From: Pat Hayes
Sent: Saturday, October 19, 2002 6:13 AM
To: Jim Allchin; Michele Freed
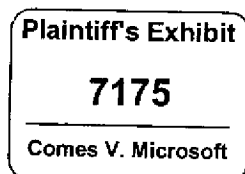**Subject:** Dallas Vap roundtable transcript 9-25-02

Attachments: jim allchin roundtable notes.doc

Just received these in Word format last week.
Thanks for the visit and giving us the opportunity to get some of your time.

Pat Hayes
Sr. Director
Seminar Sales Team

jim allchin
roundtable notes.d...

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Microsoft Corporation
Vendor Meeting
September 25, 2002

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Vendor Participants:

Jack Fleet, Sr. Vice President
PFK E-Business Systems

Sharon Hutchison, Web Developer
ePartners

Joseph L. Martin, President
Soft Solutions, Inc.

Shazad Mohamed, President and CEO
GlobalTeck Solutions

Andrew Marek, Principal Solutions Specialist
Tych-Sys Solutions

Cleal Watts, Chief Financial Officer

John Quinn Ratajczak, Sales Manager
Quinn Technologies

Aron Vinokur, Mondial Systems

Microsoft Participants:

Jim Allchin
Jennifer Turvold
John Weston
Bret Ronloff
Mike O'Neill
Pat Hayes
Michele Freed

Stenographer:
David B. Jackson
United American Reporting Services, Inc.

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(Introductions.)

MR. O'NEILL: What we're going to do is take the next hour and we're going to have a chance to talk over how's business going, how is Microsoft's relationship with you, how's our relationship with the customers, et cetera, et cetera.

We hope that you will be active participants in this process, because this is your chance to be heard as well as, hopefully, Jim can ask questions of you to understand how things are going.

For Jim's benefit I'll introduce a couple of people. Michele is Jim's technical assistant, even though she has a big formal title; is that right? But she helps on the technical side with Jim, so she's come here and joined us as well.

Pat Hayes, who's down at the very end, is our director of our seminar sales team. All of you are here because you came to a Microsoft TS2 event. Pat is the manager of the seminar team which TS2 is a part of. That also includes Microsoft Big Day event that you might have heard of, Microsoft TechNet events, Diversity events. There's about five different things we do. So all that falls under Pat's domain.

John Weston, who's right here, is our TechNet manager. He's just starting up a brand-new team. He's inherited the TechNet world. And you've got to go to launch with your first seminar --

MR. WESTON: Next Tuesday.

MR. O'NEILL: -- next Tuesday. So it will be very exciting to go to some of these.

And then I have Jennifer Turvold, who is here. She, along with myself, manage the TS2 events that y'all got a chance to see, hopefully, and enjoy.

And then we also have Bret, who's been our lovely,

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gracious host this morning. Bret is one of our technical

presenters and he helps out doing all kinds of things. Kind of a

universal guy.

So with that, what I would love to do is just start

around the room and have everyone just kind of explain who you are,

your company, just real quickly give an introduction.

MR. ALLCHIN: And whether you do development or not.

MR. O'NEILL: Whether you do development. We'll

start with you.

MR. MOHAMED: My name is Shazad Mohamed. I'm the

chairman and CEO of GlobalTeck Solutions. We're an application

development and consulting company. Mostly do mobility and pocket

PC's, hospitality space. Work a lot with .Net and a lot of

Microsoft technologies as our core business.

MR. FLEET: Jack Fleet. I'm with PFK E-Business

Systems. We are an application development shop. We predominately

are a Microsoft shop. We dabble a little with other technologies.

We've created private trade exchanges, portals using QE

technologies and are starting to work with .Net on some projects.

MR. ALLCHIN: MSNQ?

MR. FLEET: MSNQ.

MS. HUTCHISON: I am Sharon Hutchison. I'm the

Internet web master at ePartners. We're a Microsoft Gold Certified

Partner. We're a technology solutions provider for the middle

market, primarily accounting systems, that sort of thing.

I'm a journalist who has proven that Microsoft Front

Page can manage an intranet. I've done this for about five years.

I've done it for three years at ePartners, a couple years at Ernst

and Young. So I'm as technical as I have to get. I use Sequel a

lot. I see Bambi's eyes every time I open up a connection.

MR. ALLCHIN: That was a long time ago.

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MR. MARTIN: My name is Joseph Martin. I'm the president of Soft Solutions, Incorporated. I'm a Microsoft, IBM and Hewlett Packard partner. We're a full service MIS shop for small/medium sized businesses internationally as well as, you know, domestic. We do development, but we do everything from A to Z for our customers.

MR. RATAJCZAK: John Ratajczak, Quinn Technology, IT service. Any development that we do is primarily on the Web site side, and have a very big interest in the migration to the .Net world.

MR. WATTS: Cleal Watts, chief financial officer. Because ISR, in particular, is the one that handles all of the hardware, from heavy armor down to PDA's. We don't make PDA's or tablets yet, but we're thinking about it. And then all the additional software -- software companies -- developing software companies -- the strong ones we have running right now are law enforcement. Probably two-thirds of the East Coast -- less -- run our software, lot of the states. We then have state s that have passed laws that if they're using our software it's automatically admissible in court.

One of the programs that our stuff will run on -- let me think, 50 and under operating systems, right now we generally use Sequel. We also are international. We do things like China's postal service. We designed the software systems on that. We generally try to use Sequel. Oh, won't use all of them but try to moderate to Sequel and pretty much stick with the TCIP for communications on wireless. We do dispatch. Anything that goes out anywhere, anytime we work on it.

MR. VINOKUR: My name is Aron Vinokur with Mondial Systems. We do NC services. Citrix inclined. Development projects management, the actual development. Somewhere in the mix.

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Primarily we call ourselves the (not audible).

MR. ALLCHIN: Well, I run the platform system at Microsoft, the operating systems area, the servers and the developmental side, Net Studio .Net.

And I want to thank you for coming to have breakfast here and also -- you know, we can make this two way, but if you don't ask me questions I will spend the whole time peppering you with questions.

You need to be very outspoken, because this is a huge opportunity for me to come and talk to you.

I wanted to do this meeting specifically. I asked for it because I wanted to know what was on your minds. I mean, it's a tough economy. I wanted to know how we could help you be more successful in your business. I -- I'm very interested in what you see happening, what you see happening in the Linux base, what you see happening in terms of your customers, what we can do to improve things. You know, I'm -- I build my organization, the technology, but if you want to wander down into licensing, we can talk about that as well.

But -- and I'm willing to share with you, you know, my view of what's happening in terms of technology that's coming from Microsoft. And in fact, let me start off on that.

I'm pumped in terms of this stuff that's coming, in terms of new technical things. It's -- the economy may be tough right now, but Microsoft's in a position to invest and we are investing in, I think, a number of advancements that are going to happen in technology that will make people's businesses more effective, more productive. They can do things they've never done before.

We're -- I'm more convinced that basically each year it's just going to be another huge step up. I brought a tablet. I

don't know if you've ever seen a tablet. But just that alone is going to change certain information workers, what it is that they could have done before. So -- have you seen the tablet? Okay. Great.

So we're very, very excited about what products like that could do. And that's just one type of innovation. And whenever I'm out showing people things like the tablet, they say, "Wow, you know, I could use this, you know, in my" -- a dentist could use it, a real estate person could use it. Anybody that's on the go could use it. And in schools, it's an incredibly exciting area for them, for a student who wants to be mobile, needs the laptop, and they give up nothing to be able to make it into essentially a -- a journaling, a note-taking item for their school, which they can then save that.

We have Windows .Net server coming up within the next few months. Have you seen that? Had an opportunity? Okay.

So we're not going to ship it until it's ready. So we have a hold in terms of quality. But we think that it's going to reduce the time that people -- you know, that it takes you to install it, if you actually install it, in terms of it's a role-based system where you can decide, this is file server, this is a print, et cetera, et cetera, et cetera, and we lock it down, the surface areas are smaller, for security reasons, so we think it's much better. But the thing that we're probably the most excited about is -- yes, there's a new version of Share Point coming on, which is also very cool. But I'm excited about the way the ASP .Net system works there. So how fast you can write applications and how well they'll perform once you're running in that environment.

