | | |
| Domestic operations................... | $ 963,391 | $ 714,208 | $ 509,716 |
| Europe/Middle East/Africa operations.. | 165,919 | 113,956 | 86,477 |
| Asia Pacific operations............... | 125,811 | 81,844 | 49,851 |
| Other Americas operations............. Consolidated........................ | 44,664  ----------  $1,299,785  ========== | 45,814  ----------  $ 955,822  ========== | 3,677  ----------  $ 649,721  ========== |
| Identifiable Assets:  Domestic operations................... $2,894,912 $1,976,487 $1,451,720 | | | |
| Europe/Middle East/Africa operations.. | 1,131,723 | 942,816 | 667,765 |
| Asia Pacific operations............... | 445,930 | 336,640 | 230,694 |
| Other Americas operations............. Consolidated........................ | 151,750  ----------  $4,624,315  ========== | 101,300  ----------  $3,357,243  ========== | 74,338  ----------  $2,424,517  ========== |

1. LITIGATION

The Company is subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on the Company's consolidated results of operations or consolidated financial position.

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# SCHEDULE II

**ORACLE CORPORATION VALUATION AND QUALIFYING ACCOUNTS**

BALANCE AT ADDITIONS BALANCE AT

BEGINNING OF CHARGED TO TRANSLATION END OF CLASSIFICATION PERIOD OPERATIONS WRITE-OFFS ADJUSTMENT PERIOD

-------------- ------------ ----------- ------------ ----------- ------------

Allowance for Doubtful Accounts

Year Ended:

May 31, 1995.......... $ 39,777,000 $53,784,000 $(28,011,000) $ 2,178,000 $ 67,728,000

============ =========== ============ =========== ============ May 31, 1996.......... $ 67,728,000 $64,412,000 $(23,229,000) $(3,200,000) $105,711,000

============ =========== ============ =========== ============ May 31, 1997.......... $105,711,000 $92,635,000 $(68,804,000) $(1,702,000) $127,840,000

============ =========== ============ =========== ============

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# SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 13, 1997.

# ORACLE CORPORATION

Lawrence J. Ellison

By: Lawrence J. Ellison, Chief

Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

|  |  |  |
| --- | --- | --- |
| SIGNATURE | TITLE | DATE |
| --------- | ----- | ---- |

Lawrence J. Ellison Chief Executive Officer and August 13, 1997

Chairman of the Board of Lawrence J. Ellison Directors

Raymond J. Lane President, Chief Operating August 13, 1997

Officer and Director Raymond J. Lane

Jeffrey O. Henley Executive Vice President, August 13, 1997

Chief Financial Officer and

|  |  |  |  |
| --- | --- | --- | --- |
| Jeffrey O. Henley  Thomas A. Williams | Director  Vice President and Corporate | August 13, | 1997 |
| Controller Thomas A. Williams | | | |
| Jeffrey Berg | Director | August 13, | 1997 |
| Jeffrey Berg |  |  |  |
| Michael J. Boskin | Director | August 13, | 1997 |
| Michael J. Boskin |  |  |  |
| Jack Kemp | Director | August 13, | 1997 |
| Jack Kemp |  |  |  |
| Donald L. Lucas | Director | August 13, | 1997 |
| Donald L. Lucas |  |  |  |
| Richard A. McGinn | Director | August 13, | 1997 |
| Richard A. McGinn |  |  |  |

# LOGO RECYCLED PAPER

**ORACLE CORPORATION INDEX OF EXHIBITS**

EXHIBIT # EXHIBIT TITLES

--------- --------------

* 1. Warrant Purchase Agreement between Oracle Corporation and Morgan Stanley & Co. Incorporated, as agent for Morgan Stanley

& Co. International Limited dated May 7, 1997.

* 1. Warrant Agreement between Oracle Corporation and BankBoston,

N.A. dated May 12, 1997.

* 1. Warrant Certificate dated May 12, 1997.
  2. Warrant Purchase Agreement between Oracle Corporation and Goldman, Sachs & Co. Dated May 14, 1997.
  3. Warrant Agreement between Oracle Corporation and BankBoston,

N.A. dated May 19, 1997.

* 1. Warrant Certificate dated May 19, 1997.

10.25 Amendment No 1 to 1991 Long-Term Equity Incentive Plan dated December 9, 1996.

21.01 Subsidiaries of the Registrant.

23.01 Consent of Arthur Andersen LLP.

27.1 Financial Data Schedule.

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# EXHIBIT 4.2 EXECUTION COPY

WARRANT PURCHASE AGREEMENT dated as of May 7, 1997 between ORACLE CORPORATION, a Delaware corporation (the "Company"), and MORGAN STANLEY & CO. INCORPORATED, a Delaware corporation ("Morgan Stanley"), as agent for MORGAN STANLEY & CO. INTERNATIONAL LIMITED ("MSIL").

WHEREAS, the Company proposes to enter into a Warrant Agreement (the "Warrant Agreement"), substantially in the form of Exhibit I hereto, between the Company and BankBoston, N.A., a national banking association, as Warrant Agent, pursuant to which the Company proposes to issue up to 8,000,000 Equity Call Warrants in one or more series (collectively, the "Warrants" or, individually a "Warrant"), each representing the right to purchase, subject to the terms and conditions set forth therein, one share of the common stock, par value $0.01 per share (the "Common Stock"), of the Company;

WHEREAS, in connection with the purchase of the Warrants pursuant to the terms hereof and one or more Pricing Agreements (as defined herein), the Company proposes to repurchase on the Closing Date up to 3,500,000 shares of Common Stock pursuant to one or more Repurchase Contracts to be entered into between the Company, MSIL and Morgan Stanley, as agent for MSIL (the "Repurchase Contracts"); and

WHEREAS, capitalized terms not defined herein are used as defined in the Warrant Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements and other considerations set forth herein, the parties hereto agree as follows:

1. Representations and Warranties. (a) The Company hereby represents and warrants to Morgan Stanley, as agent for MSIL, as of the date hereof, as of each Pricing Date (as defined herein) and as of each Closing Date as follows:
2. The Company has been duly incorporated, and is validly existing as a corporation in good standing under the laws of the State of Delaware.
3. The Company has the corporate power and authority to own its property and conduct its business, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.
4. Each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification,

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except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

1. The shares of Common Stock outstanding prior to the issuance of the Warrants have been duly authorized and are validly issued, fully paid and non- assessable.
2. The Company has all requisite power and authority (corporate and other), and has taken all necessary corporate action, to authorize, execute, deliver, and perform this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement (as defined herein) and each Repurchase Contract; to execute, issue, sell, and deliver the Warrants and a certificate or certificates evidencing the Warrants; to authorize and reserve for issuance and, upon payment from time to time of the Purchase Price, to issue, sell, and deliver the shares of Underlying Common Stock issuable upon exercise of the Warrants; and to perform all of its obligations under this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement, the Warrants and each Repurchase Contract.
3. Each of this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement and each Repurchase Contract has been duly authorized by the Company and this Warrant Purchase Agreement has been duly executed and delivered by the Company. The Warrant Agreement, each Repurchase Contract and each Pricing Agreement, when duly executed and delivered by the Company, will be legal, valid and binding agreements of the Company enforceable in accordance with their respective terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.
4. The Warrants have been duly authorized and, when duly executed and countersigned in accordance with the provisions of the Warrant Agreement, will be legal, valid and binding obligations of the Company, enforceable in accordance with their respective terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.
5. The shares of Underlying Common Stock, when issued and delivered in accordance with the terms of the Warrant Agreement and the Warrants, will be validly issued, fully paid and non-assessable, and the issuance of such shares will not be subject to any preemptive or similar rights.
6. Assuming the accuracy of the representations of Morgan Stanley made in the letter referred to in Section 3(d), the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement, the Warrants and each Repurchase Contract will not contravene any provision of applicable law.
7. The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement, the Warrants and each Repurchase Contract will not contravene the certificate of incorporation or by-laws of the Company or any agreement or

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other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of or qualification with any governmental body or agency is required for the performance by the Company of its obligations under this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement, the Warrants or each Repurchase Contract, except such as may be required by the Securities Act, the securities or Blue Sky laws of the various states, the rules of the National Association of Securities Dealers, Inc. (the "NASD") or the rules and regulations applicable to the listing of securities on the Nasdaq National Market in connection with the reoffer and resale of the shares of Underlying Common Stock by Morgan Stanley or the issuance of shares of Underlying Common Stock to any person other than Morgan Stanley.

1. The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.
2. The Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1996, as amended, and its Quarterly Reports on Form 10- Q for the periods ended August 31, 1996, November 30, 1996 and February 28, 1997 (the "1934 Act Reports") (as previously furnished to Morgan Stanley), at the time they were filed did not, and, giving effect as of the date hereof and as of each of the Closing Dates to the transactions contemplated hereby and by the Warrant Agreement and each Pricing Agreement do not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.
3. There has not occurred any material adverse change in the financial condition, earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the 1934 Act Reports.
4. Neither the Company nor any affiliate (as defined in Rule 501(b) of Regulation D under the Securities Act ("Regulation D")) of the Company has directly, or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of any security (as defined in the Securities Act) that is or will be integrated with the sale of any Warrants in a manner that would require the registration under the Securities Act of the offering contemplated by this Agreement and the Warrant Agreement. The Company also agrees not to sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) that would be integrated with the sale of any Warrants in a manner that would require the registration under the Securities Act of the offering contemplated by this Agreement and the Warrant Agreement.
5. No form of general solicitation or general advertising (as those terms are defined in Regulation D under the Securities Act) was used by the Company or any of its representatives in connection with the offer and sale of any Warrants.
6. There are no material legal or governmental proceedings pending or threatened to

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which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that would be required to be described by Item 103 of Regulation S-K under the Securities Act were such Item applicable to the 1934 Act Reports and are not described as required in the 1934 Act Reports.

1. The Company acknowledges and agrees that it is not relying, and has not relied, upon Morgan Stanley or MSIL with respect to the legal, accounting, tax or other implications of this Agreement and the Warrant Agreement and the transactions contemplated hereby and thereby and that it has conducted its own analysis of such transactions. The Company further acknowledges and agrees that neither Morgan Stanley nor MSIL has acted as its advisor in any capacity in connection with this Agreement or the Warrant Agreement or the transactions contemplated hereby or thereby. The Company understands and acknowledges that Morgan Stanley and MSIL and their Affiliates may from time to time effect transactions, and hold positions, for their own accounts or the accounts of customers, in securities or options on securities of the Company and that Morgan Stanley and MSIL and their Affiliates may continue to conduct such transactions during the term of any Warrant.

(b) Each of Morgan Stanley and MSIL agrees that it will not sell any Warrants or any Underlying Common Stock except in compliance with the registration requirements of Section 5 of the Securities Act or in a transaction that is exempt from such registration.

Each of Morgan Stanley and MSIL acknowledges that the Company and, for purposes of the opinions to be delivered to Morgan Stanley and the Company pursuant to Section 3 hereof, counsel to the Company and counsel to Morgan Stanley, will rely upon the accuracy and truth of the foregoing agreement and hereby consents to such reliance.

1. Purchase and Sale of Warrants. (a) The Company and Morgan Stanley, as agent for MSIL, propose to enter into one or more Pricing Agreements (each a "Pricing Agreement") substantially in the form of Exhibit II hereto, with such additions and deletions as the parties thereto may determine and subject to the terms and conditions set forth herein, therein, and in the Warrant Agreement, pursuant to which the Company will agree (i) to sell to Morgan Stanley, as agent for MSIL, and Morgan Stanley, as agent for MSIL, will agree to purchase from the Company, up to an aggregate of 8,000,000 Warrants to purchase, subject to the terms and conditions set forth in the Warrant Agreement, up to an aggregate of 8,000,000 shares of Underlying Common Stock and

(ii) to repurchase shares of Common Stock (the "Repurchased Shares") pursuant to, and subject to the terms and conditions set forth in, one or more Repurchase Contracts. The terms and conditions of each particular sale of Warrants shall be as specified in the Pricing Agreement relating thereto and in or pursuant to this Warrant Purchase Agreement and the Warrant Agreement. This Warrant Purchase Agreement shall not be construed as an obligation of the Company to sell any of the Warrants or as an obligation of Morgan Stanley or MSIL to purchase any of the Warrants. The obligation of the Company to issue and sell any of the Warrants and the obligation of Morgan Stanley, as agent for MSIL, to purchase any of the Warrants shall be evidenced by the Pricing Agreement with respect to the Warrants specified therein. Each Pricing Agreement shall specify the number of Warrants of each series being purchased and the purchase price per Warrant of each series. The date of each Pricing Agreement is hereinafter referred to as a "Pricing Date." A Pricing Agreement shall be in the form of an executed writing (which may be in counterparts), and may be evidenced by an exchange of

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telegraphic communications or any other rapid transmission device designed to produce a written record of communications transmitted.

(b) Payment by Morgan Stanley, as agent for MSIL, for each series of Warrants sold to Morgan Stanley, as agent for MSIL, pursuant to the applicable Pricing Agreement and payment by the Company to repurchase the Repurchased Shares pursuant to the applicable Repurchase Contract shall be made in Federal or other funds immediately available at the time and on the date as shall be specified on the applicable Pricing Agreement and Repurchase Contract, respectively, (or as may be otherwise agreed to by the parties thereto). The payment obligations of Morgan Stanley, as agent for MSIL, with respect to the Warrants of any series may be netted against the payment obligations of the Company with respect to the Repurchased Shares specified in the related Repurchase Contract. The time and date of each such payment is hereinafter referred to as a Closing Date.

1. Conditions to Parties' Obligations. The obligations of the Company and Morgan Stanley, as agent for MSIL, hereunder and under each Pricing Agreement are subject to the following conditions:
2. Morgan Stanley, as agent for MSIL, shall have received on each Closing Date an opinion of Venture Law Group, counsel for the Company, dated such Closing Date, to the effect that:
3. The Company has been duly incorporated, and is validly existing as a corporation in good standing under the laws of the State of Delaware.
4. The Company has the corporate power and authority to own its property and conduct its business.
5. The Company has all requisite corporate power and authority, and has taken all necessary corporate action, to authorize, execute, deliver, and perform this Warrant Purchase Agreement, each Pricing Agreement, the Warrant Agreement and each Repurchase Contract; to execute, issue, sell, and deliver the Warrants and a certificate or certificates evidencing the Warrants; to authorize and reserve for issuance and, upon payment from time to time of the Purchase Price, to issue, sell, and deliver the shares of Underlying Common Stock issuable upon exercise of the Warrants; and to perform all of its obligations under the Warrant Purchase Agreement, each Pricing Agreement, the Warrant Agreement, the Warrants and each Repurchase Contract.
6. Each of this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement and each Repurchase Contract has been duly authorized by the Company and each of this Warrant Purchase Agreement has been duly executed and delivered by the Company; the Warrant Agreement, each Repurchase Contract and each Pricing Agreement have been duly executed and delivered by the Company and are legal, valid and binding agreements of the Company enforceable in accordance with their terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.
7. The Warrants have been duly authorized, executed and countersigned in

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accordance with the provisions of the Warrant Agreement and are legal, valid and binding obligations of the Company, enforceable in accordance with their respective terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.

1. The shares of Underlying Common Stock, when issued and delivered in accordance with the terms of the Warrant Agreement and the Warrants, will be validly issued, fully paid and non-assessable, and the issuance of such shares will not be subject to any preemptive or similar rights set forth in the Company's certificate of incorporation.
2. The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Warrant Purchase Agreement, each Pricing Agreement, the Warrant Agreement, the Warrants and each Repurchase Contract do not contravene any provision of applicable California or Delaware General Corporate Law or federal law or the certificate of incorporation or by-laws of the Company or, to the best of such counsel's knowledge, any agreement or other instrument binding upon the Company or any of its subsidiaries that is set forth as an exhibit to the 1934 Act Reports or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of or qualification with any California or federal governmental body or agency is required for the performance by the Company of its obligations under this Warrant Purchase Agreement, each Pricing Agreement, the Warrant Agreement, the Warrants or each Repurchase Contract, except such as may be required by the Securities Act, securities or Blue Sky laws of the various states, the rules of the NASD or the rules and regulations applicable to the listing of securities on the Nasdaq National Market in connection with the reoffer and resale of the shares of Underlying Common Stock by Morgan Stanley, as agent for MSIL, or the issuance of shares of Underlying Common Stock to any person other than Morgan Stanley or MSIL.
3. The Company is not an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.
4. Such counsel does not know of any material legal or governmental proceeding pending or threatened as of such Closing Date to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that would be required to be described by Item 103 of Regulation S-K under the Securities Act were such Item applicable as of such Closing Date and are not described as required in the 1934 Act Reports.
5. Such counsel believes that (except for financial statements and schedules as to which such counsel need express no belief) the 1934 Act Reports, as of the date of this Warrant Purchase Agreement, did not, and, giving effect as of the date hereof and as of each of the Closing Dates to the transactions contemplated hereby and by the Warrant Agreement and each Pricing Agreement, as of such Closing Date do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were

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made, not misleading.

1. The sale by the Company of the Warrants to Morgan Stanley, as agent for MSIL, in the manner contemplated by this Warrant Purchase Agreement and the repurchase by the Company of the Repurchased Shares in the manner contemplated by each Repurchase Contract and this Warrant Agreement do not require registration under the Securities Act.
2. Each of Morgan Stanley and the Company shall have received on each Closing Date an opinion of Davis Polk & Wardwell (who may rely as to all matters of California law upon the opinion referred to in paragraph (a) above), counsel for Morgan Stanley, dated such Closing Date, covering the matters referred to in subparagraphs (iv), (v), (vi) and (xi) of paragraph (a) above.
3. Morgan Stanley, as agent for MSIL, shall have received on each Closing Date a certificate dated such Closing Date and signed by an executive officer of the Company, to the effect that the representations and warranties of the Company contained in this Warrant Purchase Agreement are true and correct as of such Closing Date and that the Company has complied in all material respects with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder, under the Warrant Agreement and under each Pricing Agreement on or before such Closing Date and such other certificates and documents as it may reasonably request.
4. Counsel for the Company shall have received on each Closing Date a letter dated such Closing Date and signed by an officer of Morgan Stanley, substantially in the form of Exhibit III hereto.
5. The Company shall have made available to Morgan Stanley, and counsel, accountants or other professionals retained by Morgan Stanley, such financial and other information, books, records and properties of the Company and its subsidiaries, and caused the officers, directors, employees, counsel and independent certified public accountants of the Company and its subsidiaries to respond to such inquiries and supply all information, as is reasonably necessary, in the judgment of Morgan Stanley and its counsel, to conduct a reasonable investigation.
6. On or prior to each Closing Date, the Company shall have purchased from Morgan Stanley, as agent for MSIL, all the Repurchased Shares to be purchased pursuant to the related Repurchase Contract.
7. Shelf Registration. (a) Subject to the terms hereof, the Company agrees that it shall file under the Securities Act a "shelf" registration statement (the "Shelf Registration") providing for the registration of the sale on a continuous or delayed basis by MSIL of all Underlying Common Stock issuable upon exercise of all of the Warrants pursuant to Rule 415 under the Securities Act and/or any similar rule that may be adopted by the SEC. The Company agrees to use its best efforts (i) to cause the Shelf Registration to become or be declared effective on or prior to the earliest First Exercise Date of all Warrants issued under the Warrant Agreement and sold pursuant to this Agreement and each Pricing Agreement and (ii) to keep such Shelf Registration continuously effective for a period ending 90 days after the Final Expiration Date, subject to Section 4(d) (such period being referred to as the "Effective Period"). Notwithstanding

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the first two sentences of this Section 4(a), the Company may elect, in its sole discretion, not to file such Shelf Registration, provided that if the Company so elects or in the event that the Shelf Registration is not declared effective on or prior to such First Exercise Date, the Company will exercise, with respect to all Warrants issued under the Warrant Agreement and sold pursuant to this Agreement and each Pricing Agreement, its right pursuant to Section 4(d) of the Warrant Agreement to effect either a Cash Settlement or Net Share Settlement of each exercise of such Warrants.

1. The Company further agrees, if necessary, to supplement or make amendments to the Shelf Registration, if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration or by the Securities Act or rules and regulations thereunder, and the Company agrees to furnish to Morgan Stanley copies of any such supplement or amendment prior to its being used and/or filed with the SEC and that it will not file any such supplement or amendment to which Morgan Stanley reasonably objects. In connection with such registration of the Underlying Common Stock, the Company will, upon the request of Morgan Stanley, as agent for MSIL, use all reasonable efforts to obtain a listing of the Underlying Common Stock on the Nasdaq National Market or such national securities exchange or other quotation system on which the Common Stock of the Company may at such time be listed. Morgan Stanley shall notify (any such notice, a "Notice of Sale") the Company not less than five Business Days prior to the date on which MSIL intends to commence any sales of Underlying Common Stock pursuant to the Shelf Registration (the "Resale Commencement Date").
2. The Company's obligation to supplement or amend the Shelf Registration pursuant to Section 4(b) hereof shall be subject to the terms hereof (including Sections 4(d) and 4(e)) and the following limitations:
3. in no event shall the Company be required to effect any such supplement or amendment during the period beginning 14 Business Days prior to the end of any fiscal quarter of the Company and ending two Business Days after such time as the Company publicly releases its results of operations for such fiscal quarter;
4. subject to the provisions of subparagraph (iii) and Section 4(e) below, the Company may on one or more occasions by notice to Morgan Stanley, as agent for MSIL, given in accordance with Section 13(c) hereof, suspend its obligation to supplement or amend the Shelf Registration for a period of time to be specified in such notice, it being understood that the Company shall not indicate to Morgan Stanley the reasons for such suspension; and
5. if Morgan Stanley shall deliver to the Company a Notice of Sale, then the Company may not (x) commence a suspension of its obligations to supplement or amend the Shelf Registration pursuant to Section 4(c)(ii) hereof or (y) commence a suspension of the right to exercise Warrants pursuant to Section 4(f) of the Warrant Agreement at any time during the period commencing at 5:00 P.M., New York City time, on the Business Day immediately preceding the Resale Commencement Date and ending at 5:00 P.M., New York City time, on the tenth Business Day following the Resale Commencement Date (the "Final Resale Date").

Morgan Stanley agrees that during the periods specified in Section 4(c)(i) hereof and in any notice

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from the Company delivered pursuant to Section 4(c)(ii) hereof, Morgan Stanley shall not dispose of Underlying Common Stock pursuant to a registration statement applicable to such Underlying Common Stock. The Company agrees to provide Morgan Stanley with at least one Business Day's notice of the expiration of any period of suspension under clause (ii) of paragraph (c) of this Section 2.

1. The Company may on no more than one occasion by notice to Morgan Stanley given subsequent to the Final Expiration Date (after having given effect to any and all extensions of the Expiration Date of any of the Warrants) extend the Effective Period for a period of up to 90 days.
2. Notwithstanding anything to the contrary in this Agreement or the Warrant Agreement, the Company may not suspend its obligation to supplement and amend the Shelf Registration or suspend Holders' rights to exercise any outstanding Warrants unless during a period of no less than 10 consecutive Business Days occurring after the sixtieth day following the Final Expiration Date such obligations and rights are in full force and effect and free from any such suspension.
3. Redemption Price. In the case of any redemption of Warrants made pursuant to Section 5 of the Warrant Agreement at a time when such Warrants are owned by MSIL or by any affiliate of MSIL, the Redemption Price applicable to such Warrants will also include a reasonable estimate by MSIL of its cost for liquidating its hedge for the Warrants that the Company wishes to redeem. Morgan Stanley, as agent for MSIL, will advise the Company verbally and by facsimile transmission of such cost to be included in the calculation of the Redemption Price.
4. Registration Procedures. (a) In connection with the Company's obligations to register the reoffer and resale of the shares of Underlying Common Stock by Morgan Stanley on behalf of MSIL, the Company shall use all reasonable efforts to effect or cause the applicable registration statement or registration statements to permit the sale of the Underlying Common Stock by Morgan Stanley in accordance with the intended method or methods of distribution thereof described in the Shelf Registration, provided that the Company shall have no such obligation during any suspension of the Company's obligation to supplement or amend the Shelf Registration Statement under Section 4(c)(i) or

4(c)(ii). In connection therewith, the Company shall:

1. comply with the provisions of the Securities Act with respect to the disposition of all of the Underlying Common Stock covered by the Shelf Registration in accordance with the intended methods of disposition by Morgan Stanley or MSIL set forth therein;
2. provide Morgan Stanley, and up to one other underwriter (as shall be reasonably acceptable to the Company) participating in such sale and any attorney, accountant or other professional retained by Morgan Stanley or MSIL (collectively, the "Participants") the opportunity to participate in the preparation of the Shelf Registration, each prospectus included therein or filed with the SEC and each amendment or supplement thereto;

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1. in connection with each sale of Underlying Common Stock to be registered pursuant to Section 4(a) hereof, make available for inspection by Morgan Stanley and any other Participant such financial and other information, books, records and properties of the Company, and cause the officers, directors, employees, counsel and independent certified public accountants of the Company to respond to such inquiries and supply all information, as shall be reasonably necessary, in the judgment of Morgan Stanley and its counsel or any underwriter participating in such sale, to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act; provided, however, that each such person shall be required to maintain in confidence and not to disclose to any other person any information or records reasonably designated by the Company in writing as being confidential, until such time as (A) such information becomes a matter of public record (whether by virtue of its inclusion in the Shelf Registration or otherwise), or (B) such person shall be required so to disclose such information pursuant to the subpoena or order of any court or other governmental agency or body having jurisdiction over the matter (subject to the requirements of such order, and only after such person shall have given the Company prompt prior written notice of such requirement), or (C) such information is required to be set forth in the Shelf Registration or each prospectus included therein or in any amendment to the Shelf Registration or any amendment or supplement to such prospectus in order that the Shelf Registration or such prospectus, amendment or supplement, as the case may be, does not contain an untrue statement of a material fact or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, further, that if the Company's obligation to effect and maintain a registration statement is suspended pursuant to Section 4(c) hereof after Morgan Stanley has conducted an investigation contemplated by this Section 6(a)(iii) and prior to the time when Morgan Stanley or MSIL has sold such Underlying Common Stock, then Morgan Stanley shall have the right, after the time such suspension ends, to supplement its investigation with such additional inspection of financial and other information, books, records and properties and such additional inquiries as shall be reasonably necessary, in the judgment of Morgan Stanley and its counsel, to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act;
2. promptly notify Morgan Stanley, and confirm such advice in writing, (A) when the Shelf Registration or prospectus included therein or any amendment or supplement thereto has been filed, and, with respect to the Shelf Registration or any amendment, when the same has become effective, (B) of any comments of the SEC and of the Blue Sky or securities commissioner or regulator of any state with respect thereto or any request by the SEC for amendments or supplements to the Shelf Registration or prospectus or for additional information, (C) of the issuance by the SEC of any stop order suspending the effectiveness of the Shelf Registration or the initiation or threatening of any proceedings for that purpose, (D) if at any time the representations and warranties of the Company contemplated by Section 1 or Section 6(a)(xiii) hereof cease to be true and correct in all material respects, (E) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Underlying Common Stock for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose,

(F) at any time when a prospectus is required to be delivered under the Securities Act, of the occurrence and the nature of any event requiring the preparation of an amendment to the Shelf Registration or a supplement to the prospectus included therein so that, as thereafter delivered as required under the Securities Act, the Shelf Registration, prospectus,

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amendment or supplement or any document incorporated by reference in any of the foregoing, will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

1. use all reasonable efforts to prevent entry of any order suspending the effectiveness of the Shelf Registration or any post- effective amendment thereto or obtain at the earliest practicable date the withdrawal of any such order if entered;
2. if requested by Morgan Stanley, promptly incorporate in an amendment to the Shelf Registration or in a supplement to the prospectus included therein such information as is required by the applicable rules and regulations of the SEC and as Morgan Stanley specifies relating to the sale of such Underlying Common Stock and promptly make all required filings of such amendment or supplement, as the case may be;
3. promptly furnish to Morgan Stanley an executed copy of the Shelf Registration, and any amendment thereto (in each case including all exhibits thereto and documents incorporated by reference therein) and such number of copies of the Shelf Registration (excluding exhibits thereto and documents incorporated by reference therein unless specifically so requested by Morgan Stanley), any amendment thereto, the prospectus included in the Shelf Registration (including each preliminary prospectus and any summary prospectus), any supplement thereto, and such other documents as Morgan Stanley may reasonably request in order to facilitate the offering and disposition of the Underlying Common Stock owned by Morgan Stanley, and to permit Morgan Stanley to satisfy the prospectus delivery requirements of the Securities Act; and the Company hereby consents to the use of such prospectus (including such preliminary and summary prospectus) and any supplement thereto by Morgan Stanley and by any agent or underwriter, in each case in the form most recently provided to such party by the Company, in connection with the offering and sale of the Securities covered by such prospectus (including such preliminary and summary prospectus) or supplement thereto;
4. use all reasonable efforts to (A) promptly register or qualify the Underlying Common Stock to be included in the Shelf Registration under such securities laws or Blue Sky laws of such United States jurisdictions as Morgan Stanley and each placement or sales agent, if any, therefor and underwriter, if any, thereof shall reasonably request, (B) keep such registrations or qualifications in effect and comply with such laws so as to permit the continuance of offers, sales and dealings therein in such jurisdictions during the periods the Shelf Registration is required to remain effective under Section 4 above, and for so long as may be necessary to enable Morgan Stanley, MSIL or any agent or underwriter to complete its disposition of Underlying Common Stock pursuant to such Shelf Registration and (C) take any and all other actions as may be reasonably necessary or advisable to enable Morgan Stanley, MSIL, any agent, and any underwriter, to consummate the disposition in such jurisdictions of such Underlying Common Stock; provided, however, that the Company shall not be required for any such purpose to (I) qualify as a foreign corporation in any jurisdiction wherein it would not otherwise be required to qualify but for the requirements of this Section 6(a)
5. or (II) consent to general service of process in any such jurisdiction;

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1. use its best efforts to obtain the consent or approval of each governmental agency or authority, whether United States federal, state or local, which may be required to make the Shelf Registration effective or to effect the offering or sale in connection therewith or to enable Morgan Stanley or MSIL to offer, or to consummate the disposition of, the Underlying Common Stock;
2. cooperate with Morgan Stanley to facilitate the timely preparation and delivery of certificates representing Underlying Common Stock to be sold, which certificates shall be printed, lithographed or engraved, or produced by any combination of such methods, and, in the case of an underwritten offering, enable such Underlying Common Stock to be in such denominations and registered in such names as Morgan Stanley may request at least 1 Business Day prior to any sale of the Underlying Common Stock;
3. enter into one or more underwriting agreements, engagement letters, agency agreements, "best efforts" underwriting agreements or similar agreements, as appropriate, including (without limitation) customary provisions relating to indemnification and contribution, and take such other actions in connection therewith as Morgan Stanley shall request in order to expedite or facilitate the disposition of the Underlying Common Stock;
4. whether or not an agreement of the type referred to in Section

(6)(a)(xi) hereof is entered into and whether or not any portion of the offering contemplated by the Shelf Registration is an underwritten offering or is made through a placement or sales agent or any other entity, (A) make such representations and warranties to Morgan Stanley and MSIL in form, substance and scope as are customarily made in connection with an offering of equity securities pursuant to any appropriate agreement and/or to a registration statement filed on the form applicable to the Shelf Registration (including, without limitation, representations to the effect that (i) as of the date of such agreement or registration statement and as of the date of the closing of the offering, there has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the applicable disclosure document and (ii) the outstanding Common Stock is fully paid and non-assessable); (B) obtain an opinion of outside counsel to the Company of recognized standing in customary form and covering such matters of the type customarily covered by such an opinion, as Morgan Stanley may reasonably request, addressed to Morgan Stanley, as agent for MSIL, and MSIL dated the closing date of such offering (and if such Shelf Registration contemplates an underwritten offering of a part or all of the Underlying Common Stock, dated the date of the underwriting agreement relating thereto and addressed to the underwriters) (it being agreed that the matters to be covered by such opinion shall include, without limitation, the due incorporation and good standing of the Company; the qualification of the Company to transact business as a foreign corporation; the due authorization, execution and delivery of this Agreement, each Pricing Agreement, the Warrant Agreement and of any agreement of the type referred to in Section 6(a)(xi) hereof; the conformity as to legal matters of the authorized capital stock of the Company to the description thereof contained in the prospectus included in the Shelf Registration, as then amended or supplemented; the due authorization and issuance, and

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status as fully paid and non-assessable, of the Underlying Common Stock; the absence of material legal or governmental proceedings involving the Company; the non-contravention (of law or organizational documents of the Company) of the execution and delivery by the Company and performance by the Company of its obligations under any agreement of the type referred to in Section 6(a)(xi); the absence of governmental approvals required to be obtained in connection with the Shelf Registration, the offering and sale of the Underlying Common Stock, this Agreement, each Pricing Agreement, the Warrant Agreement or any agreement of the type referred to in Section 6(a)(xi) hereof; the fair presentation in the Shelf Registration and the prospectus included therein, as then amended or supplemented, of such legal matters, documents and proceedings described therein as shall be specified; the Company not being an "investment company" or an entity "controlled" by an "investment company" as such terms are defined under the Investment Company Act of 1940; the compliance as to form of the Shelf Registration, the prospectus included therein, as then amended or supplemented, and any documents incorporated by reference therein with the Securities Act and the applicable rules and regulations of the SEC thereunder; and, as of the date of the opinion and of the Shelf Registration or most recent post-effective amendments thereto and the date of effectiveness thereof, as the case may be, the absence from the Shelf Registration and each prospectus included therein, as then amended or supplemented, and from the documents incorporated by reference therein of any untrue statement of a material fact or the omission to state therein a material fact necessary in order to make the statements therein not misleading (in the case of each such prospectus, in the light of the circumstances under which the statements therein were made));

(C) obtain a "cold comfort" letter or letters from the independent certified public accountants of the Company addressed to Morgan Stanley, as agent for MSIL, MSIL and any underwriter or agent and in form and substance satisfactory to them, dated (I) as of the date of the agreement to sell Securities and (II) the closing date of any sale of Underlying Common Stock pursuant to any prospectus supplement to the prospectus included in the Shelf Registration or post-effective amendment to the Shelf Registration, such letter or letters to be in customary form and covering such matters of the type customarily covered by letters of such type; (D) deliver such documents and certificates, including officers' certificates, as may be reasonably requested by Morgan Stanley to evidence the accuracy of the representations and warranties made pursuant to clause (A) above and the compliance with or satisfaction of any agreements or conditions contained in the underwriting agreement or other agreement entered into by the Company; and (E) undertake such obligations relating to expense reimbursement, indemnification and contribution as are provided in Sections 8, 9, 10 and 11 hereof;

1. in the event that any broker-dealer registered under the Exchange Act shall underwrite any Underlying Common Stock or participate as a member of an underwriting syndicate or selling group or "participate in the distribution" (within the meaning of Section 2720 of the Conduct Rules of the NASD) thereof, whether as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, assist such broker- dealer in complying with the requirements of such Conduct Rules, including, without limitation, by providing such information to such broker-dealer as may be required in order for such broker-dealer to comply with the requirements of the Conduct Rules of the NASD; and

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1. comply in all material respects with all applicable rules and regulations of the SEC and make generally available to its security holders as soon as practicable, an earnings statement of the Company and its subsidiaries covering a period of 12 months, beginning within three months after the effective date of the Shelf Registration, complying with Section 11(a) of the Securities Act (including, at the option of the Company, Rule 158 thereunder).
2. In the event that the Company would be required, pursuant to

Section 6(a)(iv)(F) above, to notify Morgan Stanley, the Company shall (subject to its right to suspend its obligations pursuant to Sections 4(c)

(i) or

4(c)(ii)) without delay prepare and furnish to Morgan Stanley a reasonable number of copies of a prospectus supplemented or amended in form and substance reasonably satisfactory to it, so that, as thereafter delivered to purchasers of Underlying Common Stock, such prospectus shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Morgan Stanley agrees that upon receipt by Morgan Stanley of any notice from the Company pursuant to Section 6(a)(iv)(F) hereof, Morgan Stanley shall forthwith discontinue the disposition of Underlying Common Stock pursuant to the registration statement applicable to such Securities until Morgan Stanley shall have received copies of such amended or supplemented prospectus, and if so directed by the Company, Morgan Stanley shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in Morgan Stanley's possession of the prospectus covering such Underlying Common Stock at the time of receipt of such notice.

