

BOTTINI & BOTTINI, INC.
Francis A. Bottini, Jr. (SBN 175783)
fbottini@bottinilaw.com
7817 Ivanhoe Avenue, Suite 102
La Jolla, California 92037
Telephone: (858) 914-2001
Facsimile: (858) 914-2002

RENNE PUBLIC LAW GROUP
Louise H. Renne (SBN 36508)
lrenne@publiclawgroup.com
Ruth M. Bond (SBN 214582)
rbond@publiclawgroup.com
Ryan McGinley-Stempel (SBN 296182)
rmcginleystempel@publiclawgroup.com
350 Sansome Street, Suite 300
San Francisco, California 94101
Telephone: (415) 848-7200
Facsimile: (415) 848-7230

Attorneys for Plaintiff R. Andre Klein

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

R. ANDRE KLEIN, derivatively on behalf of
ORACLE CORPORATION and ORACLE
AMERICA, INC.,

Plaintiff,

vs.

LAWRENCE J. ELLISON, SAFRA A. CATZ,
JEFFREY O. HENLEY, JEFFREY S. BERG,
MICHAEL J. BOSKIN, BRUCE R. CHIZEN,
GEORGE H. CONRADES, RONA A.
FAIRHEAD, RENÉE J. JAMES, CHARLES
(WICK) MOORMAN IV, LEON E.
PANETTA, WILLIAM G. PARRETT,
NAOMI O. SELIGMAN, VISHAL SIKKA,
and DOES 1-30,

Defendants,

- and -

ORACLE CORPORATION and ORACLE
AMERICA, INC.,

Nominal Defendants.

Case No. _____

**VERIFIED SHAREHOLDER
DERIVATIVE COMPLAINT FOR:**

- 1. BREACH OF FIDUCIARY DUTY;**
- 2. AIDING AND ABETTING
BREACH OF FIDUCIARY DUTY;**
- 3. ABUSE OF CONTROL;**
- 4. UNJUST ENRICHMENT; AND**
- 5. VIOLATION OF SECTION 14(A)
OF THE SECURITIES
EXCHANGE ACT OF 1934.**

DEMAND FOR JURY TRIAL

Table of Contents

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I. INTRODUCTION2

II. NATURE AND SUMMARY OF THE ACTION5

III. JURISDICTION AND VENUE.....12

IV. INTRADISTRICT ASSIGNMENT13

V. THE PARTIES.....13

 A. Plaintiff13

 B. Nominal Defendants13

 C. Executive Officer Defendants.....13

 D. Director Defendants.....14

 E. Doe Defendants17

 F. Unnamed Participants.....17

VI. RESPONSIBILITIES AND DUTIES OF THE INDIVIDUAL DEFENDANTS.....18

 A. Responsibilities of the Individual Defendants.....18

 B. Fiduciary Duties of the Individual Defendants.....20

 C. Breaches of Fiduciary Duties by the Individual Defendants.....20

 D. Conspiracy, Aiding and Abetting, and Concerted Action.....21

 E. The Directors’ Roles and Committees at Oracle.....22

VII. SUBSTANTIVE ALLEGATIONS.....23

 A. Oracle’s CEO and Key Executive Team.....24

 B. At All Relevant Times, the Individual Defendants Have Had Actual Knowledge that Oracle Has Repeatedly Violated Anti-Discrimination Laws, and That Oracle Has Failed to Comply with Its Own Policies of Promoting Diversity and Prohibiting Discrimination, Yet the Individual Defendants Have Continued to

1 Refuse to Nominate Black Individuals and Minorities to the Board,
 2 Resulting in Congressional Inquiries29

3 C. False and Misleading Statements Made by the Director Defendants
 4 in Oracle’s Proxy Statements.....34

5 D. Oracle’s Nominating and Corporate Governance Committee
 6 Members Have Repeatedly Breached Their Fiduciary Duties to
 7 Ensure Diversity on the Board53

8 E. The Director Defendants Breached Their Duties of Loyalty and
 9 Good Faith by Failing to Ensure the Company’s Compliance with
 10 Federal and State Laws Regarding Diversity and Anti-
 11 Discrimination55

12 F. The Board Has Breached Its Duties by Failing to Ensure an
 13 Independent Chairman58

14 G. The Director Defendants Have Breached Their Duties by
 15 Continually Rehiring Ernst & Young as the Company’s Auditor,
 16 Despite Its Failure to Do Its Job59

17 H. The Individual Defendants Breached Their Duties of Loyalty and Good
 18 Faith by Causing Oracle to Intentionally Breach Its Obligations Under a
 19 Settlement Agreement Related to the Departure of Mark Hurd from
 20 Hewlett Packard, Resulting in a Massive \$3.0 Billion Judgment Against
 21 the Company62

22 I. The Unjust Compensation Awarded to the Individual Defendants62

23 VIII. THE COMPANY HAS SUFFERED SIGNIFICANT DAMAGES73

24 IX. DEMAND FUTILITY.....75

25 A. Demand Is Futile Against the Officer Defendants76

26 B. Demand Is Futile Against a Majority of the Board Who Are Not
 27 Officer Defendants Due to a Lack of Independence, Because Ellison
 28 Controls Oracle and Its Board76

C. A Majority of Directors Have Material Ties to Ellison Rendering
 Them Incapable of Assessing Demand Against the Officer
 Defendants80

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1. Defendant Catz.....81
2. Director Henley83
3. Director James83
4. Director Seligman84
5. Director Conrades86
6. Director Berg.....87
7. Director Boskin.....88
8. Director Chizen90
9. Director Garcia-Molina91
10. Director Panetta.....91

X. CAUSES OF ACTION93
XI. PRAYER FOR RELIEF98

1 Plaintiff R. Andre Klein (“Plaintiff”) submits this Verified Shareholder Derivative
2 Complaint against certain directors and officers of nominal defendants Oracle
3 Corporation and Oracle America, Inc. (together, “Oracle” or the “Company”) for, *inter*
4 *alia*, violations of the Securities Exchange Act of 1934 (“Exchange Act”), breaches of
5 fiduciary duties, and unjust enrichment. In support of these claims, Plaintiff alleges the
6 following upon (1) personal knowledge with respect to the matters pertaining to himself;
7 and (2) information and belief with respect to all other matters, based upon the
8 investigations undertaken by his counsel, which include a review of Oracle’s legal and
9 regulatory filings, press releases, analyst reports, and media reports about the Company.
10 Plaintiff believes that substantial additional evidentiary support will exist for the
11 allegations set forth below after a reasonable opportunity for discovery.

12 **I. INTRODUCTION**

13 *“Diversity and inclusion in our workforce starts at the top.”*

14 See Oracle’s 2019 Proxy Statement at 61.

15 1. Despite this platitude in its proxy statement, Oracle has failed to create any
16 meaningful diversity at the very top of the Company — the Board of Directors (the
17 “Board”). The Oracle Board has lacked diversity at all relevant times, and is one of the
18 few remaining publicly-traded companies without a single African American director.
19 The following are the current members of the Board:

20 **Lawrence J. Ellison**



20 **Safra A. Catz**



1 **Jeffrey O. Henley**



Jeffrey S. Berg



9 **Michael J. Boskin**



Bruce R. Chizen



19 **George H. Conrades**



Rona A. Fairhead



1 **Renée J. James**



Charles (Wick) Moorman IV



10 **Leon E. Panetta**



William G. Parrett



19 **Naomi O. Seligman**



Vishal Sikka



1 **II. NATURE AND SUMMARY OF THE ACTION**

2 2. Actions speak louder than words. If Oracle simply disclosed that it does
3 not want any Black individuals on its Board, it would be racist but honest. But Oracle's
4 Directors, wishing to avoid public backlash, have done the opposite — they have
5 repeatedly made gross misrepresentations in the Company's public statements by
6 claiming to have a multitude of policies, internal controls, and processes designed to
7 ensure diversity both at the management level and the Board itself.

8 3. These policies, however, are not worth the paper they are printed on. At
9 Oracle, it is "Do As I Say, Not As I Do." Oracle's Board, which has no Black individuals,
10 has consciously failed to carry out Oracle's written proclamations about increasing
11 diversity in its ranks. The Board, as well as the Company's executive officers, remain
12 devoid of Black people and other minorities. In short, Oracle remains one of the oldest
13 and most egregious "Old Boy's Club" in Silicon Valley. A sign advising applicants
14 "Blacks Need Not Apply" might as well hang at the entrance to the Company's
15 headquarters at 500 Oracle Parkway in Redwood Shores, California.

16 4. Oracle's Directors have deceived stockholders and the market by
17 repeatedly making false assertions about the Company's commitment to diversity. In
18 doing so, the Directors have breached their duty of candor and have also violated the
19 federal proxy laws. Their conduct has also irreparably harmed Oracle. For those who
20 care about diversity, inclusion, and honesty, those who do not adhere to these principles
21 should be boycotted, especially if the perpetrator is one of the largest and most
22 influential corporations in Silicon Valley.

23 5. Every business entity -- whether publicly traded or not -- has certain legal
24 obligations and responsibilities to its shareholders, customers, investors, and the public.
25 These responsibilities include the obligation to be truthful and honest; to actually
26 implement the policies and procedures that it represents it has adopted; and to not
27 engage in racial discrimination, whether it is in its workforce or leadership positions.
28 Oracle has failed on all counts.

1 6. Founded in 1977, Oracle’s Board today in 2020 has no African-
2 Americans and no Latinos; and no Asian-American or other minority representatives
3 aside from Vishal Sikka. And, none are in the offing.

4 7. This lawsuit is therefore about deception and a lack of truthfulness and
5 effort on the part of the Board to fulfill their fiduciary duties which has resulted in racial
6 discrimination in its leadership positions and otherwise to the detriment of the Oracle
7 shareholders.

8 8. Despite at least two Congressional inquiries into the lack of diversity on
9 Oracle’s Board, and a Department of Labor (“DOL”) lawsuit claiming Oracle’s
10 discrimination against minorities that resulted in at least \$400 million in underpaid
11 salaries, Oracle persists in its refusal to fix its glaring racial disparities. Oracle stands
12 alone in the basement of just a handful of publicly-traded companies that have earned
13 the dubious distinction of having not a single Black person on its board. In short,
14 Oracle’s culture and top ranks are permeated with a backwater attitude about diversity.
15 And Oracle’s problem is not just outdated views from a bygone era; statistics don’t lie,
16 and Oracle’s Board and workforce reveal one of the lowest prevalence of Black
17 individuals and minorities in Silicon Valley.

18 9. As one article commenting on the Congressional inquiries into the lack of
19 diversity at Oracle noted:

20 *Oracle should increase the racial diversity of its board, a group of U.S.*
21 *lawmakers said, putting a spotlight on the company’s hiring and*
management practices.

22 *“The fact that African Americans make up 13% and Asian Americans make*
23 *up 5.6% of the U.S. population but 0% of Oracle’s board and leadership*
24 *team is inexcusable,”* the lawmakers said in a Nov. 22 letter from the
House Tech Accountability Caucus and Tri-Caucus, which includes the
Black, Hispanic and Asian Pacific American caucuses.

25 It’s the latest call for the second-largest software maker and billionaire
26 Chairman Larry Ellison to improve diversity and inclusion. Former
27 employees and the U.S. government have sued the Redwood City,
28 California-based company, alleging it systematically underpaid women
and people of color, and many shareholders have supported repeated
requests that the board examine if there’s a pay gap between male and

1 female employees.

2 It's at least the second time this year that Oracle has attracted congressional
3 scrutiny for its diversity practices. In January, the Congressional Black
4 Caucus and House Tech Accountability Caucus wrote to the company
5 expressing dismay about allegations of pay discrimination.

6 This week's letter was signed by Democrats Robin L. Kelly, Joaquin Castro,
7 Karen Bass and Judy Chu, who chair the various House caucuses, as well
8 as other lawmakers.

9 See Anders Malin, *Oracle's Largely White Board Draws Congressional Scrutiny*, SEATTLE
10 TIMES, Nov. 22, 2019.

11 10. The article discussing the Congressional inquiry also noted:

12 ***Oracle is also contending with a January lawsuit from the U.S.
13 Department of Labor, which alleged the company short-changed female
14 and minority workers some \$400 million in wages.***

15 The allegations stem from a 2014 audit by a department unit that enforces
16 equal pay and other non-discrimination matters for federal contractors.
17 Records show that ***Oracle paid women and minority employees less than
18 others and steered them into lower-level jobs, the department said in court
19 papers.*** It also alleged that Oracle used H-1B visas to hire scores of Asians
20 and paid them less than employees who were U.S. citizens.

21 In 2017, three female engineers sued Oracle, alleging underpayment
22 compared with male engineers doing the same tasks. An analysis
23 conducted on behalf of the plaintiffs showed the company paid some
24 women about \$13,000 less per year on average versus male counterparts.
25 They're seeking to represent more than 4,000 similarly situated employees.

26 Oracle has denied the allegations in both cases.

27 ***For three straight years, shareholder Pax World Funds has filed proposals
28 asking the company's board to identify whether a gender pay gap exists
and how to fix it.*** The proposals have been supported by several large
investors, including funds held by BlackRock Inc. and State Street Corp.,
but failed to garner majority support. That's largely because Ellison, who
owns about a third of the stock, has opposed the measure.¹

11. Platitudes in proxy statements are not progress. Simply put, Oracle has no
real commitment to diversity and its Board is turning a blind eye to the Company's

¹ See Anders Malin, *Oracle's Largely White Board Draws Congressional Scrutiny*, SEATTLE TIMES, Nov. 22, 2019.

1 miserable failure to ensure the “diversity” trumpeted by the Directors in Oracle’s filings
2 with the Securities and Exchange Commission (“SEC”) and its annual reports to
3 shareholders.

4 12. The Director Defendants named herein all signed each of Oracle’s annual
5 proxy statements. With such signatures come an obligation to ensure that the statements
6 in the Proxy were true and accurate, and to correct any misleading statements. They
7 failed to do so.

8 13. As demonstrated herein, the Defendants knew of, but failed to disclose,
9 fraudulent business practices at Oracle that put the Company at material risk — namely,
10 discriminatory hiring and compensation practices. Had this information been disclosed,
11 shareholders would not have voted to reelect Board members, approve executive
12 compensation packages, and reject an independent Board chairman.

13 14. The time for change has come. If Oracle’s directors want to continue to be
14 part of the problem, not the solution, then they at least need to be held liable for their
15 breaches of fiduciary duties to the Company’s stockholders. If, on the other hand, they
16 want to be part of real change, they hold the keys themselves. They can (and should),
17 stand up and exercise the control of Oracle that they possess to make change NOW.

18 15. The shareholder derivative lawsuit has been the only judicial mechanism
19 for shareholders to hold directors accountable for engaging in wrongdoing. Like the
20 United State Supreme Court, California courts have long recognized that derivative suits
21 play an important role in corporate governance where directors fail to do their jobs:

22 The derivative action is practically the only remedy for calling the
23 management to account for its wrongs against the corporation and to
24 obtain restitution. Where a derivative suit is against outsiders for wrongs
25 against the corporation the directors can usually be expected to decide
26 impartially on the advisability of suing. But the management cannot be
27 expected to sue themselves for their own misdeeds.

28 *Pearce v. Super. Ct.*, 149 Cal. App. 3d 1058, 1065 (1983); *see also Vega v. Jones, Day, Reavis &*
Pogue, 121 Cal. App. 4th 282, 297 (2004); *accord Kamen v. Kemper Fin. Servs.*, 500 U.S. 90, 95
(1991) (quoting *Cohen v. Beneficial Indus. Loan Corp.*, 337 U.S. 541, 548 (1949)). As the

1 California Supreme Court recognized in *Jones v. H. F. Ahmanson & Co.*, where, as here,
2 the company's board and management fail to perform their duties, stockholders have a
3 "right" to bring derivative actions. See 1 Cal. 3d 93, 107 (1969). The courts of Delaware,
4 Oracle's state of incorporation, likewise acknowledge that derivative actions serve an
5 important function: "The machinery of corporate democracy and the derivative suit are
6 potent tools to redress the conduct of a torpid or unfaithful management." *Aronson v.*
7 *Lewis*, 473 A.2d 805, 811 (Del. 1984), *overruled in part on other grounds by Brehm v. Eisner*,
8 746 A.2d 244 (Del. 2000).

9 16. Plaintiff, derivatively on behalf of Oracle, seeks the following relief from
10 the Director Defendants:

11 (a) At least three of Oracle's directors should immediately resign prior
12 to the Company's annual meeting which is scheduled for November 2020 and
13 should insist that the Company nominate three new persons to serve in their
14 stead, which applicants should include two Black persons and one other minority;

15 (b) All Director Defendants named in this suit should return all their
16 2020 compensation received from Oracle (including any stock grants), and donate
17 the money to an acceptable charity or organization whose efforts include the
18 advancement of Black people and minorities in corporate America;

19 (c) Oracle should agree to publish an annual Diversity Report that
20 contains particularized information about the hiring, advancement, promotion,
21 and pay equity of all minorities at Oracle;

22 (d) Oracle should replace Larry Ellison as non-executive Chairman of
23 the Board; Ellison is not independent, and the lack of a truly independent non-
24 executive Chairman at Oracle has been a big part of the reason Oracle has not
25 sufficiently made any real progress at achieving diversity;

26 (e) Oracle should create a \$700 million fund to hire Black individuals
27 and other minorities, promote minorities to more management positions at the
28

1 Company, establish and maintain a mentorship program at Oracle for minorities
2 that is committed to providing the skills and mentorship necessary to succeed in
3 corporate America;

4 (f) Oracle should require annual training of its entire Board and all
5 Section 16 executive officers, which training should at a minimum focus on
6 diversity, affirmative action, anti-discrimination and anti-harassment, as well as
7 other relevant topics;

8 (g) Oracle should immediately set specific goals with respect to the
9 number of Black individuals and minorities to hire at the Company over the next
10 five years, and Oracle should adopt a revised executive compensation program
11 that makes 30% of executives' compensation tied to the achievement of the
12 diversity goals; and

13 (h) Oracle should replace Ernst & Young ("E&Y") as its auditor. Oracle
14 is one of E&Y's largest customers, and E&Y has served as Oracle's auditor *since*
15 *2002*, giving rise to a cozy and clubby relationship between E&Y and Oracle
16 which is not conducive to effective auditing. The Company's compliance with its
17 stated policies concerning the alleged commitment to diversity has been abysmal
18 to the point of being basically non-existent. The very purpose of an auditor is to
19 assess the Company's internal controls and determine if they are functioning
20 effectively. Rather than doing so, E&Y has wrongfully and consistently given
21 Oracle's internal controls a clean bill of health and has failed to point out the
22 obvious – that Oracle lacks an effective system of internal controls to ensure that
23 the Company is not discriminating against minorities and is complying with its
24 stated goals and initiatives regarding the promotion of diversity and the
25 avoidance of discrimination and harassment.

26 17. The Individual Defendants' misconduct has caused severe financial and
27 reputational damage to Oracle. The governmental lawsuits which allege racial
28

1 discrimination seek hundreds of millions of dollars in back pay for affected minorities,
2 including Black individuals:

3 A U.S. Department of Labor Office of Federal Contract Compliance
4 Programs (OFCCP) filing on Jan. 25 alleged Oracle discriminated against
5 black, Asian and female employees, as well as international workers with
6 visas, funneling them into lower-paying roles and *ultimately underpaying*
7 *them to the tune of \$400 million dollars.*

8 The OFCCP, which enforces equal pay and ensures government
9 contractors comply with anti-discrimination legislation, states: Oracle
10 “impermissibly denies equal employment opportunity to non-Asian
11 applicants for employment, strongly preferring a workforce that it can later
12 underpay. Once employed, women, Blacks and Asians are systematically
13 underpaid relative to their peers.” The practice allegedly goes back to
14 2013.²

15 18. While systematically underpaying minorities and women, Oracle’s CEOs
16 have used the money saved to pay themselves unfathomable amounts. Defendants
17 Ellison and Catz are at the top of the list of the 100 highest paid CEOs. They both made
18 \$108 million each in one year—*more than a thousand times greater than the average worker’s*
19 *salary.* Meanwhile it has taken five years for Oracle’s stock to crawl from \$40 to \$50 per
20 share.

21 19. In addition to these transgressions, the Director Defendants have abdicated
22 their fiduciary duties by allowing Defendant Ellison to engage in a personal vendetta
23 against Hewlett-Packard that had no business purpose, lacked any objective or legal
24 justification, and has resulted in a \$3 billion judgment against Oracle. The Director
25 Defendants were well aware that Ellison was risking extreme financial prejudice to the
26 Company by improperly pursuing this personal vendetta, and yet consciously failed to
27 curtail Ellison’s improper conduct, thus causing massive damages to Oracle. In so
28 doing, the Director Defendants and Ellison have breached their duties of loyalty and

25 ² See Sharon Florentine, *Oracle the Latest to Face Pay Discrimination Lawsuit*, CIO,
26 Feb. 1, 2019.

1 good faith to the Company.

2 20. As set forth below, Defendants' conduct constitutes bad faith and disloyal
3 acts, giving rise to claims that fall outside the scope of the business judgment rule and
4 outside of permissible indemnification by Oracle. As a result, all members of the Board
5 face a substantial likelihood of liability and any demand on them to bring this case
6 would be a futile and useless act.

7 **III. JURISDICTION AND VENUE**

8 21. This Court has subject matter jurisdiction over this action under Article III
9 of the U.S. Constitution and 28 U.S.C. § 1331 because of claims arising under Section
10 14(a) of the Exchange Act, 15 U.S.C. § 78n(a), and SEC regulation 14a-9 promulgated
11 thereunder. The Court has exclusive jurisdiction under Section 27 of the Exchange Act,
12 15 U.S.C. § 78aa. The Court has jurisdiction over the state-law claims in accordance with
13 28 U.S.C. § 1367.

14 22. This Court also has subject matter jurisdiction over this action under
15 Article III of the U.S. Constitution and 28 U.S.C. § 1332 because Plaintiff and Defendants
16 are citizens of different States and the amount in controversy exceeds the sum or value
17 of \$75,000, exclusive of interest and costs.

18 23. This Court has jurisdiction over Defendants. Each Defendant is either a
19 resident of California or otherwise has sufficient contacts with California in order to
20 render the exercise of jurisdiction by this Court over them permissible under traditional
21 notions of fair play and substantial justice. Additionally, in connection with the
22 misconduct alleged herein, Defendants, directly or indirectly, used the means and
23 instrumentalities of interstate commerce, including the United States mails, interstate
24 telephone communications, and the facilities of the national securities markets. The
25 Court has jurisdiction over Oracle because Oracle is headquartered in Redwood Shores,
26 California and has substantial business operations in California.

27 24. Venue is proper in this District pursuant to Section 27 of the Exchange Act.
28

1 Venue is also proper under 28 U.S.C. § 1391(b) because: (a) Oracle maintains its principal
2 place of business in this District; and (b) many of the acts and conduct that constitute the
3 violations of law complained of herein, including the preparation and dissemination to
4 the public of materially false and misleading information, occurred in this District.

5 **IV. INTRADISTRICT ASSIGNMENT**

6 25. In compliance with Local Rule 3-2(b), Plaintiff requests that this action be
7 assigned to the San Francisco Division of this District because a substantial part of the
8 events or conduct giving rise to the claims in this action occurred in the County of San
9 Mateo.

10 **V. THE PARTIES**

11 **A. Plaintiff**

12 26. Plaintiff R. Andre Klein is a current shareholder of Oracle, and has
13 continuously held Oracle stock at all relevant times.

