

**To:** Mike Hallman  
**From:** Joachim Kempin  
**Date:** October 29, 1991  
**Subject:** September 1991 WW OEM Status Report  
**c:** Bill Gates, Steve Ballmer, Mike Maples, Scott Oki, Nathan Myrhvold, Frank Gaudette, Mike Brown, Chris Smith, Bernard Vergnes, Richard Fade, Jeff Lum, Ron Hosogi, Tim Beard, Nell Miller

**Gross Revenues for the Quarter (M\$)**

	<u>Actual</u>	<u>Budget</u>	
U.S.	56.6	48.9	(116%)
R.O.W.	31.4	26.1	(120%)
Europe	17.7	15.1	(117%)
<b>TOTAL</b>	<b>105.7</b>	<b>90.1</b>	<b>(117%)</b>

A 17% above-budget performance in Q1 should give us a good cushion for the year. More important is that this represents a 40% growth over last years Q1. Impressive, considering the market grew less than 10%. The good result was caused by better-than-expected FG MS-DOS and Mice Sales to OEMs. Earned royalties were on target, several new contracts got closed, and prepaids were obtained. The conversion from two to three year agreements is in full swing. At the same time, we are starting to see FG MS-DOS customers in the U.S. converting to per-system contracts. The availability of an inexpensive MS-DOS package to these customers will accelerate the conversion rate - while exceeding revenues. We closed all 17 agency agreements for rep compaines in the U.S. Six to eight European contracts will follow this quarter.

**Q2 Business Outlook**

Shipments of the brand name shippers were flat or down, continuing the trend of these companies to stay unhealthy for some time. The 5-7% growth of the unit shipments was again carried by the smaller, more flexible companies who are exploring all possible distribution alternatives. To make them even stronger, we need to start working with them or designing better Windows machines and give them and the Win platform a tangible advantage within six months. This will take some re-education of system R&D who seems to have the tendency to want to work with brandname OEMs. Them being slow and inflexible or not going to explore this with us fast enough.

Q2 business forecast for gross revenue is expected to be 4-5M\$ above budget, whereby earned royalties should show on-target performance while additional Win/FG MS-DOS or converted royalty customers should make up for the difference. Longer term, the Mouse business will decline significantly - understanding that other Mouse manufacturers show more creativity and seem to be enjoying greater and greater price advantages. Not having a factory hurts and not driving technology hurts even more.

## DRI/Novell/IBM

I can see four directions they are pursuing:

1. Get a bundle with IBM.

Based on this belief, a lot of activity is happening. They are trying to lure OEMs onto the "IBM-standard setting" bandwagon and promising them PR and exposure in their advertising. Even larger OEMs are getting DRI overtures (Tandy) and I expect some of them to use this to put more price pressure on us.

2. Pursue the low-end.

This is twofold:

- a) Licensing board vendors are aggressively pursued to get design wins particularly on notebooks. Because most boards are relatively cheap, even if a 386SX chip gets put into it, a DOS price of \$15-20 gets unacceptable for board vendors. This will cause us some pain, but the damage has been small so far.
- b) Focusing on 8086 and 286 PCs knowing that these are mediocre Windows machines. Unfortunately some of these systems are priced so low that we are having trouble getting decent royalties for them. Today we are in better shape for 386SX machines, but how long at a \$999 price point?

3. Focus activity on FE.

Particularly in Hong Kong, Taiwan, Singapore, and Korea they have stepped up activities. Offering \$2.5-7.50 royalties depending on volume at low commits. Here we need to do more prospecting. We are starting this in Taiwan. HK and Singapore needs an established sub with local AMs and Korea needs to explore other customers than the named accounts. So far we have contained there efforts - but more effort is needed.

4. Combine Novell networking with DR-DOS.

They announced that they will give away DR-DOS with Novell Lite, a first step. More worrisome is that DickW and RayN are making joint sales calls - with the objective of telling OEMS their long term OS strategy. We dont' know what they are talking about - but knowing Ray, he will wrestle some deals.

As long as there is no standard setting deal with IBM or some key accounts, this should not cause damage - but I sure would like to know what their plans are.

### KEY ACCOUNT SUMMARIES

*(Reported by Account and Group Managers)*

#### European OEM Sales (Jeff Lum)

*(includes U.S. European focused accounts)*

#### European Accounts

##### Amstrad (Sandy Duncan)

Apparently they love us right now, but pricing is never great (even though they have some of the best pricing worldwide, if not the best). Richard Barrie will start 10/14 as their dedicated account manager. Good chance Amstrad may get sold off.

**Apricot (Dale Borland)**

Apricot will be shipping MS-DOS/Windows pre-installed on all of their workstation products from 1st October. As a side issue, but an important one, is Apricot's level of shipments over the last few months. Their unit shipments are down on forecast and their penetration into corporate sectors has shown signs of hard times. At present, they are currently involved in a large bid for 14,000 units at the Australian Bank Westpac. This will obviously give them a big boost for this year and help with the royalty figures also.

**BULL (Stephane Boulez)**

Substantial turmoil within Bull. The DPX line of minicomputers is not selling well at all and actual sales are running very short of forecasts (1200 vs 13,000 !!!). Consequently, Bull is looking for a replacement platform and is very seriously considering the HP precision architecture. In fact, the R4000 architecture would be late for them and also all R4000 and ACE development seems to be at ZDS. Also, HP's strong presence in France makes such a deal possible. The reorganization going on within Bull makes information scarce. More on this next month.

**ICL/Nokia Ltd (Dale Borland/Lars Ahlgren)**

As a result of the response from ICL/Nokia, a further meeting on 23/24 Sept was held to iron out any final details regarding working contracts up until end of cal.'91 and the path forward for a new agreement for the beginning of '92.

The details of these results are as follows:

- a) Addition of Nokia products to existing ICL contract and visa versa for the remaining term of the contract up to end calendar '91.
- b) Royalties are to be measured against products shipped as opposed to manufactured.
- c) ICL's final min. commit payment will be reduced by \$100,000 to cover unused OS/2 royalties.
- d) ICL's LM and OS/2 royalties to be reduced in line with Nokia's current rate effective from October 1st 1991.

Also, as a consequence of the meeting, there were adjustments on the Nokia contract to read as follows:

- a) Royalties to be measured against machines shipped.
- b) Nokia final min. commit payment to be reduced by \$1,071,079 to cover OS/2, LM and SQL royalties.
- c) Addition of ICL machine on Nokia contract (as in (a) above).

All parties have agreed that Fujitsu will agree to DOS/Win royalties to be used worldwide for their license as well as ICL/Nokia's. All other terms and conditions will be negotiated separately.

The shift in MS strategy has hit both ICL and Nokia very hard, and this was something that Dave Mills made very clear to Steve Ballmer. Three important things were committed by Steve: 1) Immediate access to Windows NT, 2) ICL/Nokia will have a say into how the "upgrade path" in Windows NT is positioned, and 3) Pertti Ruosaari will be assigned as a special "upgrade strategist" and speaking partner to ICL/Nokia. (Pertti has already started by visiting UBF where IBM is pushing OS/2 2.0 very hard. 700 servers and 5000 workstations are at stake). Nokia is expected to report a weak FY Q1, due to vacation, the merger and the deep recession in the economy in their home markets.

**Olivetti (Maurizio Bedina)**

**General.** Learned that Olivetti just posted first 6-months results as a loss. Internal rumors say they plan to post final FY91 results as a 100B Lira loss, after a decade of profitability. Quite frightening. Rumors say Office is going badly, OS&N slightly better, both in red. Morezzi has been officially replaced by Musumeci as CEO of Office. This continues the series of outsiders replacing insiders in key positions, a clear negative message to Olivetti management. Cuneo (oldtimer in MS relationships) is now VP of all industrial activities of Office, while a new position of VP of all business activities will be created, probably for Mr Zanini who would come from CEO of Office Italy. Bonetti seems solid. Corp strategy division of OS&N has been dismantled, Agostinucci will start from scratch a to-be-better-defined "software business development" division. We'll have to rely less on him, more on

Silvano Brandi (Product Planning Director for Pinto, VP R&D). Good participation of Olivetti at the OEM Briefing: 4 Office, 4 OATC, 1 OS&N (from US).

