

To: Joachim Kempin

From: Richard Fade

Date: March 18, 1991

Subject: February 1991 Domestic OEM Status Report

cc: John Jenkins, Ted Hannum, Mark Chestnut, George Downing, Kathleen Graves, Mike Murray, Paul Maritz, Steve Ballmer, Carl Stork, Bill Miller, Brad Silverberg

**HIGHLY  
CONFIDENTIAL**

**REVENUE**

Revenue for the month was \$27.3M vs budget of \$16M (171%). This due to strong Q2 unit shipments reported by a number of OEMs (see Comments) and \$4M in IBM "flat fee" revenue we had not expected to be posted to DOEM. Revenue for the quarter is \$45M vs budget of \$40.7M, YTD revenue is \$125M vs budget of \$111M. I expect we will close Q3 at \$50M vs budget of \$40.7M.

**NEW BUSINESS**

Account	Product	Comments
3Com	LM 2.0 PP	not signed by MS yet (small rev.)
Cumulus	DOS 5 amendment	Adds DOS 5.0
Siemens	MS Mouse 50 pack (\$2,250)	New Business
Digital	CD Rom Extensions	Got better than price list
	All-in-One Term Sheet	Worth \$4M
AT&T	SNMP agent for LAN Manager	Demonstration purposes only
Parallan	Lan Manager package product	
Everex	Source agreement	MS universal rights to VESA driver
AT&T	SNMP agent for LM	Demonstration purposes only
Parallan	LM Package Product	
Everex	Source agreement	MS universal rights to VESA driver
Emerson	DOS	Four month extension.
Northgate	Mouse	\$840K a year for three years
WYSE	DOS/Windows/ & OS/2	\$1.5M a year for three years
Annabook	ROM-DOS 3.22	\$96K 1 yr deal & \$9.5K On-Line
Paravant	DOS 3.21/5.0	\$22K/yr two-year agreement
Ziatech	ROM-DOS 3.3/5.0	\$22K/yr two-year agreement

**NEWS**

Citrix Multiuser OS/2 is in manufacturing with first customer ships in February.

Commodore CDTV is scheduled to begin shipping March 4, 1991, will be distributed in stereo, video and computer stores.

Phoenix introduced a new series of power management software products than can reportedly double the battery life for systems from palmtops to 386-based portables. The new software will be immediately available to OEM's for integration with the Phoenix BIOS software and will work particularly well with the new low-power Intel SL chip.

DEC announced as the apparent winner of Navy PC LAN, (Netware).

MS7037281  
CONFIDENTIAL

DEC begins field tests of an OS/1 based version of UNIX and expects to be the first company on the market with a complete, finished version of OSF/1.

HP announces new PA 90 chip that will rival the SUN dominance at the high end. This chip is expected to have speeds up to 100MIPS in the near future. They announced a family of workstations based on the chip with a low end system that is 50MIPS and will sell at \$12,000.

HP announces the porting of CASE utilities on the SUN OS.

Alvin Stumpf, formerly Atari's GM for Germany becomes VP Worldwide Sales for Atari.

AST decides to discontinue marketing their expansion boards.

Latest TrueImage 1.0 schedule:

Beta: March 15, 1991

Golden: April/May '91

**HIGHLY  
CONFIDENTIAL**

TI is considering True Image in their new printer line rather than Adobe; Pen Windows as their interface for a new stylus input device that can retrofit existing TravelMate laptops.

Tandon reports interim and annual results for 1990: Fourth quarter revenues = 127.2M (previously 103.6); Net income = 8.9 or 14 cents per share. Annual revenues = 421.8M Net income: 25.6M or 39 cents per share. High performance PC's made up 55% of sales. The strength of European currencies helped profit margins, with European sales accounting for approximately 94 per cent of the total. US Sales Division announces PC marketing agreements with the Waldensoftware chain of computer software stores and the Inmac Corp US catalogue. This is the first time either of these companies have marketed computer systems.

Wyse unveiled the Wyse Advanced Unix Family of computers that are based upon the Intel 80386 and 80486 processors. These systems will be resold thru Arrow Electronics in Canada. The line is intended to compete with offerings from NCR and Unisys and to also gain share for Wyse in the Unix multi-user market.

