Erik Stevenson (LCA)

From: Eric Engstrom
Sent: Tuesday, February 25, 1997 9:19 PM
To: John Ludwig; David Cole; Brad Silverberg
Subject: RE: Dimension X Acquisition - REV 3

marimba is using DimensionX as their multimedia authoring tool. Bongo, as I understand it, is their form editing tool, the Dimension X guys said it was integrated with their tool through steam (their mda thingie). They believe it would not be a huge amount of work to build a competitor to bongo for our AFC offering. I am not eager to sign up for this work however. Charles Fitzgerald was excited about this possibility as well (grabbing marimba's authoring tool, not the AFC thing, we never discussed that.)

Given how important IHammer is to TodN I would think derailing the IHammer equivalent for Netscape would be a HUGE thing, especially since their IHammer thing comes with a GUI interface for web masters and ours comes with a bunch of param tags.

the authoring tool only works on the Dimension X run-time. It wouldn't be hard at all to make it a) require our browser b) require DirectX run-time c) some other option to make marimba's life difficult.

From: Brad Silverberg
Sent: Tuesday, February 25, 1997 7:02 PM
To: Eric Engstrom; John Ludwig; David Cole
Subject: RE: Dimension X Acquisition - REV 3

how does this take away the marimba authoring tool? people would still buy it and use it to author for marimba. marimba also has their own tool, bongo.

---Original Message---
From: Eric Engstrom
Sent: Tuesday,February 25,1997 6:17 PM
To: Brad Silverberg; John Ludwig; David Cole
Subject: FW: Dimension X Acquisition - REV 3
Importance: High

Tom Button provided some great feedback on what the tools marketing team was willing to do. Ben Algaze pointed out that the impact on netscape with regard to marimba was not mentioned at all.

I think it is becoming clearer that we can swallow them and not get ill.

This incorporates brad and john's feedback to the best of my understanding. I would like to send this up the chain tomorrow given the executive offsite on thu/fri and the closeness of the javasoft deal. Please advise.

From: Eric Engstrom
Sent: Tuesday, February 25, 1997 6:05 PM
To: Chris Phillips; Brian Arbogast; Eric Engstrom
Cc: Tom Button; Ben Algaze; Will Poole; Greg Stanger; Colleen Healy
Subject: Dimension X Acquisition - REV 3
Importance: High

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REV 3 has Tom Button's feedback incorportated. Chris is going to polish the background document and we are going to launch to Bill, Paul, etc. tomorrow.

From: Eric Engstrom

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Sent: Tuesday, February 25, 1997 2:05 PM
To: Chris Phillips; Brian Arbogast; Eric Engstrom
Cc: Tom Button; Ben Algaze; Will Poole; Greg Stanger; Colleen Healy
Subject: FW: Dimension X Acquisition
Importance: High

REV 2 has feedback from Ben and Will incorporated along with some more comments from JohnLu.

From: Eric Engstrom
Sent: Tuesday, February 25, 1997 12:38 PM
To: Chris Phillips; Brian Arbogast; Eric Engstrom
Cc: Tom Button; Ben Algaze; Will Poole; Greg Stanger; Colleen Healy
Subject: Dimension X Acquisition
Importance: High

This email has the feedback from BradSi incorporated. Please do not forward this as it has sensitive valuation information on other Microsoft deals.
The document from m&a still has some blue ink in it. Chris can you patch that up. I think all of the necessary bits have been covered either in this email or in the edits I made to the doc. I left them in blue so you guys could see them.

TIME IS OF THE ESSENCE. PLEASE SEND ME YOUR FEEDBACK QUICKLY.

Thank you all very much,
Eric

From: Eric Engstrom
Sent: Monday, February 24, 1997 7:12 PM
To: Brad Silverberg; John Ludwig
Cc: Chris Phillips; Craig Eisler
Subject: Dimension X Acquisition

We want to acquire the company DimensionX. The company is about to be acquired by JavaSoft to augment their Java Media class effort with a good 2D and 3D api set and two tools. One for the 2D run-time and one for the 3D run-time.

What they have:

- The key authoring tool for Marimba. Netscape is planning a large announce around this strategy and partners in the next few weeks. We could achieve a big tactical win here by removing their key tool. Dimension X has signed no agreements surrounding this.
- 2D run-time that Jim Kajiya and the ActiveX Animation team has looked at and that they believe will integrate well with ActiveX Animation. Most probably the DimensionX run-time will be layered as an ease of use API on top of AxA. Andy van Dam is also in favor of this. By layering DimensionX run-time on ActiveX Animation we achieve integration with the rest of DirectX and ActiveMovie. IHammer is a world unto itself and we could replace them with this and have integration.
- 3D run-time based around VRML2 (we have already licensed this code.)
- 2D authoring tool that has been reviewed very well.
- 3D authoring tool that is approximately beta quality.
- Cross platform support for all of their functionality TODAY.
- A Java advertising package that allows advertisements to execute in the host web page so that registration can occur without requiring the user to leave your web-site. This is supported in a version of their 2D tool called LiquidPromotion.
- One of the largest Java code bases in the world. The fact that their run-time is written in Java does make it slower than AxA. It is faster than IHammer. It is cross platform today.
- 14 Java developers
- 3 Testers
- 6 Content developers that they use much like our DRG. 2 of these individuals write Java code

to make content better, like our DRG/SDE's.

