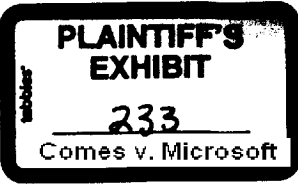


Mike IMS



Microsoft Corporation
16011 NE 36th Way
Box 97017
Redmond, WA 98073-9717

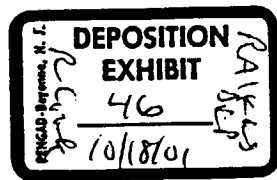
Tel 206 867 3767
Telex 160520
Fax 206 883 8101

Microsoft Memo

TO: DISTRIBUTION LIST
FROM: MIKE NEGRIN, MICHAEL RHAMY
RE: RESULTS OF T-3 1989 INTERNAL MARKET SHARE REBATE PROGRAM AND PRELIMINARY T-1 1990 DATA
DATE: March 5, 1990

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Jeff Sanderson - 5/2	Steve Pokradchik - 4/2	Rick Thompson - 14/1
Charles Stevens - 4/2	Robbie Bach - 6/2	Greg Loddell - 3/1
Vijay Vashee - 6/1	Coleman Barney 9/1	Jon Roberts - 3/1
Laura Jennings - 6/2	Celeste Boyer - 3/1	Bob Gaskins - GBU

Attached you will find a copy of our presentation to the AMC, scheduled for March 6th, summarizing the results and findings to date T-3/T-1 Internal Market Share Rebate program. Ruthann Lorentzen and Laura Jennings will be attending the AMC meeting and provide a top-line summary to the PC and MAC Line committees. If you have any questions, please contact *Mike*.



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Internal Market Share Rebate Program

Review of IMS Objectives

- Reward resellers for increasing or maintaining their Microsoft IMS in specific categories (awareness and focus)
- Avoid field negotiation process over the establishment of individual goals
- Base goals on Microsoft sell-through vs. competition sell-through -- not stocking level or buy-in commitments
- Maintain fairness to all resellers and establish reasonable and attainable goals
- Maintain a simple and easy-to-communicate program
- Obtain accurate and timely sales and market share information in the reseller channel

We are now into our second trimester of complete transition away from emphasized product buy-ins and to the Internal Market Share Rebate program. Summarized in this presentation are all the product data and reseller feedback collected to date. In many respects, it is still too early to tell whether the IMS program is effective; however, there is enough anecdotal evidence to recommend minor adjustments in goal establishment and methods of calculation.



Internal Market Share Rebate Program

General Reseller Feedback

- Prefer IMS to buy-ins -- some would prefer alternative sell-through goals but acknowledge fairness of program
- Prefer to have non-progressive rebate structure or fixed rebate percentage for each product category
- Program is beyond their control -- one time order can blow their IMS out of the water and impact future IMS goal
- Corporate Software reported that they practically gave the last copies of Excel away to make their goal -- experienced 6% decrease in Microsoft margins in T-3
- Software Spectrum reported that they would never have fire sale, or withhold sale of competitive to make goal -- but they didn't have to in T-3
- Sofmart not crazy about being audited -- others think its a good idea

2

AMC Presentation/Product Marketing Briefings - 3-6-90

Microsoft

Corporate Software, Software Spectrum and 800 Software offer contrasting perspectives to how the IMS program has impacted resellers.

Corporate Software entered the month of December seriously behind in their Win Excel goal. Every day their executive management received a special IMS report. Realizing that their total company bottom line profitability could be impacted by as much as 10%, they instructed their sales people go out and sell Excel "at any cost". They would have given the product away if necessary. They charge that the IMS program, in part, contributed to a six percent decline in Microsoft product sales margins.

Software Spectrum, while seemingly aware of the program's bottom-line impact, stated that they would never consider withholding competitive shipments or giving product away to make their goals. While claiming to be focusing on the products, they did not obtain daily IMS status reports. They were not aware of the final results until the final numbers were tabulated in January.

800 Software was the only reseller to make only one out of three goals. While they were obviously aware of the program's impact on their profitability, and claimed to have run comprehensive promotions to focus on the IMS products, they did not have daily or weekly tracking reports.