If you have customers that are on NT-4, I think we need to help you in the business case to get them off of it. But

in terms of security it's night and day. You know, we've got to get the people off NT-4. Can't have -- it's a 1996 technology and the level of concern over security and the like at this point I really think is quite different than now. And Windows .Net server is focused on trying to take that to the level I think we should be.

So I mean, I can talk about what's coming next. I will spend a couple more minutes on that. Then I will turn it around.

We have a new version of Sequel that will -- well, on the client side we have Office 11 coming. And Office 11 is -- it depends on which particular application that you're interested in. I spend my life in Outlook so Outlook is significantly improved, significantly. It's improved especially in the case of the mobile world. That's the case where I've seen the biggest change. It's a change because everything is basically cached. Before, if you were mobile, you were getting these messages popping up saying, "I just lost the connection." If you live with wireless, one wireless point to another, it's very annoying to end up having to stop Outlook in some cases in order to get the -- you're laughing at the end of the table -- in order to move it. That all goes away.

If there's any connectivity that it can smell, it will just start sucking down mail or pushing mail out. And you basically don't see the lack of connectivity or see the fact that there's any connectivity there. So you feel like you're in a nice environment all the time. You can still put everything on the server, you know, you will still have that ability, where you're basically -- you have a smart graphics interface, but all storage is remote. But in the case of the mobile, it's much, much nicer.

It's also just a lot smarter in the way it can

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organize mail for you. And if you have -- if you're in a heavy

mail environment, you can have previews on another monitor or on

the same monitor, just side by side, which is very nice. And with

the capabilities that we're doing in terms of public use, you can

now get encrypted mail set up very easily, so if you can have

encrypted mail or assigned mail without having to be a genius in

setting up the PKI structure. And, you know, even on the client

side you have to be a genius to get the cert set up here. So that

problem basically goes away. You can call that a security feature,

but it can also be called ease of use. We sort of did it before,

but now we make it practical for a lot of people, and it's very

nice.

Then we've got a big version of the Sequel server

coming called Uconn. And what that does is -- there are two

fundamental ways to think about it. First, put XML to the core of

what we have in the data base, so it makes it much easier to store

and manipulate XML. And second is that we put .Net, the .Net

framework and CLR that are coming in Primetime inside Sequel so

that you don't have to -- you can program in any language you like

that's a CLR-based language inside of Sequel. So to store the

procedures now it can be EB, and you will get performance and

execution, unlike today. Or you could do C-Sharp or, you know, you

could do Java, whatever you like, and store procedures inside the

data base.

And then the future, at least from the platforms

area, the next wave is something called Longhorn. And Longhorn is

a whole new generation that has some fundamentals of a new storage

system, which is much richer than what we have today. And the

client thinks about it as a data-basing/file systems integrated

together. So it actually would be a storage system on the client's

server. You can do dynamic indexing. And the whole idea of having

to force folders where you create the folders, the system can do the folders for you dynamically on the fly based on properties. Conceptually, you can think of the folder or that particular grouping as just a property in the new world. So you could do a new folder based on date, so the system could automatically cluster based on when you wrote this particular document or when you put it on the system. So you could just collect them that way. This is true on the server as well. It's an automatic dynamic indexing out there.

New graphics on the client side. 3-D -- most every machine has 3-D today, but no aps to use it. OS doesn't really give you the deep support that you need. And we'll add 3-D graphics through managed interfaces so that you can do these folders I just talked about. Imagine, you can do 3-deminsional presentations of these clusters so you can see nice shading going on in the background. And also digital media is being further integrated in. And it -- we think digital media is going to be key for businesses as we move ahead. Delivery of words, numbers, sights and sounds. So whether it be in the dentist's office where they're actually taking not only digital photos but digital movies, and you're being able to categorize that, being able to watch progressions of jaws or whatever. And we're trying to build that foundation into the system.

There's a bunch of new networking that we've put in. Be network peer to peer. Nice collaborative, simple meeting. Suppose you don't have any servers, just walk into the room and everybody opens their laptops, have synchronized power points happening. They can share things, et cetera. So I'm going to stop there, and I'm going to turn around and start asking questions.

What can we do -- what's the number one problem with Microsoft that you have?

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MR. MARTIN: Security.

MR. ALLCHIN: Okay. Tell me about it.

MR. MARTIN: Just last week we were attacked from China. They were attempting to do a buffer overflow with closed Messenger -- Messenger server. And we were getting -- we could just watch their attack progress. And because we have international customers who do business in China, we can't block off all of China. And we traced the attacks back to where it came from inside China. Actually, it was in China Telco. And their, quote, unquote, abuse e-mail just bounces the e-mails back to you, so there's no way to report any abuse to them. And nobody can seem to do anything. And, I mean, I had to spend a day tracing back where all these attacks were coming from, you know, monitoring -- luckily we had everything patched up so that the servers were hard net, they couldn't do anything. But you could just see their Messenger windows pop up as they were just trying to buffer overflow it. And you see each screen and they would just add more data and just keep trying to eventually get it to where it would break. But luckily Messenger was a-okay, so it didn't do anything to the servers. But, you know, I would like to see something more within the servers themselves of intruder detection, you know, making it a lot easier for us to say, oh, hey, you know what -- I mean, the only thing I can think of that makes sense is possibly a feature off of ISA server where you could assign a property list of IP addresses to a service. Or you can say, hey, you know what, this service should only be available to machines in my local subnet. And that way Messenger -- because we had to turn it off just to stop them from constantly -- I mean, we could have blocked their IP, but, like I said, the problem is, as soon as you block one IP they just turn around and just hop on another one, and another one --

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MR. ALLCHIN: I understand.

MR. MARTIN: -- and another one.

MR. ALLCHIN: Where is their sites of attack that you might expect --

MR. MARTIN: Actually, from France Telco and from China. And like I said, there's nothing we can do to -- every time we try to -- we got the FBI involved, but our hands are tied --

MR. ALLCHIN: We've been there.

MR. MARTIN: I'm sure you guys are experiencing the same thing.

MR. ALLCHIN: And there's no one home when you go to call.

MR. MARTIN: Yeah.

MR. ALLCHIN: And the FBI, although they will do certain things, it's a hard problem.

Well, I didn't mention it, but we're on a path to, if I could use the term, just get back to the basics. So over a period of years I hope that you've seen Microsoft improving their reliability, improving in scaleability. We made a commitment on security and we are -- we are woodshedding on security right now. And what you will see is that Windows .Net server is -- this is a journey first, but in terms of big jump up, you know, Windows .Net server is a huge step up in terms of this. We retrained basically an entire platforms team. Just in Windows alone, probably 5,000 people. We retained all those, spent two months sort of backing up, retaining, doing threat modeling and walking through the system. And we improved -- some of those changes went back to SP1 for Windows XP, and in terms of the Windows .Net server it got tons of that review implemented in terms of it.

We're feeling pretty good. We also created the

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security business unit, which is focused on exactly the type things you mentioned --

MR. MARTIN: I go to Microsoft.com, forward slash, security and I've gone there and --

MR. ALLCHIN: There's not going to be anything about what -- that new group because they're -- they're too new. And they don't -- they owned ISA, the Internet Security and Acceleration products, but in terms of their work on intrusion, we have some really good ideas. Today this antivirus approach is not -- may not be the right solution, so we think we can do some work in behavioral analysis that could do a set of rules that you could apply that don't have to be updated. So you wouldn't have this constant stream of, "Oh, the next thing is found, do I have the right antivirus, you know, vector on my machine?" Suppose that you could apply a more intelligent solution that's watching for certain sequences --

MR. MARTIN: A pattern.

MR. ALLCHIN: A pattern that we know someone should think about before they allow. And so we're investigating that. But it's all about intrusion detection. I wouldn't say detection; I would say intrusion prevention.

MR. MARTIN: Prevention, yeah.

MR. ALLCHIN: So that's the path that we're on regarding that. Okay. So I heard that. Security. What else? Someone else?

