

PLAINTIFF'S
EXHIBIT
710
Comes v. Microsoft

MONTHLY REPORT

OEM

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Hartwick

To: Jeremy Butler
From: Joachim Kempin
Date: April 29, 1991
Subject: March 1991 WW OEM Status Report
c: Bill Gates, Mike Hallman, Mike Maples, Frank Gaudette, Mike Brown, Chris Smith,
Bernard Vergnes, Greg Tibbetts, Richard Fade, Jeff Lum, Ron Hosogl, Tim Beard, Nell Miller

Gross Revenues (M\$)

	<u>Actual</u>	<u>Plan</u>	
US	55.1	40.3	(137%)
Intl	43.0	47.2	(91%)
Total	98.1	87.5	(112%)

US revenue profited from unexpected IBM revenue under the new agreement as well as strong OEM Mice sales. Royalty business was on target - meaning OEM units shipments were close to forecast whereby the accounts around the 100K unit range continue to grow faster than the market. Notebook demand - if it can be fulfilled - is going to pull some OEMs through summer.

Japan is the key contributor in missing budget in International. Shortfall was 8M\$ for the quarter. Some of this will be corrected in Q4, but the understaffed OEM department, the slow execution of some licenses, and the drop in export shipments are hurting us. Europe finished the quarter 2M\$ ahead of plan, whereby GmbH finally got SNI and Schneider licenses signed and backbilled. VOBIS is inhouse and signed and should be billed in Q4. Only problem child in Europe is Goupil - not meeting unit shipments. Tulip agreed on signing up for LAN Man. Business outlook for WW OEM in Q4 is to break 100M\$.

DOS 5.0

All key manufacturers in the US and Europe are signed up. The FE has more work to do. (Approx. 50% sign up rate). We are shipping OEM distribution kits to all licensees who have signed up and have signed a "not to ship before 06/11/91 agreement". Agreed with BradsI not to license DOS-RUP to OEMs on a royalty basis. They will need to develop their own technology. This should cut down market confusion...."what package do I buy?"...

US Apps Royalty Pricing

With MS-Win Apps available at 50% off list retail and our aggressive \$129.- "upgrade" policy, we continue to have difficulties arguing about 20% of RRP royalties pricing. We have been able to close DAK at \$55/system royalty at a 50K/y commit despite Legacy being quite aggressive. Is it time to review our pricing again - after having it for only 6 months?

UPB

We are continuing to monitor the situation. In general, we have been able to stop it from growing, but there are still some customers around with unhealthy balances. IN Q4, we will therefore work with Samsung and Daiwoo to reduce their balances to more desired levels. Ongoing problem customers in the US are NCR and Zenith. In the case of NCR, we will work towards a solution in latest Q1/92. Most of their problems are caused by them committing to the OS/2 platform.

DBI

After pursuing a "toss your DOS" strategy in the US, we believe that they are finally ramping up retail sales. We continue to see stiff competition in TC, where they are approaching Notebook and board vendors more aggressively with ROM-DOS. We will evaluate Board licensing on a case by case basis - without being too aggressive about it. CBM just complained about our ROM-DOS 5.0 being very late for their notebooks - we have to get this product done with the highest priority. We succeeded in converting their largest customer, Vobis, to ship MS-DOS 5.0 starting in Oct. 91.

WIN 3.0

Dell and AST have agreed to substantial Win 3.0 bundles. All other US Win customers including CompuAdd will continue to bundle on most 386SX and upwards. The newest addition is ALR who is putting on a promo for their 486SX machine by bundling MS-DOS/Win FG with it. Compaq will follow - it might be Q1 to get a formal deal done but they are inching it out "by committee".

ACCOUNT SUMMARIES

(Reported by Account and Group Managers)

USA (Richard Fade)

Jenkins Account Team

AT&T (Patty Eastern)

LM/Unix agreement is signed. The MS Technical Exhibition at AT&T Bell Labs went very well and patty made significant progress in account penetration this month in the systems, laptop, multimedia and reseller groups of AT&T. AT&T agreed to continue its commitment to Multimedia and the \$250K contribution. I have qualified potential Ballpoint and Pen Windows business and am still working on the Windows apps promotion. DOS 5 and OS/2 1.31 are very close to closure as is the Windows Productivity Pack amendment.

Tandy (Ray DiCasparro)

Tandy and MS had a successful meeting regarding Tandy's plans for Windows. Tandy intends to bundle Windows with all PCs within the next two years. Tandy will introduce the first Windows in ROM PC in late Spring 1992. Tandy and MS agreed that some of Tandy's requested changes to Windows could be delivered via a cooperative effort. Tandy agreed to have a technical resource available in Redmond to implement (and test) some of Tandy's requests in the core Windows product. Such cooperation from Tandy, may warrant decreasing Windows royalties (below \$12.) on low end Tandy PCs.

At the CD ROM Conference, Tandy and MS executed the final activities involved with getting Tandy recognition for their contribution to the MPC hardware specification. Tandy's role was mentioned emphatically by Bill Gates during the key-note, Bill spoke at Tandy's press reception, and Rob Glaser allowed Howard Elias to take his place at a General Session presentation. The press may have ignored all efforts to correct the original understatement, or felt that Tandy's contribution was not news worthy, regardless, Tandy will no longer mention the situation and wants to move ahead. MS executed every possible action to correct the original understatement of Tandy's contribution.

Tandy is dissatisfied that MS will not disclose details of the MS DOS 5.0 Upgrade product de-install feature. Tandy would like to offer a de-install feature in its upgrade product, however, MS will not provide information on how the feature works. Tandy views this as an "act of a competitor not, a partner". Raydc has requested this information for Tandy and its release has been denied.

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Packard Bell (Melvin Henderson Rubio)

Melvin joins JJTeam. Packard Bell signs 2 1/2 year Per Processor license for MS-DOS, minimum commit per year at \$7.5m. Negotiations continue with Packard Bell to bundle: LanMgr; OS/2; Windows and Apps with the "launch" of their new network turn-key system (not yet announced).

ALR (Melvin Henderson Rubio)

ALR interested in bundling our "combo" MS-DOS/Windows FG with the launch of their new (not announced 486sx) PC.

Everex (John McLaughlan)

Completed quotation from Brad Silverburg for Everex's Windows press announcement. Met with Eli Ramirez for possible Windows promotions. Met with Diana Lowell to discuss requirements of royalty reporting. Arranged for Bob McBeem from MS to speak to Everex's sound group. Windows driver for 24 bit color card completed.

Sun Moon Star (John McLaughlan)

Completed account turnover to Ben Hsu on March 22. Met with Bob McDowell at SMS regarding overdue royalty report and informed marketing group about DOS campaign scheduling.

CompuAdd (Jeff Morris)

Bill Hayden (founder of CompuAdd) attended this years CD-ROM conf., CompuAdd participated in our booth at CD-ROM conf. showing Multimedia PC, Held successful mtg at CompuAdd (understanding Bill Hayden's future directions with Windows Bundle and CompuAdd). Have reached tentative agreement on terms to extend CompuAdd's Windows per-system agreement for another year.

Wang (Jeff Morris)

Worked with Wang on licensing Microsoft Mouse and Works, finalized and put the heat on Wang to sign DOS 5.0 amendment (signed by customer), Worked with Wang and the Microsoft Pen Windows group to come up with a solution to help Wang in their quest for shipping the GUIDE in May and minimizing our exposure in regards to Wang's version of "Windows with Pen support", LAN Manager activity has perked up with USSMD trying to cut in for FNGD LM deal.