Everex announces 24 bit True Color card for the PC. List price will be \$795. Everex will be showing at Windows World with a marketing promotion of the TC card with a Win3 driver. Everex announces \$98 VGA video card.

Legal/OEM will be working together to mail out "counterfeit awareness" letters to approximately 1,600 Dealers by the end of April.

#### ISSUES

MS again failed to deliver localized documentation (this time Windows) to Commodore. Customer is furious.

Logitech is increasing instances of Logitech engaging in pricing battles with Z-Nix, produced (Windows/Mouse) bundles for as little as \$69.99.

Compaq Ballpoint agreement has not been signed yet. The Ballpoint announcement is on 3/11 and the Compaq promotion starts on 3/11. Compaq is now estimating their expenditure for the promotion at \$6.6 million and they have asked us to pick up an additional \$35K to \$50K in expenses.

DEC LMU License held up due to basic conflict with out licensing practices and Digital's business strategies.

**MS7037282  
CONFIDENTIAL**

DEC All-in-one-level of buy in with Apps Division Product Managers.

Gateway mouse business is at a head. Meeting with Rickthorn and Davewr provided some alternatives that may keep business. Risking over \$3M annually.

PSS needs to be prepared to take ROM-DOS questions from Annabooks since they signed the OEM Premier On-Line Agreement to give pre-sale technical support to the embedded system business.

NCR concerned about de-emphasis on OS/2 2.0, including no planned OS/2 2.0 LM server.

AT&T Pike patent still not resolved.

Tandy will license Windows if it can differentiate it's version of Windows from other OEM's.

CompuAdd seriously considering unbundling Windows. They say they don't see the value in bundling. Jeff is planning a full court press to keep them.

Since they can't get Ballpoint (due to Compaq exclusive), ZDS will likely bundle a LOGITECH trackball pointing device with their new laptop line.

New Business Groups need a "feedback system" for counterfeit leads that are passed on to legal.

#### PEOPLE

Kathleen transitions into the MHR Team position as of March 15. Melvin will go full time on Packard Bell and ALR. Wish both good luck and thank you Melvin for your many contributions these past 3 years. We moved Rayka into Kathleen's group to even up the teams. Darcy Ruscigno joins Markche's group to manage DG, Citrix and work several HP assignments with LarryEd. We added the Compaq JIA project to MarkBu's plate in addition to SUN and Tandem/UB. We have one open position in New Business group we will fill by mid March. We will continue to interview for AM II to hire by May to offset two maternity leaves coming later in the summer.

We need product and technology training for the group as well as ongoing trends education. We will also move to standardize of a single set of "strategic sales" tools across all teams in Q4.

#### COMMENTS ON REVENUE

February Revenue came as a pleasant surprise with many key customers reporting strong Q2 unit sales, a sample:

	Q291	Q290
Compaq	237K	189K
Tandy	155K	209K
AST	74K	63K
Tandon	33K	48K
Dell	45K	26K
CBM	66K	47K
Zenith	80K	82K
CompuAdd	31K	28K

**HIGHLY  
CONFIDENTIAL**

DOS and Windows royalties were above plan. Finished Goods DOS continues steady at 23K units p/month. Mice sales eased a bit from previous months to \$870K, YTD OEM Mice sales equal \$9.8M.

MS7037283  
CONFIDENTIAL

We experienced a significant windfall in \$4.1M "flat fee" Windows and NT revenue from IBM. Without the added IBM money, we would still be ahead of my forecast based on strong Q3 sales. I anticipate another \$5M, in March bringing the Q3 total to \$50M. I believe Q3's unit shipments will be a good telltale of what is actually happening in the market. If Q3 is strong, I believe we can expect reasonably healthy sales through the summer. I am reassessing Q4 revenue forecast in light of new IBM revenue, it is likely to be \$45-\$50M.

**EG-DOS**

	February Units	%	Q3 Units	%	FY91 Units	%	FY90
PP 3.3	4,305	19%	11,254	23%	50,081	29%	
PP 4.01(5 1/4)	13,748	61%	27,197	56%	94,292	54%	
PP 4.01 (3.5)	4,661	20%	10,183	21%	29,587	17%	
Units of PP	22,714	100%	48,634	100%	173,960	100%	179,774
Dollars of PP	\$1,160,135		\$2,484,414		\$8,859,351		\$9,235,779
Avg. Price	\$51.08		\$51.08		\$50.93		\$51.37

**BUSINESS PLANNING**

We held a group manager offsite as part of the business planning Kathleen has been working. This was a follow on to a previous meeting to identify go forward "risks and opportunities", both internal and external. We determined we were poorly focused from the very basics on up! This resulted in a revised mission statement, associated requirements and action plan to address our shortcomings.

