

**PLAINTIFF'S EXHIBIT**  
 756  
 Comes v. Microsoft

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**MS-GmbH OEM Report - June 1991**

**Royalty Revenues** exceed budget by 5%. We amended too high m/c billings of Actebis and Digitale Microsysteme, including reduction of m/c of REIN Elektronik which totalled in \$300k to be deducted from revenues in June. We have not been able to bill forecasted \$230k of new license agreement with Peacock which is the reason for being above budget by 5% instead of forecasted 6%.

**Packaged DOS business** dropped again from 12,787 units in May (27,217 in March) to 9,501 units. Customers refused to have any Packaged MS-DOS v3 and v4 on stock facing soon availability of MS-DOS 5. The good news is, however, that we sold out almost all of our MS-DOS v3 and v4 stock including a larger amount of DOS/Windows combos. Although the return rate of new Packaged MS-DOS contracts was just 16% the top customers have been signed up for MS-DOS 5. Sales will gear up soon when the German version can be shipped.

**Market** - is slowing down for summer holiday season, no alarming messages heard.

**Siemens Nixdorf Informationssysteme AG (SNI)** - reported a surprisingly good Q3FY which is interpreted as having got rid of the negative impact of the company merger. If they can keep pace SNI will target 120,000 PCs in SNI's FY which ends Sep 30, and this means they will be back on forecast level.

**Schneider Rundfunkwerke** - is still reluctant in assigning computer models for the per-system license of Windows and Works which is totally against the negotiation spirit. We will focus on that before we grant them the aggressive good T&Cs for Shell 5.

**VOBIS** - advertised availability of MS-DOS 5 in all major newspapers in the last week of June. The good news is that they were able to get DOS 5 out within incredibly short 2 weeks, the bad news is that they will likely do the same when DR-DOS 6 becomes available in early September.

**Commodore, Aquarius** - have major mailorder houses selling Works unbundled and have not yet been able to stop them. We are pursuing this case and will take legal actions if all positive sales approaches fail.

**ITOS** - pc sales is disappointingly low. They negotiated their license agreement on a level of 50,000 systems p.a., they signed for 25,000 systems, they achieved less than 10,000 systems. Harald Speyer, GM, the key person for boosting pc sales, is severely ill, it is said he suffers under cancer. It is clear that the contract has to be reworked but the ultimate solution has not been found yet.

**New Business signed (by customer)**

Company	Products	ann. volume	Comments
Steiner Computer	DOS 5, Win	\$ 108k	std T&Cs
Pyramid	DOS 5, Shell	\$ 54k	std T&Cs
Peacock	DOS 5, Win	\$ 1,831k	std T&Cs!

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Profex	+ DOS 5	\$ 60k	amendment eff Jul 1 60k additional revenue
Total p.a.:		\$ 2,053k	

IBM Germany - major reorganisation finished. PS/2 product management and distribution marketing is now tied together under Dr. Ischebeck. They suffer under the 'war' and would like to see convergence of MS and IBM again. They still strongly believe in LAN Manager and LAN Server convergence as well as in full Windows capability of OS/2 2.0. With OS/2 2.0 they do not see any threat by Windows.

People - Vivian Muehlen has started on July 1 as our new admin assistant. Ricardo Cisneros, promoted to OEM Sales Associate, will focus on improving contract related services (license agreements, royalty reports, invoices). The additional slot of royalty account manager effective July 1 could not be filled, it will done by Oct 1 by transferring Oliver Seitz from Packaged MS-DOS group to that position. Michael John has taken over responsibility for Packaged MS-DOS business effective July 1.

Group performance - was much lower than usual because of the office move, the WW OEM Sales Meeting and vacation.

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OEM Financial

Royalties	month	budget	% budget	ytd	ytd budget	% of budget
actual	\$ 4,782	\$ 1,351	354%	\$ 19,967	\$ 19,067	105%
Forecast:						
month + 1	\$ 1,032	\$ 0	#DIV/0!	\$ 1,032	\$ 0	#DIV/0!
month + 2	\$ 0	\$ 733	0%	\$ 1,032	\$ 733	141%
month + 3	\$ 4,485	\$ 3,942	114%	\$ 5,517	\$ 4,675	118%
PackDOS						
	month	budget	% budget	ytd	ytd budget	% of budget
Revenue	DM 1,286	DM 2,123	61%	DM 27,640	DM 23,251	119%
Units	9,501	15,691	61%	250,414	171,878	146%

52 active license agreements, 170 active Packaged DOS agreements, 53 to be renewed.