Based on the other reseller feedback and monthly field reports, it is apparent that the majority of resellers were not taking the program seriously, and perhaps, were not aware of the program's impact on their bottom line -- until it was too late.

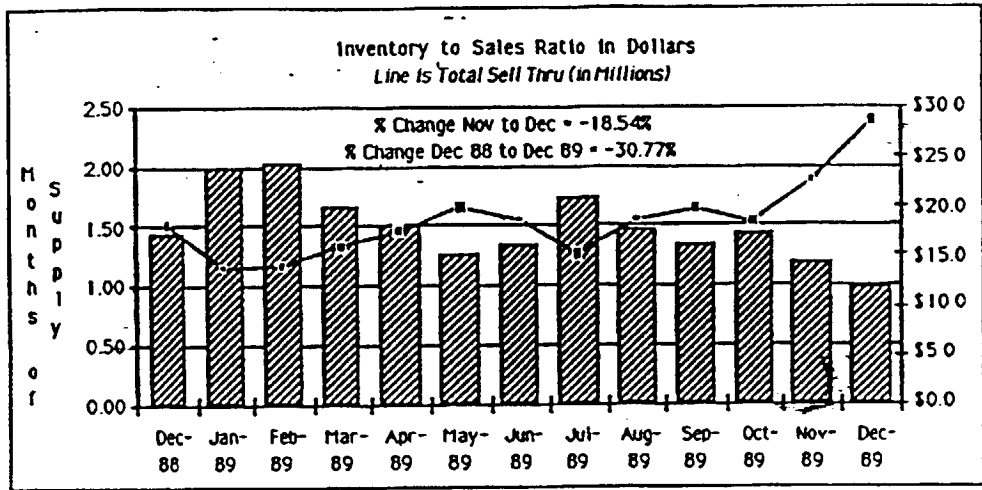
One thing that almost all resellers objected to was providing individual competitive sales data. However, aggregate market share information appears to be just as valuable, as indicated by the response received from Product Marketing. Our auditing plan, when fully implemented in T-3, will assure that IMS data is accurate, even without collecting individual competitive sales data. Two corporate resellers were successfully audited, but we will have to wait and see how other resellers, such as Sofmart, react to their first audit.

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Internal Market Share
Rebate Program

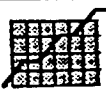
**1989 Sell-through/Inventory
Comparison**



The above column chart shows total inventories, in terms of months of supply, in relation to our sell through volume dollars, which is calculated by dividing the current month's inventory with a moving four month sell-through average. Total sell-through, in dollars, is overlaid to demonstrate the inverse relationship.

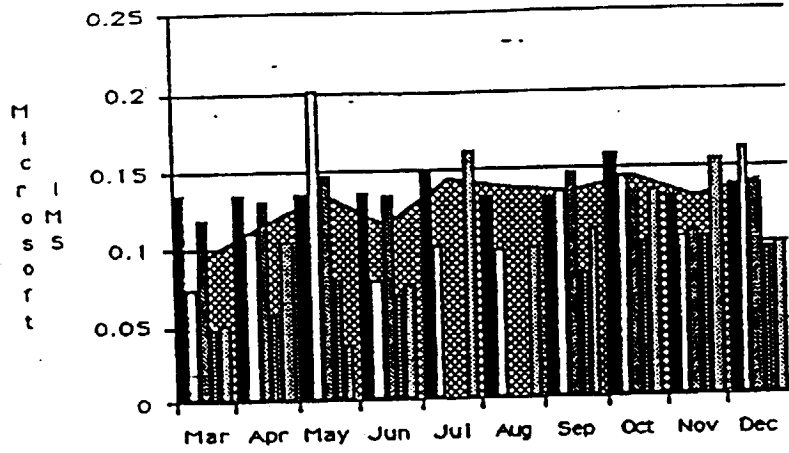
The removal of emphasized products and overall dollar buy-in, combined with our inability to fulfill demand, resulted in significantly lower inventory, in both months of supply and total units, in the latter part of 1989. This raises the issue of whether these factors caused resellers to lose focus on emphasized products and/or decreased sell-through.