**DOS 5 LAUNCH**

This issue has been worked with Product Marketing, both planning for OEM role in event, and enabling OEMs to announce product availability at our even without pre-announcing the product. This still requires a good bit of effort to pull off.

**BB DONNELLEY**

I completed the Donnelley agreement this month (signed by both Mikehal and Donnelley). This paves the way for better customer service on documentation and hopefully better worldwide product availability.

**COUNTERFEIT DOS**

We continue to track large quantities of counterfeit DOS. Looks as though we may have a "bad OEM" in Sun/Moon/Star (Acbet) we are investigating widespread rumors they are selling outside their license with us. The 1-800-nocopyn, call in a pirate line, went into effect last month. We published our recent summary judgement are looking into a large educational mailer to resellers. As well as running an advertisement (re: illegal DOS and how to identify the "real thing").

**FORECASTING FY92**

The through put (lack of) on the new forecasting system has taken its toll on all, still we have produced a good first pass at processors, products and revenue for FY92. We have some conversations in general in several large "at risk" Mouse and Windows licenses.

**HIGHLY  
CONFIDENTIAL**

MS7037284  
CONFIDENTIAL

**Q4 GOKRs:**

Implement strategic selling tool across all groups. Implement TQC offsite plans.

**Design Wins:**

- Complete NT Product Presentation by June 1
  
- Great OEM participation in DOS 5 launch
  - license signed
  - event
  - shipping product
  
- Windows everywhere (50% of 386 systems)
  
- Improve penetration on naked systems
  
- Laptop Works bundles, MM and Pen Windows (focus accounts)

Improve Customer Service.

Beat Budget (Goal: top \$50M).

**LAPTOP WATCH**

Compaq's shortage of LTE 386 systems will be eliminated in March. Compaq feels that IBM has delayed their 386 notebook again, because IBM is using the same Corner 60MB drive that Compaq is having a problem getting enough of.

Dell released two 386SX notebooks in Mid-Feb.

TI has stated that they will be coming out with 3 new laptops this calendar year. Strong presence in this market with breadth and depth of products. Looking to OEM SX for low-end.

Poqet is planning a 4th quarter release of a 386 based notebook size PC.

Momenta plans a September release of their DOS stylus based notebook PC.

AT&T will announce a laptop in March, 1991 called the Safari 386NSX (manufactured by Matsushita).

CompuAdd started shipping a new 386x 20Mhz laptop, manufactured by Texas Instruments.

ZDS will announce at Spring Comdex a new laptop manufactured by Goldstar.

ZDS to focus on Windows and Portables at Spring Comdex. Interested in Ballpoint, we are working.

**RISC WATCH**

Compaq details can be obtained from either Paulma Carls.

Dell keeps pushing to understand MS direction.

DEC significant progress previously communicated through email.

**HIGHLY  
CONFIDENTIAL**

**MS7037285  
CONFIDENTIAL**

HP announced the new PA 90 chip and a family of workstations. The chip will have speeds up to 100 MIPS

AST is working with MIPS, Sequent, SCO and DEC. They are in communication with Carl Stork's group. I'm pleased to see MS finally take AST seriously and so is AST.

Northgate continues to put their SPARC plans on hold as they focus on the bread and butter of making money.

Tandy is interested in joining the Compaq, DEC, MIPS, and SCO team to promote a new standard for RISC. Raydc will coordinate this with Paulina.

ZDS has strong interest in developing a MIPS machine; this development is currently taking place at Bull.

