

**WW OEM SALES
October STATUS REPORT
Joachim Kempin**

As usual in the first month of the quarter we were under budget, international (8%) and US (34%). This is caused by contract slippage, the outlook for the quarter remains 8-10% above plan. Nice to see that our sales of FG to FE OEMs in the US is 200% of budget YTD. We expect this to continue for the rest of the FY.

Highlights

GmbH is reducing its contract backlog (Robatron, Aquarius, Vobis-Workal, the only outstanding new contract is Siemens/Windorf. Vobis has verbally committed to MS DOS 5.0 when it ships, but the ship made them commit another 50K units with DFL.

LAN Man FG sales to European OEMs will be decided by local CMA. In the US OEM we will not sell this product directly and will encourage them to buy from distributors. Most of the smaller OEMs have asked us to "undo" their LAN Man licenses because of the perceived conflict.

DOS 5.0 Licensing

I am unhappy with our efforts to sign OEMs up for this. We are 4 months close to shipping the product and have only 8 licenses signed. This will be our focus until all OEMs are in the camp. Some of this is caused by slipping the product from 8/15/90 to 03/15/91.

Trends

The OEM Briefing has increased the interest in MM extensions and Styhus based PCs. There seems to be less interest for Geo Software. At the same time, Geo-Works continues to challenge us on the low end. Amstrad being the newest case, at this point in time we believe we will have a Win design in. The poor showing of cloned SUN RISC machines at Comdex has somehow slowed down the need to address the RISC PC issues fast. This might change if SUN allows the clones to do SPARC 2 machines.

OAKs & CRCs

I have not gotten any feedback on my last months recommendations. Again OEMs are complaining about this. In particular, localized OAKs are in bad shape as the Tully example shows. I need your cooperation on this!

**ACCOUNT SUMMARIES
(Reported by Account and Group Managers)**

DEA (Richard Fada)

Joachim Account Team

AT&T
AT&T is enthusiastic about participating in the Multispeeds consortium, as well as

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contributing AT&T technology to the effort - LOI in progress. LAN Manager/Unix wraps close to completion as the royalty sharing issue is finally resolved. The two LM/Unix development teams are already working together. AT&T sent all LM/Unix brochures for 200 RDX binders. The FAA agreement is signed and going through MS signature process. The Win 2.11 Agreement was extended via Amendment for the FAA units.

CompuAdd

Held first Annual Software Product Review for all of CompuAdd sales managers; upset at Microsoft USSMD for switching account managers; software only catalog to ship this month; this quarters catalog gives MS products good presence; Multimedia has tremendous focus.

Everex

The first half of the month was busy trying to set up a meeting with Geoworks and MS. A meeting was never set but arranged for Bradet to call Brian Dougherty, President of Geoworks to further discussions. The master license progressed slowly although with optimism.

Sun Moon Star

A final decision was made for a retraction of the offer to Sun Moon Star for the distribution rights to bundle MS-DOS and Hard Drive in the master agreement license agreement. The Master Agreement has been modified and sent to SMC for final review and signature. Donald Wang, President and Curtis Wang, GM of Vidar SMS in Taiwan, attended the briefing and indicated that it was worth their time in attending.

Tandy

The decision was made this month that if either Tandy can not produce the hardware, MS deliver the systems software in time or ISVs manufacturer and distribute the applications in time for an October 1991 ship date, the Tandy Player project will be terminated. During the next 30 days Microsoft and Tandy will work together to develop and demonstrate a "prototype" Player. If both Microsoft and Tandy are successful in this effort, Tandy's will continue for an Oct. 1, 1991 launch of the Player.

Zenith

October was busy month as Kelly completed the final components of the PCSP by arranging for and having advanced Windows 3 support training done for senior ZDS field techs across the country, and doing a final Systems strategy session for the Zenith HQ people. The payoff to this training conducted at the field and corporate levels, has manifested itself in a variety of ways as the account looks more and more ways to make MS a part of their platform sell. In the midst of this activity, Kelly agreed to assume responsibility for DEC. The month ahead will consist of activities designed to fully bring Tom Davis, the new ZDS account manager into the loop, while at the same time transitioning Kelly into the DEC account.