1. The Company may require Morgan Stanley to furnish to the Company such information regarding Morgan Stanley or MSIL and Morgan Stanley's or MSIL's intended method of resale of the Underlying Common Stock as the Company may from time to time reasonably request in writing, but only to the extent that such information is required in order to comply with the Securities Act. Morgan Stanley agrees to notify the Company as promptly as practicable of any inaccuracy or change in information previously furnished by Morgan Stanley to the Company or of the occurrence of any event in either case as a result of which any prospectus relating to the Shelf Registration contains or would contain an untrue statement of a material fact regarding Morgan Stanley, MSIL or Morgan Stanley's or MSIL's intended method of distribution of such Underlying Common Stock or omits to state any material fact regarding Morgan Stanley, MSIL or Morgan Stanley's or MSIL's intended method of distribution of such Underlying Common Stock required to be stated therein or necessary to make the statements therein not misleading, and promptly to furnish to the Company any additional information required to correct and update any previously furnished information so that such prospectus shall not contain, with respect to Morgan Stanley or MSIL or the distribution of such Underlying Common Stock an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.
2. Registration Expenses. (a) The Company agrees to bear and to pay or cause to be paid promptly upon request being made therefor all expenses incident to filing and causing effectiveness of the Shelf Registration, including, without limitation, (i) all SEC, stock exchange, Nasdaq National Market or NASD registration and filing fees and expenses, (ii) all fees and expenses (if any) in connection with the qualification of the Underlying Common Stock for reoffering and resale under the state securities and Blue Sky laws referred to in Section 6(a)

(viii) hereof, including reasonable fees and disbursements of counsel for Morgan Stanley in connection

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with such qualifications, (iii) all expenses relating to the preparation, word processing, printing, distribution and reproduction of the Shelf Registration (including the preliminary prospectus included therein) and each amendment to the foregoing, (iv) internal expenses (including, without limitation, all salaries and expenses of the Company's officers and employees performing legal or accounting duties), and (v) fees, disbursements and expenses of counsel and independent certified public accountants of the Company. Notwithstanding the foregoing, Morgan Stanley, as agent for MSIL, shall pay all agency fees and commissions and underwriting discounts and commissions attributable to the sale of the Underlying Common Stock and the fees and disbursements of any counsel or other advisors or experts retained by Morgan Stanley.

(b) Notwithstanding the terms of Section 7(a) hereof, Morgan Stanley, as agent for MSIL, agrees to bear and to pay or cause to be paid promptly upon request being made therefor all reasonable expenses incident to the takedown of Underlying Common Stock off the Shelf Registration, including, without limitation, (i) all expenses relating to the preparation, printing, distribution and reproduction of each supplement to the preliminary prospectus included in the Shelf Registration, and (ii) fees, disbursements and expenses of counsel and independent certified public accountants of the Company.

1. Indemnification by the Company. The Company agrees to indemnify and hold harmless Morgan Stanley, MSIL, their officers, directors, agents, employees, and each person, if any, who controls Morgan Stanley or MSIL within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the 1934 Act Reports or any registration statement or prospectus relating to the Underlying Common Stock (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to Morgan Stanley or MSIL furnished in writing to the Company by Morgan Stanley or MSIL or on Morgan Stanley's or MSIL's behalf expressly for use therein. The Company also agrees to indemnify any underwriters of the Underlying Common Stock, their officers and directors and each person who controls such underwriters on substantially the same basis as that of the indemnification of Morgan Stanley provided in this Section 8.
2. Indemnification by MSIL. MSIL agrees to indemnify and hold harmless the Company, its officers, directors, employees and agents and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to Morgan Stanley and MSIL, but only with reference to information related to Morgan Stanley or MSIL furnished in writing by Morgan Stanley or MSIL or on Morgan Stanley's or MSIL's behalf expressly for use in any registration statement or prospectus relating to Underlying Common Stock, or any amendment or supplement thereto, or any preliminary prospectus.
3. Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which

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indemnity may be sought pursuant to Section 8 or 9, such person (the "Indemnified Party") shall promptly notify the person against whom such indemnity may be sought (the "Indemnifying Party") in writing and the Indemnifying Party, upon request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Indemnifying Party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or

(ii) the named parties to any such proceeding (including any impleaded parties) include both the Indemnified Party and the Indemnifying Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Indemnifying Party shall not, in respect of the legal expenses of any Indemnified Party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) at any time for the Indemnified Party, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Party, such firm shall be designated in writing by the Indemnified Party. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Party shall have requested an Indemnifying Party to reimburse the Indemnified Party for fees and expenses of counsel as contemplated by the second and third sentences of this Section 10, the Indemnifying Party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 Business Days after receipt by such Indemnifying Party of the aforesaid request and (ii) such Indemnifying Party shall not have reimbursed the Indemnified Party in accordance with such request prior to the date of such settlement. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

1. Contribution. To the extent the indemnification provided for in Sections 8, 9 and 10 of this Warrant Purchase Agreement is unavailable to an Indemnified Party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each such Indemnifying Party under such Section, in lieu of indemnifying such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and the Indemnified Party on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of Morgan Stanley and MSIL on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission

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to state a material fact relates to information supplied by the Company or by Morgan Stanley or MSIL and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and Morgan Stanley and MSIL agree that it would not be just or equitable if contribution pursuant to this Section 11 were determined by pro

rata allocation or by any other method of allocation which does not take account

of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 11, Morgan Stanley and MSIL shall not be required to contribute any amount in excess of the amount by which the proceeds to MSIL of a sale of Underlying Common Stock exceed the amount of any damages which Morgan Stanley and MSIL have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

1. Rule 144. The Company covenants that it will file any reports required to be filed by it under the Securities Act and the Exchange Act to the extent required from time to time to enable Morgan Stanley or MSIL to sell Underlying Common Stock without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the SEC (as so amended and along with any such similar rule or regulation, "Rule 144"). Upon the request of Morgan Stanley, the Company will deliver to Morgan Stanley a written statement as to whether it has complied with such requirements.
2. Miscellaneous. (a) No Inconsistent Agreements. The Company will not hereafter enter into any agreement with respect to its securities which is inconsistent with the rights granted to Morgan Stanley or MSIL in this Warrant Purchase Agreement.
3. Amendments and Waivers. Except as otherwise provided herein, the provisions of this Warrant Purchase Agreement may not be amended, modified or supplemented, and waivers to or departures from the provisions hereof may not be given unless consented to in writing by each party.
4. Notices. All notices and other communications provided for or permitted hereunder shall be made by hand delivery, telex, telecopy, overnight courier or registered first-class mail as follows:
5. if to Morgan Stanley: Morgan Stanley & Co. Incorporated, 1585 Broadway, New York, New York 10036, attention: Mark Colman, with a copy to the General Counsel;
6. if to MSIL: Morgan Stanley & Co. International Limited c/o Morgan Stanley & Co. Incorporated, 1585 Broadway, New York, New York 10036, attention: Jamie Greenwald;

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1. if to the Company: Oracle Corporation, 500 Oracle Parkway, Redwood City, California 94065, attention: General Counsel.

All such notices and communications shall be deemed to have been duly given: when delivered, if by hand, overnight courier or mail; when the appropriate answer back is received, if by telex; when transmitted, if by telecopy.

1. Successors and Assigns; Transfer of Registration Rights. This Warrant Purchase Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties. The registration rights set forth in this Warrant Purchase Agreement may be transferred in whole or in part from time to time to any holder of Warrants.
2. Counterparts. This Warrant Purchase Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
3. Headings. The headings to this Warrant Purchase Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.
4. Governing Law. This Warrant Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California.
5. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby.
6. Survival. The indemnity and contribution provisions contained in Sections 8, 9, 10 and 11 and the representations and warranties of the Company contained in this Agreement and in each Pricing Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of Morgan Stanley or MSIL or any person controlling Morgan Stanley or MSIL, or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Warrants.
7. Matters Related to Morgan Stanley, as Agent. As a broker-dealer registered with the SEC, Morgan Stanley, in its capacity as agent, will be responsible for: (i) effecting the transactions between the Company and MSIL contemplated in this Agreement, including all payments and deliveries of Warrants, (ii) issuing all required notices, confirmations and statements to the Company and MSIL and (iii) maintaining books and records relating to this Agreement.

Morgan Stanley is acting in connection with this Agreement solely as Agent for both MSIL and the Company and pursuant to instructions from them. Morgan Stanley shall have no responsibility or personal liability to MSIL or the Company arising from any failure by MSIL or the Company to pay or perform any obligation hereunder or to monitor or to enforce

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compliance by MSIL or the Company with any obligation hereunder. Each of MSIL and the Company agrees to proceed solely against the other to collect or recover any securities or money owing to it in connection with or as a result of this Agreement. Morgan Stanley shall otherwise have no liability in respect of this Agreement, except for its gross negligence or willful misconduct in performing its duties as agent hereunder.

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IN WITNESS WHEREOF, the parties have executed this Warrant Purchase Agreement as of the date first written above.

# ORACLE CORPORATION

*By:/s/ Bruce M. Lange*

*------------------------------------*

*Name: Bruce M. Lange*

*Title: Vice President and Treasurer*

# MORGAN STANLEY & CO.

INCORPORATED, as agent for MSIL

*By:/s/ Mark A. Neuberger*

*------------------------------------*

*Name: Mark A. Neuberger Title: Managing Director*

# MORGAN STANLEY & CO. INTERNATIONAL LIMITED

*By:/s/ Jamie Greenwald*

*------------------------------------*

*Name: Jamie Greenwald Title: Managing Director*

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# EXHIBIT II PRICING AGREEMENT

Morgan Stanley & Co. International Limited c/o Morgan Stanley & Co. Incorporated 1585 Broadway

New York, New York 10036

May , 1997

Dear Sirs/Mesdames:

Oracle Corporation, a Delaware corporation (the "Company"), proposes to issue and sell to Morgan Stanley & Co. Incorporated ("Morgan Stanley"), as agent for you ("MSIL"), subject to the terms and conditions stated herein, in the Warrant Agreement (the "Warrant Agreement"), to be entered into between the Company and First BankBoston, N.A., as Warrant Agent, and in the Warrant Purchase Agreement (the "Warrant Purchase Agreement"), dated as of May 7, 1997, among the Company, Morgan Stanley, as your agent, and you, Series \_ Equity Call Warrants at a purchase price of $ per Warrant.

Each provision of the Warrant Purchase Agreement is incorporated herein by reference in its entirety, and shall be deemed to be a part of this Agreement to the same extent as if such provisions had been set forth in full herein; and each of the representations and warranties set forth therein shall be deemed to have been made at and as of the date of this Pricing Agreement. Unless otherwise defined herein, terms used herein and defined in the Warrant Purchase Agreement are used herein as therein defined.

Subject to the terms and conditions set forth herein and in the Warrant Purchase Agreement incorporated herein by reference, the Company agrees to issue and sell to you, and you agree to purchase from the Company on the third business day following the date hereof, at the time and place set forth in the Warrant Purchase Agreement (or at such other time and place as may be agreed to by the parties) and at the purchase price to you set forth above, Series \_ Equity Call Warrants.

The effectiveness of this Pricing Agreement is subject to the condition that on or prior to the date hereof, the Company shall have entered into a Repurchase Contract with respect to shares of common stock of the Company substantially in the form of Annex I hereto.

Very truly yours,

# ORACLE CORPORATION

By: Name:

Title:

Accepted as of the date hereof:

# MORGAN STANLEY & CO. INTERNATIONAL LIMITED

By: Name:

Title:

# MORGAN STANLEY & CO. INCORPORATED,

as agent for MSIL

By: Name:

Title:

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# EXHIBIT III

**LETTER OF REPRESENTATION**

Davis Polk & Wardwell 450 Lexington Avenue New York, NY 10017

Venture Law Group 2800 Sand Hill Road Menlo Park, CA 94025

In connection with (x) the sale (the "Sale") to, and the purchase by, Morgan Stanley & Co. International Limited ("MSIL," "we" or "us"), for whom Morgan Stanley & Co. Incorporated ("Morgan Stanley") is acting as agent, of Series Equity Call Warrants, (collectively, the "Warrants" or, individually a "Warrant"), each representing the right to purchase one share of the common stock, par value $ per share (the "Common Stock"), of Oracle Corporation (the "Company"), pursuant to the Warrant Purchase Agreement (the "Warrant Purchase Agreement") dated as of May 7, 1997, and the Pricing Agreement (the "Pricing Agreement") dated as of May , 1997, in each case among the Company, MSIL and Morgan Stanley, as agent for MSIL, and (y) the repurchase by the Company from MSIL of shares of Common Stock pursuant to, and subject to the terms and conditions of, the Warrant Purchase Agreement and the Repurchase Contract dated May , 1997, among the Company, MSIL and Morgan Stanley, as agent for MSIL, we hereby represent as follows:

1. We are aware that we must bear the risk of an investment in the Warrants for an indefinite period of time, and we are able to bear such risk. As of the time of the Sale, however, we have hedged our position in the Warrants through the short sale of Common Stock pursuant to the Repurchase Contract[s] referred to above. Under current market conditions, we do not expect to engage in the short sale of shares of Common Stock in addition to the sales made pursuant to the Repurchase Contract in order to hedge our position in the Warrants. To the extent we or any affiliate of ours engage in short sales ("Short Sales") of shares of Common Stock to any person other than the Company to hedge our position in the Warrants, (i) neither we nor any such affiliate will engage in any special selling efforts or selling methods in connection with any Short Sales and, (ii) to the extent required by applicable law, we and any such affiliate (A) will not cover any Short Sales or repay any borrowing of shares of Common Stock used to settle any Short Sales with any shares of Common Stock issued on exercise of the Warrants ("Warrant Shares") and (B) will take all reasonable steps so as not to (I) knowingly sell any Warrant Shares to any person from whom we or any such affiliate purchase any shares of Common Stock used to cover any Short Sales or (II) knowingly purchase any shares of Common Stock to be used to settle any Short Sales or to repay any borrowing of shares of Common Stock used to settle any Short Sales from: (x) any person to whom we or any such affiliate has sold any Warrant Shares or (y) any person that we or any such affiliate has reason to believe indirectly acquired Warrant Shares.
2. We have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of purchasing the Warrants.
3. We are purchasing the Warrants for our own account. We are not acquiring the Warrants with a view to distribution thereof, or with any present intention of offering or selling the Warrants, subject, nevertheless, to the disposition of our property being at all times within our control.
4. On the basis of the applicable Purchase Price, and other terms of each series of Warrants, the historical volatility of the Common Stock and such other factors as we have deemed advisable for the purposes of this letter, we believe that with respect to each Warrant purchased pursuant to the Warrant Purchase Agreement there exists at least a 50% probability that such Warrant will expire worthless.
5. We are an "accredited investor" within the meaning of subparagraph (a)(1) of Rule 501 under the Securities Act.

We acknowledge that for purposes of the opinion to be delivered to Morgan Stanley, as our agent, pursuant to Section 3(b) of the Warrant Purchase Agreement, you will rely upon the accuracy and truth of the foregoing representations and we hereby consent to such reliance.

Terms used herein but not otherwise defined herein are used herein as defined in the Warrant Agreement dated as of May 7, 1997 between the Company and BankBoston, N.A., as Warrant Agent.

Date: May , 1997

# MORGAN STANLEY & CO. INTERNATIONAL LIMITED

By: Name:

Title:

# MORGAN STANLEY & CO. INCORPORATED,

as agent for MSIL

By: Name:

Title: 2

# EXHIBIT 4.3 EXECUTION COPY

WARRANT AGREEMENT, dated as of May 12, 1997, between ORACLE CORPORATION, a Delaware corporation (the "Company"), and BANKBOSTON, N.A., a national banking association, as warrant agent (the "Warrant Agent").

WHEREAS, the Company proposes to issue and deliver its warrant certificates (the "Warrant Certificates") evidencing Equity Call Warrants in the series and with the terms indicated on Schedule I hereto (as such Schedule may be amended or modified from time to time) (collectively, the "Warrants" or individually, a "Warrant"), each representing the right to purchase, subject to adjustment and to the other terms and conditions set forth herein, one share of its Common Stock (as defined below);

WHEREAS, each Warrant shall entitle the registered holder thereof (subject to the Company's rights to suspend exercises of Warrants or to elect Cash Settlement or Net Share Settlement of such exercises) to acquire from the Company one share of Common Stock, subject to adjustment; and

WHEREAS, the Warrant Agent, at the request of the Company, has agreed to act as the Agent of the Company in connection with the issuance, registration, transfer, exchange and exercise of the Warrants;

NOW, THEREFORE, in consideration of the foregoing and for the purpose of defining the terms and provisions of the Warrants and the respective rights and obligations thereunder of the Company, the Warrant Agent and the registered holders from time to time of the Warrants, the Company and the Warrant Agent hereby agree as follows:

1. DEFINITIONS. (a) Certain Definitions. As used in this Warrant Agreement, the following terms shall have the following respective meanings:

"AFFILIATE" of any person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such person. For purposes of this definition, "control", when used with respect to any person, means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

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"BUSINESS DAY" means any day, other than Saturday, Sunday or a day on which either the New York Stock Exchange or the American Stock Exchange is not open for securities trading or commercial banks in The City of New York are required or authorized by law or executive order to close.

"CASH SETTLEMENT VALUE" in respect of any exercised Warrant means an amount equal to the excess, if any, of the arithmetic average of (i) the Market Value of the Underlying Common Stock for the period commencing on the fourth and ending on and including the thirteenth Business Day immediately following the date on which such Warrant is exercised, subject to adjustment pursuant to

Section 6 hereof, the provisions of which shall be applied for this purpose through such thirteenth Business Day, over (ii) the Purchase Price relating to such Warrant as adjusted pursuant to Section 6 hereof through such thirteenth Business Day.

"COMMON STOCK" means the common stock, par value $0.01 per share, of the Company together with any other securities that may be issued by the Company in substitution therefor.

"COMPANY" has the meaning set forth in the preamble to this Warrant Agreement and its successors and assigns. "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXPIRATION DATE" means for any series of Warrants, the date indicated by the entry opposite the designation of such series on Schedule I hereto or such later date as shall be determined in accordance with Section 4(f), in a written statement to the Warrant Agent and with notice to registered holders of Warrants in the manner provided for in Section 19 hereof.

"FINAL EXPIRATION DATE" means the latest Expiration Date of all Warrants issued hereunder.

"FIRST EXERCISE DATE" means, with respect to any series of Warrants, the first exercise date indicated by the entry opposite the designation of such series on Schedule I hereto.

"HOLDERS" means, at any time, the registered holders of the Warrants outstanding at such time.

"MAJOR DEALER" means a securities broker/dealer registered with the SEC having net capital of $200 million or more and which is active as a dealer or market-maker in warrants similar to the Warrants.

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"MARKET VALUE" of Underlying Common Stock on any date of determination means the closing sale price (or, if no closing price is reported, the last reported sale price) of such Underlying Common Stock on the New York Stock Exchange (the "NYSE") on such date or, if such Underlying Common Stock is not listed for trading on the NYSE on any such date, as reported in the composite transactions for the principal United States securities exchange on which such Underlying Common Stock is so listed, or if such Underlying Common Stock is not so listed on a United States national or regional securities exchange, the average of the last quoted bid and offer price for such Underlying Common Stock as reported by Nasdaq National Market, or, if such Underlying Common Stock is not so reported, the average of the last quoted bid and offer price for such Underlying Common Stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if such bid price is not available, the market value of such Underlying Common Stock on such date as determined by a nationally recognized independent banking firm retained for this purpose by the Company.

The "NET SHARE SETTLEMENT NUMBER" in respect of any exercised Warrant shall be a number of shares of Underlying Common Stock equal to the Cash Settlement Value in respect of such Warrant divided by the Valuation Stock Price in respect of such Warrant.

"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PURCHASE PRICE" means for any series of Warrants, the purchase price per share of Underlying Common Stock to be paid upon the exercise of each Warrant of such series in accordance with the terms hereof, which price shall initially be the purchase price indicated by the entry opposite the designation of such series on Schedule I hereto, subject to adjustment from time to time pursuant to

Section 6 hereof.

"SEC" means the Securities and Exchange Commission. "SECURITIES ACT" means the Securities Act of 1933, as amended.

"UNDERLYING COMMON STOCK" means the shares of Common Stock and any other securities, cash or other property issuable or issued upon the exercise of the Warrants.

The "VALUATION STOCK PRICE" in respect of any exercised Warrant shall equal the arithmetic average of the Market Value of the Underlying Common Stock on the

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thirteenth through seventeenth Business Days immediately following the date on which such Warrant is exercised, subject to adjustment pursuant to Section 6 hereof, the provisions of which shall be applied for this purpose through such seventeenth Business Day.

"WARRANT AGENT" has the meaning set forth in the preamble to this Warrant Agreement or the successor or successors of such Warrant Agent appointed in accordance with the terms hereof.

(b) CERTAIN OTHER DEFINED TERMS:

Term Defined in Section

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"Cash Settlement".............................. 4(d)

"Current Market Price Per Common Share"........ 6(f)

"Exercise Date"................................ 4(b)

"Net Share Settlement"......................... 4(d)

"Notice of Exercise"........................... 4(b)

"Resale Restriction Termination Date".......... In the legend contained in

Exhibit A hereto.

"Warrant Agent's Office"....................... 4(b)

"Warrant Certificates"......................... Preamble "Warrants"..................................... Preamble

1. INITIAL ISSUANCE AND FORM OF WARRANT CERTIFICATES. Subject to the provisions of this Agreement, Warrants (in the series identified on Schedule I hereto) to acquire initially an aggregate of no more than 8,000,000 shares of Common Stock, subject to adjustment, may be issued and delivered by the Company hereunder. The Warrant Certificates for each series of Warrants shall be issued in registered form only and substantially in the form attached hereto as Exhibit B, shall be dated the date of issuance thereof (whether upon initial issuance, registration of transfer, exchange or replacement) and shall bear the legend set forth in Exhibit B together with such other legends and endorsements typed, stamped, printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or

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regulation pursuant thereto or with any rule or regulation of any securities exchange or market on which the Warrants may be listed, or to conform to customary usage.

Pending the preparation of definitive Warrant Certificates, temporary Warrant Certificates may be issued, which may be printed, lithographed, typewritten, mimeographed or otherwise produced, and which will be substantially of the tenor of the definitive Warrant Certificates in lieu of which they are issued.

If temporary Warrant Certificates are issued, the Company will cause definitive Warrant Certificates to be prepared without unreasonable delay. After the preparation of definitive Warrant Certificates, the temporary Warrant Certificates shall be exchangeable for definitive Warrant Certificates upon surrender of the temporary Warrant Certificates to the Warrant Agent, without charge to the Holder. Until so exchanged the temporary Warrant Certificates shall in all respects be entitled to the same benefits under this Agreement as definitive Warrant Certificates.

1. EXECUTION AND DELIVERY OF WARRANT CERTIFICATES. Warrant Certificates evidencing Warrants to purchase initially an aggregate of up to 8,000,000 shares of Common Stock shall be executed, on or after the date of this Warrant Agreement, by the Company and delivered to the Warrant Agent for countersignature, and the Warrant Agent shall thereupon countersign and deliver such Warrant Certificates upon the order and at the direction of the Company to the purchasers thereof on the date of issuance. The Warrant Agent is hereby authorized to countersign and deliver Warrant Certificates as required by this

Section 3 or by Section 4(c), Section 6, Section 10 or Section 18 hereof. The Warrant Certificates shall be executed on behalf of the Company by its Chairman of the Board, Chief Executive Officer or President or by any of its Vice Presidents and attested by its Secretary or Assistant Secretary, in each case, either manually or by facsimile signature printed thereon. The Warrant Certificates shall be manually countersigned by the Warrant Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company whose signature shall have been placed upon any of the Warrant Certificates shall cease to be the Chairman, Chief Executive Officer, President or a Vice President, Secretary or Assistant Secretary of the Company before countersignature by the Warrant Agent and issue and delivery thereof, such Warrant Certificates may, nevertheless, be countersigned by the Warrant Agent and issued and delivered with the same force and effect as though such person had not ceased to be such officer of the Company.

The Company and the Warrant Agent may deem and treat the registered Holder of a Warrant Certificate as the absolute owner thereof (notwithstanding any notation of ownership or other writing thereon made by anyone), for the purpose of any exercise thereof or any distribution to the Holder thereof and for all other

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purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

1. DURATION AND EXERCISE OF WARRANTS. (a) Duration. Subject to the terms and conditions set forth herein (including those set forth in Section 4(f) hereof), Warrants of any series shall be exercisable no sooner than the First Exercise Date of such series (or if such day is not a Business Day, the next succeeding Business Day) and on or prior to 5:00 P.M., New York City time (the "Close of Business"), on the Expiration Date for such series. Subject to

Section 4(f), the term of any Warrant may be extended in the sole discretion of the Company beyond its Expiration Date upon written notice to the Warrant Agent and to the Holder of such Warrant (given in accordance with Section 19) at least 20 days prior to the date on which such Warrant was to have expired absent such an extension to a date determined by the Company, which date shall thereupon become the Expiration Date referred to above for such Warrant unless and until another date is substituted in accordance with this Section. Subject to paragraph (f) of this Section 4, such Warrant shall remain exercisable on any Business Day on or after the relevant First Exercise Date and ending at the Close of Business on its new Expiration Date. The Warrants shall terminate and become void as of the Close of Business on the Expiration Date.

1. Right to Exercise. Subject to the provisions of this Warrant Agreement, including Section 4(d), each Warrant shall entitle the Holder thereof to purchase from the Company (and shall obligate the Company to issue and sell to such Holder) one fully paid and non-assessable share of Underlying Common Stock at the Purchase Price (in each case, subject to adjustment and subject to the Company's right to effect Cash Settlement or Net Share Settlement) upon surrender to the Warrant Agent, at its office maintained for that purpose in Boston, Massachusetts or New York, New York (the "Warrant Agent's Office") of Notice of Exercise, substantially in the form set forth in Exhibit C (the "Notice of Exercise"), duly completed and signed by the Holder thereof or by the duly appointed legal representative thereof or by a duly authorized attorney, provided that any such Notice of Exercise delivered after 5:00 P.M., New York City time, on a Business Day, or on a day that is not a Business Day, shall be deemed to have been delivered at the opening of business on the next succeeding Business Day. The date on which the Notice of Exercise with respect to any Warrant is delivered is hereinafter referred to as the Exercise Date. Except as expressly provided to the contrary in Section 6 hereof, no adjustments shall be made for any cash dividends or other cash distributions on shares of Common Stock issuable upon the exercise of a Warrant.

Any Warrant not exercised prior to its Expiration Date will automatically be deemed to have been exercised for all purposes hereunder, and a duly completed Notice of Exercise will be deemed to have been delivered to the Company

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on such Expiration Date, if on such Expiration Date the Market Price of the Underlying Common Stock exceeds the Purchase Price of such Warrant by $0.25 or more.