**Pen-Windows.** Officially quoted a royalty. TA guys produced a nice letter for Gregs, Pradeeps in which they justify their not coming to Comdex, reassuring us of their interest for Pen-W. Kreplin attended the Briefing and met Lloydfr, Pradeeps. Things proceed smoothly.

**Multimedia.** Officially quoted a royalty. Met Converti in Pisa, presented the proposal for an engineer and gave him new info. As expected, they accepted with enthusiasm and already had a conf call with Patf on first details. Now Converti's group is very busy with the MPC announcement, but right thereafter we'll have to organize a visit by Converti to MM people in the US. Meanwhile Office declared they don't "trust" OS&N proving the liaison with us, but fortunately they agree they don't need a direct link, they will be happy with the MDK. Hope they stick to this attitude...

**Windows royalties.** Had two more rounds of negotiations. In the last Olivetti released the first formal counter proposal, which is already above our bottom line. Pushing them to accept, keeping fingers crossed.

**Windows preinstall.** Olivetti (Office) produced a first round of questions, timely answered by Raghavk. We are in synch, although we seem to Olivetti too slow in producing the first beta preinstall OAK.

**OS/2.** Held today the mtg with Paulma, and 4 key people from OS&N: Agostinucci, Brandi, Jackson, Comoglio. Excellent meeting, in which Paulma disclosed the last bits of info not presented at the Briefing. Even Agostinucci, the most concerned about the OS/2 to NT migration of his huge banking customers, was convinced our strategy makes sense. Interesting action items include 2 mtgs (first a technical one, then a strategy one) to identify migration problems and business consequences, to be held in the next two months. Also, will organize a meeting with Jim Allchin to present Olivetti the evolution of OLE technology. Good meeting also for I refreshed the interface with Brandi and introduced Maurz to everyone. Will now have to produce a similar presentation for Office, whose interest for NT is less relevant but hot anyways as an OS for the desktop.

**Works.** R&D started having second thoughts on Works on HD for AGxx, agreed with Jeffl to quote a super attractive proposal for Works on any support (incl PCMCIA cards) but only if per-system: Office purchasing is sponsoring this solution. Waiting for news.

**ETV.** Office officially cancelled the ETV development plans, will go ahead only until 12/31. No need for WinWord, then, but they came out with a request for Excel to replace a proprietary charting product, expected from TA but very late. They played with quotations for 3.0, for 2.1c (this one formalized), evaluated their own product, and last status was they will go with their own late stuff. The issue is not closed, however, it has anyways minor proportions.

**OSE.** Olivetti gave final internal green light, but Lorim found out that PSS had very confused ideas on how to implement the physical links with an overseas customer like Olivetti. Lori spent lots of time determining how to coordinate the OSE, Online service, Italian and Corp PSS. Apparently she reached a solid status, and is now changing the draft agreement to mirror what she found. We hope to finalize everything in October. Meanwhile we recommended to PSS to start the hiring process, as the OSE (or TAM, now) will have to start on 1/1/91 after training (that includes a long trip to Italy).

#### **Research Machines plc (Dave Bradley)**

Amendment number 2 has finally been signed with amendment number 3 completed and with the customer. This amendment adds OS/2 version 2 and also adds a number of INTEL 486 machines to RM's product line.

Dave is negotiating for a new license as the current one expires at the end of December. The typical issues will have to be resolved - pricing, current PPB, etc. Per processor pricing with the incentives appears attractive to them right now.

LANMAN meetings after the briefings: The purpose of these meetings was to allow RM the forum to present their developments and enhancements to their variant of the Lan Manager product, and to share their findings of their 10 years experience in the networks business. RM were also trying to interest MS in their developments with a view to MS acquiring them. NOTE - It was initially understood and agreed, by all concerned, that any potential agreement for MS to acquire any of the RM developments would, in no way, influence the present, or future, OEM agreement. The meetings were very successful and have resulted in MS suggesting RM send out 2 of their engineers for further discussions of "porting" some of the RM implementation to the MS product and RM also to put a dollar value onto these developments with a view to some payment by Microsoft. Obviously, Research Machines were very grateful and happy with this outcome and feel that their MS relationship has been further enhanced.

**MultiMedia Windows:** RM are intending to ship before the end of the year at the latest 2 machines which are configured for MultiMedia and I am arranging to have one of each of these machines sent to the US for testing of present and future products. These machines are and entry level 286/16 and a 386/20.

**Schmitt Computersysteme (Michael John)**

Customer was impressed by the professionally organized OEM Briefing in Redmond. We had a meeting with Joachim Kempin and Jeff Lum. Main point of the discussion was to raise the commitment to 100k units a year and to extend the contract for Third Party OEM's. In general MS agreed in 100K units without raising the minimum commitment and 5 additional OEMs. Other applications that shall be included in the new contract are PEN; MULTIMEDIA, and all EBU products. They will check whether they will be able to implement pre-installation of DOS and Windows.

**Schneider Rundfunkwerke (Michael Rohrhuber)**

PC shipments are going down, Schneider said that they are in the range of 60,000 systems a year, compared with the 150,000 systems they had 2 years ago this is a dramatic drop. Schneider has not been able to bring up sales of the 386 and 486 systems. Declining margins of the 286 systems caused severe financial impacts. **Contract** - This month there was a meeting with Mr. Rusniok (Schneider) and Jeff Lum. Main topic of this meeting were the existing agreement and the new one. A new agreement would solve some difficulties we have at the moment with Schneider. **DRI DOS** - Schneider decided not to buy the hand-held with DRI-ROMDOS. Schneider will now buy the hand-held only if Calcomp is able to deliver them with MS-DOS. Schneider already sold 2000 Units which they promised to deliver in October.

**Siemens Nixdorf Informationssysteme AG (SNI) (Jaap VanArkel)**

Business analysts anticipate that SNI will have losses this year (FY closes in October) between 500 and 1.000K DM caused by a big overhead and immense costs of to the merger of Siemens and Nixdorf. SNI board members claim that it is not a structural problem, a lot of cost went into the personnel reorganization. The new (east) German market will help SNI. PC sales is still growing, SNI reported 47K units in FY90 Q4. SNI did not report DOS 5.0 upgrades over this period. Lan Manager 146 units, OS/2 966 units. SNI continues to invest in Lan Manager. Together with Cogent Data they are developing a fault tolerant Lan Manager server. Two SNI people attended the September Lan Manager Council. As Lan Manager is a strategic product for SNI, so is Lan Manager for Unix. This month we had a Meeting with Tony Laudico, product manager Lan Manager for Unix. The outcome was very positive, SNI will get more direct support from MS Corp. and SNI will license 2.0 for a range of computers with Intel processors and the Targon Mini computer.

**OEM Technical Briefing** - Three SNI people attended the OEM Technical Briefing. Reactions were positive on the stable strategy we focussed on. No big surprises, news was the change of Multi Media packaging and peer services for Windows. Mr. Feldmann (director of Planning) expressed his concern on our system strategy change. He believes in the strategy we have now but expects NT far from being a grown up and that there is a big gap in our system platform. Mr. Feldmann reported accordingly to the board of directors. SNI needs support from Microsoft in porting their OS/2 apps they developed in their banking division to NT OS/2 2.0 - License signed.