Hardware Account Team

Compaq

Gave us a verbal go ahead for a Ballpoint promotion starting 3/1/91. Compaq would commit to purchasing 30,000 units at \$81 per unit. Additionally, Compaq would throw about \$1 million into advertising the promotion. The Strategic Alliance Agreement was signed and announced. The Compaq RACI training agreement was also signed.

CEM

Activity in this account was minimal this month. CEM put off a DOS decision for a month in order to decide their PC strategy. They did not attend the OEM Briefing. A conference call had been set up between Joachim and their international president, but was postponed. They split responsibility for the DOS and Amiga products. Jeff Scherb will only handle Amiga

contract issues and Tony Ricci will be in charge of all the DOS issues. This works very well for MS because Tony is in constant contact with Europe where all of their DOS machines are being sold and knows those markets. This changeover should give us the fresh start we have been looking for. IBM did agree to a meeting at the beginning of November for the changeover. The issues to be discussed at this meeting will be the completion of delivery for all PC Work CRC (no charge), MS registration cards in their boxes, a better Windows priced, and a better price for DOS.

DEC

The all in 1 client meeting was postponed to November 28th. DEC was surprised how financially aggressive our counter-proposal was. We are moving away from a penetration commitment and closer to a straight financial commitment. We are making good progress penetrating the DEC sales force. On the LMU front, we are going for a \$2 increase, based on DEC shipping the CD-ROM extensions as part of PCSA. Resolution within 2 weeks.

Dell

There are many changes at Dell including their shipping OS/2 1.21 as of October 15th. They have also started distribution of their entire PC line through Soft Warehouse, a growing national chain of computer super stores. Dell anticipates that these stores could increase their sale by more 20K to 30K units during the first year. Dell has finally agreed to a six month Windows, Working Module and MS Mouse promotion on selected 386 and 486 systems. In conjunction with the Windows probe, Dell will be fulfilling, on a coupon basis, orders for PC Win Apps. Dell is very close to making a decision to OEM a palm size computer from Compaq, an electronics manufacturer in Taiwan. These systems would include MS ROM DOS, installed by Compaq, and Dell anticipates sales of approximately 100K units in the first 18 months.

Intel

Amendment #5 which adds DOS 3.0 and \$1.5M in additional minimum commitments to their license is in the signature process. Frank Gill and other Intel executives met with Bill Gates and others on 10/18 in Redmond. The topic was to explore opportunities that might benefit both companies in relation to the Intel Systems Group. One of the potential opportunities involved qualifying Intel's Network Systems Division as a Microsoft Network Specialist. Intel enjoyed a one billion dollar quarter due to strong and profitable 80386 shipments.

Memorex-Tulsa

I made a trip to both the Memphis and Tulsa offices. The hottest issues were Online in Tulsa and the ability of MS to have a 100% compatible IBM solution. There is a lot of political infighting going on at MT, and one clear example is the control over the technical information going to the field. Tulsa wants to be able to have direct access to MS for all product support. Because all MS products are supported by the Memphis group, they want to control the flow of information. The FCD in Memphis wants MS to help make the decision for them about who can access the information. Because of their ability to sell 100% plus compatible 3270 equipment, they are also getting a lot of customer pressure to sell a product that is the equivalent of OEM's OS/2/EE. They find that they manufacture OS/2 only as a check off item, and often tell their customers to buy EE from another source but they will support it. Any indications that MS and IBM are following diverging paths make them very nervous. MT would also be an excellent candidate for a triple crown. They have an extensive support staff which has four internal escalation layers. They have customer interest in LAN Man and want to start getting information to help them make some decisions.

Redframe

Ted and I went down to MF's office to discuss our final OS/2 offer. We followed up with a conference call reiterating the same offer. Tom believed it to be unacceptable and let Ted know

that we would be receiving a call from someone higher up than he (Errol). That hasn't materialized, but I have been asked for a letter restating our offer and a statement of intent for all possible costs that MS could charge NP (source code and support) for the 3 years of O/S license. They also want parameters around their access to R&D and how we will handle their product shipment to Olivetti. We need to decide how "important" these guys are. They want protection from any additional costs that could result from their OS/2 contract. We also hosted a meeting to discuss support. NP wants a support relationship very similar to what we have just announced with Compaq. They believe that to have a competitive sales support strategy, they will need to promote such a support alliance. We gave them our standard support plan for \$25,000 patch, but I fully expect that this is another issue that they will drive as far as they can take it. With Parallel having direct support and Compaq announcing multivendor "business" support, NP will be at a substantial competitive disadvantage. Especially considering the fact that the same people selling NetFRAME machines are also selling System Pro's. They will be sending me a support proposal very soon. They are also pushing very hard for promoting such a relationship and will be announcing something soon with Novell.