1. Payment of Purchase Price; Issuance of Shares of Underlying Common Stock. Settlement for the purchase of Underlying Common Stock referred to in Section 4(b) shall take place on the sixth Business Day following the Exercise Date upon surrender to the Warrant Agent at the Warrant Agent's Office of the Warrant Certificate evidencing such Warrant, with the form of election to exercise on the reverse thereof duly completed and signed by the Holder thereof or by the duly appointed legal representative thereof or by a duly authorized attorney and upon payment of the Purchase Price of such Warrant. Upon such surrender of a Warrant Certificate and payment of the Purchase Price of such Warrant, the Company shall (subject to the other provisions of this Section 4) cause to be issued and delivered to the Holder thereof, or upon the written order of the Holder of such Warrant Certificate in such name or names as such Holder may designate, a certificate for the shares (or other evidence of ownership) of the Underlying Common Stock issuable upon the exercise of the Warrant or Warrants evidenced by such Warrant Certificate. Such certificate (or other evidence of ownership) shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become the holder of record of such shares (or other property) as of the date of the surrender of such Warrant Certificate and payment of the Purchase Price. Payment of the Purchase Price may be made by Federal or other immediately available funds payable to the order of the Company. All funds received upon the tender of Warrants shall be deposited by the Warrant Agent for the account of the Company in an account designated by the Company at such financial institution as is designated in writing by the Company, unless otherwise instructed by the Company.

The Warrants evidenced by a Warrant Certificate shall be exercisable, at the election of the Holder thereof, either as an entirety or from time to time for part only of the number of Warrants specified in the Warrant Certificate. In the event that less than all of the Warrants evidenced by a Warrant Certificate are exercised at any time prior to the applicable Expiration Date, a new Warrant Certificate or Certificates of the same tenor shall be issued for the remaining number of Warrants evidenced by the Warrant Certificate so surrendered, and the Warrant Agent is hereby irrevocably authorized to countersign and to deliver the required new Warrant Certificate or Certificates pursuant to the provisions of this Section 4, and the Company, whenever required by the Warrant Agent, shall supply the Warrant Agent with Warrant Certificates duly executed on behalf of the Company for such purpose.

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1. Cash Settlement; Net Share Settlement. Notwithstanding paragraphs (a), (b) and (c) of this Section 4, the Company shall at its sole discretion have the right to elect (i) to settle any exercise of a Warrant (in whole, but not in part) in cash (a "Cash Settlement") or (ii) to settle any exercise of a Warrant by delivering the Net Share Settlement Number of shares of Underlying Common Stock (a "Net Share Settlement"). Any such election shall be effected by delivering notice to the exercising Holder in the form set forth in Exhibit D, in the case of a Cash Settlement, or Exhibit E, in the case of a Net Share Settlement, by facsimile transmission to the numbers set forth for such purpose in the Notice of Exercise, confirmed telephonically, not later than 12:00 Noon, New York City time, on the third Business Day following the Exercise Date.

In the case of any such election to effect a Cash Settlement of a Warrant, on the fifteenth Business Day following the Exercise Date of such Warrant, the Company shall deliver to the Warrant Agent Federal or other immediately available funds in an aggregate amount equal to the Cash Settlement Value of such Warrant, and the Warrant Agent shall deliver such funds to the exercising Holder, or its designee, against surrender to the Warrant Agent at the Warrant Agent's Office of the Warrant Certificate evidencing such Warrants, with the form of election to exercise on the reverse thereof duly completed and signed by the Holder thereof or by the duly appointed legal representative thereof or by a duly authorized attorney.

In the case of any such election to effect a Net Share Settlement of a Warrant, on the eighteenth Business Day following the Exercise Date of such Warrant the Company shall deliver to the Warrant Agent the Net Share Settlement Number of fully paid and non-assessable shares of Underlying Common Stock, and the Warrant Agent shall deliver such shares to the exercising Holder, or its designee, against surrender to the Warrant Agent at the Warrant Agent's Office of the Warrant Certificate evidencing such Warrants, with the form of election to exercise on the reverse thereof duly completed and signed by the Holder thereof or by the duly appointed legal representative thereof or by a duly authorized attorney.

1. Cancellation of Warrant Certificate. All Warrant Certificates surrendered for exchange, substitution, transfer or exercise in whole or in part shall be canceled by the Warrant Agent. If the Company shall purchase or otherwise acquire Warrants, the Warrant Certificates representing such Warrants shall thereupon be delivered to the Warrant Agent and be canceled by it. Such canceled Warrant Certificates shall then be disposed of by such Warrant Agent in a manner satisfactory to the Company.
2. Black-Out. The Company may by notice to the Warrant Agent and to the Holders of Warrants in the form set forth in Exhibit F (given in accordance with

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Section 19), suspend the right to exercise all outstanding Warrants for a period of up to 90 days. The Company may suspend the right to exercise Warrants of a particular series on no more than one occasion. Notwithstanding Section 4(a), if any such period of suspension includes or extends beyond the Expiration Date of any Warrants, then the term of such Warrants automatically shall be extended to the Business Day following the last day of such suspension, which Business Day shall thereupon become the Expiration Date in respect of such Warrants.

Upon receipt of a Notice of Exercise, the Company may cancel such exercise by delivering notices of suspension to the Warrant Agent and to the Holders of the Warrants (and delivering a copy thereof to the exercising Holder, by facsimile transmission to the number set forth for such purpose in the Notice of Exercise), not later than 5:00 P.M., New York City time, on the third Business Day after delivery to the Company of such Notice of Exercise, in which case such Notice of Exercise shall be deemed never to have been given.

1. Optional Reduction of Purchase Price. The Company shall have the right, at any time or from time to time, voluntarily to reduce the then current Purchase Price applicable to a series of Warrants to such amount (the "Reduced Purchase Price") and for such period or periods of time, which may be through the Close of Business on the Expiration Date of such series (the "Reduced Purchase Price Period") as may be deemed appropriate by the Company. Notice of any such Reduced Purchase Price and Reduced Purchase Price Period shall be given to registered Holders of the relevant Warrants in the manner provided in Section

19. After the termination of the Reduced Purchase Price Period, the Purchase Price of the relevant Warrants shall be such Purchase Price that would have been in effect, as adjusted pursuant to the provisions of Section 6, had there been no reduction in the Purchase Price pursuant to the provisions of this paragraph

(g). No reduction of the then current Purchase Price pursuant to the provisions of this paragraph (g) shall be deemed for the purposes of Section 6 hereof to alter or adjust the Purchase Price.

1. WARRANT REDEMPTION. The Company shall have the right to redeem the Warrants. The procedure for redemption shall be as follows:
2. The Company will notify the Holders in writing of its election to redeem Warrants specifying the series, number, Expiration Dates and Purchase Prices of the Warrants to be redeemed, and specifying a valuation date (the "Valuation Date"). The "Redemption Price" of each Warrant to be redeemed shall be equal to the theoretical value of the Warrant determined by a nationally recognized firm of independent public accountants retained by the Company using a conventional Black-Scholes or other commercially reasonable option valuation model selected by such firm and reasonably acceptable to the Company, such Redemption Price being

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determined on the basis of the following factors (the "Redemption Valuation Factors"): (i) the number of days from but excluding the Valuation Date to and including the relevant Expiration Date, (ii) the Current Market Price Per Common Share as of the Valuation Date, (iii) the average of the 21-day volatility of the Common Stock for each Business Day during the 90 days prior to the Valuation Date, (iv) the estimated dividend yield of the Common Stock calculated using dividend amounts payable on regular dividend payment dates during the period from but excluding the Valuation Date to and including the relevant Expiration Date and (v) a weighted LIBOR interest rate interpolated for the period from but excluding the Valuation Date to and including the relevant Expiration Date.

If the Company believes that the Redemption Price so determined by such firm of independent public accountants does not fairly reflect the value of the Warrants to be redeemed, the Company may, in its sole discretion, select three Major Dealers and the Redemption Price shall be the average of the indicated mid-market premiums for the relevant Warrants determined on the basis of the Redemption Valuation Factors quoted by the three Major Dealers so selected as of the Valuation Date.

1. Closing of the redemption by the Company of the Warrants shall take place on the third Business Day following the later of (i) the Valuation Date or (ii) the date the Redemption Price is determined under the second paragraph of Section 5(a) above, by delivery of the Warrants being redeemed to the Warrant Agent and simultaneous payment by the Company to the Holders of such Warrants of the Redemption Price in Federal or other immediately available funds.
2. ADJUSTMENT OF PURCHASE PRICE AND NUMBER OF SHARES OF COMMON STOCK. The number and kind of shares

purchasable upon the exercise of Warrants and the Purchase Price shall be subject to adjustment from time to time as follows:

1. Stock Dividends, Stock-Splits, Combinations, etc. In case the Company shall at any time after the date hereof (i) declare a dividend or make a distribution on Common Stock payable in Common Stock, (ii) subdivide or split the outstanding Common Stock, (iii) combine or reclassify the outstanding Common Stock into a smaller number of shares, or
2. issue any shares of its capital stock in a reclassification of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), the Purchase Price in effect at the time of the record date for such dividend or distribution or of the effective date of such subdivision, split, combination or reclassification shall be proportionately adjusted so that, giving effect to paragraph (6)(i) hereof, the exercise of any outstanding Warrant after such time shall entitle the

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Holder of such Warrant to receive the aggregate number of shares of Common Stock or other securities of the Company (or shares of any security into which such shares of Common Stock have been reclassified pursuant to clause

(iii) or (iv) above) which, if such Warrant had been exercised immediately prior to such time, such Holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, distribution, subdivision, split, combination or reclassification. Such adjustment shall be made successively whenever any event listed above shall occur. An adjustment made pursuant to this paragraph shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

1. Setting Record Date for Issuance of Certain Rights, Options or Warrants. In case the Company shall fix a record date for the issuance of rights, options or warrants to the holders of its Common Stock or other securities entitling such holders to subscribe for or purchase for a period expiring within 60 days of such record date shares of Common Stock (or securities convertible into shares of Common Stock) at a price per share of Common Stock (or having a conversion price per share of Common Stock, if a security convertible into shares of Common Stock) less than the Current Market Price Per Common Share on such record date, the maximum number of shares of Common Stock issuable upon exercise of such rights, options or warrants (or conversion of such convertible securities) shall be deemed to have been issued and outstanding as of such record date and the Purchase Price to be in effect after the Company fixes such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such deemed issuance by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the time of such deemed issuance multiplied by the Current Market Price Per Common Share immediately prior to such deemed issuance and (y) the aggregate consideration, if any, that would be received by the Company upon issuance of all shares of Common Stock underlying such rights, options, warrants or other securities, and the denominator of which shall be the product of the aggregate number of shares of Common Stock that would be outstanding immediately after such deemed issuance if such deemed issuance had actually occurred and the Current Market Price Per Common Share immediately prior to such deemed issuance. In case any portion of the consideration to be received by the Company shall be in a form other than cash, the fair market value of such noncash consideration shall be utilized in the foregoing computation. Such fair market value shall be determined in good faith by the Board of Directors of the Company, whose determination shall be conclusive and shall be evidenced by a resolution filed with the Warrant Agent. The holders of all then-outstanding Warrants shall be notified

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promptly of any consideration other than cash to be received by the Company and furnished with a description of the consideration and the fair market value thereof, as determined by the Board of Directors. Such adjustment shall be made successively whenever such record date is fixed; and in the event that such rights, options or warrants are not so issued or expire unexercised, or in the event of a change in the number of shares of Common Stock to which the holders of such rights, options or warrants are entitled (other than pursuant to adjustment provisions therein comparable to those contained in this paragraph (6)), the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed, in the former event, or the Purchase Price which would then be in effect if such holders had initially been entitled to such changed number of shares of Common Stock, in the latter event.

1. Certain Distributions. In case the Company shall fix a record date for the making of a distribution to holders of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation, but not with respect to the Company's existing rights plan) of evidences of its indebtedness, assets or other property (other than cash dividends or distributions and dividends payable in Common Stock or rights, options or warrants referred to in, and for which an adjustment is made pursuant to, paragraph (6)(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the Current Market Price Per Common Share on such record date, less the fair market value (determined as set forth in paragraph (6)(b) hereof) of the portion of the assets, other property or evidence of indebtedness so to be distributed which is applicable to one share of Common Stock, and the denominator of which shall be such Current Market Price Per Common Share. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.
2. Extraordinary Dividends. In case in any fiscal quarter (i) the Company shall distribute to all holders of shares of Common Stock any cash dividend or distribution or (ii) the Company or any of its subsidiaries shall purchase Common Stock pursuant to a tender offer for a purchase price per share greater than the Current Market Price Per Common Share on the date of purchase, and during such fiscal quarter the sum of

(x) all such cash dividends or distributions, plus (y) the aggregate amount by which the fair market value

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(determined as set forth in paragraph 6(b) hereof) of the consideration paid in purchasing all such shares of Common Stock exceeds the Current Market Price Per Common Share on the date of such purchase multiplied by the number of shares of Common Stock so purchased, shall exceed 10%, on an annualized basis, of the Current Market Price Per Common Share multiplied by the number of shares of Common Stock outstanding at the earlier of the record date for the latest such cash dividend or distribution or tender offer or the date at which the Company shall have publicly announced such dividend or distribution or tender offer, then the Purchase Price shall be adjusted on the date of such dividend or distribution, or the termination of such tender offer, to a price determined by multiplying the Purchase Price in effect immediately prior to the earlier of such dates by a fraction, of which the numerator shall be the Current Market Price Per Common Share on the earlier of such dates less the fair market value (determined as set forth in paragraph 6(b) hereof) of the portion of such distribution or excess amount which is applicable to one share of Common Stock and of which the denominator shall be such Current Market Price Per Common Share on the earlier of such dates.

1. Current Market Price Per Common Share. For the purpose of any computation under Section 9 or paragraph (6)(b), (c) or (d) hereof, on any determination date, the "Current Market Price Per Common Share" shall mean the average (weighted by daily trading volume) of the Closing Prices per share of the Underlying Common Stock for the 10 consecutive Business Days immediately prior to such date.
2. Deferral of Certain Adjustments. No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least one percent in such price; provided that any adjustments which by reason of this paragraph (6)(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph (f) shall be made to the nearest one tenth of a cent or to the nearest hundredth of a share, as the case may be.
3. Other Adjustments. In the event that, at any time as a result of the provisions of this Section 6, a Holder of a Warrant upon subsequent exercise shall become entitled to receive any shares of capital stock of the Company other than Common Stock, the number of such other shares so receivable upon exercise of this Warrant shall thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions contained herein.

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1. Shares Receivable Upon Exercise. Upon each adjustment of the Purchase Price as a result of the calculations made in paragraphs

(6)(a), (b), (c), (d) or (j) hereof, the number of shares for which any Warrant is exercisable immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of shares of Common Stock obtained by (i) multiplying the number of shares covered by such Warrant immediately prior to such adjustment of the number of shares by the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

1. Consolidation, Merger, or Sale of Assets. Subject to the provisions of Section 6(j) hereof, in case of any consolidation of the Company with, or merger of the Company into, any other person, any merger of another person into the Company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock) or any sale or transfer of all or substantially all of the assets of the Company or of the person formed by such consolidation or resulting from such merger or which acquires such assets, as the case may be, then, as a condition of such consolidation, merger, sale or transfer, the Company or such person, as the case may be, shall forthwith make lawful and adequate provision whereby the holder of each Warrant then outstanding shall have the right thereafter to exercise such Warrant for the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock for which such Warrant may have been exercised immediately prior to such consolidation, merger, sale or transfer, assuming (i) such holder of Common Stock is not a person with which the Company consolidated or into which the Company merged or which merged into the Company or to which such sale or transfer was made, as the case may be ("constituent person"), or an Affiliate of a constituent person and (ii) in the case of a consolidation, merger, sale or transfer which includes an election as to the consideration to be received by the holders, such holder of Common Stock failed to exercise its rights of election, as to the kind or amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer (provided that if the kind or amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer is not the same for each share of Common Stock held immediately prior to such consolidation, merger, sale or transfer by other than a constituent person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised ("non-electing share"), then for the purpose of this paragraph (i) the kind and

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amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares). Adjustments for events subsequent to the effective date of such a consolidation, merger and sale of assets shall be as nearly equivalent as may be practicable to the adjustments provided for in this Warrant Agreement. In any such event, effective provisions shall be made in the certificate or articles of incorporation of the resulting or surviving corporation, in any contract of sale, conveyance, lease or transfer, or otherwise so that the provisions set forth herein for the protection of the rights of the Holders shall thereafter continue to be applicable; and any such resulting or surviving corporation shall expressly assume the obligation to deliver, upon exercise, such shares of stock, other securities, cash and property. The provisions of this paragraph (i) shall similarly apply to successive consolidations, mergers, sales, leases or transfers.

1. Qualified Tender Offers; Cash-Out Tender Offers and Mergers.
2. Subject to the provisions of paragraph (ii) of this Section 6(j), in case of any Qualified Tender Offer (as defined below) made by a person other than the Company or any subsidiary of the Company and in which, as of the Expiration Time (as defined below), the board of directors of the Company is not recommending rejection of the offer, the Purchase Price shall be reduced so that the same shall equal the price determined by multiplying the Purchase Price in effect immediately prior to the Expiration Time by a fraction of which the numerator shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Market Price of the Common Stock on the trading day next succeeding the Expiration Time and the denominator shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to shareholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the share deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Market Price of the Common Stock on the trading day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the Business Day following the Expiration Time. In the event that such person is obligated to purchase shares pursuant to any such Qualified Tender Offer, but such person is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Purchase Price shall again be adjusted to be the Purchase Price

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which would then be in effect if such Qualified Tender Offer had not been made. Notwithstanding the foregoing, the adjustment described in this paragraph (j) shall not be made if, as of the Expiration Time, the offering documents with respect to such Qualified Tender Offer disclose a plan or intention to cause the Company to engage in any transaction described in

Section 6(j) hereof.

A "Qualified Tender Offer" means any tender offer or exchange offer for an amount which increases the offeror's ownership of Common Stock to more than 25% of the Common Stock outstanding and which involves the payment by such person of consideration per share of Common Stock having a fair market value (as determined as set forth in paragraph 6(b) hereof) at the last time (the "Expiration Time") tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Closing Price of the Common Stock on the trading day next succeeding the Expiration Time.

1. In case (A) of a cash tender offer for substantially all of the outstanding Common Stock or (B) of any consolidation of the Company with, or merger of the Company into, any other person in a transaction in which the Common Stock is exchanged for cash or cash equivalents, then as of the closing date of such tender offer or the effective date of such consolidation or merger, each such Warrant shall only entitle the holder thereof to receive, within 3 Business Days of surrender to the Company or to the Warrant Agent, at the Warrant Agent's Office, of the Warrant Certificate evidencing such Warrant, a cash payment from the Company equal to the Cash-Out Value (as defined below). The "Cash-Out Value" means the theoretical value of the Warrant determined by a nationally recognized firm of independent public accountants retained by the Company using a conventional Black-Scholes or other commercially reasonable option valuation model selected by such firm and reasonably acceptable to the Company, such Cash-Out Value being determined on the basis of the following factors (the "Cash-Out Valuation Factors"): (i) the number of days from but excluding the date of the first public announcement of a firm intention to make such an offer or to so merge or consolidate (the "Announcement Date") to and including the applicable Expiration Date, (ii) the Current Market Price Per Common Share as of the Announcement Date, (iii) the average of the 21-day volatility of the Common Stock for each Business Day during the 90 days prior to the Announcement Date, (iv) the estimated dividend yield of the Common Stock calculated using dividend amounts payable on regular dividend payment dates during the period from but excluding the Announcement Date to and including the Expiration Date and

(v) a weighted LIBOR interest rate interpolated for the

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period from but excluding the Announcement Date to and including the Expiration Date.

If the Company believes that the Cash-Out Value so determined by such firm of independent public accountants does not fairly reflect the value of the Warrants subject to such tender offer, the Company may, in its sole discretion, select three Major Dealers and the Cash-Out Value shall be the average of the indicated mid-market premiums for such Warrants determined on the basis of the Cash-Out Valuation Factors quoted by the three Major Dealers so selected as of the Announcement Date.

Upon receipt by the Holder of such cash payment in respect of a Warrant, such Warrant shall expire and be of no further effect.

1. NOTICE OF ADJUSTMENT. Whenever the number of shares of Common Stock or other stock or property issuable upon the exercise of each Warrant or the Purchase Price is adjusted, as herein provided, the Company shall cause the Warrant Agent promptly to mail by first class mail, postage prepaid, to each Holder notice of such adjustment or adjustments and shall deliver to the Warrant Agent a certificate of a firm of independent certified public accountants selected by the board of directors of the Company (who may be the regular accountants employed by the Company) setting forth the number of shares of Common Stock or other stock or property issuable upon the exercise of each Warrant or the Purchase Price after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made. The Warrant Agent shall be entitled to rely on such certificate and shall be under no duty or responsibility with respect to any such certificate, except to exhibit the same from time to time to any Holder desiring an inspection thereof during reasonable business hours. The Warrant Agent shall not at any time be under any duty or responsibility to any Holders to determine whether any facts exist that may require any adjustment of the number of shares of Common Stock or other stock or property issuable on exercise of the Warrants or the Purchase Price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making such adjustment or the validity or value (of the kind or amount) of any shares of Common Stock or other stock or property which may be issuable on exercise of the Warrants. The Warrant Agent shall not be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property upon the exercise of any Warrant.
2. STATEMENT ON WARRANTS. Irrespective of any adjustment in the number or kind of shares issuable upon the exercise of the Warrants or the Purchase Price, Warrants theretofore or thereafter issued may continue to express the same number

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and kind of shares as are stated in the Warrants initially issuable pursuant to this Warrant Agreement.

1. FRACTIONAL INTEREST. Notwithstanding any adjustment pursuant to

Section 6 hereof in the number of shares of Underlying Common Stock, the Company shall not be required to issue fractional shares of Underlying Common Stock on the exercise of Warrants. If more than one Warrant shall be presented for exercise in full at the same time by the same Holder, the number of full shares of Underlying Common Stock which shall be issuable upon such exercise shall be computed on the basis of the aggregate number of shares of Underlying Common Stock acquirable on exercise of the Warrants so presented. If any fraction of a share of Underlying Common Stock would, except for the provisions of this

Section 9, be issuable on the exercise of any Warrant (or specified portion thereof), the Company shall pay an amount in cash calculated by it to be equal to (A) in the case of settlement of such Warrant pursuant to Section 4(c), the Current Market Price Per Common Share on the date of such exercise or (B) in the case of a Net Share Settlement of such Warrant pursuant to Section 4(d), the Market Value of the Underlying Common Stock for the period commencing on the fourth and ending on the thirteenth Business Day immediately following the date on which such Warrant was exercised, in each case multiplied by such fraction computed to the nearest whole cent. The Holders, by their acceptance of the Warrant Certificates, expressly waive any and all rights to receive any fraction of a share of Common Stock or a stock certificate representing a fraction of a share of Underlying Common Stock.

1. WARRANT TRANSFER BOOKS. The Warrant Certificates shall be issued in registered form only. The Company shall cause to be kept at the office of the Warrant Agent a register in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Warrant Certificates and of transfers or exchanges of Warrant Certificates by the Warrant Agent as herein provided.

At the option of the Holder thereof, Warrant Certificates may be exchanged at such office upon payment of the charges hereinafter provided. Whenever any Warrant Certificates are so surrendered for exchange, the Company shall execute, and the Warrant Agent shall countersign and deliver, the Warrant Certificates that the Holder making the exchange is entitled to receive.

All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under this Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange.

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Every Warrant Certificate surrendered for registration of transfer or exchange shall (if so required by the Company or the Warrant Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be required of a Holder for any registration of transfer or exchange of Warrant Certificates. The Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Warrant Certificates.

Any Warrant Certificate when duly endorsed in blank shall be deemed negotiable. The holder of any Warrant Certificate duly endorsed in blank may be treated by the Company, the Warrant Agent and all other persons dealing therewith as the absolute owner thereof for any purpose and as the person entitled to exercise the rights represented thereby, or to the transfer thereof on the register of the Company maintained by the Warrant Agent, any notice to the contrary notwithstanding; but until such transfer on such register, the Company and the Warrant Agent may treat the Holder thereof as the owner for all purposes.

1. TRANSFER RESTRICTIONS. (a) Neither the Warrants nor any of the Underlying Common Stock, nor any interest in either, may be sold, assigned, pledged, hypothecated, encumbered or in any other manner transferred or disposed of, in whole or in part, except in compliance with applicable United States federal and state securities laws and the terms and conditions hereof and thereof.
2. Until the earlier of the sale of the Underlying Common Stock pursuant to a registration statement which has been declared effective under the Securities Act and the Resale Restriction Termination Date, any certificate evidencing Underlying Common Stock (and all securities issued in exchange or substitution therefor) shall bear a legend set forth in Exhibit A, and shall be subject to the restrictions contained therein, unless otherwise agreed by the Company (with written notice thereof to the registrar for the Common Stock).
3. Until the Expiration Date of each Warrant or any earlier exercise thereof, each Warrant shall be subject to the restrictions on transfer contained in the legend set forth in Exhibit B.
4. WARRANT HOLDERS. (a) No Voting Rights. Prior to the exercise of the Warrants, no Holder of a Warrant Certificate, as such, shall be entitled to any rights of a stockholder of the Company, including, without limitation, the right to receive dividends or subscription rights, the right to vote, to consent, to exercise any

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preemptive right, to receive any notice of meetings of stockholders for the election of directors of the Company or any other matter or to receive any notice of any proceedings of the Company, except as may be specifically provided for herein.

(b) Right of Action. All rights of action in respect of this Warrant Agreement are vested in the Holders of the Warrants, and any Holder of any Warrant, without the consent of the Warrant Agent or the Holder of any other Warrant, may, on such Holder's own behalf and for such Holder's own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company suitable to enforce, or otherwise in respect of, such Holder's rights hereunder, including the right to exercise, exchange or surrender for purchase such Holder's Warrants in the manner provided in this Warrant Agreement.

1. WARRANT AGENT. (a) Nature of Duties and Responsibilities Assumed. The Company hereby appoints BankBoston, N.A. as Warrant Agent of the Company in respect of the Warrants upon the terms and subject to the conditions set forth herein; and BankBoston, N.A. hereby accepts such appointment. The Warrant Agent shall have the powers and authority granted to and conferred upon it in this Agreement and such further powers and authority to act on behalf of the Company as the Company may hereafter grant to or confer upon it with its consent. All of the terms and provisions with respect to such powers and authority contained in any Warrant Certificate are subject to and governed by the terms and provisions hereof.
2. Conditions of Warrant Agent's Obligations. The Warrant Agent accepts its obligations herein set forth upon the terms and conditions hereof, including the following, to all of which the Company agrees and to all of which the rights hereunder of the Holders from time to time of the Warrants shall be subject:
3. The Company agrees promptly to pay the Warrant Agent the compensation to be agreed upon with the Company for all services rendered by the Warrant Agent and to reimburse the Warrant Agent for its reasonable out-of-pocket expenses (including attorneys' fees and expenses) incurred by the Warrant Agent without gross negligence, bad faith or breach of this Agreement on its part in connection with the services rendered by it hereunder. The Company also agrees to indemnify the Warrant Agent for, and to hold it harmless against, any loss, liability or expense (including reasonable attorneys' fees and expenses) incurred without gross negligence, bad faith, willful misconduct or breach of this Agreement on the part of the Warrant Agent, arising out of or in connection with its acting as such Warrant Agent hereunder, as well as the reasonable costs and expenses of defending against any claim of liability in the premises. The obligations of the Company under this Section 13 (b)(i) shall survive the termination of this Agreement.

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1. In acting under this Agreement, the Warrant Agent is acting solely as agent of the Company and does not assume any obligation or relationship of agency or trust for or with any of the owners or Holders of the Warrants.
2. The Warrant Agent may consult with counsel satisfactory to it (including counsel to the Company), and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion of such counsel.
3. The Warrant Agent shall be protected and shall incur no liability for or in respect of any action taken or thing suffered by it in reliance upon any notice, direction, consent, certificate, affidavit, statement or other paper or document reasonably believed by it to be genuine and to have been presented or signed by the proper parties.
4. The Warrant Agent shall be liable hereunder only for its own gross negligence, bad faith or willful misconduct.
5. The Warrant Agent, and its officers, directors and employees, may become the owner of, or acquire any interest in, any Warrants or other obligations of the Company, with the same rights that it or they would have if it were not the Warrant Agent hereunder and, to the extent permitted by applicable law, it or they may engage or be interested in any financial or other transaction with the Company and may act on behalf of, or as depository, trustee or agent for, any committee or body of owners or Holders of Warrants or other obligations of the Company as freely as if it were not the Warrant Agent hereunder.
6. The Warrant Agent shall not be under any liability for interest on any monies at any time received by it pursuant to any of the provisions of this Agreement nor shall it be obligated to segregate such monies from other monies held by it, except as required by law. The Warrant Agent shall not be responsible for advancing funds on behalf of the Company.
7. The Warrant Agent shall not be under any responsibility with respect to the validity or sufficiency of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Warrant Agent) or with respect to the validity or execution of the Warrant Certificates (except its countersignature thereof).

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1. The recitals contained herein and in the Warrant Certificates (except as to the Warrant Agent's countersignature thereon) shall be taken as the statements of the Company, and the Warrant Agent assumes no responsibility for the correctness of the same.
2. The Warrant Agent shall be obligated to perform such duties as are herein specifically set forth, and no implied duties or obligations shall be read into this Agreement against the Warrant Agent. The Warrant Agent shall not be under any obligation to take any action hereunder likely to involve it in any expense or liability, the payment of which is not, in its reasonable opinion, assured to it. The Warrant Agent shall not be accountable or under any duty or responsibility for the application by the Company of any proceeds. The Warrant Agent shall have no duty or responsibility in case of any default by the Company in the performance of its covenants or agreements contained in this Agreement or in any Warrant Certificate or in the case of the receipt of any written demand from a Holder of a Warrant with respect to such default, including, without limiting the generality of the foregoing, any duty or responsibility to initiate or attempt to initiate any proceedings at law or otherwise or, except as provided in Section 19(a) hereof, to make any demand upon the Company.
3. Resignation and Appointment of Successor. The Company agrees, for the benefit of the Holders from time to time of the Warrants, that there shall at all times be a Warrant Agent hereunder until all the Warrants are no longer outstanding.

The Warrant Agent may at any time resign as such agent by giving written notice to the Company of such intention on its part, specifying the date on which its desired resignation shall become effective, subject to the appointment of a successor Warrant Agent and acceptance of such appointment by such successor Warrant Agent as hereinafter provided. The Warrant Agent hereunder may be removed at any time by the filing with it of an instrument in writing signed by or on behalf of the Company and specifying such removal and the date when it shall become effective. Such resignation or removal shall take effect upon the appointment by the Company, as hereinafter provided, of a successor Warrant Agent (which shall be a banking institution organized under the laws of the United States of America or one of the states thereof, have a combined capital and surplus of at least $100,000,000 (as set forth in its most recent reports of condition published pursuant to law or to the requirements of any United States federal or state regulatory or supervisory authority) and having an office in the Borough of Manhattan, The City of New York) and the acceptance of such appointment by such successor Warrant Agent. In the event a successor Warrant Agent has not been appointed and accepted its duties within 90 days of the Warrant Agent's notice of resignation, the Warrant Agent may apply to any

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court of competent jurisdiction for the designation of a successor Warrant Agent. The obligation of the Company under Section 13(b)(i) hereof shall continue to the extent set forth therein notwithstanding the resignation or removal of the Warrant Agent.

In case at any time the Warrant Agent shall give notice of its intent to resign, or shall be removed, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or make an assignment for the benefit of its creditors, or consent to the appointment of a receiver or custodian of all or any substantial part of its property, or shall admit in writing its inability to pay or meet its debts as they mature, or if a receiver or custodian of it or of all or any substantial part of its property shall be appointed, or if any public officer shall have taken charge or control of the Warrant Agent or of its property or affairs, for the purpose of rehabilitation, conservation or liquidation, a successor Warrant Agent, qualified as aforesaid, shall be promptly appointed by the Company by an instrument in writing, filed with the successor Warrant Agent. Upon the appointment as aforesaid of a successor Warrant Agent and acceptance by the latter of such appointment, the Warrant Agent so superseded shall cease to be Warrant Agent hereunder.

