From: Jim Allchin (Exchange)
Sent: Friday, January 10, 1997 4:49 PM
To: Paul Maritz
Cc: Moshe Dunie; Rich Tong
Subject: FW: ie4 and memphis

1. We cannot do another OSR. Memphis is trouble enough.

2. You must decide where we're going to make money. You've seen this mail from me in several ways already Are we making it on the OS or are we making it on some add-on to the OS? There is only one winning solution long term in view against Netscape. It does mean that Memphis must NOT be very aggressive -- it must be safe and IE 4 must be wired into it with some sexy end-user features.

jim

From: David Cole
Sent: Thursday, January 09, 1997 9:01 AM
To: Jonathan Roberts; Moshe Dunie; Carl Stork; Paul Maritz; Brad Silverberg; Joachim Kempin
Cc: Jim Allchin (Exchange); Bill Veghte; Rich Tong; Brad Chase; Yusuf Mehdi; Adam Taylor
Subject: RE: ie4 and memphis

Just to keep it simple, assume memphis will ship 6 weeks after we release IE4 to the web.

-----Original Message-----
From: Jonathan Roberts
Sent: Thursday, January 09, 1997 8:58 AM
To: David Cole; Moshe Dunie; Carl Stork; Paul Maritz; Brad Silverberg; Joachim Kempin
Cc: Jim Allchin (Exchange); Bill Veghte; Rich Tong; Brad Chase; Yusuf Mehdi; Adam Taylor
Subject: RE: ie4 and memphis

Thread not quite closed, I want to make sure my team correctly understands our action item.

If IE 4.0 ships significantly before we can do a Memphis rev (e.g., more than 3 months), than in the retail channel we should just continue our current ISK promotion where we bundle it in with the box like we are doing now with IE 3.0. If it is shorter than three months than it isn't worth it because we can't rev the channel. Adamt and Yusuf own doing this.

In terms of OEM, I agree with Moshe, we have to stop the OSR madness. It is raising havoc with our corporate customers and is on the verge of becoming a real, real PR sore point. It's this type of stuff that fuels the NC fire. It's hard to say we care about TCO when we have such a disjointed release strategy. We need to sync IE 4.0 and Memphis. I have a ton of customer and analysts feedback on this, but I'll save you all the mail.

Thanks,

Jonathan

GOVERNMENT EXHIBIT 525

-----Original Message-----
From: **David Cole**
Sent: Wednesday, January 08, 1997 10:25 PM
To: Moshe Dunie; Carl Stork; Paul Maritz; Brad Silverberg; Joachim Kempin
Cc: Jim Allchin (Exchange); Bill Veghte; Rich Tong; Jonathan Roberts; Brad Chase; Yusuf Mehdi
Subject: RE: ie4 and memphis

ok then.

MS7 005545
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We do need to figure out:

- how to get an auto-update IE into the OEM channel asap, my guys will drive that with memphis team

help.
- all the various skus for the web, retail, and oem. jonro, will you and bradc/yusufm own that?

this will conclude this thread.

-----Original Message-----
From: Moshe Dunie
Sent: Wednesday, January 08, 1997 10:17 PM
To: David Cole; Carl Stork; Paul Maritz; Brad Silverberg; Joachim Kempin
Cc: Jim Allchin (Exchange); Bill Veghte; Rich Tong; Jonathan Roberts
Subject: RE: ie4 and memphis

I am not in favor of an OSR before Memphis. It will push out Memphis and upset the corporate customers who hate the gap between OEM and retail. I know that JonRo is in sync with me on this and so is Jim. As painful as it is we need to go with option (a) as Paul explained.

Moshe

-----Original Message-----
From: **David Cole**
Sent: Wednesday, January 08, 1997 8:14 PM
To: Carl Stork; Paul Maritz; Brad Silverberg; Joachim Kempin
Cc: Moshe Dunie; Jim Allchin (Exchange); Bill Veghte
Subject: RE: ie4 and memphis

I'm not sure if you are offering new options here for us to think about, or just reminding us of all the issues.

Under any of the options, we need to get an auto-update IE 3 into the OEM channel. We need to understand from your team on how to do this. Perhaps you should do another OSR with some hardware teaser feature so we can get them to bundle it asap. I have asked for meetings with your people to work this through and they are being set up.

Regarding retail IE4. I don't think I can effectively compete with netscape constellation/communicator if we force users to take an entire operating system upgrade. IE4 will be on the web for free, IE4 pro (outlook) will cost money and be on the web and I assume in the stores. Corps can get it too without upgrading to a new os. It probably makes more sense to think of it as bundling memphis with a retail IE 4 or IE 4 pro product and give users an option to install that. They can do that based on the merits it delivers. The ActiveDesktop is an install option as well.