Zenith (Tom Davis)

Zenith Data Systems committed to Multimedia by joining the Multimedia Council and displaying at the CD ROM Conference. ZDS will also join the Gibraltar initiative and will participate in the announcement later this month. ZDS has also indicated strong interest in Pen Windows and will likely license the product in the coming months. An exec level presentation and demo on both products has been scheduled for April in Redmond. This meeting will also bring together Bull and ZDS' executive staff, including Enrico Pesatori, ZDS CEO and President. ZDS will announce five new portables at Spring Comdex next month. Three of these machines will be positioned as Windows machines. Negotiation on SSRC has largely been concluded. Our agreement with Zenith on this contract will likely be in place later this month. Bull remains interested in a worldwide OEM LAN Man agreement that would be executed thru ZDS. Bull has also indicated interest in licensing Comm Server. Bull is also considering the Systems Integrator program for distribution of LAN Man. On the down side, Bull announced losses totaling \$1.2 billion on sales of \$6.3 billion for FY 90. This has lead to yet another round of layoffs and cutbacks. ZDS was also impacted by the layoffs to some degree.

Hannum Account Team

Compaq (Mark Butick)

The JIA moved forward some in March, although not as much as we had planned. Due to not having material ready for review from Compaq until the end of the month the review cycle was extended until mid April. Additionally Mark has Ben Algaze involved from USSMD to help with planning inside that group as to how MS and Compaq will jointly market this product in the field. We have a trip planned in April to Compaq. Mark is also taking over responsibility for the Pen and MM, but have no status as yet.

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Sitka (Mark Bulck)

With Sitka formally announcing a new president this account went on hold for most of March while he settled in and assessed the business. Mark has just heard back from them and expect this to heat back up in April, hopefully with a contract completion this month.

Sun (Mark Bulck)

Even though Insignia will be picking up the DOS part of Phoenix business the relationship with the Sun DOS group will remain the same as before. Insignia has the same agreement with us that Phoenix had so Sun will continue to get the DOS from us. In a conference call with them this month they expressed some interest in DOS 5 and Windows but this will depend on Insignias direction.

Tandem (Mark Bulck)

Although Tandem has abandoned the project to port LM to Guardian they want to keep their Source license to use as a reference document to implement named pipes to the Guardian System. This will mean that they will not be paying us the min commits that they signed up for. They had an out clause in their contract giving them this right if they so desired. These were not forecasted so will have no impact on the budget. The Excel group is interested in developing some sort of strategic alliance with Tandem to promote Excel as the spreadsheet of choice to interface with Non Stop SQL databases. This will be a good thing for MS as long as the agreement is worded loosely enough to keep from hanging us in the future. It will allow us to seed their demo sites with Excel Working models and have their salespeople demo and promote Excel.

Ungermann-Bass (Mark Bulck)

Activity again this month with UB focused on understanding UBs channel strategy. It is now clear that UB has the right to market a packaged product LM through the distribution channel in the US. It is not clear yet what impact this might have on our channel efforts but there is little we can or should do about it. UB has agreed to present their strategy to us to help us understand their marketing plans. Basically, UB is not in the business of selling naked LM. Thus the number of instances in which this might happen will be low. Also Proctor and Gamble, one of UB's largest accounts paid us a visit this month via USSMD. This visit has generated much activity especially as it relates to Macintosh connectivity. Mike Murray promised this product to them in January. They have received alpha code from us which they have running and now want to go live with the product in a production environment and are looking to UB and us to give them support. This cannot happen to any significant degree so we need to be very clear with P&G as to what we will and will not do to support this code. UB Europe has come to agreement with MS Europe to be able to buy German LM PP and sell it direct only, not through the channel.

Commodore (Debbie Flynn)

The master contract still has not been signed but is reportedly on Gould's desk for signature. The entire Amiga Works proposal has been drafted and delivered. Debbieff met with Gail Wellington and Nolan Bushnell at the CD-ROM conference and learned quite a bit about their CDTV product. A meeting was also held with Laura May at this conference to further explore the opportunity for Flight Simulator on the Amiga. Changes in the Amiga Basic contract and the reassigning of Allanmc have caused rethinking on the MS strategy for this product.

NetFRAME (Debbie Flynn)

Carl Amdahl and Tom Glassanos came to MS for a couple of meetings at the beginning of March. The original intent of the meetings was to perform due diligence in exploring a possible acquisition. However, Carl and Tom also met with Steve Ballmer to discuss other issues, one of them being their hope for a joint support plan. Ballmer deputized Jody's to follow up with NF and drive the issues internally. Currently there is no resolution on the support plan or NF's desire for packaged LAN Manager. NF's difficulty in getting a support plan in process has soured them on the MS relationship. Debbieff also met with several NF executives this month, all of whom expressed frustration at the inability to move issues forward.

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Phoenix (Pete Peter)

Steve Kalman visited us in Redmond on March 5 on the return leg of his trip to Asia. During his visit, we made excellent progress with negotiations surrounding the pending Publishing Agreement. Several drafts changed hands in March and we should close this Agreement in April. Claudia Robbs will be fielding questions and issues regarding Publishing Services for both Phoenix and RR Donnelley. We have chosen to budget Phoenix for the 3rd and 4th fiscal quarters of 1992 even though their license Agreement expires in December 1991. Phoenix has been hit hard in Q3FY91 by piracy and counterfeiting and will fall short of earning their minimum commitment.

Logitech (Pete Peter)

In March, Logitech chose to exercise an option in their Agreement which allowed them to increase their minimums and decrease their royalties for the duration of the Agreement. We accommodate their request with an amendment executed in March. Their royalty will decrease from \$27.50 to \$26.50 while the minimum commitment will increase to 9,375 units per quarter (up from 6,250). This amendment also adds three additional pointing devices to Exhibit M of the Agreement (including their new trackball for portables) and is currently in the signature process. We have budgeted Logitech for 15,000 units per quarter which they should come close to achieving throughout fiscal 1992.

Compaq (Peter Braman)

March was a busy month with a Compaq Executive review, the Compaq Ballpoint promotion, and preparation for the April 9TH ACE announcement. Mark Bulck is now working the Compaq account and will drive the JIA as well as the Pen Windows and MM Windows opportunities.

Compaq has become serious about taking a leadership position with Windows. Rod Canion would like to see this happen before the Windows 3.1 time frame, by September or October. We are working with Compaq Systems Engineering to establish some value add for their release of Windows. Net utilities for Windows looks very promising. Also discussing Compaq's use of limited Windows shell on all setup and diagnostic disks shipped with all of their systems.

3Com (Barry Spector)

Shipments of LM bounced back up from February's 200 units to 440 copies in March. Additionally, 3Servers sales spiked up from 80 units in February to 220 systems in March. The company announced a 3rd quarter loss of \$40.8 million, including a \$67 million restructuring fee attributed to their withdrawal from the NOS business. Most significant in this report is the reduced sales in their traditional stronger products lines of adapters and wide area networking products; which fell 8% and 14% respectively from last quarter.

3Com is still looking for a purchaser of their DSD Group (NOS department) and have three different parties showing interest. If they cannot sell this division by May 31st, they will wind down and phase out operations. Because they are uncertain if DSD will be purchased or just closed down, 3Com is having difficulty making marketing and technical development decision concerning LM. The NBU's major concern is 3Com's ability to live up to their obligations of development of migration technologies.

Dell (Barry Spector)

Many issues and opportunities, of varying degrees of interest, are on the table including: a) the signing of the DOS 5.0 agreement, b) extension of the Win 3.0/Mouse license, c) building prepaids attributable to OS/2 royalties, d) factory installation of Win apps onto the hard disk of end user systems, and e) renewed interest in Ballpoint.