14 **B. Nominal Defendants**

15 27. Oracle Corporation is a Delaware corporation with its headquarters at 500
16 Oracle Parkway, Redwood Shores, California 94065. Oracle's wholly owned subsidiary,
17 Oracle America, Inc., is an American multinational computer technology company that
18 designs, manufactures, and markets network computing infrastructure solutions. The
19 Company offers data storage products, cloud platform, databases, microprocessors,
20 software desktop systems, developer software, infrastructure management software, and
21 other related products and solutions.

22 **C. Executive Officer Defendants**

23 28. Defendant Lawrence J. Ellison is the chairman of Oracle Corporation and
24 chief technology officer ("CTO"). He founded the Company in 1977 and served as chief
25 executive officer ("CEO") until September 2014. Ellison lives in Woodside, California
26 which is part of San Mateo County.

27 29. Defendant Safra A. Catz has served as CEO of Oracle Corporation since
28

1 2014 and a member of the Company's Board since 2001. She previously served as
2 president of Oracle, and has also served as the Company's chief financial officer. Prior to
3 being named president, Catz held various other positions since starting at Oracle in 1999.

4 30. Defendant Jeffrey O. Henley is vice chairman of Oracle Corporation. He
5 served as Oracle's chief financial officer and an executive vice president from 1991 to
6 2004, and has been a member of Oracle's Board since 1995. Henley was chairman of
7 Oracle from 2004 until 2014. He also serves on Oracle's Executive Management
8 Committee.

9 **D. Director Defendants**

10 31. Defendant Jeffrey S. Berg was a member of the Oracle Board during all
11 relevant times. Berg has served as a Senior Sales Director of Oracle Cloud Management
12 Services from May 2003 to March 2012. He has served as chairman of Northside
13 Services, LLC, a media and entertainment advisory firm, since 2015. He was chairman of
14 Resolution, a talent and literary agency he founded, from 2013 until 2015.

15 32. Defendant Michael J. Boskin was a member of the Oracle Board during all
16 relevant times. Boskin is the Tully M. Friedman Professor of Economics and Wohlford
17 Family Hoover Institution Senior Fellow at Stanford University, where he has been on
18 the faculty since 1971. He is CEO and president of the consulting firm Boskin & Co., Inc.
19 Boskin was chairman of the President's Council of Economic Advisers from 1989 until
20 1993. He currently serves as a director of Bloom Energy Corporation and previously
21 served as a director of ExxonMobil.

22 33. Defendant Bruce R. Chizen was a member of the Oracle Board during all
23 relevant times. Chizen is currently an independent consultant and has served as senior
24 adviser to Permira Advisers LLP since 2008 and as a venture partner at Voyager Capital
25 since 2009. He has also served as an operating partner at private equity fund Permira
26 Growth Opportunities since June 2018.

27 34. Defendant George H. Conrades was a member of the Oracle Board during
28

1 all relevant times. Conrades has served as an executive advisor to Akamai Technologies,
2 Inc., a content delivery network services provider for media and software delivery and
3 cloud security solutions, since June 2018. He previously served as Akamai's CEO from
4 1999 to 2005 and chairman from 1999 to March 2018.

5 35. Defendant Rona A. Fairhead was a member of the Oracle Board during all
6 relevant times. Fairhead served as Minister of State for Trade and Export Promotion for
7 the United Kingdom Department for International Trade from September 2017 to May
8 2019. Previously, Fairhead served as chair of the British Broadcasting Corporation Trust
9 (BBC) from 2014 to 2017. From 2006 to 2013, she was chair and chief executive officer of
10 the Financial Times Group Limited, which was a division of Pearson plc, and, prior to
11 that, she served as Pearson's chief financial officer. Before joining Pearson, Fairhead held
12 a variety of leadership positions at Bombardier Inc. and Imperial Chemical Industries
13 PLC. She has previously served as a director of HSBC Holdings plc and PepsiCo, Inc.

14 36. Defendant Renée J. James was a member of the Oracle Board during all
15 relevant times. James is currently the chairman and CEO of Ampere Computing, a
16 company she founded in 2017, which produces high-performance semiconductors for
17 hyperscale cloud, storage, and edge computing. James also serves as an operating
18 executive for The Carlyle Group, a global alternative asset manager. In her role with
19 Carlyle, James evaluates new technology investments for the firm as well as advises
20 portfolio companies on their strategic direction and operational efficiency.

21 37. Defendant Charles (Wick) Moorman IV was a member of the Oracle Board
22 during all relevant times. Moorman is currently a senior advisor to Amtrak, where he
23 previously served as president and CEO from August 2016 until January 2018. Prior to
24 that and until 2015, Moorman was CEO (from 2005) and chairman (from 2006) of
25 Norfolk Southern Corporation. From 1975 to 2005, he held various positions in
26 operations, information technology, and human resources at Norfolk Southern
27 Corporation. Moorman serves as a director of Chevron Corporation and previously
28

1 served as a director of Duke Energy Corporation and Norfolk Southern Corporation.

2 38. Defendant Leon E. Panetta was a member of the Oracle Board during all
3 relevant times. Panetta served as United States Secretary of Defense from 2011 to 2013
4 and as Director of the Central Intelligence Agency from 2009 to 2011. Prior to that,
5 Panetta was a member of the United States House of Representatives from 1977 to 1993,
6 served as Director of the Office of Management and Budget from 1993 to 1994, and
7 served as former President Bill Clinton's Chief of Staff from 1994 to 1997. Panetta is the
8 cofounder and chairman of the Panetta Institute for Public Policy and currently serves as
9 moderator of the Leon Panetta Lecture Series, a program he created. He previously
10 served as Distinguished Scholar to Chancellor Charles B. Reed of the California State
11 University System and professor of public policy at Santa Clara University.

12 39. Defendant William G. Parrett was a member of the Oracle Board during all
13 relevant times. Parrett served as the chief executive officer of Deloitte Touche Tohmatsu,
14 a multinational professional services network, from 2003 until 2007. He joined Deloitte
15 in 1967 and served in a series of roles of increasing responsibility until his retirement in
16 2007. Parrett serves as a director of The Blackstone Group L.P. and the Eastman Kodak
17 Company. He previously served as a director of Conduent Inc., Thermo Fisher
18 Scientific, UBS Group AG, and IGATE Corporation. Parrett is a Certified Public
19 Accountant with an active license.

20 40. Defendant Naomi O. Seligman was a member of the Oracle Board during
21 all relevant times. Seligman is a senior partner at Ostriker von Simson, a technology
22 research firm that chairs the CIO Strategy Exchange. Since 1999, this forum has brought
23 together senior executives in four vital quadrants of the IT sector. From 1977 until 1999,
24 Seligman served as a cofounder and senior partner of Research Board, Inc., a private-
25 sector institution sponsored by 100 chief information officers from major global
26 corporations. She previously served as a director of Akamai Technologies, Inc., IGATE
27 Corporation, and Dun & Bradstreet.

1 41. Defendant Vishal Sikka was a member of the Oracle Board during all
2 relevant times. Sikka is the founder and CEO of Vianai Systems, Inc., a startup company
3 that provides advanced software and services in artificial intelligence and machine
4 learning. Previously, he was the CEO and Managing Director of Infosys Limited from
5 2014 to 2017 and a member of the Executive Board of SAP SE from 2002 to 2014. Sikka
6 holds a PhD in artificial intelligence from Stanford University and serves on the
7 Supervisory Board of BMW Group and on the Advisory Council for the Stanford
8 Institute for Human-Centered Artificial Intelligence.

9 42. The defendants identified in paragraphs 28 through 30 are referred to
10 herein as the “Executive Officer Defendants.” The defendants identified in paragraphs
11 31 through 41 are referred to herein as the “Director Defendants.” Collectively, all
12 defendants are referred to herein as the “Individual Defendants.”

13 **E. Doe Defendants**

14 43. Except as described herein, Plaintiff is ignorant of the true names of
15 defendants sued as Does 1 through 30, inclusive, and therefore, Plaintiff sues these
16 defendants by such fictitious names. Following further investigation and discovery,
17 Plaintiff will seek leave of this Court to amend this Complaint to allege their true names
18 and capacities when ascertained. These fictitiously named defendants are Oracle
19 officers, other members of management, employees, and/or consultants or third parties
20 who were involved in the wrongdoing detailed herein. These defendants aided and
21 abetted, and participated with and/or conspired with the named defendants in the
22 wrongful acts and course of conduct or otherwise caused the damages and injuries
23 claimed herein and are responsible in some manner for the acts, occurrences, and events
24 alleged in this Complaint.

25 **F. Unnamed Participants**

26 44. Numerous individuals and entities participated actively during the course
27 of and in furtherance of the wrongdoing described herein. The individuals and entities
28

1 acted in concert by joint ventures and by acting as agents for principals, to advance the
2 objectives of the scheme and to provide the scheme to benefit defendants and themselves
3 to the detriment of Oracle.

4 **VI. RESPONSIBILITIES AND DUTIES OF THE INDIVIDUAL DEFENDANTS**

5 **A. Responsibilities of the Individual Defendants**

6 45. Corporate officers and directors owe the highest fiduciary duties of care
7 and loyalty to the corporation they serve.

8 46. Board Members and Executive Officers are held to the highest level of
9 ethics and compliance with the law.

10 47. The Company's Corporate Governance Principles state that "All directors
11 are expected to comply with the Oracle Code of Ethics and Business Conduct."

12 48. The Company's Code of Ethics and Business Conduct states that:

13 We base personnel actions strictly on individual ability, performance,
14 experience, and company need. We avoid actions influenced by personal
15 relationships and discriminatory practices of any kind. Our goal is to
16 compensate personnel—with wages, salaries, and other benefits — in
17 relation to their responsibilities, performance, and experience. Oracle is
18 also committed to adhering to wage, hour, and minimum-age guidelines
19 provided by applicable laws. We strive to structure the content of jobs so
20 that work provides personal satisfaction and challenge.

21 49. The Company's Corporate Governance Principles state:

22 The Board is also responsible for overseeing management's efforts to assess
23 and manage material risks and for reviewing options for risk mitigation.
24 The Board reserves oversight of the major risks facing Oracle and may
25 delegate risk oversight responsibility to committees of the Board.

26 50. The Board is responsible for oversight and compliance with the Company's
27 internal controls regarding diversity, anti-discrimination, pay equity, hiring and
28 promotion. As alleged herein, the Company's Board failed to act in good faith by failing
to ensure compliance with these policies and controls, which existed on paper, but were
knowingly disregarded.

51. The Individual Defendants knew that the government had alleged at least
by January 2017 that, going back to at least 2014, the Company paid Black employees

1 and other minorities less than other employees for similar jobs. Despite this knowledge,
2 the Board did nothing.

3 52. The Board also obviously knew that it was all-white and lacked diversity.
4 The Board and the Executive Officers also knew that diversity was lacking in the
5 Company's workforce. The Defendants' knowledge of the problems is reflected by their
6 efforts to conceal the lack of diversity and discrimination. When shareholder proposals
7 were advanced to require the Company to publish an Equity Pay Report so that
8 employees and shareholders would receive data and statistics about diversity and pay
9 differences, the Defendants caused the Company to oppose the proposals and advance
10 false reasons for the opposition, including that "Relatively few global companies have
11 publicized their internal pay data and it does not appear to have had any additional
12 beneficial effect. We believe the creation and publication of a pay equity report as
13 requested by this proposal would be costly and time-consuming and, in light of our
14 long-standing efforts in this area, would not lead to meaningful gains in support of
15 workforce diversity and gender pay equity."³

16 53. The Board also knew that Congress had launched an inquiry into this lack
17 of diversity. Again, the Board did nothing to address the problem after becoming aware
18 of these serious deficiencies and violations of the law. The Board knew the Company
19 had policies in place on paper, but they failed to give the policies any teeth or
20 enforcement. The Board's conduct represented hypocrisy, bad faith, and disloyal
21 conduct. The Board had a duty to cause the Company to comply with the law and its
22 own Code of Ethics and Business Conduct, and failed to do so.

23 54. The direct involvement of Oracle's Board makes them interested in the
24 outcome of this litigation because they face a substantial likelihood of liability. Demand

25 ³ See Oracle's 2019 Proxy Statement at 61.
26
27
28

1 is thus futile.

2 **B. Fiduciary Duties of the Individual Defendants**

3 55. By reason of their positions as officers and directors of the Company, each
4 of the Individual Defendants owed and continue to owe Oracle and its shareholders
5 fiduciary obligations of trust, loyalty, good faith, and due care, and were and are
6 required to use their utmost ability to control and manage Oracle in a fair, just, honest,
7 and equitable manner. The Individual Defendants were and are required to act in
8 furtherance of the best interests of Oracle and not in furtherance of their personal
9 interest or benefit.

10 56. To discharge their duties, the officers and directors of the Company were
11 required to exercise reasonable and prudent supervision over the management, policies,
12 practices, and controls of the affairs of the Company. By virtue of such duties, the
13 officers and directors of Oracle were required to, among other things:

14 (a) conduct the affairs of the Company in an efficient, business-like
15 manner in compliance with all applicable laws, rules, and regulations so as to
16 make it possible to provide the highest quality performance of its business, to
17 avoid wasting the Company's assets, and to maximize the value of the
18 Company's stock; and

19 (b) remain informed as to how Oracle conducted its operations, and,
20 upon receipt of notice or information of imprudent or unsound conditions or
21 practices, make reasonable inquiry in connection therewith, and take steps to
22 correct such conditions or practices and make such disclosures as necessary to
23 comply with applicable laws.

24 **C. Breaches of Fiduciary Duties by the Individual Defendants**

25 57. The conduct of the Individual Defendants complained of herein involves a
26 knowing and culpable violation of their obligations as officers and directors of Oracle,
27 the absence of good faith on their part, and a reckless disregard for their duties to the
28

1 Company.

2 58. The Individual Defendants breached their duty of loyalty and good faith
3 by allowing defendants to cause, or by themselves causing, the Company to cover up
4 Oracle's discrimination, and caused Oracle to incur substantial damage.

5 59. The Individual Defendants, because of their positions of control and
6 authority as officers and/or directors of Oracle, were able to and did, directly or
7 indirectly, exercise control over the wrongful acts complained of herein. The Individual
8 Defendants also failed to prevent the other Individual Defendants from taking such
9 improper actions. As a result, and in addition to the damage the Company has already
10 incurred, Oracle has expended, and will continue to expend, significant sums of money.

11 **D. Conspiracy, Aiding and Abetting, and Concerted Action**

12 60. At all relevant times, the Individual Defendants were agents of the
13 remaining Individual Defendants, and in doing the acts alleged herein, were acting
14 within the course of scope of such agency. The Individual Defendants ratified and/or
15 authorized the wrongful acts of each of the other Individual Defendants. The Individual
16 Defendants, and each of them, are individually sued as participants and as aiders and
17 abettors in the improper acts, plans, schemes, and transactions that are the subject of this
18 Complaint.

19 61. In committing the wrongful acts alleged herein, the Individual Defendants
20 have pursued, or joined in the pursuit of, a common course of conduct, and have acted
21 in concert with and conspired with one another in furtherance of the improper acts,
22 plans, schemes, and transactions that are the subject of this Complaint. In addition to
23 the wrongful conduct herein alleged as giving rise to primary liability, the Individual
24 Defendants further aided and abetted and/or assisted each other in breaching their
25 respective duties.

26 62. The Individual Defendants engaged in a conspiracy, common enterprise,
27 and/or common course of conduct, by failing to maintain adequate internal controls at
28

1 the Company and covering up discrimination at the Company.

2 63. During all times relevant hereto, the Individual Defendants, collectively
3 and individually, initiated a course of conduct that was designed to and did circumvent
4 the internal controls at the Company and cause the Company to cover up Oracle
5 executives' discrimination. In furtherance of this plan, conspiracy, and course of
6 conduct, the Individual Defendants, collectively and individually, took the actions set
7 forth herein.

8 64. The purpose and effect of the Individual Defendants' conspiracy, common
9 enterprise, and/or common course of conduct was, among other things, to disguise the
10 Individual Defendants' violations of law, breaches of fiduciary duty, and waste of
11 corporate assets; and to conceal adverse information concerning the Company's
12 operations.

13 65. The Individual Defendants accomplished their conspiracy, common
14 enterprise, and/or common course of conduct by intentionally circumventing internal
15 controls at the Company and causing the Company to cover up discrimination at the
16 Company. Because the actions described herein occurred under the authority of the
17 Board, each of the Individual Defendants was a direct, necessary, and substantial
18 participant in the conspiracy, common enterprise, and/or common course of conduct
19 complained of herein.

20 66. Each of the Individual Defendants aided and abetted and rendered
21 substantial assistance in the wrongs complained of herein. In taking such actions to
22 substantially assist the commission of the wrongdoing complained of herein, each
23 Individual Defendant acted with knowledge of the primary wrongdoing, substantially
24 assisted in the accomplishment of that wrongdoing, and was aware of his or her overall
25 contribution to and furtherance of the wrongdoing.

26 **E. The Directors' Roles and Committees at Oracle**

27 67. The following chart sets forth the directors of Oracle as set forth in the
28

1 Company's most recent Proxy Statement and the committees on which they serve:

2	Director	Finance and Audit	Compensation	Governance	Independence
3	Jeffrey S. Berg			✓	✓ Chair
4	Michael J. Boskin	✓ Chair			
5	Safra A. Catz				
6	Bruce R. Chizen			✓ Chair	
7	George H. Conrades		✓ Chair		✓
8	Lawrence J. Ellison				
9	Rona A. Fairhead				
10	Hector Garcia-Molina				✓
11	Jeffrey O. Henley				
12	Mark V. Hurd				
13	Renée J. James				
14	Charles W. Moorman IV				
15	Leon E. Panetta		✓	✓	
16	William G. Parrett	✓	✓		
17	Naomi O. Seligman		✓ Vice Chair		

21 **VII. SUBSTANTIVE ALLEGATIONS**

22 68. Oracle's Board enjoys the dubious distinction of being one of only a
23 handful of publicly-traded companies in the United States with zero Black members and
24 zero Asian American members.

25 69. The lack of diversity at the top at Oracle is significant. The Board bears
26 ultimate responsibility for ensuring the Company's compliance with federal and state
27 laws prohibiting discrimination based on race, gender, and other factors. Diversity in
28

1 the workforce is a strong indication of a lack of discrimination; conversely, a lack of
2 diversity provides a strong indication that discrimination is present.

3 **A. Oracle's CEO and Key Executive Team**

4 70. At Oracle, not only does the Board lack a single Black member, but the
5 Company's executive ranks also lack a single Black person: Oracle's Chief Executive
6 Officer is Safra Catz. Oracle's key executives include Safra Catz and 40 others.

7
8 **Safra Catz**
Chief Executive Officer



Mary Ann Davidson
Chief Security Officer



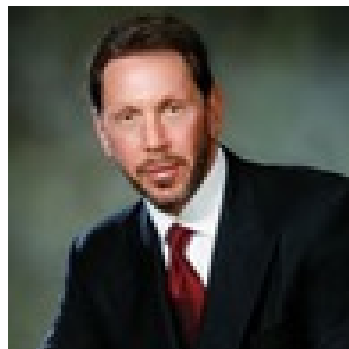
Greg Pavlik
Senior Vice President,
Chief Technology Officer,
Oracle Cloud Platform



15
16
17 **Jon S. Chorley**
Chief Sustainability Officer



Lawrence Ellison
Chairman of the Board &
Chief Technology Officer



Dorian Daley
Executive Vice President
General Counsel &
Secretary



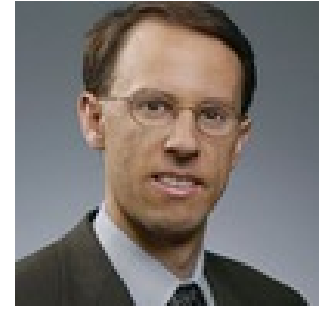
1 **Jeffrey Henley**
2 Vice Chairman of the Board



Edward Screven
 Chief Corporate Architect



Douglas Kehring
Executive Vice President,
Corporate Operations



8
9 **Simon de Montfort Walker**
10 Senior Vice President &
11 General Manager, Oracle
12 Food & Beverage



Keith Rajeki
 Vice President



Steve Rosenberg
Senior Vice President and
General Manager, Oracle
Health Science Global
Business Unit



17
18 **Mike Sicilia**
19 Executive Vice President,
20 Global Business Units



Sonny Singh
Senior Vice President &
General Manager, Oracle
Financial Services Global
Business Unit



Rodger Smith
Senior Vice President &
General Manager, Oracle
Utilities



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Guerry Waters
Group Vice President,
Product Strategy &
Marketing



Mike Webster
Senior Vice President &
General Manager



Bradley Williams
Vice President, Industry
Strategy, Oracle Utilities



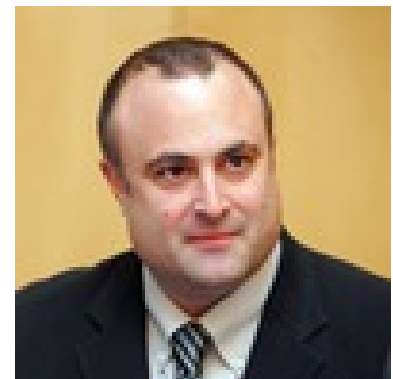
Vivian Wong
Group Vice President,
Higher Education
Technologies



Gretchen Alarcon
Group Vice President,
Human Capital
Management Strategy



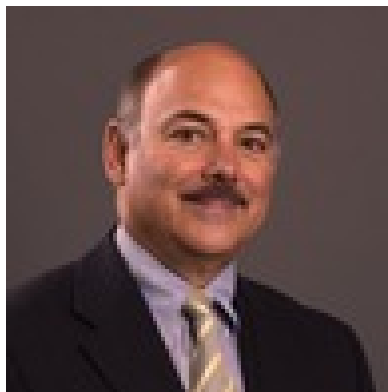
Paco Aubrejuan
Senior Vice President,
Oracle Applications
Development



Steve Daheb
Senior Vice President,
Oracle Cloud



Donald Deutsch
Vice President, Standards
Strategy & Architecture



Derek Gittoes
Vice President, Supply
Chain Management
Product Strategy



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

William Hardie
Vice President, Oracle
Database Product
Management



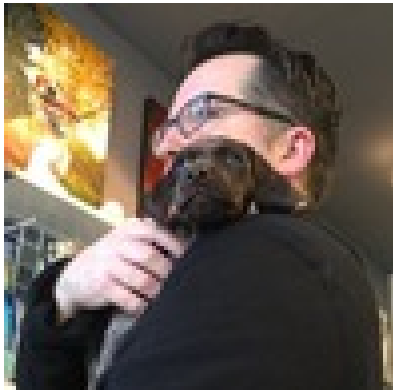
Emily He
Senior Vice President,
Global Marketing, Oracle
Cloud HCM



Kash Iftikhar
Vice President and General
Manager



Don Johnson
Executive Vice President,
Oracle Cloud Infrastructure



Rajan Krishnan
Group Vice President



Chris Leone
Senior Vice President and
GM, Oracle Human Capital
Management (HCM) Cloud



Juergen Lindner
Senior Vice President,
Global Marketing, SaaS



Juan R. Loaiza
Executive Vice President,
Mission Critical Database
Technologies



Clay Magouyrk
Executive Vice President,
Oracle Cloud Infrastructure



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Andrew Mendelsohn
Executive Vice President,
Oracle Database Server
Technologies



Steve Miranda
Executive Vice President,
Applications Development



Vipin Samar
Senior Vice President,
Database Security



Mike Splain
Executive Vice President,
Microelectronics



Jason Williamson
Vice President, Oracle for
Startups & Oracle for
Research



Christopher J. Donato
Senior Vice President,
North America
Applications & Consulting



Rich Geraffo
Executive Vice President,
North America Cloud
Technology



Inderjeet Singh
Executive Vice President,
ISV, OEM, & Java



B. At All Relevant Times, the Individual Defendants Have Had Actual Knowledge that Oracle Has Repeatedly Violated Anti-Discrimination Laws, and That Oracle Has Failed to Comply with Its Own Policies of Promoting Diversity and Prohibiting Discrimination, Yet the Individual Defendants Have Continued to Refuse to Nominate Black Individuals and Minorities to the Board, Resulting in Congressional Inquiries

1
2
3
4
5
6
71. Oracle has been consistently criticized for failing to nominate and promote Black individuals and minorities to its Board and to positions of management and power within Oracle.

