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From: Bill Veghte
Sent: Wednesday, January 28, 1998 4:55 PM
To: Carl Stork (Exchange); Jim Allchin (Exchange); Moshe Dunie; S. Somasegar, Jawad Khaki; Deborah Black; Lou Perazzoli; Tom Phillips; Ed Stubbs
Subject: RE: 1999 Release Plans

Carl brings up excellent points here. The challenge we now have with the 5.x release is that it is serving multiple masters. With discipline, we can release product in Q2 that will accomplish the following: (a) 5.x that the marketing folks can trumpet to push folks that haven't upgraded yet, (b) fix some serious holes that become obvious as we go thru shipping NT5, (c) refresh vehicle for OEMs. It will not accomplish our goal of preventing a Win98 SP nor will it significantly richen the NT mix in the OEM channel beyond what we accomplish with NT5.

—Original Message—

From: Carl Stork (Exchange)
Sent: Wednesday, January 28, 1998 4:39 PM
To: Jim Allchin (Exchange); Moshe Dunie; S. Somasegar; Bill Veghte; Jawad Khaki; Deborah Black; Lou Perazzoli; Tom Phillips
Subject: 1999 Release Plans

There have been several developments this week that change the assumptions that are behind the 1999 product release plans in the 3-Year plan. Our original plan was as follows (taken from one of our slide sets)

- Focus new development efforts exclusively on NT code base to avoid Win98 OSR
- No new hardware support for Win98, and minimal SP release (eg. IE5 only)
- Create NT5.1 schedule-driven to meet OEM Fall '99 product lines
- Add hardware support & features to NT focused on getting OEM runrate at the high end consumer market.

Here is new information that we have learned this week:

- If NT5.1 is priced at \$100, and Win98 is priced at \$50, OEMs will ship Win98. They will acquire any new hardware support components from third parties (IHVs, Phoenix, Systemsoft, Intel, etc.) or not ship the hardware. NT5.1 is not compelling in the consumer market segment - it does not have sufficient appeal to support a \$50 price increase (and bear risk the compatibility, driver coverage).
- NT5.1 will not be a "consumer" release that pushes OEMs to pick up for their consumer lines - it is a "service pack" to NTW5.0. More time is needed to accomplish this feature set for OEMs (and end-users).
- There are some hardware features that will become mainstream in Fall'99 that require some OS changes, notably those in the 440BX, PII/X6 and Camino chipset. At a minimum these include a chipset miniport, and 1394 OHCI support, possibly with 1394 storage. If Microsoft does not supply these in an OSR, then other distribution mechanisms need to be established. This becomes messy as there are components which are not on the distribution media available from our authorized replicators.
- There will be a vibrant third party market in further advancing hardware support in Win98 - ranging from Intel to IHVs to companies like Phoenix and Systemsoft. At a minimum, we will have all sorts of upgrade/compatibility challenges as we try and upgrade the installed base to NT6. The design, quality & interoperability of third party hardware support will be lower, and over time this will lead to increased support costs and increased upgrade compatibility problems for Microsoft. At worst, some of these companies may succeed in establishing defacto API or DDI standards independent of Microsoft which cause us future problems (for example, we are shipping IA-SPOX in Win98 in order to support installed base of software modems).
- There are a number of components that will most likely need to be shipped on Win98, including IE5, COM+, and DirectX. There are others like DeviceBay, xDSL, or Intel's video phone work that are important for partners.
- Feedback from OEM partners is the level of integration that we did for IE4 in OSR 2.5 was bad both from customer experience and manufacturing perspective. The OEM group will push very hard to have a fully integrated OPK for IE5.

Overall the proposed plan does not (a) meet the requirements of our OEM customers to provide a release that they would ship into the high end consumer systems, (b) meet their needs for new hardware support, and (c) eliminate the need to develop Win98 OSRs.

Given these realities, I believe we need to either reset our priorities for the SP2 and/or consider alternatives.

One alternative is to acknowledge the reality that NT5.1 release is simply a glorified service pack and turn our development/release cycles to the more aggressive release in Q2 '2000 that can be a real substitute for Win98 with a \$50+ price point. Given that we'll need to provide a Win98 SP/OSR with IE5/DX6/COM+, let's target it for Fall'99 pre-install needs with the minimum new hardware support needed for platform quality and a smooth upgrade opportunity for NT6.

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