Any successor Warrant Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Company an instrument accepting such appointment hereunder, and thereupon such successor Warrant Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor with like effect as if originally named as Warrant Agent hereunder, and such predecessor, upon payment of its charges and disbursements then unpaid, shall thereupon become obligated to transfer, deliver and pay over, and such successor Warrant Agent shall be entitled to receive, all monies, securities and other property on deposit with or held by such predecessor (including, without limitation, the Warrant Register), as Warrant Agent hereunder.

1. RESERVATION OF COMMON STOCK FOR ISSUANCE ON EXERCISE OF WARRANTS; LISTING. The Company covenants that it

will at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, solely for the purpose of issuance upon exercise of Warrants as herein provided, the full number of shares of Common Stock as shall then be issuable upon the exercise of all outstanding Warrants.

The Company covenants that all shares of Common Stock which shall be so issuable shall, upon such issuance, be duly and validly issued and fully paid and nonassessable, and that upon issuance such shares shall be accepted for quotation on the Nasdaq National Market or listed on each national securities exchange, if any, on which any other shares of outstanding Common Stock of the Company are then listed.

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1. MONEY AND OTHER PROPERTY DEPOSITED WITH THE WARRANT AGENT. Any moneys, securities or other property which at any time shall be deposited by the Company or on its behalf with the Warrant Agent pursuant to this Agreement shall be and are hereby assigned, transferred and set over to the Warrant Agent in trust for the purpose for which such moneys, securities or other property shall have been deposited; but such moneys, securities or other property need not be segregated from other funds, securities or other property except to the extent required by law. The Warrant Agent shall distribute any money deposited with it for payment and distribution to the Holders by mailing by first-class mail a check in such amount as is appropriate, to each such Holder at the address shown on the Warrant register maintained pursuant to Section 10, or as it may be otherwise directed in writing by such Holder, upon surrender of such Holder's Warrants. Any money or other property deposited with the Warrant Agent for payment and distribution to the Holders that remains unclaimed for two years, less one day, after the date the money was deposited with the Warrant Agent shall be paid to the Company upon its request therefor.
2. PAYMENT OF TAXES. The Company will pay any documentary stamp taxes attributable to the initial issuance of the Warrants or shares of Underlying Common Stock upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer of any Warrant Certificates or the issuance of any certificates for shares of Underlying Common Stock in a name other than that of the Holder of a Warrant Certificate surrendered upon the exercise of a Warrant.
3. SURRENDER OF CERTIFICATES. Any Warrant Certificate surrendered for exercise or purchased or otherwise acquired by the Company shall, if surrendered to the Company, be delivered to the Warrant Agent, and all Warrant Certificates surrendered or so delivered to the Warrant Agent shall promptly be canceled by such Warrant Agent and shall not be reissued by the Company. The Warrant Agent shall destroy such canceled Warrant Certificates and deliver its certificate of destruction to the Company unless the Company shall otherwise direct.
4. MUTILATED, DESTROYED, LOST AND STOLEN WARRANT CERTIFICATES. If (a) any mutilated Warrant Certificate is surrendered to the Warrant Agent or (b) the Company and the Warrant Agent receive evidence to their satisfaction of the destruction, loss or theft of any Warrant Certificate, and there is delivered to the Company and the Warrant Agent such security or indemnity as may be reasonably required by them to save each of them harmless, then, in the absence of notice to the Company or the Warrant Agent that such Warrant Certificate has been acquired by a bona fide purchaser, the Company shall execute and upon its written request the Warrant Agent shall countersign and deliver, in exchange for any such mutilated Warrant Certificate or in lieu of any such destroyed, lost or stolen Warrant Certificate, a new Warrant

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Certificate of like tenor and for a like aggregate number of Warrants.

Upon the issuance of any new Warrant Certificate under this Section 18, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and other expenses (including the reasonable fees and expenses of the Warrant Agent and of counsel to the Company) in connection therewith.

Every new Warrant Certificate executed and delivered pursuant to this

Section 18 in lieu of any destroyed, lost or stolen Warrant Certificate shall constitute an original contractual obligation of the Company, whether or not the destroyed, lost or stolen Warrant Certificate shall be at any time enforceable by anyone, and shall be entitled to the benefits of this Warrant Agreement equally and proportionately with any and all other Warrant Certificates duly executed and delivered hereunder.

The provisions of this Section 18 are exclusive and shall preclude (to the extent lawful) all other rights or remedies with respect to the replacement of mutilated, destroyed, lost or stolen Warrant Certificates.

1. NOTICES. (a) Except as otherwise provided in this Agreement, any notice, demand or delivery authorized by this Warrant Agreement shall be sufficiently given or made when mailed if sent by first-class mail, postage prepaid, addressed to any Holder of a Warrant at such Holder's address shown on the register maintained by the Warrant Agent pursuant to Section 9 and to the parties as follows:

# If to the Company:

Oracle Corporation 500 Oracle Parkway

Redwood City, California 94065 Attention: General Counsel

# If to the Warrant Agent:

BankBoston, N.A.

c/o Boston Equiserve Limited Partnership 150 Royall Street Canton, Massachusetts 02021

Attention: Reorganization Department

or such other address as shall have been furnished to the party giving or making such notice, demand or delivery.

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(b) Any notice required to be given by the Company to the Holders shall be made by mailing by registered mail, return receipt requested, to the Holders at their respective addresses shown on the register of the Company maintained by the Warrant Agent. The Company hereby irrevocably authorizes the Warrant Agent, in the name and at the expense of the Company, to mail any such notice upon receipt thereof from the Company. Any notice that is mailed in the manner herein provided shall be presumed to have been duly given when mailed.

1. PERSONS BENEFITTING. This Warrant Agreement shall be binding upon and inure to the benefit of the Company and the Warrant Agent, and their respective successors, assigns, beneficiaries, executors and administrators, and the Holders of the Warrants. Nothing in this Warrant Agreement is intended or shall be construed to confer upon any person, other than the Company, the Warrant Agent and the Holders of the Warrants, any right, remedy or claim under or by reason of this Warrant Agreement or any part hereof.
2. COUNTERPARTS. This Warrant Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument.
3. AMENDMENTS. (a) The Company may, without the consent of the Holders of the Warrants, by supplemental agreement or otherwise, make any changes or corrections in this Warrant Agreement that it shall have been advised by counsel
4. are required to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein or
5. add to the covenants and agreements of the Company for the benefit of the Holders, or surrender any rights or power reserved to or conferred upon the Company in this Warrant Agreement or (c) supplement Schedule I hereto to identify additional series of Warrants issued hereunder; provided that, in the case of (a) or (b), such changes or corrections shall not adversely affect the interests of the Holders in any material respect. The Warrant Agent shall at the request of the Company and without need of independent inquiry as to whether such supplemental agreement is permitted by the terms of this Section 22 join with the Company in the execution and delivery of any such supplemental agreements unless it affects the Warrant Agent's own rights, duties or immunities hereunder in which case such party may, but shall not be required to, join in such execution and delivery.

(b) The Company and the Warrant Agent may modify or amend this Agreement (by means of an agreement supplemental hereto or otherwise) with the consent of Holders holding not less than a majority in number of the then outstanding Warrants for any purpose; provided, however, that no such modification or amendment that changes the Purchase Price of the Warrants, shortens the period of

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time during which the Warrants may be exercised, or otherwise materially and adversely affects the exercise rights of the Holders or reduces the percentage of the number of outstanding Warrants the consent of whose Holders is required for modification or amendment of this Agreement, may be made without the consent of each Holder affected thereby.

1. TERMINATION. This Warrant Agreement shall terminate and be of no further force and effect on the Final Expiration Date.
2. APPLICABLE LAW. This Warrant Agreement and each Warrant issued hereunder and all rights arising hereunder shall be governed by the law of the State of California applicable to contracts and instruments executed and to be performed entirely in such State.
3. HEADINGS. The descriptive headings of the several Sections of this Warrant Agreement are inserted for convenience and shall not control or affect the meaning or construction of any of the provisions hereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Warrant Agreement to be duly executed, as of the day and year first above written.

# ORACLE CORPORATION

*By:/s/ Bruce M. Lange*

*-----------------------------*

*Name: Bruce M. Lange*

*Title: Vice President and Treasurer*

# BANKBOSTON, N.A.

**as Warrant Agent**

*By:/s/ Laura A. Welch*

*----------------------------*

*Name: Laura A. Welch*

*Title: Administration Manager*

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# SCHEDULE I

SERIES AND TERMS OF EQUITY CALL WARRANTS TO BE ISSUED UNDER WARRANT AGREEMENT

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ------ | -------- | ------------- | --------------- | -------------- |
| Series | Quantity | First | Expiration Date | Purchase Price |
| A | 3,000,000 | Exercise Date  April 17, 2000 | May 15, 2000 | $77.00 |

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# EXHIBIT A

**[FORM OF LEGEND FOR UNDERLYING COMMON STOCK]**

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR ANY INTEREST OR PARTICIPATION THEREIN OR HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE"), ON WHICH THE SECURITIES EVIDENCED HEREBY MAY BE SOLD WITHOUT REGISTRATION PURSUANT TO RULE 144(k) UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY SUCCESSOR TO SUCH RULE, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (D) TO AN INSTITUTIONAL "ACCREDITED INVESTOR," WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR

(7) OF RULE 501 UNDER THE SECURITIES ACT ACQUIRING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENT OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND/OR THE REGISTRAR'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (C), (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) PURSUANT TO EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE REGISTRAR. UNTIL THE EXPIRATION OF THE RESALE RESTRICTION TERMINATION DATE, ANY PERSON ACQUIRING THIS SECURITY PURSUANT TO CLAUSE (C) AGREES THAT ANY OFFER, SALE OR OTHER TRANSFER TO A U.S. PERSON OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON SHALL BE MADE BY IT ONLY PURSUANT TO CLAUSES (A), (B) OR (E).

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# EXHIBIT B

**[FORM OF FACE OF WARRANT CERTIFICATE]**

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR ANY INTEREST OR PARTICIPATION THEREIN OR HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY PURSUANT TO (A) REGISTRATION PURSUANT TO THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT, IN THE CASE OF (B), TO THE COMPANY'S AND THE WARRANT AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND, IN THE CASE OF EITHER (A) OR (B) TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE WARRANT AGENT. THE HOLDER OF EACH SECURITY BY ITS ACCEPTANCE HEREOF FURTHER AGREES THAT IT SHALL OFFER, SELL OR OTHERWISE TRANSFER THE WARRANTS REPRESENTED BY THIS CERTIFICATE ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND IN TRANSACTIONS INVOLVING THE SALE OF NO LESS THAN 1 MILLION WARRANTS SUBJECT TO THE COMPANY'S AND THE WARRANT AGENT'S RIGHT TO REQUIRE THE DELIVERY OF CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

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# No. W-1 Certificate for 3,000,000 Warrants

**SERIES A EQUITY CALL WARRANTS TO ACQUIRE COMMON STOCK OF ORACLE CORPORATION**

This Warrant Certificate certifies that Morgan Stanley & Co. International Limited, or registered assigns, is the registered holder of 3,000,000 Warrants (the "Warrants") to purchase Common Stock, par value $0.01 per share (the "Common Stock"), of Oracle Corporation, a Delaware corporation (the "Company"). Each Warrant entitles the holder, subject to the terms and conditions set forth herein and in the Warrant Agreement, to purchase from the Company one fully paid and non-assessable share of Common Stock of the Company at the purchase price per share of Common Stock (the "Purchase Price"), which price shall initially be $77.00 per share, subject to adjustment from time to time in accordance with the Warrant Agreement. Settlement for such purchase shall take place on the sixth Business Day after delivery of such Notice of Exercise, upon surrender to the Warrant Agent, at its office maintained for that purpose in Boston, Massachusetts or New York, New York, of this Warrant Certificate with the form of election to purchase on the reverse hereof duly completed and signed by the registered holder or holders hereof or by the duly appointed legal representative thereof or by a duly authorized attorney, and upon payment of the Purchase Price, but only subject to the conditions set forth herein and in the Warrant Agreement. Payment of the Purchase Price may be made by Federal or other immediately available funds to the Company.

The Company shall have the right to settle any exercise of a Warrant (i) in cash, in which case on the fifteenth Business Day after the Exercise Date the Company shall deliver to the exercising Holder, against surrender to the Warrant Agent at its office maintained for that purpose in Boston, Massachusetts of the Warrant Certificate evidencing the exercised Warrants, Federal or other immediately available funds payable to the order of such Holder in an amount equal to the Cash Settlement Value (as defined in the Warrant Agreement); or

(ii) by delivering the Net Share Settlement Number (as defined in the Warrant Agreement) of shares of Underlying Common Stock, in which case on the eighteenth Business Day after the Exercise Date the Company shall deliver to the exercising Holder, against surrender to the Warrant Agent at its office maintained for that purpose in Boston, Massachusetts of the Warrant Certificate evidencing the exercised Warrants, such number of fully paid and non-assessable shares.

No Warrant may be exercised or exchanged after 5:00 P.M., New York City time, on the Expiration Date. All Warrants evidenced hereby shall thereafter be void.

Reference is hereby made to the further provisions of this Warrant Certificate set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as though fully set forth in this place.

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This Warrant Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Warrant Agent. IN WITNESS WHEREOF, Oracle Corporation has caused this instrument to be duly executed.

# ORACLE CORPORATION

By: Name:

Title:

(SEAL)

Attest: Secretary DATED:

Countersigned as of the date above written:

# BANKBOSTON, N.A.,

**as Warrant Agent**

By: Authorized Officer

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# [FORM OF WARRANT CERTIFICATE] [REVERSE]

This Warrant Certificate is issued under and in accordance with a Warrant Agreement dated as of May 12, 1997 (the "Warrant Agreement"), between the Company and BankBoston, N.A., as warrant agent (the "Warrant Agent," which term includes any successor Warrant Agent under the Warrant Agreement), and is subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions the Holder of this Warrant Certificate consents by acceptance hereof. The Warrant Agreement is hereby incorporated herein by reference and made a part hereof. Reference is hereby made to the Warrant Agreement for a full statement of the respective rights, limitations of rights, duties and obligations of the Company, the Warrant Agent and the Holders of the Warrants. Capitalized terms not defined herein have the meanings ascribed thereto in the Warrant Agreement. A copy of the Warrant Agreement may be obtained for inspection by the Holder hereof upon written request to BankBoston, N.A., c/o Boston Esquiserve Limited Partnership, 150 Royall Street, Canton, Massachusetts 02021, Attention: Reorganization Department.

The Warrants evidenced by this Warrant Certificate shall be exercisable, at the election of the Holder hereof, either as an entirety or from time to time for part only of the number of Warrants specified herein. In the event that less than all of the Warrants evidenced by this Warrant Certificate are exercised at any time prior to the Expiration Date, a new Warrant Certificate or Certificates of the same tenor shall be issued for the remaining number of Warrants evidenced by this Warrant Certificate.

The Company may, by notice to the Warrant Agent and to the Holder hereof, suspend the right to exercise Warrants evidenced hereby for a period of up to 90 days. The Company may suspend the right to exercise these Warrants on no more than one occasion. If any such period of suspension (as it may be extended by successive further notices) includes or extends beyond the Expiration Date, then the term of these Warrants shall be automatically extended to the Business Day following the last day of such suspension, which Business Day shall thereupon become the Expiration Date.

Upon receipt of a Notice of Exercise, the Company may cancel such exercise by delivering notices of suspension to the Warrant Agent and to the Holders of the Warrants (and delivering a copy thereof to the exercising Holder, by facsimile transmission to the number set forth for such purpose in the Notice of Exercise), not later than 5:00 P.M., New York City time, on the third Business Day after delivery to the Company of such Notice of Exercise, in which case such Notice of Exercise shall be deemed never to have been given.

At the option of the Holder hereof, Warrant Certificates may be exchanged at such office upon payment of the charges provided in the Warrant Agreement. Whenever any Warrant Certificates are so surrendered for exchange, the Company shall execute, and the Warrant Agent shall countersign and deliver, the Warrant Certificates that the Holder making the exchange is entitled to receive. All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under the Warrant Agreement, as the Warrant Certificates surrendered for such registration of transfer or

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exchange. Every Warrant Certificate surrendered for registration of transfer or exchange shall (if so required by the Company or the Warrant Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be required of a Holder for any registration of transfer or exchange of Warrant Certificates. The Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Warrant Certificates.

The Company and the Warrant Agent may deem and treat the registered Holder of this Warrant Certificate as the absolute owner hereof (notwithstanding any notation of ownership or other writing thereon made by anyone), for the purpose of any exercise hereof or any distribution to the Holder hereof and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

The Warrant Agreement also provides that upon the occurrence of certain events, the Purchase Price set forth on the face hereof may, subject to certain conditions, be adjusted. If such Purchase Price is adjusted, the Warrant Agreement provides that in certain instances, the number of shares of Common Stock of the Company purchasable upon the exercise of each Warrant shall be adjusted. In the case of certain extraordinary transactions, the Warrants may become exercisable for the consideration received by Holders of Common Stock therein, or in certain cases, may become exchangeable solely for a cash payment, all as provided in the Warrant Agreement.

This Warrant Certificate and the Warrant Agreement are subject to amendment as provided in the Warrant Agreement.

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# [FORM OF ELECTION TO EXERCISE]

**[TO BE EXECUTED UPON PURCHASE OF WARRANT]**

The undersigned hereby irrevocably exercises ofSeries Equity Call Warrants for the acquisition of [ ] share(s) of Underlying Common Stock (as defined herein), represented by this Warrant Certificate, on the terms and conditions specified in this Warrant Certificate and the Warrant Agreement herein referred to, surrenders this Warrant Certificate and all right, title and interest therein Oracle Corporation (the "Company") and has tendered payment for such shares in the amount of $ , all in accordance with the terms hereof, directs that the shares of Common Stock deliverable upon the exercise of such Warrants be registered or placed in the name and at the address specified below and delivered thereto.

Dated: ,

/1/

(Signature of Owner) (Street Address)

(City) (State) (Zip Code)

# Facsimile Number/2/ Signature Guaranteed by:

/1/ The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever, and must be guaranteed by a national bank or trust company or by a member firm of any national securities exchange or by another eligible guarantor institution as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934.

/2/ A facsimile number must be provided for the purpose of receiving any notice of the Company's election, if any, to settle this exercise of Warrant(s) in cash or of suspension of the holder's right to exercise this Warrant.

B-5

# [FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned Holder of this Warrant Certificate hereby sells, assigns, and transfers unto the Assignee(s) named below (including the undersigned with respect to any Warrants constituting a part of the Warrants evidenced by this Warrant Certificate not being assigned hereby) all of the right of the undersigned under this Warrant Certificate, with respect to the number of Warrants set forth below:

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Social Security or other

identifying number of

Names of assignee(s) Number of Assignee(s) Address --------------- Warrants

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and does hereby irrevocably constitute and appoint , the undersigned's attorney, to make such transfer on the register maintained by the Warrant Agent for that purpose, with full power of substitution in the premises.

Dated: ,

(Signature of Owner)/3/

(Street Address)

(City) (State) (Zip Code)

# Signature Guaranteed by:

/3/ The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever, and must be guaranteed by a national bank or trust company or by a member firm of any national securities exchange or by another eligible guarantor institution as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934.

B-6

# EXHIBIT C

**FORM OF NOTICE OF EXERCISE**

The undersigned hereby irrevocably elects to exercise the right, represented by Warrant Certificate No[s]. W- to purchase

shares of Common Stock of Oracle Corporation and undertakes to surrender such Warrant Certificate[s] to the Warrant Agent, at its office maintained for that purpose in , , with the form of election to exercise on the reverse thereof duly completed and signed, together with payment of the applicable Purchase Price, on the day six Business Days after the date hereof. The undersigned requests that a certificate for such shares be registered in the name of whose address is

and that such Certificate (or any payment in lieu thereof) be delivered to whose address is .

Notice of the Company's election, if any, to (i) settle this exercise of Warrants in cash or by net share settlement or (ii) suspend the exercise of Warrants should be addressed to the attention of , sent by facsimile transmission to the following number: (confirmation telephone number:

).

Capitalized terms not otherwise defined herein shall have the meanings specified in the Warrant Agreement dated May , 1997 between Oracle Corporation and the BankBoston, N.A., as Warrant Agent.

Dated:

(Signature must conform in all respects to name of holder as specified on the face of the Warrant Certificate.)

C-1

# EXHIBIT D

**[FORM OF NOTICE OF CASH SETTLEMENT]**

Oracle Corporation hereby irrevocably elects to settle in cash the exercise of Warrant No[s]. W- to purchase shares of its Common Stock.

Capitalized terms not otherwise defined herein shall have the meanings specified in the Warrant Agreement dated May , 1997 between Oracle Corporation and the BankBoston, N.A., as Warrant Agent.

Dated:

# ORACLE CORPORATION

By: Name:

# Title

D-1

# EXHIBIT E

**[FORM OF NOTICE OF NET SHARE SETTLEMENT]**

Oracle Corporation (the "Company") hereby irrevocably elects to settle by delivery of the Net Share Settlement Number of shares of its Common Stock the exercise of Warrant No[s] W- to purchase shares of its Common Stock.

Capitalized terms not defined herein have the meaning given such terms in the Warrant Agreement dated May , 1997, between the Company and the BankBoston, N.A., as Warrant Agent.

# ORACLE CORPORATION

By:

Name:

Title: E-1

# EXHIBIT F

**[NOTICE OF SUSPENSION OF EXERCISE]**

[Warrant Holder Name] [Warrant Holder Address]

In accordance with Section 4(f) of the Warrant Agreement (the "Warrant Agreement") dated as of May , 1997 between Oracle Corporation (the "Company") and , as Warrant Agent, relating to the Company's Equity Call Warrants (the"Warrants"), the Company hereby gives notice that your right to exercise your Warrants has been suspended until .

Therefore, the Notice of Exercise delivered by you has been canceled, has been deemed to have never been delivered and is returned herewith to you.

, as Warrant Agent

By: Authorized Signature

F-1

# EXHIBIT 4.4

**[FACE OF WARRANT CERTIFICATE]**

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR ANY INTEREST OR PARTICIPATION THEREIN OR HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY PURSUANT TO (A) REGISTRATION PURSUANT TO THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT, IN THE CASE OF (B), TO THE COMPANY'S AND THE WARRANT AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND, IN THE CASE OF EITHER (A) OR (B) TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE WARRANT AGENT. THE HOLDER OF EACH SECURITY BY ITS ACCEPTANCE HEREOF FURTHER AGREES THAT IT SHALL OFFER, SELL OR OTHERWISE TRANSFER THE WARRANTS REPRESENTED BY THIS CERTIFICATE ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND IN TRANSACTIONS INVOLVING THE SALE OF NO LESS THAN 1 MILLION WARRANTS SUBJECT TO THE COMPANY'S AND THE WARRANT AGENT'S RIGHT TO REQUIRE THE DELIVERY OF CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

# No. W-1 Certificate for 3,000,000 Warrants

**CUSIP No. 683894-11-1**

**SERIES A EQUITY CALL WARRANTS TO ACQUIRE COMMON STOCK OF ORACLE CORPORATION**

This Warrant Certificate certifies that Morgan Stanley & Co. International Limited, or registered assigns, is the registered holder of 3,000,000 Warrants (the "Warrants") to purchase Common Stock, par value $0.01 per share (the "Common Stock"), of Oracle Corporation, a Delaware corporation (the "Company"). Each Warrant entitles the holder, subject to the terms and conditions set forth herein and in the Warrant Agreement, to purchase from the Company one fully paid and non-assessable share of Common Stock of the Company at the purchase price per share of Common Stock (the "Purchase Price"), which price shall initially be $77.00 per share, subject to adjustment from time to time in accordance with the Warrant Agreement. Settlement for such purchase shall take place on the sixth Business Day after delivery of such Notice of Exercise, upon surrender to the Warrant Agent, at its office maintained for that purpose in Boston, Massachusetts or New York, New York, of this Warrant Certificate with the form of election to purchase on the reverse hereof duly completed and signed by the registered holder or holders hereof or by the duly appointed legal representative thereof or by a duly authorized attorney, and upon payment of the Purchase Price, but only subject to the conditions set forth herein and in the Warrant Agreement. Payment of the Purchase Price may be made by Federal or other immediately available funds to the Company.

The Company shall have the right to settle any exercise of a Warrant (i) in cash, in which case on the fifteenth Business Day after the Exercise Date the Company shall deliver to the exercising Holder, against surrender to the Warrant Agent at its office maintained for that purpose in Boston, Massachusetts of the Warrant Certificate evidencing the exercised Warrants, Federal or other immediately available funds payable to the order of such Holder in an amount equal to the Cash Settlement Value (as defined in the Warrant Agreement); or

(ii) by delivering the Net Share Settlement Number (as defined in the Warrant Agreement) of shares of Underlying Common Stock, in which case on the eighteenth Business Day after the Exercise Date the Company shall deliver to the exercising Holder, against surrender to the Warrant Agent at its office maintained for that purpose in Boston, Massachusetts of the Warrant Certificate evidencing the exercised Warrants, such number of fully paid and non-assessable shares.

No Warrant may be exercised or exchanged after 5:00 P.M., New York City time, on the Expiration Date. All Warrants evidenced hereby shall thereafter be void.

Reference is hereby made to the further provisions of this Warrant Certificate set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as though fully set forth in this place.

This Warrant Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Warrant Agent. IN WITNESS WHEREOF, Oracle Corporation has caused this instrument to be duly executed.

# ORACLE CORPORATION

*By: /s/ Bruce M. Lange*

*------------------*

*Name: Bruce M. Lange*

*Title: Vice President and Treasurer*

*Attest: /s/ L. Patricia Moncada*

*-----------------------*

*Assistant Secretary DATED: May 12, 1997*

Countersigned as of the date above written:

# BANKBOSTON, N.A.

**as Warrant Agent**

*By: /s/ Dennis E. Roy*

*-----------------*

*Authorized Officer*

# [REVERSE OF WARRANT CERTIFICATE]

This Warrant Certificate is issued under and in accordance with a Warrant Agreement dated as of May 12, 1997 (the "Warrant Agreement"), between the Company and BankBoston, N.A., as warrant agent (the "Warrant Agent," which term includes any successor Warrant Agent under the Warrant Agreement), and is subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions the Holder of this Warrant Certificate consents by acceptance hereof. The Warrant Agreement is hereby incorporated herein by reference and made a part hereof. Reference is hereby made to the Warrant Agreement for a full statement of the respective rights, limitations of rights, duties and obligations of the Company, the Warrant Agent and the Holders of the Warrants. Capitalized terms not defined herein have the meanings ascribed thereto in the Warrant Agreement. A copy of the Warrant Agreement may be obtained for inspection by the Holder hereof upon written request to BankBoston, N.A., 150 Royall Street, Canton, Massachusetts 02021, Attention: Reorganization Department.

The Warrants evidenced by this Warrant Certificate shall be exercisable, at the election of the Holder hereof, either as an entirety or from time to time for part only of the number of Warrants specified herein. In the event that less than all of the Warrants evidenced by this Warrant Certificate are exercised at any time prior to the Expiration Date, a new Warrant Certificate or Certificates of the same tenor shall be issued for the remaining number of Warrants evidenced by this Warrant Certificate.

The Company may, by notice to the Warrant Agent and to the Holder hereof, suspend the right to exercise Warrants evidenced hereby for a period of up to 90 days. The Company may suspend the right to exercise these Warrants on no more than one occasion. If any such period of suspension (as it may be extended by successive further notices) includes or extends beyond the Expiration Date, then the term of these Warrants shall be automatically extended to the Business Day following the last day of such suspension, which Business Day shall thereupon become the Expiration Date.

Upon receipt of a Notice of Exercise, the Company may cancel such exercise by delivering notices of suspension to the Warrant Agent and to the Holders of the Warrants (and delivering a copy thereof to the exercising Holder, by facsimile transmission to the number set forth for such purpose in the Notice of Exercise), not later than 5:00 P.M., New York City time, on the third Business Day after delivery to the Company of such Notice of Exercise, in which case such Notice of Exercise shall be deemed never to have been given.

At the option of the Holder hereof, Warrant Certificates may be exchanged at such office upon payment of the charges provided in the Warrant Agreement. Whenever any Warrant Certificates are so surrendered for exchange, the Company shall execute, and the Warrant Agent shall countersign and deliver, the Warrant Certificates that the Holder making the exchange is entitled to receive. All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under the Warrant Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange. Every Warrant Certificate surrendered for registration of transfer or exchange shall (if so required by the Company or the Warrant Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be required of a Holder for any registration of transfer or exchange of Warrant Certificates. The Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Warrant Certificates.

The Company and the Warrant Agent may deem and treat the registered Holder of this Warrant Certificate as the absolute owner hereof (notwithstanding any notation of ownership or other writing thereon made by anyone), for the purpose of any exercise hereof or any distribution to the Holder hereof and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

The Warrant Agreement also provides that upon the occurrence of certain events, the Purchase Price set forth on the face hereof may, subject to certain conditions, be adjusted. If such Purchase Price is adjusted, the Warrant Agreement provides that in certain instances, the number of shares of Common Stock of the Company purchasable upon the exercise of each Warrant shall be adjusted. In the case of certain extraordinary transactions, the Warrants may become exercisable for the consideration received by Holders of Common Stock therein, or in certain cases, may become exchangeable solely for a cash payment, all as provided in the Warrant Agreement.

This Warrant Certificate and the Warrant Agreement are subject to amendment as provided in the Warrant Agreement.

# [FORM OF ELECTION TO EXERCISE]

**[TO BE EXECUTED UPON PURCHASE OF UNDERLYING COMMON STOCK]**

The undersigned hereby irrevocably exercises of Series Equity Call Warrants for the acquisition of [ ] share(s) of Underlying Common Stock (as defined herein), represented by this Warrant Certificate, on the terms and conditions specified in this Warrant Certificate and the Warrant Agreement herein referred to, surrenders this Warrant Certificate and all right, title and interest therein Oracle Corporation (the "Company") and has tendered payment for such shares in the amount of $ , all in accordance with the terms hereof, directs that the shares of Common Stock deliverable upon the exercise of such Warrants be registered or placed in the name and at the address specified below and delivered thereto.

Dated: ,

/1/

(Signature of Owner) (Street Address)

(City) (State) (Zip Code)

# Facsimile Number/2/ Signature Guaranteed by:

/1/ The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever, and must be guaranteed by a national bank or trust company or by a member firm of any national securities exchange or by another eligible guarantor institution as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934.

/2/ A facsimile number must be provided for the purpose of receiving any notice of the Company's election, if any, to settle this exercise of Warrant(s) in cash or of suspension of the holder's right to exercise this Warrant.

# [FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned Holder of this Warrant Certificate hereby sells, assigns, and transfers unto the Assignee(s) named below (including the undersigned with respect to any Warrants constituting a part of the Warrants evidenced by this Warrant Certificate not being assigned hereby) all of the right of the undersigned under this Warrant Certificate, with respect to the number of Warrants set forth below:

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Social Security or other

identifying

|  |  |  |  |
| --- | --- | --- | --- |
| Names of |  | number of | Number of |
| Assignee(s) | Address | assignee(s) | Warrants |

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and does hereby irrevocably constitute and appoint , the undersigned's attorney, to make such transfer on the register maintained by the Warrant Agent for that purpose, with full power of substitution in the premises.

Dated: ,

(Signature of Owner)/3/

(Street Address)

(City) (State) (Zip Code)

# Signature Guaranteed by:

/3/ The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever, and must be guaranteed by a national bank or trust company or by a member firm of any national securities exchange or by another eligible guarantor institution as defined in Rule 17Ad-15 under the

Securities Exchange Act of 1934.

# EXHIBIT 4.5

WARRANT PURCHASE AGREEMENT dated as of May 14, 1997 between ORACLE CORPORATION, a Delaware corporation (the "Company"), and GOLDMAN, SACHS & CO., a New York partnership ("Goldman Sachs").