7
8
9
10
11
12
72. Oracle, led by Larry Ellison and the Board, has consistently refused to appoint Black individuals and minorities to its Board and to management positions within the Company. The Company has been roundly criticized for its refusal to do so, but has persisted in its intransigence.

13
14
15
16
17
18
19
20
21
22
23
73. The fact that Oracle's Board has been, and continues to be, non-diverse has not escaped Congress' attention. On Friday, November 22, 2019, over 30 members of Congress slammed Oracle's lack of diversity, sending a letter to Company co-founder Larry Ellison and the Board asking for answers to questions about the Company's lack of efforts to diversify its leadership.

24
25
26
27
28
74. The Congressional letter to the Board stated:

The fact that African Americans make up 13% and Asian Americans make up 5.6% of the US population but 0% of Oracle's board and leadership team is inexcusable," the letter read. "As a company that has expressed a commitment to diversity and rejected claims of intentional discrimination, you should recognize the optics of Oracle working doggedly to sell software and technology systems to businesses and congressional districts, historically black colleges and universities and minority serving institutions, and communities of color — but not work to remedy the lack of diversity on your board.

75. The letter, organized by the Congressional Black Caucus and the House Tech Accountability Caucus, noted a February 2019 commitment by the Company to not "intentionally discriminate against women and people of color." According to the November 22, 2019 letter, the Company ignored similar questions in 2018 about the Board's lack of African American representation.

76. In January 2019, it was also reported that Oracle worked to block a public

1 records request seeking the Company's diversity data under the premise that the
2 publication of such data was a "very real threat to its competitive position." The news
3 organization that had asked for the records (Reveal) successfully sued for the records,
4 which showed that Oracle's workforce, as of 2015, was 90 percent white or Asian, and
5 that just under 13 percent of the Company's executives were women.⁴

6 77. In January 2017, the government sued Oracle for discriminating against
7 Black individuals and minorities. In a press release announcing the lawsuit, the DOL
8 stated:

9 **SAN FRANCISCO** — The U.S. Department of Labor has filed a lawsuit
10 against Oracle America, Inc. alleging the leading technology company has
11 a *systemic practice of paying Caucasian male workers more than their*
12 *counterparts in the same job title, which led to pay discrimination against*
13 *female, African American and Asian employees.* The suit also challenges
14 Oracle's systemic practice of favoring Asian workers in its recruiting and
15 hiring practices for product development and other technical roles, which
16 resulted in hiring discrimination against non-Asian applicants.

17 Oracle designs, manufactures, and sells software and hardware products,
18 as well as offers services related to its products to the federal government.

19 The lawsuit filed by the department's Office of Federal Contract
20 Compliance Programs is the result of an OFCCP compliance review of
21 Oracle's equal employment opportunity practices at its Redwood Shores
22 headquarters. *During the investigation – which began in 2014 – Oracle*
23 *also refused to comply with the agency's routine requests for employment*
24 *data and records. For example, Oracle refused to provide prior-year*
25 *compensation data for all employees, complete hiring data for certain*
26 *business lines, and employee complaints of discrimination. OFCCP*
27 *attempted for almost a year to resolve Oracle's alleged discrimination*
28 *violations before filing the suit.*

29 78. Female employees have also filed class action lawsuits against Oracle,
30 alleging discrimination and disparate pay. On May 1, 2020, a San Mateo Superior Court
31 judge granted class certification to a suit by 4,100 women who allege that Oracle paid

32 ⁴ See AJ Vicens, *Once Again, Oracle's Diversity Record Comes Under Fire*, MOTHER
33 JONES, Nov. 22, 2019.

1 them \$13,000 less than men.⁵ The case against Oracle was filed by former company
2 engineer Sue Petersen and two other women, all of whom worked at PeopleSoft Corp.
3 before it was acquired by Oracle in 2005. They allege that Oracle for years has paid
4 women less than men for “substantially similar work, when viewed as a composite of
5 skill, effort, and responsibility, and performed under similar working conditions.” The
6 plaintiffs emphasized that company-wide compensation is determined at Oracle’s
7 headquarters in Redwood Shores, California.

8 79. Judge Swope, who is presiding over the case, refused to exclude a study,
9 commissioned by the plaintiffs, that found women at Oracle earned 13% less than their
10 male counterparts. The study was done by a UC-Irvine economics professor David
11 Neumark. “Professor Neumark had a reasonable basis for his opinions that education,
12 years of prior job experience, tenure at Oracle, and performance review scores do not
13 explain the gender pay gap faced by women in the same job code as men,” the judge
14 wrote.

15 80. Oracle is still fighting the 2017 lawsuit over gender-pay disparities brought
16 by the DOL. As noted *supra*, the DOL claims that Oracle has not cooperated with the
17 government’s investigation and continues to refuse to produce documents and
18 information about its pay practices.

19 81. As the acrimony between Oracle and the DOL increased due to Oracle’s
20 refusal to cooperate, the DOL filed a second complaint against Oracle on January 22,
21 2019.⁶ The agency claims the Company owes women and minorities \$400 million in
22 what it says is “the biggest enforcement case” it’s ever brought against a federal
23

24 ⁵ See Bob Egelko, *Judge Allows Suit by 4,100 Women Who Say Oracle Paid Them*
\$13,000 Less Than Men, SAN FRANCISCO CHRONICLE, May 1, 2020.

25 ⁶ In January 2019, the government successfully sought leave from the
26 Administrative Law Judge to file a Second Amended Complaint in the case.
27
28

1 contractor. The government added many new allegations and details in its January 22,
2 2019 complaint, in which it alleged that Oracle discriminated against African Americans,
3 women, and minorities by paying them less money for the same jobs:

4 Oracle's suppression of pay for its non-White, non-male employees
5 is so severe that it persists *and gets worse* over long careers; Black and Asian
6 employees with years of experience are paid as much as 25% less than their
7 peers. Oracle's discriminatory practices affect thousands of employees at
8 its headquarters.⁷

9 82. The DOL's January 22, 2019 Second Amended Complaint also noted that:

10 The few (less than 30) Black or African American employees at
11 Oracle also suffered significant pay discrimination. Those employees were
12 underpaid (relative to White employees) in jobs in Oracle's Product
13 Development job function, resulting in pay disparities as high as 7.5%.⁸

14 83. The government's complaint also calculated the cost to the minority
15 employees of the discrimination and it was staggering:

16 *Oracle's discrimination against its own employees has cost these
17 employees at least \$401,000,000 on lost wages for the period from 2013–
18 2016.*⁹

19 84. As one newspaper noted in an article commenting on the DOJ complaint,
20 "Oracle robbed just about anyone who wasn't a pasty white male of \$400 million."¹⁰

21 85. The government alleges that Oracle accomplished the discrimination by
22 using two methods: (a) Oracle relies on prior salaries in setting compensation at Oracle
23 for new hires; and (b) Oracle steers Black individuals, women, and minorities into lower-
24 paying jobs at Oracle.¹¹

25 ⁷ See Exhibit A at pp. 1-2.

26 ⁸ *Id.* (Motion for Leave to File Second Amended Complaint) at 2.

27 ⁹ *Id.*

28 ¹⁰ See Richard Chirgwin, *Oracle Robbed Just About Anyone Who Wasn't a Pasty White Male of \$400 m, Says Uncle Sam*, THE REGISTER, Feb. 23, 2019.

¹¹ See Exhibit A (DOL's Second Amended Complaint) at 1.

1 86. The government's January 22, 2019 complaint specifically alleges that
2 Oracle discriminated against Black individuals when recruiting recent college graduates:

3 [I]n the four years between 2013 and 2016, Oracle hired only six
4 African American or Black recent college graduates into positions PTI
5 [Professional Technical 1, Individual Contributor] job group, and *Oracle*
6 *hired zero Black or African American graduates in 2016.*¹²

7 87. The Board has had actual knowledge of all these facts at all relevant times.
8 The Congressional letter was sent directly to the Board and Ellison. The Board is
9 intimately familiar with the DOL lawsuit and has authorized the Company's response to
10 the lawsuit. The Board members are all antagonistic to the lawsuit and continue to
11 refuse to correct the violations, instead choosing to back Ellison's nuclear response to the
12 case, characterized by fighting the claims at all costs instead of acknowledging and
13 fixing the problems.

14 88. Indeed, the Individual Defendants' response to the DOL's lawsuit has gone
15 way beyond merely defending the case and seeking its dismissal. In November 2019, the
16 Defendants went on the offensive and sued the DOL in the United States District Court
17 for the District of Columbia, claiming that the DOL's lawsuit is unconstitutional and
18 violates the Administrative Procedure Act, as well as other federal statutes and
19 regulations. Specifically, Oracle asserts that the DOL "vastly exceeded" its authority by
20 "promulgat[ing] an expansive enforcement regime to prosecute and adjudicate
21 discrimination claims and claims of affirmative action violations against government
22 contractors, and to award compensatory remedies to individual employees and
23 injunctive relief against employers." Claiming to be a victim of the "modern
24 administrative state" created by the DOL, Oracle sought to have the DOL's enforcement
25 regime declared unconstitutional and to make the DOL pay for its attorneys' fees

26 ¹² *Id.* at 3.

1 associated with the litigation. It is hard to fathom how the DOL lacks the authority to
 2 sue for labor law violations, but apparently Oracle believes the best defense is a good
 3 offense, regardless of the damage such tactics cause to the Company's reputation and
 4 goodwill with its customers. As reported by *Bloomberg*, Oracle's lawsuit against the DOL
 5 is believed to "*ha[ve] no foundation*," but reflects Oracle's "*scorched earth*" litigation
 6 *tactic*:

7 ... Some lawyers say that based on decades of precedent, *Oracle has*
 8 *no foundation for a lawsuit against the Labor Department*. But if a ruling
 9 goes in favor of Oracle, it could upend the agency's administrative process
 — which requires an agency judge and appeals board to rule on OFCCP
 discrimination claims before an employer can bring the dispute to the
 federal court system.

10 "The implications are huge. If Oracle were to win this case, and if it
 11 were to be sustained on appeal, OFCCP as we know it would cease to
 12 exist," said former Labor Solicitor Patricia Smith, who served during the
 Obama administration and is now senior counsel at the National
 Employment Law Project. ...

13 The OFCCP's authority hasn't been challenged in nearly four
 14 decades, *but it would fit Oracle's pattern of what Administrative Law*
 15 *Judge Richard M. Clark described as "scorched earth" litigation*, lawyers
 said.

16 Paige Smith, *Oracle Attacks DOL Enforcement Power Ahead of Pay Bias Trial (1)*, BLOOMBERG
 17 LAW, Dec. 5, 2019.

18 **C. False and Misleading Statements Made by the Director Defendants in**
 19 **Oracle's Proxy Statements**

20 89. Notwithstanding their knowledge about Oracle's failure to promote and
 21 achieve diversity and its discriminatory pay practices, the Director Defendants have
 22 caused Oracle to consistently make false statements about Oracle's commitment to
 23 diversity and the promotion of Blacks and other minority employees to positions of
 24 management and power at Oracle. In the 2019 Proxy, signed by Directors Ellison, Berg,
 25 Boskin, Catz, Chizen, Conrades, Fairhead, Garcia-Molina, Henley, James, Moorman,
 26 Panetta, Parrett, and Seligman, the Directors represented that the Board was qualified in
 27 part due to its diversity and efforts to "actively seek[] women and minority candidates
 28 from the pool from which director candidates are chosen":

Director Qualifications

Our Corporate Governance Guidelines (described in “Corporate Governance – Corporate Governance Guidelines” on page 18) contain Board membership qualifications that apply to Board nominees recommended by the Governance Committee. The Governance Committee strives for a mix of skills, experience and perspectives that will help create an outstanding, dynamic and effective Board. In selecting nominees, the Governance Committee assesses the independence, character and acumen of candidates and endeavors to collectively establish areas of core competency of the Board, including, among others, industry and technical knowledge and experience; management, accounting and finance expertise; and demonstrated business judgment, leadership and strategic vision. *The Governance Committee values a diversity of backgrounds, experience, perspectives and leadership in different fields when identifying nominees.* As noted in our Corporate Governance Guidelines, *the Governance Committee is committed to actively seeking women and minority candidates for the pool from which director candidates are chosen.*

90. The Proxy also stated:

Director Tenure, Board Refreshment and Diversity

The Board and the Governance Committee value diversity of backgrounds, experience, perspectives and leadership in different fields when identifying nominees. As set forth in our Guidelines, *the Governance Committee, acting on behalf of the Board, is committed to actively seeking women and minority candidates for the pool from which director candidates are selected.*

91. These statements were false and misleading. In reality, regardless of whether Oracle’s Governance Committee (comprised of Defendants Berg, Chizen, and Panetta) ever made any efforts to recruit any Black individuals and other minorities to the Board, no Black individuals currently serve on the Board. Actions speak louder than words. In fact, the Board has never in good faith actively sought minority candidates. The phrase “committed to actively seeking” implies that in fact active, good faith efforts have been made, when in reality Oracle has not actively sought to recruit minorities and has just attempted to create the false impression that it is “committed” to doing so. This is the very definition of a misleading statement.

92. To attempt to justify its failure to break from a status quo rooted in systemic racism, Oracle’s Board has resisted efforts to appoint new members to its Board

1 by claiming that the individuals who have served on the Board for, in some cases
2 decades, have experience that is valuable to the Company. In the Company's 2019
3 Proxy, the Director Defendants caused Oracle to state:

4 However, we do not impose director tenure limits or a mandatory
5 retirement age. The Board has considered the perspectives of some
6 stockholders regarding longer-tenured directors, but believes that longer-
7 serving directors with experience and institutional knowledge bring critical
8 skills to the boardroom. In particular, the Board believes that given the
9 large size of our company, the breadth of our product offerings and the
10 international scope of our organization, longer-tenured directors are a
11 significant strength of the Board. The Board also believes that longer-
12 tenured directors have a better understanding of the challenges Oracle is
13 facing and are more comfortable speaking out and challenging
14 management. *Accordingly, while director tenure is taken into
15 consideration when making nomination decisions, the Board believes that
16 imposing limits on director tenure would arbitrarily deprive it of the
17 valuable contributions of its most experienced members.*

18 93. This statement was made with knowledge or reckless disregard of its
19 falsity and with intent to mislead shareholders. In fact, longer-tenured directors do not
20 serve the best interests of the Company, as amply demonstrated by leading academics
21 and professionals in the field of best corporate governance principles. A report by the
22 Harvard Law School Forum on Corporate Governance noted that:

23 Investor respondents to ISS' 2016–2017 Global Policy Survey
24 (conducted between Aug. 2, 2016 and Aug. 30, 2016) were asked which
25 tenure-related factors — with multiple answers allowed — would give rise
26 to concern about a board's nominating and refreshment processes. *Among
27 the 120 institutional investors (one-third of whom each own or manage
28 assets in excess of \$100 billion) who responded, 68 percent pointed to a
29 high proportion of directors with long tenure as cause for concern, 53
30 percent identified an absence of newly-appointed independent directors in
31 recent years as a potential problem, and 51 percent flagged lengthy average
32 tenure as problematic.* Just 11 percent of the investor respondents said that
33 tenure is not a concern, although even several of those respondents
34 indicated that an absence of newly-appointed directors is a concern.¹³

35 94. In reality, the Director Defendants' refusal to adopt director term limits

36 ¹³ Available at <https://corpgov.law.harvard.edu/2017/02/09/board-refreshment-trends-at-sp-1500-firms/> (last visited June 21, 2020).

1 and to appoint new Black and minority members to the Board represents explicit or
2 implicit racism at Oracle and an improper pretext for failing to add Black and minority
3 individuals to the Board. In misrepresenting the reason for failing to add new members
4 to its Board (by falsely claiming that term limits and new persons added to the Board
5 would deprive Oracle of the “experience” of older white members who have served on
6 the Board for decades), the Director Defendants made intentionally or recklessly false
7 statements in order to get themselves reelected and to conceal the true reasons for
8 Oracle’s long-standing failure to add Black individuals to its Board.

9 95. Elsewhere in the 2019 Proxy Statement, a shareholder advanced the
10 following proposal for the consideration of fellow shareholders:

11 ***Resolved:***

12 Shareholders request Oracle prepare a report by April 2020 (at reasonable
13 cost, omitting proprietary and confidential information), identifying
14 whether a gender pay gap exists among its employees, and if so, outline
15 the steps being taken to reduce the gap. The Organization for Economic
16 Cooperation and Development has defined the gender pay gap as the
17 difference between male and female earnings expressed as a percentage of
18 male earnings.

16 96. The Director Defendants opposed this resolution. In order to convince
17 shareholders to vote against the resolution, the Director Defendants caused the
18 following false statement to be included in the Proxy:

19 **Statement in Opposition to Proposal No. 4**

20 As a global company with approximately 136,000 employees and
21 customers in over 175 countries, *we are committed to ensuring that we do*
22 *not discriminate on the basis of gender in our compensation programs, and*
23 *we are further committed to diversity and inclusion in our workforce.* We
24 make every effort to attract, invest in and develop the talents of employees
25 who reflect the diversity of our customers and the communities in which
26 we do business. *We believe a diverse workforce enables us to better*
27 *anticipate and meet our customers’ changing needs in a fast-paced global*
28 *economy and deliver greater value to our stockholders.*

26 *Diversity and inclusion in our workforce starts at the top.* Thirty-
27 three percent of our Board members are women or come from a diverse
28 background (four of our 15 Board members are women, including one of
our CEOs). Since 2006, Oracle Women’s Leadership (OWL), a leadership
and professional development program, has sought to develop, engage

1 and empower current and future generations of Oracle women leaders.
2 Each of our more than 80 worldwide OWL communities is led by a senior
3 Oracle woman leader and focuses on professional development,
4 networking and community outreach at the local level. OWL's global
5 events are open to all Oracle employees, promoting diversity and inclusion
6 across our workforce.

7 *In addition to fostering diversity and inclusion at Oracle, we*
8 *support efforts to build a future pipeline of diverse talent in the technology*
9 *industry globally.*

10 97. In opposing the shareholder resolution, the Individual Defendants also
11 caused Oracle to include the following false statement in the Proxy:

12 Oracle promotes equality through our hiring, pay and promotions
13 processes. Specifically:

- 14 • New jobs are posted publicly for anyone to apply.
- 15 • *Hiring and promotion pay decisions are based on a variety of non-*
16 *discriminatory factors, including consideration of the job itself and the*
17 *pay range associated with it, as well as the skills, experience, education*
18 *and expertise the individual brings to Oracle – not race or gender.*
- 19 • *Our compensation framework aims to achieve equity, as well as*
20 *recognition of each employee's particular knowledge, skills, abilities,*
21 *performance, experience, and contributions to the company.*
- 22 • Inquiries about candidates' prior salary history pay are prohibited.
23 This policy has been in effect in Oracle's U.S. offices prior to the enactment
24 of state laws in California and elsewhere prohibiting this practice.

25 *Relatively few global companies have publicized their internal pay data*
26 *and it does not appear to have had any additional beneficial effect. We*
27 *believe the creation and publication of a pay equity report as requested by*
28 *this proposal would be costly and time-consuming and, in light of our*
long-standing efforts in this area, would not lead to meaningful gains in
support of workforce diversity and gender pay equity.

98. The 2019 Proxy also contained a "Proposal No. 2: ADVISORY VOTE TO
APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS" which
stated:

Pursuant to Section 14A of the Exchange Act, we are asking our
stockholders to cast a non-binding, advisory vote on the compensation of
our NEOs (a "say-on-pay" vote). We currently hold our say-on-pay vote
annually, and we expect the next say-on-pay vote will occur in 2020. In
deciding how to vote on this proposal, we urge you to consider the
following factors, as well as the information contained in "Executive
Compensation—Compensation Discussion and Analysis" beginning on
page 28.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Fiscal 2019 Executive Compensation Highlights

- No tranches of the PSOs granted to Mr. Ellison, Ms. Catz and Mr. Hurd in fiscal 2018 have been earned, due to the rigor and long-term nature of the PSO goals.
- Total compensation for Mr. Ellison, Ms. Catz and Mr. Hurd, in the aggregate, **decreased by approximately 98%** in fiscal 2019 compared to fiscal 2018 (as reported in SCT on page 44). In fiscal 2019, for these NEOs:
 - Base salaries remained unchanged;
 - No bonuses were earned; and
 - No equity awards were granted.
- In the aggregate, approximately **95.2%** of the total compensation reported in the SCT in fiscal 2019 for all other NEOs (Mr. Screven, Ms. Daley and Mr. Henley) was **at-risk**. The total compensation mix for these NEOs is heavily weighted toward equity-based awards, thus aligning their compensation with the interests of our stockholders.

Fiscal 2019 Compensation

Mr. Ellison, Ms. Catz and Mr. Hurd

Below is an excerpt of our fiscal 2019 SCT showing the total compensation for Mr. Ellison, Ms. Catz and Mr. Hurd. See page 44 for the full SCT and related footnotes.

Name	Fiscal Year	Salary (\$)	All Other Compensation (\$)	Total (\$)
Lawrence J. Ellison	2019	1	1,662,827	1,662,828
Safra A. Catz	2019	950,000	15,981	965,981
Mark V. Hurd	2019	950,000	1,531,646	2,481,646

Elements of Fiscal 2019 Compensation

Mr. Screven, Ms. Daley and Mr. Henley

At-Risk Compensation 95.2%

RSUs/Stock Options 94.4%

Bonus 0.8%

Base Salary 4.7%

All Other Compensation 0.1%

Compensation Best Practices

✓ Best Practices We Employ	✗ Practices We Avoid
<ul style="list-style-type: none"> ✓ High proportion of compensation for our most senior executives is performance-based and at-risk ✓ Caps on maximum payout of bonuses and performance-based equity awards 	<ul style="list-style-type: none"> ✗ No severance benefit arrangements except as provided under our equity incentive plan to employees generally or as required by law ✗ No single-trigger change in control vesting of equity awards

- ✓ Robust stock ownership guidelines
- ✓ Disciplined dilution rates from equity awards
- ✓ Compensation recovery (clawback) policy for cash bonuses in the event of a financial restatement
- ✓ Annual risk assessment of compensation programs
- ✓ Independent compensation consultant and independent compensation committee
- ✓ Anti-hedging policy applicable to all employees and directors

- * No change in control acceleration of performance-based cash bonuses
- * No minimum guaranteed vesting for performance-based equity awards
- * No discretionary cash bonuses for CEOs and CTO
- * No tax gross-ups for NEOs
- * No payout or settlement of dividends or dividend equivalents on unvested equity awards
- * No supplemental executive retirement plans, executive pensions or excessive retirement benefits
- * No repricing, cash-out or exchange of “underwater” stock options without stockholder approval

Required Vote

We are asking our stockholders to support the compensation of our NEOs and our compensation philosophy as described in this proxy statement. You may vote FOR or AGAINST the following resolution, or you may ABSTAIN. This advisory vote on NEO compensation will be approved if it receives the affirmative vote of the holders of a majority of shares of Oracle common stock present or represented and entitled to vote on this matter at the Annual Meeting.

“RESOLVED, that the stockholders hereby approve, on an advisory basis, the compensation paid to the named executive officers, as disclosed in Oracle’s Proxy Statement for the 2019 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the U.S. Securities and Exchange Commission, which includes the Compensation Discussion and Analysis, the compensation tables and related narrative disclosures that accompany the compensation tables.”

