

From: Alex Limberis
Sent: Saturday, October 27, 2001 9:25 PM
To: Amir Majidimehr; Will Poole; Kurt Buecheler
Subject: RE: STB ms data

I want to paint a clear picture for us. If we really do add value by holding on for MS OS's then we shouldn't sell ourselves short.

Question to Will. How much data do we need to make the point?

We have

- Customer visit evidence that 50% plus is linux
- CE's POR market data pointing to only less than 10% market share
- Support from MSTV agreeing we need to support all OSes.

Do we have enough data or is it time to shoot Will or Brian?

-----Original Message-----

From: Amir Majidimehr
Sent: Saturday, October 27, 2001 3:34 PM
To: Alex Limberis; Will Poole; Kurt Buecheler
Subject: RE: STB ms data

In Korea, clearly the format is dragging the OS in. But elsewhere in the world, where we having nothing close to 90% (or even 50%) marketshare, the OS is selected first.

Amir

-----Original Message-----

From: Alex Limberis
Sent: Friday, October 26, 2001 11:17 PM
To: Amir Majidimehr; Will Poole; Kurt Buecheler
Subject: RE: STB ms data

I want to both quantify the positives, i.e. the Korean example as well as the current situation appearing in other markets where it seems the OS/ processor decision was made first and the format is made second. Do we have more concrete data. i.e. where is the 90% WMT share? Other comment in line

-----Original Message-----

From: Amir Majidimehr
Sent: Friday, October 26, 2001 11:04 PM
To: Alex Limberis; Will Poole; Kurt Buecheler
Subject: RE: STB ms data

I think the situation is rather simple (although the decision is not). When we asked for permission to take our format everywhere 2 5 years ago, no one blinked. JimAll himself said it was just fine to go on embedded Linux. Of course, this was at a time when people

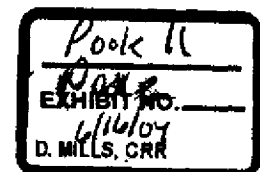
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thought we brought no compelling value.

Now, contrast this with the situation in Korea where WMT has a 90% share. Last time I was there, I think they said they have something like a dozen WinCE s/b wins, all because of WMT. You better not say anything about supporting Linux or the ESG guys escort you out to the airport!

So, the story at both extremes is very clear. When we had no value, we could be everywhere. And where we have ultimate value, then we must be on our own platform. The question is, when do you make the switch?

[Alex Limberis] To be a format means render everywhere. The key to OS success is to create the value proposition from a compelling combination of ease of use, time to market and features of which WM, IE, real time kernel, IP stack etc. etc. is part of the package.

With nearly zero design wins for video, and strong threat of MPEG-4, I would say this is not time to be picky. We must establish our base as we have done with audio. The stronger we become, the more value we can provide to the other assets of the company. We need to be the "icing on the cake and not the cake itself" when it comes to WinCE! This is what happened with PocketPC.

[Alex Limberis] In the case of audio, we were not facing a "thick" os. The CE team never felt threatened by the OS as it were running on a RIO. They are threatened by the OS running on a Moto, Replay TV, TI Vo etc. that could support our format. This is our internal challenge.

Amir

-----Original Message-----

From: Alex Limberis
Sent: Friday, October 26, 2001 10:32 PM
To: Will Poole; Kurt Buecheler; Amir Majidimehr
Subject: FW: STB ms data

If WMT is the Holy grail, then I'd hate to take it away from them, and we should feel damn proud that we have created such compelling value that they will switch OSes just to get WMT. Great job all, we have won!

However, I'm not convinced that our position is that strong. I always come back to; we are FM radio, or NTSC TV we must render on everything regardless of what shape, form or OS choice the gizmo is made from. CE must win on the total value proposition of ease of use and integration of technologies including WM. In total lower cost to deploy.

His expressed sentiment seems to be the blocker for us moving forward and not the Linux GPL issue. I don't know what other argument to make other than we must have 100% of the nodes available to us to be a successful format, and no matter how you slice, dice, justify and segment CE doesn't have anywhere near 100%. Then we get into the belief that having WM in an account helps move them to a Win OS in the future. I believe that, but he doesn't.

Second, he has what I believe is a misunderstanding of the value of the OS vs. format. He believes they will pick the format and then figure out what OS is needed to support the format. Where, I believe that the OS is critical to the box decision. Motorola chose the PowerPC based on the fact that they own part of the processor and then created a box with compelling applications.

The .net argument doesn't cut it. Doesn't .net need to run on everything also?

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Thoughts, before I jump on them?

-----Original Message-----

From: Srivats Srinivasan
Sent: Friday, October 26, 2001 5:14 PM
To: Alex Limberis
Cc: Takeshi Numoto
Subject: RE: STB ms data

Alex -

thanks for inviting us on the call today. First to answer your question below - this is IDC 2001 data and while WinCE share is shown as fairly small (Linux is even smaller)...and we expect the WinCE share to grow faster now that we're actually putting resources behind this effort at our end.

Based on the conversation then, we have a few concerns that we need to discuss/address -

1. Based on the feedback that we've got from customers, the most likely scenario appears to be that the NetOp or Telco makes a format decision and then dictates to the OEM what box to build to meet those needs. i.e. the OS decision is minor and is not the causal factor in the process.
2. As I mentioned on the call, WMT is one of the main distinguishing features of WinCE. To offer it on Linux (starting with STBs and then extending to other devices as well) robs us of our competitive edge.
3. While you mentioned that you will start by offering only the codecs and Udl on Linux today, I am very worried that a year from now, you will need to bow to customer demand and offer WMP and DRM as well at that stage. And by that time, the horse may have bolted too far for us to lock the gates.
4. There was mention of OEMs such as Pace, Moto, Nokia moving to Linux today. It is true that many OEMs are playing around with Linux today (since it is the easiest for developers to kick tires on)...however, most of the same OEMs mentioned above are moving to a WinCE platform as we discuss this. And the move in most cases has been driven by their need for WMT - if you take that away, we lose the battle before it begins.

We understand the need for DMD to proliferate the format....however, if it is at the expense of our embedded OSs, I fear that it can hurt us in the long run. Especially when you consider that part of enabling the .net vision is to embed our OSs in devices of all forms going forward - hence our apprehension.

-----Original Message-----

From: Alex Limberis
Sent: Friday, October 26, 2001 1:19 PM
To: Srivats Srinivasan; Phil Corman; Dan Poling
Subject: RE: STB ms data

Thanks, what was the source of this data? I guess the net of it from DMD's perspective if only 6% of the world is going to be CE based we must license onto the competing OSes.

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-----Original Message-----
From: Srivats Srinivasan
Sent: Friday, October 26, 2001 10:17 AM
To: Alex Limberis; Phil Corman; Dan Poling
Subject: STB ms data

Srivats Srinivasan
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