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3 VIDEOGRAPHER: The Court Reporter today is

4 Dawn M. Hart of LegaLink San Francisco. I will now

5 swear in the witness.

6 Thereupon ---

7 WILLIAM POLLIE

8 having been duly sworn, testified as follows:

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11 Q Good morning, Mr. Pollie.

12 A Good morning, Mr. Yates.

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18 Q And when you left Integral Systems in

19 approximately '91 or '92 where did you go?

20 A I went to a company called SAP.

21 Q And for how long were you with SAP?

22 A Through September 2001.

23 Q And what positions did you hold at SAP?

24 A Variety of positions in product management,

25 direct sales, global sales, strategic account

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1 management, and management positions; Vice-President

2 of Field Operations for SAP.

3 Q Your last position was Vice President of

4 Field Operations for SAP?

5 A Yes.

6 Q And what did you do as the Vice President of

7 Field Operations for SAP?

8 A I ran a particular industry sector for SAP

9 in the field and operation which had consulting,

10 presales, sales targeted at an industry sector that we

11 were growing.

12 Q And what sector was that?

13 A Financial services and insurance, brokerage.

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16 Q So in approximately September of 2001 SAP
17 did not have a fully developed CRM product; is that
18 your understanding?

19 A It was fairly new, yes.

20 Q And what about today, do you have an
21 understanding of SAP's CRM product offering today?

22 A Not in detail, no.

23 Q And you left SAP in approximately September
24 of 2001?

25 A Yes.

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1 Q And who did you join?

2 A Microsoft Business Solutions-Great Plains.

3 At the time it was called Microsoft Great Plains

4 Business Solutions.

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17 Q Sure. At or about the time you joined
18 Microsoft Business Solutions, did Microsoft Business
19 Solutions have a direct sales force?

20 A Not to my understanding, no.

21 Q What kind of sales force did it have?

22 A All of Microsoft Business Solutions

23 activities were delivered through a partner

24 organization.

25 Q But your title was U.S. Sale -- Vice

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1 President of U.S. Sales?

2 A Yes.

3 Q What were your duties and responsibilities

4 in or about September of 2001?

5 A To manage a, a group of Microsoft employees

6 that assisted our partners in providing software

7 services and product to, to customers.

8 Q And how would the Microsoft salespeople

9 assist the partners in that role?

10 A In a variety of ways, by providing them

11 assistance in pricing data and by providing them

12 assistance in access to Microsoft resources that might

13 provide them detailed product information that they

14 needed, to help them monitor and control their

15 pipeline and activities, to assist them in sales

16 techniques, sales training, product training.

17 Q So is it fair to say that the partners acted

18 as an extension of the Microsoft sales force?

19 A I think it's safe to say that the Microsoft

20 partners were the sales force and were not necessarily

21 an extension of, but the sales force for Microsoft

22 Business Solutions.

23 Q Did you meet with customers of Microsoft

24 Business Solutions in or about September of 2001?

25 A Yes.

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1 Q And did salespeople at Microsoft Business
2 Solutions working under you meet with customers in
3 approximately September of 2001?

4 A Microsoft Business Solution employees met
5 with customers. They weren't necessarily called
6 salespeople. They're called partner account managers,
7 they're called business development managers. So from
8 a clarification point of view, yes, my staff did meet
9 with customers, but they were not called salespeople.

10 Q And what position do you hold with Microsoft
11 Business Solutions today?

12 A I'm a General Manager within Microsoft
13 working in the enterprise business sector.

14 Q What is the enterprise business sector?

15 A The enterprise business sector are -- is
16 comprised of Microsoft's corporate account customers,
17 as well as some of the larger, more strategic
18 customers in Microsoft as well.

19 Q What are corporate account customers?

20 A Corporate account customers are, are
21 Microsoft -- is Microsoft's description of the way
22 they tier the number of accounts for coverage
23 purposes. So that these representatives in the
24 classic Microsoft point of view are provided certain
25 coverage models to make sure that these customers are,

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1 maintain a high level of satisfaction with their
2 partners and with the performance of the products.
3 Q And is there -- you said they're tiered in
4 some way. Is there any kind of threshold in terms of
5 numbers of PCs, or annual revenue, or number of
6 employees that's used in order to obtain a space
7 within the corporate account space within Microsoft?

8 A I know that there is a way for them to
9 determine the number of accounts and the coverage, but
10 I'm not intimate with the detail on the actual
11 specific requirements on what makes somebody a
12 corporate account and what makes someone -- I think it
13 does vary and there are some exceptions made based on
14 opportunity or high profile of accounts, level of,
15 level of business revenue, those kinds of things.

16 Q Can you give me some examples of exceptions
17 that have been made for high profile accounts?

18 A I think if there's a particular account
19 that's, has a very high PC count let's say, but isn't
20 necessarily a high revenue account, the customer may,
21 may require further service capabilities, in which
22 case they provide a higher coverage model for that
23 account. That could be one example.

24 Q And what kinds of companies are you involved
25 with within the enterprise business sector?

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1 A Just as clarification purpose, myself person
2 personally?

3 Q Yes.

4 A Accounts that are asking for executive
5 representation of Microsoft Business Solutions from a
6 strategic point of view, how Microsoft views their
7 acquisition of the Great Plains in the division
8 organizations, and how we, we provide services to our
9 partners and support to our partners to make them
10 successful.

11 Q Can you give me some examples of the kinds
12 of companies that you're involved with on that basis?

13 A Certainly. Companies like Ingersoll-Rand,
14 companies like Home Bank Corporation, United Missouri
15 Bank, Merial Corporation, Bound, Bound Global, Chanel,
16 as examples.

17 Q In -- what is, what -- what is your
18 involvement, for example, with Ingestible-Rand? What
19 do you do with them?

20 A What do I do with them?

21 Q Yes.

22 A I have a -- fairly regular communications
23 with their global CIO regarding their relationship
24 with Microsoft Business Solutions and the partners
25 that are servicing their accounts; work with them on

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1 putting programs together for executive briefings,
2 making sure they're aware of our current state of
3 product, as well as our investment in particular
4 product that could be of interest to them for the
5 future, keeping them up-to-date on relationships we're
6 forming with other partners and other products that
7 are out in the marketplace that they might find
8 interesting.

9 Q And has Ingestible-Rand purchased any
10 Microsoft Business Solutions software products?

11 A Yes.

12 Q What have they purchased?

13 A They've purchased a product called Navision.

14 Q And what is Navision?

15 A Navision is an accounting and core back
16 office accounting system that's being used, that's
17 available on a global basis.

18 Q And how is Ingestible-Rand using it to your
19 knowledge?

20 A Ingestible-Rand has a project by which
21 they're implementing the Navision product at their
22 bobcat dealers. So they're very small, five- to
23 six-user type of operations, but it's a way for them
24 to standardize the back office among the various
25 bobcat dealerships around the world.

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19 Q What about Bound Global, what's your
20 understanding of what products from -- they have
21 purchased from Microsoft Business Solutions?

22 A Bound Global has purchased our Axapta
23 product.

24 Q Do you know where that product has been
25 implemented?

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1 A The implementation resides in the New York/
2 New Jersey area.

3 Q Is that Bound Global's headquarters?

4 A Bound Global is part of Bound. And for
5 Bound Global, yes, that is their headquarters.

6 Q What is Bound Global's business, if you
7 know?

8 A Bound Global's business is to provide
9 translation services. They are a Microsoft supplier
10 in that they do a lot of the translation services for
11 a number of Microsoft products around the world, and
12 provide those kinds of services to other companies as
13 well.

14 Q And you say that the Microsoft Axapta
15 product has been implemented in the New York/New
16 Jersey area by Bound Global?

17 A It resides there, yes.

18 Q Does it service other Bound Global locations
19 throughout the United States?

20 A Yes. I believe there's seven different
21 countries running on that instance today.

22 Q When you say there's seven countries running
23 on that instance, what do you mean?

24 A They're providing service, financial
25 accounting, application software functionality to, I

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1 believe it's six or more countries around the world
2 from their facility in New York covering approximately
3 35 to 40 users.

4 Q And how, how do the users in other countries
5 obtain access to the Axapta application?

6 A I believe through a dial-in network,
7 although I'm not sure.

8 Q What's your understanding of which countries
9 are being serviced by the Axapta application in the
10 New York/New Jersey area?

11 A I'm not sure of the details.

12 Q What is Axapta?

13 A Axapta is a -- an application software
14 package that was acquired as part of the Microsoft
15 acquisition of Navision in Cope -- out of Denmark, and
16 it is a, another application edition of products that
17 Microsoft Business Solution sells and markets through
18 its partner organizations.

19 Q What's the target market of Axapta if you
20 know?

21 A Axapta fits very well in markets where
22 customers have international requirements, and it is
23 also targeted at locations in the manufacturing sector
24 because of its functionality versus other editions of
25 Microsoft Business Solutions. It's -- it has a more

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1 robust manufacturing functionality.

2 Q When you say it has a more robust
3 manufacturing functionality, what do you mean?

4 A The Axapta product, through the acquisition,
5 provided Microsoft Business Solutions a product which
6 has some of the functionality associated with
7 production planning, manufacturing, bill of material
8 management, inventory management, most of the discreet
9 type of manufacturing, very simple bill of material,
10 assembly-type of work that many companies require in
11 the market in the manufacturing sector.

12 Q And when you say that Axapta is -- fits
13 well, or has international capabilities, what do you
14 mean?

15 A Axapta is a product that is available and
16 supported in many countries around the world. And in
17 comparison to our Great Plains product --

18 (Interruption.)

19 A In comparison with our Great Plains or
20 Solomon products, it is a product that is offered in
21 far more countries than currently the Solomon and
22 Great Plains product are supported.

23 Q Do you know in how many countries -- let me
24 withdraw the question.

25 Do you have an understanding of the, whether

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1 Axapta has functionality in 30 or more countries?

2 A I have seen documentation that relates the
3 availability of Axapta, implementation of Axapta in
4 approximately that amount of countries, provided
5 either through localized support or through direct
6 Axapta support.

7 Q When you talk about localized support versus
8 direct Axapta support, what do you mean?

9 A There are some countries where partners have
10 taken the responsibility to localize and to provide
11 functionality for local regulatory requirements for
12 the Axapta product that is not Microsoft intellectual
13 property or owned -- or owned by Microsoft.

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19 Q And you also mentioned Chanel. What's your
20 understanding of what Microsoft Business Solutions
21 product has been sold the Chanel?

22 A Chanel is using the Axapta product in a very
23 decentralized approach, targeting a number of small
24 remote operations that they own on a worldwide basis.

25 Q Is Axapta used by Chanel in the United

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1 States?

2 A No.

3 Q Where is it used, to your knowledge?

4 A There is an implementation that's going on
5 today in Europe, and one that's being planned in the
6 Asia-Pacific region.

7 Q Do you know who is implementing Axapta for
8 Chanel?

9 A A partner of ours is doing most of the work,
10 a company by the name of Columbus IT.

11 Q And what is Columbus IT?

12 A Columbus IT is a certified Microsoft Axapta
13 business partner that has implementation resources, as
14 well as project people that implement Microsoft.

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5 Q Can you describe the financial management

6 modules that are provided with Axapta?

7 A The Axapta financial management system

8 consists much of the modules that you described;

9 general ledger, accounts payable, accounts receivable,

10 fixed assets, traditional accounting applications that

11 are required in most small, medium, and large

12 corporate account-type of structures.

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21 Q I've read in some publications that

22 Microsoft Business Solutions hopes to grow its annual

23 sales to approximately \$10 billion a year by 2010. Is

24 that true?

25 A I really can't, can't state that for the

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1 record.

2 Q Have you seen a Business Week article in
3 which Jeff Rakes made a statement like that?

4 A Yes, I have.

5 Q And is it your understanding that, that
6 Microsoft has publicly stated that it plans to grow
7 the revenues of Microsoft Business Solutions to
8 approximately \$10 billion a year by year 2010?

9 A I've read that article, yes.

10 Q Have you discussed those plans with anyone
11 within Microsoft?

12 A Yes.

13 Q With whom?

14 A With my direct management, my team.

15 Q Who is your direct management?

16 A I work for the General Manager in charge of
17 enterprise sales operations.

18 Q And who's that?

19 A Phil Sorgen.

20 Q And you mentioned your team. Who's on your
21 team?

22 A I have two direct -- or one direct report
23 and 17 members of a virtual team that are employed
24 throughout the United States.

25 Q Who --

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1 A And when I say my team, I should clarify
2 that to say my virtual team.

3 Q Your virtual team. Those are people in
4 various geographic locations throughout the United
5 States who report up to you?

6 A They don't report directly to me. They
7 report to the local geography.

8 Q And how -- how are they part of your team if
9 they report to the local geography?

10 A It's a virtual team that I helped build from
11 a community point of view; common objectives, common
12 goals, common job responsibilities around the
13 Microsoft Business Solutions products.

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14 Q Within the enterprise group, do you focus on

15 the GSM clients -- this is you personally -- or the

16 CAS, the corporate accounts-based clients?

17 A I don't focus on either. I help our

18 partners in specific situations where they require

19 some Microsoft leadership support based on who they're

20 talking to on the opportunity. I really don't focus

21 on either.

22 Q So it could vary. If a partner comes to

23 you --

24 A Could vary.

25 Q -- with a GSM prospect that they need you

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1 your assistance with, you'll help them on that?

2 A Correct.

3 Q And if it's a corporate accounts-based

4 prospect, you'll help them with that, too?

5 A Correct.

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11 Q Are you involved in selling anything other

12 than Microsoft Business Solution products to these

13 enterprise clients?

14 A No.

15 As a clarification --

16 Q Sure.

17 A -- when you say selling, I'm in -- I'd just

18 like to clarify that that means assisting -- in our

19 methodology, helping the partner sell to that account.

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19 Q And what's your involvement at Deloitte?

20 A I participated in an executive briefing with

21 their global CIO who has a number of our Navision

22 product installations in Europe for some of their very

23 small firms that are doing some back office accounting

24 work.

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12 Q Do you have any understanding concerning
13 whether there's any sort of relationship between
14 Deloitte and Microsoft for implementation of Microsoft
15 Business Solution products? Any sort of alliance or
16 anything like that?

17 A Can we clarify that; for the United States?

18 Q Yes.

19 A I'm not aware of any on Deloitte or on
20 Accenture.

21 Q How about Kapp, Gemini, Ernst & Young?

22 A We have begun working with Sogetti, which I
23 believe is part of CGEY. My understanding is they're
24 part of CGEY.

25 Q And how about Bearing Point?

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1 A I'm not aware of the details of that
2 relationship.