Your vote is advisory, and therefore not binding on Oracle, the Board or the Compensation Committee, and will not be interpreted as overruling a decision by, or creating or implying any additional fiduciary duty for, the Board or the Compensation Committee. Nevertheless, our Board and Compensation Committee value the opinions of our stockholders and view this vote as one of the modes of communication with stockholders. As in prior years, the Board and Compensation Committee will review and consider the outcome of this vote in determining future compensation arrangements for our NEOs.

The Board of Directors unanimously recommends a vote FOR the advisory approval of the compensation of our NEOs.

99. This proposal in the Proxy was false and misleading because it failed to disclose that the executives’ achievement of performance goals was based in part on unlawful discriminatory hiring and pay practices. The compensation plans gave Defendants a strong incentive to continue concealing the true nature of the Company’s discriminatory pay practices in order to boost the Company’s reported financial performance and achieve the performance measures such as earnings, financial return ratios, net income, and stock price, for which they could be awarded bonuses.

1 100. The 2019 Proxy also contained a “Shareholder Proposal 5 – Independent
2 Board Chairman,” which asked shareholders to vote in favor of requiring Oracle to
3 replace Ellison as Chairman with an independent director. The proposal stated in part:

4 *It is important to have an Independent Board Chairman because neither*
5 *the Chairman nor the Lead Director are listening to shareholders.* The co-
6 CEOs of Oracle, Safra Catz and Mark Hurd are at the top of the list of the
7 100 highest paid CEOs. They both made \$108 million each in one year—
8 more than a thousand times greater than the average worker’s salary.
9 Meanwhile it has taken 5-years for Oracle stock to crawl from \$40 to \$50.
10 *Ironically management previously claimed that it already had the*
11 *“independent leadership” called for in this proposal.* Two record \$108
12 million paychecks in one-year does not sound like independent leadership
13 and the shareholders objected to Oracle executive pay. The 2018 say on
14 executive pay vote was almost underwater with only a 53%-vote when
15 many companies obtain a 95%-vote.

16 George Conrades was lead director and was an overachiever in getting
17 negative votes—39%. Mr. Conrades also chaired the executive pay
18 committee responsible for 2 record \$108 million paychecks. Mr. Conrades
19 was in a close downhill race with Naomi Seligman who received 38% in
20 negative votes. The other heavy-hitters in negative votes were Leon
21 Panetta with 31% in negative votes with Jeffrey Berg and Bruce Chizen
22 almost tied with about 23% each in negative votes. And these enormous
23 negative votes were in spite of a possible 100% approval vote from the
24 insider Oracle shareholders.

25 *There is plenty of work for an independent Chairman at Oracle. An*
26 *independent Chairman is more likely to see that Oracle has more*
27 *independent directors.* Six Oracle directors each had from 18 to 42 years
28 long-tenure. Long-tenure can impair the independence of a director—no
matter how well qualified. Independence is a priceless attribute in a
director.

*This proposal topic won 44%-support at a previous Oracle annual
meeting. This 44%-support represented majority support from non-insider
shares.*

21 101. In response to this proposal, the Director Defendants caused Oracle to file
22 an opposition position in the Proxy which stated:

23 The Board believes it is important to preserve flexibility to determine the
24 most appropriate leadership structure based on an assessment of Oracle’s
25 needs and circumstances at any given time. The Board believes our
26 company and our stockholders benefit from this flexibility, as our directors
27 are well positioned to determine our leadership structure given their in-
28 depth knowledge of our leadership team, our strategic goals, and the
opportunities and challenges we face. Moreover, our lead independent
director role, as well as our other corporate governance practices, already
provide the independent leadership and management oversight requested
by this proposal.

1 As described in our Corporate Governance Guidelines (the Guidelines), the
2 Board does not have a policy mandating the separation of the roles of
3 Chair and CEO. The Board elects our Chair and our CEOs, and these
4 positions may be held by the same person or by different people.
5 Currently, the roles of Chair and CEO are filled by separate individuals.
6 Since September 2014, Mr. Ellison, Oracle's founder and CTO, has served
7 as Chairman, and Ms. Catz and Mr. Hurd have served as CEOs. *The Board*
8 *believes that the separation of the offices of the Chair and CEOs is*
9 *appropriate at this time* because it allows our CEOs to focus primarily on
10 Oracle's business strategy, operations and corporate vision. *The Board*
11 *further believes it is valuable for Mr. Ellison to serve as Chairman because*
12 *his familiarity with and knowledge of our technologies and product*
13 *offerings are unmatched. With over 40 years of experience at Oracle, Mr.*
14 *Ellison is uniquely positioned to help the Board oversee our company's*
15 *business and strategic direction.*

16 *We do not believe that a policy requiring an independent chair is necessary*
17 *to ensure that the Board provides independent and effective oversight of*
18 *Oracle's business and management.* Our Guidelines provide that on an
19 annual rotating basis, the chair of the F&A Committee, the Compensation
20 Committee or the Governance Committee serves as the lead independent
21 director at executive sessions of the Board. The lead independent director
22 serves as a liaison between our independent directors and our executive
23 directors and performs additional duties as the Board determines.
24 Currently, Bruce Chizen serves as the lead independent director.

25 102. These statements were false and misleading because the Director
26 Defendants did not genuinely believe them. Oracle at all times has lacked an
27 independent Chairman, resulting in great harm to Oracle as the Company, controlled by
28 Ellison, engaged in unlawful conduct with respect to discriminatory hiring and pay
practices and meritless litigation ordered by Ellison to seek revenge against his
perceived enemies. The Individual Defendants actually believed that an independent
chairman would help protect Oracle's interests, but agreed to include this opposition
statement in the Proxy because it was what Ellison wanted and demanded. The year
before, the same proposal had won 44% support from shareholders, including a majority
of votes from non-insiders such as Ellison. A statement of support from the Directors
would have likely substantially altered the votes at the 2019 Annual Meeting and been
material to the voting decisions of shareholders.

103. The false statements had their desired effect. At Oracle's annual meeting
in November 2019, all the incumbent white directors were reelected. No competing

1 Black or minority candidates made it on the ballot. No term limit proposal was adopted.
 2 The shareholder proposal that Oracle be required to publish an annual Pay Equity
 3 Report was defeated, as was the proposal to replace Ellison as Chairman with an
 4 independent Chairman. E&Y was reappointed as the Company's auditor.

5 104. Oracle published the results of the voting at its annual meeting in a Form
 6 8-K filed on November 22, 2019:

7 On November 19, 2019, Oracle Corporation ("Oracle") held its 2019 Annual
 8 Meeting of Stockholders (the "Annual Meeting"). Below is a brief
 9 description of each matter submitted to a vote at the Annual Meeting, as
 10 well as the number of votes cast for and against and the number of
 11 abstentions and broker non-votes with respect to each matter. For more
 information about these proposals, please refer to Oracle's definitive proxy
 statement filed with the U.S. Securities and Exchange Commission (the
 "SEC") on September 27, 2019 and the supplement to the proxy statement
 filed with the SEC on November 8, 2019.

12 **Proposal No. 1: Election of Directors**

13 The stockholders elected each of the following persons as a director to hold
 14 office until the 2020 Annual Meeting of Stockholders and until his or her
 15 successor is elected and qualified, or until his or her earlier resignation or
 removal.

16 Director Nominee	Votes For	Votes Withheld	Broker Non-Votes
Jeffrey S. Berg	2,092,721,049	620,399,516	284,909,463
17 Michael J. Boskin	2,532,360,712	180,759,853	284,909,463
Safra A. Catz	2,659,116,270	54,004,295	284,909,463
18 Bruce R. Chizen	2,085,708,462	627,412,103	284,909,463
George H. Conrades	1,948,071,682	765,048,883	284,909,463
19 Lawrence J. Ellison	2,640,162,313	72,958,252	284,909,463
Rona A. Fairhead	2,702,414,022	10,706,543	284,909,463
20 Jeffrey O. Henley	2,624,916,140	88,204,425	284,909,463
Renée J. James	2,638,446,569	74,673,996	284,909,463
21 Charles W. Moorman IV	2,024,942,088	688,178,477	284,909,463
Leon E. Panetta	1,963,328,155	749,792,410	284,909,463
22 William G. Parrett	2,684,906,371	28,214,194	284,909,463
23 Naomi O. Seligman	1,979,012,304	734,108,261	284,909,463

24 **Proposal No. 2: Advisory Vote to Approve the Compensation of Oracle's 25 Named Executive Officers**

26 The stockholders cast an advisory vote approving the compensation of
 Oracle's named executive officers as follows: 1,562,280,318 shares in favor,
 27 1,146,505,043 shares against, 4,335,204 shares abstaining and 284,909,463
 broker non-votes.

1 **Proposal No. 3: Ratification of Selection of Independent Registered**
2 **Public Accounting Firm**

3 The stockholders ratified the appointment of Ernst & Young LLP as
4 Oracle's independent registered public accounting firm for the fiscal year
5 ending May 31, 2020, with 2,960,045,696 shares in favor, 35,127,374 shares
6 against and 2,856,958 shares abstaining.

7 **Proposal No. 4: Stockholder Proposal Regarding Pay Equity Report**

8 The stockholders did not approve a stockholder proposal requesting that
9 Oracle prepare a gender pay equity report, with 942,828,312 shares in
10 favor, 1,699,773,596 shares against, 70,518,657 shares abstaining and
11 284,909,463 broker non-votes.

12 **Proposal No. 5: Stockholder Proposal Regarding Independent Board**
13 **Chair**

14 The stockholders did not approve a stockholder proposal requesting that
15 Oracle's Board of Directors (the "Board") adopt a policy requiring the
16 Chair of the Board, whenever possible, to be an independent member of
17 the Board, with 953,662,512 shares in favor, 1,755,172,042 shares against,
18 4,286,011 shares abstaining and 284,909,463 broker non-votes.

19 105. The 2019 Proxy was materially misleading because it failed to disclose:

20 (a) That the statement "Hiring and promotion pay decisions are based
21 on a variety of non-discriminatory factors, including consideration of the job itself
22 and the pay range associated with it, as well as the skills, experience, education
23 and expertise the individual brings to Oracle—not race or gender" was not
24 accurate, since the Company's decisions do take into consideration race even if
25 the other stated factors are also considered;

26 (b) That the Company's opposition to term limits is not due to a desire
27 to retain the "experience" of the incumbent Director Defendants, but instead to
28 keep minorities off the Board;

(c) That the Company's stated reason for not publishing an annual
diversity and/or pay report was false, and was not due to the asserted cost of
preparing and publishing such report; and instead, that the real reason for the
Company's refusal to disclose its salary and pay/employment data in an annual
report is due to a desire to conceal existing, known, and glaring pay disparity at
the Company;

(d) That the Company's stated policies with respect to diversity and

1 anti-discrimination were not effective and were not being complied with;

2 (e) That the Board's Governance Committee did not take diversity into
3 consideration when evaluating potential Board candidates, and instead simply
4 claimed to do so in order to create a false appearance of compliance with the law;

5 (f) that the Director Defendants did not genuinely believe the statement
6 in the Proxy that it was not in the Company's best interests, or necessary, to have
7 an independent Chairman since the current governance structure was working
8 effectively; in fact, as demonstrated herein and below, the Individual Defendants
9 all knew that Oracle's best interests were not being adequately protected by
10 Ellison serving as Chairman, as amply demonstrated by the Department of Labor
11 lawsuit alleging systematic hiring and pay discrimination and HP's \$3.0 billion
12 verdict against Oracle due to Ellison's improper personal vendetta against HP;

13 (g) Defendants' knowledge that the Company's internal controls and
14 systems were inadequate and ineffective to protect minorities against
15 discrimination in hiring, promotion, and other critical terms of employment and
16 equal access, and that rampant unlawful discrimination exists at the Company;

17 (h) Defendants' knowledge, learned from Congressional letters to
18 Ellison and the Board, that the Company's repeated failure to promote diversity
19 was among the worst of all publicly-traded companies;

20 (i) The Defendants' knowledge of continuing and repeated violations
21 of federal contracting policies and laws due to discriminatory pay practices that
22 adversely affected minorities and women;

23 (j) That the Company was preferring the hiring of Asian Indians over
24 other minorities and women;

25 (k) That Defendants failed to maintain appropriate policies, internal
26 controls, and procedures to ensure that the Company's stated policies with
27 respect to diversity and anti-discrimination were being complied with;

28

1 (l) That Defendants failed to appropriately address the Company's lack
2 of diversity and discriminatory practices towards minorities in hiring and
3 promotion and misleading claims regarding the same; and

4 (m) That, as a result, the Company was at substantial risk of large
5 monetary fines, penalties, and adverse judgments in pending lawsuits due to the
6 fact that the Company was not in compliance with federal and state laws
7 regarding hiring, promotion, and pay practices.

8 106. The 2019 Proxy harmed the Company by interfering with the proper
9 governance on its behalf that requires stockholders' informed voting of directors. As a
10 result of the false or misleading statements in the 2019 Proxy, stockholders voted to re-
11 elect all of the Defendants to the Board and voted against requiring Oracle to have an
12 independent Chairman.

13 107. The statements in the 2019 Proxy conveyed that the Company's corporate
14 governance structure was "effective" and provided "oversight of management and
15 Board accountability." In reality, the Company's corporate governance structure and
16 defective internal controls allowed senior executives and the Board to sidestep real
17 accountability and instead continue perpetuating the discriminatory practices that led to
18 the DOL lawsuit and the Company's discriminatory pay practices, private class action
19 lawsuits filed by female employees, Congressional inquiry into the lack of diversity at
20 Oracle, and other discrimination in hiring practices and lack of diversity on both the
21 Board and management.

22 108. The 2019 Proxy, which contained materially misleading statements and
23 thus deprived shareholders of adequate information necessary to make a reasonably
24 informed decision, caused the Company's stockholders to reelect all of the Defendants to
25 the Board while they were breaching their fiduciary duties to the Company and
26 deliberately concealing material information concerning the Company's discrimination
27 against Black individuals and other minorities and its effects on the Company's business
28

1 and reputation.

2 109. The Company and its shareholders were harmed by the approval of
 3 incentive compensation awards to certain of the Individual Defendants, such as
 4 executive officers, such as Catz, Ellison, and others, who helped perpetrate the illegal
 5 discriminatory hiring and compensation practices. Had shareholders known of the
 6 underlying misconduct at the Company, they would not have voted to keep the same
 7 Directors who were allowing the illegal practices to continue. Even if the alleged
 8 fraudulent discriminatory practices began before the Proxy Statements issued, they
 9 continued after the Proxy Statements issued because Board members elected by
 10 shareholders pursuant to the Proxy Statements allowed the practice to continue.

11 110. **2018 PROXY** — The statements above that the Director Defendants caused
 12 the Company to make in the 2019 Proxy were substantially identical to statements they
 13 had caused Oracle to include in the 2018 Proxy, which was filed by Oracle with the SEC
 14 on September 26, 2018. The 2018 Proxy contained a shareholder proposal asking that
 15 Oracle be required to have an independent Chairman that was substantially identical to
 16 the same proposal in the 2019 Proxy.

17 111. The 2018 Proxy was approved by the Directors below, and the table below
 18 identifies committee membership as of September 17, 2018, the record date of the 2018
 19 Annual Meeting:

Director	Finance and Audit	Compensation	Governance	Independence
Jeffrey S. Berg	✓		✓	✓ Chair
Michael J. Boskin	✓ Chair			
Safra A. Catz				
Bruce R. Chizen	✓		✓ Chair	
George H. Conrades		✓ Chair		✓
Lawrence J. Ellison				
Hector Garcia-Molina				✓
Jeffrey O. Henley				
Mark V. Hurd				
Renée J. James				
Charles W. Moorman IV		✓		
Leon E. Panetta		✓	✓	
William G. Parrett	✓			
Naomi O. Seligman		✓ Vice Chair		

1 112. For example, similar to the language in the 2019 Proxy, the 2018 Proxy
2 stated the following:

3 As noted in our Corporate Governance Guidelines, the Governance
4 Committee is committed to actively seeking women and minority
5 candidates for the pool from which director candidates are chosen.¹⁴

6 113. The 2018 Proxy also stated:

7 The Board and the Governance Committee value diversity of
8 backgrounds, experience, perspectives and leadership in different fields
9 when identifying nominees. As noted in our Corporate Governance
10 Guidelines, the Governance Committee, acting on behalf of the Board, is
11 committed to actively seeking women and minority candidates for the pool
12 from which director candidates are chosen.

13 114. The 2018 Proxy also stated that Oracle opposes term limits:

14 [W]e do not impose director tenure limits or a mandatory retirement
15 age. The Board has considered the concerns raised by some stockholders
16 regarding longer-tenured directors, but believes that longer-serving
17 directors with experience and institutional knowledge bring critical skills
18 to the boardroom. In particular, the Board believes that given the large size
19 of our company, the breadth of our product offerings and the international
20 scope of our organization, longer-tenured directors are a significant
21 strength of the Board. The Board also believes that longer-tenured directors
22 have a better understanding of the challenges Oracle is facing and are more
23 comfortable speaking out and challenging management. Accordingly,
24 while director tenure is taken into consideration when making nomination
25 decisions, the Board believes that imposing limits on director tenure would
26 arbitrarily deprive it of the valuable contributions of its most experienced
27 members.

28 115. The 2018 Proxy also contained a statement approved by the Director
Defendants in opposition to the shareholder proposal regarding an independent
chairman:

*We do not believe that a policy requiring an independent chair is necessary
to ensure that the Board provides independent and effective oversight of
Oracle's business and management. Our Guidelines provide that on an
annual rotating basis, the chair of the F&A Committee, the Compensation
Committee or the Governance Committee serves as the lead independent*

¹⁴ See Oracle's 2018 Proxy at 6.

1 director at executive sessions of the Board. The lead independent director
 2 serves as a liaison between our independent directors and our executive
 3 directors and performs additional duties as the Board determines.
 4 Currently, George Conrades serves as the lead independent director and
 5 has served on the Board for 10 years, since 2008.

6 *As required by our Guidelines, a majority of the Board and each member of*
 7 *the F&A Committee, the Compensation Committee, the Governance*
 8 *Committee and the Independence Committee are “independent” under the*
 9 *applicable NYSE and SEC rules, which ensures that oversight of critical*
 10 *matters—such as the integrity of Oracle’s financial statements, the*
 11 *compensation of our executive officers, the selection and evaluation of*
 12 *directors, and the development of corporate governance principles—is*
 13 *entrusted to independent directors. The Board and each of its committees*
 14 *have unrestricted access to officers and employees of Oracle and have the*
 15 *authority to ask such questions and conduct investigations, and to retain*
 16 *legal, accounting, financial or other outside advisors, as they deem*
 17 *necessary or appropriate to fulfill their duties. In addition, as required by*
 18 *our Guidelines, our non-employee directors meet in executive sessions*
 19 *without management on a regular basis. If the non-employee directors*
 20 *include any director who is not an independent director, at least once each*
 21 *year the independent directors will meet in executive session.*

22 116. The 2018 Proxy also contained a proposal submitted by the Director
 23 Defendants asking shareholders to approved executive compensation at the Company:

24 Pursuant to Section 14A of the Exchange Act, we are asking our
 25 stockholders to cast a non-binding, advisory vote on the compensation of
 26 our NEOs (a “say-on-pay” vote). We currently hold our say-on-pay vote
 27 annually, and we expect the next say-on-pay vote will occur in 2019. In
 28 deciding how to vote on this proposal, we urge you to consider the
 following factors, as well as the information contained in “Executive
 Compensation—Compensation Discussion and Analysis” beginning on
 page 26.

29 **Significant Fiscal 2018 Compensation Changes in Response to Stockholder** 30 **Feedback**

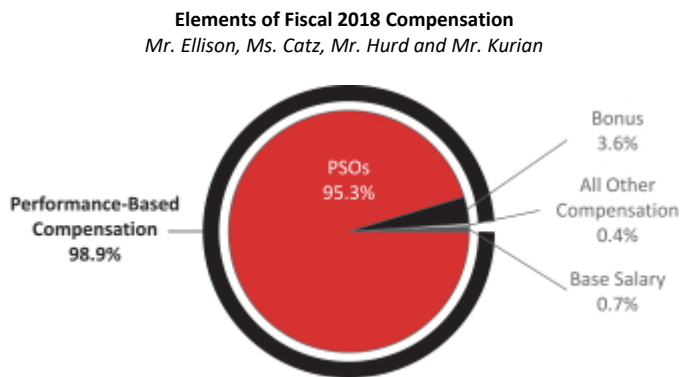
31 In fiscal 2018, after considering stockholder
 32 feedback and the input of its independent
 33 compensation consultant, the Compensation
 34 Committee granted each of Mr. Ellison, Ms. Catz,
 35 Mr. Hurd and Mr. Kurian an equity award consisting
 entirely of **PSOs** that may be earned only upon the
 attainment of rigorous stock price, market
 capitalization and operational performance goals
 over a **five-year performance period**.

36 **Compensation Committee Responsiveness**

37 The Compensation Committee believes the fiscal 2018 PSO awards are responsive to a number of stockholder
 38 concerns, as described below.

What We Heard	The Compensation Committee's Response
NEO equity awards should not vest based solely on the passage of time	→ 100% Performance-Based Equity Compensation Granted. In fiscal 2018, Mr. Ellison, Ms. Catz, Mr. Hurd and Mr. Kurian each received an equity award consisting entirely of PSOs that may be earned only upon the attainment of rigorous stock price, market capitalization and operational performance goals over a five-year performance period.
Performance metrics should better align with stockholder value	→ New Rigorous Performance Goals. Six of the seven PSO tranches may be earned only if Oracle satisfies a combination of (1) an operational performance goal tied to significant growth of Oracle's cloud business <u>and</u> (2) a substantial increase in Oracle's market capitalization. The seventh PSO tranche may be earned only upon significant growth in Oracle's stock price. None of the goals were satisfied in fiscal 2018, and thus no portion of the PSOs have been earned to date.
NEO compensation should be reduced	→ Significant Decrease in Equity Compensation Value. The PSOs will result in a decrease in equity compensation value for the grantees. When the grant date fair value of the PSOs is annualized over the five-year performance period, it represents a 47% decrease from the value of the fiscal 2017 equity awards granted to each of Mr. Ellison, Ms. Catz and Mr. Hurd and a 59% decrease from the value of the fiscal 2017 equity awards granted to Mr. Kurian.
Long-term equity awards should have a minimum three-year performance period	→ Five-Year Performance Period. The PSOs may be earned over a five-year performance period. The PSOs were granted with the expectation that no additional equity awards will be granted to Mr. Ellison, Ms. Catz, Mr. Hurd and Mr. Kurian until 2022 at the earliest.

Emphasis on Performance-Based Compensation



In fiscal 2018, an average of **98.9%** of the total compensation (as reported in the Summary Compensation Table on page 42) of Mr. Ellison, Ms. Catz, Mr. Hurd and Mr. Kurian was **performance-based**.

See pages 31 to 35 for details regarding the elements of our NEOs' compensation in fiscal 2018.