UB

This month was again very active with Ungermann-Bass issues. We had a successful executive review meeting on October 12th. Both MS NBU and UB gained understanding of how we can help each other become successful with LM. UB's concerns were primarily in the areas of support for LM 2.0 and older versions of LM. The second issue has been the ongoing saga of the TCP/IP contract. We have finally made the decision not to pursue UB's stack. This will cause definite friction when we inform them of this decision. A third concern at UBV is their current plans to want to bring UB packaged LM into the distribution channel, through a VAR program.

3COM

3COM has shipped approximately 1,000 units of LAN Manager in the month of October, 250 of them being 3 Server version. 3Servers sales have rebounded from less than 100 per month, but are still way short of last spring's shipments of over 600 per month. We were very close to final agreement on the 12th amendment which called for MS gaining ownership of both the source and binary code of various pieces of 3Com's value add technologies.

All of this likely to change due to some recent input from the Systems Group, who feel that it is more important to get 3Com out of the market with their PC Server offering, which presents too much confusion to end users.

Chestnut Account Team

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AST

After Joachim and Saff's October 9th meeting and Bill Gates' participation in AST's GUI video, the business relationship is reaching a new high. I am working with Mark to follow this up with a revised account plan which will map out how best to exploit the new opportunities.

Atari

Atari has the DOS 5.0 amendments that are ready for signature. Atari is deciding whether to sign for the 189k uplift or the \$14,000 one time fee for each localization. They are one of our DOS 5.0 Beta testers and would like to get a DOS 5.0 ROM Beta ASAP. Atari has yet to ship Windows (a personnel problem). Proposal for OS/2 is on the back burner until Atari gets the other contracts signed. Works for the Portfolio and Works for the ST Agreements are ready for execution, hopefully the week of October.

Hewlett Packard

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A very active month for HP. HP shipped OS/2 1.21 the third week in October. Several meetings were held with the various divisions. The Precision Architecture developers were here to brief the NT OS/2 team on this RISC technology. This becomes more significant later this month when Compaq begins to look more seriously at this RISC chip. The CND division had two meetings here to discuss four areas of interest: MS licensing TCP/IP, MS branding of SCO/HP LM/X, the continuing saga of the LM/X 2.0 story with AT&T, and the possible licensing of LANMan now that SCO can no longer ship their value-added PC product. The Corvallis division was here to review our progress with ROM Windows and Workin, while telling us that they are 2 weeks from beta for Jaguar, a hand-held device that will have our DOS, but none of our apps. FCG came here to get a mini-OEM briefing and to inform us to meet the new GM of FCG, Jacques Chy to kick off this new relationship with them, and to Vancouver to discuss the Windows generic driver and their soon to be released Aristotle driver. Some difficulties were reached with the completion of the New Wave Excel 3.0 project, and the network printer project with NFW had one of their engineers here for a week finding bugs in our speaker and LM products.

Momentum

Awaiting the outcome the 11/8 meeting with Jeff and Pradeep before proposing amendment to them. This will allow me to include Windows with this amendment. Momentum's product will not be ready to ship until June '91.

NCR

Cooperation with NCR on NT OS/2 and Stylus Windows was finished out this month in two meetings. In addition, we completed negotiations with Sybase and were able to offer NCR SQL Server on a per-seat royalty basis. NCR will announce shipment of the workgroup products at Comdex. However, extra effort will be required to keep the workgroup products in a strategic position at NCR. An opportunity for licensing Multimedia Windows was identified in another major meeting and we will work to get this to LOI stage before the developer's conference at the end of November. Draft agreements for the workgroup product, DOS 5 and JetBEUI were all "put on the table" this month. In addition, I am working on a Master License Agreement to allow for enterprise pricing of the workgroup products.

Northgate

MS is buying Northgate's hardware on a monthly basis. Northgate continues to order SK mice a month while negotiating for smaller orders. However, Northgate's new license agreement negotiations are on hold as Northgate tries to understand what they are going to do with their newly acquired Chestah Technologies.