### **Tulip (Hans Ranselaar)**

Tom Heijnen of Tulip was present at the LM council. Despite the pessimistic tendency of the presentations with respect to LM and OS/2 is Tulip still enthusiastic about LM. They will extend their business from the Netherlands and the UK into Sweden. However due to some problems with the NDIS driver in combination with a hard disk controller card is Tulip still not shipping. The peer-to-peer networking facilities announced in Windows came as a pleasant surprise. The Tulip Vision I is ready for these new network extensions because the network card is integrated on the motherboard.

A large order of 2000 Notebooks from the Dutch IRS is bundled with Windows and our Ballpoint Mouse. Thousand units came from our standard retail stock, the remaining units are ordered as white boxes. The delay of the Dutch OAK caused many problems. DOS 5 is such a huge success that Tulip could no longer wait for the OAK. We were able to secure a special deal with 2,550 DOS 5 Upgrades. The upgrades are offered to Tulip at a price of Dfl. 50,- with a credit for the same amount in royalties. Tulip is satisfied with this deal and we showed them that we are much more flexible than they think.

### **Victor (Magnus Larsson)**

Victor is very active on Multimedia. They believe that they can introduce product in November. We are pursuing an opportunity to bundle one of our titles, as an introductory offer together with Victor's new systems.

### **Yobis (Manfred Schindler)**

Is very pleased about their success. Although they sold a lot of MS-DOS, penetration is significantly more than 60% as estimated until we see the royalty reports, it looks like DRI is urging them to focus on DR-DOS. Lieven is complaining about the **per-processor license** - he does not want to pay \$9 with every computer system and thinks about shipping both, DR-DOS and MS-DOS. Combined with his decision to ship Windows along with all computer systems this might be nice for us.

They want to license **Multimedia** for a cheap Multimedia system together with a title that is in development. **WinWorks** is making them hot.

### **US OEMs**

#### **AST (Jeff Daniels)**

On September 16, AST announced that Works for Windows & Money is pre-installed on all of AST's new mass market products lines. AST was the front runner of our OEM participation in the Works for Windows announcement. AST was the first and only company to ship Works for Windows one week after the Solution Series was announced.

AST sent five people to MS's OEM Briefing. Four out of five stayed for the third day's technical training sessions. AST thought this year's briefing was much better than last year due to MS's understanding of the OEM marketplace. MS trained AST's product support staff on DOS 5.0, Windows 3.0, and Works for Windows. AST prepares to participate in IBM's Comdex announcement. AST is a member of IBM's OS/2 Extended Services Program. Extended Services is the generic name for the re-packaged OS/2 Extended Edition components. AST signed an agreement with IBM last July which recognized them as one of three "Tier One" companies. AST believes more than three Tier One companies are signed today. AST's membership to this program includes AST participation in IBM's COMDEX announcement. AST will not take a stand on OS/2 as a better Windows than Windows or make any OS/2 religion statements. AST will say that the Premium 486/33TE & the Premium II 486SX/20 are tested by IBM for OS/2 and AST's hardware is a standard development platform for OS/2 2.0.

### **Compaq (Mark Buick)**

Microsoft's participated in the Systems Engineering Conference and Developers Technical Conference to be held in early September in Houston. Microsoft presented in eight different breakout sessions at that conference. Unfortunately due to mix ups at the registration desk most of the developers were given System Engineer registration packets. This dramatically reduced the participation in the developer sessions. The engineering sessions were well attended.

JIA - In September I made an attempt to move my focus away from the JIA and pass it to SMSD. Brian has hired a marketing person to take over the marketing responsibilities which is going well. There are still challenges in other areas. With the JIA up for renewal SMSD will have to increase their overall involvement. The JIA was also impacted by our pending announcement of the Microsoft Compatibility Labs. Compaq feels that this will dilute the value of the JIA in the marketplace.

Pen - The first set of focus groups did not give us much new information. The interest in Pen computing is definitely there and Compaq plans to continue research with no concrete plans for a product. More focus groups will be held the beginning of October this time focusing on end users.

Audio Board - A letter of intent went through its first draft in September. Expect this to heat up in October.

### **Compaq (Teresa Chapman)**

Mike Clark visited with Joachimk to discuss several issues including Windows licensing and the potential for a decrease in Compaq's DOS royalty. We responded to Compaq's Windows focus group results with a telemarketing survey of the Winchamps database and then followed up with a meeting with the strategy team in Houston. Preinstallation is no longer an option for Compaq due to the results of their survey. Currently they are researching the possibility of providing some kind of Windows toolkit, or perhaps a combined DOS/Windows SKU. We continued to hash out the DOS/V versus DOS/M issue for Compaq KK. Top level discussions occurred regarding the ACE initiative.

### **HP (Michèle Pearson)**

Results produced in three major areas: TrueType convergence, Win per processor possibility and NT strategy rollout. Intelligent printing folks have agreed to work with us to design a convergence plan for presentation on Oct. 28 Steering Committee. Win deal is gaining momentum thru hi-level discussions with Zitzner and Frankenberg; pricing being provided. The new Network Servers Division got a strategy presentation and provided understanding of their charter and future needs. The French Windows deal is done and the internal distribution agreement for DOS 5.0 is completed. Jim Kott fielded an incredible amount of technical issues. Good relationship building with Duane Zitzner. Handled only one half million little non-strategic requests by learning to say 'no'.

### **HP (Darcy Hollie)**

#### **HP Corvallis**

Corvallis visited on 9/23 to review which applications should go on Lion. Tim Williams has said that Excel and WFW are definite, but that the datacomm solution is yet to be determined. Darcy is working with Josephr to assess viability of Futuresoft or if HP should move towards MS mail. Waiting for signature on Dos 5.0 Amendment.

#### **HP Grenoble**

Darcy has scheduled a meeting for November 5th in France. Darcy will be updating HP on MS' systems strategy, and HP will present charter and their product direction. Darcy will investigate product opportunities as a result of PCG charter change.

#### **HP CND**

Working on resolution of contractual issues for 2.0, and how to address support of 2.1 clients for LMX 1.1 leveraging existing HP/MS multivendor contract.

### **NCR (Patty Lazarus)**

Closed the new master license completely with NCR! Windows for Pen marketing and training activities are now under control due to JD's involvement. The NCR Executive Review went great although the true "selling" of the

NT strategy never materialized. The relationship between MS and NCR is much healthier due to a new effort to keep Mays involved with MS execs. The OS/2 to NT migration project is off to a great start after an excellent meeting in Redmond and a reasonable plan for the next six months, but the banking ISV event will have to be postponed until NCR fully commits to NT. Two new areas of potential Windows bundle opportunities have come up and both will kick off around the time of the release of Windows 3.1.

**Philips (Mark Baber)**

Philips is gearing up for the launch of their MMPC on November 1st. They have also agreed to participate in the development of the MPC2 with the MS Multimedia Group. I am in the process of obtaining a LOI in order to officially establish this relationship.

Philips will be demonstrating Pen Extensions at COMDEX and has agreed to license Pen Extensions as part of their new Licensing Agreement.

At the OEM Briefing we began the negotiations for the Philips new Master Agreement. I will be sending them a formal proposal by October 8th and we are presently scheduled to come to a final agreement in principle on October 21st in a meeting at COMDEX. This agreement will include the pre-loading of MS-DOS, Windows, Works for Windows, MS Money and Publisher.

**ZDS (Tom Davis)**

Attended the OEM Briefing. This set the stage to have serious discussions on Multimedia, Winball, pricing, etc. Having just decided to drop their plans for integrated audio hardware, ZDS was not pleased to learn of our plans for Win 3.1. However, this may convince them to reverse this decision. We also learned that Novell selling ZDS hard on their peer-to-peer product. Lantastic is no longer being considered. ZDS would prefer to go with Winball if we can meet their schedules and provide competitive pricing. Numerous follow on meetings are planned for Comdex. In other news, ZDS has signed the SSRC amendment and the OS/2 1.3 and 2.0 amendment.

