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Plaintiff's Exhibit

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Comes v. Microsoft

Microsoft Memo

TO: Executive Staff
FROM: Bill Gates
DATE: September 13, 1993
CC: Marty Taucher
Pam Edstrom
Melissa Waggener

Microsoft has three major opportunities in the next two to five years that offer an incredible opportunity to further our mission of a computer on every desk and in every home. The three areas include:

1. Move boundaries to PC computing up
2. Integration in the office -- Microsoft At Work architecture
3. Digital convergence -- the home

1) Move the Boundaries of PC Computing Up

In the corporate market, we have the opportunity to move the boundaries of computing up to encompass what was thought of as a workstation on minicomputers. Windows NT is the beginning with the server and follow-on products providing a set of comprehensive product offerings.

Our building of the solutions strategy and relationship will allow us to provide what our customers need while simultaneously helping the solutions partners build business and make money.

In addition, we will continue to enhance our desktop by increasing ease of use and usability, thereby expanding the user base of our desktop Windows offerings and increasingly our Office product itself will be a platform for solutions.

2) Integration In The Office -- Microsoft At Work Architecture

Microsoft and a broad set of partners -- spanning the office, telecommunication and PC industry -- are announcing a new office architecture. This is the culmination of four years of research and the first product implementation to come out of our research division headed by Nathan Myhrvoid.

This new software architecture is intended to bring the diverse functions of the workplace together. By providing software that can link and integrate phones, faxes, printers, copiers, PCs and PC companions, we can come a step closer to providing easier access of information in the workplace. We call this the Microsoft At Work architecture.

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Microsoft isn't unique in seeing the benefit of linking all these devices together. Over 15 years ago several companies had this same vision. Wang, Exxon, Xerox and IBM are a few who attacked the problem. The difference today is the use of software and the support of a broad and diverse set of device manufacturers in a partnership. The Microsoft At Work architecture seeks to leverage what Microsoft has learned in graphical user interfaces -- usability, integration and customization of software in the PC area -- and bring those attributes to the rest of the workplace by working with a very broad set of equipment partners. No one can accomplish this initiative in isolation. Every company participating will incorporate the software into their equipment and will use their special knowledge and expertise to deliver value-added solutions to their customers at less than 10 percent cost over existing products.

For example, all the lead partners will develop equipment that incorporates the Microsoft At Work software and begin shipping these products by late fall. These products will be introduced throughout late '93 and '94. In addition to the lead partners who joined this initiative early, we have worked with an additional set of manufacturers of peripheral, modem, communicators and semiconductor manufacturers to assure that the infrastructure for this architecture can be implemented broadly.

Since the equipment manufacturers were already incorporating microprocessors, displays and some memory in their equipment, it appeared logical to develop a software architecture that could provide a richer set of features, a graphical interface, security and compatibility for applications and communications services. The Microsoft At Work architecture includes a real-time operating system, graphic interface, security, communications and fax services -- all compatible and able to integrate with your desktop PC with Windows.

The Microsoft At Work architecture takes the most appropriate elements of Microsoft Windows to broaden the benefit at work. Not only do individuals with PCs benefit, but the stand-alone devices are more intuitive, easier to use and provide immediate feedback to the user.

The promise of the Microsoft At Work architecture is not the paperless office but an easier way for users to control and retrieve their information. A company will no longer have to worry if their faxes are sent at the most cost-effective time. An individual will no longer have to search a paper phone book for a number -- it will be in their phone. A user will no longer question if the paper is in the copier correctly -- they will see the picture.

This is an ambitious architecture. It requires the work of many and it will take time to deliver all the benefits; however, there will be many milestones in the next year. Microsoft will ship a development kit and hold a software developers' conference to broadly evangelize this architecture. In addition, we want to work with Apple so that Macs are assured participation in the benefits of this architecture. This architecture announcement is the beginning of a very exciting development. Microsoft believes, with its partners, that we can bring an incredible benefit to both large and small businesses and fundamentally change how people get tasks done At Work.

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3) **Digital Convergence -- The Home**

Microsoft believes in the concept of rich information access and we see the development of the digital highway as an incredible opportunity to deliver value to the home. We do believe that the first developments and value will show up in a non-home environment. The technology services will first appear on planes, hotels and even theme parks where you have a captive, upscale audience.

Microsoft is very interested in the development of the digital highway and believes that software can play a key role. We have hundreds of people working on software to make the information highway valuable. We want to help define the standard software in the machines (the set-top box and head end) so hardware can innovate and we will be hardware neutral.

Microsoft sees its opportunity in providing the software platforms for this new world. However, there are huge opportunities for a broad set of companies to participate with content. Video on demand is the first application people think of but there are really exciting applications that will be delivered. These applications include:

- **Government services**
Why stand in line when you can pay property taxes, get your social security status or renew your driver's license online at home?
- **Educational services**
Teachers could share their best presentations and information with each other nationally.
- **Medical information**
- **Consumer reports**
- **Access to services**
A user will be able to see experts' and their friends' opinions on a whole range of goods and services.

With infinite bandwidth, you will have a marketplace of ideas that will all compete. This is a market that doesn't require intermediaries but may give experts and branded content an edge. No company is currently guaranteed success. The new infrastructure will change the way markets are created and evolve.

We don't see a world where every piece of information is customized because, on some level, we want to share the same experiences as our friends. Books, movies and even the news provide an experience we can share with others. For example, is there anything proprietary about the news network? Probably not, but brands like Dan Rather or Tom Brokaw would have meaning. It is quite possible that the sports and weather portion of the news would split off as users look for specific information. A news broadcast would include links to previous information so a user could refer to historical data.

There will be five pilot programs in 1994, including Orlando, Bell Atlantic, GE and US West, and Microsoft hopes to participate in at least two of them by providing the software for the set-top box and head end server. The TV will look like a TV but inside it will resemble a PC. As this market develops in the next five years, Microsoft has the opportunity to help define the software platforms, help assure the development tools are available and assist in promoting standards where thousands of companies can participate and make money while delivering new benefits to users.