A major goal continues to be the bettering the relationship between the two companies. Dell still views MS as a provider of product, more than a strategic partner. Progress is being made as we have meet with their Senior Executive Staff in March, and are scheduled for an Executive Review in July.

Digital Equipment Corporation (Kelly Wood)

March was a busy month as Kelly conducted both several account reviews for internal MS and an Executive review with PCSG. He continued to negotiate terms and conditions for the DOS/Windows license, the LM/U

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license, and an NDA. Interspersed with these activities, there continued to be further management of the All-in-1 project along with a visit to Atlanta's Desktop Services organization. This latter visit proved to be very fruitful from the standpoint of uncovering a significant and potentially profitable alliance that Digital and MS can benefit from as we look for alternative methods to selling our products.

Chestnut Account Team

NCR (Teresa Chapman)

The principal activity during the month of March was finalizing the DOS 5 amendment with NCR. Issues included: Exhibit M language, source code for keyboard and display drivers, and license pak distribution rights. NCR signed both the amendment and the distribution delay letter at the end of the month. MS wins in the amendment were the uplift of the royalty for localized versions from 10 to the price list 15% and including key retail and financial systems in Exhibit M per-system language. The Executive Review was finally rescheduled for June. However, it will be important to schedule a meeting with Ajok Mohan and Tom Mays. Ruminations from NCR indicate that Unix is in position to become the OS of choice at NCR and that delays in scheduling the Executive Review (caused primarily by full schedules and the AT&T takeover) have caused NCR to feel that they are not "strategic" to Microsoft. In addition, the workgroup product set continues to struggle for sales force bandwidth in the face of increasing IBM sales action regarding Extended Services. A last ditch effort to include NCR in the Multimedia PC Council was unsuccessful as NCR continues to define their goals with regard to Multimedia. Draft agreements for MM Windows and the MPC Council are at NCR. Finally, negotiations continued regarding a new Non-disclosure agreement and Pen Windows license. Major issues with Pen Windows included "per-system" pricing and MS participation in the NCR media event in June.

HP (Larry Edralin)

March has been an incredible month for activities. The Seybold conference opened the month and we had good discussions with HP on device independent color and TrueType font issues. We've come closer to understanding our two directions in these areas than ever before. Much of this was discussed in the Sub-Committee meeting held mid-month between Camahan and Ballmer, and pre-staged by an "HP Days" event that had our mutual engineers discussing Windows printing issues for Win 3.1 and 4.0. Since then, the email traffic on windows printing issues has quadrupled from our developers. Interspersed between these sessions, I had the HP/PCG long range planning team in to review our product strategies for Windows, Pen Windows, Multimedia, and Networks. This sparked an intense interest in Multimedia that may result in an agreement before Summer. Coupled with this were several meetings on the Umbrella Minimum amendments with the contracts staff that has us on a path to finish the amendments by mid to late April. Throw in a trip to Corvallis to officially transfer this account to Darcy Ruscigno and a few billing problems with CND and you have the month finished.

Tandon (Tom Henningsgard)

Picked up Tandon from Karenhu and made two visits to begin building my relationships with them. Have DOS 5.0 amendment verbally agreed to, will have signed by 4/17/91.

Northgate (Tom Henningsgard)

Picked up Northgate from Jettid; made account transfer visit, and arranged Mike Hallman's visit to same.

Momenta (Tom Henningsgard)

Agreed to our terms for DOS 5.0, Windows and Pen Windows, signing the LOI which commits them to signing Amendment by 4/31/91.

Emerson Technologies (Tom Henningsgard)

Emerson Technologies now ceases to exist, their receptionist answers the phone "May I help you" instead of announcing any company name. Chris Daly hasn't got all his funding yet to transition this company to his newly defined one.

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AST (Jeff Daniels)

AST signed a three year Microsoft DOS 5.0 \$16 per processor royalty license with a 250K unit per year minimum commitment. AST also signed a two year \$16 per system Windows 3.0 license and \$19.25 per system mouse license with 125K and 75K unit per year minimum commitments, respectively. The total dollar three year minimum commitment is \$18.87M.

Printer Business (Nancy Ritzenthaler)

Interest in Truelmage is on the rise as the idea of optimizing printing from Windows becomes more popular. A heavy concentration on customer visits this past month resulted in several near-term hot prospects. Also, discussions with longer term strategic vendors such as DEC went well. Meanwhile, the press has been ripping us apart over Truelmage schedules and performance. We freely admit the former "yes, we have been bad". To the latter, we talk about recent code improvements which are not yet shipping. With Microtek, Everex, and LaserMaster the only vendors shipping Truelmage based products, we can't brag too much yet about our sales successes YET.

We achieved a design win with Bezier this month, who signed up for TI source code and 10,000 units a year. Olivetti has signed a LOI and will likely sign up for 5,000 units a year to start. PDP is carefully considering switching from Phoenix-Page to Truelmage for all their cartridge products. Other interested vendors include Mannesman Tally/Stiemens, Autologic, Unisys, Bull Compuprint, DEC, and Computer Peripherals.

Truelmage 1.0 has gone golden! This was done to get companies like Microtek and Newgen shipping. There is a new version, 1.1 expected in June that delivers on the Windows extension promises and fixes the performance issues. The i960 code has also shipped to Peerless and other customers in beta form; the byte order problems has been resolved.

HP Corvallis and PCG (Darcy Ruscigno)

HP Corvallis division is preparing for their April 23rd launch of Jaguar, an 8088 palmtop running 3.22 ROM-DOS and Lotus 1-2-3 v2.2. However, they are already actively planning and preparing for the next release of this product, "Lion", which is planned to be Windows based and running on X86 architecture. Darcy has two meetings set for April, one to discuss ROM DOS 5, and to have the product team up to MS for discussions with MS product managers re: Pen Windows, ROM Win 3.1, and ROM Excel. The goal is to cement this GUI design win by June '91. HP PCG Work with Tom Musolf to define how MS can best support PCG is underway, and weekly status conference calls including PSS with PCG have started.

Graves Account Team

Lusk (Rick Chouinard)

This was a busy month for licenses. Lusk and MS both signed Lusk's new MS-DOS license with a minimum commitment of \$630,000.

Model American (Rick Chouinard)

Model American took an additional 1,000 units of the Combo product in March. Their license expired this month but I will have a new license signed during the first or second week of April.

Spent half the month handling the responsibilities of Dorism's territory. No real fires, just busy returning calls and quoting prices.

DAK (David Bennett)

DAK has agreed in principal to bundle Word for Windows with 100K 386sx systems over a two year period. Revenue over the period will be 5.5 million dollars. DAK has requested a few minor changes to the license. I expect to have it signed no later than April 12.

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Zlatech, Annabooks, Paravant (Ray Kanemori)

The Zlatech and Annabooks DOS royalty license agreements were signed. American Automatrix packaged DOS agreement was signed. The Paravant DOS royalty license agreement needed to be sent back to the customer for approval of changes and is back for the final approvals in our signature process. Have begun to make use of Annabooks by passing small leads to them and they will be getting the DRI DOS ROM System Builder Kit to evaluate. Visited Europe to gather more information about component distributors as well as attend CEBIT to prospect for embedded customers.

Soft Warehouse (Doris Medicott)

Sent them DOS 5 royalty pricing and a draft license agreement in early March. Upon initial review, they have no problems with the royalty rate (\$25 per processor) and volume m/c (85K per year), but want a decreased due on signing. Doris proposed the following: have a small due on signing (under 10%) due when the license is signed (early May estimate), and an additional payment due on the license effective date (July 1, 1991); total due on signing amount to be determined. SWHse liked that idea. They are currently reviewing the license in more detail, and want to meet with Doris end of April to go over specifics and close the deal.

