

September Status Report
KGTEAM Account Team
 February 15, 1993

Revenue

None

New Business Signed

<u>Account</u>	<u>Product</u>	<u>Comments</u>
PC House	OEM Mouse	\$255,000
PC House	OS/2 1.3x	\$15,000
Distec	Packaged Windows 3.0	
Distec	Packaged Combo MS-DOS 4.01/Win 3.0	
Golden Star	Packaged MS-DOS 5.0	
Info. Int'l	Packaged MS-DOS 5.0 upgrade	
Locus	Packaged MS-DOS 3.3 & 4.01	
Pragmatic Inst.	OEM Mouse	
Tokyo cobra	Packaged MS-DOS 5.0	
Ares Industries	MS-DOS Windows \$600k	EBU potential
System Integrators	MSDOS 5 130 copies	Pending royalty agreement
Cube Computer	MS-DOS 5 80 copies	Pending royalty agreement
Isotropic Computer	MS-DOS 50 copies	Pending royalty agreement
Liuski	PP MS-DOS 5	Interim until doc printed
Leading Tech	EBU apps	LOI, License pending
Micro Marketing Group	MS-DOS 5.0 Upgrade	
Micro Marketing Group	MS Mouse	Value \$4700
PC Pros	Windows	Value \$7900

New Business Pending

<u>Account</u>	<u>Product</u>	<u>Royalty</u>	<u>Commit</u>	<u>Close</u>	<u>Chance</u>
PC Craft	MS-DOS 5.0	\$25/\$27	\$625,000	10/15	90%
PC Craft	Combo	\$119/\$99		10/31	100%
PC House	Combo	\$119/\$99		10/15	100%
Distec	Combo	\$119/\$99		10/31	100%
Distec	MS-DOS 5.0	\$21	\$1,050,000	10/31	25%
MIS	Combo	\$119/\$99		10/31	100%
MIS	MS-DOS 5.0	\$29	\$580,000	10/31	25%
Telxon	ROM-DOS 5.0 Source	\$25K	\$25K	12/91	80%
Republic	DOS 5.0	\$17/sys	\$340K-3 yrs	10/91	80%
Ampro	DOS 5.0	\$10/sys	\$510K-5 yrs	11/91	50%
Itron	ROM-DOS 3.22/5.0	\$15/sys	\$150K/yr	10/91	80%
Symbol MSI	MS-DOS 5.0	\$26/sys	\$26K/yr 10/91		50%
Norand	MS-DOS 5.0	\$30/sys	\$30K/yr 10/91		50%
Intermec	MS-DOS 5.0	\$30/sys	\$180K/yr	11/91	80%
Cobotyx	MS-DOS 5.0	\$25/sys	\$25K/yr	10/91	50%
Sys Int	DOS, Win	\$64	\$140k	11/91	70%
Ares	DOS/Win	\$62	\$600k	9/91	100%
Maxum Sys	DOS/Win	\$62	\$1.1m	10/91	60%

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Plaintiff's Exhibit
9050
 Comes V. Microsoft

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Datamedia	DOS/Win	\$64	\$500k	11/91	60%
ADP	Windows	\$35	\$1.2m	12/91	40%
SFI	DOS/Win/EBU	\$80	\$200k	12/91	20%
Isotropic	DOS	\$30	\$60k	11/91	50%
Cube Comp	DOS/WIN/Office	\$310	\$700k	11/91	60%
Exsel	DOS/Win	\$62	\$800k	11/91	40%
Xycom	DOS	\$30	\$200k	12/91	50%
Dale Comp	DOS/Win	\$62	\$240k	12/91	40%
ISC	DOS/Win/Office	\$310	\$300k	11/91	40%
Level IV	DOS/Win	\$62	\$120k	12/91	30%
Leading Tech	Bookshelf	\$15	\$300k	11/91	50%
Ares	EBU	\$55	\$200k	11/91	40%
EMI	MS-DOS	\$15		10/30	40%
Dauphine Tech	PenWin	???		10/31	60%
CUSA	Windows/Winworks	???		10/30	50%
Motorola	ROM DOS 5.0	\$28	20K units	12/31	75%
Austin Comp	WinWord/Excel	\$226	9K units	10/30	20%
PC Pros	DOS/Windows	\$28/\$31	6K units	10/30	90%
Computer Mkt	DOS/Windows	\$28/\$31	6K units	10/30	75%
BSM	DOS	\$28	25K units	10/15	90%
386 Warehouse	DOS/Windows	\$28/\$31	6K units	10/15	50%
DataSpan	MS DOS 5.0	\$60.00		10/30	100%
Ultra Comp	MS Mouse	\$30.25	6K units	10/30	75%
Identity Sys	MS Ballpoint	Value \$16,000		10/30	100%