Compensation Best Practices

✓ Best Practices We Employ	✗ Practices We Avoid
✓ High proportion of NEO compensation is performance-based and at-risk	✗ No severance benefit plans or agreements except as provided under our equity incentive plan to employees generally or as required by law
✓ Annual risk assessment of compensation programs	✗ No single-trigger change in control vesting of equity awards
✓ Caps on maximum payout of bonuses and performance-based equity awards	✗ No change in control acceleration of performance-based cash bonuses
	✗ No minimum guaranteed vesting for performance-based equity awards

1 ✓ Independent compensation
2 consultant and independent
3 compensation committee

4 ✓ Compensation recovery
5 (clawback) policy for cash
6 bonuses in the event of a
7 financial restatement

8 ✓ Modest dilution rates from
9 equity awards

10 ✓ Robust stock ownership
11 guidelines

12 ✗ No discretionary cash bonuses for NEOs

13 ✗ No tax gross-ups for NEOs

14 ✗ No payout or settlement of dividends and dividend equivalents
15 on unvested equity awards

16 ✗ No supplemental executive retirement plans, executive
17 pensions or excessive retirement benefits

18 ✗ No repricing, cash-out or exchange of “underwater” stock
19 options without stockholder approval

20 117. These statements in the 2018 Proxy were false and misleading for the same
21 reasons alleged above with respect to the false statements in the 2019 Proxy. Similar to
22 the 2019 Proxy, the 2018 Proxy contained shareholder proposals for an independent
23 chairman of the Board and for a Pay Equity Report. Similar to 2019, in 2018 the Director
24 Defendants caused Oracle to oppose those proposals with language that was
25 substantially identical to the language quoted *supra* from the 2019 Proxy. Both such
26 proposals were defeated in 2018, too.

27 118. On November 16, 2018, Oracle filed a Form 8-K disclosing the results of the
28 voting at the 2018 annual meeting. The Form 8-K stated:

On November 14, 2018, Oracle Corporation (“Oracle”) held its 2018 Annual Meeting of Stockholders (the “Annual Meeting”). Below is a brief description of each matter submitted to a vote at the Annual Meeting, as well as the number of votes cast for and against and the number of abstentions and broker non-votes with respect to each matter. For more information about these proposals, please refer to Oracle’s definitive proxy statement filed with the U.S. Securities and Exchange Commission on September 26, 2018.

Proposal No. 1: Election of Directors

The stockholders elected each of the following persons as a director to hold office until the 2019 Annual Meeting of Stockholders and until his or her successor is elected and qualified, or until his or her earlier resignation or removal.

Director Nominee	Votes For	Votes Withheld	Broker Non-Votes
Jeffrey S. Berg	2,286,090,806	713,920,998	364,363,453
Michael J. Boskin	2,793,472,989	206,538,815	364,363,453
Safra A. Catz	2,918,660,564	81,351,240	364,363,453
Bruce R. Chizen	2,292,055,506	707,956,298	364,363,453

1	George H. Conrades	1,828,120,062	1,171,891,742	364,363,453
	Lawrence J. Ellison	2,888,704,306	111,307,498	364,363,453
2	Hector Garcia-Molina	2,907,452,946	92,558,858	364,363,453
	Jeffrey O. Henley	2,895,131,049	104,880,755	364,363,453
3	Mark V. Hurd	2,918,363,733	81,648,071	364,363,453
	Renée J. James	2,882,817,741	117,194,063	364,363,453
4	Charles W. Moorman IV	2,960,620,549	39,391,255	364,363,453
	Leon E. Panetta	2,063,787,934	936,223,870	364,363,453
5	William G. Parrett	2,947,450,952	52,560,852	364,363,453
	Naomi O. Seligman	1,857,247,097	1,142,764,707	364,363,453

6
7
8
9

Proposal No. 2: Advisory Vote to Approve the Compensation of Oracle's Named Executive Officers

The stockholders cast an advisory vote approving the compensation of Oracle's named executive officers as follows: 1,615,328,515 shares in favor, 1,380,374,165 shares against, 4,309,124 shares abstaining and 364,363,453 broker non-votes.

10
11
12
13

Proposal No. 3: Ratification of Selection of Independent Registered Public Accounting Firm

The stockholders ratified the appointment of Ernst & Young LLP as Oracle's independent registered public accounting firm for the fiscal year ending May 31, 2019, with 3,312,743,519 shares in favor, 48,285,585 shares against and 3,346,153 shares abstaining.

14
15
16
17

Proposal No. 4: Stockholder Proposal Regarding Pay Equity Report

The stockholders did not approve a stockholder proposal requesting that Oracle prepare a gender pay equity report, with 1,160,740,836 shares in favor, 1,822,556,197 shares against, 16,714,771 shares abstaining and 364,363,453 broker non-votes.

18
19
20
21

Proposal No. 5: Stockholder Proposal Regarding Political Contributions Report

The stockholders did not approve a stockholder proposal requesting that Oracle provide a semiannual political contributions report, with 627,790,135 shares in favor, 2,322,404,657 shares against, 49,817,012 shares abstaining and 364,363,453 broker non-votes.

22
23
24
25

Proposal No. 6: Stockholder Proposal Regarding Lobbying Report

The stockholders did not approve a stockholder proposal requesting that Oracle prepare an annual lobbying report, with 812,220,027 shares in favor, 2,071,665,030 shares against, 116,126,747 shares abstaining and 364,363,453 broker non-votes.

26
27
28

Proposal No. 7: Stockholder Proposal Regarding Independent Board Chair

The stockholders did not approve a stockholder proposal requesting that Oracle's Board of Directors (the "Board") adopt a policy requiring the Chair of the Board, whenever possible, to be an independent member of the Board, with 921,983,557 shares in favor, 2,074,007,468 shares against, 5,020,779 shares abstaining and 364,363,453 broker non-votes.

1 **D. Oracle’s Nominating and Corporate Governance Committee Members**
2 **Have Repeatedly Breached Their Fiduciary Duties to Ensure Diversity**
3 **on the Board**

4 119. The Charter of the Nominating and Governance Committee states the
5 following with respect to the duties of the Board members serving on such committee:

6 **RESPONSIBILITIES AND DUTIES**

7 In furtherance of its purpose, the Committee shall have the following
8 responsibilities and duties:

- 9 • As appropriate, *actively seek, interview, evaluate and nominate individuals qualified to become board members* and recommend such nominees to the Board for endorsement in accordance with the Corporate Governance Guidelines.
- 10 • Periodically review and reassess the adequacy of the Corporation’s corporate governance policies and procedures and recommend any proposed changes to the Board.
- 11 • Periodically review and reassess the adequacy of the Corporation’s policies, plans and procedures with respect to succession planning, including policies and principles for CEO selection and performance review, as well as policies regarding succession in the ordinary course of business and in the event of unexpected events or emergencies. The Committee shall recommend any proposed changes to the Board.
- 12 • Hire legal, accounting, financial or other advisors as the Committee may deem necessary in its best judgment with due regard to cost, without the need to obtain the prior approval of any officer of the Corporation. The secretary of the Corporation will arrange for payment of the invoices of any such party.
- 13 • In the sole authority of the Committee, retain and terminate any search firm to be used to identify director candidates. The Committee shall have sole authority to approve the search firm’s fees and other retention terms.
- 14 • *On an annual basis, review and assess the performance of the Board and its committees and report such assessment, including any recommendations for proposed changes, to the Board.* The Committee should seek comments from each of the directors or committee members, as the case may be, with respect to such assessment.
- 15 • Form, and delegate authority to, subcommittees when appropriate.
- 16 • Make periodic reports to the Board.
- 17 • Periodically review and reassess the adequacy of this Charter and recommend any proposed changes to the Board.

18 120. The 2019 Proxy also stated the following with respect to the Nominating
19
20
21
22
23
24
25
26
27
28

1 and Governance Committee responsibilities:

2 *The Governance Committee has responsibility for monitoring*
3 *corporate governance matters, including periodically reviewing the*
4 *composition and performance of the Board and its committees* (including
5 reviewing the performance of individual directors), reviewing and
6 assessing the adequacy of our policies, plans and procedures regarding
7 succession planning, and overseeing our Corporate Governance
8 Guidelines. *The Governance Committee also considers and recommends*
9 *qualified candidates for election to the Board.*

10 121. The members of the Committee (Panetta, Chizen and Berg) have breached
11 their fiduciary duties as directors by failing to fulfill these duties. Rather than causing
12 Oracle to comply with the principles it claims to follow with respect to its corporate
13 governance, Panetta, Chizen and Berg have caused Oracle to merely pay lip service to
14 these principles. Instead of recommending well-qualified Black and minority candidates
15 to serve on Oracle's Board, Panetta, Chizen and Berg have perpetuated the all-white
16 Board under the pretext that the existing members' "experience" and long tenure on the
17 Board is beneficial to Oracle.

18 122. Moreover, to entrench themselves and their fellow directors in office, all
19 the Director Defendants have opposed term limits in order to prevent the addition of
20 qualified Black and minority candidates to the Board.

21 123. As the saying goes, the rich get richer while the poor get poorer. Serving
22 on Oracle's Board has enriched the already-rich elites whose profitable sinecure has been
23 perpetuated by the Defendants' wrongdoing. Many qualified Black and minority
24 candidates would benefit greatly from the prestige and compensation that comes with a
25 position on Oracle's Board. The following chart sets forth the compensation earned by
26 outside directors on Oracle's Board in 2019:

27 ***Fiscal 2019 Director Compensation Table***

28 The following table provides summary information regarding the
compensation we paid to our non-employee directors in fiscal 2019.

Name (1)	Fees Earned or Paid in Cash (\$)	Stock Awards (2) (3) (\$)	Total (\$)
Jeffrey S. Berg	122,500	456,326	578,826
Michael J. Boskin	102,500	588,819	691,319
Bruce R. Chizen	107,500	456,326	563,826
Georg Conrades	117,500	588,819	706,319
Hector Garcia-Molina	67,500	392,562	460,062
Renée J. James	52,500	392,562	445,062
Charles W. Moorman IV	73,288	392,562	465,850
Leon E. Panetta	92,500	392,562	485,062
William G. Parrett	73,288	392,562	465,850
Naomi O. Seligman	77,500	392,562	470,062

E. The Director Defendants Breached Their Duties of Loyalty and Good Faith by Failing to Ensure the Company's Compliance with Federal and State Laws Regarding Diversity and Anti-Discrimination

124. The Director Defendants have known for years that Oracle has been violating federal and state laws regarding diversity, equal pay, and discrimination against minorities.

125. Defendants' knowledge is reflected by the fact that, as recently as 2017, Oracle was still trying to hide the facts and statistics about its lack of workforce diversity, arguing the demographic data was a trade secret. Oracle was one of the few

1 companies in Silicon Valley doing so; another company which tried to hide the
2 information was Palantir.¹⁵

3 126. In addition to improperly claiming that the diversity statistics were trade
4 secrets, Oracle refused to publish annual diversity reports, thus enabling the Company
5 to attempt to hide the lack of diversity. The Director Defendants were aware of this and
6 were complicit in these acts, thus demonstrating their scienter about Oracle's failure to
7 ensure diversity and failure to pay minorities equal pay.

8 127. Oracle's deafening silence at the time that many corporations are openly
9 expressing outrage at the murders of George Floyd, Breonna Taylor, and Ahmaud
10 Arbery, among others, reflects the misleading nature of Oracle's professed commitment
11 to diversity in its proxy statements.

12 128. Now, more than ever, corporations are recognizing that silence equates to
13 complicity in the fight against systemic racism. Over the last month, in response to the
14 public indignation over these murders, dozens of corporations have publicly condemned
15 racism and showed solidarity for Black Lives Matter, pledging to donate millions of
16 dollars to anti-discrimination efforts and programs to support Black businesses.¹⁶

18 ¹⁵ See Natasha Tiku, *Oracle Allegedly Underpaid Women and Minorities by \$400*
19 *Million. Now the Details Are Set to Come out in Court*, THE WASHINGTON POST, Dec. 5, 2019.

20 ¹⁶ David Hessekiel, "Companies Taking a Public Stand in the Wake of George Floyd's
21 *Death*," FORBES (June 4, 2020), at
22 <https://www.forbes.com/sites/davidhessekiel/2020/06/04/companies-taking-a-public-stand-in-the-wake-of-george-floyds-death/#1a8f9b8e7214>; Tiffany Hsu, "Corporate Voices
23 *Get Behind 'Black Lives Matter' Cause*," NEW YORK TIMES (May 31, 2020), at
24 <https://www.nytimes.com/2020/05/31/business/media/companies-marketing-black-lives-matter-george-floyd.html>; Rachael Myrow, "Silicon Valley's Black Employees Question
25 *Corporate Claims That Black Lives Matter*," KQED (June 18, 2020), at
26 <https://www.kqed.org/news/11824857/silicon-valleys-black-employees-question-corporate-claims-that-black-lives-matter>; David Gelles, "Corporate America Has Failed
27 *Black America*," NEW YORK TIMES (June 6, 2020), at
28 <https://www.nytimes.com/2020/06/06/business/corporate-america-has-failed-black-america.html?referringSource=articleShare>.

1 129. Although many of these companies stood on the sidelines for much too
2 long and were silent in the wake of the deaths of Eric Garner and Michael Brown,¹⁷ this
3 recent corporate outpouring is a meaningful first step that could lead to serious and
4 significant changes in how corporations combat systemic racism within their own
5 workforces.

6 130. Indeed, while many companies have only made public statements or
7 pledged to donate money to anti-racist causes, other companies and corporate executives
8 are looking inward and taking more meaningful measures to address racial
9 discrimination in hiring and promotion. For example:

10 a. Microsoft, Intel, and Johnson & Johnson have pledged to tie executive pay
11 to diversity metrics.¹⁸

12 b. PepsiCo announced a five-year, \$400 million initiative that includes the
13 goal of increasing Black managerial representation by 30% and more than doubling
14 business with Black-owned suppliers.¹⁹

15 c. Adidas committed to filling 30% of new positions with Black or Latino
16 workers.²⁰

17 ¹⁷ Jay Peters, *“Big Tech Companies Are Responding to George Floyd in a Way They*
18 *Never Did for Michael Brown,”* THE VERGE (June 12, 2020), at
19 <https://www.theverge.com/2020/6/5/21281017/amazon-apple-facebook-response-george-floyd-michael-brown-tech-companies-google>.

20 ¹⁸ David Gelles, *“Corporate America Has Failed Black America,”* NEW YORK TIMES
21 (June 6, 2020), at <https://www.nytimes.com/2020/06/06/business/corporate-america-has-failed-black-america.html?referringSource=articleShare>.

22 ¹⁹ Ramon Laguarta, *“PepsiCo CEO: ‘Black Lives Matter, to our company and me.’ What*
23 *the food and beverage giant will do next,”* FORTUNE (June 16, 2020), at
24 https://fortune.com/2020/06/16/pepsi-ceo-ramon-laguarta-black-lives-matter-diversity-and-inclusion-systemic-racism-in-business/?utm_source=email&utm_medium=newsletter&utm_campaign=ceo-daily&utm_content=2020061711am.

25 ²⁰ *Message from the Adidas Board: Creating Lasting Change Now* (June 9, 2020), at
26 <https://www.adidas-group.com/en/media/news-archive/press-releases/2020/message-adidas-board-creating-lasting-change-now/>.

1 d. Alexis Ohanian, the co-founder of Reddit, resigned from Reddit's all-white
2 board, urged the board to fill his seat with a Black candidate, and pledged to use future
3 gains on his Reddit stock to serve the Black community, starting with Colin Kaepernick's
4 Know Your Rights Camp.²¹

5 131. In stark contrast, Oracle has remained conspicuously silent in the wake of
6 George Floyd's murder despite the dramatic show of solidarity from other
7 corporations.²² Oracle's silence may be deafening, but it is sadly not surprising.

8 **F. The Board Has Breached Its Duties by Failing to Ensure an Independent**
9 **Chairman**

10 132. There is no independent Chairman of the Board at Oracle. Larry Ellison
11 fills that role. Oracle purports to assign some significance to the fact that the roles of
12 Chairman and CEO are separated. But the CEO, Catz, was hand-groomed by Ellison
13 while he was still CEO. Ellison, as Chairman, is not independent even though he is not
14 the CEO anymore.

15 133. Simply put, the Director Defendants had a fiduciary duty to ensure that the
16 Chairman of the Board was independent. They have completely failed to do so, and
17 their failure to do so has been a huge part of the problem, allowing the lack of diversity
18 to continue at Oracle, both among the management ranks and on the Board itself. As
19 demonstrated below, the lack of an independent Chairman at Oracle has also resulted in
20 massive liability of \$4.0 billion and counting. The Director Defendants' failure to insist
21 upon an independent Chairman at Oracle allowed Ellison to pursue a meritless personal

22
23 ²¹ Megan Rose Dickey, "Unpacking Tech's Response to the Killing of George Floyd,"
24 TECHCRUNCH (June 9, 2020), at <https://techcrunch.com/2020/06/09/unpacking-techs-response-to-george-floyds-death/>.

25 ²² Ed Targett, "Here's How Big Tech's CEOs Have Reacted to America's Raging
26 Protests," COMPUTER BUSINESS REVIEW (June 2, 2020), at
27 <https://www.cbronline.com/list/big-tech-ceos-george-floyd>.

1 vendetta against HP, pursuant to which Oracle breached the clear terms of a settlement
 2 agreement with HP, causing HP billions in damages and a resulting judgment against
 3 Oracle that Oracle has not paid and has not taken a reserve for in its financial statements,
 4 thus creating its financial statements to present a false and misleading picture of its
 5 financial condition.

6 **G. The Director Defendants Have Breached Their Duties by Continually**
 7 **Rehiring Ernst & Young as the Company's Auditor**

8 134. Ernst & Young is the Company's auditor, and has been so since 2002 –
 9 eighteen years and counting.

10 135. As Oracle's Proxy Statement from 2019 disclosed, the following table sets
 11 forth the approximate aggregate fees billed to Oracle by E&Y for fiscal 2019 and fiscal
 12 2018:

	2019	2018
Audit Fees (1)	26,520,352	26,682,575
Audit Related Fees (2)	2,115,207	2,545,802
Tax Fees (3)	3,810,118	2,293,818
All Other Fees	0	0
Total Fees	\$32,445,677	\$31,522,195

13 136. Despite billing Oracle over \$31 million in fees in both 2018 and 2019, E&Y
 14 has completely failed to properly audit and assess the Company's internal controls.
 15

16 137. Defendants Boskin (Chair), Chizen, Berg and Parrett, as the members of
 17 Oracle's Audit & Finance Committee, are responsible for selecting and monitoring Ernst
 18
 19
 20
 21
 22
 23
 24
 25
 26
 27
 28

1 & Young. The Company's 2019 Proxy states:

2 EY has served as our independent registered public accounting firm
3 since 2002. In conjunction with the mandated rotation of EY's lead
4 engagement partner, the F&A Committee is involved in the selection of
5 EY's lead engagement partner. The F&A Committee also periodically

6 considers whether there should be a rotation of independent registered
7 public accounting firms because the F&A Committee believes that it is
8 important for the registered public accounting firm to maintain
9 independence and objectivity. In deciding to engage EY, our F&A
10 Committee reviewed, among other factors, registered public accounting
11 firm independence issues raised by commercial relationships we have with
12 the other major accounting firms.

13 138. The 2019 Proxy Statement also represented that:

14 The F&A Committee reviews audit and non-audit services
15 performed by EY, as well as the fees charged by EY for such services. In its
16 review of non-audit service fees, the F&A Committee considers, among
17 other things, the possible effect of the performance of such services on the
18 registered public accounting firm's independence.

19 139. Defendants Boskin (Chair), Chizen, Berg and Parrett, as the members of
20 Oracle's Audit & Finance Committee, also prepared and included a report in the 2019
21 Proxy as follows:

22 **REPORT OF THE FINANCE AND AUDIT COMMITTEE OF THE**
23 **BOARD OF DIRECTORS**

24 Review of Oracle's Audited Financial Statements for the Fiscal Year Ended
25 May 31, 2019

26 The F&A Committee has reviewed and discussed with our management
27 our audited consolidated financial statements for the fiscal year ended
28 May 31, 2019.

The F&A Committee has discussed with Ernst & Young LLP, our
independent registered public accounting firm, the matters required to be
discussed by Auditing Standard No. 1301, "Communications with Audit
Committees" issued by the Public Company Accounting Oversight Board
(PCAOB).

The F&A Committee has also received the written disclosures and the
letter from Ernst & Young LLP required by applicable requirements of the
PCAOB regarding Ernst & Young LLP's communications with the F&A
Committee concerning independence and the F&A Committee has
discussed the independence of Ernst & Young LLP with that firm.

Based on the F&A Committee's review and discussions noted above, the
F&A Committee recommended to the Board of Directors that our audited

1 consolidated financial statements be included in our Annual Report
2 on Form 10-K, for the fiscal year ended May 31, 2019, for filing with the
3 U.S. Securities and Exchange Commission.

4 Submitted by: Michael J. Boskin,
5 Chair
6 Bruce R. Chizen
7 Jeffrey S. Berg
8 William G. Parrett

9 140. E&Y has served as Oracle's auditor *since 2002*, giving rise to a cozy and
10 clubby relationship between E&Y and Oracles which is not conducive to effective
11 auditing. The Company's compliance with its stated policies concerning the alleged
12 commitment to diversity has been abysmal to the point of being basically non-existent.

13 141. The very purpose of an auditor is to assess the Company's internal
14 controls and determining if they are functioning effectively. Rather than doing so, E&Y
15 has wrongfully and consistently given Oracle's internal controls a clean bill of health and
16 has failed to point out the obvious – that Oracle lacks an effective system of internal
17 controls to ensure that the Company is not discriminating against minorities and is
18 complying with its stated goals and initiatives regarding the promotion of diversity and
19 the avoidance of discrimination and harassment.

20 142. Defendants Boskin, Chizen, Berg, and Parrett, as the members of the
21 Finance and Audit Committee, breached their fiduciary duties by failing to perform their
22 duties on the Finance & Audit Committee, including failure to ensure that an adequate
23 audit was being performed of the Company's internal controls regarding diversity, anti-
24 discrimination, anti-harassment, pay equity, and other relevant areas of critical
25 importance to the Company. They also signed the 2019 Proxy Statement that contained
26 false statements regarding the Company's internal controls being effective and adequate,
27 which were false and gave a very misleading and inaccurate portrayal of these key
28 issues to stockholders.

///

1 **H. The Individual Defendants Breached Their Duties of Loyalty and Good**
2 **Faith by Causing Oracle to Intentionally Breach Its Obligations Under a**
3 **Settlement Agreement Related to the Departure of Mark Hurd from**
4 **Hewlett Packard, Resulting in a Massive \$3.0 Billion Judgment Against**
5 **the Company**

6 143. Defendant Ellison openly admits that former Co-CEO Mark Hurd was a
7 close personal friend of his. When Hurd recently passed away in October 2019, Ellison
8 sent the following note to all Oracle employees:

9 It is with a profound sense of sadness and loss that I tell everyone here at
10 Oracle that Mark Hurd passed away early this morning. Mark was my
11 close and irreplaceable friend, and trusted colleague. Many of us are
12 inconsolable right now, but we are left with memories and a sense of
13 gratitude...that we had the opportunity to get know Mark, the opportunity
14 to work with him...and become his friend.

15 144. Hurd was a long-time close personal friend of Ellison's, going back way
16 before Hurd joined Oracle.

17 145. Prior to joining Oracle at Ellison's invitation, Hurd had a very public and
18 very embarrassing fall from grace at HP, where he was fired in 2010 from his job as
19 Chairman and CEO of HP. Hurd, who was married at the time, had an improper
20 personal affair with adult female movie actress Jodie Fisher, who had been hired by the
21 company as a marketing consultant to make appearances at corporate events.

22 146. When Fisher claimed sexual harassment by Hurd and hired Gloria Allred
23 to represent her, the HP board retained Covington & Burling to perform an internal
24 investigation. Covington interviewed Hurd, McIlvaine, and other HP employees,
25 reviewed expense records and travel schedules, and conducted forensic analysis of
26 computers. And the results of the investigation suggested that Hurd had likely initially
27 made false misrepresentations to the board about his relationship with Fisher and
28 falsified his expense reports to try to cover up the affair.²³

29 ²³ Although HP's board found no violation of the company's harassment policy,
30 Hurd was accused of making improper expense claims amounting to \$20,000 to cover

1 147. Covington’s investigation revealed that for two years, Hurd and Fisher had
2 intimate meals and hotel-room encounters together around the world in which Hurd
3 repeatedly tried to “cajole” Fisher into having sex with him. In an attempt to win her
4 affections, Hurd also tipped Fisher off about HP’s pending acquisition of EDS before it
5 became public.