**HIGHLY  
CONFIDENTIAL**

**MS7037286  
CONFIDENTIAL**

**DOS 5.0 WATCH**

Status: P-Proposed N-Negotiation S-Signed N/A - Not Applicable  
 Ship date is OAK + n days... i.e. 60, 30, etc  
 DRI Threat is Y or N

<u>Account</u>	<u>Status</u>	<u>Close Date</u>	<u>Ship Date</u>	<u>DRI Threat?</u>
Data General	P	2/91	??	N
Tandem	S		release of PP	
Commodore	N	3/91	OAK + 90	N
Phoenix	S	12/90	30	N
Intel	S	12/90	30	N
Compaq	S	9/90	30 or less	N
Dell	N	3/91	30	N
3Com	N	3/91	may never	N
Digital	P	3/91	When available	N
Win Labs	N	4/91		N
Sysorex	N	4/91		Y
Insignia	N	3/91	+60	N
TI	N	3/91	+60	N
Austin Comp.	N	3/91	+60	N
Tricord	N	4/91	+90	N
Unisys	N	3/91	TBD	
SpaceLabs	N	3/91		N
NCR	N	3/91	+ 60 days	N
HP	S	N/A	OAK + 120	N
Atari	P	2/91	+90	N
Momenta	P	3/91	+120	N
Poqet	N	Will fall under Fujitsu's license		
Tandon	P	4/91	+30	N
AST	N	3/91	60	N
Northgate	S	2/90	30	N
Intermec	N	6/91	Mid 1992	N
Melard Tech	P	6/91	Late 1991	Y
NCR POS	P	6/91	Late 1991	N
NCR Fin.	P	6/91	Late 1991	N
CompuAdd	S	7/90	6/11	N
MT	S	7/90	6/11	N
WYSE	S	12/90	6/11	N
Everex	S	1/91	6/11	N
SMS	S	12/91	6/11	N
ZDS	S		Concurrent with MS	N
Wang	N	3/91	6/11	N
AT&T	N	3/31	6/11	N
Tandy	N	4/91	7/1	N

**HIGHLY  
CONFIDENTIAL**

**MS7037287  
CONFIDENTIAL**

## PRODUCT MARKETING FEEDBACK

### Systems Marketing

#### Windows

How does an OEM obtain rights to modify and/or enhance the Windows help engine? Implement disk change logic in the Windows in ROM product

#### Counterfeit MS DOS

Kathyg, legal and PR are meeting to discuss the status of the Counterfeit issues and to gain agreement on an aggressive 90-day plan. This was accomplished and Kathleen will be writing up a report to itemize all the press, advertising and other activities that will take place. We still need to hire Jim Boyle.

#### DOS 5.0

MS-DOS 5.0 OEM's need more firm plans on announcement QUICK.

DOS 5.0 need separate ROM version kit as well as separate Flash Memory File System kit for embedded OEMs. We need to improve the ROM-DOS 5.0 kit so that we do not lose another opportunity to DRI because of an inferior product.

Need to have key embedded OEMs review power management spec.

#### Multimedia

Support is difficult to obtain from Product Marketing in terms of information exchange and discussion with OEMs.

#### APPS

Poquet is waving a flag and asking why MS doesn't create "light versions" of our mainstream apps, specifically for ROMifying for notebook and smaller systems?

#### OS/2

Need to insure that the OS/2 group keeps terasach in the loop on proposed meetings with NCR.

#### Flash Memory File System

Flash Memory File System still not released officially so that we can license it to DataBook.

## ACCOUNT SUMMARIES

(As reported by Group and Account Managers)

### Jenkins Account Team

#### AT&T (Patty Eastern)

We are just a step away from closure on the LM/Unix merge and Rich Abel successfully presented our Windows strategy to USAir Execs and AT&T via conference call. AT&T will participate in Windows World (once the logistics are cleaned up) after a successful meeting at NetWorld w/Rogersw and the Windows apps promotion has been approved by Mike Maples and should be signed in March.

#### Tandy (Ray DICasparro)

The following activities were executed to get the Tandy relationship back on track. Robg gave up his seat on a General Session Panel at the CD ROM Conference for Tandy. MS arranged to have Tandy be the only OEM speaking about multimedia at the Annual Publisher's Conference. MS called members of the press to correct

**HIGHLY  
CONFIDENTIAL**

misconceptions about Tandy's role in defining the MPC specification. Most all planned activities have been executed.