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Internal Market Share Rebate Program

PC Spreadsheets



- All Resellers
- Software Spectrum
- Softmart
- Egghead
- Corporate Software
- 800 Software

Five of nine resellers made T-3 goal
 Missing T-1 data: Softmart
 Late Egghead data rec'd:
 T-1 beg IMS: 10.7%
 Note CorpSW May spike -- they barely survived it

T-3 Period	Beginning	Ending	% Change
MS Units	11,253	18,608	+65.8%
MS IMS Perc	11.4%	13.8%	+2.4%



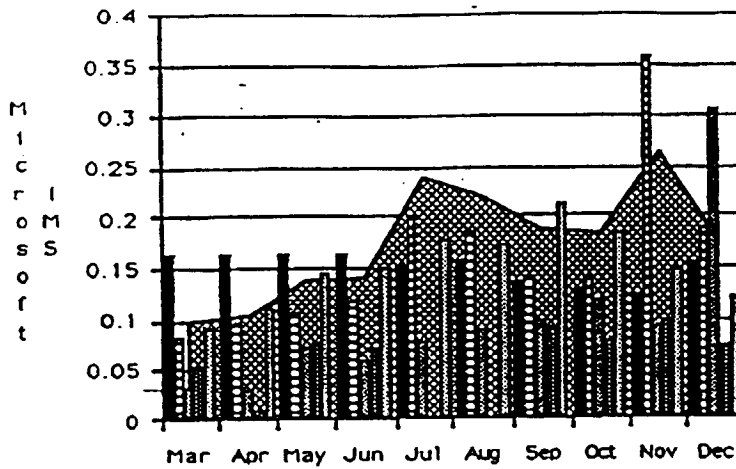
T-3 1989 - T-1 1990 PC Spreadsheets Summary												Beginning T-3 IMS	Ending T-3 IMS	Percent Change	Goal	Beginning T-1 IMS
Reseller	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec						
Microsoft											13.5%	13.5%	0%	13.5%	14.3%	
800 Software	13.3%	13.5%	13.3%	13.5%	14.0%	14.0%	13.5%	13.0%	13.5%	13.7%	13.5%	13.5%	13.5%	13.5%	13.5%	
Corporate Factory	8.3%	10.0%	10.0%	10.0%	12.5%	6.9%	1.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
Corporate Software	2.3%	11.0%	20.0%	2.0%	10.0%	0.0%	13.0%	14.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
Egghead	12.0%	13.0%	14.7%	13.0%	13.0%	13.0%	14.7%	23.0%	30.0%	13.0%	13.0%	10.0%	10.0%	10.0%	10.0%	
Hysant	7.0%	11.0%	10.5%	11.3%	11.3%	11.3%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	
Soft Warehouse																
Softmart	4.0%	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
Software Spectrum	1.1%	10.0%	3.0%	1.0%	10.0%	9.0%	11.0%	15.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
Univer																
Voyager	30.7%	25.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	
All Reseller	9.4%	11.0%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	
Microsoft Quarterly											214	233	9%	214	233	
800 Software	108	100	100	100	111	100	100	100	100	100	100	100	100	100	100	
Corporate Factory	56	51	67	70	64	38	34	51	40	50	61	62	60	60	60	
Corporate Software	347	483	895	295	391	436	543	602	441	812	2071	2,640	2,000	2,000	2,000	
Egghead	1405	1277	1337	1799	1799	1799	1711	1400	1337	2261	3,036	9,635	70,000	2,715	2,715	
Hysant	38	68	67	64	63	63	63	63	63	63	63	63	63	63	63	
Soft Warehouse																
Softmart	134	143	214	143	143	143	143	143	143	143	143	143	143	143	143	
Software Spectrum	228	390	123	390	390	390	390	390	390	390	390	390	390	390	390	
Univer																
Voyager	223	74	113	42	25	46	36	33	33	30	36	36	36	36	36	
All Reseller	2,257	2,684	2,204	2,807	1,822	2,000	2,405	2,807	2,430	2,920	7,920	17,257	18,000	61.0%	11,373	
Third Quarter											1572	1593	0.7%	1572	1593	
800 Software	1398.25	1398.25	1398.25	1398.25	1415	1540	1430	1441	1483	1572	1593	0.7%	1572	1593		
Corporate Factory	687	480	428	428	428	428	428	428	428	428	428	428	428	428	428	
Corporate Software	4720	4250	4480	3740	3900	4040	4900	4000	4000	4000	4000	4000	4000	4000	4000	
Egghead	11866	1763	10428	10462	10462	10462	8942	10554	12254	4045	42,540	72,345	68.8%	2,200	2,200	
Hysant	748	615	630	380	380	380	380	380	380	380	380	380	380	380	380	
Soft Warehouse																
Softmart	2803	2044	2090	2403	2403	2403	2403	2403	2403	2403	2403	2403	2403	2403	2403	
Software Spectrum	4513	3762	3284	3727	3680	3730	3680	3680	3680	3680	3680	3680	3680	3680	3680	
Univer																
Voyager	461	380	484	1067	1071	1046	1046	1046	1046	1046	1046	1046	1046	1046	1046	
All Reseller	27,224	27,204	27,730	24,401	22,222	25,022	25,260	26,400	26,371	26,425	26,425	0.0%	26,425	26,425		
Comparative Quarterly											1254	1254	0.0%	1254	1254	
800 Software	1280	1280	1280	1280	1280	1344	1620	1380	1644	1254	1254	0.0%	1254	1254		
Corporate Factory	351	420	351	344	440	515	480	440	420	481	481	0.0%	481	481		
Corporate Software	4381	3007	3574	3432	3145	3021	2800	3080	3770	4281	4281	0.0%	4281	4281		
Egghead	10403	8200	8081	9062	9145	9021	7631	9130	10917	10917	10917	0.0%	10917	10917		
Hysant	480	547	571	570	570	607	580	580	580	580	580	580	580	580	580	
Soft Warehouse																
Softmart	2660	2271	2463	2230	2230	2342	2230	2230	2230	2230	2230	2230	2230	2230	2230	
Software Spectrum	4285	3364	3091	3443	3073	3542	3785	3123	3641	4171	4171	0.0%	4171	4171		
Univer																
Voyager	338	324	373	463	373	346	320	340	340	340	340	340	340	340	340	