Entertainment Marketing (Doris Medicott)

EMI's interest is to license DOS direct from MS on a per processor basis, and Windows on a per model basis. All software is pre-loaded on the hard drive. They also want apps, but Doris believes their price target is much too low to do a direct OEM apps bundle with them (for example, they recently got a price quote from Lotus for 1-2-3 for \$8.50 @ 5K/mo m/c for product and product support).

Doris sent them a price quote for DOS pricing at 50K, 75K and 100K per year, and Windows at 24K per year. There is a possible m/c opportunity of over \$3 million per year, but Doris believes they will commit to a lower number, such as 50K systems per year, bringing the overall m/c to a little over \$2 million. Doris also sent them a sample license draft and a standard apps price quote (46% off the SRP for purchasing FG product direct from MS as an OEM). After review of the pricing and license draft, EMI's president, Elias Zinn, now is considering Windows per processor, at volumes up to 100K per year.

New Business (Doris Medicott)

DonHar, WolfS and Doris had a demo of the ACT software we will be using for our lead tracking system last week. Doris has had the software installed, and is beginning to work with it. She is working with Don and Wolf to determine specific fields for our database.

Customer Service (Trish Hunt)

Trish took 545 calls this month; 35% were incoming calls and 54% were outgoing. She also met with Order Processing and Finance departments to establish a criteria for how we can work together more effectively to meet our customer's needs. The meetings were very successful. Trish is also working with Susanwr on a way to handle MS-DOS orders under 30 units.

Downing Account Team

WinLabs (Susan Diamond)

Final negotiations of the new royalty agreement have been completed and the agreement should be signed off in April. Total value of agreement is \$1,722K.

Piracy concerns: WinLabs confirmed that in November, 1990, they sublicensed 5000 units of DOS to a third company. WinLabs voluntarily reported this and said that it was due to an employee's misunderstanding of the agreement terms. Following a conference call with Microsoft's legal department and myself, WinLabs has offered to report and pay royalties on those units produced by the third party. WinLabs continues to work with Microsoft to identify possible sources of counterfeit Microsoft product.

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Sysorex (Susan Diamond)

Negotiations on the Sysorex royalty agreement have been slow. Sysorex is still in the process of obtaining government approval to sell their own brand PCs into their government contracts. Meeting with them first week in April.

Swan (Susan Diamond)

Swan Technologies has finally signed the combo agreement and submitted an initial order for 350 units. This is Swan's first step towards a commitment to Windows.

Have begun discussions on a royalty agreement to include DOS 3.3, 4.01, 5.0 and Windows 3.0. Total contract commitment of \$1.6M. Will visit Swan in April to present a draft agreement.

Creative Labs (Wolf Struss)

\$1.2 million/year Multimedia Windows license agreement in negotiation.

Farallon Computing (Wolf Struss)

LAN Man REDIR license agreement in negotiation.

Headland Technology (Wolf Struss)

\$380K/year Multimedia Windows license agreement in negotiation.

Media Vision (Wolf Struss)

Submitted a revised \$540K Multimedia Windows license to customer for signature.

Positive (Wolf Struss)

Major happenings here with Positive potentially licensing a Spinnaker Windows product that will compete with Works for Windows. Met with Donnag and them to determine a plan to keep their virgin commitment to MS products.

Bloomberg Financial Services (Don Hardwick)

Bloomberg signed a license for packaged Works to bundle with their financial services software on TI portables. License currently in MS signature process. Bloomberg will sell these systems to their brokerage clients for use at home. The agreement is for 1000 copies of FG Works at \$55 each. Bloomberg is a new customer for MS.

The Complete PC (Don Hardwick)

The Complete PC signed a license to bundle 4000 copies of Works at \$17 royalty (\$68K, all due on signing) with their Complete Commander voice mail/fax/modem card for pc's (SRP \$895). License currently in MS signature process. Expect to begin shipping in April 1991. The Complete PC is a new customer for MS.

Insignia Solutions (Don Hardwick)

Insignia has signed a new royalty license agreement with Insignia that will add MS-DOS 5.0. License is now in MS signature process. New agreement should begin in April 1991, and will increase their current minimum commitment of \$500K by 50% the first year (\$750K) and 100% the second year (\$1M). Insignia is also licensing their software emulation technology to MS for use with OS/2.

Gateway 2000 (Dave Wright)

Gateway has shipped new systems - custom color casing. They still have not resolved internally what they want to do with mouse business. Meeting with MS management for action plan.

Texas Instruments (Dave Wright)

MS-DOS 5.0 and CDX amendments delayed due to administrative bog down. Will receive both signed in April. Successful meeting in Redmond with TI, much closer to licensing for Windows, Online Agreement and Windows

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3.0. Successful meetings in Temple, TX and Houston, TX with upper management at each location. Issues and relationship advanced.

Austin Computers (Dave Wright)

Received royalty payment (overdue due to renegotiating of agreement), new amendment signed for Dos/Win license and Mouse amendment. Both amendments were to restructure their payment schedules to extend the period of time they have to pay but not reduce their total due to MS.

Unisys (Michele Pearson)

Really good month. Conducted an Executive Review here that was attended by Hugh Lynch, the godfather of many PC related projects that span various account divisions. The most important outcome was an agreement to study our respective company future technologies to ascertain best future working relationship. There was also a Technology Review Meeting on the 15th which brought in six marketing and engineering people from around Unisys. The royalty report came in finally too, on the heels of a curtailment of code shipments—tough tactic, but it produced the goods. Amendment One is nearly complete as well after yet another round of changes from our legal review. Amendment Two is in the works and the DTIII business holds steady with no change. Continued learning all the accounts and related business issues.

AMAX Engineering Corp (Ben Hsu)

Negotiated with AMAX on a royalty DOS deal for their new government contract—an order for approx. 60,000 machines over a four years period. Royalty license to come.

DFI (Ben Hsu)

DFI has a very negative feeling about MS. This has been changed. We have a very good chance to get them as a DOS royalty customer.

Eitech (Ben Hsu)

Signed for a 3 year multi-million dollar deal for DOS and Windows. Now to collect their due on signing.

Microstar/Infiniti Systems (Ben Hsu)

Negotiated with Microstar/Infiniti to bundle DOS and Windows on a per processor royalty base. could be a very big royalty customer.

Supercom (Ben Hsu)

Negotiated with Supercom to sign up DOS and Windows for royalty. Supercom is our biggest PP DOS customer. They have a new business plan for coming year - the European market.

EUROPE (Jeff Lum)

Amstrad

Sandy arranged a productive meeting between Joachim and Malcolm Miller. Joachim was able to squash any more random ideas about DRI on the 8086s for at least another year. They signed their DOS 5.0 amendment as well as an agreement to bundle German Works on selected machines.

Apricot

Sandy has reached agreement with them to a new license (won't revert to Mitsubishi as earlier expected). Commitment will be 100K units over two years for all systems products.

Aquarius

Reached agreement with them at CeBIT to raise their unit commit from 40K to 60K per annum. We'll get DOS, Windows, and Works for about \$2M per year.

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Asem

Andreab just signed them to 2 year agreement for DOS 5.0 and OS/2 - \$650K. Other opportunities include packaged LANMAN and Works bundle.

BULL

Announced DCM on March 14 which aims to provide transparency and distribution in a heterogeneous environment. It is based on OSF DCE, X/OPEN, Posix, etc. Users get access through a GUI - Windows or Motif. LMX is part of this set of products and will be implemented on their Unix DPX minicomputer. Bull engineering enthusiastic about Visual Basic. 10 people developing a product plan for it.