6 148. Based on the investigation, the HP Board fired Hurd.

7 149. Hurd's sudden departure cost HP shareholders billions of dollars in lost
8 stock value and led to multiple lawsuits.

9 150. Ellison, however, always believe that his close friend Hurd had been badly
10 mistreated by HP. Ellison made no secret of his thoughts on the matter and sent letters
11 to the media blasting HP:

12 In an email sent to the New York Times and later provided to Reuters by
13 Oracle, *Ellison slammed HP’s board for ousting Hurd — a close friend —*
14 *even after the PC maker’s board determined Hurd had not violated its*
sexual harassment policy.

15 HP disputed Ellison’s account of events.

16 Hurd resigned on Friday after a probe into sexual harassment allegations
17 turned up expense account abuses that HP said were intended to cover up
18 his relationship with a female contractor.

19 *“The HP board just made the worst personnel decision since the idiots on*
the Apple (AAPL.O) board fired Steve Jobs many years ago,” Ellison
wrote.

20 *“In losing Mark Hurd, the HP board failed to act in the best interest of*
HP’s employees, shareholders, customers and partners,” he said.²⁴

21 151. Other media reports at the time quoted additional disparaging remarks
22 from Ellison about the HP Board members and defending his friend Hurd:

23
24 meals, travel and, in one case, an appearance fee for the 50-year-old actress, whose film
25 credits include restricted R-rated films such as Intimate Obsession and Body of Influence
26 2.

27 ²⁴ See “Oracle’s Ellison Blasts HP Board for Hurd’s Exit,” REUTERS, Aug. 9, 2010.
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

The software billionaire said Hurd had spent five years doing a "brilliant job" restoring HP to its "former greatness" after "a long list of failed CEOs". Ellison took particular exception to the fact that HP's board went public with the unproven allegation of sexual harassment against Hurd, claiming, without naming a source, that this was the subject of a narrow 6-to-4 vote by directors.

"Publishing known false sexual harassment claims is not good corporate governance; it's cowardly corporate governance," said Ellison, who pointed out that a slump in HP's shares has already cost investors more than \$10bn. "Those six directors caused HP to lose a nearly irreplaceable CEO."

He added that it was "not credible" to accuse Hurd of fiddling expenses: "Mark Hurd, like most other CEOs, does not fill out his own expense reports, so even if errors were made, Mark didn't make them. What the expense fraud claims do reveal is an HP board desperately grasping at straws in trying to publicly explain the unexplainable; how a false sexual harassment claim and some petty expense report errors led to the loss of one of Silicon Valley's best and most respected leaders."²⁵

152. Less than a month later, Ellison further came to the rescue of his friend Hurd by hiring him to work at Oracle as a Co-President and member of the Board, reporting directly to Ellison. Oracle issued a press release at the time announcing Hurd's hiring by Ellison:

REDWOOD SHORES, Calif. - September 6, 2010

Oracle (NASDAQ: ORCL) today announced that Mark V. Hurd has joined Oracle as President and has been named to Oracle's Board of Directors. Mr. Hurd will report to Oracle CEO Larry Ellison.

"Mark did a brilliant job at HP and I expect he'll do even better at Oracle," said Oracle CEO Larry Ellison. "There is no executive in the IT world with more relevant experience than Mark.

153. Hurd's hiring by Oracle immediately caused a huge legal dispute between Oracle and HP about the propriety of the hiring, with HP claiming that Hurd was improperly using its trade secrets to perform his new job at Oracle. But HP immediately

²⁵ See Andrew Clark, "Oracle boss blasts Hewlett-Packard over Mark Hurd ousting," THE GUARDIAN, Aug. 10, 2010.

1 approached Oracle two days after filing the lawsuit about resolving the dispute, and the
2 parties settled the dispute the same month and formalized the agreement in a settlement
3 agreement dated September 20, 2010. Among other things, the settlement agreement
4 contained a statement by Oracle committing that its software would continue to support
5 HP's Itanium platform used for HP's servers.

6 154. Ellison, however, continued to seethe at HP's conduct in firing Hurd and
7 decided Oracle would not honor the settlement agreement in order to retaliate against
8 HP for his emotionally-charged belief that HP had wronged Hurd.

9 155. On June 15, 2011, Hewlett-Packard Company, now Hewlett Packard
10 Enterprise Company (HP), filed a complaint in the California Superior Court, County of
11 Santa Clara against Oracle Corporation alleging numerous causes of action including
12 breach of contract, breach of the covenant of good faith and fair dealing, defamation,
13 intentional interference with prospective economic advantage, and violation of the
14 California Unfair Business Practices Act. The complaint alleged that when Oracle
15 announced on March 22 and 23, 2011 that it would no longer develop future versions of
16 its software to run on HP's Itanium-based servers, it breached a settlement agreement
17 signed on September 20, 2010 (the HP Settlement Agreement), resolving litigation
18 between HP and Hurd. HP sought a judicial declaration of the parties' rights and
19 obligations under the HP Settlement Agreement and other equitable and monetary
20 relief. Oracle answered the complaint and filed cross-claims.

21 156. At the time, the Individual Defendants were well aware that Ellison hated
22 the HP Board. The news reports, some of which are quoted above, were well known by
23 them and they also heard Ellison openly rant about the HP Board members being
24 "idiots" for firing Hurd. The Individual Defendants thus had actual knowledge that
25 Ellison harbored and was nurturing a personal grudge against HP and its Board.

26 157. The Individual Defendants also had actual knowledge of the settlement
27 agreement between Oracle and HP and Hurd because they had reviewed and approved
28

1 it. They all had actual knowledge of Oracle's requirements under the settlement
2 agreement to continue to make Oracle's software compatible with HP's servers.

3 158. The Individual Defendants also had actual knowledge that Ellison's
4 personal animosity towards HP only intensified when HP hired Leo Apotheker to be
5 CEO and Ray Lane to be Chairman just days after HP's original lawsuit against Hurd
6 had been settled. Apotheker came from SAP, which was an arch-enemy of Oracle and
7 everyone knew Ellison hated both SAP and Apotheker. At the time, Ellison made public
8 comments reported in the press fuming about HP's hiring of Apotheker and Lane.

9 159. Ellison's payback came quickly. Just months later, in breach of the
10 settlement agreement, Ellison directed engineers at the Company to discontinue support
11 for HP's Itanium platform beginning on March 22, 2011. The Defendants knew this was
12 a breach of Oracle's legal obligations and would lead to lawsuits and potential large
13 damages, but acceded to Ellison's directives even though they knew Ellison was
14 motivated by improper personal reasons, not any corporate business purpose.

15 160. HP then sued Oracle for breaching the terms of the settlement agreement.

16 161. After a bench trial on the meaning of the HP Settlement Agreement, the
17 court found that the HP Settlement Agreement required Oracle to continue to develop
18 certain of its software products for use on HP's Itanium-based servers at no cost to HP.

19 162. The case proceeded to a jury trial in May 2016 on the issue of the amount
20 of damages. Ellison was called to testify and did testify at the trial. Ellison's testimony
21 was that he personally drafted the press release announcing that Oracle would no longer
22 support HP's Itanium platform. When asked why he as the Chairman of the Board
23 personally drafted the press release, Ellison testified that he was serving on a jury at the
24 time and that he had a 15-minute break with nothing to do, so he drafted the press
25 release and then sent it to Defendant Safra Catz and told her to send it out.

26 163. The evidence at trial also demonstrated that Ellison not only personally
27 orchestrated the discontinuance of the support and personally wrote the press release,
28

1 but that the timing of the announcement was designed to inflict maximum damage to
2 HP – the press release was issued the day of HP’s annual meeting, and thus resulted in a
3 major disruption for HP as it was left flat-footed and unprepared to explain the breaking
4 news story that its Itanium platform would no longer be supported by Oracle. HP’s
5 customers were extremely concerned, as were analysts concerned about the effect of
6 Oracle’s move on HP’s earnings and profits.

7 164. Ellison’s vendetta was successful in the sense that HP suffered a massive
8 loss of revenue and profits as customers canceled orders and stopped making purchases
9 from HP – no customer wanted to buy an extremely expensive product that was no
10 longer supported.

11 165. The cost of the vendetta was not borne by Ellison, however – it was borne
12 by Oracle and its shareholders.

13 166. On June 30, 2016, the jury returned a verdict in favor of HP on its claims for
14 breach of contract and breach of the implied covenant of good faith and fair dealing and
15 against Oracle on its cross-claims. *The jury awarded HP \$3.0 billion in damages.* Under
16 the court’s rulings, HP is entitled to post-judgment interest, but not pre-judgment
17 interest, on this award.

18 167. After the trial court denied Oracle’s motion for a new trial, Oracle filed a
19 notice of appeal on January 17, 2017. On February 2, 2017, HP filed a notice of appeal of
20 the trial court’s denial of pre-judgment interest. Oracle filed its opening brief on March
21 7, 2019. Briefing on the appeal was completed November 1, 2019, and the appellate court
22 has not yet scheduled a date for oral argument.

23 168. Oracle has been forced to post, at great expense, a mandated surety bond
24 with the trial court for the amounts owing. However, despite the judgment, the
25 Individual Defendants have failed to cause Oracle to record any charge to its financial
26 results of operations or any reserve for the amount owed to HP. Moreover, since the
27 judgment is entitled to the statutory 10% interest, the amount owed continues to rise
28

1 substantially and is now well in excess of \$4.0 billion.

2 169. These events amply demonstrate the need for an independent Chairman of
3 the Board at Oracle. The entire massive \$4.0 billion and counting liability to HP was
4 caused by Ellison's pursuit of a meritless and personal vendetta against HP's Board for
5 firing his close friend Mark Hurd and its subsequent hiring of Leo Apotheker. To seek
6 revenge, Ellison caused Oracle to breach the terms of its written settlement agreement
7 with HP. In its defense, Oracle falsely claimed that Intel was already discontinuing
8 support for the Itanium platform at the time Oracle made its decision in March 2011.
9 The jury rejected that assertion at the trial since the evidence demonstrated that Intel had
10 not in fact discontinued support.

11 170. There was no business purpose for Ellison's conduct, and the lack of an
12 independent Chairman at the time (which continues to the present day) resulted in
13 substantial harm to the Company.²⁶ However, to protect Ellison and because they are
14 dominated and controlled by Ellison, the Individual Defendants continued to make
15 statements at all relevant times to the effect that Oracle does not need an independent
16 Chairman and that the Company's current governance structure with Ellison as
17 Chairman is functioning effectively and is in Oracle's best business interests. As the
18 facts above demonstrate, none of the Individual Defendants believed these statements at
19 the time they were made, demonstrating the false and misleading nature of the
20 statements.

21
22
23 ²⁶ Ellison was not Chairman at the time, but the Chairman was Defendant Henley,
24 who was not independent because he served for years as Oracle's CFO before being
25 named Chairman. The 2010 Proxy Statement admitted that Henley was not independent
26 because he was an employee of the Company: "The Board will continue to be composed
27 of four employee directors (Messrs. Ellison, Hurd and Henley, and Ms. Catz) and eight
28 independent directors." *See* 2010 Proxy at p. 21.

I. The Unjust Compensation Awarded to the Individual Defendants

171. Some of the Defendants received unjust compensation and/or compensation and payments that were higher due to Defendants' wrongdoing and because the Company was more profitable by paying Black individuals and minorities less.

172. To be sure, Defendant Ellison, as the Company's largest shareholder, received substantially more in dividends from his Oracle stock than he would have but for the wrongdoing. If Black and minority employees working at Oracle had received fair and equal pay, Oracle would have had higher compensation expenses and thus the dividend payments would have been lower. Again, Ellison was the largest beneficiary of the inflated dividend payments because he owns 35.4% of the stock of the Company, as reflected in the attached chart from the 2019 Proxy Statement which presented information, as of September 20, 2019 with respect to the beneficial ownership of Oracle common stock:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Directors and NEOs		
Lawrence J. Ellison (2)	1,172,919,853	35.4%
Jeffrey S. Berg (3)	449,316	*
Michael J. Boskin (4)	359,796	*
Safra A. Catz (5)	22,806,092	*
Bruce R. Chizen (6)	275,813	*
George H. Conrades (7)	99,809	*
Dorian E. Daley (8)	920,817	*
Rona A. Fairhead (9)	—	*
Hector Garcia-Molina (10)	256,419	*
Jeffrey O. Henley (11)	4,934,516	*
Mark V. Hurd (12)	21,776,255	*
Renée J. James (13)	39,917	*
Charles W. Moorman IV (14)	11,015	*
Leon E. Panetta (15)	68,562	*
William G. Parrett	8,561	*

Edward Screven (16)	6,043,113	*
Naomi O. Seligman (17)	157,207	*
All current executive officers and directors as a group (18 persons) (18)	1,231,596,441	36.6%

173. Much of the information about the exact amount of the unjust payments is not publicly available, and has been fraudulently concealed by Defendants. As a result, Plaintiff requires discovery in order to properly allege the full extent and details of the Defendants' wrongdoing.

174. However, at a minimum, based on publicly available information, Defendant Ellison and other Defendants have received substantial unjust compensation from the dividends. Oracle's most recent dividend payment was \$0.24 per share on April 23, 2020, and in the last 12 months, the Company paid a total of \$0.96 per share. Oracle paid out approximately 29% of its profit in 2019 in dividends. Because Ellison owned 1,172,919,853 shares in 2019, and Oracle paid dividends of \$0.96 per share in 2019, Ellison received over \$1 billion in dividends in 2019 alone -- \$1,126,003,059.

175. Defendant Catz received dividends in 2019 of \$ 21,893,848.

176. Defendant Henley received dividends in 2019 of \$4,737,135, Berg received dividends in 2019 of \$431,343, Boskin received dividends of \$345,404, Chizen received dividends of \$264,780, Garcia-Molina received dividends of \$246,162, Conrades received dividends of \$95,817, Panetta received dividends of \$65,820, and Moorman and Parrett received \$10,574 and \$8,219, respectively. These dividend payments were higher than they would have been but for the lower wages paid to Black, female, and minority employees. Moreover, given the fact that the government has alleged that Oracle has discriminated in wages paid to Black, female, and minority employees since at least 2014, the Individual Defendants received, at a minimum, inflated and unjust dividend payments from Oracle since such time.

177. The total amount of the excess payments, upon information and belief, exceeds \$1 billion. The Individual Defendants' receipt of this compensation during the

1 relevant time period was unjust in light of their direct participation in the wrongful
 2 conduct alleged herein, which constituted bad faith and disloyal conduct. The
 3 Defendants' receipt of such compensation while they were knowingly or recklessly
 4 breaching their fiduciary duties to the Company constitutes unjust compensation that
 5 should be recouped by Oracle.

6 178. The following table provides additional information regarding some of the
 7 Officer Defendants' compensation during part of the relevant time period:

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (2) (\$)	Option Awards (3) (\$)	Non-Equity		Total (\$)
						Incentive Plan Compensation (\$)	All Other Compensation (4) (\$)	
Lawrence J. Ellison (1)	2019	1	—	—	—	—	1,662,827	1,662,828
<i>Chairman and Chief Technology Officer</i>	2018	1	—	—	103,700,000	3,612,553	1,619,089	108,931,643
	2017	1	—	22,190,625	16,863,075	705,464	1,513,042	41,272,207
Safra A. Catz	2019	950,000	—	—	—	—	15,981	965,981
<i>Chief Executive Officer</i>	2018	950,000	—	—	103,700,000	3,612,553	19,780	108,282,333
	2017	950,000	—	22,190,625	16,863,075	705,464	20,801	40,729,965
Mark V. Hurd	2019	950,000	—	—	—	—	1,531,646	2,481,646
<i>Chief Executive Officer</i>	2018	950,000	—	—	103,700,000	3,612,553	32,470	108,295,023
	2017	950,000	—	22,190,625	16,863,075	705,464	123,115	40,832,279
Edward Screven	2019	700,000	—	33,460,000	—	—	8,619	34,168,619
<i>Executive Vice President, Chief Corporate Architect</i>	2018	600,000	—	11,918,750	—	463,068	8,781	12,990,599
Dorian E. Daley	2019	825,000	400,000	6,766,500	—	—	8,291	7,999,791
<i>Executive Vice President and General Counsel</i>								
Jeffrey O. Henley	2019	650,000	—	—	3,556,000	—	8,615	4,214,615

17 179. The Officer Defendants' compensation during the relevant period was also
 18 unjust because it significantly exceeded the average employees' pay, as disclosed by the
 19 Company in its Proxy:
 20
 21
 22

23 CEO PAY RATIO

24 In accordance with SEC rules, we are providing the ratio of the annual total
 25 compensation of our CEOs to the annual total compensation of our median
 26 compensated employee (the median employee).

27 Using Ms. Catz's fiscal 2019 total compensation, the ratio of CEO to
 28 median employee annual total compensation is 12 to 1. Using Mr. Hurd's
 fiscal 2019 total compensation, the ratio of CEO to median employee
 annual total compensation is 30 to 1. The fiscal 2019 total compensation of

Ms. Catz and Mr. Hurd was \$965,981 and \$2,481,646, respectively. The fiscal 2019 total compensation of our median employee was \$83,813.

180. If Defendant Hurd's 2019 pay was more than 30 times the median employee's compensation, then it must have been an even higher multiple of the median Black or minority employee's compensation given the government's allegations that Oracle unlawfully paid such employees less than other employees for similar jobs.

181. When viewed in light of these facts, the Defendants' compensation was unjust under equitable principles.

182. The following chart provides information about the compensation that the Director Defendants received during 2019:

Name (1)	Fees Earned or Paid in Cash (\$)	Stock Awards (2) (3) (\$)	Total (\$)
Jeffrey S. Berg	122,500	456,326	578,826
Michael J. Boskin	102,500	588,819	691,319
Bruce R. Chizen	107,500	456,326	563,826
George H. Conrades	117,500	588,819	706,319
Hector Garcia-Molina	67,500	392,562	460,062
Renée J. James	52,500	392,562	445,062
Charles W. Moorman IV	73,288	392,562	465,850
Leon E. Panetta	92,500	392,562	485,062
William G. Parrett	73,288	392,562	465,850
Naomi O. Seligman	77,500	392,562	470,062

183. The following table provides additional information concerning the stock awards (in the form of RSUs) and stock options held by the Company's non-employee directors as of the last day of fiscal 2019.

Name	Total Unvested RSUs Outstanding at Fiscal 2019 Year End (#)	RSUs Granted During Fiscal 2019 (a) (#)	Total Option Awards Outstanding at Fiscal 2019 Year End (#)
Jeffrey S. Berg	,189	,189	47,500
Michael J. Boskin	1,857	1,857	50,000

Bruce R. Chizen	,189	,189	25,000
George H. Conrades	1,857	1,857	7,500
Hector Garcia-Molina	,905	,905	25,000
Renée J. James	,491	,905	,375
Charles W. Moorman IV	,905	,905	
Leon E. Panetta	,905	,905	7,500
William G. Parrett	,905	,905	
Naomi O. Seligman	,905	,905	02,500

184. The Defendants' compensation, excess dividends, and stock awards detailed herein were unjust and should be disgorged or returned by such Defendants because they acted in bad faith and in a disloyal manner by virtue of the conduct alleged in this complaint.

VIII. THE COMPANY HAS SUFFERED SIGNIFICANT DAMAGES

185. The Company has suffered significant harm and damages due to Defendants' wrongdoing and breaches of duties.

186. As a direct and proximate result of the Individual Defendants' conduct, the Company has expended and will continue to expend significant sums of money. Such expenditures include, but are not limited to, the amounts paid to outside lawyers, accountants, and investigators in connection with internal and external investigations into issues pertaining to the lack of diversity at Oracle, discrimination lawsuits, harassment claims, wrongful termination lawsuits, and lack of pay equity claims.

187. On January 19, 2017, for example, Oracle was sued by the Department of Labor for racial discrimination and for its "systemic practice" of paying white male workers more than their non-white and female counterparts with the same job titles, causing the Company to suffer severe damage to its goodwill and causing Oracle to pay millions of dollars in attorneys' fees to defend the case.

1 188. In November 2019, a Congressional inquiry was launched into the lack of
2 diversity on Oracle's Board. Oracle was required to expend significant attorneys' fees,
3 expenses, and consultant fees responding to this inquiry, which would not have been
4 commenced but for Defendants' wrongdoing and false statements about commitment to
5 diversity in the Company's proxy statements.

6 189. On January 17, 2017, the DOL's Office of Federal Contract Compliance
7 Programs sued Oracle in an ALJ court, alleging that Oracle systematically discriminated
8 against African Americans, Asians and women with respect to employment
9 compensation. The government alleges Oracle discriminated against these groups and
10 showed favoritism and bias towards Asians.

11 190. On June 30, 2016, a \$3.0 billion verdict was entered against the Company
12 and in favor of Hewlett Packard due to the Company's intentional breach of a settlement
13 agreement related to Mark Hurd's departure from HP. Ellison and the Director
14 Defendants caused the Company to breach that agreement because Ellison took personal
15 umbrage at the manner of Hurd's firing and therefore caused Oracle to attempt to
16 punish HP by breaching the agreement even though Oracle's obligations under the
17 settlement agreement were clear.

18 191. Moreover, Oracle's reputation, goodwill, and market capitalization have
19 been harmed as a result of the Individual Defendants' misconduct.

20 192. Further, as a direct and proximate result of the Individual Defendants'
21 actions, Oracle has expended, and will continue to expend, significant sums of money.
22 Such expenditures include, but are not limited to:

23 (a) costs incurred from having to hire new employees, as employees
24 have quit in protest over Defendants' misconduct and the discriminatory
25 practices employed by Oracle;

26 (b) costs incurred from defending and paying settlements in
27 discrimination lawsuits, since the Individual Defendants' wrongdoing caused
28

1 discrimination to proliferate at Oracle;

2 (c) costs incurred from defending and settling governmental
3 investigations into the Individual Defendants' misconduct;

4 (d) loss of reputation; and

5 (e) costs incurred from compensation and benefits paid to the
6 Individual Defendants who have breached their duties to Oracle.

7 **IX. DEMAND FUTILITY**

8 193. Plaintiff brings this action derivatively in the right and for the benefit of
9 Oracle to redress injuries suffered, and to be suffered, by Oracle and its stockholders as a
10 direct result of the Officer Defendants' violations of federal securities laws and breaches
11 of fiduciary duties.

12 194. Oracle is named as a nominal defendant solely in a derivative capacity.

13 195. This is not a collusive action to confer jurisdiction on this Court that it
14 would not otherwise have.

15 196. At the time this action was commenced, Oracle's Board consisted of the
16 following 14 members: Defendants Ellison and Catz, as well as Directors Henley, Berg,
17 Boskin, Chizen, Conrades, Garcia-Molina, James, Moorman, Panetta, Parrett, and
18 Seligman.

19 197. Plaintiff has not made any demand on Oracle to institute this action
20 because such a demand would be a futile, wasteful, and useless act.

21 198. Under Delaware law, demand is futile if a majority of the directors are
22 either interested in or not independent of a person interested in the claims asserted.
23 Further, where a board is made up of an even number of directors, a majority of
24 directors is considered to be half the Board.

25 199. Based on these principles, demand is futile here if seven (7) of the fourteen
26 (14) directors are either interested in or not independent of a person interested in the
27 claims asserted herein. As discussed below, demand is futile because (i) the Officer
28

1 Defendants face a substantial likelihood of liability for violating the federal securities
2 laws and breaching their duty of due care, and (ii) at least four other directors are not
3 independent of the Officer Defendants.