MS-DOS WATCH FOR ALL NEW BUSINESS:

	Sept.		Q1		FY92		FY91
	Units	%	Units	%	Units	%	
PP 5.0/5.25	13,844	49	57,307	60%	57,307	60%	
PP 5.0/3.5	10,255	35	21,645	23%	21,645	23%	
PP 4.01/5.25	1,280	5	4,050	4%	4,050	4%	
PP 4.01/3.5	1,993	7	6,820	7%	6,820	7%	
PP 3.33/	1,022	4	5,469	6%	5,469	6%	
Unit of PP	28,394	100%	95,291	100%	95,291	100%	251,863

News

None

Issues

PC House requested to cancel the OS/2 license. Their main purpose to have OS/2 is to have server OS for Lan Manager. This motivation will be gone when tiger is available. Second, they have difficulty to get user's guide printed due to too small quantity. The cost of manual reproduction is \$46 which is too high for them.

PC House claimed they mis-placed an order of MS-DOS 4.01 (1,500 copies) due to our false information when MS-DOS 5.0 would be available. They could not sell those and asked to return the products.

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

PC Craft requested to increase their credit limit from \$200K to \$300K due to their sales situation. I have sent requests to Financial; however, the issue has not be resolved.

MIS complained about the bad communication. One example is that they never received the information about our promotion program held from Jan-Mar. They heard that from their customers in June which made them lose their creditability. I have settle down this issue. However, the relationship will need extra efforts to rebuild.

The proposal to use Win Office instead of Win Word for DAK's agreement is still pending. DAK is facing strong competition from other mailorder house. They seem to have difficulty to finalize their sales strategy.

Model American Computers has ceased manufacturing and sales of its computer systems. Microsoft had experienced cash flow problems with Model American and a payment plan was being structured prior to the announcement. MA reported sales of 10,000 units prior to the closure.

Netware Lite

Small integrators that purchase PP from Microsoft are interested in the Netware Lite product because it offers an operating system with full peer-to-peer networking. They can buy the product through distribution for \$55 and the OEM does not have to sign any minimum commitment contract. These same integrators feel that the product is not a good offering for them, because they can't generate any service revenue by selling it.

Concise Guides

Small OEMs that are considering royalty agreements have mixed reactions to the Concise Guides. OEMs that consider service and image critical elements to their appeal for corporate accounts would like a more conclusive manual. For the OEMs selling primarily to resellers very concerned about price these manuals are popular.

BSM - Contract has been delivered. While Sachdeva seemed ready to sign the contract, when we delivered it, he asked for a couple of weeks to review the language. He assures us that he will sign and that there is no objection to terms and conditions.

EMI: - Will know more on 10/3 but they seem to be stalling on responding to our MS-DOS/Windows pricing. Elias Zinn will respond to our latest proposal on 10/3.

CUSA - Wants to do a promotion with applications but they want to add price to systems SRP to compensate for apps royalties. We will not give on this.

< Competition >

<u>Competitor</u>	<u>Account</u>	<u>Product</u>	<u>Comments</u>
DR!	EMI	DOS	In negotiation for MS-DOS
Lotus	EMI	Works	In negotiation for MS WinWorks
DR!	Dauphin	DOS	Working on PenWin deal
Lotus	CUSA	Works	Working on Winworks oportunities
Lotus	Austin Comp	Lotus 123/AMI	Working on WinWord/Excel deal.