What we would get:

- 2D tool that delivers web multimedia authoring in the IE4 timeframe.
- 2D tool to act as the feedback mechanism for the evolution of ActiveX Animation. It is almost impossible to build a multimedia run-time without having an authoring tool to provide feedback. Commercial authoring tools are not incented to provide this kind of feedback to us in the timeframes we need.
- 2D run-time that layers on top of the ActiveX Animation run-time by providing an easier to use interface and an extensibility model that works across their tool and their run-time. (An implemented (albeit simpler) version of Nathan's Multimedia Document Architecture vision.)
- The development team that wrote our Java VRML2 browser (we previously licensed it from them.)
- 3D tool to edit VRML2 worlds is in beta. It is not stellar, but further along than anything we have.
- The development team and the content development team for DRG.
- TodN (see attached email) has claimed that web animations of the IHammer style are the single feature he has been able to drive Dynamic HTML adoption with. He claims ease of use is the single biggest feature and that the IHammer feature set is all we need in multimedia for the next 18 months. He also claims that cross platform support is the other missing piece he must have. This acquisition delivers on all of these points. This tool is an aggressive superset of IHammer and is already integrated with our Java technology. We would eliminate IHammer, and replace it with this, if we do this acquisition.
  - MS-NBC uses them.
  - Disney uses them.
  - Attached reference email has the list of high profile customers.
  - This tool would target very few of the ActiveX Animation run-time services in its first release since we would focus our development resources on integrating this with Trident. **It would be Triden'ts multimedia authoring solution for IE4. It would also be our Java authoring solution in the IE4 timeframe.** Future revs of the tool could leverage more of the unique services offered by ActiveX Animation.
- TomB has this to say about how we would roll out the products
  - Immediately, I think we should do a quick relaunch of LiquidMotion Pro in Microsoft packaging and through our channel. ConniW's team could turns this around on short order if necessary. Their business plan shows their expected impact of launching under the Microsoft brand, I have no data to confirm or contradict this.
  - Medium term, we should consider bundling with VJ++ as part of a VJ++ share drive promo later this spring as part of our Java momentum campaign
  - I haven't met their product marketing folks, but I assume they have designer and Java market expertise that would be highly valuable in an area where we are unbelievably weak right now. I'd welcome the chance to look at this part of their org chart and see where the potential fits are.
- We would ship the tool in its first version as a retail SKU for $100 to $200 dollars wherever Macromedia Director is sold. We could also include a demo version with FrontPage and our J++ products so people could try it out.
- This technology provides us with immediate cross platform support. While the technology will run xplatform, we have not yet decided on the business model for doing so – we do not intend to give away this technology needlessly. From a technology standpoint though we meet TodN's needs.
- We would augment the current MM offering for Trident not only with improved functionality and authoring tool support but also with the aforementioned Promotion technology that allows web ads to be placed in a billboard and run in-place. This would be a cool new feature for IE4.
- After we meet the needs of IE4 and the Java Team by completeing the integration with Trident and shipping the 2D tool we would hand the tool over to Brian Arbogast to evolve it forward. This would be 4 of the DimensionX developers.
- The remainder of the DimensionX developers (9) would work on the ActiveX Animation (4) run-time and on Chrome (5). We desperately need good 3D talent that understands the nuasances of VRML2 to make Chrome happen faster.
- The content team would join DRG immediately to help create content that aids TodN in the

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marketing of Dynamic HTML and IE4.

Where we should be in one year

- 2D DimensionX run-time is completely hosted on top of todays ActiveX Animation. The DimensionX API becomes the ease-of-use API.
- To the extent that it makes sense the 3D VRML2 specific APIs are hosted on top of ActiveX Animation instead of Direct3DRM. This line is still being debated.
- 3D VRML2 browser is fully integrated with Trident sites in the context of Trident 2 so 3D in a web page is a reality.
- The pieces of its API that belong in Direct3DRM (already identified) have been successfully merged into Direct3DRM.
- The VRML2 specific APIs have become a new API, Direct3DVRML2 (no matter if they are hosted on ActiveX Animation or not.), to better address that standard.
- 2D and 3D tools have been moved to Brian Arbogast's organization; integration and support for the complete power for ActiveX Animation is in beta, ready to go retail in the June timeframe to support the Chrome release.
- The content team in DRG is churning out AWESOME demonstrations of the power of Chrome.

What is this going to cost us:
Price will be between $18-20M (we have confirmed this with 2 VCs, they are asking 25M)
80+% of the engineers/management we want will relocate.

Supporting emails....
Jim Kajiya **Andy van Dam** **Tod Nielsen on IHammer (which has no authoring tool or cross platform support and is less functional)**
<< Message: RE: How did it go? What do you think of DimensionX? >> << Message: Re: Hi >> << Message: RE: Did you know there are 18 people working on IHammer >>

Client list from DimensionX
<< Message: Customer References >>

Supporting documents from Mergers and Acquisitions....
<< File: Dimension X Draft Memo.doc >> << File: Dmn X Analysis.xls >>

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