To: - File
From: Paul Sribhibhadh
Date: July 26, 1990
Re: MS-DOS License for Technology Research Company Ltd.

This memo describes the rationale for entering into this license agreement with TRC and the royalty rates. The license takes into account the following considerations:

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1. TRC was previously a MS-DOS licensee that terminated on 7 due to payment default. They had paid MS a total of $425K of the $680K contract but had not shipped very many PCs due to FCC and QA problems with their machines (which are now resolved). Up to that period, they had a UPB of $289K.

2. TRC manufactures their motherboards and PCs with Great Wall Computers (a government-owned company) of the Peoples Republic of China (PRC). TRC is also partly owned by an influential government investor from PRC. It is crucial for MS to work with TRC to keep the door open and maintain good relations with PRC. TRC is willing to work with MS to help influence the PRC government to meet MS' business objectives.

3. DRI has been trying to sell DR DOS 5.0 to this account at half our price.

4. The unit commitment level of 9,000 units per year was based on what TRC felt was realistically achievable, to avoid high UPB levels as in the previous contract.

5. TRC understands that after this contract expires, any new contract will follow standard royalty guidelines. This special pricing will not apply.

Given the above considerations, we agreed to absorb, over the life of this contract, half of TRC's previous UPB in the new contract. This amounts to $144K or $9 off the standard per system MS-DOS price of $35 at 9K unit commitments per year. Therefore, the MS-DOS price for this contract is $27 per system.

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