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Laptop Watch

Z-Nix is planning to have a note book PC available within next few months.

Datalight	AT&T	ROM-DOS	AT&T-Indianapolis is manufacturing a color pay phone according to AMD using Datalight ROM DOS. Will be trying to get into AT&T to try to turn around.
Lotus	Zeos	123, Ami Pro	Meeting to discuss this w/ Zeos on Oct. 8
Novell	ISC, Level IV Netware Lite		Royalty proposals on the table to both OEMs
Lotus	LT	Works	Pricing with doc at \$5.50

Leading Technology has agreed to supply EBU product staff with 10 notebook computers for demonstrating applications while travelling.

<Accomplishments >

Signed up 15 rep firms.

Developed and gotten approval for embedded product license, embedded price guide and sales guide.

Developed sales training material for rep training sessions.
Trained 11 rep firms.

Convinced TV Answer to take a look at MS-DOS/Windows.

Ironed out legal details of licensing agreements with Republic, Itron and Intermecc.

Uncovered opportunities at Octel at the Mini-OEM Briefing, Trenton Terminals at BusCon, and NEC at Embedded System Conference.

Discussed with Telxon a new amendment that will increase their MS commitment.

Gained commitment from Leading Technology to license EBU applications.

Submitted 10 proposals for Microsoft royalty-based licenses.

Gained commitment from Zeos president Greg Herrick to meet and discuss issues.

Received signed license from Ares Industries for MS-DOS and Windows.

Completed five days of OEM account manager training.

Submitted 12 new packaged product licenses for approval.

RISC Watch

None

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Windows Watch

<u>Account</u>	<u>% Penetration</u>	<u>% Pre-installed</u>
DAK	80%	0%
PC Craft	8%	0%
Zeos	80%	100%
Liuski	0%	0%
Ares	100%	100%
Austin	50%	50%

< DOS 5 Watch >

<u>Account</u>	<u># Systems Shipped</u>	<u>% MS-DOS 5</u>	<u>% Other</u>
MISC PP	3,000	90%	10, DOS 3.3
Ares	800	100%	
Liuski	2,000	50%	50, 4.01, 3.0 Combo
Zeos	3,000	98%	2%, 3.3, 4.01

Market Trends

None

Product Marketing Feedback

- Windows Multimedia extension generates many interests.
- Easy Pack Many interests, but need to look at sample to finalize the decision.
- Windows PC Chip from C&T will not work with Windows 3.1 because it requires real-mode.
- MS-DOS Intermecc and some other OEMs have requested what we are doing with XIP.
- MS-DOS 5 Two customers have commented that when formatting disk drives only 98% of the drive is used. For some reason the partitioning process takes the other 2%.
- MS-DOS 5 Netware Lite offers an OS and some limited networking. OEMs that work with Novell are intrigued at \$55.
- MS-Windows Concise Needed ASAP to help move PP DOS customers to Royalty bus.

Customer Announcements

None

Account Summaries
(As reported by Account Managers)

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johnw

Sept. was a very busy month for me. I made a trip to introduce myself to three of my large accounts-- PC Craft, PC House and MIS. Following that was the annual worldwide OEM Briefing in downtown Seattle, and then five days of "New Account Manager Training." I also attend the Mini OEM Briefing in San Jose, and had three meetings with Z-Nix, Future Domain and PC Craft. My focus in Sept were on understanding my revenue base and major OEM events. During the customer meetings, I had good presentation of our system strategies to MIS and PC Craft. PC Craft showed strong interests in signing MS-DOS royalty license and also looking into Windows and Multimedia extension.

rayka

Embedded System Sales Program:

Got 15 component manufacturer's representatives firms to sign up to our Embedded Rep Agreement. Only two needed modifications of the agreement. Trained 11 rep firms through 3 training sessions. Will train 4 more rep firms in October and complete training the two remaining rep firms in November after they sign up. Need to pick out one of three rep firms in Minnesota and one of three in Michigan (Auto Industry) to complete the US rep network. Developed a sales guide and embedded price guideline for use with the rep firms. Starting to get some embedded/dedicated opportunities such as Hauppauge Computers, Telepad, and TV Answer that the rep firms are uncovering and supporting. Met with the European OEM Managers and UK and France are close to signing their component distributors up. Will fly to Europe in October to help with signing these component distributors and training the ones that have signed by then.