3 Q Do you have an understanding one way or the
4 other concerning whether there is a relationship
5 between Microsoft and Bearing Point concerning
6 Microsoft Business Solution products?

7 A My awareness is that we're pursuing a more
8 aggressive relationship with Bearing Point, but I
9 don't know the details of the relationship at this
10 point.

11 Q Do you know who is in charge of managing
12 that relationship?

13 A I believe it's being pursued by Carla
14 Heimbigner.

15 Q And who is she?

16 A She works in our partner recruiting area out
17 of Redmond.

18 Q Do you have interactions with Ms.
19 Heimbigner?

20 A On occasion, yes.

21 Q Have you learned anything from her about the
22 relationship between Microsoft and Bearing Point for
23 Microsoft Business Solution products?

24 A While it has come up in conversation, I'm
25 not aware of the details behind the relationship.

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1 Q What have you learned in conversation?

2 A That she was actively pursuing Bearing Point

3 to establish a practice around Microsoft Business

4 Solutions.

5 Q Did she say -- did you have an understanding

6 of why?

7 A Microsoft Business Solution is always

8 looking for partners that have very high reputations

9 in the market, that have familiarity with company

10 business needs, and are able to interpret those

11 business needs into business solutions through

12 application software.

13 Q Is it your understanding that Ms. Heimbigner

14 has met with Bearing Point about this relationship?

15 A Yes.

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4 Q And on a day-to-day basis, can you describe,
5 if you can generalize, you know, how often you are
6 actually meeting with clients or potential clients?

7 A On average, I probably talk to two to three
8 clients per week either via phone, conference call, or
9 face-to-face with a client. Probably meet with two to
10 three partners per week to help them review their
11 pipeline and their strategy around particular sales
12 efforts in the CAS space, and the rest education,
13 training.

14 Q And the -- your virtual team, are they -- do
15 they report up to you in some fashion?

16 A In a dotted-line basis, correct.

17 Q And do you receive reports from them about
18 whether they've met with potential clients?

19 A Yes.

20 Q And is it your understanding -- let me back
21 up for a second. This virtual team, are they
22 organized in any sort of vertical fashion or
23 geographical fashion? Why don't you tell me how
24 they're organized.

25 A Geographic fashion.

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1 Q Geographic. And are there various regions
2 throughout the country?

3 A Microsoft is organized by district, and
4 there are representatives in most, if not all,
5 districts that focus on MBS as a solution specialty
6 area.

7 Q And when you talk about MBS as a solution
8 specialty area, what do you mean?

9 A The role that the Microsoft Business
10 Solution people play are what's called solution sales
11 specialists. Within each district, there are solution
12 sales specialists that focus on Office, Windows, SQL
13 Server, and Microsoft Business Solutions has its own
14 solution specialists where an account manager will get
15 involved in an account and has ultimate ownership. A
16 solution specialist will help out with specific
17 opportunities around certain product lines.

18 Q And is there any sort of vertical focus of
19 the -- to the Microsoft sales force?

20 A No -- excuse me. Let me clarify that.
21 Microsoft Business Solutions sales force?

22 Q Yes.

23 A There is not.

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12 Q Sure. I'm trying to figure out if -- well,
13 let's back up for one second. It's your understanding
14 that there are, there are salespeople who focus on
15 selling what you call classic Microsoft products,
16 Windows, SQL Server, things like that. There are
17 salespeople who focus on particular industry
18 verticals?

19 A (Nods head.)

20 Q Is that correct?

21 A That's correct.

22 Q And what I'm trying to figure out is, do you
23 have an understanding one way or the other concerning
24 whether those salespeople also participate in efforts
25 to sell Microsoft Business Solutions products?

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1 A If there's an opportunity identified by the
2 Microsoft classic vertical sales representative, they
3 have the opportunity to call in the geographic sales
4 specialist for Microsoft Business Solution where that
5 account resides for assistance if they need help,
6 providing a Microsoft Business Solutions partner, or
7 helping them evaluate whether there's an opportunity
8 where Microsoft Business Solution has the opportunity
9 to fit.

10 Q Are these, these people who are, who are --
11 who focus on a particular industry vertical, are they
12 trained in any way concerning the Microsoft Business
13 Solutions product offerings?

14 A At a very high level, a 101-type of context
15 regarding Microsoft Business Solutions.

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22 Q How many people are there who focus on
23 assisting partners in selling Microsoft Business
24 Solution software products?

25 A In the enterprise sector?

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1 Q Yes.

2 A Seventeen.

3 Q And how many in the SMS&P sector?

4 A Don't know the exact head count.

5 Q Can you give me an estimate?

6 A The only estimate I have is last year, or
7 the year before the reorganization, there were
8 approximately 190 people that focused on assisting
9 partners in selling Microsoft Business Solutions in
10 the organization that I was responsible for.

11 Q This was prior to the July --

12 A Prior to the July.

13 Q -- reorganization?

14 A Yes.

15 Q And these 17 people report up to you?

16 A Dotted line.

17 Q And what about enterprise salespeople who
18 focus on the classic Microsoft products, are they
19 trained in the Microsoft Business Solutions products
20 in any way?

21 A Some better than others that have taken the
22 initiative. Most are at a level of a 101-type of
23 Microsoft Business Solution level.

24 Q When you say a 101-type of level, what do
25 you mean?

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1 A Core introduction to the products, where
2 they were acquired from, how they fit from a strategic
3 point of view, high level strategy documents, high
4 level functionality documents.

5 Q And have you ever received an inquiry from
6 any of the classic enterprise Microsoft sales force
7 concerning a potential opportunity and they've asked
8 you to come in as more of a specialist in the
9 Microsoft Business Solutions products?

10 A Yes, I've received requests like that.

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14 Q Now have you heard the term mid market?

15 A Yes.

16 Q What's your understanding of the meaning of
17 that term?

18 A It varies from, from everyone you talk to.

19 There is -- my understanding of mid market is there's

20 a large group of the center of the pyramid that makes

21 up most of the corporations in America that everyone

22 is going about discussing in terms of the underserved

23 requirements and the ability for those companies to

24 grow and start to now take upon themselves some of the

25 benefits that only the larger corporations were able

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- 1 to take on with some of these advanced techniques and
- 2 functionality that were provided only by the large
- 3 corporations in the past.

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2 Q Do you consider the corporate accounts space
3 to be mid market space at all?

4 A Do I personally?

5 Q Yes.

6 A The corporate account space has many of the
7 characteristics that are prevalent in many of the mid
8 market accounts, yes.

9 Q And were you working with any mid market
10 customers prior to July of last year?

11 A Yes.

12 Q And based upon that experience, do you have
13 a sense concerning whether mid market customers are
14 attempting to obtain the kinds of functionality that
15 you say only used to be available to the very largest
16 companies?

17 A I, I say -- I said there are some
18 functionality that the mid market companies are very
19 interested in adopting that were only available to
20 large companies before, and the answer to that is yes.

21 Q And what kind of functionality is that?

22 A Connections through the Internet to be able,
23 be able to bid and reply to bids from very large
24 contract and suppliers, the ability to communicate
25 electronically with your suppliers, the ability

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1 through EDI or other techniques, the ability to do
2 electronic banking and fund management -- funds of
3 management for being able to deal on a more
4 international basis. Those kinds of things are good
5 examples of functions that were only available for
6 large corporations that smaller companies now can take
7 advantage of.

8 Q And how about integrating the supply chain
9 with the financial aspects of the company, is that
10 something that the mid market companies are more and
11 more interested in?

12 A I think so, yes. I think that most of those
13 companies are single location, single organization,
14 and see some efficiencies in, in a software package
15 that allows for visibility across the entire chain of
16 order to cash.

17 Q And as the world economy becomes more
18 global, are companies in the mid market increasingly
19 interested in multilanguage, multicurrency
20 capabilities in their software?

21 A I -- I don't know if I'm qualified to answer
22 that. It would be my opinion that they would be, yes.

23 Q Have you seen that in your experience at
24 Microsoft Business Solutions?

25 A I think there is a greater -- what I've seen

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1 in my experience in Microsoft Business Solution is a
2 greater awareness from the mid marketplace that there
3 is a global economy out there that has potential for
4 their products and services, yes.

5 Q And in your experience, are there mid market
6 clients of Microsoft Business Solutions interested in
7 software that provides multilanguage, multicurrency
8 capabilities?

9 A More of the multicurrency situation, the
10 ability to transact with companies located in other
11 parts of the world, but rarely did we see
12 opportunities that necessitated a multilanguage-type
13 of functionality.

14 Q How about for instance Chanel, is that a mid
15 market company in your view?

16 A No, I think, I think it is classified as a
17 corporate account, a CAS-based account, and I think it
18 has the name recognition and the brand recognition
19 that entitles it to certain special treatments in
20 terms of customer sat. and some other things.

21 Q It's the perfume and the high-end clothing
22 manufacturer, that's the company we're talking about?

23 A Correct.

24 Q Were they interested in the multilanguage,
25 multicurrency capabilities of Axapta?

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1 A Yes.

2 Q Is that one of the reasons you understood
3 they purchased Axapta?

4 A Yes.

5 Q And Microsoft is selling Axapta globally,
6 correct?

7 A Yes.

8 Q How about Bound Global, they've implemented
9 Axapta here in the New York/New Jersey area of the
10 United States, correct?

11 A Uh-huh.

12 Q But it's my understanding from your
13 testimony that that implementation of Axapta is
14 supporting five, six, seven other countries; is that
15 correct?

16 A That's correct.

17 Q Were they interested to your knowledge in
18 the multilanguage/multicurrency capabilities of
19 Axapta?

20 A Yes.

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5 Q Was Microsoft Business Solutions successful

6 in selling through partners a product to Indianapolis

7 Motor Speedway?

8 A Yes.

9 Q Which product?

10 A Great Plains.

11 Q And what about sports teams? Philadelphia

12 Eagles, was the Microsoft successful in selling a

13 product to them through partners?

14 A Yes.

15 Q Which product?

16 A I'm not sure.

17 Q Any other sports teams that you're aware of

18 in which, which have bought Microsoft Business

19 Solution software products?

20 A Most of the NFL teams today use Microsoft

21 Business Solutions; Great Plains, Solomon, Division.

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5 Q What other -- are there any other high-
6 profile, larger opportunities that Mr. Malme was
7 responsible for other than the sports teams and the
8 Indianapolis Motor Speedway?

9 A His team was responsible for Esselte, his
10 team was responsible for the initial conversations at
11 Ingersoll-Rand, his team was responsible for the
12 Division work we did at a division of Bound, Bound
13 Global, a small division of Bound, his team was
14 responsible for engagements at the Phoenix Suns, some
15 of the other organizations out there.

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16 Q Mr. Pollie, we've had marked as Exhibit 1449

17 a, I think a far more legible copy of the document

18 bearing Bates Nos. 4144 through 4153. The power

19 points are now normal sized. Do you see that?

20 A Yes.

21 Q Exhibit 1449, is that a document you

22 received on or about April 22, 2003?

23 A Yes.

24 Q And you received it from Mr. Malme?

25 A Yes.

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25 Q What was the discussion within Microsoft

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1 Business Solutions concerning corporate sales

2 acceleration in or about April 2003?

3 A We were discussing the addition of head

4 count that might result in increased amounts of

5 revenue and positioning our products in the

6 divisional/departmental solutions in the enterprise

7 market.

8 Q When you're talking about positioning the

9 products in the divisional -- divisional solutions in

10 the enterprise market, what do you mean?

11 A The focus of our initiatives in the

12 enterprise market are targeted at very targeted spoke

13 type opportunities within a major corporation, much

14 like the situation at Bound or Chanel or others we've

15 been discussing. We are not serving as the core

16 enterprise system, but much of a remote location or a

17 departmental or a divisional solution where the needs

18 are very much akin to a very small mid market account

19 as an example.

20 Q Now, I understand that you've been involved

21 with a company called ?

REDACTED

22 A Yes.

23 Q That's an eight or \$9 billion advertising

24 holding company?

25 A Yes.

1 Q And I understand you've had discussions
2 concerning an Axapta implementation at one of their
3 subsidiaries called ?

REDACTED

4 A Yes.

5 Q And was the discussion concerning that
6 Axapta would be the business application software that
7 would be run at ?

REDACTED

REDACTED

8 A No.

9 Q What was it?

10 A We are presenting a solution in the
11 Microsoft Business Solutions offering by the name of
12 Solomon. Solomon is a product that's designed to
13 account for professional service needs. Many
14 organizations in the construction professional service
15 time and material billing environment use our Solomon
16 product.

17 Q Was -- have there been any discussions with
18 concerning the use of Axapta?

REDACTED

19 A In the past there have been some evaluations
20 of all the Microsoft Business Solution products,
21 including Axapta and including the Great Plains
22 product as well.

23 Q Is either Axapta or Great Plains, has either
24 one of those been implemented at any company?

REDACTED

25 A has implemented Great Plains at a

REDACTED

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1 few of their locations.

2 Q Do you know which ones?

3 A The corporate headquarters is using Great
4 Plains and one of their small divisions called DOS is
5 also in the midst of implementing Great Plains as
6 well.

7 Q What's the corporate headquarters of
8 using Great Plains for?

REDACTED

9 A Ten, fifteen users, just integrating core
10 financials just at a high level. As you mentioned,
11 they're a holding company so they have very limited
12 production or any other kind of capabilities. So
13 they're using it as a financial reporting system at
14 the corporate level to consolidate some data.

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25 Q So Great Plains is the corporate accounting

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1 software that's in use at corporate REDACTED

2 headquarters?

3 A It's in use at corporate REDACTED

4 headquarters. I'm not aware of any others.

5 Q And where is corporate headquarters? REDACTED

6 A In New York.

7 Q New York. Have you met with the Chief

8 Financial Officer of ? REDACTED

9 A Yes.

10 Q Have you discussed the Great Plains product

11 with him?

12 A Yes.

13 Q Is he happy with it?

14 A Yes.

15 Just from a clarification point of view,
16 again, it's very small Great Plains implementation of
17 15, 20 users that is being supported through a
18 partner, and the partner has implemented that system
19 for a number of years in a very contained environment.

20 Q And who's the partner?

21 A A company by the name of Altara.

22 Q And Altara -- what is Altara?

23 A It's a Microsoft Business Solutions partner
24 based out of New Jersey, one of our leading partners
25 that is in charge of reselling the Microsoft Business

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1 Solution products and implementing those products to
2 customers all around the northeast. She has also
3 offices in Denver and a few other places as well.

4 Q And when's the last time you had a

5 discussion with the Chief Financial Officer of

REDACTED

6 concerning Great Plains software product?