Printer Business

October was a very contract-oriented month for printer business. Linotype and LaserMaster agreements are still in the signature process. Lanquest has been verbally closed, and I began work on the IBM contract. Because of the spin-off of the \$2.5B Lexington printer divisions from IBM in calendar 1990, we must get the contract signed by this timeframe. This will result in an additional \$500,000 of Q391 revenue which was previously not forecasted. In addition, there are several leads from the Bayhead show who are potential DrumImage customers, including Quinc and Times Instruments.

Tandem

This account is now turned over to Karumba. A new products engineering team is putting together a machine for the home market, and express interest in some of the EBU products. Total system shipments has fallen off the past several quarters despite a strong advertising/marketing campaign in the US. They are still dragging their feet on the DOS 5 licensing proposal, with the DOS 5 schedule also not helping their motivation at all.

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Wynn

After verbally agreeing on a new license agreement with Bill Seymour and Jim Meuser on September 7th, I was surprised/disappointed to hear the objections raised by Wynn's marketing team with respect to bundling Windows 3.0. The objections raised are the reasons preventing Wynn from signing their new license agreement. I believe that Wynn is still a very good Windows & Meuser business opportunity but we need to better understand how to best address their UPS issue. John Jenkins, Mark Chastant, Karen Hurbut and I have agreed on a new proposal which John and Mark will recommend to Richard.

Embedded Systems Business

Sent out BASIC PDS 7.1 direct mailing to 110,000 QB registered owners and transferred my final responsibilities with DASU. Explored the domestic embedded system market at the Embedded System Conference in SF & SeaTech 90 Conference in Atlanta, an ISA Conference in New Orleans, account visits with Chips and Technologies and Intel. Developed a first draft of a Domestic Embedded System Sales Plan. Completed a standard Embedded System contract.

Dropping Account Team

Headland Technologies

Wolf is working with Headland on a Flight Simulator and Multimedia Windows license. Flight simulator is to be bundled with their 1024 VGA card.

Positive

Wolf had a meeting with Positive in Richmond. They are willing to license DOS and Windows on a per processor basis. Current commitment level is 30K units/year. Positive showed him a self-running Windows demo they have developed and are using in the Wholesale outlets where their machines are sold.

MGR Account Team

Alloy

Alloy is claiming that they do not have the funds to meet their minimum commitment schedule which goes as far back as April. We have requested of Alloy to provide us with documentation of their financial status, so that our finance department (Neil Miller) can review their financial status and give us some direction on whether or not they have the money or whether they're saying that to simply avoid making any more payments to MS. Based on review of those documents, we will decide what direction to take. (By the way, this account was dropped on Rick's lap when Karen went on maternity leave without having documented "open issues". Thus, Rick has had to work this along with his other accounts).

JAPAN (Ron Meeng)

NEC

NEC held its "7C Super Seminar" where BDO, Andy Grove and NEC's Mr. Takayama talked to end users, ISVs and the press. KK contributed much for the success of it.

NEC shipped the "Handy 98" (PC-98VA), an A5 sized and 1.1 Kg lightweight DOS machine.

NEC is bundling Works on IC Card. The price is 198,000-Yen (\$1,300).

Had meeting between BDO and Mr. Tanaka, where BDO gave him OEM product updates and advised not to ship OS/2 1.3 Kanji version.

NEC is interested in licensing SQL Server and COM4 Server. For SQL, MS is preparing a source license by negotiating with Sybase for NEC's access to it. For COM4, we're also planning to license the source.

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NEC is positive about licensing LAN Manager Server on per-OS/2 basis. The royalty is being discussed, but NEC needs to also consider an Unlimited W/S license in addition to per-copy W/S pricing.
NEC is planning to prepare a Win 3 bundling machine, jokingly called "Nec-stroke". They've asked for a low Win 3 royalty.

IBM-J

IBM-J released DOS 4.0/V supporting VGA for Kanji applications and is pushing ISVs to make applications for it. We're discussing with AX OEMs whether we should use a similar approach to bring the 2 machines closer together.

IBM-J announced 80486 (33Mhz) based new machine (PS/35 8280-Y).

Started business negotiation on PM-Excel with IBM-J. Their commitment number is not high at all and they want to run on OS/2 1.3. We should reduce the priority of development for IBM-J.

IBM-J looked into the OnLine agreement. As soon as IBM signs the agreement for OnLine in US, IBM-J may follow.