**US OEMs**

**US Focused Accounts (Ron Hosogi)**

**CompuAdd (Susan Diamond)**

Spun off a new and separate company, CompuAdd Express, focusing exclusively on mail order. CompuAdd Express has signed with DRI for what we believe to be a 25K volume at around \$9/unit. The decision was made secretly and solely by Rick Krause, the newly appointed president of Express. Reasons for going DRI were price and the opportunity to "differentiate" their product from both competitors and CompuAdd. Krause did not let Microsoft know of the opportunity because he assumed he already knew what MS' best price was, and he did not want to get into a bidding war. Susandi and Johnj met with CompuAdd on 10/1. During the meeting, it became clear that Krause made this decision with no thought to key issues such as CompuAdd's existing pre-paid balance (over \$800K and growing). He assumed that he could provide MS DOS on special request by getting the MS DOS via distribution. There is an opportunity to regain this business. Susandi is working closely with OEM management to map out next steps.

Jerry Baldwin, head of Multimedia business, resigned to "pursue other opportunities outside of CompuAdd" as of Friday, 23 September. This is positive change for us as he has been a major impediment to Microsoft's relationship at CompuAdd. The down side is that all multimedia bundles (Bookshelf and MM Works) have been put on hold until further notice. George Martin, Director of R&D will take over most of Jerry's responsibilities. Held conference call with George Martin of CompuAdd to inform them of the new Windows 3.1/MM Extensions strategy. CompuAdd was pleased with the change.

**Wang (Susan Diamond)**

Susandi visited Wang on 9/10. We met with the President of the PC Division, Jim Hogan, and Bob Lerner, Director of Product Marketing. We closed on an amendment for Wang to ship DOS and Works on a 386SX notebook being manufactured for them by Acer. Also negotiated a 3-way replication agreement (between Wang, Acer and Microsoft) which allows Acer to replicate licensed software on behalf of Wang for Wang badged machines.



Susandi and Microsoft's Multimedia group have worked closely with Wang to get them the tools they need to get a multimedia machine ready for demo at Comdex. Wang has returned a signed Letter of Intent to license the Extensions. Susandi is working on Amendment for the Extensions.

**Cumulus (Susan Diamond)**

David Howarth of Cumulus attended the OEM Briefing. He is impressed with Windows for Pen and is proposing that pen capabilities be built into a new notebook that Cumulus plans to release after the new year. Susandi and Pradeeps will meet with Mr. Howarth and Cumulus CEO Marty Alpert to discuss options. Expect to receive signed licenses from Cumulus in October.

**ALR (Melvin Henderson-Rubio)**

ALR's new laptop will come preloaded with MS-DOS and is also interested in a MS BallPoint hard bundle promotion. ALR is looking at entering "new markets" needing MS "end user" apps.

**Packard Bell (Melvin Henderson-Rubio)**

Packard Bell made verbal commitment (once again) to license Windows (this time on selected systems). Packard Bell delays discussion to license EBU apps until Comdex. Packard Bell's "turn-key network" launched on August 16 has not resulted in any sales. Successful OEM Briefing from Packard Bell's prospective (Dennis Cox, Director of Marketing).

**Texas Instruments (Dave Wright)**

Texas Instruments - Handheld pen unit meeting was held this month with TI, Pradeeps and Davewr. The discussion was around the vision of Billg in regards to this market and the various capabilities TI has in this field.

Network Printing Alliance - Meeting held this month with several MS groups and members from the NPA including TI, Intel, Lexmark and Insight. Several good ideas in the bi-directional communication area will help us establish direction on parallel activities we are involved in currently.

**Gateway 2000 (Dave Wright)**

Gateway shipments have exceeded expectations for the past few quarters. They want to amend their agreement and go to a higher commitment level. They are agreeing to a longer license term and are even considering per processor Windows. Expect an October closure.

Davewr secured a commitment for the first Executive Review with Gateway in late October. This will have VP level of attendance from MS and will precede an eventual meeting with higher MS executive participation.

Gateway has been qualified on applications business and is currently very interested in both our EBU apps and our premium line apps. This could be a \$10M+ deal if it goes. We should have a decision by December 1991. Competition from Lotus.

**Everex (Ken Reeves)**

Everex has been backlogged with requests from MS, and much of Sept has been filling those requests, learning and beginning to design new ways for Everex to work with MS (due to their layoffs), and in learning how MS can help Everex. New account contact assigned, Ramona Coletta.

**3COM (Ken Reeves)**

Completed amendments to extend for one year, MS Net and MS DOS. New MS account contact assigned, Jeff Krause.

**Netframe (Ken Reeves)**

Assisted in preparing for Multinet announcement for NetWorld with MS PR and began discussions on Lan Manager licensing strategy.

**Dell (Nancy Ritzenthaler)**

Dell continues to win industry kudos; visibility of their success in the marketplace is high. There are several Microsoft proposals being reviewed by Dell; an EBU Apps royalty deal through Dell's mass merch channel, a Ballpoint promotion, participation in an academic-edition Apps program, and the still-stalled FIDA promotion.

Dell announced support for Solaris and will shortly be announcing support for OS/2 with IBM. However, both of these offerings are check-the-box inclusions in Dell's product line and not of strategic importance. Dell is fully behind our DOS/WIN/WIN NT strategy at this time.

**Digital (Kelly Wood & Greg Anderson)**

Digital: The revised LAN Manager and DOS/Windows licenses were finally executed at Microsoft. Kelly worked with the marketing department at Digital to enroll them as one of the four OEMs participating in the Pepsi-challenge-like contest at Comdex. Our contention with Digital in their accounts w.r.t. our packaged product, raised itself several times this month and meetings were held with NBU management to determine marketing/selling positioning. SMSD will take "Sales Out" data from Digital to compensate our field reps. This should reduce some of the contention between MS and Digital in the field. Greg also continued to press the Windows Marketing Group for a commitment to DEC Printer support in Windows 3.1.

**Digital/Spitfire:** MS and DEC are working together to simultaneous ship both OS/2 and NT based implementations of our X.400 messaging server. MS would assume primary responsibility for the spec development and completion of the NT based version while DEC would assume primary development responsibility for the OS/2 based version. Next steps are for a technical meeting to take place to study the full technical ramifications of this proposal followed by a revision to the LOI.

**Intel (Sheri Vail)**

Amendment #8 (which allows Intel under special arrangement to license Reuters to duplicate and distribute DOS5 to their customers) was drafted and sent to Intel. They want to license MS-DOS/V for 5.0, and want to know our plans for Windows/V. Intel has expressed interest in licensing code which will allow them to produce a version of Windows which will run on a DPMI-client host, and wants to license Windows source code to accomplish this. Awaiting signed receipt of both Amendment #7, and letter regarding NDIS driver distribution.

On the product side, Intel's current system plans are to provide two platforms: One is called the HID (High integration desktop) which will consist of upgradeable 486 system boards and modular integrated peripheral chips (LAN, Video, modem, etc.). The second platform is an expandable version and will have an advanced, replaceable CPU architecture (486 to 586). The target is to ship around Spring COMDEX '92. Intel describes these systems as "next-generation, high end, fully integrated, low profile systems" and that they would come with on-board SCSI, LAN and video, 2 slots, and are completely Windows environments.

**Phoenix (Sheri Vail)**

Had several unusual inquiries this month involving doing disks and manuals for 3rd party replicators for MS-licensed OEMs (Wyse, Wang, DG, Samsung, and Acer). A couple were within the bounds of the existing Phoenix license, but many were not; all required much research and coordination with legal and account management to furnish correct responses. Phoenix also expressed dissatisfaction with the level of service and quality of information they've been receiving from Dave Baier. A challenge before year end will be to get Dave working effectively with the appropriate MS product groups and with Phoenix. Last, George Adams called late in the month to request a meeting be set up for a product disclosure on their palmtop project. This meeting will take place the first week in October.