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Internal Market Share Rebate Program

PC Wordprocessing



- All Resellers
- Software Spectrum
- Softmart
- Nynex
- Corporate Software
- 800 Software

Missing T-3 data: Software Etc.
Missing T-1 data: Softmart
Seven of nine accounts made T-3 goal

Late Egghead data rec'd:
Beg T-1 IMS: 25.2%
Note CorpSW spike in Nov and Nynex spike in Dec

T-3 Period	Beginning	Ending	% Change
MS Units	6,940	11,542	+66.3%
MS IMS Perc	12.4%	20.1%	+7.7%



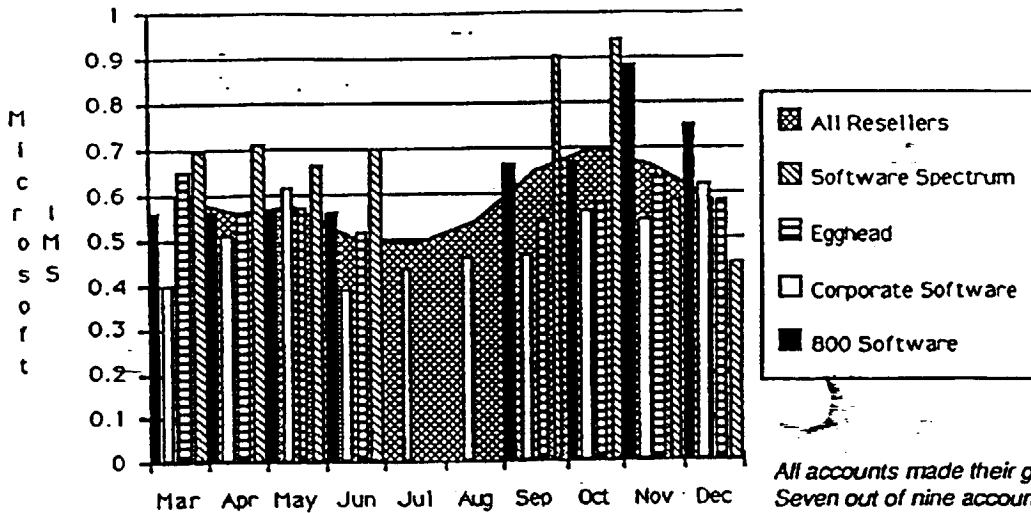
T-3 1989 - T-3 1990 PC Wordprocessing Summary											Beginning T-3 IMS	Ending T-3 IMS	Percent Change	T-3 Goal	Beginning T-1 IMS
Reseller	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec					
Microsoft Internal Market Share	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%
Balbridge	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%
Computer Fantasy	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%
Corporate Software	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Egghead	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Nynex	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Softmart	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Software Spectrum	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Software, Inc.	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Unistar	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Voyager	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
All Resellers	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Microsoft Quantity	201	201	201	201	201	201	201	201	201	201	201	201	201	201	201
Balbridge	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
Computer Fantasy	271	271	271	271	271	271	271	271	271	271	271	271	271	271	271
Corporate Software	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
Egghead	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26
Nynex	144	144	144	144	144	144	144	144	144	144	144	144	144	144	144
Softmart	262	262	262	262	262	262	262	262	262	262	262	262	262	262	262
Software Spectrum	179	179	179	179	179	179	179	179	179	179	179	179	179	179	179
Software, Inc.	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26
Unistar	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
Voyager	178	178	178	178	178	178	178	178	178	178	178	178	178	178	178
All Resellers	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201
Unit Quantity	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201
Balbridge	324	324	324	324	324	324	324	324	324	324	324	324	324	324	324
Computer Fantasy	227	227	227	227	227	227	227	227	227	227	227	227	227	227	227
Corporate Software	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64
Egghead	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64
Nynex	221	221	221	221	221	221	221	221	221	221	221	221	221	221	221
Softmart	262	262	262	262	262	262	262	262	262	262	262	262	262	262	262
Software Spectrum	264	264	264	264	264	264	264	264	264	264	264	264	264	264	264
Software, Inc.	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26
Unistar	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140
Voyager	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
All Resellers	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201
Component Quantity	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201
Balbridge	201	201	201	201	201	201	201	201	201	201	201	201	201	201	201
Computer Fantasy	201	201	201	201	201	201	201	201	201	201	201	201	201	201	201
Corporate Software	201	201	201	201	201	201	201	201	201	201	201	201	201	201	201
Egghead	201	201	201	201	201	201	201	201	201	201	201	201	201	201	201
Nynex	201	201	201	201	201	201	201	201	201	201	201	201	201	201	201
Softmart	201	201	201	201	201	201	201	201	201	201	201	201	201	201	201
Software Spectrum	201	201	201	201	201	201	201	201	201	201	201	201	201	201	201
Software, Inc.	201	201	201	201	201	201	201	201	201	201	201	201	201	201	201
Unistar	201	201	201	201	201	201	201	201	201	201	201	201	201	201	201
Voyager	201	201	201	201	201	201	201	201	201	201	201	201	201	201	201
All Resellers	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201

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Internal Market Share Rebate Program

MAC DT Presentations



T-3 Period	Beginning	Ending	% Change
MS Units	4,328	6,430	+48.6%
MS IMS Perc	55.7%	63.4%	+7.8%

All accounts made their goal
Seven out of nine accounts
were above the plateau
(50%)
All accounts had positive
change in IMS