7 A Within the past two months.

8 Q And what was your discussion about?

9 A The discussion was about Microsoft Business

10 Solutions playing a greater role in in terms

REDACTED

11 of a standard way for to roll out accounting,

REDACTED

12 core accounting software. And the way that they're

13 organized, they have 1400 independent agencies.

14 They're very small agencies with one to two to three

15 users. is very interested in using the

REDACTED

16 product, or evaluating the use of the product in those

17 agency and company roles where Microsoft Business

18 Solution could become the standard for across

REDACTED

19 the corporation.

20 Q And that would be across all of

REDACTED

21 subsidiaries?

22 A Potentially.

23 Q Has any decision been made to your

24 knowledge?

25 A No decision, no final decision has been

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1 made, no.

2 Q But there have been discussions with the CFO

3 of about having a Microsoft Business Solution

REDACTED

4 software product as the standard across all the

5 companies?

REDACTED

6 A Yes.

7 Q And what's your understanding of the size of

8 , in terms of revenue or employees?

REDACTED

9 A My internal briefing is much more

10 surrounding the total number of users that would be

11 involved in implementing a successful site at

REDACTED

12 which currently targets approximately two to 300 total

13 users of our product, our Solomon product for core

14 financial accounting systems as a spoke in the

REDACTED

15 wheel.

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24 Q Now you talked about the use of Great Plains

25 in a distributed fashion. What do you mean by that?

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1 A The way we have consistently positioned
2 Microsoft Business Solutions in the market is as a, a
3 business solution for independent business units of
4 major corporations, very small divisions or one-off
5 business units that have a requirement for an
6 accounting back office application.

7 Q And can you explain what -- I'm not sure I
8 understood your answer. When you're talking about a
9 distribute implementation, are you talking about
10 various spoke implementations throughout a larger
11 enterprise?

12 A Many organizations today have a variety of
13 small business units that have a variety of systems in
14 place. It's not uncommon to talk to a large
15 corporation where they have 14 or 15 different general
16 ledgers implemented along with their core ERP system
17 which is provided by an Oracle, an SAP or a
18 PeopleSoft. In many cases our target in talking to
19 that account is finding a way for Microsoft Business
20 Solutions to be positioned as a solution for those
21 independent divisions or locations to provide back
22 office accounting functionality.

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4 Q Going back to Exhibit 1449, Mr. Pollie,
5 there's some bullet points under the power point. Do
6 you see that?

7 A Which page are you on?

8 Q Excuse me, 4146.

9 A Yes.

10 Q Same page we were on earlier.

11 The first bullet point says position MBS
12 solutions in GSM accounts when these solutions meet
13 customer's needs. Do you see that?

14 A Uh-huh.

15 Q Do you have an understanding of what that
16 means, sir?

17 A My understanding is that when a large
18 corporation is looking for a mid market solution to
19 service some of their remote locations and small
20 division subsidiary location needs, that we would
21 entertain the discussion with those GSM accounts in
22 order to provide our product demonstrations through
23 partners to have them evaluate it.

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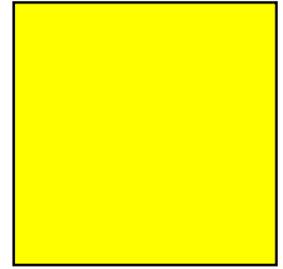
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24 Q Did the Microsoft U.S. corporate accounts

25 space and GSM account managers have a quota for



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1 Microsoft Business Solution products in fiscal year

2 '04?

3 A No.

4 Q Do they currently?

5 A They were assigned a quota at a MS U.S. CAS
6 level, which was based on a team base quota for the
7 entire geography for CAS. No GSM quota was assigned.

8 Q What was the CAS quota if you recall?

9 A It -- it differed based on various
10 geographies and the amount of corporate accounts that
11 were present in, and as well as the existing accounts
12 that were generating some maintenance revenues and
13 some other factors.

14 Q What is a sales quota?

15 A It's an objective by which a salesperson is
16 measured by.

17 Q Is it fair to say that the Microsoft U.S.
18 CAS salespeople needed to sell a certain amount of
19 Microsoft Business Solution products in order to meet
20 their quota?

21 A The Microsoft CAS salespeople worked closely
22 with the SSP and the partners within the district that
23 they identified to generate opportunities and revenues
24 in MBS within the geographic district. It was a
25 team-based quota such that the total district was

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1 responsible for generating a specific team-based
2 number, of which the entire team participated in
3 evangelizing MBS to customers and to partners and to
4 just in general seminar participations and such that
5 Microsoft Business Solutions had these divisional-type
6 of spoke solutions for companies that were evaluating
7 that kind of opportunity.

8 Q So is it fair to say that each of the 17
9 geographies had a quota for Microsoft Business
10 Solution software products?

11 A Yes.

12 Q And the quota would vary depending upon how
13 many CAS accounts were within the particular region?

14 A Correct.

15 Q And the salespeople were measured by the
16 sales of Microsoft Business Solution products to the
17 CAS accounts within the region?

18 A CAS accounts and where appropriate, we would
19 provide coverage to certain industry accounts and GSM
20 accounts. As shareholders of the company, we wanted
21 to make sure those accounts, if there was a fit that
22 arose, that we were servicing those accounts from a
23 satisfaction point of view. But the quotas, the
24 focus, the marketing was all derived and dedicated at
25 the CAS space accounts.

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6 Q Sure. I'm trying to figure out, I believe
7 you said that if there was an appropriate fit within
8 the GSM, within the GSM space, if some vertical
9 specialist brought some sort of GSM opportunity that
10 people believed was appropriate, that that would be
11 pursued by the CAS salespeople?

12 A No. Let me clarify that. If as an example
13 Deloitte and Touche came in and said, we have a number
14 of Navision locations. We want to talk to Microsoft
15 about setting up an executive briefing. The Microsoft
16 Business Solution representative in the geography
17 where Deloitte and Touche resides would assist the
18 Microsoft GSM rep in setting up the appropriate
19 resources and presentations and partners that could
20 assist Deloitte in finding out the information they
21 were looking for.

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10 Q And Axapta, what's the target market of
11 Axapta?

12 A Axapta, as I mentioned earlier, is a product
13 that is targeted at manufacturing-based companies,
14 companies with manufacturing functionality, and some
15 of the international location from a spoke perspective
16 where a company needs international divisions or
17 locations that could be fulfilled by Axapta.

18 Q Is Axapta targeted at companies with up to a
19 billion dollars a year in annual revenue?

20 A That's possible, depending on the complexity
21 of the organization or the number of users or
22 employees, or it really depends on the complexity.

23 Q Is it targeted at corporate accounts-based
24 customers?

25 A If, if the requirements and the partners

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1 believe Axapta would be a strong fit, yes.

2 Q And you mentioned earlier a company called

3 Esselte?

4 A Yes.

5 Q Are you familiar with that company?

6 A Yes, a little bit.

7 Q And Axapta is being implemented in that

8 company, right?

9 A Yes.

10 Q And when did that implementation start?

11 A The licensing of the Axapta product to

12 Esselte took place in June of 2003.

13 Q And is Axapta currently been implemented at

14 Esselte?

15 A To my knowledge it is, yes.

16 Q And is it being implemented across the

17 world?

18 A To my knowledge there are international

19 locations. I don't know about around the world.

20 Q What international locations are you

21 familiar with at Esselte?

22 A I'm not particularly privy to any particular

23 ones.

24 Q Is Axapta being implemented in the United

25 States for Esselte?

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1 A I don't recall.

2 Q Do you know -- do you know how many
3 employees Esselte has?

4 A I know that Esselte is looking at rolling
5 out approximately 15 different locations, or we
6 licensed the product to accommodate for up to 15
7 locations of use of the Axapta product which could
8 accommodate as many 3,000 users. It also -- you know,
9 all across those 15 locations. It's really up to
10 Esselte how they're deploying it. I'm not privy to
11 how -- what the latest status is.

12 Q Can Axapta support up to over 3,000 users?

13 A Up to 15 locations I believe that there's a
14 good possibility that it can support those users.

15 Q You sold it Esselte based on the fact that
16 it could support that many users over that many
17 locations, correct?

18 A Correct.

19 Q And --

20 A But this is a situation where Esselte is
21 going to be, just as clarification point, we are not
22 looking at one 3,000-user system. We're looking at 15
23 systems with maybe 200 users at a maximum stretched
24 out over those 15 locations.

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19 Q And it's your understanding Axapta is being
20 implemented at 15 different locations across Esselte?

21 A It's my understanding that the license
22 accommodated for Esselte to have the opportunity to
23 implement Axapta to up to 15 locations for 3,000
24 users.

25 Q And how many --

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1 A But I don't know how they're going to
2 actually deploy the product, or if they are currently
3 implementing all 15, or one at a time. I'm not privy
4 to that information.

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5 Q Do you have a recollection or an
6 understanding of the amount of consulting revenue that
7 Microsoft expects to receive or has received from
8 Esselte?

9 A In the initial review, we were looking at
10 somewhere in excess of \$ in consulting
11 revenue associated with billable services to Esselte,
12 but I have no information on what is actually billed
13 to the client or what is the current, current status
14 of that.

REDACTED

15 Q But the projections were for more than \$
16 in consulting revenue?

REDACTED

REDACTED

17 A Associated with the project, that's correct.

18 Q Do you know whether Microsoft gave Esselte
19 any discount off any the list price for the Axapta
20 product?

21 A I believe that based on the commitments of
22 our larger clients, there are discount processes that
23 were set up to accommodate Esselte, which I believe
24 they did qualify for, yes.

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18 Q I'd like you to take a look at what's

19 previously been marked as Exhibit 1420.

20 A (Reviewing.)

21 I'm familiar with this.

22 Q You've seen Exhibit 1420 before?

23 A Yes.

24 Q What is Exhibit 1420, sir?

25 A This Exhibit originally started out as a, as

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1 a partner request from -- for a press release. The
2 partner was asking us to provide just the approval to
3 allow them to tout what, at the time and still is, the
4 largest single Microsoft Business Solution sales
5 opportunity, and then we took this and posted it
6 actually on our web.

7 Q So Exhibit 1420 is posted on the Microsoft
8 web site?

9 A From what I can see here, it is the
10 Microsoft Business Solutions web site that's listed
11 here.

12 Q And Exhibit 1420 concerns the sale of
13 Microsoft Business Solutions Axapta to Esselte?

14 A Yes.

15 Q And it's titled Billion Dollar Manufacturer
16 To Deploy Microsoft Business Solution System Across
17 Four Continents. Do you see that?

18 A Yes.

19 Q And it refers to support -- Microsoft Axapta
20 supporting 3,000 concurrent users in their daily work.
21 Do you see that?

22 A Yes, I see that.

23 Q Is it your understanding that Microsoft
24 Axapta will support 3,000 concurrent users in their
25 daily work at Esselte?

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1 A It will not support 3,000 concurrent users
2 on a single implementation or system. The
3 clarification on the 3,000 concurrent users as we
4 discussed is that we licensed the product to run 3,000
5 users over 15 installation -- over 15 implementation
6 sites with the idea that we would not exceed two to
7 300 users at any particular one instance.

8 Q And do you have an understanding concerning
9 whether the statement that Esselte's a billion-dollar
10 manufacturer is accurate?

11 A I believe that's accurate.

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18 Q And you are, you are quoted in Exhibit 1420,
19 correct?

20 A My name appears here as, under this quote,
21 that's correct. But I -- a partner wrote this on my
22 behalf. We reviewed it, sent it to our internal
23 public relations folks for draft. I did change the --
24 I wrote the first sentence which states, we're excited
25 to work with our partners to deliver a comprehensive

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1 solution that truly meets the needs of Esselte's
2 business. The second part of that question was not
3 something I wrote, but wound up sending through the
4 process for approval and it was published.

5 Q So you reviewed what the partner provided to
6 you?

7 A That's correct.

8 Q And you agreed with it and approved it?

9 A I don't agree with it in the way it's worded
10 here. I did pass it on for approval, but I think this
11 is an example of perhaps a little overzealous reaction
12 to the Esselte sale. And also, when the deal took
13 place in June and when this was published, the
14 organization had changed dramatically and people were
15 in completely different roles in September of 2003.
16 So that this one sort of got through the process
17 without maybe going through some of the review it
18 should have gone through. But there was a change in
19 our public relations department, there was a change in
20 my job, there was a change in the partner, you know,
21 sort of publishing this release for -- and then our
22 using it internally.

23 Q But you reviewed it and --

24 A I do recall reviewing this statement and
25 passing it on to public relations for their drafting.

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1 Q And the statement you're referring to is
2 this is a great example of how Microsoft Axapta can
3 scale to meet even the most complex requirements of
4 billion-dollar manufacturing businesses operating in
5 multiple countries around the world?

6 A I don't believe that is a -- that could be
7 interpreted as a misleading example of --

8 Q Have you asked that the Microsoft web site
9 be corrected to -- so that this, this customer example
10 is changed?

11 A No, I've not.

12 Q Are there any plans to change it?

13 A Yes.

14 Q When is it going to be changed?

15 A As soon as I can.

16 Q What's it going to say?

17 A I think this is a great example of how
18 Microsoft Axapta can meet complex requirements. I
19 mean this, this particular sentence gives the
20 impression that Microsoft Business Solutions is, is
21 meeting a very complex sort of large billion-dollar
22 manufacturing corporation, when in effect what we're
23 actually doing is licensing of a product to be used in
24 15 remote locations --

25 Q But that's --

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1 A -- 200 users, and using very valuable
2 partners to deliver on some of this complex
3 functionality.

4 Q So the functionality is complex in Axapta,
5 right?

6 A The complex -- the functionality that's
7 being delivered to, to the Esselte account could not
8 be delivered solely through Axapta.

9 Q Because partners are adding value from --

10 A Partners are adding specific products to the
11 customer, as well as third-party partners have -- it's
12 referenced here that Microsoft Axapta functionality
13 with lean manufacturing module offered by eBECS.
14 EBECS is a third party ISV product that the company is
15 going to use for a majority of their manufacturing. A
16 majority of their manufacturing in Esselte will not
17 even be done through Axapta, nor could it be done
18 through Axapta. But --

19 Q So there was a gap, and the partners are
20 filling the gap, right?

21 A There is a gap, and the customer has decided
22 to allow a -- to evaluate and allow a third-party
23 product to do manufacturing functionality that is not
24 currently present or planned to be present in the
25 Axapta product.

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1 Q And the Deloitte and the Bearing Points of
2 the would do gap analyses concerning SAP products,
3 right?

4 A I would assume so, sure.

5 Q And they have to figure out ways to get from
6 75 or 80 percent fulfilling the client's functional
7 needs to as much as the client wants, right?