Toshiba

Signed an amendment which accelerates their payment schedule in Exhibit B and will add Win 3 Kanji source codes not included in its OAK in Exhibit S. Toshiba continues to stay close to us, but is being heavily courted by companies such as Sun and Co. MSBX feels that having them investing a huge M/C could help control them and keep them in our camp. We are in negotiation for more additional M/C for another \$5M to \$10M. So far, Toshiba is agreeable to making additional min commit payments for some additional products. We are being extremely careful to not make further reductions in core product royalties (DOS 5, Shell and Win 3).

Sanyo

We previously discussed DOS 5, Win 3, and LM 2 amendments at M/C of \$1M. KK succeeded in adding \$200K for CDEX at \$1/drive. In October, they approved the deal of \$1.2M for FY91.

Ricoh

Finally agreed with our Truckage license conditions. Marketing and development groups strategically decided to use Truckage in their LEPs, but Ricoh legal has been tough to work with. It took a long time to convince them. We will make a final draft in early November. The agreement will be effective by the end of this year. Royalty will be \$75 with M/C of \$750K.

Canon

Major in-roads at this tough account. They committed \$1M M/C for Note PC (successor of Japanese BOSS). Its size is like NEC's Handy98. ROM-DOS license at \$6/eye for all PC bundled and a full utility version at \$12/copy as an option add-on to \$6/eye was proposed and approved. Over 100K units/year shipment is planned from next June 1990. Work-J at IC card is also planned to be bundled.

Sharp

Committed to pay additional M/C of \$2.5M for DOS 5, Win 3 (25/eye), OS/2 1.0, 1.1, & 1.2 (\$1.35/copy), LM 2 (220K M/C level royalty), and ROM-DOS 3.22 full (\$22/eye). One year extension will be granted.

AX Authorized Working Group (AWG)

Prepared special legal letters to allow WO OEM's to exchange low level source code and technical information with each other to expedite development work of Kanji AX versions of OS/2 1.1, 1.2, Win 3, and DOS 5. Currently in final negotiation with a core of 7 to 8 OEMs including Oki, Sharp, Mitsubi, Kyocera and Sanyo.

KOREA (Ron Haseg)

Daewoo Telecom (DWT)/Leading Edge
Win 3 bundling with DWT's own brand PCs is under discussion.
Win 3 on Leading Edge brand PCs started from October.
DOS 4 CRCs finally got delivered.
DOS 5 HCT report received and sent to Redmond.

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Hyundai Electronics EVC (HEE)
HEE is still alive. We are pushing them to sign the amendment on processor based license.
This will block out DR once signed.
HEE is preparing for Win 3 shipment. They are preparing label design, manual layout and etc.
to ship as fast as possible once the decision is made. HEI wants to get the OS/2 1.21 BIOS
supplement kit which apparently, Redmond is not making available to OEMs.

Goldstar (GS)
GS's Win 3 will be shown at COMDEX. GS HQ and GS Tech USA will join and discuss
further. A CD-ROM Extension license is under discussion.
Goldstar/Intel issue raised. GS is making Intel's PCs and wants to know how to cover this
under the DOS license.
We introduced the Multimedia Consortium to them and they are interested.

Trigum (TG)
We started Win 3 discussions, but are still in the phase of qualifying the account. The
commitment to upgrade to \$2.7M per year for 2 years is agreed. Win 3 discussions will
continue until COMDEX and make the decision after COMDEX. Hangrol Win 3 was
discussed and they expressed high interest to bundle for Korea's domestic market.

Samsung Electronics EVC (SEE)
Power-suspend/resume of 386SX notebook has a problem with Win 3. It is not solved even
after Redmond people who know about power-suspend/resume gave some help. CH tech
support cannot isolate whose problem because of less knowledge on Win 3 adaptation and no
knowledge of the device driver.

Daewoo Electronics (DWE)
DWE showed willingness for HCT of Win 3.1.
L/C was amended for Win 3 CRC order.

Saangyeong Computer EVC (SCE)
SCE will be a packaged MS-DOS customer when current agreement expires.

TAIWAN (Ron Haseg)

Acer
Jeremy Be and TC people met with Acer on 10/17 (Stan Shih, Jimmy Shih, Simon Lin and
Janet Li, where we gave a brief explanation on MS system strategy and the Chinese DOS
standards problem. Simon gave us a rough figure that Acer forecast next year machine
shipment around 400K units to 500K units (very optimistic).

