CHIA MELIUL CSR, NO. 3287

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To:

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Richard Lang

Thursday, November 18, 1999 4:36 PM

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Hello Will,

I spoke with Matt Rothman yesterday. He mentioned that he had run into you recently and that the two of you discussed IVT and Burstware. I wanted to address a couple of the areas that you and Matt discussed. Matt expressed to me that you are grappling with integration issues down to the API level, the opportunity and the proposition from IVT. Let me try to address these, from our perspective

- Microsoft sells a platform that we believe can be greatly enhanced by Burstware. This can happen in 2 areas, on the player side and on the server side.
 - a. On the player side, you can bundle the Burstware Bridge as part of your client upgrade strategy (no API's are involved). We can also make sure we work on Windows CE, if that is of strategic value for you. IVT could choose to only burst-enable the WMP.
 - b. On the Server side, an API level integration (into MMS servers) would be fairly straightforward. As a protocol, Burstware maps very cleanly onto RTSP and RTCP standards, with one extension. We need to extend the RTCP protocol so we get the back channel information we need for scheduling. If our scheduling algorithms are included in the Microsoft media servers, players supporting this more advanced protocol would be able to get improved service.

Worth mentioning, a Microsoft media server with Burstware integrated would be able to serve up higher quality content not only to WMP, but to the other industry players as well (QuickTime, RealPlayer, etc). We are proceeding along those lines and are making good progress. We expect to have ubiquity on the desktop.

If you are interested, I could show you an unofficial working version of the RealPlayer playing content from our servers, over the Internet, at our booth at the Streaming '99 show in early December. So far we have not productized this and we have not contacted RealNetworks. Per our previous discussions, we would like to explore the strategic implications with you first.

As we discussed in Redmond, Burstware solves latency issues from within the cloud, instead of chasing an ever-expanding edge. This is a much cheaper and more reliable solution for Microsoft and the industry in general. Having said that, Burstware as part of Microsoft servers would integrate seamlessly into media caching solutions such as Sandpiper.

Within the next week, I will be forwarding you a paper comparing the costs associated with realtime streaming combined with media caching Vs. Burstware (which includes content management from server-to-server-to-client).

 The Burst architecture represents a fundamental, cost-effective way of delivering guaranteed highestquality media possible, while addressing latency at the application layer instead of the transport layer. This is next-generation technology that Microsoft could easily integrate into its products now,

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making a quantum leap over all rivals. Eventually, the others will end up there. We came to Microsoft first because we believe that you are in the position to make the most out of the opportunity at this time (including use of our IP).

3. We would like to license Burstware and all of the associated Intellectual Property to Microsoft (including server and WebTV applications), for integration on both the server and client side. Beyond that, there are four companies that IVT would want to be acquired by. Microsoft is at the top of that list. I have attached a copy of a recent 2 page Executive Summary to give you a better idea of where we are heading as a company.

Will, let's touch base after Thanksgiving to discuss the items discussed in this memo. Have a nice holiday!

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