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**From:** Martin Taylor  
**Sent:** Monday, October 17, 2005 8:45 PM  
**To:** Orlando Ayala  
**Subject:** RE: Recap of our meeting today wth Rodrigo and Marcelo

Yikes. We should see how we can "target" the funds for the specific research. There is a way to position this around MSFT willing to possibly give MORE if they do research on stuff that is mutually interesting. it could make sense. I think that is how Samsung structures there deal with Media Labs.

-MT

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**From:** Orlando Ayala  
**Sent:** Monday, October 17, 2005 3:59 PM  
**To:** Martin Taylor  
**Subject:** FW: Recap of our meeting today wth Rodrigo and Marcelo

gong backwards!

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**From:** Craig Mundie  
**Sent:** Monday, October 17, 2005 3:57 PM  
**To:** Orlando Ayala; Will Poole; Tom Phillips; Rick Thompson; Mike Sievert  
**Cc:** Craig Fiebig  
**Subject:** RE: Recap of our meeting today wth Rodrigo and Marcelo

Targeted only at Media Lab. They are increasing investments at MIT overall I think (although our \$25M five year deal on eCampus is also coming to an end this year I think). With Media Lab, they want to fund specific research but not put the money into the big general fund...

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**From:** Orlando Ayala  
**Sent:** Monday, October 17, 2005 3:54 PM  
**To:** Craig Mundie; Will Poole; Tom Phillips; Rick Thompson; Mike Sievert  
**Cc:** Craig Fiebig  
**Subject:** RE: Recap of our meeting today wth Rodrigo and Marcelo

is the reduction in funding part of a larger strategy to reduce overall that type of investment or trargeted specifically to MIT?

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**From:** Craig Mundie  
**Sent:** Monday, October 17, 2005 3:51 PM  
**To:** Will Poole; Orlando Ayala; Tom Phillips; Rick Thompson; Mike Sievert  
**Cc:** Craig Fiebig  
**Subject:** RE: Recap of our meeting today wth Rodrigo and Marcelo

Rashid has already determined that MSR doesn't want to continue even at their current level of funding for the Media Lab and MIT, but I have gotten them to hold off for a quarter so that it didn't disrupt these negotiation. If there is anything with the Media Lab from MSR it will be smaller and more directed I think. Other than that, we would have to find some other organization, either my TCI work, or the product group, that wanted to fund the Media Lab and that is a start-from-scratch analysis.

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Plaintiff's Exhibit

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Comes V. Microsoft

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**From:** Will Poole  
**Sent:** Monday, October 17, 2005 3:15 PM  
**To:** Orlando Ayala; Craig Mundie; Tom Phillips; Rick Thompson; Mike Sievert  
**Cc:** Craig Fiebig  
**Subject:** RE: Recap of our meeting today wth Rodrigo and Marcelo

I agree with the structure of the offer and also with Craig's point below.

I do not think we should put any big funding/donation on the table for media lab as part of this discussion. It is likely OK to give back-channel indication that we'd be open to reviewing their plans in the future. But Rick Rashid should approve whatever messaging we give in this area.

I think we should name our new open source license and romance its creation. "Education Open Source" or something like that. And offer that commercial terms can be established under such an agreement, thus enabling the best of open source and commercial software environments.

Agree we need to manage the billg messaging carefully. Bill is on the road starting either tomorrow or Wed. I recommend getting the mail from him done/sent early.

The biz model subsidization point is expected, and concerns me a lot. Clearly we don't want a world where we're flat footed as Google figures out how to give states or countries \$x in hardware subsidy based on the devices being somehow locked to google search. Tom, I recommend you loop someone in MSN into a discussion on this point. Maybe start with Bruce Jaffee.

Will

\*\* Sent from Windows Vista Beta-2 CTP \*\*

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**From:** Orlando Ayala  
**Sent:** Monday, October 17, 2005 3:01 PM  
**To:** Craig Mundie; Tom Phillips; Will Poole; Rick Thompson; Mike Sievert  
**Cc:** Craig Fiebig  
**Subject:** RE: Recap of our meeting today wth Rodrigo and Marcelo

Craig.. I assume you fully support the structure of the MS offer as it stands today?

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**From:** Craig Mundie  
**Sent:** Sunday, October 16, 2005 9:47 PM  
**To:** Tom Phillips; Will Poole; Rick Thompson; Mike Sievert  
**Cc:** Orlando Ayala; Craig Fiebig  
**Subject:** RE: Recap of our meeting today wth Rodrigo and Marcelo

Remember that a key part of our strategy is to create a situation where even if Nick rejects us for philosophical reasons there is a long and visible history of our attempts to work with them and then we have to ask to get a license for the "open source hardware" and we will make our own offering on the commercial side.