WHEREAS, the Company proposes to enter into a Warrant Agreement (the "Warrant Agreement"), substantially in the form of Exhibit I hereto, between the Company and BankBoston, N.A., a national banking association, a California banking corporation, as Warrant Agent, pursuant to which the Company proposes to issue up to 5,000,000 Equity Call Warrants in one or more series (collectively, the "Warrants" or, individually a "Warrant"), each representing the right to purchase, subject to the terms and conditions set forth therein, one share of the common stock, par value $0.01 per share (the "Common Stock"), of the Company;

WHEREAS, in connection with the purchase of the Warrants pursuant to the terms hereof and one or more Pricing Agreements (as defined herein), the Company proposes to repurchase on the Closing Date up to 3,500,000 shares of Common Stock pursuant to one or more Repurchase Contracts to be entered into between the Company and Goldman Sachs (the "Repurchase Contracts"); and

WHEREAS, capitalized terms not defined herein are used as defined in the Warrant Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements and other considerations set forth herein, the parties hereto agree as follows:

1. Representations and Warranties. (a) The Company hereby represents and warrants to Goldman Sachs, as of the date hereof, as of each Pricing Date (as defined herein) and as of each Closing Date as follows:
2. The Company has been duly incorporated, and is validly existing as a corporation in good standing under the laws of the State of Delaware.
3. The Company has the corporate power and authority to own its property and conduct its business, and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.
4. Each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.
5. The shares of Common Stock outstanding prior to the issuance of the Warrants have been duly authorized and are validly issued, fully paid and non-assessable.
6. The Company has all requisite power and authority (corporate and other), and has taken all necessary corporate action, to authorize, execute, deliver, and perform this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement (as defined herein) and each Repurchase Contract; to execute, issue, sell, and deliver the Warrants and a certificate or certificates evidencing the Warrants; to authorize and reserve for issuance and, upon payment from time to time of the Purchase Price, to issue, sell, and deliver the shares of Underlying Common Stock issuable upon exercise of the Warrants; and to perform all of its obligations under this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement, the Warrants and each Repurchase Contract.
7. Each of this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement and each Repurchase Contract has been duly authorized by the Company and this Warrant Purchase Agreement has been duly executed and delivered by the Company. The Warrant Agreement, each Repurchase Contract and each Pricing Agreement, when duly executed and delivered by the Company, will be legal, valid and binding agreements of the Company enforceable in accordance with their respective terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.
8. The Warrants have been duly authorized and, when duly executed and countersigned in accordance with the provisions of the Warrant Agreement, will be legal, valid and binding obligations of the Company, enforceable in accordance with their respective terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.

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1. The shares of Underlying Common Stock, when issued and delivered in accordance with the terms of the Warrant Agreement and the Warrants, will be validly issued, fully paid and non-assessable, and the issuance of such shares will not be subject to any preemptive or similar rights.
2. Assuming the accuracy of the representations of Goldman Sachs made in the letter referred to in Section 3(d), the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement, the Warrants and each Repurchase Contract will not contravene any provision of applicable law.
3. The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement, the Warrants and each Repurchase Contract will not contravene the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of or qualification with any governmental body or agency is required for the performance by the Company of its obligations under this Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement, the Warrants or each Repurchase Contract, except such as may be required by the Securities Act, the securities or Blue Sky laws of the various states, the rules of the National Association of Securities Dealers, Inc. (the "NASD") or the rules and regulations applicable to the listing of securities on the Nasdaq National Market in connection with the reoffer and resale of the shares of Underlying Common Stock by Goldman Sachs or the issuance of shares of Underlying Common Stock to any person other than Goldman Sachs.
4. The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.
5. The Company's Annual Report on Form 10-K for the fiscal year ended May 31, 1996, as amended, and its Quarterly Reports on Form 10- Q for the periods ended August 31, 1996, November 30, 1996 and February 28, 1997 (the "1934 Act Reports") (as previously furnished to Goldman Sachs), at the time they were filed did not, and, giving effect as of the date hereof and as of each of the Closing Dates to the transactions contemplated hereby and by the Warrant Agreement and each Pricing Agreement do not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the

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statements therein, in the light of the circumstances under which they were made, not misleading.

1. There has not occurred any material adverse change in the financial condition, earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the 1934 Act Reports.
2. Neither the Company nor any affiliate (as defined in Rule 501(b) of Regulation D under the Securities Act ("Regulation D")) of the Company has directly, or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of any security (as defined in the Securities Act) that is or will be integrated with the sale of any Warrants in a manner that would require the registration under the Securities Act of the offering contemplated by this Agreement and the Warrant Agreement. The Company also agrees not to sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) that would be integrated with the sale of any Warrants in a manner that would require the registration under the Securities Act of the offering contemplated by this Agreement and the Warrant Agreement.
3. No form of general solicitation or general advertising (as those terms are defined in Regulation D under the Securities Act) was used by the Company or any of its representatives in connection with the offer and sale of any Warrants.
4. There are no material legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that would be required to be described by Item 103 of Regulation S- K under the Securities Act were such Item applicable to the 1934 Act Reports and are not described as required in the 1934 Act Reports.
5. The Company acknowledges and agrees that it is not relying, and has not relied, upon Goldman Sachs with respect to the legal, accounting, tax or other implications of this Agreement and the Warrant Agreement and the transactions contemplated hereby and thereby and that it has conducted its own analysis of such transactions. The Company further acknowledges and agrees that Goldman Sachs has not acted as its advisor in any capacity in connection with this Agreement or the Warrant Agreement or the transactions contemplated hereby or thereby. The Company understands and acknowledges that Goldman Sachs and its Affiliates may from time to time effect transactions, and hold positions, for their own accounts or the accounts of customers, in securities or options on securities of the Company and that Goldman Sachs and its Affiliates may continue to conduct such transactions during the term of any Warrant.

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(b) Goldman Sachs agrees that it will not sell any Warrants or any Underlying Common Stock except in compliance with the registration requirements of Section 5 of the Securities Act or in a transaction that is exempt from such registration.

Goldman Sachs acknowledges that the Company and, for purposes of the opinions to be delivered to Goldman Sachs and the Company pursuant to Section 3 hereof, counsel to the Company and counsel to Goldman Sachs, will rely upon the accuracy and truth of the foregoing agreement and hereby consents to such reliance.

1. Purchase and Sale of Warrants. (a) The Company and Goldman Sachs propose to enter into one or more Pricing Agreements (each a "Pricing Agreement") substantially in the form of Exhibit II hereto, with such additions and deletions as the parties thereto may determine and subject to the terms and conditions set forth herein, therein, and in the Warrant Agreement, pursuant to which the Company will agree (i) to sell to Goldman Sachs and Goldman Sachs will agree to purchase from the Company, up to an aggregate of 5,000,000 Warrants to purchase, subject to the terms and conditions set forth in the Warrant Agreement, up to an aggregate of 5,000,000 shares of Underlying Common Stock and

(ii) to repurchase shares of Common Stock (the "Repurchased Shares") pursuant to, and subject to the terms and conditions set forth in, one or more Repurchase Contracts. The terms and conditions of each particular sale of Warrants shall be as specified in the Pricing Agreement relating thereto and in or pursuant to this Warrant Purchase Agreement and the Warrant Agreement. This Warrant Purchase Agreement shall not be construed as an obligation of the Company to sell any of the Warrants or as an obligation of Goldman Sachs to purchase any of the Warrants. The obligation of the Company to issue and sell any of the Warrants and the obligation of Goldman Sachs to purchase any of the Warrants shall be evidenced by the Pricing Agreement with respect to the Warrants specified therein. Each Pricing Agreement shall specify the number of Warrants of each series being purchased and the purchase price per Warrant of each series. The date of each Pricing Agreement is hereinafter referred to as a "Pricing Date." A Pricing Agreement shall be in the form of an executed writing (which may be in counterparts), and may be evidenced by an exchange of telegraphic communications or any other rapid transmission device designed to produce a written record of communications transmitted.

(b) Payment by Goldman Sachs for each series of Warrants sold to Goldman Sachs pursuant to the applicable Pricing Agreement and payment by the Company to repurchase the Repurchased Shares pursuant to the applicable Repurchase Contract shall be made in Federal or other funds immediately available at the time and on the date as shall be specified on the applicable Pricing Agreement and Repurchase Contract, respectively, (or as may be otherwise agreed to by the parties thereto). The payment obligations of Goldman Sachs with respect to the Warrants of any series may be netted against the payment obligations of the Company with respect to the Repurchased Shares specified in the related Repurchase Contract. The time and date of each such

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payment is hereinafter referred to as a Closing Date.

1. Conditions to Parties' Obligations. The obligations of the Company and Goldman Sachs hereunder and under each Pricing Agreement are subject to the following conditions:
2. Goldman Sachs shall have received on each Closing Date an opinion of Venture Law Group, counsel for the Company, dated such Closing Date, to the effect that:
3. The Company has been duly incorporated, and is validly existing as a corporation in good standing under the laws of the State of Delaware.
4. The Company has the corporate power and authority to own its property and conduct its business.
5. The Company has all requisite corporate power and authority, and has taken all necessary corporate action, to authorize, execute, deliver, and perform this Warrant Purchase Agreement, each Pricing Agreement, the Warrant Agreement and each Repurchase Contract; to execute, issue, sell, and deliver the Warrants and a certificate or certificates evidencing the Warrants; to authorize and reserve for issuance and, upon payment from time to time of the Purchase Price, to issue, sell, and deliver the shares of Underlying Common Stock issuable upon exercise of the Warrants; and to perform all of its obligations under the Warrant Purchase Agreement, each Pricing Agreement, the Warrant Agreement, the Warrants and each Repurchase Contract.
6. This Warrant Purchase Agreement, the Warrant Agreement, each Pricing Agreement and each Repurchase Contract has been duly authorized, executed and delivered by the Company, and the Warrant Agreement, each Repurchase Contract and each Pricing Agreement are legal, valid and binding agreements of the Company enforceable in accordance with their terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.
7. The Warrants have been duly authorized, executed and countersigned in accordance with the provisions of the Warrant Agreement and are legal, valid and binding obligations of the Company, enforceable in accordance with their respective terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) the availability of equitable remedies may be limited by equitable principles of general applicability.

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1. The shares of Underlying Common Stock, when issued and delivered in accordance with the terms of the Warrant Agreement and the Warrants, will be validly issued, fully paid and non-assessable, and the issuance of such shares will not be subject to any preemptive or similar rights set forth in the Company's certificate of incorporation.
2. The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Warrant Purchase Agreement, each Pricing Agreement, the Warrant Agreement, the Warrants and each Repurchase Contract do not contravene any provision of applicable California or Delaware General Corporate Law or federal law or the certificate of incorporation or by-laws of the Company or, to the best of such counsel's knowledge, any agreement or other instrument binding upon the Company or any of its subsidiaries that is set forth as an exhibit to the 1934 Act Reports or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of or qualification with any California or federal governmental body or agency is required for the performance by the Company of its obligations under this Warrant Purchase Agreement, each Pricing Agreement, the Warrant Agreement, the Warrants or each Repurchase Contract, except such as may be required by the Securities Act, securities or Blue Sky laws of the various states, the rules of the NASD or the rules and regulations applicable to the listing of securities on the Nasdaq National Market in connection with the reoffer and resale of the shares of Underlying Common Stock by Goldman Sachs or the issuance of shares of Underlying Common Stock to any person other than Goldman Sachs.
3. The Company is not an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.
4. Such counsel does not know of any material legal or governmental proceeding pending or threatened as of such Closing Date to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that would be required to be described by Item 103 of Regulation S-K under the Securities Act were such Item applicable as of such Closing Date and are not described as required in the 1934 Act Reports.
5. Such counsel believes that (except for financial statements and schedules as to which such counsel need express no belief) the 1934 Act Reports, as of the date of this Warrant Purchase Agreement, did not, and, giving effect as of the date

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hereof and as of each of the Closing Dates to the transactions contemplated hereby and by the Warrant Agreement and each Pricing Agreement, as of such Closing Date do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

1. The sale by the Company of the Warrants to Goldman Sachs in the manner contemplated by this Warrant Purchase Agreement and the repurchase by the Company of the Repurchased Shares in the manner contemplated by each Repurchase Contract and this Warrant Agreement do not require registration under the Securities Act.
2. Each of Goldman Sachs and the Company shall have received on each Closing Date an opinion of Davis Polk & Wardwell (who may rely as to all matters of California law upon the opinion referred to in paragraph (a) above), counsel for Goldman Sachs, dated such Closing Date, covering the matters referred to in subparagraphs (iv), (v), (vi) and (xi) of paragraph (a) above.
3. Goldman Sachs shall have received on each Closing Date a certificate dated such Closing Date and signed by an executive officer of the Company, to the effect that the representations and warranties of the Company contained in this Warrant Purchase Agreement are true and correct as of such Closing Date and that the Company has complied in all material respects with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder, under the Warrant Agreement and under each Pricing Agreement on or before such Closing Date and such other certificates and documents as it may reasonably request.
4. Counsel for the Company shall have received on each Closing Date a letter dated such Closing Date and signed by an officer of Goldman Sachs, substantially in the form of Exhibit III hereto.
5. The Company shall have made available to Goldman Sachs, and counsel, accountants or other professionals retained by Goldman Sachs, such financial and other information, books, records and properties of the Company and its subsidiaries, and caused the officers, directors, employees, counsel and independent certified public accountants of the Company and its subsidiaries to respond to such inquiries and supply all information, as is reasonably necessary, in the judgment of Goldman Sachs and its counsel, to conduct a reasonable investigation.
6. On or prior to each Closing Date, the Company shall have purchased from Goldman Sachs all the Repurchased Shares to be purchased pursuant to the related Repurchase Contract.

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1. Shelf Registration. (a) Subject to the terms hereof, the Company agrees that it shall file under the Securities Act a "shelf" registration statement (the "Shelf Registration") providing for the registration of the sale on a continuous or delayed basis by Goldman Sachs of all Underlying Common Stock issuable upon exercise of all of the Warrants pursuant to Rule 415 under the Securities Act and/or any similar rule that may be adopted by the SEC. The Company agrees to use its best efforts (i) to cause the Shelf Registration to become or be declared effective on or prior to the earliest First Exercise Date of all Warrants issued under the Warrant Agreement and sold pursuant to this Agreement and each Pricing Agreement and (ii) to keep such Shelf Registration continuously effective for a period ending 90 days after the Final Expiration Date, subject to Section 4(d) (such period being referred to as the "Effective Period"). Notwithstanding the first two sentences of this Section 4(a), the Company may elect, in its sole discretion, not to file such Shelf Registration, provided that if the Company so elects or in the event that the Shelf Registration is not declared effective on or prior to such First Exercise Date, the Company will exercise, with respect to all Warrants issued under the Warrant Agreement and sold pursuant to this Agreement and each Pricing Agreement, its right pursuant to Section 4(d) of the Warrant Agreement to effect either a Cash Settlement or Net Share Settlement of each exercise of such Warrants.
2. The Company further agrees, if necessary, to supplement or make amendments to the Shelf Registration, if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration or by the Securities Act or rules and regulations thereunder, and the Company agrees to furnish to Goldman Sachs copies of any such supplement or amendment prior to its being used and/or filed with the SEC and that it will not file any such supplement or amendment to which Goldman Sachs reasonably objects. In connection with such registration of the Underlying Common Stock, the Company will, upon the request of Goldman Sachs use all reasonable efforts to obtain a listing of the Underlying Common Stock on the Nasdaq National Market or such national securities exchange or other quotation system on which the Common Stock of the Company may at such time be listed. Goldman Sachs shall notify (any such notice, a "Notice of Sale") the Company not less than five Business Days prior to the date on which Goldman Sachs intends to commence any sales of Underlying Common Stock pursuant to the Shelf Registration (the "Resale Commencement Date").
3. The Company's obligation to supplement or amend the Shelf Registration pursuant to Section 4(b) hereof shall be subject to the terms hereof (including Sections 4(d) and 4(e)) and the following limitations:
4. in no event shall the Company be required to effect any such supplement or amendment during the period beginning 14 Business Days prior to the end of any fiscal quarter of the Company and ending two Business Days after such time as the Company publicly releases its results of operations for such fiscal quarter;

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1. subject to the provisions of subparagraph (iii) and Section 4(e) below, the Company may on one or more occasions by notice to Goldman Sachs given in accordance with Section 13(c) hereof, suspend its obligation to supplement or amend the Shelf Registration for a period of time to be specified in such notice, it being understood that the Company shall not indicate to Goldman Sachs the reasons for such suspension; and
2. if Goldman Sachs shall deliver to the Company a Notice of Sale, then the Company may not (x) commence a suspension of its obligations to supplement or amend the Shelf Registration pursuant to Section 4(c)(ii) hereof or (y) commence a suspension of the right to exercise Warrants pursuant to Section 4(f) of the Warrant Agreement at any time during the period commencing at 5:00 P.M., New York City time, on the Business Day immediately preceding the Resale Commencement Date and ending at 5:00 P.M., New York City time, on the tenth Business Day following the Resale Commencement Date (the "Final Resale Date").

Goldman Sachs agrees that during the periods specified in Section 4(c)(i) hereof and in any notice from the Company delivered pursuant to Section 4(c)(ii) hereof, Goldman Sachs shall not dispose of Underlying Common Stock pursuant to a registration statement applicable to such Underlying Common Stock. The Company agrees to provide Goldman Sachs with at least one Business Day's notice of the expiration of any period of suspension under clause (ii) of paragraph (c) of this Section 2.

1. The Company may on no more than one occasion by notice to Goldman Sachs given subsequent to the Final Expiration Date (after having given effect to any and all extensions of the Expiration Date of any of the Warrants) extend the Effective Period for a period of up to 90 days.
2. Notwithstanding anything to the contrary in this Agreement or the Warrant Agreement, the Company may not suspend its obligation to supplement and amend the Shelf Registration or suspend Holders' rights to exercise any outstanding Warrants unless during a period of no less than 10 consecutive Business Days occurring after the sixtieth day following the Final Expiration Date such obligations and rights are in full force and effect and free from any such suspension.
3. Redemption Price. In the case of any redemption of Warrants made pursuant to Section 5 of the Warrant Agreement at a time when such Warrants are owned by Goldman Sachs or by any affiliate of Goldman Sachs, the Redemption Price applicable to such Warrants will also include a reasonable estimate by Goldman Sachs of its cost for liquidating its hedge for the Warrants that the Company wishes to redeem. Goldman Sachs will advise the Company verbally and by facsimile transmission of such cost to be

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included in the calculation of the Redemption Price.

1. Registration Procedures. (a) In connection with the Company's obligations to register the reoffer and resale of the shares of Underlying Common Stock by Goldman Sachs the Company shall use all reasonable efforts to effect or cause the applicable registration statement or registration statements to permit the sale of the Underlying Common Stock by Goldman Sachs in accordance with the intended method or methods of distribution thereof described in the Shelf Registration, provided that the Company shall have no such obligation during any suspension of the Company's obligation to supplement or amend the Shelf Registration Statement under Section 4(c)(i) or 4(c)(ii). In connection therewith, the Company shall:
2. comply with the provisions of the Securities Act with respect to the disposition of all of the Underlying Common Stock covered by the Shelf Registration in accordance with the intended methods of disposition by Goldman Sachs set forth therein;
3. provide Goldman Sachs, and up to one other underwriter (as shall be reasonably acceptable to the Company) participating in such sale and any attorney, accountant or other professional retained by Goldman Sachs (collectively, the "Participants") the opportunity to participate in the preparation of the Shelf Registration, each prospectus included therein or filed with the SEC and each amendment or supplement thereto;
4. in connection with each sale of Underlying Common Stock to be registered pursuant to Section 4(a) hereof, make available for inspection by Goldman Sachs and any other Participant such financial and other information, books, records and properties of the Company, and cause the officers, directors, employees, counsel and independent certified public accountants of the Company to respond to such inquiries and supply all information, as shall be reasonably necessary, in the judgment of Goldman Sachs and its counsel or any underwriter participating in such sale, to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act; provided, however, that each such person shall be required to maintain in confidence and not to disclose to any other person any information or records reasonably designated by the Company in writing as being confidential, until such time as (A) such information becomes a matter of public record (whether by virtue of its inclusion in the Shelf Registration or otherwise), or (B) such person shall be required so to disclose such information pursuant to the subpoena or order of any court or other governmental agency or body having jurisdiction over the matter (subject to the requirements of such order, and only after such person shall have given the Company prompt prior written notice of such requirement), or (C) such information is required to be set forth in the Shelf Registration or each prospectus included therein or in any

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amendment to the Shelf Registration or any amendment or supplement to such prospectus in order that the Shelf Registration or such prospectus, amendment or supplement, as the case may be, does not contain an untrue statement of a material fact or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, further, that if the Company's obligation to effect and maintain a registration statement is suspended pursuant to

Section 4(c) hereof after Goldman Sachs has conducted an investigation contemplated by this Section 6(a)(iii) and prior to the time when Goldman Sachs has sold such Underlying Common Stock, then Goldman Sachs shall have the right, after the time such suspension ends, to supplement its investigation with such additional inspection of financial and other information, books, records and properties and such additional inquiries as shall be reasonably necessary, in the judgment of Goldman Sachs and its counsel, to conduct a reasonable investigation within the meaning of

Section 11 of the Securities Act;

1. promptly notify Goldman Sachs, and confirm such advice in writing, (A) when the Shelf Registration or prospectus included therein or any amendment or supplement thereto has been filed, and, with respect to the Shelf Registration or any amendment, when the same has become effective, (B) of any comments of the SEC and of the Blue Sky or securities commissioner or regulator of any state with respect thereto or any request by the SEC for amendments or supplements to the Shelf Registration or prospectus or for additional information, (C) of the issuance by the SEC of any stop order suspending the effectiveness of the Shelf Registration or the initiation or threatening of any proceedings for that purpose, (D) if at any time the representations and warranties of the Company contemplated by Section 1 or Section 6(a)(xiii) hereof cease to be true and correct in all material respects, (E) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Underlying Common Stock for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose,

(F) at any time when a prospectus is required to be delivered under the Securities Act, of the occurrence and the nature of any event requiring the preparation of an amendment to the Shelf Registration or a supplement to the prospectus included therein so that, as thereafter delivered as required under the Securities Act, the Shelf Registration, prospectus, amendment or supplement or any document incorporated by reference in any of the foregoing, will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;

1. use all reasonable efforts to prevent entry of any order suspending the effectiveness of the Shelf Registration or any post- effective amendment thereto or obtain at the earliest practicable date the withdrawal of any such order if entered;
2. if requested by Goldman Sachs, promptly incorporate in an

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amendment to the Shelf Registration or in a supplement to the prospectus included therein such information as is required by the applicable rules and regulations of the SEC and as Goldman Sachs specifies relating to the sale of such Underlying Common Stock and promptly make all required filings of such amendment or supplement, as the case may be;

1. promptly furnish to Goldman Sachs an executed copy of the Shelf Registration, and any amendment thereto (in each case including all exhibits thereto and documents incorporated by reference therein) and such number of copies of the Shelf Registration (excluding exhibits thereto and documents incorporated by reference therein unless specifically so requested by Goldman Sachs), any amendment thereto, the prospectus included in the Shelf Registration (including each preliminary prospectus and any summary prospectus), any supplement thereto, and such other documents as Goldman Sachs may reasonably request in order to facilitate the offering and disposition of the Underlying Common Stock owned by Goldman Sachs, and to permit Goldman Sachs to satisfy the prospectus delivery requirements of the Securities Act; and the Company hereby consents to the use of such prospectus (including such preliminary and summary prospectus) and any supplement thereto by Goldman Sachs and by any agent or underwriter, in each case in the form most recently provided to such party by the Company, in connection with the offering and sale of the Securities covered by such prospectus (including such preliminary and summary prospectus) or supplement thereto;
2. use all reasonable efforts to (A) promptly register or qualify the Underlying Common Stock to be included in the Shelf Registration under such securities laws or Blue Sky laws of such United States jurisdictions as Goldman Sachs and each placement or sales agent, if any, therefor and underwriter, if any, thereof shall reasonably request, (B) keep such registrations or qualifications in effect and comply with such laws so as to permit the continuance of offers, sales and dealings therein in such jurisdictions during the periods the Shelf Registration is required to remain effective under Section 4 above, and for so long as may be necessary to enable Goldman Sachs or any agent or underwriter to complete its disposition of Underlying Common Stock pursuant to such Shelf Registration and (C) take any and all other actions as may be reasonably necessary or advisable to enable Goldman Sachs any agent, and any underwriter, to consummate the disposition in such jurisdictions of such Underlying Common Stock; provided, however, that the Company shall not be required for any such purpose to (I) qualify as a foreign corporation in any jurisdiction wherein it would not otherwise be required to qualify but for the requirements of this Section 6(a)(viii) or (II) consent to general service of process in any such jurisdiction;
3. use its best efforts to obtain the consent or approval of each

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governmental agency or authority, whether United States federal, state or local, which may be required to make the Shelf Registration effective or to effect the offering or sale in connection therewith or to enable Goldman Sachs to offer, or to consummate the disposition of, the Underlying Common Stock;

1. cooperate with Goldman Sachs to facilitate the timely preparation and delivery of certificates representing Underlying Common Stock to be sold, which certificates shall be printed, lithographed or engraved, or produced by any combination of such methods, and, in the case of an underwritten offering, enable such Underlying Common Stock to be in such denominations and registered in such names as Goldman Sachs may request at least 1 Business Day prior to any sale of the Underlying Common Stock;
2. enter into one or more underwriting agreements, engagement letters, agency agreements, "best efforts" underwriting agreements or similar agreements, as appropriate, including (without limitation) customary provisions relating to indemnification and contribution, and take such other actions in connection therewith as Goldman Sachs shall request in order to expedite or facilitate the disposition of the Underlying Common Stock;
3. whether or not an agreement of the type referred to in Section

(6)(a)(xi) hereof is entered into and whether or not any portion of the offering contemplated by the Shelf Registration is an underwritten offering or is made through a placement or sales agent or any other entity, (A) make such representations and warranties to Goldman Sachs in form, substance and scope as are customarily made in connection with an offering of equity securities pursuant to any appropriate agreement and/or to a registration statement filed on the form applicable to the Shelf Registration (including, without limitation, representations to the effect that (i) as of the date of such agreement or registration statement and as of the date of the closing of the offering, there has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the applicable disclosure document and (ii) the outstanding Common Stock is fully paid and non-assessable); (B) obtain an opinion of outside counsel to the Company of recognized standing in customary form and covering such matters of the type customarily covered by such an opinion, as Goldman Sachs may reasonably request, addressed to Goldman Sachs, dated the closing date of such offering (and if such Shelf Registration contemplates an underwritten offering of a part or all of the Underlying Common Stock, dated the date of the underwriting agreement relating thereto and addressed to the underwriters) (it being agreed that the matters to be covered by such opinion shall include, without limitation, the due incorporation and good standing of the Company; the

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qualification of the Company to transact business as a foreign corporation; the due authorization, execution and delivery of this Agreement, each Pricing Agreement, the Warrant Agreement and of any agreement of the type referred to in Section 6(a)(xi) hereof; the conformity as to legal matters of the authorized capital stock of the Company to the description thereof contained in the prospectus included in the Shelf Registration, as then amended or supplemented; the due authorization and issuance, and status as fully paid and non-assessable, of the Underlying Common Stock; the absence of material legal or governmental proceedings involving the Company; the non-contravention (of law or organizational documents of the Company) of the execution and delivery by the Company and performance by the Company of its obligations under any agreement of the type referred to in Section

6(a)(xi); the absence of governmental approvals required to be obtained in connection with the Shelf Registration, the offering and sale of the Underlying Common Stock, this Agreement, each Pricing Agreement, the Warrant Agreement or any agreement of the type referred to in Section 6(a)(xi) hereof; the fair presentation in the Shelf Registration and the prospectus included therein, as then amended or supplemented, of such legal matters, documents and proceedings described therein as shall be specified; the Company not being an "investment company" or an entity "controlled" by an "investment company" as such terms are defined under the Investment Company Act of 1940; the compliance as to form of the Shelf Registration, the prospectus included therein, as then amended or supplemented, and any documents incorporated by reference therein with the Securities Act and the applicable rules and regulations of the SEC thereunder; and, as of the date of the opinion and of the Shelf Registration or most recent post-effective amendments thereto and the date of effectiveness thereof, as the case may be, the absence from the Shelf Registration and each prospectus included therein, as then amended or supplemented, and from the documents incorporated by reference therein of any untrue statement of a material fact or the omission to state therein a material fact necessary in order to make the statements therein not misleading (in the case of each such prospectus, in the light of the circumstances under which the statements therein were made)); (C) obtain a "cold comfort" letter or letters from the independent certified public accountants of the Company addressed to Goldman Sachs and any underwriter or agent and in form and substance satisfactory to them, dated (I) as of the date of the agreement to sell Securities and (II) the closing date of any sale of Underlying Common Stock pursuant to any prospectus supplement to the prospectus included in the Shelf Registration or post-effective amendment to the Shelf Registration, such letter or letters to be in customary form and covering such matters of the type customarily covered by letters of such type; (D) deliver such documents and certificates, including officers' certificates, as may be reasonably requested by Goldman Sachs to evidence the accuracy of the representations and warranties made pursuant to clause (A) above and the compliance with or satisfaction of any agreements or conditions contained in the underwriting agreement or other agreement entered

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into by the Company; and (E) undertake such obligations relating to expense reimbursement, indemnification and contribution as are provided in Sections 8, 9, 10 and 11 hereof;

1. in the event that any broker-dealer registered under the Exchange Act shall underwrite any Underlying Common Stock or participate as a member of an underwriting syndicate or selling group or "participate in the distribution" (within the meaning of Section 2720 of the Conduct Rules of the NASD) thereof, whether as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, assist such broker- dealer in complying with the requirements of such Conduct Rules, including, without limitation, by providing such information to such broker-dealer as may be required in order for such broker-dealer to comply with the requirements of the Conduct Rules of the NASD; and
2. comply in all material respects with all applicable rules and regulations of the SEC and make generally available to its security holders as soon as practicable, an earnings statement of the Company and its subsidiaries covering a period of 12 months, beginning within three months after the effective date of the Shelf Registration, complying with Section 11(a) of the Securities Act (including, at the option of the Company, Rule 158 thereunder).
3. In the event that the Company would be required, pursuant to

Section 6(a)(iv)(F) above, to notify Goldman Sachs, the Company shall (subject to its right to suspend its obligations pursuant to Sections 4(c)

(i) or

4(c)(ii)) without delay prepare and furnish to Goldman Sachs a reasonable number of copies of a prospectus supplemented or amended in form and substance reasonably satisfactory to it, so that, as thereafter delivered to purchasers of Underlying Common Stock, such prospectus shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Goldman Sachs agrees that upon receipt by Goldman Sachs of any notice from the Company pursuant to Section 6(a)(iv)(F) hereof, Goldman Sachs shall forthwith discontinue the disposition of Underlying Common Stock pursuant to the registration statement applicable to such Securities until Goldman Sachs shall have received copies of such amended or supplemented prospectus, and if so directed by the Company, Goldman Sachs shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in Goldman Sachs's possession of the prospectus covering such Underlying Common Stock at the time of receipt of such notice.