Tandy has openly admitted that it is unrealistic to meet a XMAS '91 deadline for the Player. They feel that if the product is going to ship in 1992, that additional features should be included. With the additional features and the fact that the cost is \$50 over budget, the Player will have a SRP of \$599 (not \$499, as originally proposed). Tandy also agreed to not sublicense the MS system software for the Player. OEMs of the Tandy Player must obtain a license directly from MS. Raydc is developing new license agreement which reflect these, and other changes.

**Sun Moon Star (John McLauchlan)**

Little activity. Donald Weng in Taiwan all month. Spoke to Controller, Bob McDowell regarding possible unauthorized distribution of product and letter asking for his cooperation in correcting.

**CompuAdd (Jeff Morris)**

Multimedia PC up and running, met CompuAdd's new Director of Sales Judy Bitterli, met with Mike Negrin to uncover Windows Marketing facts to help save the Windows bundle, met with Microsoft Multimedia group to try and figure out a way to increase CompuAdd's council contribution to \$250k, Multimedia Works' bundle appears to be strongly considered, Scott Oki visited CompuAdd to convince them to participate in Win Fair.

**Zenith (Tom Davis)**

Zenith Data Systems will join the Multimedia Council and will display at the CD ROM Conference. ZDS has expressed strong interest in Pen Windows and in NT OS/2. An exec level presentation and demo on both products has been scheduled. Negotiation on SSRC is deadlocked over the issue of DOS and Windows royalties. ZDS is under pressure to ship product soon or will incur government penalties. Bull is interested in a worldwide OEM LAN Man agreement that would be executed thru ZDS. Bull will also consider the Systems Integrator program for distribution of LAN Man. ZDS' new CEO and executive management have expressed interest in an exec level meeting with Billg. ZDS would like this to take place in Europe in March. ZDS to rebadge Goldstar laptop.

**Henderson-Rubio Account Team**

**Liuski (Rick Chouinard)**

Liuski, which has been an MS-DOS PP customers for several years now at a run rate of approximately 25k-27k per year, has signed a license for MS-DOS 4.01 & 5.0. The PER PROCESSOR license is a one year license at a minimum of 18k units per year at a royalty rate of \$35. On the surface this would seem like a decrease in revenues. They currently pay \$50 for MS-DOS PP (remember there are cogs in the \$50). The reason for the conversation to royalty is to retain their loyalty to MS-DOS. They were seriously considering DRI product, thus we needed to be more aggressive. The reason for a 18K commit and only for one year was their desire not to over commit the future of their company.

**DAK (David Bennett)**

Signed a one-year license to bundle 75k units of MS-Works their special offer of NEC Ultralites. Royalty rate of \$20 for a \$150k commitment. The Ultralite & MS-Works is prominently displayed on the cover of their latest catalog along with lead story.

**Chestnut Account Team**

**Hewlett Packard (Larry Edralin)**

Printing issues and PCG dominated the month with a small dose of NewWave. Meetings were held on Fonts between Boise and our STAT group and Device Independent Color discussions between Nathan Mhyrvold and HP labs. This was in preparation for the upcoming Seybold conference and what both companies will discuss there as well as what schedules we are setting for our joint work in these areas. Meetings took place in Boise with John Stedman (NPR), Bryce Jeppsen (Asian Printing), and Rex James (Group R&D) to review status of the

HIGHLY  
CONFIDENTIAL

MS7037289  
CONFIDENTIAL

joint actions we had from the last Steering Committee meeting and to prepare agendas for the March 14th meeting between Doug Camahan and Steve Ballmer. Three meetings were held with PCG to discuss and begin the final process to an amendment to the MSA to go per processor on DOS and to license Windows. A short session with Bob Frankenberg on the New Wave/Excel minimum commitment yielded a decision to pursue an option to bundle NewWave and Excel on a PCG product and a statement that if these distribution options don't pan out he would then pay the minimum rather than harm the relationship.

**Atari (Tom Henningsgard)**

Sam Tramiel has been in a totally stagnant mode for this past month in regards to MS. Sam, even though prodded with daily phone calls, has not been able to even decide whether he will go for a one-time charge for DOS 5.0 localizations or the recommended 15% royalty uplift (I would hate to give him a thought decision).

**Emerson (Tom Henningsgard)**

Executed their "three-month-going-out-of-business" DOS license extension with us with no minimum commit, a \$2.00 royalty uplift, and the forfeiture of their \$700,000+ pre-paid balance.