T-3 1989 - T-1 1990 MAC DT Summary

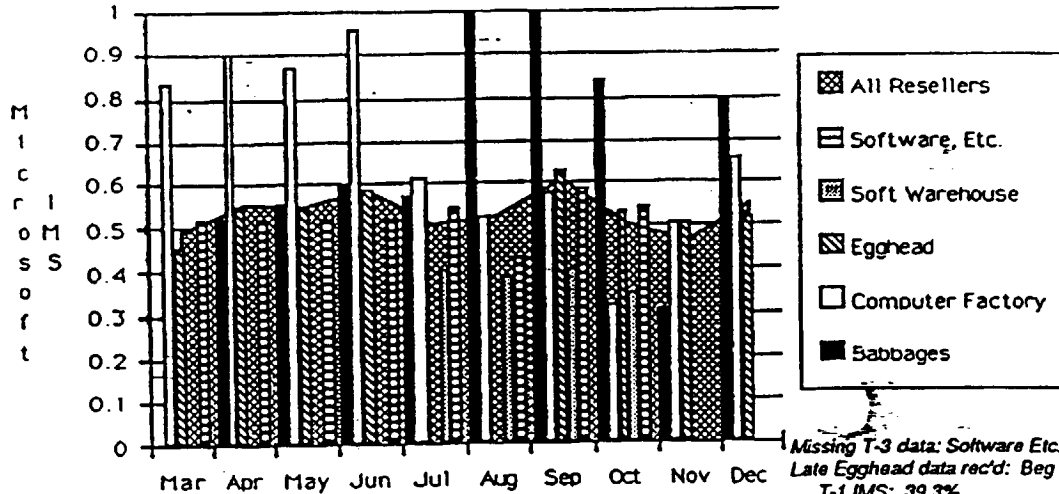
Reseller	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Beginning T-3 IMS	Ending T-3 IMS	Percent Change	Goal	Beginning T-1 IMS
Microsoft Internal Market Share															
800 Software	55.6%	55.6%	55.6%	55.6%			66.2%	67.6%	68.5%	74.7%	55.6%	76.3%	22.7%	50.0%	38.0%
Compucon Factory	30.8%	32.4%	47.8%	25.0%			42.8%	37.5%	54.2%	63.2%	44.2%	51.1%	6.9%	40.0%	40.0%
Compucon Software	36.8%	31.8%	48.8%	36.5%	41.4%	41.3%	46.5%	56.1%	53.8%	62.3%	48.3%	55.4%	7.1%	30.0%	30.0%
Egghead	68.8%	55.9%	57.2%	51.8%			54.3%	57.8%	63.6%	56.6%	57.8%	56.8%	11.4%	30.0%	30.0%
Nyxnet	61.2%	68.6%	61.2%	75.4%	68.4%	77.4%	77.3%	84.6%	81.3%	76.1%	68.8%	79.4%	10.6%	40.0%	40.0%
Software	42.3%	41.9%	38.1%	41.8%			38.8%	78.5%	41.3%	38.8%	41.3%	38.8%	1.7%	30.0%	30.0%
Software Spectrum	68.3%	78.9%	66.8%	78.3%			98.8%	94.1%	58.4%	44.1%	61.4%	51.7%	10.6%	40.0%	40.0%
Unistar				46.6%	63.6%	44.8%	46.2%	83.1%	88.8%	88.8%	54.5%	68.8%	17.3%	30.0%	30.0%
Voyager	25.8%	30.8%	41.2%	83.3%			88.8%	88.8%	54.5%	68.8%	61.4%	51.7%	7.8%		61.4%
All Resellers	48.1%	56.8%	57.6%	69.2%	48.8%	53.7%	64.8%	67.7%	61.6%	56.7%	57.7%	63.4%	48.6%		2.866
Microsoft Quarterly															
800 Software	71	74	71	71			125	122	478	254	252	363	238.6%		
Compucon Factory	11	18	11	5			11	9	13	15	34	48	26.3%		
Compucon Software	71	78	129	75	108	94	82	148	176	201	255	411	72.1%		
Egghead	653	497	663	438			298	378	387	1463	2,548	2,838	36.2%		
Nyxnet	30	48	57	31	34	65	31	44	67	87	87	227	21.6%		
