GOVERNMENT EXHIBIT 279
PENGAD-Bayonne, N.J.

intel

INTERNAL CORRESPONDENCE
Intel Architecture Labs

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Date: 8/2/95

FROM: Ron Whittier

SUBJECT: Microsoft Meeting August 2, 1995

1. Processors/OSs

- Gates/Maritz very interested in understanding the "silicon side" forecast (Is Moore's law running out of gas?) (CPI?, MHz?). AR: Sunlin Chou/via Rob Sullivan

- Gates issue: "Fundamental problem with "free" software from IAL, cross-subsidized by processor revenues." Gates would not agree to let processors/OSs programs to progress unencumbered by platform, communications program issues.

- Win'95/P6 16 bit problems: agreed to put program on highest priority. Sense of direction was that optimizations of GDI, User (current code base) is the solution space. Gates/Maritz position was that a full 32 bit GDI/User capability was a 48 month deal. So tweaking the OS (and the P6) is the direction POR.

  This will be followed up at the DPG/MPG Summit with Microsoft on Aug. 15. (AR: Everett/Yu; Microsoft side is Maritz).

  Make the Aug. 15 session two days to really get results (versus just another meeting)...Grove directive.

- MMx IP issue...basically, will we take a proprietary, closed approach to the MMx instruction set (copyright mnemonics, patents on ISA), or will we go "open" on the ISA and protect implementations.

  A second question is, if "open," when will we disclose [Gates: Q1'96; Aymar Q4'96 with product]? One suggestion was to disclose at the time the tools ship from MS (~Q2'96).

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The tool effort itself (at MS) is pretty straight forward (per Maritz).

AR: We need a policy decision on this quickly (Aymar/Yu); and then a "simple e-mail" to Maritz (Whittier)...by August 7th, please.

- P7 Contract...agreed that we need to elevate (from Legal) to executive staff level so that the business issues can be understood, resolved. The AR is with A. Yu/P. Maritz assisted by Sullivan/Stork. Close ASAP (in August).

- Processor/OS Marketing issues

  - P6 -- position as a server/WS product with NT -- even Gates said 32 bit is OK. Close on detailed positioning (Everett/Stork). Needs to be done in advance of Aug. 15 session.
  - UNIX: big flap -- MS wants lots of UNIXes.
  - Enterprise marketing..the server summit should be between House team and Jim Allchin/Bob McDowell...Marshall Brumer will set up. (AR: House)

- Long-term Processor/OS Consideration...a Microsoft issue -- Maritz to review with A. Yu as part of the Aug. 15 meeting.

2. Internet

- Maritz' presentation covered ground of the July 26 session...agreed MS (Intel and behind, that Internet is a platform [standards engender end user values, which engenders more standards with more enduser value--"feedback mechanism"], and the key is to win the client (patch up the server later).

- MS Strategy is to focus on MS Client 96--technologically not tough stuff, but needs to be out "today", Maritz

- MS Server is the basic WEB stuff (on NT) plus value add (Back office, SQL, secure transactions, authentication)...integrate Back office into the WEB, giving one-stop shopping for business/SOHO.

- Issues:

  MS: Very sensitive to what Intel might do on the client side. Example: JAVA, a show stopper. (Later Stork played back "you are doing JAVA".)

  BG: Supporting certain third party deals will be a problem ...we need to consider in the context of their (pervasive) internet program to assure we are not unknowingly stepping on one of their key strategies!

  BG: On the 30/70 use of 3rd party technologies, Intel using Netscape in a Windows environment is not a problem (provided we do not set up the "positive feedback loop" for Netscape that allows it to grow to defacto std.).

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- What Should Intel Do With It's Internet Resources?

  BG: "Go do a high end WEB server (super duper server). This could be a tied to their 'Tiger' program". [Or we could go climb a mountain].

  BG: Internet will be deeply integrated into the OS over time, just like messaging, conferencing, etc.

- Internet Resources, by Company

Intel (150)	MS (400-500) + MSN (600)
o NICS (ok)	o No single focal point
o Infrastructure (ok)	o Tools (Blackbird, etc) ~ 175
o Web Server (ok)	o Soft Image (275)
o High Performance Clients (~ok)	o Browser/Shell ~ 45
o Security/RT Media (not ok)	o + Best iNet SQL, Best iNet Client,etc

- "Intel needs to understand all the stuff MS is doing on the iNET." Agreed that Microsoft will make a "sales call" disclosing the total scope of their internet program.

  AR: Maritz to set up sales call visit to Gill/McGeady/Maerz

3. Closure of Afternoon Meeting
   - Agreed upon process for defining projects:

     Disclose plans → Find Holes → Fill holes

   - On disclosure (the Maritz rule, with McGeady adder):
     - Close to the Platform: MS to come discuss with Intel
     - Close to the OS: Intel to come discuss with MS.
     - Communications (including internet): Maritz to come talk to Intel.

4. Dinner Discussions—range of topical issues discussed; then serious discussion on various aspect of the relationship and the way we work with each other. The most important conclusions:

   - On Processes

     1. Regular Disclosure Sessions (Disclose - Holes - Fill)
     2. No "going around" execs (if there's a problem with Whittier, Gill, etc, address directly with the individual, versus lobbying with other execs to put pressure on the problem owner).
     3. Parallel processing of projects by directly connecting execs in the two companies (see below).

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4. Start treating each other with more respect, i.e. like a valued customer. Also, cut out the non-value added aspects of competing to lead the industry.

- Specific AR
  Kinnie to review the Win '97 plan for specific holes (and more generally), and review with Gates directly. It was suggested this be a written review with Face-to-Face delivery. (AR: Kinnie)

- Parallel Tracks (ESM members to establish their connection)

  Aymar→ Silverberg
  Yu/Everett → Maritz
  Kinnie → Ludwig
  Gill/McGeady → Spix
  House → Allchin/MacDowell

  We need to exercise these tracks on a direct basis (not via Stork)

- Misc Comments

  On IP: Gates only trusts Maritz and Neukom, not Stork! (This explains some of our problem.)

  Regarding Product Development ...only 16% of resources on actual doing the original concept development; the remaining is test, QA, productization...we are way out of balance.(AR: Whittier)

  Lots of talk on their program in the video space, including video used in conjunction with internet channel. And they are playing with an investment with Turner. So we need to review our disclosure plans in this area (AR: McGeady)

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