4 **A. Demand Is Futile Against the Officer Defendants**

5 200. The Officer Defendants served as officers of Oracle (and directors) during
6 the Relevant Period. As officers, the Officer Defendants face a substantial likelihood of
7 liability if there is reason to doubt that they breached their duty of care — *i.e.*, acted with
8 gross negligence.

9 201. As alleged above, the Officer Defendants knowingly or recklessly made or
10 disseminated materially false and misleading statements regarding the Company's
11 diversity, board qualifications, efforts to recruit minorities, and lack of need for an
12 independent Chairman. As such, the Officer Defendants face a substantial likelihood of
13 liability for violating their fiduciary duties of candor and good faith and the federal
14 proxy laws. The Officer Defendants also knowingly allowed Ellison to pursue his
15 personal vendetta against Hewlett-Packard for firing his close personal friend Mark
16 Hurd. There was no business purpose for Ellison engaging in this conduct, and the
17 Officer Defendants knew it and knew Ellison was risking massive damages to the
18 Company by pursuing his personal vendetta, yet still fully cooperated with Ellison in the
19 baseless dispute and lawsuit with HP. Demand is futile as to the Officer Defendants for
20 this conduct which has resulted in a \$3 billion judgment against Oracle that the
21 Company admits may be material from a financial point of view to the Company.

22 202. For these reasons, demand is futile against the Officer Defendants.

23 **B. Demand Is Futile Against a Majority of the Board Who Are Not Officer**
24 **Defendants Due to a Lack of Independence, Because Ellison Controls**
25 **Oracle and Its Board**

26 203. Because Defendants Ellison and Catz, face a substantial likelihood of
27 liability, demand is futile if four of the remaining ten directors lack independence from
28 Defendants Ellison or Catz. As discussed herein, Defendant Ellison has complete control

1 over the Board with deep ties to many of the Non-Party Directors, which renders them
2 incapable of assessing a demand.

3 204. Ellison is the founder and controlling stockholder, and the chief technology
4 officer of Oracle. Ellison dominates and controls the Board due to his ownership
5 interests and position, and his domination of the Board. As of September 20, 2019,
6 Defendant Ellison owned 1,172,919,853 shares of Oracle stock, giving him control and
7 ownership of 35.4% of the voting power of Oracle common stock.

8 205. Ellison's 35.4% stock ownership, combined with the other facts alleged
9 herein, demonstrate that Ellison is the controlling shareholder of Oracle, and that he
10 dominates and controls the Board. As a result of Ellison's control and influence as the
11 founder of Oracle, no director could ever be appointed or reelected to the Board over
12 Ellison's objections. As part of his effort to control the Board, Ellison richly rewards
13 those who demonstrate their loyalty to him, and purges those who question his
14 decisions or otherwise threaten his leadership.

15 206. Ellison has spent his entire career ensuring that only his loyalists are
16 allowed to occupy Board and executive positions at Oracle. Karen Southwick, the
17 author of an Ellison biography entitled *Everyone Else Must Fail*, has written that, "Ellison
18 has created Oracle in his own image" and that "[n]o other large company is as
19 dominated by a single individual."

20 207. Southwick's research included interviews with many former high-ranking
21 Oracle executives, as well as Oracle customers, competitors and partners. Marc Benioff,
22 a former Oracle executive in marketing and product management who went on to found
23 Salesforce.com, was quoted in *Everyone Else Must Fail* as stating, "Larry's like a spiritual
24 guru, and Oracle is like a cult."

25 208. As part of his continued effort to maintain complete control over the
26 Company, Ellison has developed a reputation for richly rewarding executives who
27 display personal loyalty, while summarily purging any who pose a perceived threat to
28

1 his leadership. As one former Oracle director told Forbes magazine, “This is a team, and
2 Larry is the only captain. If someone wants to pop up and announce they’re the star —
3 poof! You’re out.”

4 209. In a similar vein, former technology journalist Alex Vieux has explained:
5 “Larry has an acute sense of when he doesn’t need people anymore. He’s like a juicer.
6 He squeezes people dry and then discards them. I’ve seen it with [former Oracle
7 Executive Vice President] Gary Bloom, [former Oracle President and Chief Operating
8 Officer] Ray Lane, [former Vice President of Oracle USA sales and service] Gary
9 Kennedy, [former Oracle marketing executive] Terry Garnett. At the same time, he gives
10 them good money and exposure they would never get without him. They get a
11 springboard to do whatever they want with their lives. He fulfills his part of the bargain,
12 but he does it in a very devilish way.”

13 210. Former Board member Joe Costello was quoted in Southwick’s biography
14 as stating that Ellison treats the Oracle Board as a “necessary inconvenience.” Costello
15 was driven off of the Oracle Board by Ellison after Costello’s own company, Cadence
16 Design Systems, selected an Oracle competitor for a particular contract. Ellison was so
17 incensed by this perceived betrayal that he threatened to ruin Costello and Costello’s
18 reputation, to the point where Costello resigned. Lane stated that, “[Costello] was a very
19 valuable board member, and his resignation should have sent a signal to everyone: the
20 board serves at Larry’s will.”

21 211. Ellison has repeatedly fired or otherwise forced out high-ranking Oracle
22 executives, including members of the Board, over personality conflicts or perceived
23 threats to his leadership.

24 212. According to Forbes, “Silicon Valley is littered with refugees from Oracle
25 Corp., former acolytes who fled for better jobs or were fired after fighting with
26 strongman Larry Ellison.” For example, Oracle President, Chief Operating Officer and
27 Director Ray Lane was forced to resign in June 2000 — three weeks before
28

1 approximately \$70 million in options were about to vest (and thus that Lane forfeited) —
2 after conflicting with Ellison over the leadership of Oracle. As recounted in an Ellison
3 biography by Matthew Symonds called *Softwar: An Intimate Portrayal of Larry Ellison and*
4 *Oracle (2003)*, when Ellison reclaimed the title of President, he told Lane that, “The whole
5 company needs to understand that there is one centralized point of authority, and it will
6 be the CEO.”

7 213. Similarly, Oracle Executive Vice President Gary Bloom, once thought of as
8 a possible successor to Ellison, left Oracle because Ellison began to oppose him and
9 expressed favoritism to Ellison’s longtime loyalist Safra Catz. As recounted in the
10 Symonds’ Ellison biography, Bloom stated, “It got to a point where I was responsible for
11 the vast majority of the company, yet I had no contact with the guy who actually ran the
12 company.”

13 214. Terence Garnett is another Oracle executive who was pushed out of Oracle
14 after conflicting with Ellison. After his June 1994 firing, Garnett alleged that Ellison had
15 instructed him to steer business opportunities and Oracle corporate resources to Ncube
16 Corp., a company owned by Ellison, and directed Oracle engineers to develop software
17 that would run better on Ncube computers than on competing machines. Because
18 Garnett refused to follow those instructions, Ellison had him summarily removed from
19 the Company.

20 215. Other members of the current Board have also publicly acknowledged
21 Ellison’s dominance over Oracle’s corporate governance. For example, at an Oracle
22 stockholder meeting in October 2008, Berg stated, “I guess as a founder, owner, operator,
23 you can equate [Ellison] to the owner of a team who can sit up in a skybox and own the
24 franchise.”

25 216. This statement demonstrates that the Board is subservient to Ellison,
26 cannot legitimately exercise independent business judgment regarding matters where
27 Ellison is an interested party, and does not appreciate that Oracle’s stockholders are the
28

1 ones who truly “own the franchise.”

2 217. Further, while Ellison is no longer CEO and has assumed the position of
3 chief technology officer and “full time” Executive Chairman, his dominance over Oracle
4 has remained unchanged. Analysts and others in the industry acknowledged Ellison’s
5 continued dominance following the announcement of his stepping down: “He’s not
6 going anywhere,” said Tim Bjarin, tech analyst and president of Creative Strategies.

- 7 • The shift “doesn’t really change things,” said Scott McNealy, former Sun
8 Microsystems CEO (which Oracle eventually acquired) and current chairman
9 of social media marketing start-up Wayin. “He’s going to continue to do the
10 things he’s going to continue to do.”
- 11 • Mike Wilson, author of “The Difference Between God and Larry Ellison: God
12 Doesn’t Think He’s Larry Ellison” stated, “Oracle is Larry Ellison, and Larry
13 Ellison is Oracle.”
- 14 • Marc Benioff, CEO of Salesforce.com, who worked at Oracle and got funding
15 for his company from Ellison stated, “There always has been & always will be,
16 one CEO at Oracle. ‘All [software] & [hardware] engineering functions will
17 continue to report to @larryellison.’”

18 218. Further, as discussed below, each director or officer has received
19 significant compensation while serving as a fiduciary of Oracle. Given Defendant
20 Ellison’s prominent role in retaining the employ of these individuals, as well as their
21 material ties to Ellison, Defendant Catz, and the Non-Party Directors below, are
22 incapable of assessing demand as to the claims alleged herein.

23 **C. A Majority of the Director Defendants Knowingly Endorsed and**
24 **Approved Ellison’s Baseless Lawsuit With HP, Which Merely**
25 **Represented a Personal Vendetta Against HP by Ellison, Who Was Mad**
26 **That HP Had Fired His Close Personal Friend Hurd**

27 219. The Director Defendants also knowingly allowed Ellison to pursue his
28 personal vendetta against Hewlett-Packard for firing his close personal friend Mark
Hurd. There was no business purpose for Ellison engaging in this conduct, and the

1 Director Defendants knew it and knew Ellison was risking massive damages to the
2 Company by pursuing his personal vendetta, yet still fully cooperated with Ellison in the
3 baseless dispute and lawsuit with HP. Demand is futile as to the Director Defendants
4 for this conduct which has resulted in a \$3 billion judgment against Oracle that the
5 Company admits may be material from a financial point of view to the Company, yet for
6 which the Company continues to refuse to take a reserve on its balance sheet.

7 220. The lawsuit with HP has been ongoing since June 15, 2011, and remains
8 ongoing in the court of appeal. All Director Defendants have served on the Board
9 during at least part of this time period. As the Company admits in its most recent Form
10 10-K filed on June 22, 2020:

11 The case proceeded to a jury trial in May 2016. On June 30, 2016, the jury
12 returned a verdict in favor of HP on its claims for breach of contract and
13 breach of the implied covenant of good faith and fair dealing and against
14 Oracle on its cross-claims. *The jury awarded HP \$3.0 billion in damages. Under the court's rulings, HP is entitled to post-judgment interest, but not pre-judgment interest, on this award.*

15 After the trial court denied Oracle's motion for a new trial, Oracle filed a
16 notice of appeal on January 17, 2017. On February 2, 2017, HP filed a notice
17 of appeal of the trial court's denial of pre-judgment interest.

18 Oracle has posted a mandated surety bond with the trial court for the
19 amounts owing. No amounts have been paid or recorded to our results of
20 operations. We continue to believe that we have meritorious defenses
21 against HP's claims, and we intend to present these defenses to the
22 appellate court. Oracle filed its opening brief on March 7, 2019. Briefing on
23 the appeal was completed November 1, 2019, and the appellate court has
24 not scheduled a date for oral argument. We cannot currently estimate a
25 reasonably possible range of loss for this action due to the complexities and
26 uncertainty surrounding the appeal process and the nature of the claims.
27 Litigation is inherently unpredictable, and the outcome of the appeal
28 process related to this action is uncertain. *It is possible that the resolution of this action could have a material impact on our future cash flows and results of operations.*

23 **D. A Majority of Directors Have Material Ties to Ellison Rendering Them**
24 **Incapable of Assessing Demand Against the Officer Defendants**

25 **1. Defendant Catz**

26 221. Defendant Catz is beholden to Ellison and incapable of objectively
27 evaluating matters concerning Ellison. Catz is not independent because she is a highly

1 compensated senior officer in a company controlled by Ellison. Catz has held numerous
2 executive positions at Oracle since joining the Company in 1999. Catz has been Oracle's
3 CEO since September 2014. She served as the Company's President from January 2004
4 to September 2014 and as CFO most recently from April 2011 until September 2014.
5 Previously, she served as CFO from November 2005 until September 2005 and as interim
6 CFO from April 2005 to July 2005. Since 2007, Catz has received roughly \$514 million in
7 compensation from Oracle. Due to her position as CEO, and her massive pay packages,
8 the Company admits that Catz is not independent.

9 222. Catz is also a close aide to Ellison who has been described in the media by
10 CNNMoney and Fortune as Ellison's "secretive but effective right hand," "Ellison's
11 ultra-effective consigliere," and "Ellison's Ms. Inside." According to the Mercury News,
12 "[a]t one point, Ellison and Catz dated, according to two biographies of Ellison and
13 interviews with former Oracle employees. They remained friends over the next decade."
14 Matthew Symonds wrote in his Ellison biography that Catz has "a degree of loyalty to
15 her boss that transcended any personal agenda of her own." Ellison himself has stated
16 that he and Catz "share a high-bandwidth communications link," that they "finish each
17 other's sentences" and that he relies on her as his "chief confidante and counselor." As
18 explained in the Symonds' biography, Catz has said that, "I came in [to Oracle] with
19 absolutely no agenda other than to help Larry. That actually makes my job incredibly
20 easy. If Larry wants something done, now it happens because I'm going to check that it
21 has."

22 223. Catz's power and status within Oracle derive from her close personal
23 relationship and overwhelming loyalty to Ellison. In August 2006, Henley was quoted
24 in Forbes as saying that, "[Catz's] power isn't that she has a lot of people working for
25 her; she doesn't. Her power is that she's on the same wavelength as Larry." Catz herself
26 appears to agree with this assessment. She is quoted in the Symonds' biography as
27 stating, "I'm not interested in building power and I don't have any individual power
28

1 here. People will send me things for my approval, and my response will always be
2 okay, if it's within the scope of a decision I already know Larry has approved. I say that
3 as a reminder that I don't have any power of my own."

4 224. Although this statement was made while Catz was Co-President under
5 then-CEO Ellison, Ellison still holds the reins at Oracle in his CTO role.

6 2. Director Henley

7 225. Director Henley is not independent of Defendant Ellison, and by extension
8 Defendant Catz, due to his long-standing ties to Oracle as the Company's former CFO
9 and Chairman. For ten years, from 2004 to 2014, Henley served as Executive Chairman
10 at Oracle, and Oracle's Proxy Statement at the time stated that Henley was not an
11 independent director. When Ellison stepped down from CEO to assume the CTO
12 position in 2014, Ellison assumed the Chairman position and Henley was demoted to
13 Vice Chairman of Oracle. While Oracle no longer publishes Henley's compensation or
14 outstanding unvested stock options, as recently as fiscal year 2011, Henley received
15 approximately \$4.15 million in compensation and \$11.333 million in stock option
16 awards. The Company admits in its public filings that Henley is not independent.

17 3. Director James

18 226. Director James is not independent of Defendant Ellison, and by extension
19 Defendant Catz, due to her receipt of substantial compensation from Oracle. James has
20 received and will continue to receive substantial compensation as a director of Oracle.
21 Since 2016, Director James has received over \$1.6 million in cash and stock awards — a
22 material amount to any individual, especially when that person expects to receive about
23 a half of a million dollars per year in subsequent years. As a member of one of the
24 highest compensated board of directors in the United States, Director James expects to
25 receive roughly half of a million dollars or more per year as a director.

26 227. James is an Operating Executive at the Carlyle Group. In that capacity,
27 she serves on the boards of Veritas Holdings Ltd. and ION Investment Group Limited,
28

1 two Carlyle portfolio companies. Veritas specializes in information management, and
2 Oracle is an important Veritas partner. Indeed, in a 2017 interview, Veritas's CTO
3 discussed "the 'very long future that the two companies have together working on the
4 problem of information management.'" ION, a software conglomerate, has a business
5 segment that is "a Gold level member of the Oracle Partner Network." Catz publicly
6 described James as a close friend at Oracle's 2014 OpenWorld conference.

7 228. Until 2016, James served as Intel's President. Since then, she has publicly
8 stated that she is trying to become the CEO of another large technology company. In a
9 talk at Stanford, James described her approach to dealing with boards of directors:
10 "When you're CEO, it's all about the board. If you have a dysfunctional board and a
11 board that isn't supportive or that has [its] own internal dynamic and politics, life's too
12 short for that." In that same talk, James also said that "people do what they think the
13 CEO wants, even if they know it's wrong. And that's a very dangerous phenomenon."
14 Moreover, in October 2017, the Oracle Board determined that James was no longer
15 independent under the New York Stock Exchange's listing standards. The reason: James
16 had been appointed CEO of Ampere Computing LLC, a joint venture between Oracle,
17 Carlyle, and MACOM Technology Solutions Holdings, Inc., in which Oracle made a \$46
18 million investment towards in October 2017.

19 4. Director Seligman

20 229. Director Seligman is not independent of Defendant Ellison, and by
21 extension Defendant Catz, due to her substantial compensation from Oracle and close
22 personal ties to Defendant Ellison. Seligman has received and will continue to receive
23 substantial compensation as a director of Oracle. Since 2006, Director Seligman has
24 received over \$5.3 million in cash and stock awards — a material amount to any
25 individual, especially when that person expects to receive about a half of a million
26 dollars per year in subsequent years. As a member of one of the highest compensated
27 board of directors in the United States, Director Seligman expects to receive roughly half
28

1 of a million dollars or more per year as a director.

2 230. Seligman also has ties to Ellison, which render her unable to independently
3 evaluate matters concerning Ellison. Seligman and her husband, Ernest von Simson
4 (“von Simson”), co-founded the Research Board, a private sector think tank and forum,
5 serving top Chief Information Officers of over 100 of the largest firms in North America
6 and Europe, and Ostriker von Simson, a consultancy that works with large global
7 enterprises to advise them on choosing and deploying technologies and software, which
8 gave them an insider look at the IT industry. Ellison is one of the credited guest
9 speakers to have spoken before both the Research Board and the CIO Strategy Exchange
10 (which is chaired by Ostriker von Simson). Through their co-founded entities, Seligman
11 and von Simson came to know and admire the leadership “giants” of the IT sector,
12 including Ellison. In von Simson’s book, *“The Limits of Strategy: Lessons in Leadership from
13 the Computer Industry,”* von Simson deems Ellison one of the “Star Walkers,” along with
14 Michael Dell, Steve Jobs, Scott McNealy and Bill Gates, all of whom are central to the
15 book’s narrative.

16 231. Additionally, in 2010, Seligman’s husband published a book that provides
17 the following description of his first interaction with Ellison after Research Board was
18 sold: “At the end [of an Ellison presentation], he spotted me and flashed a huge grin.
19 Walking me, arm around my shoulder, to the side of the stage and away from his
20 Gartner hosts, he said, ‘I hope you really made them pay for the RB.’ I was touched.”
21 Ellison ended up writing a blurb for the book. That book mentions that Seligman and
22 her husband have known Ellison since the late 1980s and have had “numerous
23 interactions over the subsequent years, including lunch at Ellison’s Silicon Valley estate.”

24 232. Further, Seligman owns two condos on the 140-square-mile island of Lanai
25 in Hawaii, which Ellison acquired in 2012 for \$300 million. As a result of Ellison’s
26 purchase of Lanai, Ellison owns nearly everything on the island, including many of the
27 commercial buildings, homes, and apartments, the Four Seasons hotels and golf courses,
28

1 the water company and utilities, half the roads, one of the two grocery stores, the
2 community center and pool, the movie theater and some 88,000 acres of land (2% of the
3 island is owned by the government or by longtime Lanai families). According to The
4 New York Times, Ellison formed Pulama Lanai to run the operations of the island and
5 which employs a majority of the adults on the island. Pulama Lanai has been reported
6 to be a vast and mostly uncommunicative force. At the time of Ellison's Lanai purchase
7 Seligman's husband, Ernest von Simson, was the long-time President of their condo
8 association (Ernest von Simson remains Secretary and Treasurer of the condo
9 association). Seligman's condos are located 1.1 miles (driving distance) from the Four
10 Seasons Resort Lanai and overlook one of the golf courses. With ownership of these
11 residences comes the eligibility to become a member of the Island Club which provides
12 access to all Four Seasons' facilities and golf courses for half price membership.

13 233. Seligman and her husband are also one of four couples making up the
14 "Champion" donors category (the highest donor circle for individual donors) to the
15 TriLanai, which offers races on the Hawaiian Island of Lanai and is sponsored in part by
16 Ellison-owned Pulama Lanai (that runs the operations of the island). Tri-Lanai also lists
17 Ellison-owned hotels, the Four Seasons Resort Lanai and Hotel Lanai, as recommended
18 accommodations. The other two members of the condo association Board where
19 Seligman lives are also sponsors of the TriLanai.

20 5. **Director Conrades**

21 234. Director Conrades is not independent of Defendant Ellison due to his long-
22 standing position as a director of Oracle and his prior involvement in approving
23 conflicted transactions between Oracle and Ellison. Director Conrades has received
24 substantial and will continue to receive compensation as a director of Oracle. Since 2008,
25 Director Conrades has received over \$4.8 million in cash and stock awards — a material
26 amount to any individual, especially when that person expects to receive about a half of
27 a million dollars per year in subsequent years. As a member of one of the highest
28

1 compensated board of directors in the United States, Director Conrades expects to
2 receive roughly half of a million dollars or more per year as a director.

3 235. Conrades has held multiple high-level positions at Akamai Technologies
4 Inc., and Oracle and Akamai have “made substantial purchases from each other.” While
5 Conrades was Executive Chairman of Akamai Technologies, Inc. (“Akamai”), Akamai
6 received over a million dollars from transactions between Akamai and Oracle.

7 236. Conrades is also a major investor in and director of MyTaskIt, a software
8 startup. MyTaskIt’s Chief Technology Officer is Michael Russo, a Senior Director of
9 Development at Oracle. Russo needs Oracle management’s approval to continue
10 working at MyTaskIt.

11 237. Further, Conrades is Partner Emeritus at Polaris Venture Partners and
12 Managing Partner at Longfellow Venture Partners; both are venture capital firms
13 focused on areas in which Oracle is an active acquirer. Polaris and Longfellow have
14 portfolio companies that rely on Oracle technology or are managed by former Oracle
15 executives.

16 6. Director Berg

17 238. Director Berg is not independent of Defendant Ellison, and by extension
18 Defendant Catz, due to his long-standing position as a director of Oracle and his prior
19 material connection to Ellison and his family throughout his professional career.

20 239. Director Berg has received and will continue to receive substantial
21 compensation as a director of Oracle. Since 2009, Director Berg has received over \$6.3
22 million in cash and stock awards — a material amount to any individual, especially
23 when that person expects to receive about a half of a million dollars per year in
24 subsequent years. As a member of one of the highest compensated board of directors in
25 the United States, Director Berg expects to receive roughly half of a million dollars or
26 more per year as a director.

27 240. Berg has also been an agent in the entertainment industry for more than 35
28

1 years. Berg has served as chairman of Northside Services, LLC, a media and
2 entertainment advisory firm, since May 2015. He was chairman of Resolution, a talent
3 and literary agency he founded, from 2013 until 2015. Between 1985 and 2012, Berg was
4 the chairman and CEO of International Creative Management, Inc. ("ICM"), a talent
5 agency for the entertainment industry.

6 241. According to the Los Angeles Times, ICM represented David Ellison, Larry
7 Ellison's son, in his initial interest in an acting career. When David Ellison was
8 approached about financing "Flyboys," "[David] Ellison approached his father [Larry
9 Ellison] and, with the help of Jeffrey Berg at International Creative Management,
10 eventually fashioned a deal," which accounted for 'less than 30%' of the \$60 million in
11 production costs." ICM also acted as the U.S. sales agent for "Flyboys," and Berg
12 himself organized the party for "Flyboys," held on Larry's Ellison's yacht at the time, the
13 Rising Sun.