Telxon:

Spoke to Mike Hulthen to set up a meeting in Akron before I leave for Europe on October 18 to negotiate a new amendment that will extend their MS-DOS 3.2 license for another 3 years as well as adding MS-DOS 5.0 ROM Version, Windows 3.1 w/Pen Extensions and C 5.1/6.0/7.0 Runtime Library routines. Also, discussing how we can switch Telxon to MS-DOS completely from their proprietary OS. Will get Mike to agree on a timeframe when they would be able to sign this amendment.

Annabooks:

Spoke to Annabooks about extending their agreement to include MS-DOS ROM Version 5.0 and ROM Windows.

Miscellaneous Accounts:

Republic Technology is dragging their feet on signing their MS-DOS 5.0 license agreement but we are close since we have dealt with all of the legal issues. Met with TV Interactive and think that they are too optimistic with their projections. They are going for their second round venture funding and will send in January if they are ready to license MS-DOS and Windows w/multi-media extensions. Visited TV Answer with the rep as well as a couple of Multi-media Win folks and we were able to convince their President to at least look at MS-DOS/Windows. They have been working on their own proprietary OS and their hardware system is a 8088-based system for the last four years so it might be a uphill battle. The potential is for 1.5M units initially. Octel Communications is interested in Microsoft embedded solution for their voice mail system and they choose not to use DR-DOS after their evaluation. Telepad is developing a pen-based system used for vertical applications. From the Embedded System Conference, NEC is interested in putting ROM-DOS into one of their V-series microprocessor. From BusCon, uncovered opportunity with Trenton Terminals for our North Carolina rep is pursuing.

mikeold

Ares

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Ares Industries has signed a two-year \$600k MS-DOS and Windows pre-install license. The actual shipments are expected to be significantly greater than that, but Ares prefers to be conservative. Ares is a fast growing mail order supplier that has appeared on the cover of Computer Shopper three times recently.

Leading Technology

Leading Technology submitted a letter of intent stating they would be licensing the Solution Series applications. They are currently deciding whether Microsoft or their staff will support the products. The Bookshelf license will be addressed as soon as the EBU application products are finalized.

garype

CUSA

Good progress with CUSA. Steve Dukker, President of Compudyne attended the OEM Briefing. He currently has a pricing proposal in hand for Windows and Windows applications.

EMI

Conference call scheduled with Elias Zinn on 10/3. EMI will respond to our pricing proposal. Meetings set in Las Vegas between Elias Zinn and RichardF.

Dauphin

Nothing happening with Dauphin at this time. They are still evaluating Pen Windows. If possible, GaryPe will meet up with Alan Yong at Comdex to try and further business.

Memorex Telex

Mem-Tel sent two people to the OEM Briefing. Garype will be meeting with them this month to discuss higher volume commitment to Windows per system.

BSM

We have reached verbal agreement with BSM on terms/conditions for MS-DOS 5.0. Sachdeva asked for a couple of weeks to review the contract and agreed to sign by the end of October.

TRI-CORD

Technical meeting with MS and Tri-Cord was successful. Support plan is in place. Lots of contract issues need to be resolved. This is low priority for GaryPe right now.

Austin Computers

Applications business if still alive but not moving. Austin is trying to get pricing from Lotus for 123W and Ami but Lotus is exclusive with Zeos. We will continue to push but right now moving existing PP DOS customers to royalty licenses is highest priority.

Motorola

Motorola requested pricing for both MS-DOS 5.0 and Pen Windows. This is much more of a long term opportunity as they are still very much in the early stages of development. Great design win if we can get MS products on Motorola systems.

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