MR. FLEET: Well, I've heard security too from my clients as well. Security, thrustworthiness, privacy of information. Those are key issues for them. Last week I was at a seminar and I was speaking -- I was talking with a gentleman from Cisco who mentioned to me that recently there was an attack in Japan on their 911 system through the cell phones, through wireless

devices. That a virus had actually infected wireless devices; in turn, all at the same time they called 911 in Japan. And so security's becoming much, much more important, not just on operating systems and on applications, you know, desk tops, but also now on wireless devices as well. And I think that that's something that our customers ask about. We're working with Microsoft technology. Of course, all the heat, press lately about Microsoft and the security packages --

MR. ALLCHIN: Let me push on this just a minute. We said that we were going to get focused on this trustworthiness. And what that meant was more transparency. Anytime that we found something we were going to publish it. We're now getting abuse -- I mean, it's not like Linux or Solaris or -- you pick your system. It doesn't have as many -- in many cases more than we do; it's just that we're coming out and we're being very proactive about it. Is that a mistake on our part? I think it's the right thing to do with the customer, so --

MR. MARTIN: Well, I agree with you it's the right thing to do. And I'll tell you, the one thing I've found so funny lately is that bug inside of SSL on Linux has so devastated so many customers just around the country. And all of a sudden everybody's looking at that going, "Microsoft doesn't have that problem, do they?" And all of a sudden now everybody's like, "Oh, you know what, I don't think I want to really consider Linux anymore. I think I would rather look at what Microsoft's fixing to come out with." And I've really gotten that feedback from customers.

MR. ALLCHIN: Okay. We -- we took the strategy, and I directed it, that, you know, we're going to keep coming out -- if we find it, we're going to protect the customers, even if we continue to get whacked by the press, because I think it's the right thing to do, and long term the right things will happen. But

certainly we have taken a lot of abuse over it.

What will happen is -- when we made this, we knew that the number of fixes were going to go up because we were going to spend more time looking and taking other people's input about what things they have found. But with Windows .Net server we think the numbers will drop when we get that deployed. And fortunately, deployment of Windows .Net services -- you may make some money deploying it because it's going to be harder to deploy because we locked it down more. And so there are aps that are going to break or that will need to have their parameters changed because we closed a set of things down that we probably should have closed before. So once it's installed, you know, the number of bulletins that we'll produce will be much less. We -- for example, we -- we had tools that detected the possibilities for buffer overrides before. And via mistake, the UP&P thing, which was the one that really blew our minds, me personally, got through. What we then did in Windows .Net server -- that was Windows XP. What we did in Windows .Net server is we changed the compiler so that the -- every time that you dynamically allocate out of the stack we actually put a signature and the compiler code checks that signature that's been changed. We recompiled the entire system with this. So any buffer overrun on Windows .Net server will in fact fall, either the -- if it actually -- if -- if it's been a coding mistake and they've actually been able to overwrite that field, then that ap program will fail or the OF will fail, which is much better, in our view, than have the potential attack that you don't know about. We think we've got them all. But this is an additional level of protection just in case, which -- okay. So we're -- we're on that one. What else?

MR. RATAJCZAK: My primary focus is the SMB market.

MR. ALLCHIN: Yes.

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MR. RATAJCZAK: Mostly the S.

MR. ALLCHIN: Yes.

MR. RATAJCZAK: And the stuff that you're talking about, security and which operating system. You know, the people that we service are -- you know, that's all AA to them --

MR. ALLCHIN: Yeah, I know that.

MR. RATAJCZAK: -- because you just talk to me. Call Quinn, he'll tell us what to do.

The biggest problem I have in that market, which would be helpful, and I don't know if this is possible, but, you know, I think when you're talking about SMB, they need to be educated, because I have to educate them that when you buy an operating system or if you go to Dell to get a computer, that's not the end of the cost. And I'm the one that has to educate them, and it's a -- it's a delicate process. Because when -- at the end of the year when they start totaling up their expenses for computer stuff and I'm more than --

MR. MARTIN: Than the hardware costs.

MR. RATAJCZAK: I'm more than that, then they're surprised, you know, and I think there's an education process.

At the SMB market, mostly the S, you know, when Microsoft comes out or people come out with security issues and Linux penetration, they have -- you know, they don't -- they remember that about 30 seconds and then they go on. But they do obviously know that it costs money to keep -- keep it going, get the updates and all that kind of stuff. And that's probably the hardest thing I've run into.

MR. VINOKUR: Since I delve in the same area -- I've been in the mid-sized market. I've sort of stepped down a little bit to the small to mid-sized --

(Interruption by the reporter.)

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MR. VINOKUR: I delve in this same market -- same market space. I was -- we were primarily in the mid-sized market, anywhere from 25 to maybe 200 users. We've found that that area tends to be sometimes not as reliable as the smaller businesses, which we consider anything from 5 to say 75 users.

The biggest problem for me -- for us has been not so much training them and teaching them as saying that cost of consulting or the cost of labor is much higher than the hardware or the software. That you say almost as soon as we meet someone. As soon as you sit down with a client and have the first meeting, the first thing that you tell them is you -- the first thing you need to realize is that the extra $200.00 you're going to spend for the faster, better computer -- better quality computer is going to pay for itself at the end of the year when you see the labor costs. Because that's going to be by far the highest cost. The initial acquisition mode of, you know, $500.00 for Office Suite, a thousand dollars for the computer, and then you have an industry specialty application that's even more expensive than that. So by the time you add up all of the above, that cost is about 35 percent of the total cost. The rest is labor. Someone has to install it and set it up. The biggest issues for the SMB market has been -- and I think the approach that we've taken is the very basic one that works, anything from one user to 10,000, needs, product slash services and price.

What we have found is the pricing structure for not taking the income generation management of the company -- not taking consideration of the gross revenues of the company, anything under 20 users is very hard to swallow to buy a $1,200.00 server or at that point $2,000.00 NT server, or 2000 server .Net. And then you're talking about $200.00 for Windows XP or 2000 Professional. Because Windows 98 you really shouldn't be in the business market,

but you still find it, primarily because of the price.

MR. ALLCHIN: The price of -- the fact that it's already there? No one should be -- in fact, it's probably hard to actually find Windows 9x to install now.

MR. MARTIN: True. To install, but it's prolific everywhere in the small business --

MR. ALLCHIN: Let's talk about that. You guys, I assume you've all played with Windows XP. I happen to think it's wonderful. I think most people who have seen it --

MR. MARTIN: It's wonderful.

MR. ALLCHIN: Okay. What do we have to do to get these companies -- do they want to continue rebooting their machines? I mean, you guys can do remote assistance, visit them, help them, I mean --

MR. VINOKUR: Well, here's -- sorry, here's -- I got this last week from one of my smaller clients. They have -- I have fought with them for a year to move them to a 2000 Pro platform. They finally -- we finally moved them before the summer. The gentleman was either at CompUSA or Microsoft -- one of the bigger computer stores. He was looking -- I mentioned to him that the Windows XP Pro should be the next stage we go to for the machines that are prior to the Windows 2000 Professionals. He got a stage fright when he saw the prices. $300.00 for an operating system, $200.00 for an upgrade. I'm not delving on that. But when you have six, seven, computers and you're --

MR. ALLCHIN: Because that's the wrong price. To go from a Windows 2000 Pro to Windows XP --

MR. MARTIN: No, no, he's saying from 98 to XP.

MR. ALLCHIN: I see.

MR. VINOKUR: And even from 2000 Pro to XP Pro, it's still about $200.00.

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MR. MARTIN: No, it's 89 bucks.

MR. VINOKUR: Oh, really? We haven't done the
upgrades. But essentially that's the initial stage fright. So I
think there's a whole issue that has not been brought out, as you
said, teaching the -- the small business --

MR. ALLCHIN: That there's a return.

MR. VINOKUR: -- that there is an upgrade path that
is not as expensive as you might think.

MR. MARTIN: It's worse than that -- in other words,
they don't see the value for the higher price.

MR. VINOKUR: And part of the issue is the retail
market, because all they sell is brand new product, so when
somebody walks into the store they see $300.00 Windows XP Pro.

MR. WATTS: And that's another thing too, because the
OEM side -- dealing with OEM's, you get into it. And the hard
part is you get Dell or some of them, they're paying 16 bucks, 25
bucks for an operating system.