14 242. Despite a lengthy career as an agent, Berg was essentially ousted from ICM
15 in 2012 after a bitter power struggle with ICM founding partner Chris Silberman,
16 started his own entertainment agency Resolution in 2013, which shuttered within 18
17 months, and now runs a small agency Northside Services, LLC. According to company
18 information database buzzfile.com, Northside Services, LLC is currently estimated to
19 have 4 employees and annual revenues of \$211,032, making his Oracle compensation
20 material based on publicly available compensation information for other business
21 ventures.

22 7. Director Boskin

23 243. Director Boskin is not independent of Defendant Ellison, and by extension
24 Defendant Catz, due to his lucrative compensation as a director and Ellison's ties to his
25 employer, Stanford University.

26 244. Director Boskin has received and will continue to receive substantial
27 compensation as a director of Oracle. Since 2009, Director Boskin has received over \$9.4
28

1 million in cash and stock awards – a material amount to any individual, especially when
2 that person expects to receive about a half of a million dollars per year in subsequent
3 years. As a member of one of the highest compensated board of directors in the United
4 States, Director Boskin expects to receive roughly half of a million dollars or more per
5 year as a director.

6 245. Boskin is the Tully M. Friedman Professor of Economics and Hoover
7 Institution Senior Fellow at Stanford University, where he has been on the faculty since
8 1971. Stanford University has close ties to Ellison and Oracle:

- 9 • Ellison’s The Lawrence Ellison Foundation has made nearly \$3 million in
10 donations to Stanford in the past 3 years.
- 11 • Oracle has made donations to Stanford each year for at least the past 10
12 consecutive years, and in fiscal year 2016 alone has donated between \$19 and
13 \$30 million to Stanford.
- 14 • According to Oracle’s Annual Proxy Statement, for at least the past 10 years,
15 Stanford has received various donations from Board members, and Board
16 Members (in addition to Boskin and Garcia-Molina) have served and continue
17 to serve on advisory or oversight boards or are otherwise employed part-time
18 by Stanford University.
- 19 • Oracle is Stanford University’s Strategic Partner.
- 20 • Oracle is a founding member of the Stanford Medicine Corporate Partners
21 program, which supports the development of the new Stanford Hospital,
22 pursuant to which Oracle has granted Stanford \$25 million over 10 years.

23 246. Ellison and Oracle maintain close ties to Stanford University that prevent
24 Boskin from independently evaluating matters concerning Ellison. For example, as
25 recounted by the Delaware Court of Chancery in connection with prior derivative
26 litigation regarding Oracle, the Ellison Medical Foundation (now re-named The
27 Lawrence Ellison Foundation) has made approximately \$10 million in grants to Stanford.

1 The directors with ties to Stanford University may believe that their continued
2 employment there or service on boards and committees result in part from such
3 donations to Stanford and thus, those directors may not be able to act independently
4 from (or adversely to) Oracle (and Ellison).

5 247. Additionally, Boskin, is a Senior Fellow and Steering Committee member
6 of the Stanford Institute for Economic Policy Research ("SIEPR"), to which Oracle has
7 consistently made yearly donations of between \$5,000 and \$20,000.

8 248. In addition to his professional ties through Stanford and the SIEPR, Boskin
9 is also a personal friend of Ellison. Boskin made a \$500,000 donation to the UC Davis
10 Health System, the hospital that repaired Ellison's shattered elbow after a 1992 high-
11 speed bicycle crash and where Ellison established the Lawrence J. Ellison Ambulatory
12 Care Center. When Boskin was injured in a 1999 car accident, a media report described
13 Ellison as a "constant visitor," bringing sushi to Boskin's hospital room.

14 8. Director Chizen

15 249. Director Chizen is not independent of Defendant Ellison, and by extension
16 Defendant Catz, due to his lucrative compensation as a director and his ties to Stanford
17 University.

18 250. Director Chizen has received and will continue to receive substantial
19 compensation as a director of Oracle. Since 2009, Director Chizen has received over \$7.1
20 million in cash and stock awards — a material amount to any individual, especially
21 when that person expects to receive about a half of a million dollars per year in
22 subsequent years. As a member of one of the highest compensated board of directors in
23 the United States, Director Chizen expects to receive roughly half of a million dollars or
24 more per year as a director.

25 251. Chizen has ties to Stanford, which render him further non-independent.
26 Chizen was featured as a speaker in a Stanford course offered on Cloud computing (as a
27 collaboration between The Stanford Center for Professional and the Stanford Computer
28

1 Science Department), which was taught by former Oracle On Demand president
2 Timothy Chou (whose bio lists him as having been a leader in bringing enterprises to the
3 cloud since 1999, when he returned to Oracle to work for Ellison). The Chizen Family
4 Foundation, of which Chizen is President and a Director, has donated to Stanford
5 Hospital in at least 2013 and 2014.

6 **9. Director Garcia-Molina**

7 252. Director Garcia-Molina is not independent of Defendant Ellison, and by
8 extension Defendant Catz, due to his lucrative compensation as a director and Ellison's
9 ties to his employer, Stanford University.

10 253. Director Garcia-Molina has received and will continue to receive
11 substantial compensation as a director of Oracle. Since 2005, Director Garcia-Molina has
12 received over \$5.3 million in cash and stock awards — a material amount to any
13 individual, especially when that person expects to receive about a half of a million
14 dollars per year in subsequent years. As a member of one of the highest compensated
15 board of directors in the United States, Director Garcia-Molina expects to receive
16 roughly half of a million dollars or more per year as a director.

17 254. Garcia-Molina has been the Leonard Bosack and Sandra Lerner Professor
18 in the departments of Computer Science and Electrical Engineering at Stanford
19 University since 1995 and served as chairman of the department of Computer Science
20 from 2001 to 2004. He has been a professor at Stanford University since 1992. From 1994
21 until 1997 he was the director of the Computer Systems Laboratory at Stanford
22 University.

23 255. Garcia-Molina is employed at Stanford University, which has close ties to
24 Ellison and Oracle as cited above.

25 **10. Director Panetta**

26 256. Director Panetta is not independent of Defendant Ellison, and by extension
27 Defendant Catz, due to his lucrative compensation as a director and his close ties to
28

1 Ellison and his family.

2 257. Director Panetta has received and will continue to receive substantial
3 compensation as a director of Oracle. As a member of one of the highest compensated
4 board of directors in the United States, Director Panetta expects to receive roughly half
5 of a million dollars or more per year as a director. Since 2015, Director Panetta has
6 received over \$2 million in cash and other stock awards — a material amount to any
7 individual, especially when that person expects to receive about a half of a million
8 dollars per year in subsequent years.

9 258. Panetta also has ties to Ellison and Ellison’s daughter, Margaret Elizabeth
10 Ellison (“Megan Ellison”), which prevents Panetta from acting independently of Ellison.
11 Panetta played an important role in the development of the Megan Ellison-funded film,
12 “Zero Dark Thirty,” which chronicles the hunt for and ultimate Navy SEAL raid leading
13 to the death of Osama bin Laden. Prior to Osama bin Laden’s death, Megan Ellison had
14 signed on to provide all the financing on a movie directed by Kathryn Bigelow
15 (“Bigelow”) and produced by Mark Boal (“Boal”) about an unsuccessful mission to kill
16 Osama bin Laden. Before filming began and the script was still in development, it was
17 announced that Osama bin Laden had been killed. According to declassified internal
18 CIA documents obtained by Vice News pursuant to a Freedom of Information Act
19 request, only days after the news broke, Boal was in contact with Panetta (who was the
20 Director of the CIA from 2009 to 2011), and Panetta personally offered to help Boal (who
21 was writing the screenplay) with unprecedented access to CIA information and
22 remained in close contact throughout the filmmaking process.

23 259. Additionally, according to a draft of a Pentagon inspector general’s report:
24 “Leon Panetta was fully cooperating with the movie project and that several CIA staff
25 used White House approved talking points to talk to Mr. Boal about the intelligence that
26 led to UBL’s [Usama bin Laden’s] location.” Draft Report of the Inspector General
27 United States Department of Defense at 4 (*available at* <http://pogoarchives>.
28

1 org/m/go/ig/dod-ig-fouo-draft-report.pdf (last visited June 21, 2020)). The draft report
 2 also stated that “Panetta wants the Department to cooperate fully with the makers of the
 3 UBL film.” *Id.* at 7. Megan Ellison not only provided the financing for “Zero Dark
 4 Thirty,” but was also heavily involved in its pre- and post-production: she consulted
 5 regularly with Bigelow and Boal during development; she was instrumental in the
 6 dogged pursuit of casting the film’s lead actress, Jessica Chastain (who ultimately won
 7 an Oscar for her role); she was on set on location during filming; and she became close
 8 with the film’s actors. Megan Ellison (through her company Annapurna Productions)
 9 covered the entire approximately \$45 million budget for “Zero Dark Thirty.” While
 10 several U.S. senators, including Senator Dianne Feinstein (D-CA) and then Senators John
 11 McCain (R-AZ), Mark Udall (D-CO), and Carl Levin (D-MI), openly criticized the movie
 12 (Senator Feinstein was so “incensed” she walked out of an advance screening after only
 13 15-20 minutes), Panetta came to its defense. During an interview, Panetta, who was
 14 portrayed by James Gandolfini in the movie, stated, “It’s a movie. And it’s a good
 15 movie.” Panetta continued “I think people ought to make their own judgments. There
 16 are parts of it that give you a good sense of how the intelligence operations do work.
 17 But I also think people in the end have to understand that it isn’t a documentary, it’s a
 18 movie.”

19 260. Given these standing ties to Ellison alleged herein, Panetta was unable to
 20 independently consider the claims asserted herein or otherwise consider matters
 21 pertaining to Ellison or his handpicked executives.

22 X. CAUSES OF ACTION

23 COUNT I

24 Breach of Fiduciary Duty

25 Against All Individual Defendants and Does 1–30

26 261. Plaintiff incorporates by reference and realleges each and every allegation
 27 contained above, as though fully set forth herein.

28 262. The Individual Defendants and Does 1–30 owed and owe the Company

1 fiduciary obligations. By reason of their fiduciary relationships, the Individual
2 Defendants owed and owe the Company the highest obligation of good faith, fair
3 dealing, loyalty, and due care.

4 263. The Individual Defendants and Does 1–30, and each of them, as a result of
5 the facts alleged herein, violated and breached their fiduciary duties of candor, good
6 faith, and loyalty.

7 264. As a direct and proximate result of the Individual Defendants’ and Does 1–
8 30’s breaches of their fiduciary obligations, the Company has sustained significant
9 damages, as alleged herein. As a result of the misconduct alleged herein, defendants are
10 liable to the Company.

11 **COUNT II**

12 **Aiding and Abetting Breach of Fiduciary Duty**
13 **Against All Individual Defendants and Does 1–30**

14 265. Plaintiff incorporates by reference and re-alleges each of the preceding
15 paragraphs as if fully set forth herein.

16 266. Each of the Individual Defendants aided and abetted the other Individual
17 Defendants in breaching their fiduciary duties owed to the Company.

18 267. The Individual Defendants owed the Company certain fiduciary duties as
19 fully set out herein. By committing the acts alleged herein, the Individual Defendants
20 breached their fiduciary duties owed to the Company.

21 268. Each of the Individual Defendants colluded in or aided and abetted the
22 other Individual Defendants’ breaches of fiduciary duties, and actively and knowingly
23 participated in the other Individual Defendants’ breaches of fiduciary duties. Each of
24 the Individual Defendants knew about or recklessly disregarded the other Individual
25 Defendants’ breaches of fiduciary duty, which were and are continuing, as set forth in
26 particularity herein.

27 269. The Company was injured as a direct and proximate result of the
28 aforementioned acts.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

COUNT III
Abuse of Control
Against Defendants Ellison and Catz

270. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

271. By virtue of their positions and financial holdings at Oracle, defendants Ellison and Catz exercised control over Oracle and its operations, and owed duties as controlling persons to Oracle not to use their positions of control for their own personal interests and contrary to Oracle’s interests.

272. Defendants’ conduct alleged herein constitutes an abuse of their ability to control and influence the Company, for which they are legally responsible.

273. As a result of defendants’ abuse of control, the Company has sustained and will continue to sustain damages and injuries for which it has no adequate remedy at law.

274. Because the acts of defendants named herein, and each of them, were done maliciously, oppressively, and with intent to defraud, Plaintiff on behalf of the Company is entitled to punitive and exemplary damages in an amount to be shown according to proof at the time of trial.

COUNT IV
Unjust Enrichment
Against All Individual Defendants and Does 1–30

275. Plaintiff incorporates by reference and realleges each and every allegation contained above as though fully set forth herein.

276. By their wrongful acts and omissions, the Individual Defendants were unjustly enriched at the expense of, and to the detriment of, the Company.

277. During the Relevant Period, the Individual Defendants either received annual stipends, bonuses, stock options, or similar compensation from the Company that was tied to the financial performance of the Company or received compensation that was unjust in light of the Individual Defendants’ bad faith conduct.

1 278. Plaintiff, as shareholder and representative of the Company, seeks
2 restitution from the Individual Defendants and seeks an order from this Court
3 disgorging all profits, benefits, and other compensation, including any performance-
4 based compensation, obtained by the Individual Defendants due to their wrongful
5 conduct and breach of their fiduciary duties.

6 279. Plaintiff, on behalf of the Company, has no adequate remedy at law.

7 **COUNT V**

8 **Violation of Section 14(a) of the Exchange Act and SEC Rule 14a-9**
9 **Against All Individual Defendants**

10 280. Plaintiff incorporates by reference and re-alleges each allegation contained
11 above, as though fully set forth herein, except to the extent those allegations plead
12 knowing or reckless conduct by Defendants. This claim is based solely on negligence,
13 not on any allegation of reckless or knowing conduct by or on behalf of Defendants.
14 Plaintiff specifically disclaims any allegations of, reliance upon any allegation of, or
15 reference to any allegation of fraud, scienter, or recklessness with regard to this claim.

16 281. SEC Rule 14a-9 (17 C.F.R. § 240.14a-9), promulgated under Section 14(a) of
17 the Exchange Act, provides:

18 No solicitation subject to this regulation shall be made by means of
19 any proxy statement form of proxy, notice of meeting or other
20 communication, written or oral, containing any statement which, at the
21 time and in the light of the circumstances under which it is made, is false
22 or misleading with respect to any material fact, or which omits to state any
23 material fact necessary in order to make the statements therein not false or
24 misleading or necessary to correct any statement in any earlier
25 communication with respect to the solicitation of a proxy for the same
26 meeting or subject matter which has become false or misleading.

27 282. Defendants negligently issued, caused to be issued, and participated in the
28 issuance of materially misleading written statements to stockholders that were contained
in the 2018 & 2019 Proxy Statements. The 2018 & 2019 Proxy Statements contained
proposals to the Company's stockholders urging them to reelect the members of the
Board, approve executive pay packages, and vote against stockholder proposals for the

1 Company to adopt a Pay Equity Report and to appoint an independent Chairman. The
2 2018 & 2019 Proxy, however, misstated or failed to disclose the following information,
3 among others:

4 (a) the deficiencies in the Company's internal and disclosure controls
5 that were known to the Board when the 2019 Proxy was filed;

6 (b) the fact that the Company was not "committed to diversity and
7 inclusion in our workforce," and was in fact discriminating against Black and
8 minority candidates with respect to hiring, promotion, and pay, and that the
9 Company's conduct constituted illegal business practices prohibited by federal
10 and state law;

11 (c) that it was not true that "Oracle promotes equality through our
12 hiring, pay and promotions processes";

13 (d) Defendants did not believe, and it was not true, that "Relatively few
14 global companies have publicized their internal pay data and it does not appear
15 to have had any additional beneficial effect. We believe the creation and
16 publication of a pay equity report as requested by this proposal would be costly
17 and time-consuming and, in light of our long-standing efforts in this area, would
18 not lead to meaningful gains in support of workforce diversity and gender pay
19 equity"; and

20 (e) the Defendants did not believe, and it was not true, that "our lead
21 independent director role, as well as our other corporate governance practices,
22 already provide the independent leadership and management oversight
23 requested by this proposal [to require an independent Chairman]."

24 283. The Defendants knew of, but failed to disclose, fraudulent business
25 practices at Oracle that put the Company at material risk — namely, discriminatory
26 hiring and compensation practices. Had this information been disclosed, shareholders
27 would not have voted to reelect Board members, approve executive compensation
28

1 packages, and reject an independent board chairman.

2 284. By reasons of the conduct alleged herein, Defendants violated Section 14(a)
3 of the Exchange Act and SEC Rule 14a-9. As a direct and proximate result of Defendants'
4 wrongful conduct, the Company misled or deceived its stockholders by making
5 misleading statements that were an essential link in stockholders heeding the
6 Company's recommendation to reelect the current Board and vote against stockholder
7 proposals for the Company to adopt a policy to require the Company to prepare and
8 publish a Pay Equity Report and a policy to require an independent Chairman of the
9 Board.

10 285. Plaintiff, on behalf of the Company, seeks injunctive and equitable relief
11 because the conduct of the Individual Defendants interfered with Plaintiff's voting rights
12 and choices at the 2019 annual meeting. Plaintiff does not seek any monetary damages
13 for the proxy law violations.

14 286. This action was timely commenced within three years of the date of the
15 2018 Proxy and within one year from the time Plaintiff discovered or reasonably could
16 have discovered the facts on which this claim is based.

17 **XI. PRAYER FOR RELIEF**

18 WHEREFORE, Plaintiff, on behalf of the Company, requests judgment and relief
19 as follows:

20 A. Against all of the Defendants, jointly and severally, and in favor of the
21 Company for the amount of damages sustained by the Company along with pre- and
22 post-judgment interest as allowed by law resulting from Defendants' breaches of
23 fiduciary duty, abuse of control, gross mismanagement, and violation of the federal
24 proxy laws;

25 B. Directing the Company to take all necessary actions to reform and
26 improve its corporate governance and internal procedures to comply with applicable
27 laws and to protect the Company and its shareholders from a repeat of the damaging
28

1 events described herein, including, but not limited to, putting forward for shareholder
2 vote, resolutions for amendments to the Company's By-Laws or Articles of
3 Incorporation and taking such other action as may be necessary to place before
4 shareholders for a vote of the following Corporate Governance Policies:

5 (1) a proposal to require at least three current Directors to resign from
6 the Board and setting forth a resolution to replace such Directors with two Black
7 persons and one other minority;

8 (2) a proposal to replace Larry Ellison as Chairman with a non-
9 executive director who is independent;

10 (3) all Director Defendants named in this suit should return all their
11 2020 compensation received from Oracle (including any stock grants), and donate
12 the money to an acceptable charity or organization whose efforts include the
13 advancement of Black people and minorities in corporate America;

14 (4) publication of an annual Diversity Report that contains
15 particularized information and the hiring, advancement, promotion, and pay
16 equity of all minorities at Oracle;

17 (5) creation of a \$700 million fund to hire Black and minority
18 employees, promote them to more management positions at the Company,
19 establish and maintain a mentorship program at Oracle for Black and minority
20 employees that is committed to providing the skills and mentorship necessary to
21 succeed in corporate America;

22 (6) requirement of annual training of Oracle's entire Board and all
23 Section 16 executive officers, which training should at a minimum focus on
24 diversity, affirmative action, anti-discrimination and anti-harassment, and other
25 relevant topics;

26 (7) immediately setting specific goals with respect to the number of
27 Black and minority candidates to hire at the Company over the next five years,
28

1 and Oracle should adopt a revised executive compensation program that makes
2 30% of executives' compensation tied to the achievement of the diversity goals;

3 (8) replacement of Ernst & Young as its auditor. Oracle is one of E&Y's
4 largest customers, and E&Y has served as Oracle's auditor *since 2002*, giving rise
5 to a cozy and clubby relationship between E&Y and Oracle which is not
6 conducive to effective auditing. The Company's compliance with its stated
7 policies concerning the alleged commitment to diversity has been abysmal to the
8 point of being basically non-existent. The very purpose of an auditor is to assess
9 the Company's internal controls and determining if they are functioning
10 effectively. Rather than doing so, Ernst & Young has wrongfully and consistently
11 given Oracle's internal controls a clean bill of health and has failed to point out
12 the obvious – that Oracle lacks an effective system of internal controls to ensure
13 that the Company is not discriminating against minorities and is complying with
14 its stated goals and initiatives regarding the promotion of diversity and the
15 avoidance of discrimination and harassment;

16 (8) a proposal to strengthen the Board's supervision of operations and
17 develop and implement procedures for greater non-controlling shareholder input
18 into the policies and guidelines of the Board;

19 (9) a proposal to strengthen Oracle's oversight of its procedures
20 regarding the termination of employees, executives, and board members accused
21 of discrimination;

22 (10) a proposal to strengthen internal controls concerning
23 discrimination;

24 (11) a proposal to eliminate the use of Non-Disclosure Agreements at the
25 Company so that current and former employees can report any and all instances
26 of suspected discrimination without threat of legal action; and

27 (12) a proposal to eliminate the use of mandatory arbitration for
28

1 employee disputes and claims of wrongful termination and discrimination.

2 C. Extraordinary equitable and/or injunctive relief as permitted by law,
3 equity, and state statutory provisions sued hereunder, including attaching,
4 impounding, imposing a constructive trust on, or otherwise restricting the proceeds of
5 Defendants' trading activities or their other assets so as to assure that Plaintiff on behalf
6 of Oracle has an effective remedy;

7 D. Awarding to Oracle restitution from Defendants, and each of them, and
8 ordering disgorgement of all profits, benefits, and other compensation obtained by
9 Defendants;

10 E. Awarding punitive damages at the maximum amount permitted by law;

11 F. Awarding to Plaintiff the costs and disbursements of the action, including
12 reasonable attorneys' fees, accountants' fees, experts' fees, costs, and expenses; and

13 G. Granting such other and further relief as the Court deems just and proper.

14 **DEMAND FOR JURY TRIAL**

15 Plaintiff, on behalf of Oracle, hereby demands a trial by jury of all issues that are
16 subject to adjudication by a trier of fact.

17 Dated: July 2, 2020

18 Respectfully submitted,
19 BOTTINI & BOTTINI, INC.
Francis A. Bottini, Jr. (SBN 175783)
Albert Y. Chang (SBN 296065)
20 Yury A. Kolesnikov (SBN 271173)

21 /s Francis A. Bottini, Jr.
22 Francis A. Bottini, Jr.

23 7817 Ivanhoe Avenue, Suite 102
La Jolla, California 92037
24 Telephone: (858) 914-2001
Facsimile: (858) 914-2002
25 Email: fbottini@bottinilaw.com
achang@bottinilaw.com
26 ykolesnikov@bottinilaw.com

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

RENNE PUBLIC LAW GROUP
Louise H. Renne (SBN 36508)
Ruth M. Bond (SBN 214582)
Ryan McGinley-Stempel (SBN 296182)
350 Sansome Street, Suite 300
San Francisco, CA 94101
Telephone: (415) 848-7200
Facsimile: (415) 848-7230
Email: lrenne@publiclawgroup.com
rbond@publiclawgroup.com
rmcginleystempel@publiclawgroup.com

Attorneys for Plaintiff R. Andre Klein

VERIFICATION

I, R. Andre Klein, verify that I am a shareholder of Oracle Corporation. I have reviewed the allegations in this Verified Shareholder Derivative Complaint. As to those allegations of which I have personal knowledge, I believe them to be true; as to those allegations of which I lack personal knowledge, I rely upon my counsel and counsel's investigation, and believe them to be true. Having received a copy of the complaint and reviewed it with counsel, I authorize its filing.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on June 30, 2020.

R. Andre Klein

R. Andre Klein