Software	75	73	61	282			38	288	84	98	48	303	2.4%		
Software Spectrum	165	134	163	147			464	384	384	627	609	1,081	72.5%		
Unistar				13	14	13	12	38	14	38	27	123	253.6%		
Voyager	25	37	34	25			4	18	4	14	181	34	46.3%		
All Resellers	1,101	970	1,188	1,108	156	174	1,720	1,416	1,473	2,451	4,128	6,430	48.6%		2,866
Compucon Quarterly															
800 Software	128.25	128.25	128.25	128.25			193	162	540	314	513	1,233	140.4%		
Compucon Factory	22	21	23	20			23	24	23	23	86	84	9.3%		
Compucon Software	178	137	225	185	348	211	188	364	317	323	735	1,102	49.8%		
Egghead	8825	882	1168	848			548	640	797	2837	3,988	4,823	21.5%		
Nyxnet	48	36	87	68	48	84	66	52	84	84	275	286	4.8%		
Software	178	168	168	688			152	388	288	232	1194	973	18.8%		
Software Spectrum	238	188	244	288			518	478	178	388	688	1,387	57.6%		
Unistar				32	22	28	24	71	46	68	54	181	253.7%		
Voyager	33	34	38	38			4	18	11	23	155	48	48.8%		
All Resellers	1,811	1,638	2,087	2,228	520	324	1,723	2,083	2,288	4,178	7778	10,117	30.4%		4,822
Corporate Quarterly															
800 Software	57	57	57	57			64	60	62	80	228	268	17.3%		
Compucon Factory	11	10	12	15			13	15	11	8	48	46	-2.3%		
Compucon Software	167	67	84	120	141	173	186	114	147	122	388	491	28.2%		
Egghead	532	387	487	411			251	278	298	1174	1,637	1,945	19.8%		
Nyxnet	19	22	30	17	15	19	25	8	15	21	88	99	13.0%		
Software	103	92	99	484			94	122	122	142	783	470	33.1%		
Software Spectrum	73	53	81	62			47	34	74	161	271	386	12.9%		
Unistar							14	12	32	10	27	68	151.9%		
Voyager	8	27	14	5			8	8	5	9	54	14	-74.1%		

