November 30, 1990

Larry Fortmueller
AST Research Inc.
16215 Alton Parkway
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FAX 714-727-7922

Dear Larry:

This letter serves as a written reply to AST's letter dated November 9th, 1990 but received via fax on November 19th, 1990.

Every since my acquiring AST Research as your account manager, six months ago, I have consistantly proposed a new license agreement which incoporates the basic agreements already made. I have done this one basic reason: economics. Both parties went through a process to arrive at the pricing, terms and conditions agreed upon.

I have reviewed this letter with my supervisors and respectfully have the following reply: Most issues proposed in this letter are radically different from the agreement we have had in the past. Below is Microsoft's answer to each issue mentioned:

1. It is my intention to include all terms and conditions as previously agreed. In the event that I can not do so, for whatever reason, that matter will be brought to your attention as quickly as possible.

2a. During COMDEX, you indicated your preference for MS's per processor royalty rate to diminish at a quicker rate. I have seriously considered this. Microsoft must be consistent with our pricing and request your agreement on pricing to do so. In my September 14th letter, I indicated our per processor MS-DOS pricing was $18.5 @ 250K units per year and $17.5 @250K units per year.
        -need to handle multi handle

2b. Non-Intel architecture is excluded from this agreement. AST is not requesting the right to ship any of our products with non-intel based PCs. MS is interested in discussing any future product plans AST has on non-intel based PCs and invite further conversations regarding this matter.

2c. Microsoft does not license Windows 3.0 to OEMs on a per copy basis. (support only and will not be promoting Windows 3.0 on a per copy basis) You already have per system pricing on OS/2 without a minimum commitment payment schedule level set and AST sell OS/2 on a per copy basis. (will include per systems pricing in letter)

2d. AST has not provided a serious reason to MS on why we should lower our 1.15 royalty rate increase for foreign versions of our products. The obvious reason is that AST does not want to pay the additional expense. There is an additional investment made with each product which is localized into another language. Microsoft also believes that OEMs make more money on each foreign version of DOS and Windows since the pricing is ususally higher and the money collected is worth more that the US dollar payed for royalty report invoices. AST has mentioned that their is additional work in tracking this information down. This is basic information which is very valuable to your marketing department.

2e. Our current prevailing royalty rate for version upgrades is fair. MS believes that your national language exchange program would be more trouble in implimentation than it's worth for you but we are considering this request. MS believes that any reseller who sells an OEM product with another OEM's hardware should hear directly from the customers who is stuck trying to make this work. MS requests to avoid the potential political confrontations inherit in this AST brand product/non-AST product upgrade program. Upgrading pricing in our license is between AST Research and MS. It currently is not understood how you want MS to extend this pricing to all of AST Resellers. MS does not really know who your resellers are.

3. Great.

4. Three installation copies of MS-DOS is fine if you pre-install DOS on the hard disk and supply the master diskettes with the system utility diskette in this same PC box.
    utility (two file) hidden files- disk-io.sys, msdos.sys,

5. MS does not want MS-DOS, OS/2, OEM licensed Windows or our OEM mice to be sold separately from your systems. You do not have to physically bundle these products with your hardware. Microsoft is not interested in making the gray market grayer by giving more OEM's permission to distribute these products to non AST hardware owners. Microsoft is receiving reports that Merisel is selling AST DOS to customers buying non AST hardware. The last thing in the world MS's wants is for a large distributor like Merisel to be distributing an OEM version of DOS or Windows or OS/2. This is being investigated. MS requests AST to make sure Merisel knows that your OEM products are for your harware only.

6. Microsoft does not want MS-DOS 5.0 utilities to be sold separately from MS-DOS 5.0. We believe that selling these utilities separtely will make it harder to conver them to MS-DOS 5.0.
    dos kit, windows kit, os/2 kit

7. This is being considered. I will make a proposal to you.

8. The Ballpoint mouse will have to be a separate agreement.

9. Our main interest with the break the seal license agreement is to make sure the customer knows that DOS is on the system and that they know they have agreed to the OEM product EULA terms. The sticker on a power cord is one way of many. It's your choice.

10. I am looking into your patent, trademark and copyright indemnifification request and will answer this ASAP.

11.

12. MS-DOS 5.0 and OS/2 1.21 source code is not free.

13.

OEM product sold with the wrong brand name should hear from the customer who received the bad product.

MS has a per processor price, per system price and a per copy price. Our per processor price has the lowest royalty rate. This agreement is based on paying royalties for every processor shipped. MS-DOS does not have to ship out with every system. Per processor agreements list all processors in the back of the license from 8086/8088 to 80486. An exception would be made with multi processor systems. Please recall that we have additional per system pricing available for other products like Windows 3.0 if you have a per processor license in place. Our next agreement is a per system license which means that you pay the royalty for every system shipped which is listed in the license. Our last agreement is a per copy license. This means that you offer MS-DOS as an option and pay the royalty when ever you sell MS-DOS regardless of the hardware.

During your last fiscal year you reported a quarter of a million PCs sold . Below is pricing around these quantities:

	100K	250K	500K	(# of PCs sold in a year)
Per Processor	$24	$18.5	$17.5	
Per System	$37	$31.5	$25	
Per Copy	$45	$40	$30	

This pricing is based on a three year license. MS-DOS 5.0 pricing includes all utilities. This pricing also includes selling MS-DOS 3.3, MS-DOS 4.01 & MS-DOS 5.0 within the first year of the license.

AST may license MS-DOS 5.0's memory management utility separately and include this with MS-DOS 3.3. We have discussed a $5 royalty.

Please call me if you have any questions.

Sincerely,

Jeff Daniels