-----Original Message-----
From: Carl Stork
Sent: Wednesday, January 08, 1997 7:03 PM
To: Paul Maritz; Brad Silverberg; David Cole; Joachim Kempin
Cc: Moshe Dunie; Jim Allchin (Exchange); Bill Veghte
Subject: RE: ie4 and memphis

I appreciate a 'seat at the table' on this discussion.

Our planning assumption for Memphis is that we are waiting for IE4. I think that IE4 is required to make the retail product compelling. What are the implications of this plan?

We must make Memphis compelling to OEMs & at retail - only by making Memphis compelling at retail will we be able to force the OEMs to preinstall. Driving Memphis upgrades furthers Microsoft's goals because we build distribution for the WDM infrastructure and we distribute bits that will lower our PSS support costs and increase customer satisfaction.

I don't know if we have enough in Memphis today to have customers view it as a compelling upgrade. We need to get this tested & get a positioning established. We are not there today. One important issue is whether IE4 is available at retail in SKUs other than Memphis. It will be confusing for customers, and will detract from OEM pre-installations, if there are both Memphis & an IE4 product - if we can make Memphis compelling & low risk, we should position Memphis as THE IE4 delivery vehicle.

MS7 005546
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We will cause significant pain to our OEMs & Intel with the August schedule. August is an awful time for them. It is too late for them to hit the back-to-school/back-to-college cycle (they like to launch their fall line for back to schoo), and it is very disruptive for Christmas - it obsoletes their inventory or forces them to keep inventory super lean. In addition Intel will whine about the schedule for AGP support.

If we make Memphis compelling and a must have, then the OEMs will take it with an August release, but they will be angry with us. If we let Memphis be perceived as unimportant, they will skip Memphis, which would be the worst outcome of all for us: to delay the release and then have OEMs skip it - this would hurt the Windows franchise..

We need to figure out when & what to communicate to OEMs. Intel and most of the OEMs are going to be forced to bet on a "non-Microsoft" OEM-preinstall bundle for Christmas 97- they need DVD support, AGP support, and other hardware features. Until we come out with a clear commitment, the OEMs will bet that they will not get anything from Microsoft that will impact Christmas '97. We need to decide what we are going to tell them & when & what the venue will be. To date we have not made a planning commitment to our OEMs.

-----Original Message-----
From: **Paul Maritz**
Sent: Tuesday, January 07, 1997 10:08 PM
To: David Cole; Joachim Kempin
Cc: Jim Allchin (Exchange); Brad Silverberg; Moshe Dunie
Subject: RE: ie4 and memphis

I think we have to do (a) from options below. Even if this means an Aug/September release for Memphis.

The major reason for this is:

- to combat Nscp, we have to have position the browser as "going away" and do deeper integration on Windows. The stronger way to communicate this is to have a "new release" of Windows and make a big deal out of it. We will thus position Memphis as "Windows 98".
- IE integration will be most compelling feature of Memphis.

We will have to do a retail upgrade release around the same time in order to create pressure on the OEMs to pick it up.

I agree that we need to do the auto-update feature for IE and get into OEM channel asap (ahead of Memphis). I would like to understand how this would work.

I have told jimall, moshed et al that we are waiting for you to complete your analysis of IE options, and will report back to us (bradsi, jimall, paulma) so that we can close both IE4 and Memphis plans in next 2/3 weeks. Are you still on track for this?

-----Original Message-----
From: **David Cole**
Sent: Tuesday, January 07, 1997 1:38 PM
To: Paul Maritz; Joachim Kempin
Subject: ie4 and memphis

Am I correct to assume that memphis is going to hold for IE 4, even if it puts memphis our of the xmas oem window?

I've got people working through the issues of doing an update to IE which can auto-update to IE 4 so at least we have an upgrade hook. I don't know how important memphis is to the OEMs outside of IE 4, but there are things like OnNow, DVD and other hardware support which I think some OEMs will need for the fall 97 season.

I think the basic options are:

a) get an auto-update IE 3 into the channel asap, hold memphis for IE 4 (IE4 rtw + 6 to 8 weeks => Aug timeframe)

b) get an auto-update IE 3 into the channel asap and into memphis for a June memphis release. The shell here would be old Win95 shell. release IE 4 when it's ready, do a supplement for the OEMs.

c) get an auto-update IE 3 into the channel asap, ship memphis to OEMs with autoupdate feature in IE 3, hold just retail memphis til IE 4 is ready, refresh oems too.

The IE and memphis teams will flush out pros and cons of these options and we'll have a recommedation. If you can shortcut any of the analysis, then please tell me. a) certainly looks the cleanest. we are driving for a May 30 release to the web for IE 4, but that's aggressive and puts memphis with IE 4 our in early august.