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Internal Market Share Rebate Program

PC Entry Integrated



T-3 Period	Beginning	Ending	% Change
MS Units	4,820	7,941	+64.8%
MS IMS Perc	54.6%	54.3%	-0.4%

Missing T-3 data: Software Etc.
Late Egghead data rec'd: Beg T-1 IMS: 39.3%

All accounts made T-3 goal and were above the IMS plateau (50%)
Comp Factory: 35% decr
T-1 Req Incr 4%, Plateau 60%



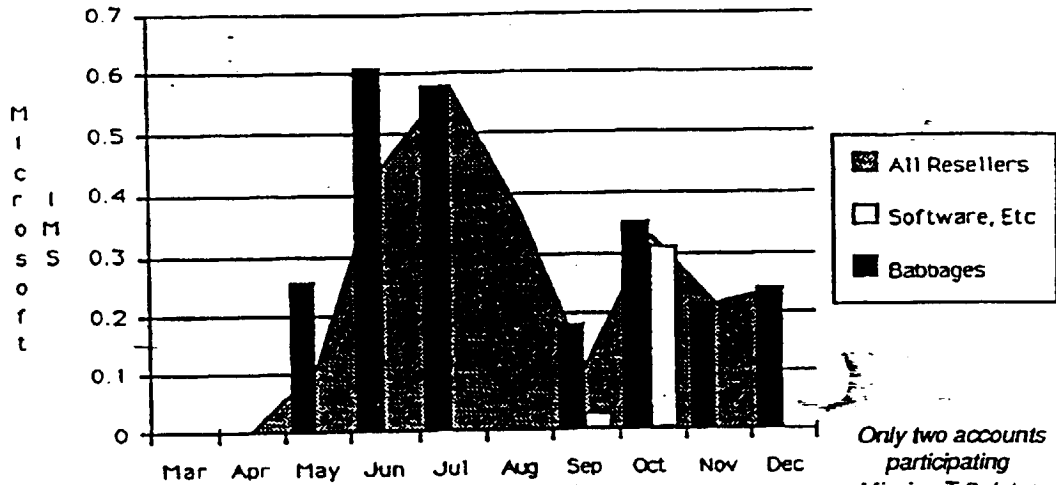
T-3 1989 - T-3 1990 PC Entry Integrated Summary

