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Lynn E. Williams (Legal)

From: Brad Silverberg
To: Jonathan Roberts (Xenix); johnlu
Subject: FW: Important MS-DOS Update
Date: Wed, Jul 14, 1993 1:23PM

this is an important point: the need to synch all this stuff up. what a challenge but if we don't it won't work, oem's won't pick up.

From: Jeff Lum
To: jkdirs; joachimk; johnj
Cc: bradc; bradsi
Subject: RE: Important MS-DOS Update
Date: Wednesday, July 14, 1993 1:07PM

I think it is super key that we synch up Win 3.11, Snowball, and MS-DOS 6.1 all at once. This way the OEMs only have to rev their channels once. Compaq especially will delay Snowball into '94 if we ship Windows ahead of Snowball. It's too costly to rev the channel twice in one quarter.

From: Joachim Kempin
To: Jeff Lum; Joachim Kempins' Direct Reports; John Jenkins
Cc: Brad Chase
Subject: RE: Important MS-DOS Update
Date: Tuesday, July 13, 1993 12:55PM

As an idea, could we synch up the releases?WIN and DOS?

From: John Jenkins
To: Jeff Lum; Joachim Kempins' Direct Reports; Joachim Kempin
Cc: Brad Chase
Subject: RE: Important MS-DOS Update
Date: Tuesday, July 13, 1993 8:20AM

timing could also be better. OEMs will be reving both msdos & windows within 60 days, depending on how schedules work out.

From: Jeff Lum
To: Joachim Kempins' Direct Reports; Joachim Kempin
Cc: Brad Chase
Subject: RE: Important MS-DOS Update
Date: Tue, Jul 13, 1993 7:47AM

Probably needed due to irreversible bad press on 6.0, but will be hell on the OEMs in the channel. The better the job we do in positioning this "newer, bug free" release, the worse it is for the OEM in the channel.
Brad, it is key the OEMs are right there with us when you start shipping retail.

From: Joachim Kempin
To: Joachim Kempins' Direct Reports
Subject: FW: Important MS-DOS Update
Date: Monday, July 12, 1993 9:48AM

pls comment but do not announce to the troops. Reason retail inventory levels.

From: Brad Chase
To: Bill Gates; Mike Maples; Steve Ballmer

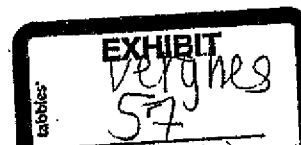
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Plaintiff's Exhibit

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Comes V. Microsoft



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Cc: Bernard Vergnes; Brad Chase; Brad Silverberg; Jeff Raikes;
Joachim Kempin; Mike Appe; Paul Maritz; Richard Barton; Tony
Audino
Subject: Important MS-DOS Update
Date: Friday, July 09, 1993 10:00AM

Paul and Brad's have approved moving forward with two key projects for
this fall

"Elroy" (likely to be called MS-DOS 6.1)

The exact dates are to be determined but RTM around late Sept.
in US, French and German with all the other key languages
falling within a week or two of US, French and German

There are two objectives for this release

- A. Help restore people's confidence in MS-DOS
- B. Help our customers by reducing the very small number of
people having data loss problems to an even smaller number

"A" is also achieved by aggressive marketing, I will send you
separate mail on our "confidence crusade"

Elroy is a key tactic to help both "A" and "B". My premise is
that the #1, #2, and #3 things this product should do is help
restore confidence. There is a general perception among even
many nonenthusiast users that that MS-DOS 6 is "buggy" and
while the MS-DOS 6 Upgrade sell-thru is still good (we estimate
sell-thru is around 45K per week in the US alone) we can do
even better and will be helped by the opportunity to rerelease
with a 6.1.

Even more important, this will help OEM b/c we need to prevent
losing any major oem deal to ibm or novell and the two chief
things that could make that happen are a) they have a good
product at a good price & b) concern about MS-DOS 6 that can't
be addressed without a new product that address the safety
concerns.

The feature set is summarized in the doc below:

<<File Attachment: ELROY.DOC>>

We are focused primarily on a small number of safety features
and focused on shipping this fall b/c

- * Safety is the big concern to address as soon as possible to
protect our OEM biz and help our Upgrade biz (as opposed to
tons of new features)
- * I want to move my team to MS-DOS 7
- * We want to launch Elroy with the marketing idea discussed below

"The Book Bundle"

As most everyone knows I have told my marketing team to think
big and develop plans to sell 10M Upgrades. As part of the
launch of Elroy, they (specifically Richba and Tonya) have
developed an idea which will generate significant PR and expand
distribution to a new channel:

License MS-DOS 6 Upgrade to IDG for distribution bundled with
"DOS for Dummies," the consumer-oriented #1 best selling
computer book under a royalty-based "DEM style" contract.

We spoke to and considered MSP for this opportunity but for
many reasons decided IDG and specifically "DOS for Dummies"

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would be the best choice. This is covered in the attached doc. Ironically it might not be a bad thing for IDG to have an interest in MS-DOS 6 success.

The idea stems from 2 observations from our experience with the MS-DOS 6 Upgrade and its success in the first 3 months

1) Our broad PR and distribution strategy has worked. The MS-DOS 6 Upgrade is the first real consumer, mass-market product for MS.

- over 4M units sold WW in first 90 days
- 26% of US sales are thru mass-merchant channel vs. 9% for life of MS-DOS 5 Upgrade
- QVC sold 2,100 units of MS-DOS 6 Upgrade in less than 1 hour

2) Greater distribution breadth translates into greater penetration not cannibalization. As an example, Canada, which achieved 2.5x US penetration of the Upgrade in the first 60 days, has 4.5x the # of outlets *per person* as the US.

We have already talked with IDG and the DOS for Dummies author, Dan Gookin, about the idea. They are extremely excited. Dan has started preliminary plans for a rev of the book. IDG has talked with a few of its channel partners (Barnes & Noble) and received extremely positive feedback on the idea. (Barnes & Noble asked if they could have an exclusive.) We have presented the idea to Paulina and Bradsi, they gave approval to go ahead and want us to consider rolling it out for the Win 3.11 Upgrade as well. Richba and/or Tonya will be talking with you or members of your team about this new product soon. We plan to have it in the book channel in October. Thanks in advance for your help. The attached document has our analysis of the idea, I will cover the highlights below.

* General terms:

- License MS-DOS 6.x Upgrade to IDG Books for \$30/unit (slightly less than our incremental operating profit now).
- Set distributor-type depth and breadth rebate goals.
- Build integrated "DOS for Dummies"/MS-DOS 6 Upgrade product designed to appeal to bookstore consumer (browsable, attractive, friendly, funny)
- Provide mechanism to encourage IDG not to sell DOS Upgrade for Dummies for less than \$40.41 (our cost to s/w channel after avg. rebates) to avoid channel conflict. We are working with legal on this. We, of course, can not set price.
- MS has right to buy finished bundle to sell to our customers if desirable. We agree no to sell into book channel.

* Market potential and benefits

- Leverages infrastructure of book publisher/licensee to obtain access to new distribution channel. Gain 3-7K booksellers
- Goal is incremental 300-500K units over life of 6.x for \$9M-\$15M profit
- Raises overall consumer awareness of MS-DOS 6 Upgrade:
 - MS-DOS 6 Upgrade on book bestseller lists
 - More shelves = higher customer contact regardless of purchase
 - Tests a new consumer marketing concept. Learning and channel can be leveraged for other MS products (e.g., Chicago, Consumer products)

<<File Attachment: BOOKBUND.DOC>>