

Proposal Deliver Key Tools

- What we need
 - Basic audio/video editor that produces ASF
 - Synchronized multimedia authoring tool
 - Platform support for tools vendors
- What we should do
 - Buy an audio / video tool
 - Develop a synchronized multimedia tool via acquisition and/or refocus of existing internal resources

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Content, Infrastructure, WebEvents Increased Investments

- Content promotion \$
 - Current: ~ \$6M in FY '99
 - Proposed: add \$22M (2/3 FY '99, 1/3 FY '00) -- big portfolio, Yahoo!, International
 - Proposed: approving selective BDI investments in content companies
- Infrastructure
 - DRM: Rights Exchange closed this week, InterTrust by April
 - Proposed: big deal with Broadcast.com (\$8M), telcos TBD
- Marketing, Business Development, and WebEvents
 - Proposed: Increase Marketing/Biz Dev HC from 16 to 24
 - Proposed: Increase WebEvents HC from 13 to 22 (40% FTE)
 - Proposed: Increase Marketing expense by \$2.3M in FY '99

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Plaintiff's Exhibit

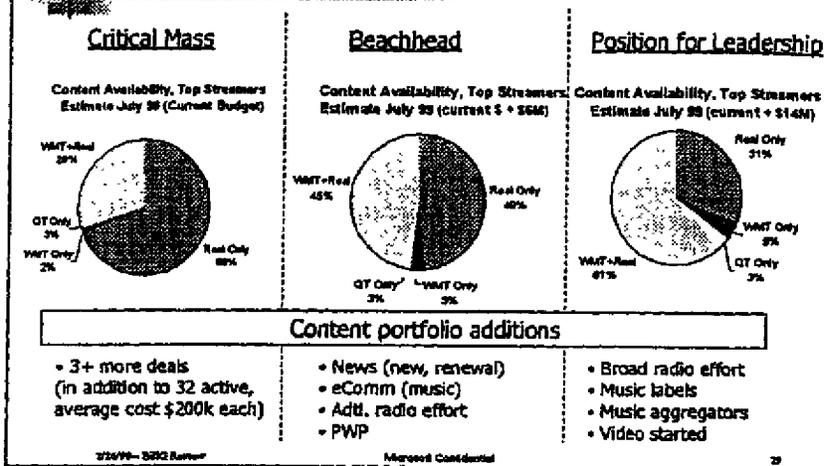
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Proposal

Invest in Additional Biz-Dev Activity



Invest in Biz-Dev Activity Special Opportunities

- **Yahoo**
 - They proposed: \$25M for preferred placement and ads
 - Our proposal
 - Broad WMT adoption
 - ICP preference programs
 - Streaming WMT ads and streaming Real-format ads in front of all Real content
 - Cost range: \$4-8M
- **Broadcast.com**
 - They proposed: \$20M for parity w/Real and site sponsorship
 - Our proposal
 - Key legacy content moved to ASF
 - Parity of all content going forward
 - Corporate sales program to leverage their sales force
 - Cost range: \$5-10M
- **Entertainment or other unique content deals**
 - Example: Digital Entertainment Network (DEN)
 - They proposed: \$25M for sponsorship
 - Our proposal: Ad-buy and investment
 - Cost range: \$12-15M
- **International: \$2.5-3M**

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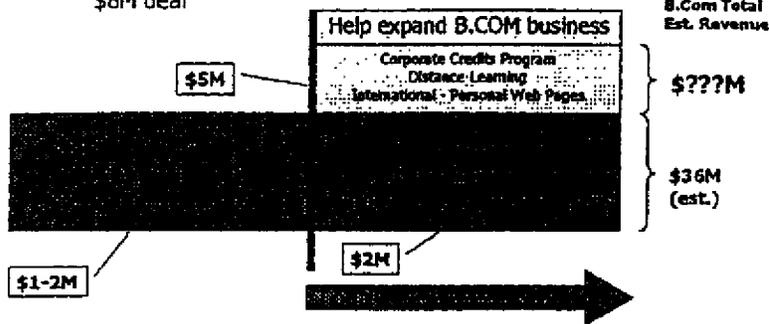
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Example: Broadcast.Com Deal

- Help Broadcast.com make Windows Media Player content available to its users
- Help Broadcast.com expand its business into new scenarios w/ \$8M deal



B.Com Revenue 300.4 (Q99E) - Reach 5%, WMP - 800k visitors/day, 475 business customers. 11

Broadcast.Com

- 100% Microsoft shop...
 - 400 WinNT servers (running IIS, SQL, ASP)
 - Dev, Producers, prefer and are trained in MS technology
 - Like our platforms model (their branded player, their business model)
- Current stats
 - 475 Corp customers (main focus/revenue)
 - 400 Radio stations (100WMP)
 - 50 TV Stations (6 WMP)
 - 900K unique visitors per day
 - 250-300 employees (110 are the sales force)
 - Yet less than 30% WMP
- CY99 Rev 36M(est.), Operating Expense at \$49.6M (est.)

32099 - Bill S... ..

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Invest In Biz-Dev Activity

Out of the Box Ideas

- DVD w/ 140 hours DRM'd cd-quality music from top artists in OSR1
- Major Personal Web Publishing push
 - Host credits, promotion, contests, etc.
 - Geocities or Lycos
- Shift 10% of corporate ad spending to streaming
- With Hollywood, produce web-enhanced DVD in volume
- Partner with SGI, Compaq, HP to beat Sun/Real and Apple/Oracle combos

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Proposal

Invest in Marketing Activity

- Problem: we're under-invested in
 - Corporate marketing
 - Partner (ISV, SP, and OEM) co-marketing
 - Tier 1 ICP relationship management and DRM
 - Tier 2 ICP recruitment programs
 - Midband and Broadband marketing
- Solution
 - +8 marketing & biz dev heads
 - \$1M incremental marketing budget for FY'99
 - Incremental biz dev funding per previous slide

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Proposal

Mobilize CU/Field/Subs

- Create shared goals with customer units
 - Top-down deployments in ECU and EDCU accounts
 - Aggressive deals with tier-1 ISPs and telcos/cablecos
 - Recruitment of tier-2 ISPs, tier-2 ICPs
 - Significant solution provider recruitment and support
 - TSBs, CSBs, and Inside Sales support
 - Promo opportunities with server & workstation OEMs
 - Recruitment of consumer device OEMs
- Question
 - Which customer unit works with minimal revenue tier-2 ISPs and tier-2 ICPs?

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Proposal

Build Consumer Appliance Strategy/Effort

- Fund small team to
 - Build reference implementations of Windows Media for
 - WebTV
 - Purpose built appliances (ala Rio)
 - Create Windows Media OAK / DDK
 - Create and sell standalone software and silicon implementations of MS Audio
 - Drive OEM Sales and Business Development

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