ICL

Will participate in the LANMAN Council meetings in April. Appears they will likely have SPARC workstations via Fujitsu (this was always speculation but Dalebor got more hard data about it recently). MIPS paid a visit to ICL also this month. No major actions pending from that meeting from what we can tell. Dale organized a go-karting event with ICL that worked out nicely as a social event for the companies. Windows is still a hot topic. They are committed to it, but have some concerns regarding the MS-Fujitsu-ICL contractual relationships. Dale is trying to schedule a 3-way meeting with the 3 companies.

Nokia

Held executive review in March. We need to pay more attention to this account. They mention this to me every time I see them. Lots of issues with this account. Lars should spend more time on campus working the issues rather than working them from Sweden where he has a hard time following up on outstanding issues. Nokia's business is feeling the pinch of the economic slump in the Nordic area; some layoffs are expected at Nokia. Their business is flat.

The LAC agreement, which allows them to license MS products onto non-Nokia hardware, was signed by Jeremy and Jukka culminating a year long negotiation.

Two engineers have moved to Redmond and have started work on OS/2 3.0 with us.

Olivetti USA

Interested in Arabic DOS for the machines they are sending into Kuwait as part of a post war cleanup plan. I am not holding my breath on this one. This is the same group that has given us the runaround on Works and Windows in the past. The Works bundle was recently shelved.

Olivetti - SPA

Clearly unhappy about the backseat they had to take on the ACE announcement. Threatened to pull out but they didn't anyway. MIPS owns this issue of giving them the proper attribution, but Carls is helping somehow. Good progress here by Nancyrl. Source fee waived since prior Bauer customer. Awaiting final Ts&Cs to be agreed to.

MMW and Penwin issues still active. Fear that Office and OSN may make independent decisions on their OS of choice and choose GO. Maurizio is on top of it.

Excellent job by Maurizio in finishing up the Olivetti amendment which extended their license for another two years at \$12M per year. Good work Maurizio.

Peacock

GmbH squelched an aggressive Logitech push for mice and renewed the MS Mouse agreement for 25K units per year.

Philips

Mark continues to get good account penetration into Philips and Magnavox via the Multimedia issues. That's the good news. The bad news is that we uncovered some agreements they have been working on with Geoworks and Lotus on some of the machines on the consumer electronics side. Mark and donnag are putting together a plan to unseat these competitors on the current platform if not the next generation of products.

Schneider Rundfunkwerke

Met with Schneider and Rusniok at CeBIT and agreed to license the Shell on non-Windows machines for \$1. These guys are trying to up their image to top quality and great support at reasonable prices. Will reduce their dealer channel from 1200 to 400 this year. Manfreds needs to work on resolving the Works unbundling issue with Quelle (same problem as Commodore).

Siemens-Nixdorf Informationssysteme AG (SNI)

Finally got their license agreement signed that merged Siemens and Nixdorf. This released the dam of revenue that was being held up by these agreements. The merger seems to be struggling along, and it appears they are having a long ramp time to reach their "synergy at work" slogan. SNI is on IBM's top 5 list for licensing Extended Services. You can count on IBM going after them full bore with a total OS/2 solution.

SMT-Goupil

Rumors still strong that either Siemens or a Japanese OEM will buy them. Everything with them has come to a halt until they know where they are going, and with whom. Minimum commitments are at risk for FY92. They are already behind in payments this year.

Tulip

Last month I reported that they declined the royalty LANMAN proposal. This month they were presented with a 46% discount on packaged LANMAN for all of Europe. They declined this also. We have agreed to go back with lower minimum commitments to get the royalty business. This is likely to go through.

Victor

Not much new to report here over last month. Appears there are some political struggles going on between Tandy and Victor as it has been like pulling teeth to get someone from Victor to attend the Tandy exec review in June. We have been told no one from Victor will be present. High probability that Tandy will take over the Victor license in July.

Magnus did a good job on finishing a very complex amendment to their agreement which includes DOS 5.0. Their recent involvement in LANMAN bids will force them to get involved with the product, but the opportunities are too small to justify right away.

Vobis

Joachim met with Theo Lieven reached agreement on the outstanding license. We get Windows or Works on every PC, plus DOS 5.0 when they start shipping the German version. Vobis is one of DRI's largest OEMs worldwide (largest in Europe). This was a great win for us. This is just the beginning, however. We need to stay close to this company as we know DRI is very close and they will do all they can to win these guys back (but we do have them locked up for another 1.5 years!).

JAPAN (Ron Hosogi)

Alps

Alps Amendment #3 which adds DOS 5 and Win 3 is completed and now on the way to MSHQ for signing. (Due on Signing: \$200K).

AST Research

Very interested in DOS/V. They will enter the license agreement to add DOS 5/V in the U.S.A.

Canon

We have started negotiations for Amendment #1 to add DOS 5, Win 3 and LM 2. Canon has agreed to pay an additional M/C of \$500K and plans to sign an NDA for Win 3, DOS 5, LM 2 and Peer Win.

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Casio
Casio Amendment #2 for ROM-DOS closed. It is for \$550,000 (Due on signing and first M/C).

Compaq-J
MSKK shipped alpha version of "V" driver source code to Compaq-J (Houston).

Epson
Mr. Tsuchihashi, Sr. Managing Director, committed to making Pen Win system targeting '91 Fall COMDEX.
LM 2 (Kanji) \$200/server, \$30/client, Source Code \$150K; TCP/IP Source Code \$70K proposal delivered.
DOS 5 deal is under negotiation. Mr. Akahane proposed \$10/sys flat for DOS 3, 4, and 5. This royalty plan is under consideration at MSHQ.
Epson announced a new model: * PC0386G-STD (Desktop) at 750,000 yen. Release: Mid March. Specs:
386SX-, 33MHz, no wait, 64KB cache memory, 3.5" FDD type or 5.25" FDD type,
1120X750 and 640X400 modes.

Fujitsu
Fujitsu Amendment #4 for Win 3 is complete.
Fujitsu OnLine Agreement is completed and now on the way to SamF for signing.
Negotiating prices for MM Windows 1.0 and DOS 5. We are trying to get higher royalties to help reduce overall UPBs.
Solving Truelmage business problems. We will enter into an agreement this May.
They will produce a new very powerful machine which utilizes Intel 80486, 50MHz within CY91.
Poqet Computer will be integrated to FJ's agreement (J036-8133) in near future but ICL will not. To keep a good relationship between MS LTD and ICL, they will need to keep the existing agreement.

Hitachi
Hitachi signed Amendment #4 which adds an additional M/C of \$1M (scheduled June, 1991) and the term is extended for a total of 6 years). Amendment #2 of CDEX has an additional M/C of \$100K (scheduled for 5/91: \$50K and 5/92: \$50K) and the term is extended to a total of 6 years.
We are negotiating Amendment #5 with LM 2 pricing, TCP/IP protocol stack, DOS/V and OS/2 2.0 Exhibit C is 3rd Vender's Copyright and Trade Mark notice issue.

IBM-J
IBM-J and MSKK are still working out the licensing of DOS/V portions. MSKK R&D is cleaning up IBM's copyright from object, source code and documentation.

JVC
A meeting was held regarding DOS licensing. JVC is selling a dedicated PC system to the image processing market. It is supplied by Sanyo as OEM. JVC now plans to manufacture it by themselves. JVC will announce it this fall and will release it next spring according to their current plan.

Kobe Selko
MSKK first attempt to license LM 2 to a systems integrator. They will adapt LM 2 server to various machines such as FJ, MEI, NEC, IBM etc. They also plan to resell the workstation LM (package product) from key OEMs. Quoted the LM 2 price as follows: 300 Units/Year, M/C: \$60,000, Server Royalty: \$180/copy, Client Royalty: \$35/copy.
Now, we are at NDA signing and will follow-up with an LOI stating that they will enter the agreement. Then KK will negotiate the license agreement and ship LM 2 Kanji evaluation OAK to them.

