

From: Will Friedman
Sent: Wednesday, April 12, 2000 1:47 PM
To: Denmark West
Subject: FW: Revisiting Burst.com

Importance: High

FYI - I need to give you more background on this. CC'ed you as FYI.

-----Original Message-----

From: Will Friedman
Sent: Wednesday, April 12, 2000 1:32 PM
To: Tony Bawcutt
Cc: Bill Schiefelbein; Denmark West
Subject: Revisiting Burst.com
Importance: High

Hi Tony,

As you know when it comes to Burst, we have been skeptical of their technology for a variety of reasons. In our last major exchange, we had asked them to show us some customers who were satisfied with their solution.

I had a chance to talk to Burst (Mike Moskowitz, VP BusDev) at NAB and got an update on their customers and their plan. In addition, BillSch and I had a call with @home today in which we discussed @home's opinion of the Burst technology.

Here are the key takeaways from @home:

- @home is impressed with Burst and will be getting into trials and is optimistic about the chances of using their service. They like the Burst solution better than the Inktomi cache solution they were previously evaluating. They like Burst because:
 1. They believe it provides an improvement in quality for their cable modem customers
 2. They like the download and play model in general because it allows them to have predictable network traffic. They believe Burst effectively maintains the download and play model with streaming. In general the key benefit they see are the server side tools that allow them to regulate the bandwidth of delivery.
 3. They believe it improves their customer availability because it supports fail-over on server side
 4. They like the cost proposition better than the cost of deploying Inktomi caches to all of their 20 data centers and various head-ends.
- @home is expecting to support Windows Media Player rather than Real because of this technology, because Burst works with our player but not with Real's.

Here are the key takeaways from Burst:

- They view us as strategic partner and are pushing our player because of its plug in model. At the same time, they are pushing the fact that they can pipe content to a Windows Media Player from a Linux or Solaris box and the content isn't necessarily in our format. Their comment was this is good for MS because you can't do this but we can do it for you and help your player adoption.
- They are moving to a model where they run burst as an ASP service rather than selling the servers. @home liked this inasmuch as it lets them do a trial without having to deploy hardware.
- Burst claims that AOL/Spinner (their radio application) want to use Burst and play to switch to an embedded WMP so that they can use the burst solution. Burst says that Spinner's biggest problem is scalability and they believe Burst will help.
- Apple is aggressively courting burst to support QT, though Burst has not seen as much demand for QT compared to ASF.
- The demo that they did for us here failed not because of their service but because of an old WMP client installation (5.0 instead of 6.4). Demo worked well at NAB.
- One key challenge for them is client distribution. They could clearly get this through a variety of partnerships which would probably not be strategic for us (e.g., AOL). They are planning a U2 (the band) event to generate downloads in meantime. U2 is on their board.



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Net net is that some of the largest customers in the broadband space are considering switching to supporting our player because they like the Burst solution. At same time, these customers may deploy Linux/Solaris servers or use the Burst ASP service based on Linux.

After further discussion, Bill and I believe we should revisit our stance with regard to them and even consider acquisition after further due diligence. The reasons for this are:

- Though we have been planning many of the features that burst provides today in our next version, their technology would give us time to market advantage on these features, and we could refocus our developers on other strategic initiatives.
- We could increase Burst's focus on Windows platforms on the server side and Windows Media formats
- Their pitch is helping them win some of the largest NetOps and we could have them continue to make this pitch to win in the broadband space, again with a better focus on our platform.
- We might be able to obtain some development, bus dev, and marketing talent (though clearly due diligence is needed here)

We don't have a good sense of the value of their patent portfolio but I have requested the patents back from our counsel BartE and I will review them assuming he gives me the go-ahead.

Next steps are:

- Review patents (WFried)
- Try to schedule call ASAP with AOL/Spinner via WPoolle to verify they are really where what Burst says they are. (Tony, can you talk to WPoolle about this since he manages that relationship?)
- Send small delegation of PMs/deployment staff down to Burst to due further diligence on their technology operations and staff in the context of expanded partnership opportunities (of course not discussing acquisition at this point). BJISch do you want to arrange this?

Acquisition risks are (possibly premature to think about but are on my mind.)

- Possible bidding war with Apple. Real could get into game too.
- Location - they are based in SF.
- What to do with CEO - 1) he rubbed most people here the wrong way in initial talks and 2) WPoolle already has too many reports.