**Momenta (Tom Henningsgard)**

Kamran (CEO) was here to give us our first look at stylus pad hardware as well as share their marketing plans on Feb. 13; impressive stuff! They also were a key participant in our Pen Windows ISV Conference (Pradeep commented "Momenta's endorsement couldn't have been better if he had written it himself").

**AST (Jeff Daniels)**

Met with AST twice this month to continue license negotiations. We are very close to reaching agreement but several issues still remain unresolved. The largest issue is reaching agreement on per system wording which finance agrees to but gives AST the flexibility they want. Bill Gates turned down Safi's request to speak at the University of . AST's VP of Marketing turned down my aggressive offer for AST on the Windows Discovery Fair. With the exception of the events mentioned above, AST and MS are working together nicely and license closure is expected by month end as scheduled.

**Northgate (Jeff Daniels)**

Northgate signed and returned both licenses to MS. The first license is a three year MS-DOS per processor, Windows 3.0 per system, and OS/2 per copy license agreement. Northgate pays MS \$74 on 80% of their systems which are bundled with Windows 3.0 and Mice. Northgate pays a \$29 DOS royalty for the other 20% of their low end systems. This license is being processed for mutual signature. The second license is a three year mouse license. NG will ship MS's mouse on eighty percent of their systems for the next three years. This license has been mutually signed.

**Printer Business (Nancy Ritzenthaler)**

Interest within my prospect list was quite active even though continued code slippage has upset current customers. The "hot prospect" list this month includes Pacific Data, Philips, Siemens/Mannesman Tally, Bull Compuprint, Olivetti, Texas Instruments, and Bezier. Bezier is the closest to signing a new license; this would be a \$1.35M agreement over 2 years.

Continued code slipping now has the beta release in 2 weeks and final code in a month or so after that. Performance on the 68000 platform implementation of Truelmage has been improved dramatically. We are now 7% faster than the Adobe 68000-platform equivalent. The i960 processor environment still has byte order problems; porting to this platform could be delayed significantly.

Active recruitment of former Bauer customers to sign them up to Truelmage has begun. Thus far, Olivetti, Mannesman Tally/Siemens, and BGL have been offered free source code if they sign up for Truelmage. IBM (now Lexmark International) will not be using Truelmage or the Truetype rasterizer in their 1991 products; however they would like to license the rasterizer for possible future needs. We are also working on a printer driver agreement worth \$51,000.

**HIGHLY  
CONFIDENTIAL**

MS7037290  
CONFIDENTIAL

### Downing Account Team

#### **Creative Labs (Wolfgang Struss)**

\$1.2 million/year Multimedia Windows license agreement in negotiation. Will be signed this month.

#### **Headland Technology (Wolfgang Struss)**

\$380K/year Multimedia Windows license agreement in negotiation. Will be signed this month.

#### **Media Vision (Wolfgang Struss)**

The Media Vision license was not signed by MS. The agreement was returned by MS management pending clarification of issues relating to the "PC Marketing Fund Exhibit". This Exhibit has subsequently been deleted from the body of the license agreement and turned into a separate stand-alone agreement. Will close this month.

#### **Gateway 2000 (Dave Wright)**

Davewv, Rickthorn and Melvnh visited Gateway to discuss many subjects as well as the custom mouse business. Prior to meeting 50% chance of keeping the mouse business for fiscal year 92. This meeting presented alternatives that would keep business at MS. After meeting 80% chance of keeping business (Davewv estimate). Currently worth over \$900,000/qr. Gateway hired new Director of Marketing—proving to be high hurdle in Mouse issues. Ted Waitt (Pres) is beginning to relinquish some responsibility for decisions—not necessarily best for MS.

#### **Texas Instruments (Dave Wright)**

TI will be here on March 7 and 8 to see Windows 3.1, Pen Windows, MS-Works, True Image and Online presentations that could result in licenses. Closed master NDA for beta software. Received a royalty payment of \$308K against a min of \$162K.

