DOJ - Legal

From: Paul Maritz
To: Brad Chase; Brad Silverberg; John Mason; Richard Freedman
Subject: RE: the future of dblspace
Date: Monday, February 28, 1994 7:57AM

You are right, I disagree - strongly. Compression is not a "non issue". Everyone I speak to (including myself) is finding disk space at a premium. It is a major customer satisfaction issue.

From: Richard Freedman
To: Brad Chase; Brad Silverberg; John Mason; Paul Maritz
Cc: Richard Freedman
Subject: the future of dblspace
Date: Sunday, February 27, 1994 3:44PM

SUBJECT TO ATTY-CLIENT PRIVILEGE

We put compression into MS-DOS 6 for well-defined business and competitive reasons. Lawsuit aside, the decision turned out well. assuming we're enjoined, MS-DOS will be at a short-term, competitive disadvantage. Nothing we can do about this, and bradc and i agree it doesn't matter much anyway. paul i understand you feel this is more serious than we do.

Chicago is entirely different. The business reasons for compression are gone; it will sell few if any upgrades. The competitive reasons are also gone. Compression won't help chicago versus Apple or IBM, and lack of compression won't hurt if Apple or IBM add it. Chicago will win with great apps, great device support/PnP, etc.

In fact, Chicago's compression has negative value. Since all the compression-related features are brand new (the VxD, Win CIP, Windisk, Win Defrag), we're signing up for lots of testing and for a non-trivial Infoworld-type risk for no business benefit. But this time the risk is higher: if Chicago gets tainted, all of MS is in trouble unlike MS-DOS 6. Compression also means more support (i'll swag dblspace's PSS cost over the life of Chicago at $2M) and more cogs (swag is $500K).

Ironically, we have been trying to figure out how to pull dblspace, unsuccessfully, from chicago for the last 4 months. assuming we're enjoined, we should resolve now to pull it. it creates a great business opportunity for stac, but such is life. going forward, i see three options:

1. Frosting: Put compression into a frosting pack that launches 3-6 months after Chicago. To make it competitive with Stacker we have to add non-compression features like Win C>. Under this approach we derive ongoing revenue from compression instead of one-time like MS-DOS 6; however, it puts us into the naked utility business (as opposed to the utility-as-operating-system business). bradc likes this idea as a low-risk way to bullet-proof the new compression features before putting them into the OS.

2. Nashville: By the time Nashville arrives, conservatively we will have sold 30MM Chicago's, and at best Stac will penetrate 3%. we re-introduce dblspace in Nashville. While Stac will technically be integrated (i assume we're leaving in

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the pre-load hooks), perceptually they won't be and so we should repeat the MS-DOS 6 success all over again in the remaining 97%. The Infoworld-type risk in Nashville is much lower since Chicago should be well-established as a great platform. Pro is that we create another revenue blast; con is that it's one-time. The crowning irony is that the lawsuit gives us a way to sell the same feature a second time; lemons to lemonade.

3. Memphis: Abandon FAT-based, CVF compression and just wait for OFS's directory-based compression.

I like option 2. As should be obvious from my analysis, i think it's imprudent to settle out just so we can get dblspace back into MS-DOS or Chicago. RAS/Excel/etc. hassle factor aside, we really don't want it back for now.