1. The Company may require Goldman Sachs to furnish to the Company such information regarding Goldman Sachs and Goldman Sachs's intended method of resale of the Underlying Common Stock as the Company may from time to time reasonably request in writing, but only to the extent that such information is required in

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order to comply with the Securities Act. Goldman Sachs agrees to notify the Company as promptly as practicable of any inaccuracy or change in information previously furnished by Goldman Sachs to the Company or of the occurrence of any event in either case as a result of which any prospectus relating to the Shelf Registration contains or would contain an untrue statement of a material fact regarding Goldman Sachs or Goldman Sachs's intended method of distribution of such Underlying Common Stock or omits to state any material fact regarding Goldman Sachs or Goldman Sachs's intended method of distribution of such Underlying Common Stock required to be stated therein or necessary to make the statements therein not misleading, and promptly to furnish to the Company any additional information required to correct and update any previously furnished information so that such prospectus shall not contain, with respect to Goldman Sachs or the distribution of such Underlying Common Stock an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

1. Registration Expenses. (a) The Company agrees to bear and to pay or cause to be paid promptly upon request being made therefor all expenses incident to filing and causing effectiveness of the Shelf Registration, including, without limitation, (i) all SEC, stock exchange, Nasdaq National Market or NASD registration and filing fees and expenses, (ii) all fees and expenses (if any) in connection with the qualification of the Underlying Common Stock for reoffering and resale under the state securities and Blue Sky laws referred to in Section 6(a)

(viii) hereof, including reasonable fees and disbursements of counsel for Goldman Sachs in connection with such qualifications, (iii) all expenses relating to the preparation, word processing, printing, distribution and reproduction of the Shelf Registration (including the preliminary prospectus included therein) and each amendment to the foregoing,

(iv) internal expenses (including, without limitation, all salaries and expenses of the Company's officers and employees performing legal or accounting duties), and (v) fees, disbursements and expenses of counsel and independent certified public accountants of the Company. Notwithstanding the foregoing, Goldman Sachs shall pay all agency fees and commissions and underwriting discounts and commissions attributable to the sale of the Underlying Common Stock and the fees and disbursements of any counsel or other advisors or experts retained by Goldman Sachs.

(b) Notwithstanding the terms of Section 7(a) hereof, Goldman Sachs agrees to bear and to pay or cause to be paid promptly upon request being made therefor all reasonable expenses incident to the takedown of Underlying Common Stock off the Shelf Registration, including, without limitation, (i) all expenses relating to the preparation, printing, distribution and reproduction of each supplement to the preliminary prospectus included in the Shelf Registration, and (ii) fees, disbursements and expenses of counsel and independent certified public accountants of the Company.

1. Indemnification by the Company. The Company agrees to indemnify

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and hold harmless Goldman Sachs its officers, directors, agents, employees, and each person, if any, who controls Goldman Sachs within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the 1934 Act Reports or any registration statement or prospectus relating to the Underlying Common Stock (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to Goldman Sachs furnished in writing to the Company by Goldman Sachs or on Goldman Sachs's behalf expressly for use therein. The Company also agrees to indemnify any underwriters of the Underlying Common Stock, their officers and directors and each person who controls such underwriters on substantially the same basis as that of the indemnification of Goldman Sachs provided in this Section 8.

1. Indemnification by Goldman Sachs. Goldman Sachs agrees to indemnify and hold harmless the Company, its officers, directors, employees and agents and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to Goldman Sachs but only with reference to information related to Goldman Sachs furnished in writing by Goldman Sachs or on Goldman Sachs's behalf expressly for use in any registration statement or prospectus relating to Underlying Common Stock, or any amendment or supplement thereto, or any preliminary prospectus.
2. Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 8 or 9, such person (the "Indemnified Party") shall promptly notify the person against whom such indemnity may be sought (the "Indemnifying Party") in writing and the Indemnifying Party, upon request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Indemnifying Party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Indemnified Party and the Indemnifying Party and representation of both parties by the same counsel

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would be inappropriate due to actual or potential differing interests between them. It is understood that the Indemnifying Party shall not, in respect of the legal expenses of any Indemnified Party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) at any time for the Indemnified Party, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Party, such firm shall be designated in writing by the Indemnified Party. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Party shall have requested an Indemnifying Party to reimburse the Indemnified Party for fees and expenses of counsel as contemplated by the second and third sentences of this Section 10, the Indemnifying Party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 Business Days after receipt by such Indemnifying Party of the aforesaid request and (ii) such Indemnifying Party shall not have reimbursed the Indemnified Party in accordance with such request prior to the date of such settlement. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

1. Contribution. To the extent the indemnification provided for in Sections 8, 9 and 10 of this Warrant Purchase Agreement is unavailable to an Indemnified Party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each such Indemnifying Party under such Section, in lieu of indemnifying such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and the Indemnified Party on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of Goldman Sachs on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by Goldman Sachs and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and Goldman Sachs agree that it would not be just or equitable if

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contribution pursuant to this Section 11 were determined by pro rata allocation

or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 11, Goldman Sachs shall not be required to contribute any amount in excess of the amount by which the proceeds to Goldman Sachs of a sale of Underlying Common Stock exceed the amount of any damages which Goldman Sachs have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

1. Rule 144. The Company covenants that it will file any reports required to be filed by it under the Securities Act and the Exchange Act to the extent required from time to time to enable Goldman Sachs to sell Underlying Common Stock without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or

(b) any similar rule or regulation hereafter adopted by the SEC (as so amended and along with any such similar rule or regulation, "Rule 144"). Upon the request of Goldman Sachs, the Company will deliver to Goldman Sachs a written statement as to whether it has complied with such requirements.

1. Miscellaneous. (a) No Inconsistent Agreements. The Company will not hereafter enter into any agreement with respect to its securities which is inconsistent with the rights granted to Goldman Sachs in this Warrant Purchase Agreement.
2. Amendments and Waivers. Except as otherwise provided herein, the provisions of this Warrant Purchase Agreement may not be amended, modified or supplemented, and waivers to or departures from the provisions hereof may not be given unless consented to in writing by each party.
3. Notices. All notices and other communications provided for or permitted hereunder shall be made by hand delivery, telex, telecopy, overnight courier or registered first-class mail as follows:
4. if to Goldman Sachs: Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004, attention: Anthony Leitner, with a copy to the General Counsel;
5. if to the Company: Oracle Corporation, 500 Oracle Parkway,

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Redwood City, California 94065, attention: General Counsel.

All such notices and communications shall be deemed to have been duly given: when delivered, if by hand, overnight courier or mail; when the appropriate answer back is received, if by telex; when transmitted, if by telecopy.

1. Successors and Assigns; Transfer of Registration Rights. This Warrant Purchase Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties. The registration rights set forth in this Warrant Purchase Agreement may be transferred in whole or in part from time to time to any holder of Warrants.
2. Counterparts. This Warrant Purchase Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.
3. Headings. The headings to this Warrant Purchase Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.
4. Governing Law. This Warrant Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California.
5. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby.
6. Survival. The indemnity and contribution provisions contained in Sections 8, 9, 10 and 11 and the representations and warranties of the Company contained in this Agreement and in each Pricing Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of Goldman Sachs or any person controlling Goldman Sachs or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Warrants.

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IN WITNESS WHEREOF, the parties have executed this Warrant Purchase Agreement as of the date first written above.

# ORACLE CORPORATION

*By:/s/ Bruce M. Lange*

*---------------------------*

*Name: Bruce M. Lange*

*Title: Vice President and Treasurer*

# GOLDMAN, SACHS & CO.

*By:/s/ J. David Rogers*

*---------------------------*

*Name: J. David Rogers Title: Managing Director*

# EXHIBIT II PRICING AGREEMENT

Goldman, Sachs & Co. 85 Broad Street

New York, New York 10004

May , 1997

Dear Sirs/Mesdames:

Oracle Corporation, a Delaware corporation (the "Company"), proposes to issue and sell to Goldman, Sachs & Co., a New York partnership ("Goldman Sachs"), subject to the terms and conditions stated herein, in the Warrant Agreement (the "Warrant Agreement"), to be dated as of May 19, 1997, between the Company and BankBoston, N.A., as Warrant Agent, and in the Warrant Purchase Agreement (the "Warrant Purchase Agreement"), dated as of May 14, 1997, among the Company and you, Series \_ Equity Call Warrants at a purchase price of $ per Warrant.

Each provision of the Warrant Purchase Agreement is incorporated herein by reference in its entirety, and shall be deemed to be a part of this Agreement to the same extent as if such provisions had been set forth in full herein; and each of the representations and warranties set forth therein shall be deemed to have been made at and as of the date of this Pricing Agreement. Unless otherwise defined herein, terms used herein and defined in the Warrant Purchase Agreement are used herein as therein defined.

Subject to the terms and conditions set forth herein and in the Warrant Purchase Agreement incorporated herein by reference, the Company agrees to issue and sell to you, and you agree to purchase from the Company on the third business day following the date hereof, at the time and place set forth in the Warrant Purchase Agreement (or at such other time and place as may be agreed to by the parties) and at the purchase price to you set forth above, Series \_ Equity Call Warrants.

The effectiveness of this Pricing Agreement is subject to the condition that on or prior to the date hereof, the Company shall have entered into a Repurchase Contract with respect to shares of common stock of the Company substantially in the form of Annex I hereto.

Very truly yours,

# ORACLE CORPORATION

By: Name:

Title:

Accepted as of the date hereof:

# GOLDMAN, SACHS & CO.

By: Name:

Title:

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# EXHIBIT III

**LETTER OF REPRESENTATION**

Davis Polk & Wardwell 450 Lexington Avenue New York, NY 10017

Venture Law Group 2800 Sand Hill Road Menlo Park, CA 94025

In connection with (x) the sale (the "Sale") to, and the purchase by, Goldman, Sachs & Co. ("Goldman Sachs", "we" or "us") of Series Equity Call Warrants, (collectively, the "Warrants" or, individually a "Warrant"), each representing the right to purchase one share of the common stock, par value $ per share (the "Common Stock"), of Oracle Corporation (the "Company"), pursuant to the Warrant Purchase Agreement (the "Warrant Purchase Agreement") dated as of May 14, 1997, and the Pricing Agreement (the "Pricing Agreement") dated as of May , 1997, in each case among the Company and Goldman Sachs and (y) the repurchase by the Company from Goldman Sachs of shares of Common Stock pursuant to, and subject to the terms and conditions of, the Warrant Purchase Agreement and the Repurchase Contract dated May , 1997, among the Company and Goldman Sachs, we hereby represent as follows:

1. We are aware that we must bear the risk of an investment in the Warrants for an indefinite period of time, and we are able to bear such risk. As of the time of the Sale, however, we have hedged our position in the Warrants through the short sale of Common Stock pursuant to the Repurchase Contract[s] referred to above. Under current market conditions, we do not expect to engage in the short sale of shares of Common Stock in addition to the sales made pursuant to the Repurchase Contract in order to hedge our position in the Warrants. To the extent we or any affiliate of ours engage in short sales ("Short Sales") of shares of Common Stock to any person other than the Company to hedge our position in the Warrants, (i) neither we nor any such affiliate will engage in any special selling efforts or selling methods in connection with any Short Sales and, (ii) to the extent required by applicable law, we and any such affiliate (A) will not cover any Short Sales or repay any borrowing of shares of Common Stock used to settle any Short Sales with any shares of Common Stock issued on exercise of the Warrants ("Warrant Shares") and (B) will take all reasonable steps so as not to (I) knowingly sell any Warrant Shares to any person from whom we or any such affiliate

purchase any shares of Common Stock used to cover any Short Sales or (II) knowingly purchase any shares of Common Stock to be used to settle any Short Sales or to repay any borrowing of shares of Common Stock used to settle any Short Sales from: (x) any person to whom we or any such affiliate has sold any Warrant Shares or (y) any person that we or any such affiliate has reason to believe indirectly acquired Warrant Shares.

1. We have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of purchasing the Warrants.
2. We are purchasing the Warrants for our own account. We are not acquiring the Warrants with a view to distribution thereof, or with any present intention of offering or selling the Warrants, subject, nevertheless, to the disposition of our property being at all times within our control.
3. On the basis of the applicable Purchase Price, and other terms of each series of Warrants, the historical volatility of the Common Stock and such other factors as we have deemed advisable for the purposes of this letter, we believe that with respect to each Warrant purchased pursuant to the Warrant Purchase Agreement there exists at least a 50% probability that such Warrant will expire worthless.
4. We are an "accredited investor" within the meaning of subparagraph (a)(1) of Rule 501 under the Securities Act.

We acknowledge that for purposes of the opinion to be delivered to Goldman Sachs, as our agent, pursuant to Section 3(b) of the Warrant Purchase Agreement, you will rely upon the accuracy and truth of the foregoing representations and we hereby consent to such reliance.

Terms used herein but not otherwise defined herein are used herein as defined in the Warrant Agreement dated as of May 19, 1997 between the Company and BankBoston, N.A., as Warrant Agent.

Date: May , 1997

# GOLDMAN, SACHS & CO.

By: Name:

Title: 2

# EXHIBIT 4.6

WARRANT AGREEMENT, dated as of May 19, 1997, between ORACLE CORPORATION, a Delaware corporation (the "Company"), and BANKBOSTON, N.A., a national banking association, as warrant agent (the "Warrant Agent").

WHEREAS, the Company proposes to issue and deliver its warrant certificates (the "Warrant Certificates") evidencing Equity Call Warrants in the series and with the terms indicated on Schedule I hereto (as such Schedule may be amended or modified from time to time) (collectively, the "Warrants" or individually, a "Warrant"), each representing the right to purchase, subject to adjustment and to the other terms and conditions set forth herein, one share of its Common Stock (as defined below);

WHEREAS, each Warrant shall entitle the registered holder thereof (subject to the Company's rights to suspend exercises of Warrants or to elect Cash Settlement or Net Share Settlement of such exercises) to acquire from the Company one share of Common Stock, subject to adjustment; and

WHEREAS, the Warrant Agent, at the request of the Company, has agreed to act as the Agent of the Company in connection with the issuance, registration, transfer, exchange and exercise of the Warrants;

NOW, THEREFORE, in consideration of the foregoing and for the purpose of defining the terms and provisions of the Warrants and the respective rights and obligations thereunder of the Company, the Warrant Agent and the registered holders from time to time of the Warrants, the Company and the Warrant Agent hereby agree as follows:

1. DEFINITIONS. (a) Certain Definitions. As used in this Warrant Agreement, the following terms shall have the following respective meanings:

"AFFILIATE" of any person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such person. For purposes of this definition, "control", when used with respect to any person, means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

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"BUSINESS DAY" means any day, other than Saturday, Sunday or a day on which either the New York Stock Exchange or the American Stock Exchange is not open for securities trading or commercial banks in The City of New York are required or authorized by law or executive order to close.

"CASH SETTLEMENT VALUE" in respect of any exercised Warrant means an amount equal to the excess, if any, of the arithmetic average of (i) the Market Value of the Underlying Common Stock for the period commencing on the fourth and ending on and including the thirteenth Business Day immediately following the date on which such Warrant is exercised, subject to adjustment pursuant to

Section 6 hereof, the provisions of which shall be applied for this purpose through such thirteenth Business Day, over (ii) the Purchase Price relating to such Warrant as adjusted pursuant to Section 6 hereof through such thirteenth Business Day.

"COMMON STOCK" means the common stock, par value $0.01 per share, of the Company together with any other securities that may be issued by the Company in substitution therefor.

"COMPANY" has the meaning set forth in the preamble to this Warrant Agreement and its successors and assigns. "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXPIRATION DATE" means for any series of Warrants, the date indicated by the entry opposite the designation of such series on Schedule I hereto or such later date as shall be determined in accordance with Section 4(f), in a written statement to the Warrant Agent and with notice to registered holders of Warrants in the manner provided for in Section 19 hereof.

"FINAL EXPIRATION DATE" means the latest Expiration Date of all Warrants issued hereunder.

"FIRST EXERCISE DATE" means, with respect to any series of Warrants, the first exercise date indicated by the entry opposite the designation of such series on Schedule I hereto.

"HOLDERS" means, at any time, the registered holders of the Warrants outstanding at such time.

"MAJOR DEALER" means a securities broker/dealer registered with the SEC having net capital of $200 million or more and which is active as a dealer or market-maker in warrants similar to the Warrants.

"MARKET VALUE" of Underlying Common Stock on any date of determination means the closing sale price (or, if no closing price is reported, the last reported sale

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price) of such Underlying Common Stock on the New York Stock Exchange (the "NYSE") on such date or, if such Underlying Common Stock is not listed for trading on the NYSE on any such date, as reported in the composite transactions for the principal United States securities exchange on which such Underlying Common Stock is so listed, or if such Underlying Common Stock is not so listed on a United States national or regional securities exchange, the average of the last quoted bid and offer price for such Underlying Common Stock as reported by Nasdaq National Market, or, if such Underlying Common Stock is not so reported, the average of the last quoted bid and offer price for such Underlying Common Stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or, if such bid price is not available, the market value of such Underlying Common Stock on such date as determined by a nationally recognized independent banking firm retained for this purpose by the Company.

The "NET SHARE SETTLEMENT NUMBER" in respect of any exercised Warrant shall be a number of shares of Underlying Common Stock equal to the Cash Settlement Value in respect of such Warrant divided by the Valuation Stock Price in respect of such Warrant.

"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PURCHASE PRICE" means for any series of Warrants, the purchase price per share of Underlying Common Stock to be paid upon the exercise of each Warrant of such series in accordance with the terms hereof, which price shall initially be the purchase price indicated by the entry opposite the designation of such series on Schedule I hereto, subject to adjustment from time to time pursuant to

Section 6 hereof.

"SEC" means the Securities and Exchange Commission. "SECURITIES ACT" means the Securities Act of 1933, as amended.

"UNDERLYING COMMON STOCK" means the shares of Common Stock and any other securities, cash or other property issuable or issued upon the exercise of the Warrants.

The "VALUATION STOCK PRICE" in respect of any exercised Warrant shall equal the arithmetic average of the Market Value of the Underlying Common Stock on the thirteenth through seventeenth Business Days immediately following the date on which such Warrant is exercised, subject to adjustment pursuant to Section 6 hereof, the provisions of which shall be applied for this purpose through such seventeenth Business Day.

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"WARRANT AGENT" has the meaning set forth in the preamble to this Warrant Agreement or the successor or successors of such Warrant Agent appointed in accordance with the terms hereof.

(b) CERTAIN OTHER DEFINED TERMS:

Term Defined in Section

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"Cash Settlement"................................. 4(d)

"Current Market Price Per Common Share"........... 6(f)

"Exercise Date"................................... 4(b)

"Net Share Settlement"............................ 4(d)

"Notice of Exercise".............................. 4(b)

"Resale Restriction Termination Date"............. In the legend contained in

Exhibit A hereto.

"Warrant Agent's Office".......................... 4(b)

"Warrant Certificates"............................ Preamble

"Warrants"........................................ Preamble

1. INITIAL ISSUANCE AND FORM OF WARRANT CERTIFICATES. Subject to the provisions of this Agreement, Warrants (in the series identified on Schedule I hereto) to acquire initially an aggregate of no more than 5,000,000 shares of Common Stock, subject to adjustment, may be issued and delivered by the Company hereunder. The Warrant Certificates for each series of Warrants shall be issued in registered form only and substantially in the form attached hereto as Exhibit B, shall be dated the date of issuance thereof (whether upon initial issuance, registration of transfer, exchange or replacement) and shall bear the legend set forth in Exhibit B together with such other legends and endorsements typed, stamped, printed, lithographed or engraved thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation pursuant thereto or with any rule or regulation of any securities exchange or market on which the Warrants may be listed, or to conform to customary usage.

Pending the preparation of definitive Warrant Certificates, temporary Warrant Certificates may be issued, which may be printed, lithographed, typewritten, mimeographed or otherwise produced, and which will be substantially of the tenor of

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the definitive Warrant Certificates in lieu of which they are issued.

If temporary Warrant Certificates are issued, the Company will cause definitive Warrant Certificates to be prepared without unreasonable delay. After the preparation of definitive Warrant Certificates, the temporary Warrant Certificates shall be exchangeable for definitive Warrant Certificates upon surrender of the temporary Warrant Certificates to the Warrant Agent, without charge to the Holder. Until so exchanged the temporary Warrant Certificates shall in all respects be entitled to the same benefits under this Agreement as definitive Warrant Certificates.

1. EXECUTION AND DELIVERY OF WARRANT CERTIFICATES. Warrant Certificates evidencing Warrants to purchase initially an aggregate of up to 5,000,000 shares of Common Stock shall be executed, on or after the date of this Warrant Agreement, by the Company and delivered to the Warrant Agent for countersignature, and the Warrant Agent shall thereupon countersign and deliver such Warrant Certificates upon the order and at the direction of the Company to the purchasers thereof on the date of issuance. The Warrant Agent is hereby authorized to countersign and deliver Warrant Certificates as required by this

Section 3 or by Section 4(c), Section 6, Section 10 or Section 18 hereof. The Warrant Certificates shall be executed on behalf of the Company by its Chairman of the Board, Chief Executive Officer or President or by any of its Vice Presidents and attested by its Secretary or Assistant Secretary, in each case, either manually or by facsimile signature printed thereon. The Warrant Certificates shall be manually countersigned by the Warrant Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company whose signature shall have been placed upon any of the Warrant Certificates shall cease to be the Chairman, Chief Executive Officer, President or a Vice President, Secretary or Assistant Secretary of the Company before countersignature by the Warrant Agent and issue and delivery thereof, such Warrant Certificates may, nevertheless, be countersigned by the Warrant Agent and issued and delivered with the same force and effect as though such person had not ceased to be such officer of the Company.

The Company and the Warrant Agent may deem and treat the registered Holder of a Warrant Certificate as the absolute owner thereof (notwithstanding any notation of ownership or other writing thereon made by anyone), for the purpose of any exercise thereof or any distribution to the Holder thereof and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

1. DURATION AND EXERCISE OF WARRANTS. (a) Duration. Subject to the terms and conditions set forth herein (including those set forth in Section 4(f) hereof), Warrants of any series shall be exercisable no sooner than the First Exercise Date of such series (or if such day is not a Business Day, the next succeeding Business Day) and on or prior to 5:00 P.M., New York City time (the "Close of Business"), on the

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Expiration Date for such series. Subject to Section 4(f), the term of any Warrant may be extended in the sole discretion of the Company beyond its Expiration Date upon written notice to the Warrant Agent and to the Holder of such Warrant (given in accordance with Section 19) at least 20 days prior to the date on which such Warrant was to have expired absent such an extension to a date determined by the Company, which date shall thereupon become the Expiration Date referred to above for such Warrant unless and until another date is substituted in accordance with this Section. Subject to paragraph (f) of this

Section 4, such Warrant shall remain exercisable on any Business Day on or after the relevant First Exercise Date and ending at the Close of Business on its new Expiration Date. The Warrants shall terminate and become void as of the Close of Business on the Expiration Date.

1. Right to Exercise. Subject to the provisions of this Warrant Agreement, including Section 4(d), each Warrant shall entitle the Holder thereof to purchase from the Company (and shall obligate the Company to issue and sell to such Holder) one fully paid and non-assessable share of Underlying Common Stock at the Purchase Price (in each case, subject to adjustment and subject to the Company's right to effect Cash Settlement or Net Share Settlement) upon surrender to the Warrant Agent, at its office maintained for that purpose in Boston, Massachusetts or New York, New York (the "Warrant Agent's Office") of Notice of Exercise, substantially in the form set forth in Exhibit C (the "Notice of Exercise"), duly completed and signed by the Holder thereof or by the duly appointed legal representative thereof or by a duly authorized attorney, provided that any such Notice of Exercise delivered after 5:00 P.M., New York City time, on a Business Day, or on a day that is not a Business Day, shall be deemed to have been delivered at the opening of business on the next succeeding Business Day. The date on which the Notice of Exercise with respect to any Warrant is delivered is hereinafter referred to as the Exercise Date. Except as expressly provided to the contrary in Section 6 hereof, no adjustments shall be made for any cash dividends or other cash distributions on shares of Common Stock issuable upon the exercise of a Warrant.

Any Warrant not exercised prior to its Expiration Date will automatically be deemed to have been exercised for all purposes hereunder, and a duly completed Notice of Exercise will be deemed to have been delivered to the Company on such Expiration Date, if on such Expiration Date the Market Price of the Underlying Common Stock exceeds the Purchase Price of such Warrant by $0.25 or more.

1. Payment of Purchase Price; Issuance of Shares of Underlying Common Stock. Settlement for the purchase of Underlying Common Stock referred to in

Section 4(b) shall take place on the sixth Business Day following the Exercise Date upon surrender to the Warrant Agent at the Warrant Agent's Office of the Warrant Certificate evidencing such Warrant, with the form of election to exercise on the

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reverse thereof duly completed and signed by the Holder thereof or by the duly appointed legal representative thereof or by a duly authorized attorney and upon payment of the Purchase Price of such Warrant. Upon such surrender of a Warrant Certificate and payment of the Purchase Price of such Warrant, the Company shall (subject to the other provisions of this Section 4) cause to be issued and delivered to the Holder thereof, or upon the written order of the Holder of such Warrant Certificate in such name or names as such Holder may designate, a certificate for the shares (or other evidence of ownership) of the Underlying Common Stock issuable upon the exercise of the Warrant or Warrants evidenced by such Warrant Certificate. Such certificate (or other evidence of ownership) shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become the holder of record of such shares (or other property) as of the date of the surrender of such Warrant Certificate and payment of the Purchase Price. Payment of the Purchase Price may be made by Federal or other immediately available funds payable to the order of the Company. All funds received upon the tender of Warrants shall be deposited by the Warrant Agent for the account of the Company in an account designated by the Company at such financial institution as is designated in writing by the Company, unless otherwise instructed by the Company.

The Warrants evidenced by a Warrant Certificate shall be exercisable, at the election of the Holder thereof, either as an entirety or from time to time for part only of the number of Warrants specified in the Warrant Certificate. In the event that less than all of the Warrants evidenced by a Warrant Certificate are exercised at any time prior to the applicable Expiration Date, a new Warrant Certificate or Certificates of the same tenor shall be issued for the remaining number of Warrants evidenced by the Warrant Certificate so surrendered, and the Warrant Agent is hereby irrevocably authorized to countersign and to deliver the required new Warrant Certificate or Certificates pursuant to the provisions of this Section 4, and the Company, whenever required by the Warrant Agent, shall supply the Warrant Agent with Warrant Certificates duly executed on behalf of the Company for such purpose.

1. Cash Settlement; Net Share Settlement. Notwithstanding paragraphs (a), (b) and (c) of this Section 4, the Company shall at its sole discretion have the right to elect (i) to settle any exercise of a Warrant (in whole, but not in part) in cash (a "Cash Settlement") or (ii) to settle any exercise of a Warrant by delivering the Net Share Settlement Number of shares of Underlying Common Stock (a "Net Share Settlement"). Any such election shall be effected by delivering notice to the exercising Holder in the form set forth in Exhibit D, in the case of a Cash Settlement, or Exhibit E, in the case of a Net Share Settlement, by facsimile transmission to the numbers set forth for such purpose in the Notice of Exercise, confirmed telephonically, not later than 12:00 Noon, New York City time, on the third Business Day following the Exercise Date.

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In the case of any such election to effect a Cash Settlement of a Warrant, on the fifteenth Business Day following the Exercise Date of such Warrant, the Company shall deliver to the Warrant Agent Federal or other immediately available funds in an aggregate amount equal to the Cash Settlement Value of such Warrant, and the Warrant Agent shall deliver such funds to the exercising Holder, or its designee, against surrender to the Warrant Agent at the Warrant Agent's Office of the Warrant Certificate evidencing such Warrants, with the form of election to exercise on the reverse thereof duly completed and signed by the Holder thereof or by the duly appointed legal representative thereof or by a duly authorized attorney.

In the case of any such election to effect a Net Share Settlement of a Warrant, on the eighteenth Business Day following the Exercise Date of such Warrant the Company shall deliver to the Warrant Agent the Net Share Settlement Number of fully paid and non-assessable shares of Underlying Common Stock, and the Warrant Agent shall deliver such shares to the exercising Holder, or its designee, against surrender to the Warrant Agent at the Warrant Agent's Office of the Warrant Certificate evidencing such Warrants, with the form of election to exercise on the reverse thereof duly completed and signed by the Holder thereof or by the duly appointed legal representative thereof or by a duly authorized attorney.

1. Cancellation of Warrant Certificate. All Warrant Certificates surrendered for exchange, substitution, transfer or exercise in whole or in part shall be canceled by the Warrant Agent. If the Company shall purchase or otherwise acquire Warrants, the Warrant Certificates representing such Warrants shall thereupon be delivered to the Warrant Agent and be canceled by it. Such canceled Warrant Certificates shall then be disposed of by such Warrant Agent in a manner satisfactory to the Company.
2. Black-Out. The Company may by notice to the Warrant Agent and to the Holders of Warrants in the form set forth in Exhibit F (given in accordance with Section 19), suspend the right to exercise all outstanding Warrants for a period of up to 90 days. The Company may suspend the right to exercise Warrants of a particular series on no more than one occasion. Notwithstanding Section

4(a), if any such period of suspension includes or extends beyond the Expiration Date of any Warrants, then the term of such Warrants automatically shall be extended to the Business Day following the last day of such suspension, which Business Day shall thereupon become the Expiration Date in respect of such Warrants.

Upon receipt of a Notice of Exercise, the Company may cancel such exercise by delivering notices of suspension to the Warrant Agent and to the Holders of the Warrants (and delivering a copy thereof to the exercising Holder, by facsimile transmission to the number set forth for such purpose in the Notice of Exercise), not later than 5:00 P.M., New York City time, on the third Business Day after delivery to

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the Company of such Notice of Exercise, in which case such Notice of Exercise shall be deemed never to have been given.

1. Optional Reduction of Purchase Price. The Company shall have the right, at any time or from time to time, voluntarily to reduce the then current Purchase Price applicable to a series of Warrants to such amount (the "Reduced Purchase Price") and for such period or periods of time, which may be through the Close of Business on the Expiration Date of such series (the "Reduced Purchase Price Period") as may be deemed appropriate by the Company. Notice of any such Reduced Purchase Price and Reduced Purchase Price Period shall be given to registered Holders of the relevant Warrants in the manner provided in Section

19. After the termination of the Reduced Purchase Price Period, the Purchase Price of the relevant Warrants shall be such Purchase Price that would have been in effect, as adjusted pursuant to the provisions of Section 6, had there been no reduction in the Purchase Price pursuant to the provisions of this paragraph

(g). No reduction of the then current Purchase Price pursuant to the provisions of this paragraph (g) shall be deemed for the purposes of Section 6 hereof to alter or adjust the Purchase Price.

1. WARRANT REDEMPTION. The Company shall have the right to redeem the Warrants. The procedure for redemption shall be as follows:
2. The Company will notify the Holders in writing of its election to redeem Warrants specifying the series, number, Expiration Dates and Purchase Prices of the Warrants to be redeemed, and specifying a valuation date (the "Valuation Date"). The "Redemption Price" of each Warrant to be redeemed shall be equal to the theoretical value of the Warrant determined by a nationally recognized firm of independent public accountants retained by the Company (and acceptable to the Holder of such Warrant) using a conventional Black-Scholes or other commercially reasonable option valuation model selected by such firm and reasonably acceptable to the Company and the Holder of such Warrant, such Redemption Price being determined on the basis of the following factors (the "Redemption Valuation Factors"): (i) the number of days from but excluding the Valuation Date to and including the relevant Expiration Date, (ii) the Current Market Price Per Common Share as of the Valuation Date, (iii) the mid-market volatility of call options, issued by the Options Clearing Corporation and traded on a nationally recognized options exchange, on Common Stock with a strike price and expiration comparable to those of the Warrant to be redeemed,
3. the estimated dividend yield of the Common Stock calculated using dividend amounts payable on regular dividend payment dates during the period from but excluding the Valuation Date to and including the relevant Expiration Date and
4. a weighted LIBOR interest rate interpolated for the period from but excluding the Valuation Date to and including the relevant Expiration Date. If either the Company or the Holder of the Warrant to be redeemed believes that the Redemption Price so determined by such firm of independent public

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accountants does not fairly reflect the value of the Warrants to be redeemed, the Company or such Holder may, in its sole discretion, select three Major Dealers and the Redemption Price shall be the average of the indicated mid- market premiums for the relevant Warrants determined on the basis of the Redemption Valuation Factors quoted by the three Major Dealers so selected as of the Valuation Date.