Royalty Business

Struggling for beating budget is over and accomplished. By constantly moving customers from Packaged DOS business to license agreements the bookings for FY92 are already on target. Any new business identified in FY92 will push us above budget.

Packaged MS-DOS Business

Sales is disappointingly low caused by overreactions concerning MS-DOS 5. The introduction of no extra discounts already brought us new customers who recently bought their MS-DOS from our top ten customers which was a clear subdistribution. The major challenge is to keep the positive attitude of our major customers and to tie all the smaller pc vendors directly to us.

Logistic problems by dealing with small pc vendors will be covered by an external fulfilment partner, Cornelsen, who has already signed up for distributing MS-DOS 5 Upgrades. This is considered a major step towards better customer service in terms of just-in-time deliveries.

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## Account Status Changes

## Siemens-Nixdorf Informationssysteme AG (SNI)

## Contract work

An amendment has been sent to SNI that covers all the remaining minor issues that were not incorporated when the license agreement was executed in April. As contract term is just one year because of SNI's accounting problem with subsequent minimum commitments, SNI sent a note for extending contract term by one year. There are already voices expressing the desire for a long-term contract, which will help us to get a long-term commitment signed.

OS/2 - There is a vague opportunity for 5000 NT OS (however we call it then) starting in CY 92. The PBX departments showed some interest in this, not further details known yet.

DOS 5 - is in manufacturing. Preparing the CRC of documentation was not a smooth process because of the version issue of WinWord. We were not aware of the need of WinWord version 1.10a and lost therefore some time until SNI contacted us for a WinWord upgrade.

## Windows

There is little interaction between the SNI departments responsible for system software and for application software. So, the systems group decided to not designate and promote computer systems that have Windows bundled. Still further work necessary.

Win 3.1 BETA test is on-going and still on target.

## Next steps

- initiate more focussed marketing for Windows for gaining Windows sales.
- define a joint development project where SNI's R&D works closer together with MS-Corp.

## Schneider Rundfunkwerke

DOS 5 is shipping.

## Business

Again, pc sales has not recovered during last quarter. They are still working on getting corporate accounts like insurance companies and banks interested in buying computer systems from them. In short term they will focus on reactivating the recent dealer channel and the mail order houses, in long term however they believe in new products, in particular in notebook systems.

## Notebook

Schneider is in the final stage of closing an agreement with a Far East supplier of a notebook system that comes along with DR-DOS. As they do not want to support two operating systems they desire the ROM version of MS-DOS 5. We are already working on a very close interaction with our ROM DOS folks.

## Contract

During negotiations Schneider expressed their wish to have the same T&Cs for additional copies of Works and Windows that are not sold in conjunction with non-specified Works and Windows systems. We agreed on granting them a per-copy license for those additional systems. Now, it turned out that Schneider is not willing to define computer systems that have Works or Windows bundled.

We will hold up all changes of the license agreement, in particular the license for DOS Shell, until this issue has been solved.

## Next steps

- get Windows and Works systems specified
- prepare an amendment for including the DOS 5 shell provided the Windows/Works issue has been solved.
- make them interested in WinWorks, the Windows Entertain Pak and Multimedia
- get a better view of the sales strategies by getting in close contact with the sales and marketing force

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### VOBIS

#### DOS 5, Windows, Works

Availability of German MS-DOS 5 was announced on June 28 in all major new papers which is considered a very good promotion. They are already testing DR-DOS 6 and appear very delighted about its features. They will likely announce DR-DOS 6 availability in early September.

We have set up contacts between VOBIS and our product managers for Works and Windows, first cooperation on that level has started already.

#### Contract

An amendment will be prepared to add more language versions to Works and DOS 5, and to terminate the currently active OS/2 agreement (\$21,000 m/c p.a.).

#### Business

VOBIS is targeting 240,000 computer systems in CY 91, in December they prepare for shipping between 50,000 and 70,000 computer systems. A key factor for growth is spreading out business to other European countries like Switzerland, Netherlands, Denmark.

#### Next steps

- design the amendment and get it signed by end of August
- gain cooperation between MS-GmbH and VOBIS

### Aquarius

#### Violation of marketing limitations

Works is selling unbundled from any hardware, the mailorder house Quelle does not comply with the marketing rules. Winfried Hoffmann, GM, pretends that such a marketing limitation is not enforceable. Proposals to either pre-install Works or to do some tricky packaging have not been accepted yet. We pursue on the legal side as well on the sales side to find an acceptable solution.