We held a DOS UPS reduction meeting with Acer on 10/26 where I met with Simon Lin.
Because Acer machine shipment was worse than expected for FYQ1 and FYQ2, Acer estimates
that \$3.5M in UPS will be left at the end of '90. Simon gave us an even more conservative

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forecast machine shipment for next year - 250K units and asked our help to apply those UPBs into Works and new DOS agreement. We told Acer that I will come back with a UPB-uses proposal to discuss in November or December.
Progress made on Catalan DOS and Russian DOS licenses. Acer is again separating MS mouse from systems sold in Ch8a. We told Acer to take proper action with their distributor there.

Autocomputer

Autocomputer opened a new factory purchased from Motorola. This new production capacity will help Autocomputer to increase the business and bring all the manufacturing in-house.

CAF (France)

CAF's business dropped again in FY91 Q1. The prepaid number is very close to the alerting level \$6470,000. A 6-month contract extension, if granted, will certainly help them to reduce their prepaid. Should this trend continue, the account may go under.

Ceyuan

Works shipment was low in FY91 Q1 13.5K compared to M/C 5K units. Windows shipments also dropped 30% as forecasted this quarter (3.5K units). TC will monitor this for next quarter. DOS shipment was also under. They are interested in our OS/2 and LAN Manager as they have put high end 386 and 486 EISA emphasis. In Taiwan, these are sold as UNIX systems.

Chaplet

DOS amendment #3 was signed by Chaplet which allows them to ship Win 3 and Works 2 for one year as part of their DOS UPB reduction plan. The FY91 Q1 royalty report (2.1K units) was better than FY90 Q4's (1.4K units), but they are still under their M/C. They are still undergoing CPU shortage and have more orders than they can ship.

DTX

JeremyBe visited DTX during his trip. DTX feels very positive on our service since MSTC was formed. Their DOS shipments were 25K units in FY91 Q1, which is better than anticipated. They also plan to ship Win 3 in FY91 Q2.

Lyt-Cheng

Scott Chis met with MS accounting after attending the 1990 OEM Briefing. Payment and billing issues were clarified. RonH met with George Kua, President of Lyt-Cheng, on 10/26. Lyt-Cheng explained to us about naked DOS issues at Telexcode/Israel and Investronica/Spain. George assured us they are doing business without any violation. FY91 Q1 was good. Total 8.7K units shipped compared with quarterly M/C of 7.5K units. According to Lyt-Cheng, FY91 Q2 should be good too. They plan to ship Win3 in FY91 Q2.

Mitac

Mitac shipped Win 3 and Works from FY91 Q1. About 5K Win 3 units were sold in USA in FY91 Q1. We anticipate sales in the 5K to 7K level for next quarter. Their overall sales is quite stable. They expect a worldwide recession and also expect very low growth in the coming year.

Plus & Plus (ABC)

This company has financial and management problems. They have problems paying us their minimum commitments and want to discuss partial M/C payment. We are rejecting their request. Their royalty reports show good performance \$134,583 to DOS contract and \$42,390 under Windows contract. If they do not pay us by November 23 for outstanding prepaids/royalties, we will terminate their contract.

Sampo

Machine shipment under the DOS contract was poor. We suspect poor sales channel planning. They are up for renewal and we are now discussing the new DOS contract. Jung Ko, the new President of Sampo Technology, will play a more important role in decision making for future product planning. We will postpone the Win licensing opportunity until next year.

Tatung

They are doing great now. The only issue is who will get the DOS license, FB or Tatung.

Twinshead

The newly negotiated DOS/Win 3 contract has been reviewed by BrianMc. I will deliver the new contract to them in one to two days.

CANADA (Ron Honog)

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Phillips

This account was transferred to Mark Haber on October 30, 1990 in Redmond. The account review and transfer went well. All amendments and contracts will be done by both MarkBa and BertL for consistency. BertL's remaining actions will be to meet with Phillips and MarkBa once or twice in the next two quarters. This account is now a Redmond based OEM. In late October, I officially hand over Phillips to Jeff Lutz, although I will stay involved regarding the windows license with Phillips.

Micro Tempus

The amendment and new contract were signed by Micro Tempus. We need to do one more amendment to cancel the source fee. This will be done in November.