1. Closing of the redemption by the Company of the Warrants shall take place on the third Business Day following the later of (i) the Valuation Date or

(ii) the date the Redemption Price is determined under the second paragraph of

Section 5(a) above, by delivery of the Warrants being redeemed to the Warrant Agent and simultaneous payment by the Company to the Holders of such Warrants of the Redemption Price in Federal or other immediately available funds.

1. ADJUSTMENT OF PURCHASE PRICE AND NUMBER OF SHARES OF COMMON STOCK. The number and kind of shares

purchasable upon the exercise of Warrants and the Purchase Price shall be subject to adjustment from time to time as follows:

1. Stock Dividends, Stock-Splits, Combinations, etc. In case the Company shall at any time after the date hereof (i) declare a dividend or make a distribution on Common Stock payable in Common Stock, (ii) subdivide or split the outstanding Common Stock, (iii) combine or reclassify the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), the Purchase Price in effect at the time of the record date for such dividend or distribution or of the effective date of such subdivision, split, combination or reclassification shall be proportionately adjusted so that, giving effect to paragraph (6)(i) hereof, the exercise of any outstanding Warrant after such time shall entitle the Holder of such Warrant to receive the aggregate number of shares of Common Stock or other securities of the Company (or shares of any security into which such shares of Common Stock have been reclassified pursuant to clause (iii) or (iv) above) which, if such Warrant had been exercised immediately prior to such time, such Holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, distribution, subdivision, split, combination or reclassification. Such adjustment shall be made successively whenever any event listed above shall occur. An adjustment made pursuant to this paragraph shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.
2. Setting Record Date for Issuance of Certain Rights, Options or Warrants. In case the Company shall fix a record date for the issuance of rights, options or warrants to the holders of its Common Stock or other securities entitling such holders to subscribe for or purchase for a period

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expiring within 60 days of such record date shares of Common Stock (or securities convertible into shares of Common Stock) at a price per share of Common Stock (or having a conversion price per share of Common Stock, if a security convertible into shares of Common Stock) less than the Current Market Price Per Common Share on such record date, the maximum number of shares of Common Stock issuable upon exercise of such rights, options or warrants (or conversion of such convertible securities) shall be deemed to have been issued and outstanding as of such record date and the Purchase Price to be in effect after the Company fixes such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such deemed issuance by a fraction, the numerator of which shall be the sum of (x) the number of shares of Common Stock outstanding immediately prior to the time of such deemed issuance multiplied by the Current Market Price Per Common Share immediately prior to such deemed issuance and (y) the aggregate consideration, if any, that would be received by the Company upon issuance of all shares of Common Stock underlying such rights, options, warrants or other securities, and the denominator of which shall be the product of the aggregate number of shares of Common Stock that would be outstanding immediately after such deemed issuance if such deemed issuance had actually occurred and the Current Market Price Per Common Share immediately prior to such deemed issuance. In case any portion of the consideration to be received by the Company shall be in a form other than cash, the fair market value of such noncash consideration shall be utilized in the foregoing computation. Such fair market value shall be determined in good faith by the Board of Directors of the Company, whose determination shall be conclusive and shall be evidenced by a resolution filed with the Warrant Agent. The holders of all then-outstanding Warrants shall be notified promptly of any consideration other than cash to be received by the Company and furnished with a description of the consideration and the fair market value thereof, as determined by the Board of Directors. Such adjustment shall be made successively whenever such record date is fixed; and in the event that such rights, options or warrants are not so issued or expire unexercised, or in the event of a change in the number of shares of Common Stock to which the holders of such rights, options or warrants are entitled (other than pursuant to adjustment provisions therein comparable to those contained in this paragraph (6)), the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed, in the former event, or the Purchase Price which would then be in effect if such holders had initially been entitled to such changed number of shares of Common Stock, in the latter event.

1. Certain Distributions. In case the Company shall fix a record date for the making of a distribution to holders of Common Stock (including

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any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation, but not with respect to the Company's existing rights plan) of evidences of its indebtedness, assets or other property (other than cash dividends or distributions and dividends payable in Common Stock or rights, options or warrants referred to in, and for which an adjustment is made pursuant to, paragraph (6)(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the Current Market Price Per Common Share on such record date, less the fair market value (determined as set forth in paragraph (6)(b) hereof) of the portion of the assets, other property or evidence of indebtedness so to be distributed which is applicable to one share of Common Stock, and the denominator of which shall be such Current Market Price Per Common Share. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

1. Extraordinary Dividends. In case in any fiscal quarter (i) the Company shall distribute to all holders of shares of Common Stock any cash dividend or distribution or (ii) the Company or any of its subsidiaries shall purchase Common Stock pursuant to a tender offer for a purchase price per share greater than the Current Market Price Per Common Share on the date of purchase, and during such fiscal quarter the sum of (x) all such cash dividends or distributions, plus (y) the aggregate amount by which the fair market value (determined as set forth in paragraph 6(b) hereof) of the consideration paid in purchasing all such shares of Common Stock exceeds the Current Market Price Per Common Share on the date of such purchase multiplied by the number of shares of Common Stock so purchased, shall exceed 10%, on an annualized basis, of the Current Market Price Per Common Share multiplied by the number of shares of Common Stock outstanding at the earlier of the record date for the latest such cash dividend or distribution or tender offer or the date at which the Company shall have publicly announced such dividend or distribution or tender offer, then the Purchase Price shall be adjusted on the date of such dividend or distribution, or the termination of such tender offer, to a price determined by multiplying the Purchase Price in effect immediately prior to the earlier of such dates by a fraction, of which the numerator shall be the Current Market Price Per Common Share on the earlier of such dates less the fair market value (determined as set forth in paragraph 6(b) hereof) of the portion of such distribution or excess amount which is applicable to one share of Common Stock and of which the denominator shall be such Current Market Price Per Common Share on the earlier of such dates.

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1. Current Market Price Per Common Share. For the purpose of any computation under Section 9 or paragraph (6)(b), (c) or (d) hereof, on any determination date, the "Current Market Price Per Common Share" shall mean the average (weighted by daily trading volume) of the Closing Prices per share of the Underlying Common Stock for the 10 consecutive Business Days immediately prior to such date.
2. Deferral of Certain Adjustments. No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least one percent in such price; provided that any adjustments which by reason of this paragraph (6)(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph (f) shall be made to the nearest one tenth of a cent or to the nearest hundredth of a share, as the case may be.
3. Other Adjustments. In the event that, at any time as a result of the provisions of this Section 6, a Holder of a Warrant upon subsequent exercise shall become entitled to receive any shares of capital stock of the Company other than Common Stock, the number of such other shares so receivable upon exercise of this Warrant shall thereafter be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions contained herein.
4. Shares Receivable Upon Exercise. Upon each adjustment of the Purchase Price as a result of the calculations made in paragraphs (6)(a), (b), (c), (d) or (j) hereof, the number of shares for which any Warrant is exercisable immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of shares of Common Stock obtained by (i) multiplying the number of shares covered by such Warrant immediately prior to such adjustment of the number of shares by the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.
5. Consolidation, Merger, or Sale of Assets. Subject to the provisions of Section 6(j) hereof, in case of any consolidation of the Company with, or merger of the Company into, any other person, any merger of another person into the Company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock) or any sale or transfer of all or substantially all of the assets of the Company or of the person formed by such consolidation or resulting

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from such merger or which acquires such assets, as the case may be, then, as a condition of such consolidation, merger, sale or transfer, the Company or such person, as the case may be, shall forthwith make lawful and adequate provision whereby the holder of each Warrant then outstanding shall have the right thereafter to exercise such Warrant for the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock for which such Warrant may have been exercised immediately prior to such consolidation, merger, sale or transfer, assuming (i) such holder of Common Stock is not a person with which the Company consolidated or into which the Company merged or which merged into the Company or to which such sale or transfer was made, as the case may be ("constituent person"), or an Affiliate of a constituent person and (ii) in the case of a consolidation, merger, sale or transfer which includes an election as to the consideration to be received by the holders, such holder of Common Stock failed to exercise its rights of election, as to the kind or amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer (provided that if the kind or amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer is not the same for each share of Common Stock held immediately prior to such consolidation, merger, sale or transfer by other than a constituent person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised ("non-electing share"), then for the purpose of this paragraph (i) the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non- electing shares).

Adjustments for events subsequent to the effective date of such a consolidation, merger and sale of assets shall be as nearly equivalent as may be practicable to the adjustments provided for in this Warrant Agreement. In any such event, effective provisions shall be made in the certificate or articles of incorporation of the resulting or surviving corporation, in any contract of sale, conveyance, lease or transfer, or otherwise so that the provisions set forth herein for the protection of the rights of the Holders shall thereafter continue to be applicable; and any such resulting or surviving corporation shall expressly assume the obligation to deliver, upon exercise, such shares of stock, other securities, cash and property. The provisions of this paragraph (i) shall similarly apply to successive consolidations, mergers, sales, leases or transfers.

1. Qualified Tender Offers; Cash-Out Tender Offers and Mergers.
2. Subject to the provisions of paragraph (ii) of this Section 6(j), in case of any Qualified Tender Offer (as defined below) made by a person other than the Company or any subsidiary of the Company and in which, as of the

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Expiration Time (as defined below), the board of directors of the Company is not recommending rejection of the offer, the Purchase Price shall be reduced so that the same shall equal the price determined by multiplying the Purchase Price in effect immediately prior to the Expiration Time by a fraction of which the numerator shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Market Price of the Common Stock on the trading day next succeeding the Expiration Time and the denominator shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to shareholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the share deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Market Price of the Common Stock on the trading day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the Business Day following the Expiration Time. In the event that such person is obligated to purchase shares pursuant to any such Qualified Tender Offer, but such person is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such Qualified Tender Offer had not been made. Notwithstanding the foregoing, the adjustment described in this paragraph (j) shall not be made if, as of the Expiration Time, the offering documents with respect to such Qualified Tender Offer disclose a plan or intention to cause the Company to engage in any transaction described in Section 6(j) hereof.

A "Qualified Tender Offer" means any tender offer or exchange offer for an amount which increases the offeror's ownership of Common Stock to more than 25% of the Common Stock outstanding and which involves the payment by such person of consideration per share of Common Stock having a fair market value (as determined as set forth in paragraph 6(b) hereof) at the last time (the "Expiration Time") tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Closing Price of the Common Stock on the trading day next succeeding the Expiration Time.

1. In case (A) of a cash tender offer for substantially all of the outstanding Common Stock or (B) of any consolidation of the Company with, or merger of the Company into, any other person in a transaction in which the Common Stock is exchanged for cash or cash equivalents, then as of the

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closing date of such tender offer or the effective date of such consolidation or merger, each such Warrant shall only entitle the holder thereof to receive, within 3 Business Days of surrender to the Company or to the Warrant Agent, at the Warrant Agent's Office, of the Warrant Certificate evidencing such Warrant, a cash payment from the Company equal to the Cash-Out Value (as defined below). The "Cash-Out Value" means the theoretical value of the Warrant determined by a nationally recognized firm of independent public accountants retained by the Company (and acceptable to the Holder of such Warrant) using a conventional Black-Scholes or other commercially reasonable option valuation model selected by such firm and reasonably acceptable to the Company, such Cash-Out Value being determined on the basis of the following factors (the "Cash-Out Valuation Factors"):

(i) the number of days from but excluding the date of the first public announcement of a firm intention to make such an offer or to so merge or consolidate (the "Announcement Date") to and including the applicable Expiration Date, (ii) the Current Market Price Per Common Share as of the Announcement Date, (iii) the mid-market volatility of call options, issued by the Options Clearing Corporation and traded on a nationally recognized options exchange, on Common Stock with a strike price and expiration comparable to those of such Warrant, (iv) the estimated dividend yield of the Common Stock calculated using dividend amounts payable on regular dividend payment dates during the period from but excluding the Announcement Date to and including the Expiration Date and (v) a weighted LIBOR interest rate interpolated for the period from but excluding the Announcement Date to and including the Expiration Date.

If either the Company or the Holder of any Warrant subject to such tender offer believes that the Cash-Out Value so determined by such firm of independent public accountants does not fairly reflect the value of the Warrants subject to such tender offer, the Company or such Holder may, in its sole discretion, select three Major Dealers and the Cash-Out Value shall be the average of the indicated mid-market premiums for such Warrants determined on the basis of the Cash-Out Valuation Factors quoted by the three Major Dealers so selected as of the Announcement Date.

Upon receipt by the Holder of such cash payment in respect of a Warrant, such Warrant shall expire and be of no further effect.

1. NOTICE OF ADJUSTMENT. Whenever the number of shares of Common Stock or other stock or property issuable upon the exercise of each Warrant or the Purchase Price is adjusted, as herein provided, the Company shall cause the Warrant Agent promptly to mail by first class mail, postage prepaid, to each Holder notice of such adjustment or adjustments and shall deliver to the Warrant Agent a certificate of

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a firm of independent certified public accountants selected by the board of directors of the Company (who may be the regular accountants employed by the Company) setting forth the number of shares of Common Stock or other stock or property issuable upon the exercise of each Warrant or the Purchase Price after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made. The Warrant Agent shall be entitled to rely on such certificate and shall be under no duty or responsibility with respect to any such certificate, except to exhibit the same from time to time to any Holder desiring an inspection thereof during reasonable business hours. The Warrant Agent shall not at any time be under any duty or responsibility to any Holders to determine whether any facts exist that may require any adjustment of the number of shares of Common Stock or other stock or property issuable on exercise of the Warrants or the Purchase Price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making such adjustment or the validity or value (of the kind or amount) of any shares of Common Stock or other stock or property which may be issuable on exercise of the Warrants. The Warrant Agent shall not be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property upon the exercise of any Warrant.

1. STATEMENT ON WARRANTS. Irrespective of any adjustment in the number or kind of shares issuable upon the exercise of the Warrants or the Purchase Price, Warrants theretofore or thereafter issued may continue to express the same number and kind of shares as are stated in the Warrants initially issuable pursuant to this Warrant Agreement.
2. FRACTIONAL INTEREST. Notwithstanding any adjustment pursuant to

Section 6 hereof in the number of shares of Underlying Common Stock, the Company shall not be required to issue fractional shares of Underlying Common Stock on the exercise of Warrants. If more than one Warrant shall be presented for exercise in full at the same time by the same Holder, the number of full shares of Underlying Common Stock which shall be issuable upon such exercise shall be computed on the basis of the aggregate number of shares of Underlying Common Stock acquirable on exercise of the Warrants so presented. If any fraction of a share of Underlying Common Stock would, except for the provisions of this

Section 9, be issuable on the exercise of any Warrant (or specified portion thereof), the Company shall pay an amount in cash calculated by it to be equal to (A) in the case of settlement of such Warrant pursuant to Section 4(c), the Current Market Price Per Common Share on the date of such exercise or (B) in the case of a Net Share Settlement of such Warrant pursuant to Section 4(d), the Market Value of the Underlying Common Stock for the period commencing on the fourth and ending on the thirteenth Business Day immediately following the date on which such Warrant was exercised, in each case multiplied by such fraction computed to the nearest whole cent. The Holders, by their

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acceptance of the Warrant Certificates, expressly waive any and all rights to receive any fraction of a share of Common Stock or a stock certificate representing a fraction of a share of Underlying Common Stock.

1. WARRANT TRANSFER BOOKS. The Warrant Certificates shall be issued in registered form only. The Company shall cause to be kept at the office of the Warrant Agent a register in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Warrant Certificates and of transfers or exchanges of Warrant Certificates by the Warrant Agent as herein provided.

At the option of the Holder thereof, Warrant Certificates may be exchanged at such office upon payment of the charges hereinafter provided. Whenever any Warrant Certificates are so surrendered for exchange, the Company shall execute, and the Warrant Agent shall countersign and deliver, the Warrant Certificates that the Holder making the exchange is entitled to receive.

All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under this Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange.

Every Warrant Certificate surrendered for registration of transfer or exchange shall (if so required by the Company or the Warrant Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be required of a Holder for any registration of transfer or exchange of Warrant Certificates. The Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Warrant Certificates.

Any Warrant Certificate when duly endorsed in blank shall be deemed negotiable. The holder of any Warrant Certificate duly endorsed in blank may be treated by the Company, the Warrant Agent and all other persons dealing therewith as the absolute owner thereof for any purpose and as the person entitled to exercise the rights represented thereby, or to the transfer thereof on the register of the Company maintained by the Warrant Agent, any notice to the contrary notwithstanding; but until such transfer on such register, the Company and the Warrant Agent may treat the Holder thereof as the owner for all purposes.

1. TRANSFER RESTRICTIONS. (a) Neither the Warrants nor any of the Underlying Common Stock, nor any interest in either, may be sold, assigned, pledged, hypothecated, encumbered or in any other manner transferred or disposed of, in whole

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or in part, except in compliance with applicable United States federal and state securities laws and the terms and conditions hereof and thereof.

1. Until the earlier of the sale of the Underlying Common Stock pursuant to a registration statement which has been declared effective under the Securities Act and the Resale Restriction Termination Date, any certificate evidencing Underlying Common Stock (and all securities issued in exchange or substitution therefor) shall bear a legend set forth in Exhibit A, and shall be subject to the restrictions contained therein, unless otherwise agreed by the Company (with written notice thereof to the registrar for the Common Stock).
2. Until the Expiration Date of each Warrant or any earlier exercise thereof, each Warrant shall be subject to the restrictions on transfer contained in the legend set forth in Exhibit B.
3. WARRANT HOLDERS. (a) No Voting Rights. Prior to the exercise of the Warrants, no Holder of a Warrant Certificate, as such, shall be entitled to any rights of a stockholder of the Company, including, without limitation, the right to receive dividends or subscription rights, the right to vote, to consent, to exercise any preemptive right, to receive any notice of meetings of stockholders for the election of directors of the Company or any other matter or to receive any notice of any proceedings of the Company, except as may be specifically provided for herein.

(b) Right of Action. All rights of action in respect of this Warrant Agreement are vested in the Holders of the Warrants, and any Holder of any Warrant, without the consent of the Warrant Agent or the Holder of any other Warrant, may, on such Holder's own behalf and for such Holder's own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company suitable to enforce, or otherwise in respect of, such Holder's rights hereunder, including the right to exercise, exchange or surrender for purchase such Holder's Warrants in the manner provided in this Warrant Agreement.

1. WARRANT AGENT. (a) Nature of Duties and Responsibilities Assumed. The Company hereby appoints BankBoston, N.A. as Warrant Agent of the Company in respect of the Warrants upon the terms and subject to the conditions set forth herein; and BankBoston, N.A. hereby accepts such appointment. The Warrant Agent shall have the powers and authority granted to and conferred upon it in this Agreement and such further powers and authority to act on behalf of the Company as the Company may hereafter grant to or confer upon it with its consent. All of the terms and provisions with respect to such powers and authority contained in any Warrant Certificate are subject to and governed by the terms and provisions hereof.
2. Conditions of Warrant Agent's Obligations. The Warrant Agent accepts its obligations herein set forth upon the terms and conditions hereof, including

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the following, to all of which the Company agrees and to all of which the rights hereunder of the Holders from time to time of the Warrants shall be subject:

1. The Company agrees promptly to pay the Warrant Agent the compensation to be agreed upon with the Company for all services rendered by the Warrant Agent and to reimburse the Warrant Agent for its reasonable out-of-pocket expenses (including attorneys' fees and expenses) incurred by the Warrant Agent without gross negligence, bad faith or breach of this Agreement on its part in connection with the services rendered by it hereunder. The Company also agrees to indemnify the Warrant Agent for, and to hold it harmless against, any loss, liability or expense (including reasonable attorneys' fees and expenses) incurred without gross negligence, bad faith, willful misconduct or breach of this Agreement on the part of the Warrant Agent, arising out of or in connection with its acting as such Warrant Agent hereunder, as well as the reasonable costs and expenses of defending against any claim of liability in the premises. The obligations of the Company under this Section 13 (b)(i) shall survive the termination of this Agreement.
2. In acting under this Agreement, the Warrant Agent is acting solely as agent of the Company and does not assume any obligation or relationship of agency or trust for or with any of the owners or Holders of the Warrants.
3. The Warrant Agent may consult with counsel satisfactory to it (including counsel to the Company), and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion of such counsel.
4. The Warrant Agent shall be protected and shall incur no liability for or in respect of any action taken or thing suffered by it in reliance upon any notice, direction, consent, certificate, affidavit, statement or other paper or document reasonably believed by it to be genuine and to have been presented or signed by the proper parties.
5. The Warrant Agent shall be liable hereunder only for its own gross negligence, bad faith or willful misconduct.
6. The Warrant Agent, and its officers, directors and employees, may become the owner of, or acquire any interest in, any Warrants or other obligations of the Company, with the same rights that it or they would have if it were not the Warrant Agent hereunder and, to the extent permitted by applicable law, it or they may engage or be interested in any financial or other

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transaction with the Company and may act on behalf of, or as depository, trustee or agent for, any committee or body of owners or Holders of Warrants or other obligations of the Company as freely as if it were not the Warrant Agent hereunder.

1. The Warrant Agent shall not be under any liability for interest on any monies at any time received by it pursuant to any of the provisions of this Agreement nor shall it be obligated to segregate such monies from other monies held by it, except as required by law. The Warrant Agent shall not be responsible for advancing funds on behalf of the Company.
2. The Warrant Agent shall not be under any responsibility with respect to the validity or sufficiency of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Warrant Agent) or with respect to the validity or execution of the Warrant Certificates (except its countersignature thereof).
3. The recitals contained herein and in the Warrant Certificates (except as to the Warrant Agent's countersignature thereon) shall be taken as the statements of the Company, and the Warrant Agent assumes no responsibility for the correctness of the same.
4. The Warrant Agent shall be obligated to perform such duties as are herein specifically set forth, and no implied duties or obligations shall be read into this Agreement against the Warrant Agent. The Warrant Agent shall not be under any obligation to take any action hereunder likely to involve it in any expense or liability, the payment of which is not, in its reasonable opinion, assured to it. The Warrant Agent shall not be accountable or under any duty or responsibility for the application by the Company of any proceeds. The Warrant Agent shall have no duty or responsibility in case of any default by the Company in the performance of its covenants or agreements contained in this Agreement or in any Warrant Certificate or in the case of the receipt of any written demand from a Holder of a Warrant with respect to such default, including, without limiting the generality of the foregoing, any duty or responsibility to initiate or attempt to initiate any proceedings at law or otherwise or, except as provided in Section 19(a) hereof, to make any demand upon the Company.
5. Resignation and Appointment of Successor. The Company agrees, for the benefit of the Holders from time to time of the Warrants, that there shall at all times be a Warrant Agent hereunder until all the Warrants are no longer outstanding.

The Warrant Agent may at any time resign as such agent by giving written

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notice to the Company of such intention on its part, specifying the date on which its desired resignation shall become effective, subject to the appointment of a successor Warrant Agent and acceptance of such appointment by such successor Warrant Agent as hereinafter provided. The Warrant Agent hereunder may be removed at any time by the filing with it of an instrument in writing signed by or on behalf of the Company and specifying such removal and the date when it shall become effective. Such resignation or removal shall take effect upon the appointment by the Company, as hereinafter provided, of a successor Warrant Agent (which shall be a banking institution organized under the laws of the United States of America or one of the states thereof, have a combined capital and surplus of at least $100,000,000 (as set forth in its most recent reports of condition published pursuant to law or to the requirements of any United States federal or state regulatory or supervisory authority) and having an office in the Borough of Manhattan, The City of New York) and the acceptance of such appointment by such successor Warrant Agent. In the event a successor Warrant Agent has not been appointed and accepted its duties within 90 days of the Warrant Agent's notice of resignation, the Warrant Agent may apply to any court of competent jurisdiction for the designation of a successor Warrant Agent. The obligation of the Company under Section 13(b)(i) hereof shall continue to the extent set forth therein notwithstanding the resignation or removal of the Warrant Agent.

In case at any time the Warrant Agent shall give notice of its intent to resign, or shall be removed, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or make an assignment for the benefit of its creditors, or consent to the appointment of a receiver or custodian of all or any substantial part of its property, or shall admit in writing its inability to pay or meet its debts as they mature, or if a receiver or custodian of it or of all or any substantial part of its property shall be appointed, or if any public officer shall have taken charge or control of the Warrant Agent or of its property or affairs, for the purpose of rehabilitation, conservation or liquidation, a successor Warrant Agent, qualified as aforesaid, shall be promptly appointed by the Company by an instrument in writing, filed with the successor Warrant Agent. Upon the appointment as aforesaid of a successor Warrant Agent and acceptance by the latter of such appointment, the Warrant Agent so superseded shall cease to be Warrant Agent hereunder.

Any successor Warrant Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Company an instrument accepting such appointment hereunder, and thereupon such successor Warrant Agent, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor with like effect as if originally named as Warrant Agent hereunder, and such predecessor, upon payment of its charges and disbursements then unpaid, shall thereupon become obligated to transfer, deliver and pay over, and such successor

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Warrant Agent shall be entitled to receive, all monies, securities and other property on deposit with or held by such predecessor (including, without limitation, the Warrant Register), as Warrant Agent hereunder.

1. RESERVATION OF COMMON STOCK FOR ISSUANCE ON EXERCISE OF WARRANTS; LISTING. The Company covenants that it

will at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, solely for the purpose of issuance upon exercise of Warrants as herein provided, the full number of shares of Common Stock as shall then be issuable upon the exercise of all outstanding Warrants.

The Company covenants that all shares of Common Stock which shall be so issuable shall, upon such issuance, be duly and validly issued and fully paid and nonassessable, and that upon issuance such shares shall be accepted for quotation on the Nasdaq National Market or listed on each national securities exchange, if any, on which any other shares of outstanding Common Stock of the Company are then listed.

1. MONEY AND OTHER PROPERTY DEPOSITED WITH THE WARRANT AGENT. Any moneys, securities or other property which at any time shall be deposited by the Company or on its behalf with the Warrant Agent pursuant to this Agreement shall be and are hereby assigned, transferred and set over to the Warrant Agent in trust for the purpose for which such moneys, securities or other property shall have been deposited; but such moneys, securities or other property need not be segregated from other funds, securities or other property except to the extent required by law. The Warrant Agent shall distribute any money deposited with it for payment and distribution to the Holders by mailing by first-class mail a check in such amount as is appropriate, to each such Holder at the address shown on the Warrant register maintained pursuant to Section 10, or as it may be otherwise directed in writing by such Holder, upon surrender of such Holder's Warrants. Any money or other property deposited with the Warrant Agent for payment and distribution to the Holders that remains unclaimed for two years, less one day, after the date the money was deposited with the Warrant Agent shall be paid to the Company upon its request therefor.
2. PAYMENT OF TAXES. The Company will pay any documentary stamp taxes attributable to the initial issuance of the Warrants or shares of Underlying Common Stock upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer of any Warrant Certificates or the issuance of any certificates for shares of Underlying Common Stock in a name other than that of the Holder of a Warrant Certificate surrendered upon the exercise of a Warrant.
3. SURRENDER OF CERTIFICATES. Any Warrant Certificate surrendered for exercise or purchased or otherwise acquired by the Company shall, if surrendered to the Company, be delivered to the Warrant Agent, and all Warrant Certificates

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surrendered or so delivered to the Warrant Agent shall promptly be canceled by such Warrant Agent and shall not be reissued by the Company. The Warrant Agent shall destroy such canceled Warrant Certificates and deliver its certificate of destruction to the Company unless the Company shall otherwise direct.

1. MUTILATED, DESTROYED, LOST AND STOLEN WARRANT CERTIFICATES. If (a) any mutilated Warrant Certificate is surrendered to the Warrant Agent or (b) the Company and the Warrant Agent receive evidence to their satisfaction of the destruction, loss or theft of any Warrant Certificate, and there is delivered to the Company and the Warrant Agent such security or indemnity as may be reasonably required by them to save each of them harmless, then, in the absence of notice to the Company or the Warrant Agent that such Warrant Certificate has been acquired by a bona fide purchaser, the Company shall execute and upon its written request the Warrant Agent shall countersign and deliver, in exchange for any such mutilated Warrant Certificate or in lieu of any such destroyed, lost or stolen Warrant Certificate, a new Warrant Certificate of like tenor and for a like aggregate number of Warrants.

Upon the issuance of any new Warrant Certificate under this Section 18, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and other expenses (including the reasonable fees and expenses of the Warrant Agent and of counsel to the Company) in connection therewith.

Every new Warrant Certificate executed and delivered pursuant to this

Section 18 in lieu of any destroyed, lost or stolen Warrant Certificate shall constitute an original contractual obligation of the Company, whether or not the destroyed, lost or stolen Warrant Certificate shall be at any time enforceable by anyone, and shall be entitled to the benefits of this Warrant Agreement equally and proportionately with any and all other Warrant Certificates duly executed and delivered hereunder.

The provisions of this Section 18 are exclusive and shall preclude (to the extent lawful) all other rights or remedies with respect to the replacement of mutilated, destroyed, lost or stolen Warrant Certificates.

1. NOTICES. (a) Except as otherwise provided in this Agreement, any notice, demand or delivery authorized by this Warrant Agreement shall be sufficiently given or made when mailed if sent by first-class mail, postage prepaid, addressed to any Holder of a Warrant at such Holder's address shown on the register maintained by the Warrant Agent pursuant to Section 9 and to the parties as follows:

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# If to the Company:

Oracle Corporation 500 Oracle Parkway

Redwood City, California 94065 Attention: General Counsel

# If to the Warrant Agent:

BankBoston, N.A.

c/o Boston Equiserve Limited Partnership 150 Royall Street Canton, Massachusetts 02021

Attention: Reorganization Department

or such other address as shall have been furnished to the party giving or making such notice, demand or delivery.

(b) Any notice required to be given by the Company to the Holders shall be made by mailing by registered mail, return receipt requested, to the Holders at their respective addresses shown on the register of the Company maintained by the Warrant Agent. The Company hereby irrevocably authorizes the Warrant Agent, in the name and at the expense of the Company, to mail any such notice upon receipt thereof from the Company. Any notice that is mailed in the manner herein provided shall be presumed to have been duly given when mailed.

1. PERSONS BENEFITTING. This Warrant Agreement shall be binding upon and inure to the benefit of the Company and the Warrant Agent, and their respective successors, assigns, beneficiaries, executors and administrators, and the Holders of the Warrants. Nothing in this Warrant Agreement is intended or shall be construed to confer upon any person, other than the Company, the Warrant Agent and the Holders of the Warrants, any right, remedy or claim under or by reason of this Warrant Agreement or any part hereof.
2. COUNTERPARTS. This Warrant Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument.
3. AMENDMENTS. (a) The Company may, without the consent of the Holders of the Warrants, by supplemental agreement or otherwise, make any changes or corrections in this Warrant Agreement that it shall have been advised by counsel
4. are required to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein or
5. add to

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the covenants and agreements of the Company for the benefit of the Holders, or surrender any rights or power reserved to or conferred upon the Company in this Warrant Agreement or (c) supplement Schedule I hereto to identify additional series of Warrants issued hereunder; provided that, in the case of (a) or (b), such changes or corrections shall not adversely affect the interests of the Holders in any material respect. The Warrant Agent shall at the request of the Company and without need of independent inquiry as to whether such supplemental agreement is permitted by the terms of this Section 22 join with the Company in the execution and delivery of any such supplemental agreements unless it affects the Warrant Agent's own rights, duties or immunities hereunder in which case such party may, but shall not be required to, join in such execution and delivery.

(b) The Company and the Warrant Agent may modify or amend this Agreement (by means of an agreement supplemental hereto or otherwise) with the consent of Holders holding not less than a majority in number of the then outstanding Warrants for any purpose; provided, however, that no such modification or amendment that changes the Purchase Price of the Warrants, shortens the period of time during which the Warrants may be exercised, or otherwise materially and adversely affects the exercise rights of the Holders or reduces the percentage of the number of outstanding Warrants the consent of whose Holders is required for modification or amendment of this Agreement, may be made without the consent of each Holder affected thereby.