#### **Unisys (Michele Pearson)**

Continuing to learn the Unisys account, mostly through putting out various fires. Saved the C business in Applications Development Group; visited and met most key people. Finalized negs on DOS 5.0 amendment. Set up dates for Technology Briefing on various systems products and Executive Review for NCG. Major headway made on printer drivers license. Education Day at NCG proved extremely worthwhile for Tim and me; also worked on Exec. Rev. plans during that trip. DTIII negotiations continued during the month with Precision database as the focus. Introduced Tim Case to account.

### Hannum Account Team

#### **Commodore (Debbie Flynn)**

The master license is finished and is now in Tony Ricci's hands. The 12(c) language was resolved by MS taking out all the of the standard language and replacing it with new language stating that CBM would give MS a 6 month waiting period to resolve any patent infringement situations. The Sanyo issue has been resolved from MS's perspective. MS will exempt CBM from paying DOS royalties on machines purchased from Sanyo. Sanyo was supposed to go back to CBM with a better deal. Unfortunately, Sanyo went back to CBM and said that they were sorry that they had made a mistake, but their price was unchanged from the first quote. CBM can not understand why they told MS that they would come back with a better deal and didn't. Debbieff is following up with the Sanyo Rep to try and understand the situation. The remaining issue to be resolved is their second request to remove the visa card language.

**HIGHLY  
CONFIDENTIAL**

**MS7037291**

**CONFIDENTIAL**

#### **Intel (Pete Peter)**

Prepalds stand at \$750,000 but Intel has revisited their forecasts and are confident that they will consume this entire balance in the remaining six quarters of their Agreement. There was a growing risk that this steadily growing balance would have required that we adjust their minimum commitments for the remainder of the Agreement. In helping Intel manage their way out of this situation we convinced them of the need to share their processor forecast for calendar year 1991 with us. The numbers are very interesting and show a product mix

quickly changing from 11% 80486 processors in the first quarter to over 27% 80486 processors in the fourth quarter. The FMSDK distribution agreement was signed in late January and Intel requested an additional 750 royalty-free copies of our Flash Memory System in February due to strong demand for their kit. We decided they will need to license the Product to receive additional copies.

**Logitech (Pete Peter)**

Logitech has had outstanding success selling their Windows bundle in the first two quarters of their license agreement. The success has been good enough that they now want to exercise an option to increase their minimums and decrease their royalty for the duration of the agreement. We will do an amendment in March to implement this change and to add a couple of mouse products to Exhibit M of the agreement. Competition with Z-Nix should produce some new price wars with these Windows bundles. The low point so far has been a Z-Nix mouse bundled with Windows for \$69.99. Logitech feels heavy pressure to meet these prices. Petep is forecasting 12,000 units of Windows a quarter for the remaining six quarters of their agreement.

**Compaq (Peter Braman)**

The BallPoint mouse agreement will be signed this week, and Compaq has increased their forecast from 60,000 to over 80,000 units. I have introduced Mark Buick to Compaq, and he has started to work the sales and marketing JIA issues.

**3Com (Barry Spector)**

Shipments of LM and 3Servers continue their downward spiral.

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. All remaining OEM issues are transitional in nature or are small licensing agreements necessary for the shipment of their 3Servers (e.g. OS/2 and DOS).

**Dell (Barry Spector)**

Dell closed their fiscal year at the end of the month with stellar results: annual sales of \$546M a 41% increase over last year with earnings per share equalling \$.42. Dell will be offering as much as 4 million additional shares of stock with the additional cash going towards expansion into foreign markets.

**DEC (Kelly Wood)**

Kelly participated in two important meetings (one with Paul Maritz and one with Jim Allchin) that paved the way for close co-operational ties with Digital on Networking development and Digital's architectural plans involving NT. Additionally, progress was made in furthering the All-in-One project by getting the Term Sheet through the signature cycles of both companies. Progress was additionally achieved in the DOS and Windows negotiations as it was confirmed that PCSG will be licensing additional volumes of Windows for the All-In-One client project. While at NetWorld, Kelly invited himself to the Press Conference, where he was the only non-press or non-Digital person in attendance. Closure was achieved in getting dedicated project lead resources assigned both for the Networking work as well as the Application (All-In-One) projects. Shirish Nadkarni is the fellow in apps and Patricia Friel is the person in the NBU, tasked with ownership of DEC issues in their respective divisions.

**HIGHLY  
CONFIDENTIAL**

**MS7037292  
CONFIDENTIAL**