**Logitech (Sheri Vail)**

Logitech sent formal written notice on 9/24 to increase their minimum commitments to the maximum allowed under the license (i.e., 12,500 units/qtr. @ \$25/unit). They inquired (again) about the possibility of offshore sales into Latin America and Australia. Z-nix is doing business in these countries, and Logitech understandably wants to be accorded the same terms as Z-nix. T's and C's of the Z-nix agreement must be researched and this issue addressed with Logitech ASAP. Logitech will begin bundling Windows with their "bottom-of-the-line" low cost, low-resolution, cheap "DEXA" brand mouse. It turns out this mouse was already listed as a "Customer System" under the agreement, so there is no way for MS to prevent this. Some legal questions regarding packaging requirements for this bundle were resolved.

**Sun Microsystems (Sheri Vail)**

Sun wants a DOS5 and Win3 license. A written quote was sent, and a follow up call made. This is more than just scoping out pricing for competitive information -- they are still interested in meeting and pursuing. We will not, however, allow them to roll over old prepaids to any new DOS5/Win3 license. We may opt to use these moneys as a lever to cinch a LM/U deal. A call was made to re-establish contact with the appropriate parties involved in a possible LM/U license. Dave Rosenlund will not move with this project until late October.

**Unisys (Pete Peter)**

We introduced Unisys to contacts at Mitsumi to proceed with establishing a direct manufacturing connection and salvage the mouse business while saving Unisys some money. Pete and Ted traveled to Blue Bell this month to make additional introductions and negotiate several business opportunities for selling applications, establishing an upgrade program to MS-DOS 5 and other issues. Unisys attended the LM Council meeting and was well represented at the OEM briefing. Amendment #2 was completed and delivered to the customer in September. It adds Chinese as a Windows 3.0 language, Kanji as a LM 2.0 language, OS/2 2.0 and several other miscellaneous adjustments. We are proceeding with putting together a plan to bring licensed applications to current product release levels and allow Unisys the flexibility to ship packaged product applications into Europe. An opportunity to license Lan Manager for UNIX version 2.0 surfaced in September which we will be qualifying further next month.

**Far East and New Business Group Accounts (Richard Fade)****US New Business Group**

Emerson announced they do not consider PCs to be "consumer electronics" and therefore, not part of Emerson's core business, so they will exit the PC business.

EMI claims they are shipping 40K PCs in the month of October. 60% will ship with MS-DOS while 40% will ship with DRI-DOS. This is unconfirmed information since EMI buys MS-DOS from Far East vendors (Twinhead, etc.).

Leading Technology is stalling on the he EBU license over a \$3 support charge.

NEC's new line of Powermate computer systems will be MM ready featuring standard I/O, cables...

Z-Nix requested to renew their Windows bundle agreement. Further negotiation is needed to settle this issue.

Zeos is shipping Lotus' retail package - not an OEM version.

## **Far East**

### **Japan**

#### **Epson**

Epson has decided not to show WFP PC in the MS booth but only in their booth at Comdex due to lack of peripherals, as is true for Wacom. However, we will have NEC and Sanyo there.

#### **Fujitsu**

Seems to be working with Go in parallel, and we have to beat Go.

Had a meeting with Mr. Furukawa, and a follow-up meeting with Mr. Yonekawa confirming that we would recalculate their royalties taking into account the total shipment from Fujitsu, ICL and Nokia. Then we'll determine the payment schedule of M/C with the extension of the agreement term.

- Drafted Amendment #6 to merge Poqet Computer, carrying \$500K from Poqet's PPB as a recoupment and they will write off about \$650K of M/C.

#### **Hitachi**

Wanted to license LMU with TCP/IP from MS, and we offered \$150/server and \$30/client including TCP/IP.

#### **Mitsubishi Electric (MELCO)**

No news.

#### **NEC Corporation**

An agreement for CD-ROM Extensions was closed.

We have pushed NEC to bundle Windows. At last, NEC announced machines bundle Windows. The name of the machines are PC-98GS and PC-9800CS5/W. NEC also announced to prepare a machine pre-install MS DOS. The name of the machines are PC-9800NC and PC-9800CS.

NEC asked us to reduce 15% - 40% of royalties of DOS and Windows. Their demand is to set royalties at the lower rank which means to change the royalty for 386SX for current 286 royalty. This is really a serious matter. I don't estimate how big it influences our revenue yet.

Kanji CS Status: We are still waiting for NEC's comments to the localization agreement. We will have a meeting on 10/9. We had technical training from 9/9 to 9/11 in Seattle. Judging from the attendees' impression on MS side, it seems very tough to develop Kanji CS. The reason being that NEC, actually Chubu NEC Software Corp., is not accustomed to developing software with the source code, and they are not good in speaking English.

Follow-up meeting to be held on 10/9.

- Kanji SQL Status: Received their comments and had a meeting with MartyT, and NancyLa. MartyT will contact Sybase and get Sybase's comments. We felt it's impossible that Sybase will accept NEC's comments. Meeting to be held on 10/8.

- Pen-Windows: We had meetings with NEC and NEC HE. The issues that I'm concerned about are: 1) Schedule delay of Pen Windows (US). Pen Windows schedule depends on Windows 3.1, which is scheduled to be released 1/92, though it was scheduled for 12/91. (Windows 3.1 schedule tends to be delayed.) Mr. Tosaka, GM in 2nd OA, is very concerned about export PCs because he recently took over the Export PC group, in addition to being in charge of domestic. At this meeting we explained that Pen Windows ODK would be shipped at the end of this year. If the schedule should be delayed, it becomes a big problem. 2) Schedule of Kanji Pen Windows. NEC still wants to launch Kanji Pen Windows in May '92. Our current schedule doesn't match their request. So Pen Group and KK R&D discussed this issue and we may be able to ship Kanji Pen Windows in Spring '92.

- NEC announced 5 types of PCs, and at the same time of announcing MS-DOS 5 and Multimedia Extensions.

- Font: We had a meeting with NEC Office System Corp. regarding Font issues. NEC's strategy about font is to disclose the specification of font I/F and bundle TrueType font without a hint into Windows 3.1 when Windows 3.1 is launched.

- Multimedia: We had a meeting to discuss the Multimedia strategy in Japan. Fujitsu will go ahead of NEC in Multimedia. NEC regarded themselves as a top runner in the PC world, destined to ship MS product fastest than other OEMs, and therefore was flustered. Our issue is that the specification of MPC US is irreconcilable. We

cannot ignore NEC or Fujitsu, who is making business in cooperation with MS according to our strategy. The result of the meeting is that it's better not to define MPC-J. Actually NEC or Fujitsu can recruit more ISVs than MS recruits with defining MPC-J. NEC's strategy regarding Multimedia is not to manufacture new PC for Multimedia but to target existing 4.8 million users. NEC has prepared a kind of upgrade kit. However, they also have prepared a dedicated Multimedia PC for the professional, the PC-98GS. They expect their competitor is not Fujitsu or IBM, but Apple.

#### **Sharp**

- Mr. Tatsumi, our key contact, was promoted to Dept. Manager of PC S/W.
- They are planning to release C86 based pocket type PC this year at around \$1,000 and requested us to place special royalty at \$15/system (currently \$25/system for 8086). We'll offer higher 486 and lower 86.

#### **Toshiba**

- LM with Win Multimedia Windows: Demo by MarkAn. They were very shocked with the time schedule of other PC makers and demo, which were performed on Compaq 386s.
- TSB will be willing to join MPC Council.
- Pen Windows: Pen PC Demo was done by YoshiA.