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**From:** Tom Phillips  
**Sent:** Sunday, October 16, 2005 8:48 PM  
**To:** Will Poole; Craig Mundie; Rick Thompson; Mike Sievert  
**Cc:** Orlando Ayala; Craig Fiebig  
**Subject:** Recap of our meeting today wth Rodrigo and Marcelo

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## Executive Overview:

On Sunday, October 16<sup>th</sup>, we met with Rodrigo Arboleda and Marcelo Claire (Brightstar President and CEO) in Miami to discuss the work with the OLPCA. The Microsoft attendees of this meeting were OrlandoA, CFiebig, and TomPh. In this meeting we sought additional due diligence on the OLPC project and to pilot the proposal to identify issues or areas that need additional work.

The meeting began with a question by Marcelo on whether Microsoft felt the OLPC project would be successful without its involvement. We approached the question indicating that while the project could certainly be completed, Microsoft involvement could be a significant benefit both in the reach of the project and the by our ability to get more done in a shorter timeframe. Marcelo stated that he was pleased that Microsoft was taking the project seriously, and concurred that working together could be beneficial. Another key question for Marcelo was whether Microsoft could coexist in an engineering project with RedHat. We discussed this in the context of working with OEM partners that provide both Windows and Linux products, and Marcelo appeared satisfied with the option that provided both a Windows and Linux offering. What followed was a discussion on the goals of the project, with the conclusion that there is clear goal alignment. The discussion then turned to our proposal, and the areas that needed to be optimized to increase its likelihood of success. Overall, it was a very candid session that started and remained positive in tone. The majority of the discussion was on areas of change, which are highlighted below in the Proposal Recommendations and Options for Consideration sections below.

At the conclusion of this meeting, it was again clear that the central issue boils down to the OSS philosophy of Nick. In our meetings with Hector, he insisted that AMD has the capability to shift Nick into a more realistic state on the Open Source philosophy. The optimism of Hector was not shared by Marcelo. A complicating factor is that the Board Members do not appear to have a deep understanding of Open Source, as evidenced by our discussion with Marcelo. We spent a few minutes on open source and various licensing models, but this was all new to Marcelo. We did get agreement that this is a complex topic, but the counsel of Marcelo is to make this as simple as possible in the discussion as Nick does not do well with details.

Further, as Marcelo confided, an additional complication is the degree of Microsoft bashing that has been a part of the board meetings and the difficulty of Nick change course without appearing to cave and counter his previous statements. With all these factors in mind, we are not advocating a shift in course, but we do want to ensure that everyone on this email is cognizant about the challenges ahead. We will outline below the go forward plan to get the emotion out of this topic, but it remains the single obstacle of getting an agreement in place.

In conclusion, going into the meeting, our confidence level in getting Nick to accept the Microsoft proposal was not high (between a 20-25% likelihood). Leaving the meeting, there were some points for revisions in our approach, but the net confidence level still remains relatively low.

## OLPCA & OLPC Updates:

Marcelo was very candid and provided some new details and updates on the project. There were some points that were noteworthy, including the following:

**Status of the prototypes and engineering** – Marcelo, who is the largest Motorola distributor and does device servicing and manufacturing, feels that the status of the prototype and the engineering is quite good. His statements reflected excellent work between the OLPC and AMD, which sounds probable given the excellent work that we have seen from AMD in projects such as the x86-64 project. There are three companies bidding to do the display work according to Marcelo, and he felt confident that the device engineering was on track. The area where there was concern was in the RedHat development, where he confided that there were concerns about getting the work completed on the intended timeline.

**Current board members and the decision process** – In this meeting, there appear to be a set of three Board members that are aligned on the commercial interests of the work, which are Hector Ruiz, Marcelo Claire, and Tom Meredith (former Dell CFO). In the view of Marcelo, these were also the primary strong business and execution members on the board, and that Nick is leaning on them heavily as the project progresses for guidance.

**OLPCA executive team being recruited** – Over the course of the next three weeks, Marcelo indicated that a CEO would be hired, in addition to other principals to run the business and execution side of the project. In the discussion, Marcelo indicated that Nick recognizes that he does not have the business skills to run this project,

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and is turning to the business board members discussed above to help recruit the right level of talent to lead this work.