MR. ALLCHIN: They're not. Trust me.

MR. WATTS: Okay. I don't know what they're paying,
but 50, 60 bucks. They're paying a lot less than we are.

MR. ALLCHIN: In a system builder that's true, but
don't think they're getting those kinds of prices. That's not
happening.

MR. MARTIN: No, that's not happening.

MR. ALLCHIN: I tracked it, you know, very very
carefully.

MR. WATTS: Okay. We had one of the Microsoft guys
-- or licensing told us that that's what they're getting is the 50,
60 bucks.

MR. MARTIN: That's part of the total bundle that
they have to be purchasing.

MR. WATTS: Oh, I understand. We used to do it. I mean, I still have 600 licenses not used for DOS whatever it was 3.0. If you want, I will sell it back to you. You know, we bought like 10,000 or 20,000, whatever it was. But -- I understand that, but it's hard because what happens in a lot of these businesses -- they're talking about small business; it's not the big companies that are giving the service. Hey, look, they have no idea -- they still think -- okay, let's go law enforcement. Here's what you would be surprised in a police station; they're still running on 286's out there. You would think it would be different, but guess what, it ain't.

MR. RATAJCZAK: But that's a standard problem of any technology. A lot of the vendors or machines in factory floors or whatever --

MR. WATTS: Exactly.

MR. RATAJCZAK: -- that's a standard problem.

MR. VINOKUR: They have a 386 running WordPerfect to write forms --

MR. MARTIN: Oh, yeah. I've got some of those too.

MR. VINOKUR: One or two machines now. Others they have Windows XP, they have Windows 2000 Professional, I mean, they have the whole gamut. But they have one machine that's Word Perfect that hasn't crashed in 10 years.

MR. MARTIN: And they won't change it for anything.

MR. VINOKUR: And they will not -- it doesn't matter. This is an office manager -- not to gripe, but this is an office manager. She has a Windows 2000 Professional box. But when she wants to print something that she knows what it's going to print like, she goes to that DOS box. It's the most -- they want to see those codes. Oh, that's the other one. Microsoft Word. Beautiful product. But they want to see the codes. And you do the

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reveal code things and all you see is tabs and spaces and whatever. And the legal world will not walk away from Word Perfect. And it's not the attorneys. The attorneys are using Microsoft Word and the assistants and --

MR. ALLCHIN: Paralegals.

MR. VINOKUR: -- supporting personnel is WordPerfect. And you can -- they will leave the job before they will switch.

MR. RATAJCZAK: Go to the next customer and call --

MR. ALLCHIN: What do you guys -- when you go in to try to sell a Windows XP system, what is the number one sales tactic? What do you tell them? You may have --

MR. MARTIN: It's more reliable.

MR. VINOKUR: You start with, how many crashes do you have a day. And then you sell. Then it's -- how much does it cost you? How many employees do you have? It all comes back to the simple formula I mentioned earlier. Needs, product and price. And that once you show them the costs, then -- and the benefits, then usually it's okay. It's not as hard. It's just that initial shock of, "My God, $300.00 just for an operating system."

MR. MARTIN: Yeah, because they're used to the old less than a 100 bucks for the OS.

MR. VINOKUR: Right. There's still that nostalgia, or -- I am not sure, but it's -- it's that -- that feeling of, "Wait, I'm paying you how much by the hour, then I got -- oh, my God." And the computer -- where before the computer was $3,000 or 2,000, now the computer is 500 bucks, for God sakes.

MR. MARTIN: Yeah.

MR. VINOKUR: So there's a whole -- whole -- there's a whole teaching aspect. And more and more in the last three years we have seen how Microsoft is really trying hard to get

in the small to mid-sized businesses and be marketed. And it's going to take a little more teaching.

MR. O'NEILL: One of the things that surprised us, and I'm curious from this group to see this, is concerns about driver support with XP, especially with some the older Legacy standards --

MR. MARTIN: Not just drivers, applications.

MR. WATTS: Yeah.

MR. MARTIN: I mean, take schools. I'll give you private schools, Catholic schools. We support several. And their biggest concern has always been, well, can -- can the new OS run my old, you know, McAfee pattern. And XP does a great job of it --

MR. ALLCHIN: XP is far more compatible.

MR. MARTIN: Absolutely. You can go in and set the -- it's amazing.

MR. ALLCHIN: Exactly.

MR. WATTS: A lot of that's from the culture shock from the 2000 when they tried to --

MR. MARTIN: But that was the key -- that was what the whole put-off was, Workstation and 2000, they're just like, "It won't run it, I'm not going to look at anything, but 98."

MR. ALLCHIN: Is there more communication we need to do about that?

MR. MARTIN: I think so. I think -- I don't think that the consumers as themselves have any idea of the flexibility or the backwards compatibility of XP.

MR. ALLCHIN: Okay.

MR. VINOKUR: What they see is the bells and whistles. And I would probably venture to say that 80 percent of SMB market really has no use for bells and whistles.

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MR. MARTIN: That's true.

MR. WATTS: Not really.   I get the exact opposite. Most of my sales, I'll get anything from the schools that are coming -- some of the kids like the bells and whistles to the guys that are engineering -- engineering and manufacturing that are going -- I'm probably getting them to go from slide rules to a computer because it's actually a tool that's easier for them to learn.   The big part, again, on that is -- a lot of it is the -- getting them into -- actually getting into the learning curve. Because once you start in -- that first part is always slow.   No matter what you're going into, any field, anywhere in the world, anything, you're slow at first, then it comes up.   And it's starting to be now with XP that it's the little bells and whistles that's starting them.   I got one engineer that's -- he has all 10 pages of logarithms memorized.   You know, that kind of stuff, that he doesn't need computers or anything else.   But when he could take his digital camera and he hooked it up without knowing what in the world he was doing, plugged it in and XP picked it up, and brought down the pictures that he needed to send around the other side of the world on something breaking down on one of the machineries.   I just gave him the camera, and he did it.   He was like, "Hey, I like this."   He quit using the other stuff now, and he started -- now he's wanting XP just because of the bells and whistles.

Now, there's another side too on that too at some point we can get into.   Medical -- one of my specialties is child development learning disabilities.   And that's another I want to mention at one point, that for the -- what is it, Texas speech and your voice recognition stuff that could be -- there's a lot of things that can be done in -- like special learning disabilities which, you know, schools especially, that can be integrated that -- well, it can be dyslexic too.   Anyhow.   But there's a lot

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things   -- that can be an excellent teaching tool that you got

that's just sitting there and that even   -- I work with like the

grandfather of dyslexic, Dr. Richard Swayze, here in Dallas. Some

of the top learning disabilities are right here in Dallas. And

there's things that could be done there that actually we found to

do for learning disabilities   -- and I'm switching guns here a bit,

but you've already got it there. It's just a matter of

implementing it. And it's a trigger of the -- back on the

subject, it is the bells and whistles, like the digital clock,

things like that, that is sending up the XP. And it's like, "Well,

you know, if I could do that that easy, how hard is this that I

have been putting off?" It's just a weird thing.

MR. ALLCHIN: When you say --

MR. VINOKUR: It's a question of market. It's a

question of which industry you're in.

MR. MARTIN: It's more along the lines of the level

of education --

MR. WATTS: Yes.

MR. MARTIN: -- and sophistication of the customer.

It's not so much the market as it is the customer.

MR. ALLCHIN: So we're going to go on a campaign here

where we're going to spend a lot of dollars talking about the

scenarios that are enabled with Windows XP. We are probably going

to be romancing, you know, the things that you may already -- that

people may already know about, what you can do in media. And that

may or may not be exciting, depending upon the business, but what

you can do in media. We're going to talk about what you can do in

-- with -- with the Windows Messenger. The fact you can do voice

calls and video calls and ap sharing. We're going to do examples

of that stuff.

MR. MARTIN: It's just that, you know, I get

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customers all the time who are constantly saying, I would love to be able to do this, but I can't figure it out. Looks so easy to do; but then when they try to do it, it doesn't work.

MR. WATTS: A lot of stuff they got like the Word 2.0, some of that stuff. A lot of time there was a little tutorial that you don't see as much any more. That's what it sounds like what you're talking about.