8 A If they're contracted to do that. But in
9 this particular case, we have a client that's in the,
10 in the marketplace. Most customers would -- are
11 looking for -- very complex customers would not settle
12 for an Axapta product that didn't have all of the
13 functionality delivered in its entirety. In this
14 particular case, because we're rolling it out over 15
15 or 20 locations at a very small user level, the client
16 were willing and familiar to use a third-party product
17 to conduct a majority of its manufacturing
18 functionality.

19 Q So Esselte decided that because of its
20 business structure, it could meet its needs through
21 Axapta, right?

22 A Esselte determined that while Axapta -- that
23 Axapta would be a fit for the divisional locations for
24 the planned -- or the potential 15 rollout sites only
25 if it could supplement that product through a third-

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1 party decision that it determined it could make based

2 on its organizational structure.

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5 Q If I can get you to turn back for a moment
6 to what's been marked as Exhibit 1449, and still on
7 Page 4151, the page we were looking at before lunch.
8 And the portion of that page which is the box entitled
9 MBS Positioning.

10 A Yes.

11 Q We talked about corporate, we spent a little
12 bit of time talking about the corporation portion of
13 that graph. And above is major, and above that is
14 global and strategic. Do you see that?

15 A Yes.

16 Q And then the bubble to the right of that
17 says Microsoft value delivered by hub and spoke
18 integrated and distributed solutions. Do you see
19 that?

20 A Yes.

21 Q Do you have an understanding of what an
22 integrated solution that Microsoft Business Solutions
23 might provide to the global, strategic, major space
24 might be?

25 A I don't have specific definitions involved

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1 with what an integrated solution is.

2 Q How about a distributed solution?

3 A Don't know what Mr. Malme was driving here
4 as well.

5 Q Is a distributed solution a situation like
6 Esselte in which Esselte is implementing, or the
7 client is implementing various versions of Axapta
8 around the world?

9 A It's my understanding Esselte is
10 implementing various implementations of Axapta in
11 individual locations around the world.

12 Q Okay. And is that a distributed solution?

13 A I don't know if it qualifies for what you
14 describe as distributed.

15 Q Do you have an understanding based upon your
16 years at SAP and at Microsoft concerning what a
17 distributed solution business application solution is?

18 A My understanding of a centralized versus a
19 distributed environment allow a customer to look at a
20 central location where all processing is achieved for
21 the total corporation versus one in which they may
22 install one or multiple different vendor solutions at
23 other locations around the world; the second one being
24 distributing the systems to other locations.

25 Q And based on your experience, do some

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1 corporations choose a distributed model as opposed to
2 a centralized model?

3 A Some corporations are organized in a fashion
4 that would accommodate a distributed solution,
5 although I've never met a client that organizes its
6 company or its software -- or organizes its company
7 around a software or a business solution.

8 Q But they -- the company may be set up in a
9 way that that can be addressed by a distributed
10 solution?

11 A I think the company is set up prior to any,
12 any solution being --

13 Q Sure.

14 A -- being brought to, to evaluate.

15 Q Absolutely. Absolutely. What I'm trying to
16 figure out is, the company -- you're talking about
17 companies which are organized in a certain way, and
18 those kind of companies, I think you your testimony
19 is, that a distributed solution might be appropriate
20 for those companies?

21 A A company which is organized in such a way
22 where they have small and medium size divisions,
23 organizations, independent business units that they
24 own and operate or are a controlling interest of in
25 many cases can use our products in that environment.

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4 Q What about a hub and spoke solution, what is
5 that?

6 A A hub and spoke solution is really the, the
7 focus that we've been describing where Microsoft
8 Business Solutions is positioned in all of these
9 sectors, corporate, major, strategic, global, as being
10 a spoke in an operation that traditionally would
11 communicate with a large Tier 1-type of solution at a
12 main headquarters or major manufacturing facility
13 where it's either not cost-effective or in certain
14 situations, not technically feasible to implement a
15 large complex solution in an organization which would
16 be overkill in a very small division or department.

17 So in looking at these spokes, traditionally
18 they're being maintained today by many different
19 general ledgers and financial accounting system, many
20 of those vendors being out of business for many years,
21 off support, and Microsoft Business Solution is really
22 looking to, to offer a standard operating solution for
23 those small spokes that are out surrounding the major
24 hub location for that company.

25 Q And in the corporate account space, can

00105

1 Microsoft Business Solutions Axapta, for instance,

2 serve as the hub ERP product?

3 A In the corporate accounts space, it is --

4 depends on the complexity of the account, the number

5 of users, the size of the business, the business

6 processes that they're looking to implement.

7 Q How many --

8 A Traditionally we don't target the hub

9 location as our business.

10 Q How many users can Axapta accommodate?

11 A I don't know the specifics on the

12 benchmarking on absolute, and it would depend again on

13 the particular business process that was being

14 implemented at the customer that would impact the

15 benchmarking of what it could and could not support.

16 Q Are you aware that Axapta has been

17 benchmarked at 3900 users?

18 A I've read materials based on one particular

19 business process that was, was benchmarked, although I

20 don't believe the statistics based in what I've seen

21 in real-life situations for some of the customers.

22 Q Are you aware of any Axapta users who have

23 more than, more than 1,000 concurrent users at the

24 moment?

25 A No, I'm not.

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7 Q Going back to Exhibit 1420, the piece from
8 the Microsoft web site entitled Billion Dollar
9 Manufacturer To Deploy Microsoft Business Solution
10 System Across Four Continents, and going back to your
11 quote at the bottom of the first page of Exhibit 1420.

12 A Yes.

13 Q Can Axapta scale to meet the most complex
14 requirements of billion-dollar manufacturing
15 companies?

16 A I don't believe that statement is accurate,
17 and I don't think that is neither the public, nor the
18 internal intent of our target markets or where we're
19 going after marketing for Axapta or supporting Axapta.

20 Q Well, I understand it may not be your target
21 market, but Axapta is -- was purchased by Esselte to
22 operate across four continents, right?

23 A Esselte licensed the product to operate in
24 up to 15 locations for 3,000 users. It was -- the
25 complexity of large manufacturing accounts extends

00107

1 beyond numbers of users or business process. We are
2 not really geared from a product functionality point
3 of view to handle tremendously complex manufacturing.
4 As I stated earlier for the record, this would not be
5 an account we could offer satisfaction to without
6 them, Esselte, making a decision consciously to do
7 most of their manufacturing through the third-party
8 product eBECS. So Axapta is not scalable to meet the
9 most complex business requirements.

10 Q But it is in conjunction with the eBECS
11 product, right?

12 A For the Esselte situation they believe that
13 it would provide the functionality that they're
14 willing to accept and implement to meet their
15 particular needs, which they believe are complex, the
16 partner believes are complex, but in general, I --
17 I -- again to answer your question, the Axapta product
18 as it stands is not geared to meet complex business
19 requirements of complex manufacturing.

20 Q There are a variety of independent software
21 vendors who sell products that are complimentary with
22 Axapta, right? Like the eBECS solution?

23 A Yes, there's a variety of ISVs that work
24 with our products, with Oracle, with SAP, with
25 PeopleSoft, correct.

00108

1 Q And the eBECS product, that works with

2 Axapta?

3 A The eBECS product is a niche manufacturing

4 for lean software that works in conjunction with our

5 Axapta product, yes.

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22 Q Now, can you tell me, what is Convergence?

23 A Convergence is Microsoft Business

24 Solutions's annual user conference held for the past

25 few years in Orlando, Florida. It's a session by

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1 which users can exchange ideas and set up networking
2 with each other. It's an educational session where
3 executives and leaders from Microsoft and Microsoft
4 Business Solutions present strategy, visioning,
5 individual meetings with customers to thank them for
6 business and to understand their strategy as a
7 business, see where Microsoft can help.

8 Q Now, is this a Microsoft conference or
9 Microsoft Business Solutions conference?

10 A It's traditionally been a Microsoft Business
11 Solution conference. This year there was more of a
12 presence of some of the Microsoft Technology, as well
13 as the Microsoft Business Solutions. It's targeted at
14 Microsoft Business Solution clients.

15 Q And it took place in this March in Orlando?

16 A March 2004 in Orlando.

17 Q And did you meet any corporate account space
18 or GSM customers at Convergence?

19 A Yes.

20 Q Do you recall who you -- with whom you met?

21 A I'm trying to think.

22 I met with which is a CAS REDACTED

23 customer; I met with Bound Global, I met with Chanel,

24 I met with -- they're not a CAS customer, but REDACTED

25 I think -- those are the ones I can recall offhand.

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19 Q And you recall meeting with

REDACTED

20 Corporation at Convergence in March of this year?

21 A Yes. We had a dinner meeting where I had

22 the opportunity to interact with them and a brief

23 offline conversation for five or ten minutes with the

24 gentleman that attended.

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18 Q Do you have an understanding that Miss

19 Tudela was attempting to sell Corporation

REDACTED

20 Axapta for use in Mexico, Australia and Honduras?

21 A There were, there were three separate

22 evaluations going on with two separate partners in

23 Honduras, Mexico and Australia, and the company asked

24 for us to get involved and tell us more about the

25 product offering because three of their divisions were

00121

1 reporting in that it was a very attractive product for
2 their independent business units. And those are the
3 three I believe Miss Tudela was really focusing on as
4 part of this visit by the client.

5 Q And is -- does Axapta have functionality to
6 support operations in Mexico, Australia and Honduras?

7 A We have partners in each of those areas
8 that, that are able -- that have the ability to
9 implement the Axapta product in those three locations,
10 that's correct.

11 Q And the -- either the Axapta product or
12 through partners has the localizations necessary for
13 Mexico, Australia and Honduras?

14 A I'm not positive how that's, how that's
15 attained.

16 Q Miss Tudela says that she's hoping to widen
17 the scope worldwide. Do you see that?

18 A Yes.

19 Q And then she says, this is the objective?

20 A Yes.

21 Q Do you have an understanding concerning
22 whether Miss Tudela wanted to sell Axapta to
23 Corporation on a worldwide basis?

REDACTED

24 A After the briefing document and
25 conversations with Miss Tudela, we discussed that

00122

1 there are many locations that have a common separation
2 that is exhibited in Honduras, Mexico and Australia
3 that would also be potential opportunities for the
4 future should we be successful in these other remote
5 locations. It was her intent to prove that through
6 successful implementations of those, that we could
7 have the opportunity to be evaluated for those other
8 locations as well.

9 Q What other locations was she referring to?

10 A I don't have specific knowledge of where,
11 where and how many there are.

12 Q Locations inside the United States?

13 A There are some locations in the United
14 States, yes.

15 Q And your understanding is REDACTED
16 Corporation is headquartered in Alabama?

17 A Yes.

18 Q If you turn to Page 8748 of Exhibit 1450,
19 sir.

20 This is a page entitled REDACTED
21 Participant Profile, correct?

22 A Yes.

23 Q And it says current scope ERP Axapta
24 opportunity for Mexico, Australia and Honduras?

25 A Yes.

00123

1 Q That's consistent from your understanding of
2 your discussions with Miss Tudela?

3 A Yes.

4 Q And also with Corporation?

REDACTED

5 A From conversations with Corporation,
6 that's correct, Mexico, Australia and Honduras
7 locations.

REDACTED

8 Q And potential scope includes ERP Axapta
9 worldwide to include U.S. subsidiaries?

10 A Potential scope is an optimistic
11 representation of what the total opportunity would be
12 on a worldwide, multilocation basis should
13 Corporation say, we want all of our remote locations
14 to install the Axapta product line.

REDACTED

15 Q And it's 2000 to 2500 users is the potential
16 scope?

17 A It appears that that's the estimate that's
18 currently in this document listed out over multiple --
19 five different divisions, and I'm unsure -- five
20 different lines of business, five different divisions,
21 and I'm not sure exactly how many locations that would
22 represent on a worldwide basis. There are five
23 separate business divisions that operate autonomously.

24 Q Inside ?

REDACTED

25 A Yes.

00124

1 Q So this is another company that's organized

2 in sort of a distributed fashion?

3 A It would be , the REDACTED

4 ones that are listed here, , REDACTED

5 being the one that's probably the REDACTED

6 most well-known.

7 Q And according to Miss Tudela's summary

8 report to you on in advance of Convergence, REDACTED

9 has over a billion dollars in annual sales? REDACTED

10 A That's what appears here.

11 Q And more than 15,000 employees worldwide?

12 A That's what appears here as well.

13 Q And did you have any discussions with

14 about -- Corporation about REDACTED

15 implementing Axapta ERP on a worldwide basis?

16 A We certainly -- actually had brought REDACTED

17 up to us that they would like to find a way to get

18 their other divisions up with a more standard sort of

19 solution offering potentially with Microsoft, but

20 they're also evaluating many different other vendors

21 as well.

22 Q What other vendors?

23 A They're looking at, I believe it's J.D.

24 Edwards, they're looking at -- other than J.D. Edwards

25 I'm not sure exactly all the different vendors they're

00125

1 looking at.

2 Q J.D. Edwards has been acquired by

3 PeopleSoft?

4 A That's right.

5 Q So they're looking at PeopleSoft; is that

6 fair?

7 A It's fair to say that, yes.

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8 Q And do you have an understanding from your
9 conversations with where they were interested
10 in potentially implementing Axapta, Axapta in the long
11 term?

REDACTED

12 A We focused on Mexico, Australia and
13 Honduras.

14 Q Did you have any discussions about
15 implementing it worldwide, including the U.S.
16 subsidiaries?

17 A It was mentioned in their system overview of
18 their organization structure that there would be other
19 remote opportunities that are running older
20 Legacy-based systems that were not supported anymore.

21 Q When you say remote opportunities what do
22 you mean?

23 A Distributed divisions of one of these five
24 business units, independent operating sort of
25 remote -- more of the spoke examples we mentioned

00127

- 1 earlier where they have a plant or a factory in a
- 2 remote location that provides either strictly
- 3 manufacturing or strictly distribution or strictly
- 4 warehousing to service some of these particular
- 5 business units.

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20 Q Now, the estimated value of the sale REDACTED

21 to the MBS ecosystem is listed at to \$ REDACTED

22 Axapta worldwide, right?

23 A That's what I read here, yes.

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18 Q Did you have any discussions with REDACTED

19 about deploying a hub and spoke system in which

20 everything was going to be Axapta?

21 A At the spoke level we have been having

22 conversations about having an Axapta spokes around a

23 centralized hub.

24 Q And did you have any discussions with

25 that -- concerning having Axapta as the REDACTED

00133

1 centralized hub?

2 A No, we've not.

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13 Q So at Indianapolis Motor Speedway they've
14 implemented Great Plains as the hub?