#### **Korea**

##### **Daewoo Electronics (DWE)**

- Hangeul Win 3 negotiation is still under discussion and DWE is developing 386SX notebook for the domestic market based on the LE design.
- DWE will be a dealer of MS LAN Manager in Korea and the contract will be made in October.

##### **Daewoo Telecom (DWT)**

- WinWorks deal was closed and the agreement was given to DWT for their signature.
- Hangeul Win 3 and Works will be shipped in November after our final OAK delivery. Leading Edge and DWT have a plan to adopt Windows Multimedia and a quotation was given for their project plan. DWT seemed to be one of the first runners to design R4000 workstation among ACE members.

##### **Goldstar Co., Ltd (GS)**

- GS finished their Hangeul Win 3 product marketing/sales plan. Goldstar will initiate the launch advertisement of Hangeul Win 3 in major national newspapers. Their shipment of H Win 3 in October is forecasted at 7,000 copies.
- WinWorks adoption was decided by GS and GS Tech. However, signing the agreement was delayed because of the communication issue between them. We plan to close the deal in October.
- GS completed their Multimedia board spec to be designed for the next 2 years, and funded GSP5 project for imaging processor board at UW to be completed in 1994.

##### **Hyundai Electronics (HEI)**

- New amendment was approved by the government and \$3M was invoiced.
- New marketing director of HEA will set up their US sales marketing strategy. He prepared a new marketing plan for the Christmas season and requested MS quotation for applications.
- Hyundai started to ship Hangeul DOS 5 and finished manual and package design for Hangeul Win 3.

##### **Samsung Electronics (SEC)**

- PC business is far below their annual budget. It seems that Samsung cannot recover the business after failure in Sensor project. Their forecast is around 250K shipments in CY91 and will not be growing in CY92. Especially in the DeskTop market, they will lose the market share.
- Samsung requested to change their Win 3 bundle with Samsung's own brand PCs from all 386SX above machine to per machine basis shipment excluding low-end 386SX PC and Notebook PC models. The agreement is being negotiated and targeted to be closed before Fall Comdex.

- Samsung will join the MS Pen Extension Booth at Fall Comdex. Their current Pen computer will be redesigned for sales in the market next year.
- Multimedia PC project is being planned again, but will take time to be concluded.
- Samsung is discussing Hangeul Win 3 adoption internally again.

#### **TongYang Nylon (TYN)**

- Hangeul Win 3 shipment/marketing plan was discussed for their domestic notebook.
- They remitted the delinquent payment after our warning letter.

#### **Trigem Computer (TG)**

- Trigem finally signed the letter of intent for MS Windows Pen extension. Trigem will show their Pen computer based on Eden group design with MS Pen extension at Comdex. Had a presentation/meeting for MS Pen extension product.
- WinWorks deal was initiated, and evaluation copy and quotation was given for their review.

#### **Taiwan**

We are currently converting all key accounts to 3 years per processor DOS contracts, as well as increasing their M/C for Windows shipments. We believe that revenue will grow because of this.

#### **Acer**

- We demonstrated MS Pen Windows to Acer. The demonstration raised Acer's confidence level in Pen computing as "Real". Therefore, Acer is forming a project for evaluating and developing the Pen Based PC.
- My recent visit to Simon Lin and Jonney Shih was very successful. My presentation delivered a very clear direction that Microsoft is going, increasing Acer's confidence level in Microsoft.
- TC also arranged for me to give a speech at the Taipei Multimedia Consortium at the LaiLai Hote I. We were the only company on the VIP list and the message was that we are working with the Taiwan government to help the Taiwan PC industry to grow, and that we are the driving force to push the standard for the industry.

#### **Copam**

- Arranged MS Pen-based group visit with them and they are very happy and will concentrate on downsizing their products for Pen-based and palmtop PCs.
- WinWorks agreement has been signed by Copam. This is the first WinWorks contract in MSTC and Copam will ship WinWorks instead of Works once they get the final release.
- Copam agreed to sign up a DOS per processor agreement, after their current DOS agreement, which has an UPB issue, expires 12/91.

#### **DTK**

DTK wants to raise their Windows commitment from 15K to 70K, and we proposed that they go with a 3 year license and they agreed. They also want to do a 3 year per processor DOS deal and raise their commitment from 250K to 300K. Details are under discussion.

#### **Lyi-Cheng**

The delayed payment issue finally was worked out. Lyi-Cheng will pay M/Cs for Windows and DOS agreements, and they will have a meeting with Investronica October and try to make them carry over the duty of Works agreement with MS. Shipment for 2nd and 3rd quarters this year were bad, and they hope to catch up in later quarters.

#### **Mitac**

In order to hasten the development speed for Pen-based and palmtop PCs and put the products into the market ASAP, Mitac have decided to group another BU (with 30 manpower). Mobile BU is headed by AVP, Raymond Lee, who directly reports to Francis Tsai. Mitac wants to go into this market aggressively; and hopefully can have the product by the second quarter of next year.

**Tatung**

Tatung seems to be committing themselves to being Packard Bell's manufacturer. As for their own brand name promotion, there is none. Good news is that they are quite interested in our Multimedia Windows. With their consumer electronic experience, I hope they can make use of their past experience and come up with some design wins.

**Twinhead**

Twinhead has just lost one major OEM account, EMI, and may need another 6 months to recover from this loss. Also the heavy inventory for notebook materials makes Twinhead very tight in cash flow. They are very hesitant in committing to any new technology now due to the lesson they learned from the notebook business. They have shown strong interest in Pen Windows and MM Windows, but I do not think they will be a first tier customer for Microsoft.

**Hong Kong****Porro Technologies**

We had a meeting with Donny Wong, VP, who is fully in charge of all the business and planning in the Computer Division. Their market is based in Hong Kong, Austria, and South East Asia. This is the first meeting with Porro and it's being officially transferred to TC, who will directly handle technical support. So far, they are having financial problems, and we will keep a watch on them.

**Technology Research Co. (TRC)**

This account is fully invested by the PRC government and they are also the largest of the computer manufacturers in PRC. The brand carried in PRC is called Great Wall Computer and Wescom. Wescom is selling into the U.S., Canada, Europe, and S.E. Asia. We have officially transferred this account to TC and TC will fully support all their issues. Currently, we understand that their DOS is selling stand-alone packaged in the US market, but they claim the print shop in Taiwan had counterfeited their product and sold it into the U.S. We have suggested them to use R.R. Donnelley in order to avoid the counterfeit problem in the future. We also scheduled the next meeting to discuss licensing DOS 5.0 to TRC and Great Wall.

**Video Technology**

We have arranged the first meeting with Bosco Ho, General Manager, to understand their business status and officially transfer the account to TC. Video Tech is the largest account in Hong Kong, and their annual commitment is \$120K/year. They are under two brand names in their sales channel: Laser Computer and Leading Technology. They own 100% of Laser and 20% - 30% of the shares of Leading Tech. According to Bosco, they will buy out all the shares of Leading Tech. within two years. In the first meeting they raised the issue of technical support in Hong Kong, U.S., and Europe. In Hong Kong, we will have CS's group handle their technical questions, and in the U.S. and Europe, we will arrange for the proper person to handle this account.