MR. ALLCHIN: Yeah. Imagine that they're screen captures that we put on DVD's that we're just going to drop from airplanes as well as from the Web site so that people can actually --

MR. VINOKUR: If you can do an AOL job, I mean, that would -- that -- the first thing that --

MR. ALLCHIN: It wouldn't be the actual Windows XP.

MR. VINOKUR: Just exactly what I'm saying. Every time I see an AOL CD the first thing that comes to my mind is Microsoft should have done this five years ago.

MR. ALLCHIN: Okay. So our whole idea would be on the Web site to show screen cams of this is how you would actually do a Windows Messenger voice call. This is how you would do remote assistance.

MR. MARTIN: Little tutorials --

MR. ALLCHIN: Little tutorials, but more in terms of visual presentation instead of white papers which nobody has time to --

MR. MARTIN: Yeah, you hand a piece of paper to a customer, they don't want to read it --

MR. WATTS: Well, that's another thing too people don't realize, is that people learn different ways. This comes in under learning disabilities or development.

67 percent of us actually pick up visually. And

about 38 percent of those have to rely on visual rather than text.

And most of the markets that you have working out -- especially

working in technical with that, a lot of them are in that category

of visual. A lot of them are pushed into it, because they're more

text-orientated, and the reason they're there is because

everything's in text. So what you're talking about there is you're

going to bring up a good chunk of the market that's going to start

looking -- actually looking at XP because of the capabilities that

you have.

MR. ALLCHIN: In terms of sort of the concrete

plumbing aspects, not the frills, what are the things you -- you

know, you asked them about the reliability of what they had. What

are the things that you think we should push on? Reliability,

security --

MR. VINOKUR: Compatibility.

MR. ALLCHIN: Compatibility?

MR. MARTIN: Compatibility.

MR. VINOKUR: Because the big risk -- who was it

that mentioned the 2000 Pro? I can't begin to tell you how many

-- it's like when we went -- when you guys went from DOS 6.0 to

6.21 or whatever it was and half the applications didn't work. It

was the same scenario. And when Windows XP Pro came out, it was so

hard to try to sell it because it was --

MR. MARTIN: They already had the stigma. The stigma

was already on it.

MR. VINOKUR: -- is it going to work?

MR. ALLCHIN: You want to say something?

MR. VINOKUR: Sorry.

MS. HUTCHISON: Okay. A couple of things.

There's such an explosion of so many new servers, so

many new Microsoft servers. And, you know, you know how long the

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list is and --

MR. ALLCHIN: Just a breakdown of the product line,
Sequel server, ISA server, you know --

MS. HUTCHISON: Biz Talk.

MR. ALLCHIN: Yeah, Biz Talk server.

MS. HUTCHISON: Commerce. Okay. I think that
businesses small or large, and I've been in both, need an orderly
migration plan. They need to -- they need to get the big picture
of moving diverse users into different operating systems rather
than everybody running out to CompUSA and picking up a copy of --
you know, if you have a company where there are no real system
policies and the users can just pretty much get what they want.
And then, oh my -- you know, it's just such a nightmare. And I
have a limited experience with -- with XML that I want to mention
and that is -- I can't believe I'm going to be talking about XML.
 Correct me if I'm wrong. But say you're in an application and
this is an operating system -- let's say it's Office for a moment
here. You -- you're in Excel. You want to publish a pivot table
as a Web page. Gee, it worked really great when we were running
Office 2000. Now we've got Office XP. Guess what, the only people
who can see this pivot table on a Web page are other XP users.

MR. ALLCHIN: Oh, I didn't know that.

MS. HUTCHISON: I can share some later that --

MR. VINOKUR: (Not audible) and if someone had to --
doesn't have it, they won't see it.

MR. MARTIN: There's a ton of issues with the fact
that backwards compatibility for -- you know, you design a Web
site or Web portal around, you know, the latest technology and 90
percent of the people out there can't see it.

MR. VINOKUR: It's just an empty site --

MR. MARTIN: Exactly. Or you get the -- a little

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red x.

MR. VINOKUR: If -- in a proper use, i.e., if you have it selected to show you where the image is supposed to be, it will actually give you a little red --

MR. ALLCHIN: I understand. Fine. This is data for me I didn't know.

MS. HUTCHISON: And just another little piece of history about companies' migration plans. Windows 95 came out in what, '96? I was with a firm, Ernst & Young, 8,000 people. And it took them until almost the year 2000 to move to Windows 98. Because there are so many issues. And when you have strict technology policies in place for an enterprise and they say we support this software, this application, this operating system, if you go beyond it, if you want to be a maverick and go out and buy Microsoft's Front Page to run your Web site, guess what. The first time -- first time anything goes wrong, we're uninstalling it, you're on your own, you know. So -- but just the fact that it took that long for them to move to 98. I don't know what they're doing now, but that's just an example of a -- of an organization that manages and plans to deploy the applications as opposed to some of the others where everyone is just a big free-for-all.

MR. VINOKUR: I apologize. An example, for the last probably six, seven years I've been keeping an eye on Dell and Intel with Microsoft and just to see -- every so often I go back to look at some of the notes I may have made to see the -- the product line and the projections of where the companies are going. And I think Dell and Intel are doing a much better job than Microsoft in lining out the path with Intel. I mean, they go seven, eight years forward telling you what processor they're going to be at, what core is going to be at. You know, just go to their Web site and you can see that graph.

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Dell --

MR. MARTIN: Or on all their commercials you see --

MR. VINOKUR: They tell you exactly what they're going to do. Every so often they're six months off, two or three months. That's normal.

Dell, very, very basic. Intel comes out, we're going to have it in a month.

MR. ALLCHIN: Okay.

MR. WATTS: It is a little easier to do it with hardware than software.

MR. VINOKUR: That's for sure. But --

MR. ALLCHIN: I hear the road map message. I hear it.

MR. VINOKUR: I'm not so sure that you could see it with Microsoft.

MR. ALLCHIN: Okay.

MR. O'NEILL: We have about 15 minutes left. I want to make sure if there are other topics --

MR. ALLCHIN: I want to switch gears unless you have one last thing.

MR. VINOKUR: Well, one of the questions you had -- part of the question you had was Linux.

MR. ALLCHIN: Yeah, I'm about to get there.

MR. VINOKUR: I will let you lead.

MR. ALLCHIN: I want to know first your -- you guys are important partners for us so -- and you're out promoting our products.

We feel a huge threat from Linux. Maybe we shouldn't, which is a question you could answer from your perspective, but we're trying to -- you know, there's many characteristics of Linux. There's Linux the community. We're

going to learn from Linux the community. Incredible what they did.

You know, our shared source effort, people on our news groups, our

commitment to MVP's. We're on that one. We're going to woodshed,

woodshed. We're going to practice and practice and practice.

        MR. VINOKUR: I don't --

        MR. ALLCHIN: I don't know if you know what

"woodshed" means. If you grew up in the deep South -- "woodshed"

just means you're going to go to the back, you're going to practice

and you're going to get better --

        MR. VINOKUR: Oh, okay. Chopping up wood.

        MR. ALLCHIN: -- and improve. The second is GPL.

GPL is the licensing model. We think it's very bad for -- on an

education, telling the world why we think it's bad. We don't think

it's the same as public domain. Somebody wants to put in a free

DSB, we don't have a problem with that, at least on licensing. But

GPL, we think it's very bad basically for the world, but especially

for the United States.

        Third is the product and we're going to go compete

with Linux.

        So what I want to know is how, from your perspective,

are our products not matching up today; what should we, in your

opinion, be doing about it? It could range from, "Nothing. It's

not a problem. Don't worry about it," to, "Boy, you got a real

problem here and you'd better do X." So that's what I would like

to hear about.

        MR. MOHAMED: The key thing about Linux is the price.

That's what we get from the customers, it's free, for the initial

purchase, at least. You know, then where they see the price of

Windows. And they're able to do all of their basic functionality

with it. They're able to get to print servers, file servers. And

there's -- there's -- for a business that's cash strapped, you

know, especially the small business market, it just doesn't really

make sense to look at spending more money on Microsoft solutions

rather than -- you know, when you can get Linux for free,

basically.