15 A They have one location, one operation, so --
16 there are no real spokes. So it's one implementation.

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24 Q What did you tell Corporation about REDACTED
25 the Axapta product when you met with them?

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1 A They were, they were interested in our
2 investment strategy around Axapta, where we were
3 positioning the Axapta product, how it was working in
4 the hub and spoke model, what divisions of
5 international companies had deployed Axapta
6 successfully in remote operations operating in a
7 spoke-type environment. We talked about partner
8 selection and how Microsoft supports its partners in
9 delivering those solutions, how we were working
10 closely with their two partners that they had been
11 engaged with so far.

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22 Q Do you recall what sort of functionality

23 Corporation was interested in in Axapta?

REDACTED

24 A Core financial systems operating in Mexico,

25 Australia, and Honduras.

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17 Q What do you recall about the business

18 processes at the various locations?

19 A Pretty straightforward single location

20 processes, core financial functionality added to some

21 basic inventory and storage-type requirements.

22 Q How was the information going to be

23 transmitted from Honduras, Australia and Mexico to

24 Alabama?

25 A I don't have specific knowledge of that.

00137

1 And just as a point of clarity, the hundred
2 users that were allocated for Honduras, Mexico and
3 Australia were split among those three locations.

4 Q So 33 users or so each?

5 A Approximately, yes, at the most.

6 And nothing has been finalized with
7 as a corporation, so they are not a current MBS user.

REDACTED

8 Q They're still a prospective client?

9 A Correct.

10 Q And what about the 2,000 to 2500 users
11 that's in the potential scope according to Miss
12 Tudela, how are those distributed, do you know?

13 A Don't know specifics.

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11 Q Do you have an understanding of why Mr.
12 Wagner wanted to brief you on the prospects that he
13 was entertaining at dinner at the Convergence
14 conference?

15 A Peter and I discussed using the Microsoft
16 Business Solution event at Convergence as a way by
17 which he can introduce some of his largest clients
18 within the region to what Microsoft Business Solutions
19 is, what the products are, what the strategies are,
20 chance to listen to keynote executives. In many cases
21 we bring key clients that have never heard of
22 Microsoft Business Solutions to these kind of events
23 for information purpose so they can gather data about
24 who we are and what we do. In this particular case,
25 I've not heard, met, or seen anything further about

2 Q How about , are you familiar REDACTED
3 with them?

4 A I've, I've heard the name, and I've met them
5 in a previous meeting.

6 Q And where was this previous meeting?

7 A In Chicago, at a Microsoft Business Solution
8 event. It was a seminar that was held.

9 Q In January of 2003?

10 A It was at a particular event where Steve
11 Ballmer came into Chicago for meetings with some of
12 our key partners and key clients in the Chicago area.

13 If that's what you're referring to --

14 Q That is.

15 A -- that is the meeting, yes.

16 Q And Mr. Burgum was also there?

17 A Yes.

18 Q Did you meet with at that REDACTED
19 meeting in Chicago?

20 A I met with them individually over coffee,
21 but did not have a formal meeting with . REDACTED

22 Q Did Mr. Ballmer meet with them?

23 A I don't recall.

24 Q What did you learn about REDACTED
25 software needs at the meeting in Chicago?

00146

1 A , for the conversations I had, REDACTED
2 was looking to find a way to simplify they business,
3 to reduce the number of business processes, to look at
4 ways by which they could standardized around an
5 easier-to-use, simpler system on some of their
6 locations and divisions around the United States and
7 around the world.

8 Q Now, now, I think, an eight or REDACTED
9 \$9 billion a year company?

10 A I think we were talking to a very -- a much
11 smaller piece of that that specialized in some of the
12 exhausts and brakes and some of the other things I
13 think that they do in aftermarket.

14 Q Is that ? REDACTED

15 A It says that here, although I can't
16 specifically verify that.

17 Q You're referring to Exhibit 1451?

18 A Yes, I am.

19 Q And according to Exhibit 1451, REDACTED

20 is a \$1 billion division of ? REDACTED

21 A That's what it says here as well.

22 Q And that's Mr. Wagner's report to you?

23 A Yes.

24 Q And do you know if has REDACTED

25 bought Axapta for implementation at any locations?

00147

1 A I do not have a specific recollection that
2 it has.

3 Q Is an example of a spoke REDACTED
4 in a hub and spoke situation?

5 A is an example of a division of REDACTED
6 a large corporation which in itself is made up of
7 multiple, multiple business units which in turn have
8 multiple, multiple spokes on top of that, whereas we
9 get further down from the division level to the
10 subdivision level to the spoke level present
11 opportunities for a mid market solution that is easy
12 to implement and very simple for some of the remote
13 distribution and locations that they might have in
14 their organization structure.

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22 Q But the target market of Axapta is up to a
23 billion dollars a year in annual revenue, correct?

24 MS. BLIZZARD: Objection. Misstates the
25 testimony.

00148

1 A Yeah, the target market for Axapta is based
2 on customer requirements and fit, not necessarily on
3 dollar values. I think we find that most of the --

4 Q Go ahead.

5 A -- most of the organizations can't be
6 recognized for complexity based on mere dollar values.

7 Q Why not?

8 A It -- my opinion, there could be a very,
9 very complex very small account, or very, very large
10 dollar volume account that could be very simple in
11 nature as well.

12 Q Tell me about the very small complex
13 account.

14 A There are some accounts that we're not a
15 good fit for and that require multiple solutions
16 outside of our core product for some unique business
17 requirements that they may choose to implement within
18 their organizations.

19 Q Give me some examples.

20 A A small community bank that is looking for a
21 system that does direct deposit accounting and complex
22 banking transactions or treasury transactions. Very
23 small dollar volume account that we could not service
24 because of the specific vertical function or banking
25 functions that they have that are not part of any of

00149

1 our products.

2 Q What software could serve them?

3 A I think there are, there are -- I can't

4 speculate to which ones that are prevalent, but there

5 are a lot of software packages that specialize in

6 banks.

7 Q What -- Name some.

8 A I don't know any specifically.

9 Q I'm not sure I understand the example, then.

10 If you can't tell me what would serve them, I just

11 don't understand how you could --

12 A I know that I don't -- I know that I don't

13 serve them. I'm not necessarily looking at the

14 companies that do.

15 Q How do you know you couldn't serve them if

16 you don't know what can serve them?

17 A My products don't do the functions that they

18 require.

19 Q And what's the dollar revenue of the kind of

20 examples you're thinking of?

21 A Could be \$100 million regional bank.

22 Q So there are \$100 million regional banks

23 that can't be served by Axapta or any Microsoft

24 Business Solution product?

25 A Correct.

1 Q And are there \$3 million companies with, as
2 you call it, simple processes that could be served by
3 Axapta?

4 A Three million dollar?

5 Q Three billion.

6 A Potentially could be, but I can't speculate
7 that dollar values are necessarily a symbol of
8 complexity.

9 Q What else is a symbol of complexity to you?

10 A The products we have are not designed to, to
11 allow for global visibility of inventory, or supply
12 chain, or as we discussed earlier, the ability to look
13 across an organization for factory optimization or
14 product optimization.

15 Q How about -- let's just focus -- you're
16 talking about supply chain and other things. Let's
17 talk about core financials. What in core financials
18 does Axapta not have in terms of complex
19 functionality?

20 A Treasury management, hedging, companies that
21 deal in multiple strategies regarding foreign
22 exchange, conversion rates and dealings with very
23 sophisticated treasury management functionality; cash
24 projections, investment strategies, things that large
25 corporate hubs traditionally require that are dealing

00151

1 with large volumes of money on a daily basis.

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13 Q Do you recall seeing any documents stating
14 that the target market for Axapta is up to \$1 billion?

15 A I've heard that number mentioned in
16 conversations, in briefings and conversations in the
17 past as being one of many characteristics that are,
18 that are being listed about a target market.

19 Q What are the other characteristics of the
20 target market for Axapta?

21 A Locations of large corporations that have
22 simplistic business needs that are accommodated by the
23 Axapta product, manufacturing locations that are
24 single location in nature, some of the international
25 remote divisions that we've discussed in our earlier

00152

1 testimony as being the targets.

2 Q And does Esselte fall outside of the target

3 market of Axapta?

4 A I can't speculate on whether it does.

5 Q Do you know whether or not it has simple or

6 complex needs for financial management software?

7 MS. BLIZZARD: Objection. Vague.

8 A Don't know specifically.

9 Q When you talk about simplistic needs, what

10 do you mean?

11 A Companies that don't require the, the large

12 scale manufacturing or supply chain or international

13 treasury or specific vertical functionality that's

14 associated with a lot of the larger Tier 1 solutions

15 that, that we typically refer those clients to.

16 Q Now, the vertical functionality, Microsoft

17 partners with ISVs who provide vertical functionality

18 as a bolt-on to its products, right.

19 A That's true, but in a situation in dealing

20 in large corporations, a large -- most of our partners

21 are very, very small partners with very, very limited

22 product depth and scope. Most large companies that

23 I've dealt with, getting back to your question about

24 complexity, do not want to deal with multiple points

25 of failure in dealing with multiple solutions,

00153

1 multiple partners, multiple vendors, especially in the
2 situations where large businesses do not want to rely
3 on very small ISV partners as part of an overall
4 corporate solution or a hub solution. They want the
5 support and product to be delivered by one publisher
6 in most cases.

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6 Q Do you recall whether Mr. Ballmer met with

7 at the meeting in Chicago?

REDACTED

8 A Yes, he did.

9 Q If you look at specific outcomes that will
10 occur if the meeting is successful -- do you see that
11 heading?

12 A Yes, I do.

13 Q To the right it says, No. 1,

REDACTED

14 will make Axapta its ERP choice for its U.S.

15 locations. Do you see that?

16 A Yes, I do.

17 Q Did you have an understanding before the

18 meeting in Chicago that one of the goals of the

19 meeting was to have make Axapta its ERP

REDACTED

20 choice for its U.S. locations?

21 A I received this briefing document prior to

22 the meeting in Chicago so I recall reading the

23 document and understanding that that was the

24 conversation that we were hoping to lead

REDACTED

25 to.

00157

1 Q And you received Exhibit 1452 in advance of
2 the meeting on January 21, 2003?

3 A Yes.

4 Q And you read it at that time?

5 A Yes.

6 Q And is it fair to say that Microsoft
7 Business Solutions is still having discussions with

8 about Axapta product -- the Axapta REDACTED
9 product?

10 A Not as formal, but yes, we are having
11 discussions with . REDACTED

12 Q So is it fair to say that the sales puree,
13 at least with , has been an extended one, REDACTED
14 over a year's time?

15 A Yes. Not much has changed if anything since
16 this meeting and prior to today.

17 Q Do you have an understanding concerning
18 whether has bought any Axapta products REDACTED
19 for any of its locations?

20 A Other than what I've read here, I have no
21 specific understanding of what they have done other
22 than a pilot location in Italy which is represented
23 here.

24 Q And Item 3 in specific outcomes that will
25 occur if the meeting is successful is REDACTED

00158

1 will implement Axapta in its worldwide locations also

2 known as One World System. Do you see that?

3 A I see that, yes.

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23 Q If I can ask you to turn briefly to Page

24 3640. There's a reference there to CDI Corporation.

25 Do you see that?

00159

1 A If I could have just a moment to review.

2 Q Certainly.

3 A (Reviewing.)

4 Okay.

5 Q All right. Have you ever met with any

6 representatives of CDI Corporation?

7 A Yes, I have.

8 Q On how many occasions?

9 A Six to eight different occasions.

10 Q Were you involved in the sale of Microsoft

11 Business Solutions software products to CDI

12 corporation?

13 A I was involved in supporting partner

14 meetings and presentations, as well as executive

15 presentations at CDI Corporation.

16 Q And based on those meetings, did you have an

17 understanding that CDI had, had attempted to implement

18 an SAP ERP system?

19 A Yes, I have.

20 Q And that they were unable to implement the

21 SAP ERP system?

22 A Yes.

23 Q And that instead they decided to purchase

24 Microsoft Great Plains?

25 A That's correct.

00160

1 Q And do you have an understanding one way or
2 the other concerning CDI's annual revenues?

3 A It states here that it's approximately \$1.4
4 billion.

5 Q Do you know if that's correct?

6 A I don't know if specifically that's correct.

7 Q Do you know approximately how many employees
8 CDI has?

9 A Not specifically. Other than what I read
10 here.

11 Q And in Exhibit 1452 it says 24,000?

12 A That's correct.

13 Again, just from a point of clarification,
14 the SAP implementation was discontinued. The Great
15 Plains product was not replacing all of the locations
16 where SAP had, had focused its implementation efforts.
17 Great Plains was implemented in a small division of
18 CDI. The other divisions returned to the systems
19 prior to their -- that they used prior to attempting
20 to implement SAP.

21 Q Was Great Plains installed, or implemented
22 at CDI's corporate headquarters?

23 A I'm not sure.

24 Q Do you know where CDI is headquartered?

25 A Philadelphia.

00161

1 Q Do you know how CDI is organized in terms of
2 whether it has many subsidiaries or if it's a highly
3 centralized company?

4 A It's an organization with many different
5 business units focusing on different parts of the
6 staffing business; technical -- technical consulting
7 staffing, engineering, and construction staffing for
8 assistance in building cable towers and lines for
9 telecom communications companies; Management
10 Recruiters, which is a recruiting agency, and Today's
11 Staffing, which is a similar, we had mentioned one
12 earlier Kelly Services, a typical staffing company
13 for temporary help.

14 Q But this is a professional services staffing
15 company for, for engineers and people like that?

16 A They're different divisions that specialize
17 in -- one division would have technical consulting,
18 one would have very -- there's at least six different
19 business units that I'm aware of that are separate and
20 distinct parts of CDI Corporation.

21 Q And what's your understanding of where Great
22 Plains was implemented at CDI?

23 A We discussed the core financial applications
24 of CDI and how Great Plains could match with those
25 core back office financial systems.

00162

1 Q And was Great Plains installed as the core

2 back office financial software for CDI?

3 A For a small portion of CDI that

4 implementation was successful.

5 Q And was there an attempt to install Great

6 Plains more broadly?

7 A Not that I'm aware of.

8 Q And it's your understanding -- do you have

9 an understanding concerning whether CDI is using Great

10 Plains as its core financial system for the entire

11 corporation?

12 A No, I do not have specific knowledge of

13 whether they're doing that.

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1 Q If you turn the page, Page 172 of Exhibit
2 1453, sir. Are you familiar with the implementation
3 of Microsoft-Great Plains at Six Flags?

4 A Not in detail, not in intimate detail, no.

5 Q What's your understanding?

6 A I have met with, with executives from Six
7 Flags that touted the implementation as being a very
8 successful use of the financial systems at, at Six
9 Flags.