Sidus Systems

We signed up Sidus in October for DOS and OS/2. Sidus is a manufacturer of PCs, a reseller of DEC equipment and a systems integrator. This customer was previously purchasing MS-DOS directly from us in small quantity. Strong growth in the last six months and the desire to distinguish the Sidus PC line of computers led to this license agreement. BertL's plan is to ship in December.

Mind Computer

Mind Computer signed up for OS/2 in January of 1990. They purchased packaged product from MS for their PCs. Based in Winnipeg, they will ship approximately 4,000 units per year.

EE Redmond

Acer Technologies

Acer is participating in the DOS 5 Early Shipper program but because of the delays, they have decided to include DOS 4.01 instead of 5.0 in PCIM with initial release of Acer-Smith Corona system. Works handle is also an on-going discussion.

Information regarding the MM Developers Conference has been sent to Chia Chen, Director of Systems Development. Acer plans to attend and is interested in getting on the MM hardware.

OS/2 Version 1.21 is scheduled for release in November in the U.S.

Canon USA

Canon U.S. created a new sub called Canon Info Systems (CIS) to be based in the bay area.

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Canon wants to handle all MS software licensing through CIS.
Stylus Windows demo and discussion has been scheduled to take place at COMDEX. Ken
Uns will attend.
Negotiations are on-going for a Works/MS Mouse bundle on two new systems (286 and
386SX). Canon is considering a 10K total commitment.

Epson America

Compatibility bugs have been found with Epson DOS 4.01 and LAN Manager 2.0 workstation.
Direct communication between JoeKaof and Miyosawa at Epson has been established to
resolve this problem quickly and efficiently. Info regarding the MM Developers Conference has
been sent to Holly Cole. Epson will send 1 or 2 product management level people.
Epson America agreed to release OS/2 version 1.21 in the Dec./Jan timeframe. SteveMc
expects to receive an order for up to 800 copies of PG Documentation for 1.21 (\$16 x 500 =
\$8,000).

Epson finally started shipping the OEM version of Win 3.0 in October. They are interested in
pursuing apps bundling opportunities. Lets not let Lotus get this one. We also have a
possible Works bundle opportunity on the new Epson 286/12 and 386SX systems. More
follow-up to be done in November.

Fujitsu America

SteveB met with Mr. Furukawa during the OEM Briefing to discuss the MS/IBM relationship
regarding OS/2 development. We promised to deliver a letter/statement for Fujitsu account
reps to use when they encounter IBM's reps who call OS/2 IBM's proprietary offering.

Hyundai America

DOS 5 information was sent to Dan Lott, Director of Marketing and Jan Lee, Engineering
Manager. Hyundai America was also established as an additional location for receipt of
licensed OAKs. They agreed to supply a 386SX system to the HCT lab. DonnaG presented
Works and we agreed to continue discussions regarding possible Works bundles on their 286
based systems.

NEC Technologies

Technical meeting was held in October regarding MM Windows. Final business issues should
be agreed upon during the next meeting scheduled for November 8. Letter of Intent to license
MM Windows will be the major objective. NEC will participate in the Developers Conference.
No additional discussions on MP LAN Manager took place in October.
NEC asked for an OEM Mouse quote. We gave them an offer of \$24/mouse for 2,500 quantity
which was rejected in favor of Logitech's \$18/mouse quote. Need to now interested in pricing
for an overall \$,000/yr commitment. SteveB is working with Pamclaf to obtain more
aggressive pricing in order to secure this business.

Panasonic USA

The Windows/Mouse Bundle Agreement is closed. First shipment of 8,000 Dual Media
Windows at \$48/copy, will take place November 15. There is good chance that Panasonic will
order over 4,000 additional copies during this agreement.

Sharp USA

Negotiating a Windows Agreement with Mr. Maeda, Director of Engineering, that includes a
\$K/year commitment for 286 and 386SX systems. This is another good retail product
opportunity and have started negotiations with a \$48/copy pricing. Next step meetings with
Maeda are planned for COMDEX.

Toshiba America

High level meeting to include BSG and Bill Johnson from Toshiba, to demo/discuss Stylus

Windows is scheduled for COMDEX.