MR. ALLCHIN: Don't you think -- just to push on

that a little bit. For the whole discussion that we just had about

that it's a fraction of the cost. And we know -- there's a study

going to come out from IDC that shows that Linux costs companies

more, but --

MR. MARTIN: But consumers aren't educated on that

--

MS. HUTCHISON: Education.

MR. MARTIN: Y'all know that --

MR. RATAJCZAK: Linux is like the ink jet printer.

They're cheap, but when you go to buy the cartridge --

MS. HUTCHISON: -- cartridge, it costs more.

MR. FLEET: Long term costs associated with Linux --

MR. WATTS: You know, the other thing too, as more

bells and whistles start coming out with the different things,

Linux is all right for the guy that can sit there and write

programs or work out -- set an IT. As you start getting more and

more complicated, the way we communicate and things we do, it's

going to get harder and harder to do that. That percentage of guys

that can do it is going to come down and they're going to get tired

of paying the additional costs, because these guys, unlike service

with Microsoft, is getting cheaper and cheaper because any smart

grade school kid can do it. Linux is going to be getting tougher

and tougher so that price is going to be going up on top of what it

is now.

MR. ALLCHIN: Why do you think it's going to get

tougher and tougher?

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MR. WATTS: Because as you start getting to where you're going to be writing more and more code to make Linux capable of doing what --

MR. ALLCHIN: I see.

MR. WATTS: -- down the road you guys are doing --

MR. ALLCHIN: I got you .

MR. VINOKUR: Can I argue now?

MR. ALLCHIN: I want to hear the counterview.

MR. VINOKUR: We've set up a few Linux boxes, primarily -- I'm sorry, what's your name?

MR. MOHAMED: Shazad.

MR. VINOKUR: Shazad, sorry, has mentioned. SND markets just want file and print sharing. The rest --

MR. MARTIN: That's true.

MR. VINOKUR: What do they run on the servers? Nothing. File and print sharing. The file structure -- because if you're trying to do 10 people on the network on Windows 95, 98, thank God you came out with 2000 Pro. But if you try to share folders on 95 and 98, my God, you would have -- I mean, I had a few clients where I had to camp out there. I had my own office there.

MR. ALLCHIN: Yeah, yeah.

MR. VINOKUR: So with Linux when it came out, I can take a -- I had one customer, just to show them what we can do, because he was trying to save money, really trying to save money. We took a 486 DX266 with -- I don't remember how much memory, 64 -- I don't remember, I really don't. I think he needed like 5 megs worth, because it's primarily XML documents, Word documents. He was happy. 100 bucks later and maybe 6 hours of my time and the computer that he had sitting holding a door open.

So there's -- there's that -- and I have more and

more clients asking me about it. Two or three years ago nobody

would ask me. Now they're asking me. Now one of the clients who

has two of those machines is asking me about work stations.

Because all we do is documents and spread sheets. Star Office just

came out -- I mean Sun just came out with Star Office 6.0. I hate

to say it, but for the money -- the $67.00, it's incredible. Mac,

Apple -- I mean, Apple, Windows and Linux and Solaris.

I mean, it's -- so it's -- it's -- it's that

competitive side. So is Linux going to be harder? I disagree with

you. There are so many tools out today that are also getting to

be -- because the real reason why Microsoft is easier is because

you have utilities that are graphics. Click, click, click you're

done. Same thing with Linux. Is it something to worry about? I

believe so. The biggest -- the way I have always -- the reason I

came back to the smaller market is because those 5 to 10 user

companies will grow. If you help them, they will grow. And that's

a huge market out there that Microsoft just can't seem to step in.

 Desktop, okay, because a lot of it was not possible to get

anything other than. Today, Dell, IBM, HP, they're all selling

other than Microsoft OS. So you can order a Redhead on the regular

desktop and save 150 bucks or whatever the difference is. So it

is -- it is going to be harder. And the tools that are coming

out, and then the Linux community is learning from Microsoft. We

need tools, we need to make it easy. The idea is the more techies

out there that can support us, the more Linux is going to be in the

market.

So -- now coming back to Microsoft. The top net

servers that we -- the downloader holds about 150 megahertz, made

a CD and set it up -- and the roll idea is very interesting, the

fact that POP-3 server is built in is very cool. Because I

remember in the 2000 server we did not have the Messenger server.

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That was missing. The POP and all that --

    MR. MARTIN: Yeah.

    MR. VINOKUR: It's beautiful that you brought it back. I mean, this is one of the main things for small -- this is perfect.

    Now, the only thing is, go back to the price structure, you have to address the price structure for the small companies that can't afford the $1,000.00 cost.

    MR. ALLCHIN: How many of you install the small business server? If -- if --

    MR. VINOKUR: You don't need the entire package of small business --

    MR. MARTIN: That's true.

    MR. ALLCHIN: We're in the middle of changing what we plan to do with the small business server. Imagine that it stays as it is today, but there's a baby small business server. That baby small business server is, instead of the island, will become the first server that you install. And you can sell additional servers, regular servers after you sell the first one. And this first server is, of course, a lot less money than what the bigger SVS server is. And it would have less functionality. For example, the Sequel server wouldn't be there, so we could drop the price on that thing. And the price would be dramatically less. Targeted to be able to offer a small business, this is your first server, cheaper price. It is not free. We'll never meet free. What do you think about that?

    MR. VINOKUR: Will never be free? There's a --

    MR. ALLCHIN: Imagine it as half the price --

    MR. VINOKUR: There's an old Russian saying that if something's free don't take it. It's going to bite you later. I think it's just human nature that people want to pay for something,

because then they feel like they're getting something. If it's

free they're expecting something. There's a certain negative --

negativity there. But the primary -- we mentioned before, primary

issues are sharing folders or sharing the storage space and print

services.

MR. ALLCHIN: Well, in this new SVS there would be

share point in V-2. So the share point is coming out next year.

The share point that exists today is prehistoric compared to the

share point that we're going to come out with second quarter of

next year. And that will be in this small business server.

MR. VINOKUR: Just to get an idea, what's the price

range, about?

MR. ALLCHIN: Say half what it is today. 750. Say

750.

MR. RATAJCZAK: Can we put a second domain on the

SVS? Allow for a second domain on SVS?

MR. ALLCHIN: Can you put a second domain there?

MR. RATAJCZAK: SVS you can --

MR. ALLCHIN: I understand -- you don't mean put

another domain on the net.

MR. RATAJCZAK: Allow for one.

MR. ALLCHIN: Do you mean two SVS's on the same

network or not? I'm trying to understand --

MR. RATAJCZAK: Run SVS, just big difference -- a

big something loose with SVS --

MS. FREED: Running two domain controllers on one

box.

MR. RATAJCZAK: Exactly. Because that's what you

loose with SVS when you only have one domain, which is normally not

a problem, but I would like --

MR. ALLCHIN: When I said make it your first server,

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the whole concept would be to be able to make it really your first server. So you could grow. Today there's a cliff that we see with businesses when they start with SVS. There's a huge cliff you can't get up to the next level. So we're trying to take and say, you get the full meal, but you start really small and then you can add to it. So are there some limitations? Yes. But the concept would be that you could grow up, so -- I can't remember the specific feature, but I think you can in fact put multiple --

MS. FREED: I don't know from the first server whether you can or not.

MR. ALLCHIN: I don't know.

MR. VINOKUR: So you're saying you can go from the SVS to .Net standard or there's that migration --

MR. MARTIN: That was my other --

MR. VINOKUR: That was my other point with the SVS.

MR. ALLCHIN: The whole idea would be, it would be your first server, so it's really part of the whole line. Instead of bringing in a separate thing, it would be part of the whole line.

MR. VINOKUR: Separate.

MR. ALLCHIN: It would be part of the whole line. Let me --

MR. RATAJCZAK: The cost of SVS is not $1,500.00. It's like 6,000 or whatever it is.

MR. VINOKUR: 4,500 or so.

MR. RATAJCZAK: Not the price tag for the box or the package, but you've got to do the service and the maintenance and all that kind of stuff.

MR. ALLCHIN: Let me ask you another question.