10 Q And is it your understanding that Microsoft-
11 Great Plains is the core financial system in use at
12 Six Flags?

13 A I can't specifically state that.

14 Q Do you have an understanding concerning
15 where Microsoft-Great Plains is in use at Six Flags?

16 A No personal specific knowledge, no.

17 Q Who at Six Flags have you met with?

18 A One of the controllers who attended one of
19 our Microsoft briefings in Redmond as part of a summit
20 where we had a chance to have lunch.

21 Q Were you involved in any way in the, in the
22 sale, in the effort to help the partners sell the
23 Microsoft-Great Plains to Six Flags?

24 A No.

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14 Q Did you have any discussions with

REDACTED

15 about rolling out Microsoft Business Solutions

16 products on a worldwide basis?

17 A At any time?

18 Q Yes.

19 A Yes, I have.

20 Q And what has your discussion been, sir?

21 A Microsoft has met with regarding a

REDACTED

22 traditional hub and spoke-type environment in that

23 is made up in actuality 1400 different

REDACTED

24 agencies, very small in nature. as a

REDACTED

25 corporation is a holding company for the revenue

00173

1 streams associated with those . They REDACTED
2 believe that the Microsoft Business Solutions products
3 in the nature of being a Tier 2-type of product line
4 would allow for them to roll these out in the various
5 divisions around, and locations around the country in
6 a very simple and easy-to-use way.

7 Q Would the plan as you understand it be to
8 use Microsoft Business Solution products at all of
9 various subsidiaries and agencies? REDACTED

10 A has shared with us in meetings that REDACTED
11 they would like to get as much standardization across
12 their various agencies and locations as possible, but
13 they have not stated any, or are they in a position in
14 many cases to offer a mandate to all of their
15 locations to implement.

16 Q There's a reference to a, or a corporate
17 communication within that the only ERP REDACTED
18 solutions to be considered are Microsoft Business
19 Solution ERP solutions?

20 A Yes.

21 Q Are you aware that the CFO of or REDACTED
22 someone else has sent out such a communication?

23 A I was aware that a communication was
24 discussed. I have no specific knowledge of that
25 communication itself.

00174

1 Q What did you learn about the communication?

2 A That the global CFO was endorsing the
3 Microsoft Business Solution product as a choice of the
4 corporation at the high level as a product that should
5 be evaluated by anyone considering a move to a
6 different back office financial accounting system.

7 Q And are you aware of discussions concerning
8 the potential use of a Microsoft Business Solution ERP
9 product at the -- at subsidiary called ?

REDACTED

10 A I am aware that discovery and presentations
11 are planned at through our tower.

REDACTED

12 Q And what's your, what's your understanding
13 of the progress of those discussions? Are they
14 preliminary or are they more advanced?

15 A I believe that will be evaluating
16 PeopleSoft, Oracle and Microsoft Business Solution in
17 a series of presentations that are due to occur in the
18 next 30 to 60 days.

REDACTED

19 Q And it's your understanding -- what's your
20 understanding concerning what Microsoft Business
21 Solutions software product will be evaluated by ?

REDACTED

22 A My understanding from conversations with the
23 partner is that Microsoft Business Solutions will be
24 representing its Solomon product for professional
25 services.

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18 Q Have you learned anything from either of
19 those individuals about the number of locations over
20 which operates?

REDACTED

21 A No, I've not.

22 Q Do you have any understanding?

23 A I have a core understanding that the Solomon
24 product has been asked to support somewhere between
25 three to 400 total back office financial users for

00177

1 as part of this evaluation process.

REDACTED

2 Q And do you have an understanding concerning
3 whether the Solomon product can support between three
4 and 400 back office users?

5 A We have put the necessary MBS resources in
6 place to do the evaluation, and plan to let them know
7 whether or not we believe that that product can reach
8 the levels given the particular transactions that
9 plans to process with us.

REDACTED

10 Q And what kinds of transactions is it do you
11 understand wants to process?

REDACTED

12 A Core financial transactions and a variety of
13 time entry-type of transactions, hours charged to
14 specific creative projects and very, very simple sort
15 of three hours on this project, two hours on this
16 project, four hours on that project.

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8 Q To your understanding there's going to be no

9 discussion of, or potential use by of MBS REDACTED

10 products on a corporate-wide basis for all 57,000

11 employees?

12 A Oh, no, no. The discussions are not around

13 57,000 Microsoft Business Solution users in any way,

14 shape or form. The discussions with , even in REDACTED

15 high-level discussions on a worldwide basis have

16 estimates ranging from 2500 to 3,000 total users over

17 approximately 350 different locations; being the REDACTED

18 largest single user of the product in a particular

19 location. And if you do some quick math of looking at

20 2500 to 3,000, subtracting two or 300, and then

21 spreading the rest over 350 locations, you get a sense

22 for the size of maybe ten users, five to ten users per

23 location based on the requirements for core

24 financials.

25 Q Is this an -- is another example of REDACTED

00179

1 a distributed company that can be served by Microsoft

2 Business Solutions software products?

3 A I don't tend to like the term distributed.

4 I think is an example of a highly

REDACTED

5 decentralized organization that has run their business

6 with, with 1400 separate small companies, each of

7 which compete with each other in many cases for the

8 same piece of advertising business. They have set up

9 the organization in such a way that they track and

10 monitor each of the progress financially of 1400

11 agencies that roll up into 350 or so separate business

12 units, that roll up into six to seven major business

13 towers that they focus on as a business entity, and

14 have a very highly decentralized approach to running

15 their business.

16 Q Have you heard of a company called Helmeric

17 & Payne?

18 A Yes, I have.

19 Q And are they using a Microsoft Business

20 Solution software product?

21 A Yes, they are -- they have signed to license

22 the Axapta product line.

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14 Q And what is your understanding, if you have
15 one, of how Helmeric & Payne's business?

16 A In the opportunities I've had to meet with
17 personnel from Helmeric & Payne, we have an
18 organization that is a very remote oil rig operation
19 management task on their hands where they actually
20 have very remote oil rigs that are set up on various
21 oceans and seas of which they are running financial
22 and project software-type of requirements.

23 Q And where have you met with these people
24 from Helmeric & Payne?

25 A At Convergence, at a Customer Appreciation

00182

1 event in New Orleans, and most recently had the chance
2 to, to talk to one of the personnel at an initial
3 meeting of the Axapta user group meeting.

4 Q And do you have an understanding from those
5 interactions where they're using Axapta?

6 A Other than what I've shared with you in
7 terms of their business being this remote oil rig
8 drilling operations, very decentralized operations, I
9 have no specific knowledge of their implementation.

10 Q Do you have any knowledge concerning whether
11 they have implemented Axapta at their corporate
12 headquarters in Texas?

13 A No, I do not.

14 Q The E-mail from Mr. Bender that's on Pages
15 9339 over to 9340 talks about the relationship between
16 Microsoft and PeopleSoft. Do you see that?

17 A Yes, I do.

18 Q And are you aware of anyone at PeopleSoft
19 raising any issues in terms of competition between
20 PeopleSoft and Microsoft?

21 A No, I've not.

22 Q You never heard that PeopleSoft was upset
23 that Microsoft had taken business away from it at
24 Helmeric & Payne?

25 A I was not directly informed of any, any of

00183

1 that from PeopleSoft at all.

2 Q And there's a note, focus on anti Oracle.

3 Is there an anti Oracle focus at Microsoft Business

4 Solutions?

5 A No, there's not.

6 Q Would Microsoft Business Solutions prefer to

7 see a customer buy Microsoft SQL Server over Oracle's

8 database?

9 A As a shareholder, I think that each employee
10 would, would prefer to have Microsoft technologies be
11 the platform of choice by its clients.

12 Q There's a reference to, Mr. Bender says, we
13 were very honest about the fact that MBS would move
14 upstream. You see that?

15 A Yes, I do.

16 Q Have you heard anyone at Microsoft talk
17 about Microsoft Business Solutions moving upstream?

18 A Not in those words, no.

19 Q Have you heard it in other words?

20 A I've heard that Microsoft is providing
21 greater visibility to its corporate accounts, that
22 these products have a place, as most Tier 2 vendors
23 have a place in larger corporations that have remote
24 or decentralized organizations, whereby many of these
25 corporations had never heard of Great Plains or

00184

1 Microsoft Business Solutions in the past.

2 Q You refer to Tier 2 vendors. Who are you
3 talking about?

4 A Traditionally in the market Tier 1 vendors
5 and Tier 2 vendors, Tier 2 vendors specifically in
6 most of the analyst reports refer to Microsoft
7 Business Solutions, a J.D. Edwards, a Sage, a Mapics,
8 pPics-type of product line as being more of a Tier 2
9 solution.

10 Q And Tier 1?

11 A Being more to an SAP, Oracle, PeopleSoft,
12 Siebel.

13 Q I2?

14 A In the past, perhaps.

15 Q Manugistics?

16 A Probably not.

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16 Q Exhibit 1456 indicates that Esselte has

17 3,000 professional users?

18 A I see that, yes.

19 Q Is that consistent with your understanding?

20 A Yes, it is.

21 Q And has 15 instances of the application?

22 A I see that as well.

23 Q Is that consistent with your understanding?

24 A Yes, it is.

25 Q And has total net revenue before maintenance

00187

1 of support to Microsoft of \$. Do you see

REDACTED

2 that?

3 A I, I don't understand what that means, and

4 nor is it a number that I've seen in any kind of net

5 revenue numbers for Microsoft.

6 Q Do you have an understanding of the net

7 revenue to Microsoft from Esselte?

8 A Not specific.

9 Q Can you give me a ballpark?

10 A a little over a

REDACTED

11 dollars.

REDACTED

12 Q And that's just license revenue you're

13 talking about?

14 A Correct.

15 Q And there's also going to be support and

16 maintenance?

17 A Yes.

18 Q And what's the projection for those?

19 A Don't know specifically.

20 Q And we talked earlier about some

21 professional consulting fees?

22 A Yes. Microsoft is providing some assistance

23 to our partners there, yes.

24 Q And what's the projected amount of

25 professional consulting fees to Microsoft?

00188

1 A We discussed earlier on the record that we
2 were projecting in the early estimates somewhere
3 around \$ over the course of the project.

REDACTED

4 Q And this notes that the Esselte deal is at
an overall discount. Do you see that?

REDACTED

6 A Yes, I do see that.

7 Q Do you have an understanding one way or the
8 other whether that is accurate?

9 A No understanding whether it's accurate.

10 Q Do you have any understanding of --
11 concerning the discount that was given to Esselte?

12 A I understand that Microsoft pricing is from,
13 from pricing, in terms of a customer that's looking
14 for a broad-reaching agreement with Microsoft, is
15 primarily priced in a way that is very different than
16 the traditional marketplace prices by user.

17 Q What do you mean by that?

18 A Most ERP companies are pricing by users,
19 where Microsoft Business Solutions has a -- an
20 instance charge which tends to draw dramatic increases
21 in price for companies that are looking to install
22 more instances over their organization versus a
23 traditional single site implementation that we
24 traditionally deal with on a regular basis.

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10 Q Setting aside any conversations you may have
11 had with counsel for Microsoft, have you had any
12 communications with anyone else at Microsoft
13 concerning testimony given by Microsoft in the United
14 States versus Oracle case?

15 A No, I've not.

16 As a point of clarification, I have
17 responded to questions raised by the field in the
18 classic Microsoft organization, as well as our field
19 organization regarding a blurb in USA Today which
20 quoted Doug Burgum regarding this case.

21 Q And what did that say?

22 A I don't know the specifics as it -- to
23 paraphrase it was stating that Microsoft -- his
24 position was Microsoft was not entering the enterprise
25 space and did not see that as for a two- to

00192

1 three-year-type of window, I believe is what the

2 paraphrase was.

3 Q And what did you tell the field

4 organization?

5 A I told them that, that we should continue on

6 our track of approaching enterprises and CAS-based

7 accounts based on our strategy of providing spoke-

8 based solutions, to continue to evangelize the message

9 of Microsoft Business Solution having a role as a Tier

10 2 provider in most large corporations around the world

11 that have decentralized underserved locations, and

12 that that was really all we were at liberty to comment

13 on regarding the case. So it was business as usual,

14 basically.

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21 Q Going back to Exhibit 1457, sir, this

22 appears to be a discussion about proposed marketing

23 messages because of concerns that Mr. Hemler has

24 had -- received from prospects with respect to

25 Microsoft's testimony that, quote, we aren't, we

00193

1 aren't going after large enterprises. Do you see

2 that?

3 A Yes, I see that.

4 Q And Miss Kloster's response to Mr. Hemler's

5 E-mail says, we've always positioned our target market

6 as being small mid market, as of a year ago started to

7 include the corporate account space. Do you see that?

8 A Yes, I do.

9 Q Was there a change in the marketing

10 philosophy of Microsoft in or about March of 2003 to

11 extend the target market to include the corporate

12 account space?

13 A I think in July of 2003 we made the

14 commitment to bring on board these 17 CAS solution

15 sales specialists to be located in the district to

16 provide that marketplace a greater understanding of

17 our products, our solutions and our strategy. But

18 prior to that time, there was no dedicated resources

19 that would allow those CAS-based customers access on a

20 regular basis to Microsoft presentations or dedicated

21 resources.

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7 Q And Ms. Kloster's E-mail is March 15, 6:03
8 p.m. Mr. Hemler responds to that E-mail, and in his
9 response he proposes a message which says, quote, our
10 recent sworn statement to the U.S. Justice Department
11 was intended to define our plans with respect to which
12 customer segments we will proactively market our ERP
13 solutions. It is not intended to say our products are
14 not suitable for larger enterprises. To the contrary,
15 Axapta had the flexibility and scalability needed to
16 address enterprise ERP demands such as those,
17 brackets, customer. Do you see that?

18 A Yes, I do.

19 Q Have you ever had any discussions with
20 Mr. Hemler about that?

21 A Not directly. But I don't agree with his --
22 I don't understand what his reference to sworn
23 statements or his comments regarding the flexibility
24 and scalability necessary to address enterprise scale
25 ERP demands. This is not something I would write or

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1 nor do I understand his references to any, any

2 testimony or sworn statements.

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11 Q Have you ever heard any concerns expressed
12 by any Microsoft Business Solution customers or
13 prospective customers that, their concern that they
14 might be topping out with Axapta or other Microsoft
15 Business Solution product?

