

**Erik Stevenson**

**From:** Brad Silverberg  
**To:** Richard Freedman  
**Subject:** RE: Chicago Product Strategy  
**Date:** Friday, December 31, 1993 10:55AM

gotcha. thanks. the overall goal is to go from, as the boop puts it, 1B -> 2B (or sometimes it's 2.5B).

**From:** Richard Freedman  
**To:** bradsi  
**Subject:** RE: Chicago Product Strategy  
**Date:** Friday, December 31, 1993 9:54AM

1.1B in revenues for FY93 is exactly what i have.

as for profits, i should have stated my methodology. in his mail bill stated his goal as profit based ("get another \$500M"), and so i figured at boop we should measure the different scenarios by profit and not revenue. but it's not really profits we need to measure, but incremental profits. our fixed costs - development, marketing, channel, etc. - will be about the same regardless of our revenues.

the question is: how do you calculate incremental profit? i kept it simple and said that OEM revenues are 100% profit and retail revenues 75% profit. on the margin, these %s are pretty accurate.

therefore, you have to go back and restate FY93 profits using this method to make sure we're comparing apples to apples. in FY93 we had \$535M OEM revenues and \$570 retail revenues.  $535 + .75 * 570 = 963$ .

963 is what davidbr calls "contribution" and 550 is what he calls "BOI," the latter being fully burdened with marketing, salaries, development, etc. and psg's huge corporate allocations. he could also give you a whole talmudic discussion on how BOI should really be measured, but we should just keep things simple for boop since "contribution" is what we're really interested in anyway.

thanks

**From:** Brad Silverberg  
**To:** Richard Freedman  
**Subject:** RE: Chicago Product Strategy  
**Date:** Thursday, December 30, 1993 6:35PM

are you sure about your numbers? the last time i looked in fy93, psg generated \$1.1B in revenue and \$550M in profit.

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Plaintiff's Exhibit

7706

Comes V. Microsoft

PLAINTIFF'S  
EXHIBIT  
968  
A. No. 2:96CV645B