When you install these boxes of Linux for customers, do they even think about any of the licenses? Do they worry about

the issue that there's indemnification --

MR. VINOKUR: That's the first thing -- the first
thing they ask is, what about this licensing on Microsoft? No,
there's no licensing.

MR. ALLCHIN: But do they -- but there is licensing.

MR. VINOKUR: There is, but --

MR. ALLCHIN: And there's going to be a patent
lawsuit on Linux. It's bound to happen. I'm just asking -- it's
not -- and the patent lawsuit won't really be about the license.
It will be simply, "Hey, these guys took intellectual property."
And whether the lawsuit comes from Wind River or in X, Y, Z,
there's going to be one. Guaranteed. As I sit here today, I will
guarantee you at some point there's going to be a challenge about
the patents. Not about the license per se.

MR. MARTIN: Class action lawsuit.

MR. WATTS: The ones we deal with, as I said, most of
those right now are a lot of the law enforcement, and lot of those
guys have -- of course, they think they're impregnable even with
the Microsoft license. They have a hard enough time with that one.
Someone gets XP and they all want to put it on. Guys, you don't
do that. But as for that part, they think --

MR. ALLCHIN: Not just -- no one's thinking about
it. They think there is no license.

MR. WATTS: Yeah.

MR. VINOKUR: Well, no, you're talking about, you
know, how it's freely available. You buy one box from Redhead and
then you go put it on a hundred if you want. And they say it
themselves, Redhead says it, Suse says it, you know. It's the
support that they want from you. Or if you need the support
because you have questions, then you call them --

MR. ALLCHIN: The point that I'm trying to

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understand, that there's -- there's indemnification that is being passed on when you buy products from Microsoft. You don't get that. And eventually, you know, in the litigious society that we live in, something is going to happen.

MR. VINOKUR: The answer has been -- or the feeling that comes from the conversations is that --

MR. MARTIN: It won't affect me.

MR. ALLCHIN: Everybody's doing it.

MR. MARTIN: Right.

MR. VINOKUR: -- how does it affect me right now? Is it going to come? Okay. If it comes I will deal with it then. When is it going to come? Oh, you don't know? There's nothing in the news? You don't -- you didn't hear -- okay. So when it comes, we'll deal with it.

MR. ALLCHIN: Okay. Fine.

MR. VINOKUR: But today I don't have to spend the thousand bucks.

MR. ALLCHIN: So have you guys seen the features or seen any demonstrations of the share point --

MR. VINOKUR: The one existing or the --

MR. ALLCHIN: Okay. So I -- it's not fair to ask you whether you think that's going to really impact this -- you say all they want to do is file and print sharing. Well, what you can do in sharing of files in share point is pretty impressive when you move to V-2. So the question is, you know, you can set up these projects very, very simply.

MR. VINOKUR: Can I be argumentative again?

MR. ALLCHIN: What?

MR. VINOKUR: Can I be argumentative again?

MR. ALLCHIN: Absolutely. Please, that's --

MR. VINOKUR: Office 97. Can it share to share

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point -- the new version, can you do the same functions with Office 37?

MR. ALLCHIN: So you're questioning on the client side what do you have to have installed there?

MR. VINOKUR: Right. Exactly. Because now you're going back to that original -- to that -- back to the concept, what do I have to have on each computer before we can use this technology. I think you mentioned that --

MR. ALLCHIN: Okay.

MR. VINOKUR: You still run into the same thing --

MR. ALLCHIN: Suppose you could.

MR. VINOKUR: Suppose you could. Then it helps --

MR. MARTIN: It would be a no-brainer.

MR. VINOKUR: At 750 bucks, it's easy.

MR. WATTS: I mean, a lot of your stuff -- I mean, to tell you the truth, if you call my private office at home my voice mail's on 311 because it's the only thing that doesn't crash. Unless I get a power outage that outlasts my battery backup, it ain't going down. My -- my virtual cache, the file's totally wiped out on it. Haven't had time to fix it. That was four years ago. I still haven't messed with it. So, I mean, it's like the 3- -- you got 311 that's beating out everything else, you know, and it's all 486. My fan quit a year and a half ago on the CPU and it's still running. Still running.

MR. ALLCHIN: There are a lot of nice facilities. The share point stuff has really taken off. It's like Microsoft. You start a new project, you start anything, create a share point site and you can start to share the documents. And then today it's not very integrated, but in V-2 it drops down where it's much more integrated.

MR. MARTIN: But it still comes back to the issue of

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educating the customer --

MR. WATTS: That's it. Yeah, mini tutorial, things like that. Our software does the same thing since 1982, where I see your share point. I keep thinking that's where you already are because I see ours. And then I see when they're demonstrating it now by going out -- I know you guys are going to get it shortly down the way, because --

MR. VINOKUR: That's where it's going. We still have a client or two clients that have NT-351, believe it or, and NT-4 obviously. But all they're using it for is file sharing and print service.

MR. MARTIN: See, I think that's where Microsoft missed the boat on the biggest issue is that customers look at it and say, "Wow, these features are great, but you know what, 90 percent of it I don't need. I just need simple little 10 percent that, one, A, isn't going to have a service guy coming out and fixing it; B, isn't going to cost me a lot of money for licenses; C, is reliable. It's -- does it -- once you set it up and it runs by itself, nobody has to touch it.

MR. VINOKUR: One more. Small Business Office you can only get it OEM. Clients should be able -- a business should be able -- that's just a suggestion, should be able to go and buy a $200.00 Microsoft Office product that has Word, Excel and Outlook.

MR. WATTS: As an OEM, I like it like that but --

MR. VINOKUR: Well, you know there is -- I have a mortgage company as a client, an accounting firm as a client. They don't care about it.

And do you know how many calls I get about "I don't know what's happened. I opened up my Word and it's just typing." And you sit there and scratch your head, well -- because it's on

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the phone. You come out there and you look at it and you realize
that they somehow clicked on that microphone to turn on.

MR. WATTS: See, I like the microphone, because --

MR. VINOKUR: The features are great. We're not
saying that. But it's -- you know how many calls I had probably
in the first three months with the eye thing in Office XP?

MR. MARTIN: You know what would be nice? If that
was turned off by default.

MR. VINOKUR: By default. And not be put somewhere
on the task bar.

MR. ALLCHIN: Yeah, yeah, yeah.

MR. WATTS: Actually, there's a good tutorial for how
those turn on and turn off and what you can do with them. And
could we have another voice, please?

MS. FREED: How important is the multiple demand on
line?

MR. RATAJCZAK: Probably less important than turning
off the Java skips that I have to -- I can't just do a button to
turn that off and on. Just an example of something else I would
like to see.

MR. VINOKUR: You will find -- you will find there
are some small businesses that will have multiple businesses
running from the same office.

MR. RATAJCZAK: That's the reason, yeah.

MR. VINOKUR: And they want to actually separate the
two businesses.

MR. MARTIN: But they don't really exist as two
separate entities.

MR. VINOKUR: Right. It's not a question of the
corporate, per se, structure or the official structure. It's how
they run the business.

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MR. WATTS: Well, it's the accounting and -- part

two, tax reasons. You can't be using money from one company

legally in another company.

MR. VINOKUR: Right. Well, on the technical side

it's really about separation of the two functions.

MR. WATTS: Technical, financial, all that really.

The other thing is too, small businesses, we go to everything like

government, large ones clear down to five people and up. And it's

the small ones that might be 5 to 50 that next year can be double

or triple. You're not going to take a 5,000 employee business and

make it 10,000 very easy unless you're, you know, McDonnell

Douglas, and you get a $100 billion contract and you've got to

start booting up. So the small ones -- if you're looking for

growth and things, the smaller -- the smaller ones and smaller

mediums are the ones that are going to grow the quickest anyhow.

But they're also the ones that need the most information in

whatever part it is as to what they have. Then like I said, they

like -- you know, they did the file servers and everything --

just like the ones I saw. The guy didn't even -- he had four

computers sitting there from 486's on up to P-IV's and never used

it until he accidently went ahead -- I told him -- he called me

up about -- he needed to send some pictures. Plug it in -- turn

your P-IV on, plug it in, stick your camera data in -- so he took

out a package, didn't read anything, like they normally do, plugged

it in, and got the pictures and sent -- he's like -- the -- how

-- he thinks -- goes like this. And then he's like, now, I don't

have a problem with going to the new stuff at Microsoft. Is there

anything newer that I can order? How long is this going to be new?