Kobe Steel
Another LM 2 to Software Integrator license. They will adapt LM 2 server to various machines, and will buy the workstation package product from other OEMs.
Goal is to obtain LOI from them and start the LM 2 porting work.

Matsushita (MEI)

MEI decided to utilize our MS-DOS to their limited type of JWP. Quantity is about 50K units.
MEI committed to ship DOS/Win on 80% of 386DX machines called CV-M750 Series.
New master agreement in the works which merges three older agreements. (J005-6080, 7029, 7162).
MEI is very interested in Pen Win. KK will visit MEI for another management introduction and product demonstration next month. MEI's Director, GMs are supposed to attend.

Mita

Interested in Truelmaga. They received a proposal (quote) for:

- 1) Minimum Commitment Payment: \$450,000.
- 2) Source Code Fee: \$250,000.

Mitsubishi (MELCO)

MELCO finally agreed to increasing royalties of DOS 5 and Win 3. They will bundle DOS and Win for all their domestic AX-PC (Desktop, Laptop and Notebook). They have also agreed to consolidate 3 Agreements (DOS, Win and OS/2 Agreement) with an additional M/C of \$1M (scheduled June, 1991).
MELCO signed Amendment #1 of OS/2 with BIOS with a Source Code of \$25K.

NEC

A meeting among NEC, Sybase, MSHQ and MSKK was held in Tokyo regarding SQL Server DBCS enabling. This meeting was successful, but progress overall has still been slow. This issue had not been resolved for over 6 months. A detailed schedule will be fixed within April.

We made 3 license drafts and sent them to NEC. Now NEC's legal department is reviewing. The first draft adds DOS 5 and Win 3 to the 386, 486 agreement. The second draft amends to add German DOS 4 and Chinese DOS 3 to the 286, Vchip agreement. The last draft adds LAN Manager to the OS/2 agreement.
NEC and KK have also started business negotiation for Pen Win, MM Win, SQL and COMM.

Nippon Eurotech (ALR Japan)

Although, they are very interested in DOS/V, KK passed this opportunity to US OEM in order to provide good leverage for the overall DOS license.

NTT

MSKK started business negotiations for DOS 5, Win 3, OS/2 1.2 and LM 2. Draft to be provided in April.

Oki

LM 2 (Kanji) \$200/server, \$30/client, Source Code \$150K; TCP/IP \$25/copy, Source Code \$50K. Final approval is needed.

Sanyo

Sanyo is interested in DOS/V also and joined the OADG. However, they are really serious about compatibility with AX applications. The "DOS/V" emulator is planned to be used on Sanyo's AX model to achieve this.
Sanyo will make a new AX machine based on their export model, MBC-17NB this fall. This will be i386SL note-book PC.

Sanyo joined the DD-1 Book Committee (Sony's Data Diskman) project. Other OEMs to join are: MEI, KMEI, Casio, Canon, Sega, Chinon, Ricoh, Fujitsu, and Sony.

Sharp

Dr. Nishioka, Division General Manager (to be promoted to Deputy Group General Manager of Information Systems Group from April 1, 1991), committed to make Pen Win system for '91 Fall COMDEX. He is very active toward Pen Win and requested MS for an ESP.
Sharp has a special project on i386SL based note-book PC, which will be a next generation All-in-note. Sharp and Intel are working closely on this project. Mr. Izaki, Manager, will meet SamF early next month to discuss how Sharp and MS can cooperate on this project.

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Personal Equipment Division has asked to have a strategic meeting with senior managers of MSHQ. The meeting is planned for May. Sharp intends to achieve data compatibility between Wizard and MS-DOS. They are also interested in personal accountant application. Sharp is interested in "DOS/V" and joined the OADG.

Sony

Finalizing the LM 2, Win 3, and DOS 5 license.

Sun Electronics

Very interested in Multimedia and DOS/V. They will enter the agreement when KK is ready to ship DOS 5/V OAK.
DOS 4 price quote: 10,000Unit/Year, M/C: \$350,000, Royalty: \$35/sys, V Portion: \$15,000.

Toshiba

An amendment for DOS 5 and LAN Manager 2 is in the works.
Toshiba is strongly asking us to reduce DOS royalties because it has lowered the SRP price on Dyna Book series. We'd also like to keep the revenue. As a compromise plan, both companies agreed to set each DOS royalty of battery type PC and AC type PC separately. The royalties Toshiba is asking are \$10, \$11 and \$13 on 86, 286 and 386. We are asking Toshiba to commit to per system Win 3.
Toshiba announced new desktop PCs called J-3100ZS and J-3100ZX. Main features are:

KOREA (Ron Hosog)

Daewoo Electronics (DWE)

DWE signed Amendment #2 to add DOS 5. A MS products seminar was held for DWE domestic sales team for the bundle deal of Hangeul L-DOS for their XT & Win 3 for their 386s. Due to be finalized in April.

Daewoo Telecom (DWT)

DWT signed new Amendment #11 expanding MS Works license to Leading Edge brand 386SX. Now Works is bundled with all their 286 and LE 386SX machines, and Win 3 for all their 386/486 PCs. Regardless, LE is in favor of GeoWorks because of the low enduser support cost.
The employees of Computer Business Division of DWE will be transferred to DWT and will be retained as a manufacturer of PCs for DWT.
One problem to fix. DWT ordered MS-DOS 4 German CRC but 3.3 CRC was shipped from HQ. We need to fix this problem as soon as possible.

Goldstar Co., Ltd (GS)

GS planned to manufacture 250K PCs this year including the Zenith deal of 100K units and Intel OEM manufacturing. GS is converting their all production lines for notebook PCs, but still their manufacturing plant cannot satisfy the orders from European countries. GS is expected to ship 10K Win 3 in CY91 Q3.

Handeung

Their General Manager quit the company and the payment issue of \$30K is being worked out by a new GM.

Handok (HDK)

The Amendment #1 for adding DOS 5 was signed. They are developing a new pen based PCs using ROM-DOS. This product does not have full handwritten recognition and market acceptance is not favorable due to limited functions.

Hyundai Electronics (HEI)

New amendment has not been signed due to per processor issue. They are holding the signature on the amendment and remain as the last headache for the issue after Trigem's claim. They are requesting to apply the

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current terms under per machine/per system condition and we rejected their request. Their amendment will be finalized in April.

IBM-K

Strategically, we agreed to cooperate in localization of the products and adoption of same standard. Had a meeting with IBM Korea staff for Hangeul MS-DOS adoption. Hangeul DOS 4 package deal was discussed for their new 386SX model. For Hangeul Win 3, they still don't commit their distributing through their sales channel. They started to develop their device drivers for Hangeul Win 3.

Koryo System (KRS)

KRS is discussing their sales plan again to amend the agreement with adding Win 3. Their US sales office requested to get Win 3 and its application information through Redmond.

OPC

Financial status of OPC is in poor shape. They need to merge with a larger company to escape bankruptcy. So far, rumor says Koryo System would buy OPC.

Onix Computer (ONX)

The draft of CD-ROM Extension agreement was sent for their signature. Onix will sell their CD software with the drive from May. Onix agreed to adopt TrueImage verbally, and requested to charge the source code fee by their UPBs. Their PC business is still slow and UPB is increasing every quarter.