**MICROSOFT CORPORATION**  
**DOMESTIC OEM REVENUE BY DIRECTOR, BY BUSINESS UNIT**  
**YEAR TO DATE AS OF SEPTEMBER 1991**  
(in thousands)

	FADE			HCSOOL			LDM			OTHER **			TOTALS		
	ACTUAL	PLAN	%	ACTUAL	PLAN	%	ACTUAL	PLAN	%	ACTUAL	PLAN	%	ACTUAL	PLAN	%
<b>ROYALTY:</b>															
HARDWARE	58	0		20	0		867	171		0	0		745	172	
LANGUAGES	66	34		1	0		6	14		19	15		92	62	
CLIENT SERVER APPS	103	151		0	0		68	82		0	0		171	233	
LAN MGR FOR OS/2	110	67		2,010	1,407		452	662		1,606	300		4,270	2,436	
LAN MGR FOR UNIX	0	52		75	0		155	0		0	0		230	52	
OS/2	44	7		172	243		636	611		-16	0		835	862	
MULTIMEDIA	183	55		0	0		16	0		106	0		286	55	
DOS	3,105	3,760		8,530	7,988		9,837	10,683		75	0		21,547	22,432	
PRINTER SYS.	0	0		0	0		0	0		0	0		0	0	
WIN	961	862		4,668	3,270		2,661	2,302		3,768	3,815		12,256	10,338	
ANALYSIS	5	0		212	167		155	236		0	0		372	435	
DATA ACCESS	10	0		257	264		166	215		2	0		435	479	
ENTRY	111	75		45	40		405	84		485	525		1,046	724	
GRAPHICS	0	0		184	196		14	0		0	0		198	196	
OFFICE	60	90		210	204		172	237		0	0		442	531	
XENIX	1,745	1,790		1	3		0	0		0	0		1,746	1,783	
	<u>6,542</u>	<u>6,942</u>		<u>16,583</u>	<u>13,813</u>		<u>15,411</u>	<u>15,388</u>		<u>6,135</u>	<u>4,656</u>		<u>44,670</u>	<u>40,799</u>	
<b>OTHER:</b>															
UPB & MISC	97	322		-228	1,130		646	-60		20	125		536	1,505	
<b>TOTAL LICENSING</b>	<u>6,639</u>	<u>7,264</u>	91%	<u>16,355</u>	<u>14,952</u>	100%	<u>16,057</u>	<u>15,307</u>	105%	<u>6,155</u>	<u>4,781</u>	129%	<u>45,206</u>	<u>42,304</u>	107%
<b>PACKAGED PRODUCT:</b>															
HARDWARE	760	483		2,447	728		1,824	1,545		341	0		5,181	2,755	
LANGUAGES	0	0		0	0		0	0		0	0		0	0	
CLIENT SERVER APPS	0	0		0	0		9	0		0	0		9	0	
LAN MGR FOR OS/2	0	0		180	0		0	0		0	0		180	0	
LAN MGR FOR UNIX	0	0		0	0		0	0		0	0		0	0	
OS/2	11	0		25	0		0	0		21	0		56	0	
MULTIMEDIA	0	12		0	0		0	0		0	0		0	12	
DOS *	5,122	3,303		18	0		27	0		10	0		5,176	3,303	
WIN	65	100		2	91		200	0		0	0		268	190	
ANALYSIS	0	73		0	0		172	0		1	0		172	73	
DATA ACCESS	0	0		0	0		0	0		0	0		0	0	
ENTRY	172	150		48	0		3	0		0	0		223	150	
GRAPHICS	0	76		0	0		0	0		0	0		0	76	
OFFICE	0	73		0	0		150	0		0	0		150	73	
APPS & OTHER	40	0		-31	0		0	0		0	0		9	0	
	<u>6,179</u>	<u>4,270</u>	145%	<u>2,699</u>	<u>819</u>	330%	<u>2,185</u>	<u>1,545</u>	142%	<u>372</u>	<u>0</u>	N/A	<u>11,436</u>	<u>6,633</u>	172%
<b>GROSS REVENUE</b>	<u>12,818</u>	<u>11,533</u>	111%	<u>18,054</u>	<u>15,771</u>	121%	<u>18,242</u>	<u>16,852</u>	108%	<u>6,527</u>	<u>4,781</u>	137%	<u>56,641</u>	<u>48,937</u>	116%
GAAP ADJ.	0	0		0	0		0	0		4,400	0		4,400	0	
OTHER ADJ.	0	0		0	0		0	0		0	0		0	0	
<b>NET REVENUE</b>	<u>12,818</u>	<u>11,533</u>	111%	<u>18,054</u>	<u>15,771</u>	121%	<u>18,242</u>	<u>16,852</u>	108%	<u>10,927</u>	<u>4,781</u>	229%	<u>61,041</u>	<u>48,937</u>	125%
<b>GROSS VARIANCE</b>	<u>1,284</u>			<u>3,283</u>			<u>1,391</u>			<u>1,747</u>			<u>7,705</u>		
<b>NET VARIANCE</b>	<u>1,284</u>			<u>3,283</u>			<u>1,391</u>			<u>6,147</u>			<u>12,105</u>		

\* INCLUDES BUNDLED PACKAGED PRODUCT MS-DOS/WINDOWS OF \$78,558.

\*\* INCLUDES IBM AND MISCELLANEOUS.



**MICROSOFT CORPORATION**  
**DOMESTIC OEM REVENUE BY FADE'S SALES TEAM**  
**YEAR TO DATE AS OF SEPTEMBER 1991**  
(in thousands)

	DOWNING			GRAVES			TOTALS		
	ACTUAL	PLAN	%	ACTUAL	PLAN	%	ACTUAL	PLAN	%
<u>ROYALTY:</u>									
HARDWARE	0	0		58	0		58	0	
LANGUAGES	38	15		28	19		66	34	
CLIENT SERVER APPS	102	151		1	0		103	151	
LAN MGR FOR OS/2	82	0		28	67		110	67	
LAN MGR FOR UNIX	0	0		0	52		0	52	
OS/2	0	0		44	7		44	7	
MULTIMEDIA	85	55		78	0		163	55	
DOS	1,682	1,140		1,423	2,621		3,105	3,760	
PRINTER SYS.	0	0		0	0		0	0	
WIN	30	160		931	702		961	862	
ANALYSIS	1	0		5	0		5	0	
DATA ACCESS	2	0		7	0		10	0	
ENTRY	51	75		60	0		111	75	
GRAPHICS	0	0		0	0		0	0	
OFFICE	0	0		60	90		60	90	
XENIX	122	64		1,623	1,726		1,745	1,790	
	<u>2,195</u>	<u>1,660</u>		<u>4,346</u>	<u>5,283</u>		<u>6,542</u>	<u>6,942</u>	
<u>OTHER:</u>									
UPB & MISC	-166	78		262	244		97	322	
<b>TOTAL</b>									
LICENSING	<u>2,030</u>	<u>1,738</u>	117%	<u>4,609</u>	<u>5,526</u>	83%	<u>6,639</u>	<u>7,264</u>	91%
<u>PACKAGED PRODUCT:</u>									
HARDWARE	289	315		481	167		769	483	
LANGUAGES	0	0		0	0		0	0	
CLIENT SERVER APPS	0	0		0	0		0	0	
LAN MGR FOR OS/2	0	0		0	0		0	0	
LAN MGR FOR UNIX	0	0		0	0		0	0	
OS/2	3	0		9	0		11	0	
MULTIMEDIA	0	12		0	0		0	12	
DOS	1,647	1,260		3,475	2,042		5,122	3,303	
WIN	34	65		30	35		65	100	
ANALYSIS	0	73		0	0		0	73	
DATA ACCESS	0	0		0	0		0	0	
ENTRY	172	150		0	0		172	150	
GRAPHICS	0	76		0	0		0	76	
OFFICE	0	73		0	0		0	73	
APPS & OTHER	40	0		0	0		40	0	
	<u>2,184</u>	<u>2,026</u>	108%	<u>3,995</u>	<u>2,244</u>	178%	<u>6,179</u>	<u>4,270</u>	145%
<b>GROSS REVENUE</b>	<u>4,214</u>	<u>3,763</u>	112%	<u>8,604</u>	<u>7,770</u>	111%	<u>12,818</u>	<u>11,533</u>	111%
GAAP ADJ.	0	0		0	0		0	0	
OTHER ADJ.	0	0		0	0		0	0	
<b>NET REVENUE</b>	<u>4,214</u>	<u>3,763</u>	112%	<u>8,604</u>	<u>7,770</u>	111%	<u>12,818</u>	<u>11,533</u>	111%
<b>GROSS VARIANCE</b>		<u>451</u>			<u>833</u>			<u>1,284</u>	
<b>NET VARIANCE</b>		<u>451</u>			<u>833</u>			<u>1,284</u>	