1. TERMINATION. This Warrant Agreement shall terminate and be of no further force and effect on the Final Expiration Date.
2. APPLICABLE LAW. This Warrant Agreement and each Warrant issued hereunder and all rights arising hereunder shall be governed by the law of the State of California applicable to contracts and instruments executed and to be performed entirely in such State.
3. HEADINGS. The descriptive headings of the several Sections of this Warrant Agreement are inserted for convenience and shall not control or affect the meaning or construction of any of the provisions hereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Warrant Agreement to be duly executed, as of the day and year first above written.

# ORACLE CORPORATION

*By: /s/ Bruce M. Lange*

*--------------------------------------*

*Name: Bruce M. Lange*

*Title: Vice President and Treasurer*

# BANKBOSTON, N.A.

**as Warrant Agent**

*By: /s/ Laura A. Welch*

*--------------------------------------*

*Name: Laura A. Welch*

*Title: Administration Manager*

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# SCHEDULE I

SERIES AND TERMS OF EQUITY CALL WARRANTS TO BE ISSUED UNDER WARRANT AGREEMENT

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ------ | -------- | ------------- | --------------- | -------------- |
| Series | Quantity | First | Expiration Date | Purchase Price |

Exercise Date

I 3,000,000 April 17, 2000 May 15, 2000 $77.55

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# EXHIBIT A

**[FORM OF LEGEND FOR UNDERLYING COMMON STOCK]**

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR ANY INTEREST OR PARTICIPATION THEREIN OR HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE"), ON WHICH THE SECURITIES EVIDENCED HEREBY MAY BE SOLD WITHOUT REGISTRATION PURSUANT TO RULE 144(k) UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY SUCCESSOR TO SUCH RULE, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (D) TO AN INSTITUTIONAL "ACCREDITED INVESTOR," WITHIN THE MEANING OF SUBPARAGRAPH (a)(1), (2), (3) OR

(7) OF RULE 501 UNDER THE SECURITIES ACT ACQUIRING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENT OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND/OR THE REGISTRAR'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (C), (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) PURSUANT TO EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE REGISTRAR. UNTIL THE EXPIRATION OF THE RESALE RESTRICTION

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TERMINATION DATE, ANY PERSON ACQUIRING THIS SECURITY PURSUANT TO CLAUSE (C) AGREES THAT ANY OFFER, SALE OR OTHER TRANSFER TO A U.S. PERSON OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON SHALL BE MADE BY IT ONLY PURSUANT TO CLAUSES (A), (B) OR (E).

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# EXHIBIT B

**[FORM OF FACE OF WARRANT CERTIFICATE]**

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR ANY INTEREST OR PARTICIPATION THEREIN OR HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY PURSUANT TO (A) REGISTRATION PURSUANT TO THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT, IN THE CASE OF (B), TO THE COMPANY'S AND THE WARRANT AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND, IN THE CASE OF EITHER (A) OR (B) TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE WARRANT AGENT. THE HOLDER OF EACH SECURITY BY ITS ACCEPTANCE HEREOF FURTHER AGREES THAT IT SHALL OFFER, SELL OR OTHERWISE TRANSFER THE WARRANTS REPRESENTED BY THIS CERTIFICATE ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND IN TRANSACTIONS INVOLVING THE SALE OF NO LESS THAN 1 MILLION WARRANTS SUBJECT TO THE COMPANY'S AND THE WARRANT AGENT'S RIGHT TO REQUIRE THE DELIVERY OF CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

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# No. W-I-1 Certificate for 3,000,000 Warrants

**CUSIP**

**SERIES I EQUITY CALL WARRANTS TO ACQUIRE COMMON STOCK OF ORACLE CORPORATION**

This Warrant Certificate certifies that Goldman, Sachs & Co. or registered assigns, is the registered holder of 3,000,000 Warrants (the "Warrants") to purchase Common Stock, par value $0.01 per share (the "Common Stock"), of Oracle Corporation, a Delaware corporation (the "Company"). Each Warrant entitles the holder, subject to the terms and conditions set forth herein and in the Warrant Agreement, to purchase from the Company one fully paid and non-assessable share of Common Stock of the Company at the purchase price per share of Common Stock (the "Purchase Price"), which price shall initially be $77.55 per share, subject to adjustment from time to time in accordance with the Warrant Agreement. Settlement for such purchase shall take place on the sixth Business Day after delivery of such Notice of Exercise, upon surrender to the Warrant Agent, at its office maintained for that purpose in Boston, Massachusetts or New York, New York, of this Warrant Certificate with the form of election to purchase on the reverse hereof duly completed and signed by the registered holder or holders hereof or by the duly appointed legal representative thereof or by a duly authorized attorney, and upon payment of the Purchase Price, but only subject to the conditions set forth herein and in the Warrant Agreement. Payment of the Purchase Price may be made by Federal or other immediately available funds to the Company.

The Company shall have the right to settle any exercise of a Warrant (i) in cash, in which case on the fifteenth Business Day after the Exercise Date the Company shall deliver to the exercising Holder, against surrender to the Warrant Agent at its office maintained for that purpose in Boston, Massachusetts of the Warrant Certificate evidencing the exercised Warrants, Federal or other immediately available funds payable to the order of such Holder in an amount equal to the Cash Settlement Value (as defined in the Warrant Agreement); or

(ii) by delivering the Net Share Settlement Number (as defined in the Warrant Agreement) of shares of Underlying Common Stock, in which case on the eighteenth Business Day after the Exercise Date the Company shall deliver to the exercising Holder, against surrender to the Warrant Agent at its office maintained for that purpose in Boston, Massachusetts of the Warrant Certificate evidencing the exercised Warrants, such number of fully paid and non-assessable shares.

No Warrant may be exercised or exchanged after 5:00 P.M., New York City

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time, on the Expiration Date. All Warrants evidenced hereby shall thereafter be void.

Reference is hereby made to the further provisions of this Warrant Certificate set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as though fully set forth in this place.

This Warrant Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Warrant Agent. IN WITNESS WHEREOF, Oracle Corporation has caused this instrument to be duly executed.

# ORACLE CORPORATION

By:

Name:

Title:

(SEAL)

# Attest:

**Secretary**

DATED:

Countersigned as of the date above written:

# BANKBOSTON, N.A.,

**as Warrant Agent**

By:

# Authorized Officer

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# [FORM OF WARRANT CERTIFICATE] [REVERSE]

This Warrant Certificate is issued under and in accordance with a Warrant Agreement dated as of May 19, 1997 (the "Warrant Agreement"), between the Company and BankBoston, N.A., as warrant agent (the "Warrant Agent," which term includes any successor Warrant Agent under the Warrant Agreement), and is subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions the Holder of this Warrant Certificate consents by acceptance hereof. The Warrant Agreement is hereby incorporated herein by reference and made a part hereof. Reference is hereby made to the Warrant Agreement for a full statement of the respective rights, limitations of rights, duties and obligations of the Company, the Warrant Agent and the Holders of the Warrants. Capitalized terms not defined herein have the meanings ascribed thereto in the Warrant Agreement. A copy of the Warrant Agreement may be obtained for inspection by the Holder hereof upon written request to BankBoston, N.A., c/o Boston Esquiserve Limited Partnership, 150 Royall Street, Canton, Massachusetts 02021, Attention: Reorganization Department.

The Warrants evidenced by this Warrant Certificate shall be exercisable, at the election of the Holder hereof, either as an entirety or from time to time for part only of the number of Warrants specified herein. In the event that less than all of the Warrants evidenced by this Warrant Certificate are exercised at any time prior to the Expiration Date, a new Warrant Certificate or Certificates of the same tenor shall be issued for the remaining number of Warrants evidenced by this Warrant Certificate.

The Company may, by notice to the Warrant Agent and to the Holder hereof, suspend the right to exercise Warrants evidenced hereby for a period of up to 90 days. The Company may suspend the right to exercise these Warrants on no more than one occasion. If any such period of suspension (as it may be extended by successive further notices) includes or extends beyond the Expiration Date, then the term of these Warrants shall be automatically extended to the Business Day following the last day of such suspension, which Business Day shall thereupon become the Expiration Date.

Upon receipt of a Notice of Exercise, the Company may cancel such exercise by delivering notices of suspension to the Warrant Agent and to the Holders of the Warrants (and delivering a copy thereof to the exercising Holder, by facsimile transmission to the number set forth for such purpose in the Notice of Exercise), not later than 5:00 P.M., New York City time, on the third Business Day after delivery to the Company of such Notice of Exercise, in which case such Notice of Exercise shall be deemed never to have been given.

At the option of the Holder hereof, Warrant Certificates may be exchanged at such office upon payment of the charges provided in the Warrant Agreement.

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Whenever any Warrant Certificates are so surrendered for exchange, the Company shall execute, and the Warrant Agent shall countersign and deliver, the Warrant Certificates that the Holder making the exchange is entitled to receive. All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under the Warrant Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange. Every Warrant Certificate surrendered for registration of transfer or exchange shall (if so required by the Company or the Warrant Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be required of a Holder for any registration of transfer or exchange of Warrant Certificates. The Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Warrant Certificates.

The Company and the Warrant Agent may deem and treat the registered Holder of this Warrant Certificate as the absolute owner hereof (notwithstanding any notation of ownership or other writing thereon made by anyone), for the purpose of any exercise hereof or any distribution to the Holder hereof and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

The Warrant Agreement also provides that upon the occurrence of certain events, the Purchase Price set forth on the face hereof may, subject to certain conditions, be adjusted. If such Purchase Price is adjusted, the Warrant Agreement provides that in certain instances, the number of shares of Common Stock of the Company purchasable upon the exercise of each Warrant shall be adjusted. In the case of certain extraordinary transactions, the Warrants may become exercisable for the consideration received by Holders of Common Stock therein, or in certain cases, may become exchangeable solely for a cash payment, all as provided in the Warrant Agreement.

This Warrant Certificate and the Warrant Agreement are subject to amendment as provided in the Warrant Agreement.

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# [FORM OF ELECTION TO EXERCISE]

**[TO BE EXECUTED UPON PURCHASE OF WARRANT]**

The undersigned hereby irrevocably exercises of Series Equity Call Warrants for the acquisition of [ ] share(s) of Underlying Common Stock (as defined herein), represented by this Warrant Certificate, on the terms and conditions specified in this Warrant Certificate and the Warrant Agreement herein referred to, surrenders this Warrant Certificate and all right, title and interest therein Oracle Corporation (the "Company") and has tendered payment for such shares in the amount of $ , all in accordance with the terms hereof, directs that the shares of Common Stock deliverable upon the exercise of such Warrants be registered or placed in the name and at the address specified below and delivered thereto.

Dated: ,

/1/

(Signature of Owner) (Street Address)

(City) (State) (Zip Code)

# Facsimile Number/2/ Signature Guaranteed by:

/1/ The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever, and must be guaranteed by a national bank or trust company or by a member firm of any national securities exchange or by another eligible guarantor institution as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934.

/2/ A facsimile number must be provided for the purpose of receiving any notice of the Company's election, if any, to settle this exercise of Warrant(s) in cash or of suspension of the holder's right to exercise this Warrant.

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# [FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned Holder of this Warrant Certificate hereby sells, assigns, and transfers unto the Assignee(s) named below (including the undersigned with respect to any Warrants constituting a part of the Warrants evidenced by this Warrant Certificate not being assigned hereby) all of the right of the undersigned under this Warrant Certificate, with respect to the number of Warrants set forth below:

Social Security or other

identifying number of

Names of assignee(s) Number of Assignee(s) Address --------------- Warrants

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and does hereby irrevocably constitute and appoint

, the undersigned's attorney, to make such transfer on the register maintained by

the Warrant Agent for that purpose, with full power of substitution in the premises. Dated: ,

(Signature of Owner)/3/

(Street Address)

(City) (State) (Zip Code)

# Signature Guaranteed by:

/3/ The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever, and must be guaranteed by a national bank or trust company or by a member firm of any national securities exchange or by another eligible guarantor institution as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934.

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# EXHIBIT C

**FORM OF NOTICE OF EXERCISE**

The undersigned hereby irrevocably elects to exercise the right, represented by Warrant Certificate No[s]. W- to purchase

shares of Common Stock of Oracle Corporation and undertakes to surrender such Warrant Certificate[s] to the Warrant Agent, at its office maintained for that purpose in , , with the form of election to exercise on the reverse thereof duly completed and signed, together with payment of the applicable Purchase Price, on the day six Business Days after the date hereof. The undersigned requests that a certificate for such shares be registered in the name of whose address is

and that such Certificate (or any payment in lieu thereof) be delivered to whose address is .

Notice of the Company's election, if any, to (i) settle this exercise of Warrants in cash or by net share settlement or (ii) suspend the exercise of Warrants should be addressed to the attention of , sent by facsimile transmission to the following number: (confirmation telephone number:

).

Capitalized terms not otherwise defined herein shall have the meanings specified in the Warrant Agreement dated as of May 19, 1997 between Oracle Corporation and the BankBoston, N.A., as Warrant Agent.

Dated:

(Signature must conform in all respects to name of holder as specified on the face of the Warrant Certificate.)

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# EXHIBIT D

**[FORM OF NOTICE OF CASH SETTLEMENT]**

Oracle Corporation hereby irrevocably elects to settle in cash the exercise of Warrant No[s]. W- to purchase shares of its Common Stock.

Capitalized terms not otherwise defined herein shall have the meanings specified in the Warrant Agreement dated as of May 19, 1997 between Oracle Corporation and the BankBoston, N.A., as Warrant Agent.

Dated:

# ORACLE CORPORATION

By: Name:

# Title

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# EXHIBIT E

**[FORM OF NOTICE OF NET SHARE SETTLEMENT]**

Oracle Corporation (the "Company") hereby irrevocably elects to settle by delivery of the Net Share Settlement Number of shares of its Common Stock the exercise of Warrant No[s] W- to purchase shares of its Common Stock.

Capitalized terms not defined herein have the meaning given such terms in the Warrant Agreement dated as of May 19, 1997, between the Company and the BankBoston, N.A., as Warrant Agent.

# ORACLE CORPORATION

By:

Name:

Title: E-1

# EXHIBIT F

**[NOTICE OF SUSPENSION OF EXERCISE]**

[Warrant Holder Name] [Warrant Holder Address]

In accordance with Section 4(f) of the Warrant Agreement (the "Warrant Agreement") dated as of May 19, 1997 between Oracle Corporation (the "Company") and , as Warrant Agent, relating to the Company's Equity Call Warrants (the"Warrants"), the Company hereby gives notice that your right to exercise your Warrants has been suspended until .

Therefore, the Notice of Exercise delivered by you has been canceled, has been deemed to have never been delivered and is returned herewith to you.

, as Warrant Agent By:

# Authorized Signature

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# EXHIBIT 4.7

**[FACE OF WARRANT CERTIFICATE]**

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR ANY INTEREST OR PARTICIPATION THEREIN OR HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY PURSUANT TO (A) REGISTRATION PURSUANT TO THE SECURITIES ACT OR (B) AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT, IN THE CASE OF (B), TO THE COMPANY'S AND THE WARRANT AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND, IN THE CASE OF EITHER (A) OR (B) TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE WARRANT AGENT. THE HOLDER OF EACH SECURITY BY ITS ACCEPTANCE HEREOF FURTHER AGREES THAT IT SHALL OFFER, SELL OR OTHERWISE TRANSFER THE WARRANTS REPRESENTED BY THIS CERTIFICATE ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND IN TRANSACTIONS INVOLVING THE SALE OF NO LESS THAN 1 MILLION WARRANTS SUBJECT TO THE COMPANY'S AND THE WARRANT AGENT'S RIGHT TO REQUIRE THE DELIVERY OF CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

# No. W-I-1 Certificate for 3,000,000 Warrants

**CUSIP No. 68389Y-12-9**

**SERIES I EQUITY CALL WARRANTS TO ACQUIRE COMMON STOCK OF ORACLE CORPORATION**

This Warrant Certificate certifies that Goldman, Sachs & Co., or registered assigns, is the registered holder of 3,000,000 Warrants (the "Warrants") to purchase Common Stock, par value $0.01 per share (the "Common Stock"), of Oracle Corporation, a Delaware corporation (the "Company"). Each Warrant entitles the holder, subject to the terms and conditions set forth herein and in the Warrant Agreement, to purchase from the Company one fully paid and non-assessable share of Common Stock of the Company at the purchase price per share of Common Stock (the "Purchase Price"), which price shall initially be $77.55 per share, subject to adjustment from time to time in accordance with the Warrant Agreement. Settlement for such purchase shall take place on the sixth Business Day after delivery of such Notice of Exercise, upon surrender to the Warrant Agent, at its office maintained for that purpose in Boston, Massachusetts or New York, New York, of this Warrant Certificate with the form of election to purchase on the reverse hereof duly completed and signed by the registered holder or holders hereof or by the duly appointed legal representative thereof or by a duly authorized attorney, and upon payment of the Purchase Price, but only subject to the conditions set forth herein and in the Warrant Agreement. Payment of the Purchase Price may be made by Federal or other immediately available funds to the Company.

The Company shall have the right to settle any exercise of a Warrant (i) in cash, in which case on the fifteenth Business Day after the Exercise Date the Company shall deliver to the exercising Holder, against surrender to the Warrant Agent at its office maintained for that purpose in Boston, Massachusetts of the Warrant Certificate evidencing the exercised Warrants, Federal or other immediately available funds payable to the order of such Holder in an amount equal to the Cash Settlement Value (as defined in the Warrant Agreement); or

(ii) by delivering the Net Share Settlement Number (as defined in the Warrant Agreement) of shares of Underlying Common Stock, in which case on the eighteenth Business Day after the Exercise Date the Company shall deliver to the exercising Holder, against surrender to the Warrant Agent at its office maintained for that purpose in Boston, Massachusetts of the Warrant Certificate evidencing the exercised Warrants, such number of fully paid and non-assessable shares.

No Warrant may be exercised or exchanged after 5:00 P.M., New York City time, on the Expiration Date. All Warrants evidenced hereby shall thereafter be void.

Reference is hereby made to the further provisions of this Warrant Certificate set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as though fully set forth in this place.

This Warrant Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Warrant Agent. IN WITNESS WHEREOF, Oracle Corporation has caused this instrument to be duly executed.

# ORACLE CORPORATION

*By: /s/ Bruce M. Lange*

*--------------------------------------*

*Name: Bruce M. Lange*

*Title: Vice President and Treasurer*

*(SEAL)*

*Attest: /s/ L. Patricia Moncada*

*-----------------------------------*

*Assistant Secretary DATED: May 19, 1997*

Countersigned as of the date above written:

# BANKBOSTON, N.A.

**as Warrant Agent**

*By: /s/ Geoffrey D. Anderson*

*----------------------------------*

*Authorized Officer*

# [REVERSE OF WARRANT CERTIFICATE]

This Warrant Certificate is issued under and in accordance with a Warrant Agreement dated as of May 19, 1997 (the "Warrant Agreement"), between the Company and BankBoston, N.A., as warrant agent (the "Warrant Agent," which term includes any successor Warrant Agent under the Warrant Agreement), and is subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions the Holder of this Warrant Certificate consents by acceptance hereof. The Warrant Agreement is hereby incorporated herein by reference and made a part hereof. Reference is hereby made to the Warrant Agreement for a full statement of the respective rights, limitations of rights, duties and obligations of the Company, the Warrant Agent and the Holders of the Warrants. Capitalized terms not defined herein have the meanings ascribed thereto in the Warrant Agreement. A copy of the Warrant Agreement may be obtained for inspection by the Holder hereof upon written request to BankBoston, N.A., 150 Royall Street, Canton, Massachusetts 02021, Attention: Reorganization Department.

The Warrants evidenced by this Warrant Certificate shall be exercisable, at the election of the Holder hereof, either as an entirety or from time to time for part only of the number of Warrants specified herein. In the event that less than all of the Warrants evidenced by this Warrant Certificate are exercised at any time prior to the Expiration Date, a new Warrant Certificate or Certificates of the same tenor shall be issued for the remaining number of Warrants evidenced by this Warrant Certificate.

The Company may, by notice to the Warrant Agent and to the Holder hereof, suspend the right to exercise Warrants evidenced hereby for a period of up to 90 days. The Company may suspend the right to exercise these Warrants on no more than one occasion. If any such period of suspension (as it may be extended by successive further notices) includes or extends beyond the Expiration Date, then the term of these Warrants shall be automatically extended to the Business Day following the last day of such suspension, which Business Day shall thereupon become the Expiration Date.

Upon receipt of a Notice of Exercise, the Company may cancel such exercise by delivering notices of suspension to the Warrant Agent and to the Holders of the Warrants (and delivering a copy thereof to the exercising Holder, by facsimile transmission to the number set forth for such purpose in the Notice of Exercise), not later than 5:00 P.M., New York City time, on the third Business Day after delivery to the Company of such Notice of Exercise, in which case such Notice of Exercise shall be deemed never to have been given.

At the option of the Holder hereof, Warrant Certificates may be exchanged at such office upon payment of the charges provided in the Warrant Agreement. Whenever any Warrant Certificates are so surrendered for exchange, the Company shall execute, and the Warrant Agent shall countersign and deliver, the Warrant Certificates that the Holder making the exchange is entitled to receive. All Warrant Certificates issued upon any registration of transfer or exchange of Warrant Certificates shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under the Warrant Agreement, as the Warrant Certificates surrendered for such registration of transfer or exchange. Every Warrant Certificate surrendered for registration of transfer or exchange shall (if so required by the Company or the

Warrant Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Warrant Agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be required of a Holder for any registration of transfer or exchange of Warrant Certificates. The Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Warrant Certificates.

The Company and the Warrant Agent may deem and treat the registered Holder of this Warrant Certificate as the absolute owner hereof (notwithstanding any notation of ownership or other writing thereon made by anyone), for the purpose of any exercise hereof or any distribution to the Holder hereof and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

The Warrant Agreement also provides that upon the occurrence of certain events, the Purchase Price set forth on the face hereof may, subject to certain conditions, be adjusted. If such Purchase Price is adjusted, the Warrant Agreement provides that in certain instances, the number of shares of Common Stock of the Company purchasable upon the exercise of each Warrant shall be adjusted. In the case of certain extraordinary transactions, the Warrants may become exercisable for the consideration received by Holders of Common Stock therein, or in certain cases, may become exchangeable solely for a cash payment, all as provided in the Warrant Agreement.

This Warrant Certificate and the Warrant Agreement are subject to amendment as provided in the Warrant Agreement.

# [FORM OF ELECTION TO EXERCISE]

**[TO BE EXECUTED UPON PURCHASE OF UNDERLYING COMMON STOCK]**

The undersigned hereby irrevocably exercises of Series I Equity Call Warrants for the acquisition of [ ] share(s) of Underlying Common Stock (as defined herein), represented by this Warrant Certificate, on the terms and conditions specified in this Warrant Certificate and the Warrant Agreement herein referred to, surrenders this Warrant Certificate and all right, title and interest therein Oracle Corporation (the "Company") and has tendered payment for such shares in the amount of $ , all in accordance with the terms hereof, directs that the shares of Common Stock deliverable upon the exercise of such Warrants be registered or placed in the name and at the address specified below and delivered thereto.

Dated: ,

/1/

(Signature of Owner) (Street Address)

(City) (State) (Zip Code)

# Facsimile Number/2/ Signature Guaranteed by:

/1/ The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever, and must be guaranteed by a national bank or trust company or by a member firm of any national securities exchange or by another eligible guarantor institution as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934.

/2/ A facsimile number must be provided for the purpose of receiving any notice of the Company's election, if any, to settle this exercise of Warrant(s) in cash or of suspension of the holder's right to exercise this Warrant.

# [FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned Holder of this Warrant Certificate hereby sells, assigns, and transfers unto the Assignee(s) named below (including the undersigned with respect to any Warrants constituting a part of the Warrants evidenced by this Warrant Certificate not being assigned hereby) all of the right of the undersigned under this Warrant Certificate, with respect to the number of Warrants set forth below:

=========================================================

Social Security or other

identifying

|  |  |  |  |
| --- | --- | --- | --- |
| Names of |  | number of | Number of |
| Assignee(s) | Address | assignee(s) | Warrants |
| -------------- | ------- | ------------------ | --------- |

=========================================================

and does hereby irrevocably constitute and appoint , the undersigned's attorney, to make such transfer on the register maintained by the Warrant Agent for that purpose, with full power of substitution in the premises.

Dated: ,

(Signature of Owner)/3/

(Street Address)

(City) (State) (Zip Code)

# Signature Guaranteed by:

/3/ The signature must correspond with the name as written upon the face of the within Warrant Certificate in every particular, without alteration or enlargement or any change whatsoever, and must be guaranteed by a national bank or trust company or by a member firm of any national securities exchange or by another eligible guarantor institution as defined in Rule 17Ad-15 under the

Securities Exchange Act of 1934.

# EXHIBIT 10.25

**Amendment No 1 to 1991 Long-Term Equity Incentive Plan dated December 9, 1996**

Section 3 of the 1991 Plan shall be amended to add the following sentences at the end of Section 3:

Notwithstanding the other terms of this Plan, options granted under the Datalogix International Inc. Amended and Restated 1992 Incentive Stock Plan and 1986 Key Employees' Stock Option Plan (collectively, the "Datalogix Plans") shall be assumed by the Corporation under this Plan pursuant to the Agreement and Plan of Merger dated as of September 24, 1996, as amended October 8, 1996, and, with respect to such assumed options, this Plan shall include the terms and conditions contained in the Datalogix Plans as applicable only to such options. To the extent any provision of this Plan could be deemed to provide an additional benefit to the holders of such options within the meaning of Section 424(a) of the Code, such provision shall not apply to such option holder, and to the extent any term contained in the applicable Datalogix Plan directly conflicts with the terms of this Plan, the terms of the applicable Datalogix

Plan shall govern.

EXHIBIT 21.01

ORACLE CORPORATION FEDERAL I. D. # 94-2871189

SUBSIDIARIES OF THE REGISTRANT AS OF MAY 31, 1997

LIST OF ENTITIES:

STATE OR COUNTRY

SUBSIDIARY OF INCORPORATION

---------- ----------------

Oracle (Barbados) Foreign Sales Corporation Barbados Network Computer, Inc. Delaware

Datalogix International, Inc. Delaware

Intercom Global Corporation Delaware

Intercom Software Corporation Delaware

Intercom Network Corporation Delaware

Oracle Credit Corporation California

Oracle China, Inc. California

Oracle Taiwan, Inc. California

Oracle Complex Systems Corporation Delaware

Oracle Japan Holding, Inc. Delaware

RSIB, Inc. Delaware

Oracle Holdings, Inc. Delaware

Oracle GmbH Austria

Oracle Belgium N.V. Belgium

Oracle Software d.o.o. Croatia

Oracle Czech S.R.O. Czech Republic

Oracle Danmark A/S Denmark

Oracle Deutschland GmbH Germany

Oracle Finland OY Finland

Oracle France S.A. France

Oracle Hellas S.A. Greece

Oracle Hungary Kft. Hungary

Oracle Europe Manufacturing Limited Ireland

Oracle Technology Company Ireland

Oracle Italia, S.p.A. Italy

Oracle Holding Antilles NV Netherlands Antilles Network Computer Incorporated, Nederland B.V. The Netherlands Oracle Nederland B.V. The Netherlands

Folebo BV The Netherlands

Oracle Norge AS Norway

Oracle Polska, Sp. z.o.o. Poland Oracle Portugal - Sistemas De Informacao, LDA Portugal Oracle Slovensko spol. s.l.o. Slovakia

Oracle Slovenia d.o.o. Slovenia

Oracle Iberica S.A. (Spain) Spain

Oracle Svenska AB Sweden

Oracle Software (Switzerland) Ltd. Switzerland

Oracle AG Switzerland

# EXHIBIT 21.01 (CONTINUED)

**ORACLE CORPORATION FEDERAL I. D. # 94-2871189**

**SUBSIDIARIES OF THE REGISTRANT AS OF MAY 31, 1997**

LIST OF ENTITIES:

STATE OR COUNTRY

SUBSIDIARY OF INCORPORATION

---------- ----------------

Oracle Corporation OLAP, Ltd. UK

Oracle Corporation UK Limited UK

Oracle Resources Ltd. UK

Oracle Corporation Nominees, Ltd. UK

Oracle EMEA Management Ltd. UK

Oracle Systems Limited Cyprus

Oracle Software Systems Israel Limited Israel

Saudi Oracle Limited Saudi Arabia

Oracle (South Africa) (Pty) Limited South Africa

Oracle Biligisayer Sistemleri Limited Sirketi Turkey

Oracle Argentina S.A. Argentina

Oracle do Brazil Sistemas Ltda. Brazil

Oracle Caribbean, Inc. Puerto Rico/United States

Oracle Holding Cayman Cayman Islands

Sistemas Oracle de Chile S.A. Chile

Centro de Capacitacion Oracles Ltda. Chile

Oracle Colombia Limitada Colombia

Oracle Centroamerica S.A. Costa Rica

Oracle Ecuador S.A. Ecuador

Oracle Mexico S.A. de C.V. Mexico

Oracle del Peru, S.A. Peru

Oracle Uruguay, S. A. Uruguay

Oracle de Venezuela C.A. Venezuela

Oracle Corporation Canada, Inc. Canada La Societe D'Informatique Oracle du Quebec, Inc. Canada Oracle Corporation Japan Japan

Oracle Systems (Australia) Pty. Ltd. Australia

Beijing Oracle Systems Company Limited China

Oracle Systems China (Hong Kong) Limited Hong Kong

Oracle Systems Hong Kong Limited Hong Kong

PT Oracle Indonesia Ltd. Indonesia

Oracle Systems (Korea) Ltd. Korea

Oracle Systems Malaysia Sdn. Bhd. Malaysia

Oracle New Zealand, Ltd. New Zealand

Oracle Systems (Philippines) Inc. Philippines Oracle Systems South East Asia (Singapore) Pte. Ltd. Singapore Oracle Systems (Thailand) Company Limited Thailand

Oracle Vietnam Vietnam

Oracle Software India Ltd. India

# EXHIBIT 23.01

**CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS**

As independent public accountants, we hereby consent to the incorporation of our report dated June 16, 1997 included in this Form 10-K, into the Company's previously filed Registration Statement File No.'s 33-3536, 33-16749, 33-44702, 33-53349, 33-53351 and 33-53355 on Form S-

8.

# ARTHUR ANDERSEN LLP

San Jose, California August 13, 1997

# ARTICLE 5

MULTIPLIER: 1,000

|  |  |
| --- | --- |
| PERIOD TYPE | 12 MOS |
| FISCAL YEAR END | MAY 31 1997 |
| PERIOD START | JUN 01 1996 |
| PERIOD END | MAY 31 1997 |
| CASH | 890,162 |
| SECURITIES | 323,028 |
| RECEIVABLES | 1,668,310 |
| ALLOWANCES | 127,840 |
| INVENTORY | 10,829 |
| CURRENT ASSETS | 3,271,096 |
| PP&E | 1,477,274 |
| DEPRECIATION | 608,326 |
| TOTAL ASSETS | 4,624,315 |
| CURRENT LIABILITIES | 1,922,139 |
| BONDS | 0 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 6,520 |
| OTHER SE | 2,363,192 |
| TOTAL LIABILITY AND EQUITY | 4,624,315 |
| SALES | 0 |
| TOTAL REVENUES | 5,684,336 |
| CGS | 0 |
| TOTAL COSTS | 1,550,466 |
| OTHER EXPENSES | 0 |
| LOSS PROVISION | 37,377 |
| INTEREST EXPENSE | 6,806 |
| INCOME PRETAX | 1,283,527 |
| INCOME TAX | 462,070 |
| INCOME CONTINUING | 821,457 |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 821,457 |
| EPS PRIMARY | 1.22 |
| EPS DILUTED | 1.22 |

End of Filing



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