And then because it -- in -- again it -- it's two part. They

have to get exposed to it. Once they are, then they're going to do

more than just file serving.

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MR. VINOKUR: I have one more question.

Different subject. The licensing issue -- if we're -- if we've killed this issue, then we can -- because I know you're --

MR. ALLCHIN: No. No, you're never going to sell any CMX when it's killed. Go ahead.

MR. VINOKUR: I actually have learned to -- you know, you were talking about doing coding with Linux. It's actually -- I have been following it for the last three, four years, Linux, and for the longest time I've been saying it's for those people who have enough time on their hands.

And in the last probably year or so you have documents --

MR. RATAJCZAK: It's getting --

MR. VINOKUR: It has got -- and that's what I keep saying. It's going to get even easier. It will catch up with utilities and so on. And it's already there. So I think it's very close to being there.

Now my question is, the next question is the licensing issue. Not so much the licensing on the structure, but the License On-line. Because a lot of us who resell Microsoft products, there is a decent margin. When you sell a computer, you make -- on a thousand dollar computer you will be lucky to make a hundred dollars. When you sell a Microsoft product for the same thousand dollar cost or gross sale, you have a higher margin. And I actually see -- maybe a totally different subject that shouldn't even be addressed here, but I can see -- I think I see where it's going. And if that's true, that doesn't leave any room for resellers.

MR. WATTS: Yeah. That's the one I --

MR. RATAJCZAK: That needs to be more --

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MR. VINOKUR: That's the problem --

MR. ALLCHIN: We're going to get it in some direct way.

MR. VINOKUR: I don't see why not. It's not -- I'm not being argumentative --

MR. ALLCHIN: No, no.

MR. VINOKUR: -- I'm simply saying from the business point from Microsoft's side, why not? Why -- why not? All you're doing -- in two, three years I can very easily see where you don't even need to send media. You don't need to send anything. Today you can get your licensing -- all your licensing information via e-mail electronically. You can get -- once you got the license then you have the ability to download it. And DSL or T-1's are prevalent. Then you can download it just like I downloaded .Net server. You download it, you cut your own CD. God knows, everybody's got CD writers now. And you're done, if you do it that way. So I don't see -- I kind of -- I am curious how you foresee keeping the resellers in the --

MR. WATTS: Keeping the channel going.

MR. VINOKUR: -- in the fold. As I said, I keep an eye on 5, 6, 7 years how things progress. I have seen a very big push by Microsoft from the channel -- what the other one?

MR. WATTS: SyNex.

MR. VINOKUR: SyNex. And now in the last probably two, three years I have been seeing the move away from the channel, going direct to resellers by many manufacturers.

MR. MARTIN: Yeah, HP's doing that.

MR. VINOKUR: The next progression is direct. Dell did it a long time ago and they're very successful. I don't see why --

MR. ALLCHIN: I think they're back the other way now.

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MR. VINOKUR: Well, no, they're coming back to the OEM side to bring -- to bring in the resellers. But then once you -- how do I put this. Once you have collected enough data, what do you need the resellers for?

MR. RATAJCZAK: Support.

MR. VINOKUR: Do you see what I'm saying? It's kind of hard to put it into words without being --

MR. ALLCHIN: No, no, I see what --

MR. WATTS: There's a spin to that too though -- it's like, yeah, they say okay -- they keep trying to tell you, well, you can get it -- servicing. Well, little small companies are going to grow -- Soho's and those, are the ones that -- servicing isn't something that they're wanting to spend money on. And they're cutting back on the amount of money we can make at -- to romance them, get them to go to XP or something like that, and they don't want to do very little -- pay for very little servicing. There's not much money for us to be able to go there. And we basically go out and do the marketing and sales and everything else, because -- it's great that you put it out there --

MR. ALLCHIN: But that's -- that's my view of it. That's why. It will never go the full way.

Well, I can imagine -- we're trying to build an infrastructure for distribution --

MR. WATTS: We've got one problem with that that I might add too -- the other part to. The other part I have is, we're doing the romancing to get them out, spending our time and monies. But the part that's difficult is like License On-line. That's a good one.

Now, originally when it came out they had set it up to where either the -- well, it was supposed to be -- I had talked to Microsoft and the president, David, whatever his name

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was. I said, "How can you promise me that the people that I spent

two years romancing to come up aren't going to go around me and buy

it?" They said, "Well, they can't do it." I said, "Yeah, they

can."

MR. VINOKUR: Yes, they can.

MR. WATTS: I can go out for 25 bucks in Dallas, 5

bucks in rural, and get a d/b/a, apply for a tax number, come in to

get a license as an OEM or a developer, buy the software -- what I

do is, I'm the buyer for the company. I've found out from -- from

David or John or whoever about License On-line, and I would want to

have my brother go do this, to get a license and come in, and I'd

buy from him and we'd split the profits on the thing.

A lot of the companies, even medium sized companies,

do that, and there's no way you keep it --

MR. ALLCHIN: Actually do it? Is that your --

MR. WATTS: Sure.

MR. VINOKUR: You don't even need to do that any

more.

MR. WATTS: You're right.

MR. VINOKUR: If you go License On-line you don't

have to even -- there's a deal where you select who your reseller

is, type in your reseller. You don't even have to do that. You

just type in who you are, what you're purchasing and push "submit."

You're done.

MR. WATTS: And if you remember Flagship --

MR. MARTIN: Oh, see, I didn't -- they're not

supposed to be doing that --

MR. WATTS: Flagship was one that used to be --

y'all were going to for selling and stuff like that --

(Interruption by the reporter.)

MR. O'NEILL: I'm at a point I have to go. We are

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over schedule. It always happens when you get to a great

discussion, that's when it stops. Can you give us a two minute

quick recap of what you think you've taken away? What you heard?

MR. ALLCHIN: Okay. First, thank you. I appreciate

it that, you know -- you just opened up there.

MR. VINOKUR: I've never been told that before.

MR. ALLCHIN: I appreciate all your time. I learned

a lot. There are some specific action items that I can see from a

communications perspective that we can do. Whether -- you know,

it started with security and we covered a whole set of different

things.

There's some things that you reaffirm for me, I

think, that we're on the right path with things like SVS, what

we're trying to do there. And I think we're on the right path

dealing with -- explaining what you can do with these

technologies. That we're not communicating, whether it be -- the

scenarios that we can do, for example, with Windows XP. So you

will see us do those sort of things.

And in terms of the License On-line, I personally

need to go spend time there. And it's not in my organization, but

I have a direct desire to ensure that you guys get compensated for

your work in selling our products. And I don't believe it can be a

full -- you know, especially the businesses -- that direct

Microsoft relationship. That's just my personal opinion on that.

We are -- I did want to say this. We are building a

distribution infrastructure that will be able to help, in your site

or in the bigger companies, be able to have staging servers that

information will flow into so you can distribute -- we're

primarily doing that not to circumvent, but to help on the security

distribution and updates so that you can aggregate those together

and then push those out in a very simple way. So, for example,

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SP-1 of Windows XP has a new capability which most people don't know about. If you install it, go look in "My Computer" properties. Look under -- is it auto update? What does it say there?

There's one other tab there. There will be a new selection for Windows update that you can select it to say, "Don't just tell me when there are changes. Don't just download them and then tell me about changes, but actually install these things and if you haven't done it by this time, then even force a reboot if necessary." So you can end up helping customers -- if it's a consumer, they'll set this on directly. If it's one of your accounts, what we're going to do is build a stagging piece of software that will pull all this stuff down to your site and then you can -- you can set the -- where these clients or servers look to for their fixes, then you can push them out to your customers. So that -- we are building that. And so I -- I guess I have to end, but I do want to thank you for the time. This is very helpful. Very helpful and hopefully you got some --

MR. WATTS: Thank you for everything.

MR. MARTIN: Thank you for your time.

MR. O'NEILL: If all of you can hold for just a little bit we'll get Jim out and I will make sure I will answer any questions you might have.

(Meeting concluded.)

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