**Nick's growing concern over his legacy** – While not stating that there were any specific issues in the project, Marcelo indicated that Nick is starting to become concerned. This concern is that his strong promises and commitments that have been made globally are significantly different than today's device status. As Marcelo summarized, if this project fails, Nick will be pegged as the person who led others around the world on a fools errand chasing after \$100 laptop wind mills, and not for any of his work with the MIT Media Lab or any other contributions.

**New board participation** – Marcelo indicated that eBay would likely join the board over the course of the next few weeks, which is a good fit with the recent Skype acquisition. According to Marcelo, there will be a second category of membership created to accommodate the new entrants. There were several hardware companies referenced in the discussion that are vying for a role in the project, including Apple, Samsung, and LG. Telco partners are also beginning to line up according to Marcelo, including Nortel and others.

**Business Model may need subsidization tweaks** – To hit the price points, Marcelo was candid that there may need to be subsidies to get the user end point price to where it needs to be. While we have anticipated this all along, this is the first time we have heard the statement from anyone working on the project.

## Proposal Recommendations:

There were some very specific areas where either changes or different focus were cited. In addition, there are some general recommendations that were voiced by both Rodrigo and Marcelo. The first recommendation was to keep the material that we provide to Nick very simple, and make it more visual if possible. Rodrigo's point is that Nick is an architect by training, and we need to keep this in the forefront as we tee up our proposal. A one page summary is the recommendation that they both cited as being necessary. Additionally, they both indicated that we need to insure that as part of the discussion, Nick agrees that the entire board be provided with the proposal for an early December board meeting. The areas of specific focus that we discussed are detailed below.

**Open Source** – The consensus of Marcelo and Rodrigo is that Open Source is not a negotiable topic for Nick. We pressed on this for a bit with Marcelo, discussing that with the choice of two software solutions, why can we not have differing license models in each? In essence, let the customers vote instead of debating the philosophical elements? While Marcelo appeared ready to accept this as a means of closure, he was not confident that Nick would be willing to accept this approach. The overall recommendation was to be as specific about what we can do in a Microsoft Open Source type model, and to lead the discussion from this perspective. We asked Marcelo and Rodrigo to do a review in the next few days of the text and graphics that we develop, and they agreed to review the content.

**Execution and risk reduction from Microsoft involvement** – Marcelo was candid that from an execution and implementation side, he continues to be impressed with the Microsoft results in our business. As such, we need to provide this as a core part of the response. We had a discussion on whether it was appropriate to at least reference the levels of personnel resources that were being contemplated for this effort, and Marcelo's opinion was that it would be appropriate.

**BillG Touch Point** – According to Marcelo, Nick feels that Bill does not recognize his contributions and accomplishments. This can be resolved via some very simple communications, such as a simple email or phone call. The overall impact of this was felt by both Marcelo and Rodrigo to be very significant.

## Areas for Consideration:

In addition to these three core areas, there were two other areas that Marcelo and Rodrigo referenced as potentially helpful in the proposal, which are as follows:

**Microsoft as a Major MIT Media Lab Sponsor** – According to Rodrigo, when the .com bubble burst, there were three major lab sponsors who suddenly withdrew significant support. As a result of this change, a planned expansion of the lab with a new building was abruptly halted. Nick has been partially successful in getting this back on track, but still lacks a major sponsor. This could be a very significant investment, with the discussion indicating that it would be somewhere between \$10MM and \$30MM.

**Academic Content** – There was recognition in the meeting that one deficiency in the current OLPC project is in

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the area of content. Marcelo confided that the internal view is that even if it goes out the door with a browser and an electronic reader of some type for textbook content, it would still be such an impact that it does not decrease its significance. That said, he was also candid in stating that much more needs to be done. One way to think about this is more like the xBox model of content, where work is done up front to insure that at production time there are sufficient titles to make the platform interesting. While not using xBox by name, Marcelo pointed out the proven ability of Microsoft to get developers and content created for its platform.

## Next Steps:

There is several work items that we need to complete as a result of the meeting, which are summarized below:

Item	Description	Owner	Due Date	Comments
1	Revisions to proposal, particularly in exec summary	CFiebig/TomPh	10/17/05	Needed for Hector Meeting and to review with Marcelo and Rodrigo via email
2	Draft email for BillG to send to Nick prior to the Friday meeting.	TomPh/Orlando	10/19/05	To be sent on Thursday in advance of Friday Meeting
3	Exec Mail to BillG	TomPh/Orlando	10/18/05	Need to include current resource and cost estimates
4	Exec Synch Session	TomPh/CFiebig	10/19/05	Status update after the Hector meeting and issue review in advance of Friday Nick meeting

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