From:	Bill Veghte
Sent:	Tuesday, July 11, 2000 11:15 PM
To:	Bill Gates; Neil Calvin (LCA); Mike Porter; Robert (Robbie) Bach; Brian Valentine; Bob McBreen; Peyton Smith; Tom Phillips; Thomas Koll
Cc:	Kate Sako (LCA); Dan Crouse (LCA); Steve Ballmer; Joachim Kempin; Paul Maritz; Eric Rudder; Bill Neukom (LCA); Carl Stork; David Thompson (NT); Kim Akers (WINDOWS)
Subject:	RE: Intel call - Paul Ottelini

Today Mike Porter, TomPh, Kim Akers, myself and folks from NSG flew down to meet with John Minor and his direct reports to get a state of the union on both sides.

Net, net, this group has gone off in a bunch of directions in the networking and communications space that does not track nearly as well as it could with MS efforts. There is frustration on both sides over this and we will need to do a couple more face to faces to get it back on track. (MikePo: chime in if you think I missed anything or misrepresent). I haven't worked with John Minor before but he is quite a character to deal with. He opened the meeting, blustering a lot about our lack of action, painful licensing terms, terrible pricing, and poor technology and we went from there. He closed saying it looked like we were moving in the right direction but he would remain constructively skeptical until he saw the different groups closing some deals. John aside, his guys seemed pretty reasonable and there was a good sense of the opportunity and specific action items as we wrapped up. We do have some damage control to do with them and we are going to have to work hard to change the direction they are going down particularily in sw investments around Linux.

In general, we need to think about John and his team more like an OEM than a silicon vendor. They will push us very, very hard on price point, licensing terms, and cooperative marketing together. I think we are going to have to be willing to be a more aggressive with them or walk away from them. I don't think there is a middle ground with this group. They don't value our partnership particularly highly right now based on the track record of the last 18 months.I have attached a bunch of the details below and specific action items for Jawad's folks, Peyton, and Joachim/Thomas, MikePo, and my team.

As a sidenote, I probed hard with John on how hard Intel was pushing Linux in general. I came away pretty convinced that these are not the guys that I was hitting with our OEMs here and the Far East (Bill/Steveb: if you have not read the piece of mail BrianV sent you last week on Intel and Linux, please do so). John's guys are focused on the networking and telecommunications space and these were not companies or groups that I have been talking with. My bet is that it is coming from Mike Fister's org.
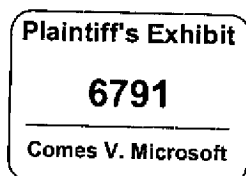

Details:
--> John has 3400 people in his group. 1100 of whom he claimed were software engineers.
--> They were surprisingly unfamiliar with our networking and communications roadmap and how much progress we had made in Win2k even in things like TCP/IP stack. With Jawad out, I am not convinced sending Gurdeep down there is the right thing to do but we need to get them up to speed on the investments we are making. At a minimum, Jawad should visit in the first couple of weeks he is back.
---> John has four different teams; a communications building blocks group that is doing things like the call control work, the communications/server appliance group, the network devices group and a services/support group. In terms of interacting with each group, Peyton/Thomas, I think you take the lead on the first group, TomPh will own engagement with the communications/server appliance group, and the network devices group, Peyton, we should talk about because it wasn't clear to me how much upside to MS there is engaging in dialog around.

Specific details on engagement with the three key teams....
--> Communications Infrastructure team (not sure I have the name right but it is Howard Bubb's group) I don't have all the history between this group and MS but it is pretty clear that we have managed to drift pretty far apart thru Valhalla/Dialogic and the time is now to rescucitate. Peyton/Thomas, I think you guys should follow-up particularly with Howard Bubb and John to make sure we are clear on the messaging of our communications platform efforts. This probably means a face to face. Maurice is going to send a separate piece of mail on but they unloaded on me on how we weren't being clear on our messaging about the opportunities for Win2k as a communications development platform. We have some damage control do do here.

--> Communications/Server Appliances Group: We will engage with Scott's team and go out and try and win a couple of server appliance design wins. I want us to focus first on the web blade, treating them like an OEM which is what they

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are in this case. We have the model in place based on our design wins at Dell and Compaq and in my opinion, we should be just as aggressive on price as we were with Dell. The two other appliance efforts that we will engage on are small business server (I talked at a conceptual level about bCentral service and Intel, with the WEN product and they liked the idea) and provisioning server. They were particularly enthusiastic about the provisioning server. We should engage in dialog but this will be a lively internal debate about whether we move to an appliance solution/strategy for this. This group is where there Linux investment is heaviest in my opinion and can cause us the most pain. TomPh will take the lead here.

--> Network devices group: Most of their stuff is on VXWorks today. They are doing some stuff in Linux and looking at Win2k. We need to accelerate this evaluation and where appropriate get them on board if there is real business here They aren't particularly happy with vxworks so we should also think about them on WinCE with an aggressive source license.

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