**MICROSOFT CORPORATION**  
**DOMESTIC OEM REVENUE BY HOSOGI'S SALES TEAM**  
**YEAR TO DATE AS OF SEPTEMBER 1991**  
(in thousands)

	HAMMUM			JENKINS			TOTALS		
	ACTUAL	PLAN	%	ACTUAL	PLAN	%	ACTUAL	PLAN	%
<b>ROYALTY:</b>									
HARDWARE	20	0		0	0		20	0	
LANGUAGES	0	0		0	0		1	0	
CLIENT SERVER APPS	0	0		0	0		0	0	
LAN MGR FOR OS/2	1,988	1,002		22	406		2,010	1,407	
LAN MGR FOR UNIX	75	0		0	0		75	0	
OS/2	75	174		98	69		172	243	
MULTIMEDIA	0	0		0	0		0	0	
DOS	3,289	2,355		5,241	5,634		8,530	7,988	
PRINTER SYS.	0	0		0	0		0	0	
WIN	2,094	1,413		2,774	1,856		4,868	3,270	
ANALYSIS	212	197		0	0		212	197	
DATA ACCESS	257	264		0	0		257	264	
ENTRY	0	0		45	40		45	40	
GRAPHICS	184	196		0	0		184	196	
OFFICE	210	204		0	0		210	204	
XENIX	1	3		0	0		1	3	
	<u>8,404</u>	<u>5,808</u>		<u>8,179</u>	<u>8,005</u>		<u>16,583</u>	<u>13,813</u>	
<b>OTHER:</b>									
UPB & MISC	208	831		-436	308		-228	1,139	
<b>TOTAL LICENSING</b>	<u>8,611</u>	<u>6,639</u>	130%	<u>7,743</u>	<u>8,313</u>	93%	<u>16,355</u>	<u>14,952</u>	109%
<b>PACKAGED PRODUCT:</b>									
HARDWARE	1,151	315		1,296	413		2,447	728	
LANGUAGES	0	0		0	0		0	0	
CLIENT SERVER APPS	0	0		0	0		0	0	
LAN MGR FOR OS/2	0	0		189	0		189	0	
LAN MGR FOR UNIX	0	0		0	0		0	0	
OS/2	24	0		1	0		25	0	
MULTIMEDIA	0	0		0	0		0	0	
DOS	13	0		6	0		18	0	
WIN	2	91		0	0		2	91	
ANALYSIS	0	0		0	0		0	0	
DATA ACCESS	0	0		0	0		0	0	
ENTRY	0	0		48	0		48	0	
GRAPHICS	0	0		0	0		0	0	
OFFICE	0	0		0	0		0	0	
APPS & OTHER	-31	0		0	0		-31	0	
	<u>1,159</u>	<u>406</u>	286%	<u>1,540</u>	<u>413</u>	373%	<u>2,699</u>	<u>819</u>	330%
<b>GROSS REVENUE</b>	<u>9,771</u>	<u>7,045</u>	139%	<u>9,283</u>	<u>8,726</u>	106%	<u>19,054</u>	<u>15,771</u>	121%
GAAP ADJ.	0	0		0	0		0	0	
OTHER ADJ.	0	0		0	0		0	0	
<b>NET REVENUE</b>	<u>9,771</u>	<u>7,045</u>	139%	<u>9,283</u>	<u>8,726</u>	106%	<u>19,054</u>	<u>15,771</u>	121%
<b>GROSS VARIANCE</b>		<u>2,726</u>			<u>557</u>			<u>3,283</u>	
<b>NET VARIANCE</b>		<u>2,726</u>			<u>557</u>			<u>3,283</u>	

**MICROSOFT CORPORATION**  
**DOMESTIC OEM REVENUE BY LUM'S SALES TEAM**  
**YEAR TO DATE AS OF SEPTEMBER 1991**  
(in thousands)

	BRAMAN			CHESTNUT			TOTALS		
	ACTUAL	PLAN	%	ACTUAL	PLAN	%	ACTUAL	PLAN	%
<b>ROYALTY:</b>									
HARDWARE	156	24		512	147		667	171	
LANGUAGES	0	0		6	14		6	14	
CLIENT SERVER APPS	68	0		0	82		68	82	
LAN MGR FOR OS/2	325	312		127	350		452	662	
LAN MGR FOR UNIX	0	0		155	0		155	0	
OS/2	235	432		401	179		636	611	
MULTIMEDIA	13	0		4	0		16	0	
DOS	4,749	5,621		5,088	5,062		9,837	10,683	
PRINTER SYS.	0	0		0	0		0	0	
WIN	1,032	948		1,629	1,443		2,661	2,392	
ANALYSIS	0	0		155	238		155	238	
DATA ACCESS	166	215		0	0		166	215	
ENTRY	380	84		25	0		405	84	
GRAPHICS	0	0		14	0		14	0	
OFFICE	0	0		172	237		172	237	
XENIX	0	0		0	0		0	0	
	<u>7,122</u>	<u>7,636</u>		<u>8,288</u>	<u>7,752</u>		<u>15,411</u>	<u>15,388</u>	
<b>OTHER:</b>									
UPB & MISC	248	-364		399	284		646	-80	
<b>TOTAL LICENSING</b>	<u>7,370</u>	<u>7,272</u>	101%	<u>8,687</u>	<u>8,035</u>	108%	<u>16,057</u>	<u>15,307</u>	105%
<b>PACKAGED PRODUCT:</b>									
HARDWARE	898	679		726	865		1,624	1,545	
LANGUAGES	0	0		0	0		0	0	
CLIENT SERVER APPS	9	0		0	0		9	0	
LAN MGR FOR OS/2	0	0		0	0		0	0	
LAN MGR FOR UNIX	0	0		0	0		0	0	
OS/2	0	0		0	0		0	0	
MULTIMEDIA	0	0		0	0		0	0	
DOS	27	0		0	0		27	0	
WIN	0	0		200	0		200	0	
ANALYSIS	0	0		172	0		172	0	
DATA ACCESS	0	0		0	0		0	0	
ENTRY	0	0		3	0		3	0	
GRAPHICS	0	0		0	0		0	0	
OFFICE	0	0		150	0		150	0	
APPS & OTHER	0	0		0	0		0	0	
	<u>934</u>	<u>679</u>	138%	<u>1,251</u>	<u>865</u>	145%	<u>2,185</u>	<u>1,545</u>	142%
<b>GROSS REVENUE</b>	<u>8,304</u>	<u>7,951</u>	104%	<u>9,938</u>	<u>8,901</u>	112%	<u>18,242</u>	<u>16,852</u>	108%
GAAP ADJ.	0	0		0	0		0	0	
OTHER ADJ.	0	0		0	0		0	0	
<b>NET REVENUE</b>	<u>8,304</u>	<u>7,951</u>	104%	<u>9,938</u>	<u>8,901</u>	112%	<u>18,242</u>	<u>16,852</u>	108%
<b>GROSS VARIANCE</b>		<u>353</u>			<u>1,038</u>			<u>1,391</u>	
<b>NET VARIANCE</b>		<u>353</u>			<u>1,038</u>			<u>1,391</u>	