16 A Yes, I have.

17 Q And when have you heard those kind of
18 concerns?

19 A Usually in group discussions and seminars,
20 and one to many locations there's usually a question
21 that has to do with, I though Microsoft-Great Plains
22 was only for five-user organizations, I had thought
23 Axapta was only available in Europe. There's a lot of
24 people who have very, very limited knowledge of
25 Microsoft Business Solution and the role we can play

00197

1 in decentralized organizations.

2 Q What do you tell them?

3 A I talk to them a little bit about how we

4 have been able to successfully implement some of these

5 smaller decentralized hubs for organizations with

6 Great Plains, with Axapta, that with we have

7 successful implementations of 100, 200 users, and that

8 you know, depending on the size, complexity and scope

9 of the project, we'd be happy to talk to the client

10 about their particular needs.

11 Q Are you aware of any Axapta implementations

12 with four or 500 consecutive users?

13 A Yes, I am.

14 Q Where?

15 A A company called Old Castle.

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10 Q Is Microsoft Business Solutions selling
11 through partners Axapta to organizations with up to \$5
12 billion a year in annual revenue?

13 A I think we have examples of a Great Plains
14 implementation at where is a \$6
15 billion company but we have a, one of the ad agencies
16 that's using Microsoft Business Solutions product. So
17 the answer to that is we are selling to and
18 they're \$6 billion, but we're selling to them, from a
19 clarification point of view, at a very small agency
20 level, five to ten, fifteen users.

REDACTED

REDACTED

21 Q Well, it's not really the agency level, is
22 it? It's the headquarters level.

23 A No, we have other locations that are at the
24 agencies in addition to the corporate use of the Great
25 Plains product at the agency level.

00199

1 Q Do you think that Axapta has the flexibility
2 and scalability to address enterprise scale at ERP
3 demands?

4 A Sorry. Could you repeat the question?

5 Q Sure. I'm just essentially reading from Mr.
6 Hemler's proposed statement and I'm wondering if you
7 believe -- if you agree that Axapta has the
8 flexibility and scalability needed to address
9 enterprise scale ERP demands.

10 A Axapta -- it would depend again on the
11 customer's particular functional requirements, their
12 need for specific functionality, the complexity of
13 their organization and the number of users that they
14 are planning to implement. In the right cases, Axapta
15 is a great fit for a department or division of -- or
16 remote location of a decentralized company, but in no
17 way is it robust enough to service the complex
18 centralized locations of a large enterprise account.

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23 Q And what's the effort there, if you know?

24 A Pat is one individual in the Microsoft

25 Business Solution team that's, that had taken on the

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1 responsibility of working closely together, helping
2 our, our not-for-profit teams and state and local
3 Government teams identify partners that have been
4 successful in marketing to that marketplace in the
5 past for our -- we have a separate team in the
6 vertical team that focuses on not-for-profit, state
7 and local Government.

8 Q Are there other vertical teams within
9 Microsoft Business Solutions?

10 A Yes, they are.

11 Q And what are those?

12 A The ones I can recall include automotive,
13 financial services, health care, as examples.

14 Q Do you have an understanding of why there
15 are -- why there's a public sector vertical,
16 automotive vertical, health care vertical and other
17 ones you can't recall?

18 A Specifically no, no definitive direction on,
19 on -- maybe if you rephrase the question.

20 Q Sure. I'm just trying to figure out if you
21 understand what's the strategy behind having people
22 who are focused on particular segments of the market.

23 A Microsoft has set up these vertical accounts
24 to provide selected vertical accounts better ratioed
25 coverage with people that are understanding of their

00203

- 1 particular business needs and -- as it pertains to
- 2 Microsoft infrastructure, architecture, database and
- 3 classic Microsoft requirements that are necessary to
- 4 run their infrastructures.

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15 Q If you turn to Page 4 of the power point,
16 sir. It has a Bates No. 3312. There's a reference --
17 this page appears to be entitled something next big
18 thing. Do you see that?

19 A Barely, I can read it out, yes.

20 Q And it contains excerpts from April 2003
21 Business Week article?

22 A That's what it says, yes.

23 Q And it talks about Mr. Rakes's quote that
24 Microsoft will bring 10 billion in revenue from this
25 emerging market by year 2010?

00205

1 A I see that.

2 Q Is that consistent with your recollection of
3 the public statements made by Mr. Rakes concerning the
4 growth potential for Microsoft Business Solutions?

5 A I've heard that statement before, yes.

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13 Q Let me ask a first question. The Microsoft
14 fiscal year runs from when to when?

15 A From July -- approximately July through
16 June.

17 Q Okay. So when you say there was a target
18 for fiscal '04 that would be from July '03 to the
19 following June '04?

20 A Correct.

21 Q So we're approaching the end of fiscal '04
22 at this time?

23 A Yes, we are.

24 Q And fiscal '05 would start approximately
25 July of this year?

00217

1 A Yes.

2 Q Okay. And I believe you testified that
3 there was a team-based sales quota for the CAS space
4 for fiscal year '04. Do you recall that testimony?

5 A Yes.

6 Q And I believe you also testified that there
7 was not a quota for the GSM area for MBS products?

8 A That's correct.

9 Q Okay. Why was that? Why was there a sales
10 quota for CAS and not for GSM?

11 A We anticipated a majority of our efforts to
12 be based in, in the corporate accounts segment where
13 there was teams in place that could sell along with us
14 side-by-side from a coverage point of view and the
15 partners were already engaged in those accounts. Our
16 experience in revenue from the prior year showed that
17 a majority of the revenue, once we did look at the
18 segmentation, was derived from that corporate accounts
19 space for Microsoft Business Solution products as a
20 primary factor.

21 Q And I think you also testified that your
22 targets for these CAS quotas, you were going to fall
23 short in fiscal '04. Do you recall that?

24 A Yes.

25 Q Do you remember what the revenue target was?

00218

1 A Approximately , a little over \$ REDACTED

2 . REDACTED

3 Q And do you know what the current projected
4 revenue is for fiscal '04?

5 A We are targeting somewhere in the 43,
6 aggressively \$ attainment in that space. REDACTED

7 Q Why do you believe Microsoft didn't make the
8 CAS quota?

9 A I think, I think it was a very aggressive
10 growth rate associated with that, with that -- maybe
11 overestimated the market spend around our products in
12 that space. We also you underestimated the amount of
13 exposure and sales and marketing and confidence
14 building that we would create around our products in
15 those, in that space.

16 Q Could you pull out what was marked as
17 Defense 1449.

18 A Okay.

19 Q I think you testified, and please correct
20 me, that this was a planning document developed for
21 fiscal '04 planning in around April of 2003?

22 A Yes.

23 Q Was the plan that's in here formally
24 adopted?

25 A Not in specific terms, no.

1 Q Okay.

2 A Some of this was used to ultimately
3 determine the reporting structures and some of the
4 high level resource planning around it. But this --
5 this was not formally adopted in its current state.

6 Q Was the primary purpose of this document,
7 then, for discussion?

8 A Yes.

9 Q Okay. Could you turn to Bates No. 4150.

10 At the chart at the top, do you see where it
11 says fiscal year '04 and revenue, and it appears to
12 say , do you see that?

REDACTED

13 A Yes.

14 Q Would that correspond to \$?

REDACTED

15 A In this particular, yes, it would.

16 Q And I believe you just said that the actual
17 target that you ended up settling on for fiscal '04
18 was a little over \$?

REDACTED

19 A Yes.

20 Q Going down that fiscal '04 column, the -- do
21 you see where it says 17 MBS BSMs?

22 A Yes.

23 Q What are those?

24 A They wound up being what we have been
25 discussing as solution sales specialists. Those are

00220

1 the people deployed within the geographic regions or
2 geographic districts within the Microsoft Enterprise
3 organization that instead of being called BSMs, they
4 are actually called solution sales specialist, SSPs.

5 Q And are those the 17 people on the virtual
6 team that have a dotted-line reporting to you that
7 we've been discussing?

8 A Yes.

9 Q The one below that MBS TSs, what are those?

10 A A TS within Microsoft is a technical
11 solution presales resource whereby if a partner or an
12 account needs some additional assistance in
13 understanding the particular detailed functionality
14 within a product, those resources are made available
15 in the Microsoft classic organization. There's TSs
16 for SQL, there's TSs for Windows, for Office. It was
17 originally planned to have resources dedicated in that
18 role in capacity for MBS in the enterprise space.

19 Q Was, was the number of 9 adopted as the plan
20 for fiscal '04?

21 A The number that was actually adopted in FY
22 '04 was zero.

23 Q The next line below that says Microsoft core
24 GTM. What's that?

25 A It was, the initial discussion was around a

00221

1 Microsoft Business Solution go to market leadership
2 team that wound up being myself and one other person
3 to help build the community and to oversee the hiring
4 and some of the training associated with the MBS
5 solution people in the field.

6 Q So was the fiscal '04 plan number there then
7 two, one person plus yourself?

8 A It was originally four from a head count
9 perspective. We redeployed one of those to become
10 another resource in the enterprise that would be
11 targeted at FY '05 technical solutions specialty, and
12 one open position still remains in that organization
13 structure that reports to me that hasn't been filled.

14 Q Okay. So -- and I want to make sure I'm not
15 double counting here. Is -- if I take this 17 plus
16 the two for Microsoft Corporate GTM and to get 19 ,
17 would that represent the total number of resources
18 deployed in fiscal '04 to help partners with the sales
19 in the enterprise area?

20 A The total number that was actually approved
21 was 21; 17 plus the 4.

22 Q Okay. And of those 21, how many of those
23 positions were filled?

24 A Nineteen

25 Q Nineteen, okay. In terms of the revenue

00222

1 shortfall for fiscal '04, when did you first become
2 aware that the group was not going to meet its revenue
3 target?

4 A We probably knew fairly early in the fiscal
5 year. Probably midyear we knew for sure that, that
6 the revenue target was very aggressive and probably
7 not going to be attained.

8 Q What steps were taken when you realized you
9 weren't going to meet this target to potentially
10 correct the situation?

11 A We tried to increase the, the marketing
12 effort around hub and spoke targeting for cities,
13 doing some direct mail, working together closely with
14 partners to hold more seminars targeted at distributed
15 solutions, decentralized autonomous-based
16 organizations that were looking to, to replace their
17 outdated or off-maintenance solutions. We early on
18 were not at full strength from a head count
19 perspective so we did not achieve the full17 field
20 resources until the 6th of April from being at a full
21 staff point of view, and a majority of those
22 resources, probably 13 to 14, were with Microsoft or
23 in their current role for less than six months as a
24 total. So we had a very new team that was brought on
25 board to help us here.

00223

1 Q So if I was trying to get a sense of the
2 total number of resources deployed to help MBS
3 enterprise sales through partners, the, the 21
4 allocation would be very high then, because you're
5 saying not all those positions were filled until late
6 in the year?

7 A Yes, that's accurate.

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15 Q In the first paragraph, about oh, six or
16 seven lines down, there's a sentence that says, I do
17 believe a real part of the problem today, is that
18 there are no boundaries, so everyone seems to believe
19 we should go for a lot of things, including geo
20 expansion in all big markets, multiples lines in more
21 countries than we can afford, et cetera, et cetera, et
22 cetera, et cetera, et cetera. Do you see that line?

23 A Yes, I do.

24 Q Do you agree with what Mr. Ayala says here,
25 that this is a problem today for MBS?

1 MR. YATES: Objection. Lacks foundation.

2 A My opinion is that there are very -- since
3 Microsoft Business Solutions markets almost, or
4 markets exclusively through partner organizations,
5 there are various levels of competence within the
6 partners and a variety of approaches and strategies
7 that these partners take. I think that the partners
8 are very excited to have a broad range of products
9 that they can now resell to the marketplace. I think
10 many of them still have yet to uncover all of the
11 intricacies of the products in each particular country
12 that we have localized or through partner offerings
13 and I think that is, has caused some confusion in the
14 channel in terms of how far to go in terms of talking
15 to certain customers about where, where we can take
16 the products. So I would agree with the statement
17 that it would be very welcome in the channel and in
18 the MBS support team to have specific boundaries set
19 about the way we engage with customers.

20 Q What sort of confusion do you believe has
21 been generated in the channel?

22 A I think for some of our channel partners,
23 the CRM product line, the MBS product line in the
24 Axapta division are very new to them. They're
25 learning a lot of those products and functions as they

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1 go. For some, as they get a new customer, it's a case
2 of they don't know what they don't know and wind up
3 encountering certain functional issues or client
4 perceptions of the product that are not what they
5 expected during the implementation, and it resulted
6 really because it's the first time the partner has
7 implemented that particular product line in a live
8 situation.

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1 Q What about Old Castle, have you heard of any
2 problems with scalability at Old Castle?

3 A In brief discussions with Old Castle, I was
4 informed that they were considering adding more users
5 to their existing Axapta implementations and were in
6 discussions regarding how the product would
7 accommodate additional users. I don't know if that
8 was concern or just conversations and evaluation.

9 Q Okay. I think you testified earlier, and
10 please correct me if I'm wrong, but what I wrote down
11 was concerning this benchmark that's come up several
12 times for Axapta of something like over 3,000 users.
13 I believe you said that you didn't believe the
14 statistic represented a real world situation. Do you
15 remember that testimony?

16 A Yes.

17 Q Okay. What do you mean by that?

18 A I don't believe I -- I believe what I stated
19 was that benchmarks would vary depending on the kinds
20 of transaction and the -- how the transaction was
21 used; a user that publishes strict financial
22 transactions on a debit and credit basis versus a user
23 that does very sophisticated business process order to
24 cash, some other processes. And I have not been privy
25 to the detail behind the benchmarking statistics, but

00236

1 I think I represented also that there's hardware
2 considerations, database considerations, network
3 considerations that would impact that as well. I -- I
4 don't see Axapta customers with 3900 users, nor do I
5 really believe that statistic for a real life
6 situation.

7 Q Do you believe that telling that statistic
8 to users is misleading?

9 A I think that in a real world situation it
10 could be determined as misleading if the -- there's
11 not full disclosure in terms of how the benchmark was
12 conducted, in what circumstances with what
13 transactions, and full disclosure in terms of the
14 details that were used to calculate that benchmark.

15 Q I want to give you something that was
16 previously marked as Government 169, and actually I'm
17 probably going to make reference to Defense 1457, if
18 you want to find that in your stack.

19 Let me state for the record that Government
20 169 is Bates labeled MSOP sub 8484. It's an E-mail
21 from Andrea Harrison dated March 17th, 2004, subject
22 MBS in press regarding Oracle, PeopleSoft-DOJ. It's
23 to Mr. Pollie among others, produced by Microsoft in
24 the course of this investigation.