Samsung Electronics (SEC)

New amendment is in their management's hands. One of their managing directors is holding the amendment because of a per processor issue in Korea. The amendment will be signed in April. They shipped Sensor 286 to US market but the sales result is poor. Samsung is anticipating the success of Sensor 386SX, but the shipment was adjourned to early May because of their manufacturing problems. Win 3 will be bundled with Sensor 386SX. Hangeul Win 3 per system discussion has been started. With a test version evaluation, more discussions will follow. Samsung held joint MPC consortium. IBM's plan made them watch and see the market again, and their staff couldn't find the fancy applications for MPC during the Multimedia Conference. Finally, Samsung determined to adopt MS hand-written recognition for Pen Windows.

TongYang Nylon (TYN)

New amendment for another year has been negotiated. One of their buyers requested the 286 notebook systems without MS-DOS. After checking the details, the negotiation will proceed. Their sales forecast is around 35K for this year and this figure is under their original plan of 50K. However, their sales revenue will not be decreased because they will concentrate on high priced PCs of notebook and 386 desktop.

Trigem Computer (TG)

Trigem started their Win 3 package design before executing their Win 3 agreement. They made a contract with Emerson to provide 386SX systems to be shipped around 30K units during this year. One of their subsidiaries, Solvit, was reorganized to start Multimedia project and they requested MS MDK for their development plan. Trigem R&D requested the detailed information for Pen Windows for their new project initiation.

Trigem network division requested the terms and conditions for transferring their dealership for LAN Manager from 3COM to MS. This will be closed once CH has set up a LAN Manager business plan. Their Chairman ordered their staff to amend the per processor agreement after meeting with SteveB and DRI relationship with Trigem is seemed to be continued silently.

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TAIWAN (Ron Hosog)

Acer

According to internal sales reports, Acer America's sales is 6% over their forecast and is finally in the black. Also, Acer is quite optimistic for this year. At least for the first quarter, 1991, Acer is doing well. For the next half of 1991, Acer is introducing a new 286 system for the commodity channel that features a no screws assembly. The whole 286 system could totally disassembled in one minute. Stan Shih is also heading a 486SX project.

Autocomputer

Autocomputer is very much released from the CPU shortage after AMD's announcement. They also do not have to pay the very high price in the gray market to buy P9 CPU. Again, Autocomputer has cash flow problems. They just sold their Hsin Tien S&M office and moved to Chung Li.

Chaplet

Although they expected CPU and LCD supply will be better start from FY92 Q1, they are still suffering the shortage. This impacts MS UPB. Currently, their DOS contract will expire September 30, 1991 and we have forecasted around \$0.8M UPB for this account.

DTK

250K units at \$18.50 standard contract for MS-DOS was signed by them and sent to HQ for approval.

Lyí-Cheng

After coming back from Hannover Show, they seem to be gaining possibilities for extra orders, and are requesting additional European language kits from us.

Mitac

DOS 5 amendment is in their hands for signature. Own brand PC sales was not very well in the US in the past, and most of their PCs in the US were for OEMs. They had forecasted this year to be better. In the European market, their use own brand products is selling much better.

Modern

They have received the FCC "B" Class approval from the US. They will start to promote their Notebook with DOS into the US market soon.

Mustek

Another DRI conversion. They are now in the MS-DOS camp.

Plus&Plus

Signed a new DOS/Win contract with us. Financial strength is still questionable. FY92 forecast reflects this.

New Accounts Development:

Compal

They have received FCC "B" Class approval from US. They are changing into 100% OEM business. All their OEM prospects already licensed with Microsoft in both US and Europe.

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CANADA (Ron Hosogi)

Budgetron

Budgetron renewed its two year agreement for MS-DOS and OS/2. The current recession and unwillingness to commit financially made it impossible to license Windows on a per systems this year. However, the finished goods deal may be extended. Budgetron is the one account in Canada where DRI's presence was very strong. Budgetron's market is strictly the low end VAR (or dealer) who would endure DRI DOS for a lower priced machine. This new contract guarantees MS-DOS on every processor manufactured and shipped by Budgetron, therefore excluding DRI.

Everich

Everich wants to terminate its OS/2 agreement. They want to keep a good relationship and have committed to putting Windows on their 386 line. They have also included Windows in their recent advertisements.

Honeywell

Honeywell Canada is interested in moving their system offering from LAN Manager 1.0 to version 2.0. The royalty rate increase is acceptable, while the commitment volume is not. A proposal will be prepared this month which would allow them to make this move.

Micro Tempus

Micro Tempus is very critical of our sales record worldwide for LAN Manager. The IBM-Novell licensing issue was very damaging in their channel. Micro Tempus' lack of success with the "Router" and the apparent lack of demand for LAN Manager has left this company ambivalent about licensing LAN Manager. A high level technical meeting with Micro Tempus in Redmond will be necessary to orient the development and implementation of LAN Manager in their Enterprise server.

Primax

Primax started shipping MS-DOS and Shell this quarter. Their run-rate looks very good. This is a good win for Microsoft since this company was previously purchasing Phoenix DOS on demand. Now the agreement is a per processor and the royalty rate is quite high. Mark Durst, the President is interested in licensing Windows on every machine if we can exempt the machines shipped under government bids.

REDMOND EE (Ron Hosogi)

Acer Technologies

Applications: Acer Miami will stage a regional sales conference during the 2nd week of April. Karl Dottinger, Product Marketing Manager, will propose several alternative MS Win application distribution promotion opportunities. He is using Win Excel and PowerPoint to build his presentation and will stress the practical application of these products to his sales force.

DOS: AT&T is buying a system from Acer which AT&T will market as a "Voice Adjunct Applications Processor". It will be necessary for AT&T to use Acer MS-DOS 3.3 with this system and they wish to ship Acer DOS without Acer label. Russ Lee is investigating the need for such amendment.

Acer America expects to ship DOS 5 in July.

LAN Manager: Four existing Altos licenses which cover MS Networks, Xenix 286/386, Xenix 286 and Xenix Multiplan are all due to expire within 30 days. We are working with the Acer/Altos purchasing director to determine which of these agreements need to be extended.

Mouse: An order for 2,300 MS Mouse was placed. This was a fill order shipped directly from Redmond to Acer America. Expect that regular Mouse fulfillment, thru the master OEM Agreement in Taiwan, will resume in April.

OS/2: At this time it is probable that Acer will ship OS/2 1.3X when available in June.

Windows: Acer will OEM a 386SX system to Canon (Canon model # C-200 M55) which will include Acer Windows.

Works: Final draft of the Smith Corona Acer Works agreement is at Acer for signature. Agreement is one year, 30K unit commitment with \$300K minimum commitment. Product shipment starts in April.

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Canon USA

Mouse: Final copy of MS Mouse distribution agreement has been sent to Canon for signature. Expect first order to be placed against this agreement in mid April.

Windows: Windows will be distributed with each of the new C-200 M55 HD120 systems (386SX) which are OEM'd by Acer. The Windows product will be supplied by Acer to Canon as part of the OEM agreement. This model will be also bundled with MS Works in addition to Windows. Quotes have been submitted to Y. Okada, Canon US Product Manager, for the Win Entertainment Pak and also for potential Windows business application promotions. These quotes are currently under consideration and one or a combination of these MS products may also be distributed with the C-200 M55.

Works: Final MS Works agreement has been sent to Canon for signature. First product order against this agreement is expected mid April. MS Works will be distributed with each of Canon's new 386SX systems which are OEM'd by Acer.

Epson America

LAN Manager: Holly Cole, Manager for Product Planning, came to MSHQ to discuss LM marketing opportunities for Epson America. RuthW, OEM Marketing Manager, cleared up the confusion in regards to Epson America shipping LM in the US. Epson Japan has signed a license to distribute LM in Japan. However, Epson America does not have this ability. RuthW explained MS's "Server Partner" program where Epson can co-sponsor seminars and training sessions for LM for end users and resellers while showcasing Epson hardware. Action items are for Epson America to supply MS a list of it's dealers and resellers. RuthW will match this list against the one targeted by MS for authorized resellers of LM. Seminars will be co-sponsored with the dealers which match both lists. Holly plans to send Epson's list by the end of April.