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EUROPE (Jeff Lum)

Amstrad

We believe we are past the "interface definition" with them. Sandy and one of his students put together a nice opening screen with the Amstrad logo and 3D buttons to take the user into selected applications. We are negotiating with Mider right now on a price to bundle Windows, and the Excel and Word working models on their PC4000. We are also looking good to get a \$60c per system royalty - all systems - for our mouse driver.

Apricot

Mike Hallman had a chance to briefly chat with Harns at the OEM Briefing. Balmer visited them in the UK and committed to resolving the MP LANMAN issues.

Active Book Company

Sandy met with them to update them on Pen Windows following the OEM Briefing. They are still interested in working with us but need some followup meetings with the Pen Windows - perhaps at COMDEX.

ICL

In addition to the sales force training mentioned in the Per Copy Sales section of this report, Dalehor is pushing them hard to accept and market Windows with their systems. He's got some groups running experimental configurations with Windows as the interface to certain applications. In other areas, there has been a new position created at ICL to formulate and implement future needs for ICL. One of the directives coming out of this position is Windows bundled on every MSS. Once this happens, applications push is next.

Olivetti

Lots of activity on the RISC side with both Compaq and MS cases getting involved. Maurizio feels Olivetti is still leaning towards MIPS. December 3rd meeting set for Fiat and BDI to discuss further. Windows patch for M250 not complete yet as Windows bundle has been delayed. We are awaiting an LOI agreeing to their commitment to the MOW consortium and participation in the Developer's Conference at the end of November. The 486 EISA boot problem has been resolved: stated release date for 1.21 is now Jan '91 - Maurb pushing to move up, but biggest fear is the 1.3 release has confused them (in terms of what they are going to do with 2 versus 1.21). Olivetti USA very interested in doing a Windows application bundle into the US education market. I have assigned Merdon to link up with them and see about signing a license. In Europe, Maurb and Umberto have been trying to put together European-wide Windows application bundle in concert with the OEMs. This should start happening soon.

Investronics

Ignacio is waiting to hear if the Windows and Works deals he has been negotiating will come through Lyt Cheng. We can get better pricing if we go direct to Investronics.

Nokia

Latest royalty report shows low quarter for them, but it is typically their slowest quarter. Relationship here appears strained: the sub is cutting back their PC discount from 60% to 52%; they are balking to us on our mouse price - threatening to go with a cheaper solution; we have failed to resolve distribution of systems software on non-Nokia hardware; and they feel we are competing against them in their own channel. Meeting set in December in Redmond to

resolve issues.

Tulip

We received a verbal agreement to license LANMAN. Namura is working the details- I asked to make sure it makes sense for them to be an OEM or if they can fit into our reseller program

Philips

Account transition from Bert to Marika is complete as well as an up to date account plan. The Windows license is on Ackerman's desk for review. Organization change will be rampant until the reorganization is complete. Philips Info Systems and Philips Electronics LTD will be consolidated into Philips Consumer Electronics in Holland. Beyond Windows, Mark is working on marketing opportunities in Multimedia and LAN Manager (we are investigating what makes sense here for them).

Bull

In dire straits financially and will probably announce cutbacks in November. Bull contemplating some alliances with key players in European market. Namura have it that they are talking to Siemens and Olivetti. The consolidation of their licenses with Zenith licenses was completed - we got to keep some of the remaining min commitments which will be added to Zenith's prepaid balance.

Compil

Compil has decided to integrate LANMAN into it's connectivity offerings. SARI is working closely with them on product adaptation and joint sales calls. Unclear whether they will go with packaged product or licensed. They prefer a license but the manuals are an issue (see my issues section in this report).

Siemens Warden

Manfred says he has resolved the last few obstacles to completing the new license agreement for all systems software. The new merger has COMEN communicating with folks in Paderborn (formerly Warden) on LAN and communication issues, and with people in Augsburg for other systems issues.

Schneider Remdunfuerwerke

We have resolved the infringement issues. New license agreement for systems products is in final legal review at Schneider

Webb

Customer relationship continues to improve. They have given us verbal agreement to license Windows at standard T&Cs at 25K units per year. They have started shipping Works per the recent agreement. Stay tuned for results of their bundle effort. Our biggest issue with these folks continues to be DOS 5.0. These guys are a huge CPW distributor and it is our top priority to move them off of CPW by the time DOS 5.0 is shipping. Initial reactions to DOS 5.0 are positive. Manfred feels we will have a tough negotiation with them.

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