Contract: The license scheme for DOS Shell was not in line with the negotiation results and an amendment has been executed to fix this. Regarding Russian DOS, there is a lot of dark smoke in the air - no clear picture, we are still pursuing this.

DOS 5 does not properly run in conjunction with the BIOS and German keyboard. R&D is already working on this, Aquarius indicated that there might be an easy solution for that.

#### Next steps

- find an acceptable solution for enforcing that Works and Windows is not sold unbundled
- clear the situation with Russian PCs and get it covered by the license agreement.

### Peacock

New contract, effective June 1, has been signed by customer and sent to Redmond. MS-DOS 5 is licensed per-processor for a minimum of 50,000 systems a year, 25,000 systems with Windows, total m/c p.a. is \$ 1,831k p.a.

OEM Mice changed from Inport Mice to Serial Mice, targeted volume: 25,000 Mice a year

#### Next steps

- check the product outfit and make sure they do not sell licensed products unbundled
- follow up on OEM Mice and take precautions that they are not sold unbundled in the dealer channel

### IPC

DOS 5 - same problem with AWARD BIOS and keyboard as Aquarius.

#### Next steps

- get the DOS 5 problems solved
- watch IPC that they do not violate marketing limitations (the unbundling issue).

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### Schmitt Computersysteme

Had problems in getting out DOS 5 in June caused by late delivery of the OAK. The tape for DOS 5 documentation we sent in advance was not readable.

Next steps

- have DOS 5 manufactured and shipped as early as possible (likely in early July)
- watch preparation of Works and Windows in order to avoid any imitations and channel conflicts (unbundling!)

### Packaged Product Business

**Packaged MS-DOS** - In the beginning of June we had nearly 9.500 DOS Packages in stock. But we were able to empty it because of our back log and with the help of OBS. They filled up their stock because they think that there will be enough customers looking for DOS 4.01 in the near future.

BAS, our partner for mailings, wasn't able to deliver our mailing for the announcement of DOS 5 earlier than June 20. So signed contracts will probably returned not earlier than beginning of July. There is still an unexpected high gap between forecast and actual order entry. Since the market showed a slow-down of PC sales, the PC vendors face difficulties in keeping their forecasts.

**OEM Mice** - Both customers, Peacock and D&S, have sent long-term product orders. The only remaining issue is to make sure that OEM Mice are not sold unbundled.

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## Review of last month goals

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## June

## Siemens-Nixdorf Informationssysteme AG

- pursue Comm Server and SQL Server on-going
- get DOS 5 shipping done
- set-up communication between SNI and our NBU -

## VOBIS

- get DOS 5 prepared for manufacturing done
- have them make a public statement re DOS 5 done
- establish communication between VOBIS and Works and Windows marketing groups done

## License Agreements

- get all contractual issues resolved: Actabis amendment. done

## Packaged MS-DOS

- have all customers switch to DOS 5 partly done

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## Sales Calls

Account Manager	Calls	Work days	active %	Calls/head	Comments
Manfred Schindler	4	13	65%	6	1 day vacation, 6 days WW Sales Mtg
Jaap v. Arkel	8	10	50%	16	4 days vacation, 6 days WW Sales Mtg
Michael Rohrhuber	4	8	40%	10	5 days vacation, 7 days WW Sales Mtg
Michael John	0	11	55%	0	3 days vacation, 6 days WW Sales Mtg
Oliver Seitz	0	1	5%	0	13 days vacation, 6 days WW Sales Mtg
Total	16	43	37%	44	20 workdays

Additional office time was required for the office move and getting the new environment work.

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3-Month Goals

July/August

Siemens-Nixdorf Informationssysteme AG

- pursue Comm Server and SQL Server

Aquarius (and Commodore)

- get an agreement on how to avoid any unbundling in the dir channel

VOBIS

- have the new amendment accepted and signed

Schneider Rundfunkwerke

- clean up the Windows/Works systems assignment issue
- gain contacts to sales/marketing force

Packaged MS-DOS

- have all customers switch to DOS 5
- get Cornelsen, the fulfilment partner, on speed
- introduce DOS/Win combos by a mailing
- implement a tool that monitors pc sales

September

Siemens-Nixdorf Informationssysteme AG

- pursue Comm Server and SQL Server
- initiate promotion of Windows systems

OEM Briefing

- make sure all customers that have been invited attend

Schneider Rundfunkwerke

- set up management briefing sessions

Packaged MS-DOS

- gain control over the customer base by a customer survey

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