EBU, Works: John Sage, Group Manager for Works, gave EBU's strategy for Works and other products coming out this fall which run under Windows. Another meeting is scheduled for early April to present EBU's new product line to the Marketing Managers at Epson's facility.

Fujitsu America

DOS: Fujitsu America is licensing MS-DOS ROM 3.22, through the master agreement in Japan, for use with their new Handheld Computer product line. They contacted me for pricing for CRC for DOS 3.2X. This quote may lead to \$4K in incremental revenue.

MM Windows: Bookshelf for Windows was presented to a group of Fujitsu executives (including Mr. Furukawa) during the CD-ROM and MM Conference. During the presentation, it became clear that Fujitsu is focusing their MPC marketing effort on the Japanese marketplace with limited emphasis on US distribution. In fact, they must first build a PC distribution channel in the US before any volume shipments can occur. This development does not appear likely in the near term.

Goldstar Technology

MM Windows: PamelaGo, Product Manager for MM Windows, and TomBru met with Don Son, Senior Engineer, Young-Man Park and Pil-Tae Kim at the CD-ROM Conference to discuss Goldstar joining the MPC Council. This is the fourth time PamelaGo has met with Goldstar to explain the benefits of joining the council. Unfortunately, one of the primary decision makers from Korea cancelled coming to the conference. Off the record, Don Son told us that, "if Samsung joins, Goldstar would probably join".

Hitachi America

LAN Manager for Unix: A meeting to discuss the latest developments with LM for Unix was scheduled for early May at MSHQ.

Hyundai America

Applications: Met with Song Choi, Product Planning Manager, to discuss possible software bundlings in the US with Hyundai machines. Hyundai's main distribution is through small price sensitive dealers which carry several low end clone lines. Song Choi indicated that these dealers do not want any software bundled. They receive many machines bare bones and build to order. Furthermore, these dealers will swap out hardware and replace

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with the cheapest parts to improve margins. Thus, at this time, Hyundai America is very resistant to software bundles.

Leading Edge Products

Windows: GeoWorks continues to be a threat to Windows in Leading Edge. Although DWT has licensed Windows on every 386, LE has the flexibility to not load this product. A major win for Microsoft is Works which will be loaded on the 286 and 386SX/16. However, Windows is still threatened. GeoWorks will support their product direct. With Windows, LE must support. Furthermore, GeoWorks is willing to license only their GUI shell Geos. Again, GeoWorks will support this product directly. MSCH action is to convince DWT to tell LE that they need to offer Windows over Geos. Since DWT owns LE, DWT may pressure LE to comply. TomBru informed the Windows group to address LE's support issues

Mouse: Closely associated with Windows is the opportunity for LE to bundle the Microsoft Mouse. However, for our pricing to be competitive, LE must ship Windows with the 386SX. The Windows License with DWT requires a \$5 royalty uplift if the OEM ships a competitor's mouse. Logitech has quoted a price of \$13 per mouse. MSHQ has quoted \$17.50 per mouse with a 50,000 unit commitment. MSHQ can win this business only if LE incurs the \$5 royalty uplift if they ship the Logitech Mouse. This is still an open issue and will require the cooperation of MSCH.

Matsushita (Panasonic)

Windows: The "Tune to Win" promotion, which included Windows 3.0 distributed with the Panasonic C-1391, was less than successful according to the Panasonic Product Manager. Late execution was cited as the chief reason for the lackluster sales. The promotion was scheduled to kick off no later than mid-December, but was not implemented until February 15. The MS Windows distribution agreement with Panasonic expires in May. No additional orders of Windows are planned against this agreement.

NEC Technologies

DOS: A new MS CD-ROM Extension license, directly between MS and NEC Tech., is currently under evaluation. This license will cover the new P 43 (386 notebook computer) and a NEC Caching SCSI Host Adapter kit. Royalty will be \$2.00/system with volume as of yet undetermined. NEC Tech. Systems Development has discovered a bug with DOS 5 and NEC's large disk partition utility. It may be necessary to acquire Source for DOS 5 to resolve. NEC Tech. will address the need for Source directly with NEC Corp. in order to initiate license negotiations.

LAN Manager: DrewF is communicating directly with Paul Reed regarding details of the LM Certification Program participation. Since NEC has committed to doing OS/2 1.3X, I believe they will be very receptive to the Certification Program.

Multimedia: NEC Tech.'s plan regarding marketing and licensing MM Windows is becoming foggy. First they are concerned about feedback from various ISVs and IHVs stating that these vendors are writing MM drivers for their products for the DOS, Windows and MM Windows platforms. NEC feels this development may obsolete the need for a specific MM Windows license. Also, their MM strategy is to make their entire product line (386 and up) MM ready. It is unrealistic to believe that NEC Corp. will commit to licensing MM Windows on per system basis for all 386 and 486 computers. But NEC Tech. will also sell components of this kit (audio board, CD-ROM drive) separately and they will not create a separate SKU, which includes MM Windows bundled, for each component sale. New discussion, directly between the MS MM Systems Group and NEC Tech., are necessary in order to ensure closure of this license.

OS/2: The call last month by the OS/2 development team proved productive. NEC has committed to producing a NEC OS/2 1.3X version.

Pen Windows: The NEC 486 based laptop designed to run Pen Windows will be release prior to availability of Pen SW. Until Pen Win is available, they plan to bundle Win 3 with mouse emulation capability with pen. Negotiations ongoing in Japan regarding NEC using the MS Mouse driver for their DOS-Pen system.

Windows: Meetings were held during February regarding Win application bundle opportunities and also NEC's sales force standardizing on Win apps. Follow-up discussions planned for March and April.

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Okidata

No correspondence in March. TomBru took over the printer business unit from DOEM which was handled by NancyRL.

Samsung Information Systems of America (SISA)

Applications, Works: Samsung is announcing the Spensor line which is made up of a 286 and a 386SX machine for distribution in the mass merchant channel. The 286 will bundle GeoWorks and the 386SX will bundle Windows. Additional software bundles on the 386SX have not been finalized. KW Jun, Director of Marketing, met with CraigB at the CD-ROM Conference to evaluate MM Bookshelf. KW Jun is planning a trip to MSHQ in early April to discuss EBU's new product line and other MM titles supplied by MS.

MM Windows: Samsung has decided not to join the MPC Council. Samsung believes there are not enough benefits to warrant the \$1,000,000 presented as funds and "in kind" contributions.

Sanyo USA

Works: Works evaluation copy sent to Jerry Flynn, Product Manager, at Sanyo. This is first step in qualifying Works distribution opportunities at Sanyo.

Sharp USA

Windows: A meeting to discuss package product Windows and MS Mouse/Ballpoint Sharp distribution opportunities will be held in April.

Sony USA

MM Windows: CD-Bookshelf Agreement is not yet signed. Patent acknowledgement issues have stalled final closure. Expect agreement to be signed early April.

Toshiba America (TAI)

Meetings with TAI's product marketing people was pushed into April. Good news, according to Steve Andler, Product Planning, TAI was above forecast for the month of March for machines shipped. However, two more people left TAI marketing. Tom Sherrard who was Director of Marketing and Marc Rubenstein in Market Planning. As of March 30th, there are only two Product Managers handling all product lines at TAI.

Bill Johnson, GM of TAI, resigned April 1st. The interim GM is Mr. Nishida. TomBru will set up a meeting with Mr. Nishida and RonH to discuss how we are to work with TAI given the new relationship.

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