25 A (Reviewing.)

1 Okay.

2 Q Do you recall receiving this E-mail?

3 A Yes, I do.

4 Q And who's Andrea Harrison?

5 A Andrea Harrison is part of our business and
6 marketing organization out of Redmond.

7 Q So who does she report to?

8 A Andrea Harrison reports to -- I'm not
9 specifically sure who she reports to.

10 Q Give me a sense of what her job is.

11 A It's, as I understand it, it's a buffer
12 between the business field organization as a business
13 and marketing organization, and the business group,
14 which is represented by Doug Burgum and the -- or the
15 BG.

16 Q As you see in the first paragraph she has a
17 sentence there, we want to be clear that our target
18 market strategy has not changed. We remain committed
19 to delivering business applications to small mid
20 market and corporate businesses worldwide. Do you see
21 that?

22 A Yes, I do.

23 Q What is your understanding of that sentence?

24 A That we have a strategy that targets small,
25 medium and CAS-based accounts where there's a,

00238

1 reasonable fit for our product lines from a product
2 functionality point of view. And I think she goes on
3 to say that it's really the -- targeted at the spokes
4 for highly decentralized, highly autonomous
5 organizations as being the primary goal of the
6 enterprise group.

7 Q And does she do that description -- in the
8 next paragraph down there's three bullets. There's a
9 bullet that says, divisions of large enterprises,
10 typically companies with 1,000 to 5,000 employees.
11 Think of this in terms of a hub and spoke model where
12 Microsoft is targeting the spoke and not the hub of an
13 organization. There are about 16,000 companies
14 worldwide in this category. Is that what you mean?

15 A Yes.

16 Q Do you agree with the statements in this
17 E-mail about the target markets for MBS products?

18 A I think it's very difficult to put a
19 particular either employee count or dollar value or,
20 or business, maybe, perhaps, description on -- in
21 describing what specifically are good fits for the
22 product. As I've testified earlier, it really is, in
23 this business for our products, a very case-by-case
24 basis to ensure that the client is a good fit for our
25 products. And I believe that employee size doesn't

00239

1 necessarily dictate whether or not the product would
2 be a fit. But I think from a marketing point of view,
3 I think establishing the total pool of accounts that
4 a, in some way from a marketing sense so that they can
5 do some analyzing of the markets and the revenue and
6 the size of the ERP spend and IT spend, it's probably,
7 you know, one way that a company could evaluate it.

8 Q It says at the top in bold, she's put to the
9 U.S. subsidiary field, field managers who can forward
10 this information to their teams per Legal and PR --
11 that's probably public relations. Do you see that?

12 A Yes.

13 Q Did you do anything with this E-mail such as
14 forwarding it?

15 A Yes. I forwarded it on to the 17 people in
16 the field as a follow-up to a phone conversation that
17 we had.

18 Q And what was discussed on that phone
19 conversation?

20 A As I testified earlier, we had just a
21 briefing regarding some of the press that had come out
22 regarding some statements that had been made in some
23 publications regarding our focus in the enterprise,
24 and reassured them that it was business as usual,
25 still the targets were large decentralized parts of

00240

1 larger corporations and that should be the message
2 that they could -- should continue to relate to the
3 clients.

4 Q And we were discussing Defense 1457. Was --

5 A And just as a point of clarity, I think it
6 was asked earlier if I produced any document to my
7 field team that I wrote and sent out to my team
8 regarding this issue.

9 Q Uh-huh.

10 A And I answered that question as no. But
11 just as a point of clarity, this was forwarded on, but
12 not written by me, to the field team.

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1 Q Okay. When we were discussing Defense 1457,
2 you were asked some questions about the sentence that
3 says -- it's in the middle paragraph, to the contrary
4 Axapta has the flexibility and scalability needed to
5 address enterprise scale ERP demands. Do you recall
6 those questions?

7 A Partially, yes.

8 Q Okay. And I believe you said in response --
9 please correct me if I'm wrong -- that in, in no way
10 is Axapta robust enough to serve a Fortune 50 account.
11 Do you recall that testimony?

12 A I believe just from a point of clarification
13 point of view, I was asked what I would define as a,
14 as the largest enterprise account and I believe my
15 response was from a -- at least I understood the
16 question, what was an example of the largest
17 enterprise account, and I believe I responded to sort
18 of a Fortune 50 account would be what I would consider
19 to be the largest. I -- I don't want for the record
20 to say that No. 51 is something that Microsoft
21 Business Solutions is targeting or can provide service
22 to. I think, again, it gets back to the specific
23 functionality that the company requires on whether or
24 not our product would be a good fit. And I don't
25 believe that, based on some of the functionality that

00242

1 I've experienced in the Tier 1 market that Microsoft
2 Business Solutions should either be targeted or is a
3 candidate for success at a hub location of a large
4 corporation.

5 Q When you say the Tier 1 market there, are
6 you thinking of any demarcation between that market
7 and the Tier 2 market in terms of the customer
8 characteristics?

9 A I'm thinking more in terms of the amount of
10 experience, infrastructure, partner training, system
11 integrator support, years in providing successful
12 solutions to very large corporations, and
13 functionality that they've incorporated in their
14 product that these large customers have worked with
15 them to produce over many, many years as more of the
16 demarcation. Not necessarily the size of the
17 customer, but --

18 Q And that list that you just went through,
19 are you saying that all of those things are things
20 that the Tier 1 players possess and that the Tier 2
21 players generally do not?

22 A I would say that's -- I could apply that
23 specific -- I can't speak for any other Tier 2, but I
24 can speak to these are things that MBS is years away,
25 perhaps, from, from having that these other companies

00243

1 have worked years to, to make part of their company's
2 business value proposition to large corporations.

3 Q Okay. There was some discussion about what
4 it meant for Microsoft to be the prime. Do you recall
5 those discussions?

6 A Some of those, yes.

7 Q Okay. Do you have a sense in the past year
8 of how often Microsoft has been the prime contractor
9 for a deal?

10 A It's been a very rare occurrence and one
11 that we discourage. Really just a handful of the
12 total new customers are, or customer adds have been
13 requested by clients as being a necessity for them to
14 continue doing business with Microsoft in the
15 conversations on, on the software solution. And it
16 usually is, just as a point of clarification, involves
17 a case where the customer specifically requests that
18 Microsoft step in and take a lead responsibility in
19 certain aspects of the project or in certain cases
20 where there's multiple partners. And in some cases
21 the partners that are involved have actually requested
22 that Microsoft come in and assist them in coordinating
23 the overall relationship between the multiple partners
24 that the client is dealing with and when to -- and
25 when I say partners, I mean resellers. I don't mean

1 ISVs or third-party programs. I just mean the core of

2 Microsoft resellers. But very few.

3 Q Very few in the last year?

4 A Yes.

5 Q Do you have a sense of how many Microsoft

6 intends to do in the next year?

7 A We are trying to move entirely away from

8 doing any. Our going-in position based on some

9 guidelines and things that we've been evaluating and

10 looking into is really an offer of last resort, when

11 it means the difference between winning and losing the

12 business in the customer's mind, what -- will we

13 consider it.

14 Q Okay. If you can pull out 1420 which is the

15 Esselte printout, web page printout.

16 A Yeah, I've read that enough. I think I've

17 memorized that one.

18 Q Okay. I'm going to go to the sentence

19 you've probably memorized the most.

20 A Yeah, I think --

21 Q The sentence that says, this is a great

22 example of how Microsoft Axapta can scale to meet even

23 the most complex requirements of billion-dollar

24 manufacturing businesses operating in multiple

25 countries around the world. Do you recall that

1 sentence?

2 A Yes, I do.

3 Q I believe your prior testimony was that you
4 felt that sentence could be misleading. Do you recall
5 that?

6 A Yeah, it -- it's something that slipped
7 through the cracks in terms of overall proofreading
8 and things that should have gone on around that
9 statement. I think it could be interpreted in ways
10 that it was not meant to be portrayed.

11 Q And what are those ways that it could be
12 interpreted that were not intended?

13 A And again, I -- I did not read this -- I did
14 not write this, this full statement. I wrote the
15 first sentence of the statement, and it was written by
16 one of our partners who was very excited about having
17 closed Esselte and wanted to get the word out to the
18 marketplace.

19 Again, your question specifically was which
20 part of it could be misinterpreted; is that correct?

21 Q Yes, or what would be misleading about it?

22 A I think the part that says this is a true
23 cooperative effort, I think that is, that speaks for
24 itself. That's fine. We're entities excited to work
25 with our partners to deliver a comprehensive solution

00246

1 that meets the unique need of Esselte business. I
2 think that's fine. I think the third part is, the
3 great example of how Microsoft-Axapta can scale to
4 meet the most complex requirements of billion-dollar
5 manufacturing businesses operating in multiple
6 countries around the world, particularly because it
7 could be misinterpreted because it doesn't reference
8 the fact that it's looking at 15 separate potential
9 implementation sites. It doesn't mention the fact
10 that a majority of the manufacturing function that we
11 reference here as being complex requirements are not
12 handled by the Axapta product itself. It's a decision
13 that the client made to, to actually do the majority
14 of its manufacturing, its complex manufacturing with
15 products that were not Microsoft. So I think that
16 that leads you to believe that it's all done by the
17 Axapta product when in fact it's -- it's not 3,000
18 users in one location, and it's not all the
19 manufacturing requirements of this account done
20 through the core Axapta product line.

21 Q Is it your understanding that Esselte has,
22 quote, the most complex requirements?

23 A I'm not privy to the specific requirements
24 within Esselte. I can say that in the marketplace
25 lean manufacturing is an advanced technique of

00247

1 controlling inventory and controlling manufacturing
2 that requires a very good support system underneath it
3 and lots of discipline executed internally to provide
4 that kind of technique of manufacturing.

5 Q And the lean manufacturing model module,
6 that's the piece that would be provided by eBECS?

7 A That's correct.

8 Q And does Microsoft have any control over
9 eBECS?

10 A No.

11 Q Does Microsoft own any of the intellectual
12 property, if you will, of the eBECS lean manufacturing
13 model?

14 A Not to my understanding.

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20 Q So let's do it in terms of vendors. And I
21 believe the Tier 1 vendors for financials, who would
22 you say that the Tier 1 vendors are for financials?

23 A I would say that it's been described in
24 market terminology from research firms and analysts
25 that Tier 1 vendors traditionally are compiled of

00251

1 Oracle, PeopleSoft, SAP, Siebel are the ones most
2 commonly mentioned in that category.

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6 Q So if we were just looking for a financial
7 management product, the Tier 1 vendors would be
8 Oracle, PeopleSoft and SAP?

9 A That's the way it's described, yes.

10 Q Do you have an understanding of the lack of
11 functionality that Axapta -- that those Tier 1 vendors
12 have in the financial management area?

13 MR. YATES: Objection. Lacks foundation as
14 to any company other than SAP in light of the
15 witness's testimony.

16 A I can relate to some experience that I have
17 at SAP and from a competitive positioning when I was
18 competing for SAP in that marketplace. Axapta lacks a
19 lot of core, for lack of terminology, let's call it
20 hub functionality that a lot of those vendors would
21 provide for. I think I referenced items like treasury
22 management, core intercompany transactions between --
23 financial postings between different companies that an
24 organization may, may look to account for is not part
25 of the core Axapta product. It does not have a

1 robust -- if you consider human resources as part of
2 your question in core financial management --
3 Q Let's -- I'll ask the human resources in a
4 minute. Just for financial you mentioned treasury
5 management and core financial trans -- intercompany
6 transaction. Are there any others that come to mind?

7 A Some sophisticated foreign trips, foreign
8 currency transactions, swap rates, transactions done
9 in multiple currencies, some of the more sophisticated
10 financially related transactions.

11 Q I believe I wrote down when you were
12 discussing this before something called cash
13 projections. Would that be an area that, additional
14 area that Axapta does not have, core hub
15 functionality?

16 A Yeah. I think I said cash flow projections
17 based on positions in various -- not just currencies,
18 but those kind of sophisticated financial transactions
19 that are typically handled at a corporate treasury
20 type of function is the best way to describe that
21 group of transactions where there's a corporate
22 treasury department within a corporation.

23 Q And now turning to the core HR functions
24 that Axapta lacks that would be required by these hub
25 enterprises as we've defined that term, what HR

00253

1 functionality do you think it lacks?

2 MR. YATES: Objection. Vague.

3 THE WITNESS: Pardon?

4 MR. YATES: You may answer if you

5 understand.

6 A Just from limited exposure in the U.S.

7 market, the product is not in full support compliance

8 in the areas such as EEO reporting, it does not have

9 an integrated payroll product as part of its offering

10 for the U.S. In terms of taxing and regulatory

11 support, it lacks a lot of U.S. regulatory HR

12 reporting that is traditionally supplied by other

13 vendors that have U.S.-based HR offerings.

14 Q Okay.

15 A And no payroll system, obviously.

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10 Q Mr. Pollie, I just a few follow-up questions
11 to Ms. Blizzard's examination. You were talking about
12 Esselte and I believe it's the eBECS, is that a supply
13 chain piece of software?

14 A I --

15 MS. BLIZZARD: (Inaudible.)

16 A I believe it's more specific to lean
17 manufacturing software requirements.

18 Q Is lean manufacturing part of a core
19 financial package in your definition?

20 A No.

21 Q It's something outside of that?

22 A It's part of what I would consider to be a
23 logistics offering.

24 Q And you were talking about in response to
25 some of Ms. Blizzard's questions about treasury

1 manage -- management, intercompany transactions. Do

2 you recall that last question and the answers?

3 A Yes.

4 Q Are you aware of any independent software

5 vendors or partners that provide any treasury

6 management packages?

7 A I'm not aware of any that we've, we've come

8 across in our conversations with MBS.

9 Q And going back to Exhibit 1449, sir, and

10 specifically the Corporate Sales Acceleration page

11 which is Page 4150. Ms. Blizzard asked some questions

12 and she said there was some sort of a shortfall in

13 terms of meeting the projections and you answered that

14 there was. It's true, is it not, though, sir, that

15 Microsoft Business Solutions essentially doubled its

16 sales in the Cas base from to projected

REDACTED

17 to \$ in fiscal year '04?

REDACTED

18 A The baseline that was calculated here was

19 not the ultimate baseline that was carried forward

20 into -- from a FY '03 total. The baseline that was

21 carried forward from an FY '03 total actually moved

22 from \$ to closer to as the

REDACTED

23 established baseline.

24 Q When you say the established baseline, what

25 do you mean, sir?

00256

1 A In regards to your question about how

2 revenue would progress, it was based on a \$

REDACTED

3 total to a projection of , rather than a \$

REDACTED

4 total.

REDACTED

5 Q So fiscal year '03 CAS sales by Microsoft

6 Business Solutions were approximately ?

REDACTED

7 A Approximately .

REDACTED

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