Reseller	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Beginning T-3 IMS	Ending T-3 IMS	Percent Change-Cum	T-3	Beginning T-3 IMS
Microsoft Internal Market Share															
Babbages											56.3%	71.5%	15.2%	50.0%	51.8%
Computer Factory	82.9%	98.6%	96.5%	95.8%	91.8%	91.9%	92.8%	92.2%	90.6%	85.4%	82.6%	53.6%	-25.0%	50.0%	49.8%
Egghead	45.4%	54.2%	54.8%	58.3%			62.6%	54.8%	51.7%	52.1%	52.8%	53.6%	8.6%	50.0%	57.8%
Soft Warehouse					49.3%	39.2%	49.8%	34.5%					8.8%		38.1%
Software, Etc.	52.8%	52.8%	52.8%	52.8%	54.3%	43.4%	38.2%	54.5%	47.6%	40.9%	52.8%	56.3%	4.3%	52.8%	53.7%
All Resellers	49.0%	55.8%	55.3%	58.2%	57.7%	57.6%	60.7%	51.0%	47.3%	55.7%	54.6%	54.3%	-0.4%		54.7%
Microsoft Quantity															
Babbages		149	182	244	179	83	246	170	105	534	734	1,823	40.2%		750
Computer Factory	87	225	77	69	66	74	76	49	128	191	338	446	34.6%		267
Egghead	646	706	794	738			716	769	896	3415	2,776	5,496	98.0%		1,485
Soft Warehouse					182	147	285	385							785
Software, Etc.	283	283	283	283	276	288	289	291			1131	594	-47.5%		1,828
All Resellers	1,016	1,263	1,254	1,288	705	394	1,464	1,484	1,29	3,441	4,820	7,941	64.8%		4,783
Total Quantity															
Babbages		287	346	357	313	183	246	281	342	674	1,303	1,439	10.4%		917
Computer Factory	365	138	89	72	66	141	135	152	223	292	404	832	105.9%		536
Egghead	1,024	1,302	1,294	1,235			1,446	1,425	1,666	6,552	5,235	10,287	95.8%		2,569
Soft Warehouse					422	375	428	385							1,838
Software, Etc.	543.25	543.25	543.25	543.25	503	433	521	534			2,175	1,835	-51.5%		1,991
All Resellers	2,073	2,217	2,273	2,208	1,276	1,134	2,464	2,809	1,761	7,522	8,824	14,636	65.9%		7,803
Competitive Quantity															
Babbages		138	154	143	134	8	8	33	237	140	369	410	-27.5%		167
Computer Factory	18	13	12	3	42	67	37	383	125	101	46	386	739.1%		269
Egghead	778	596	590	515			428	656	578	3,137	2,479	4,791	92.3%		1,864
Soft Warehouse					278	228	237	398							1,343
Software, Etc.	261	261	261	261	227	245	234	243			1044	461	-55.8%		933



Internal Market Share Rebate Program

PC Entry Pascal



T-3 Period	Beginning	Ending	% Change
MS Units	282	265	-6.0%
MS IMS Perc	23.5%	20.3%	-3.2%

Only two accounts participating
Missing T-3 data:
Software Etc.
Babbages T-3 beg
IMS: 50.7%



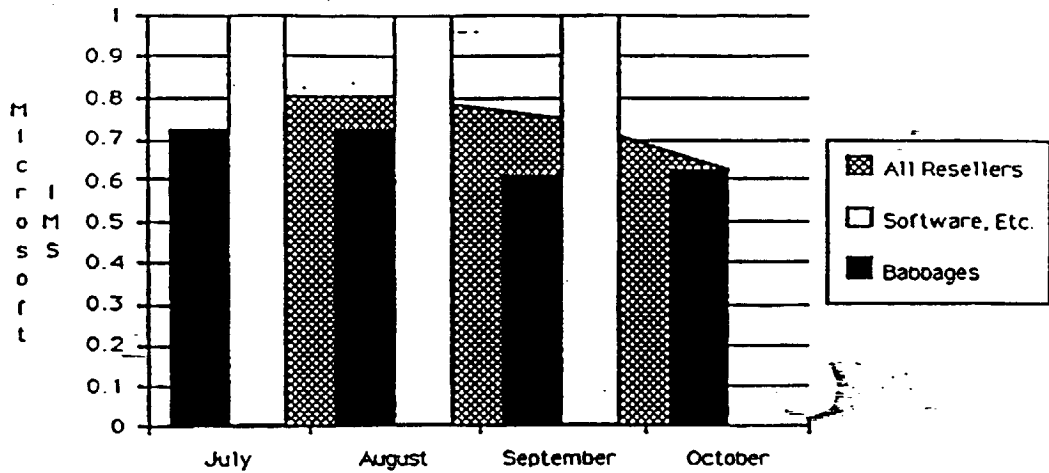
Reseller	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Beginning T-3 IMS	Ending T-3 IMS	Percent Change	T-3	
Microsoft Internal Market Share															
Babbages		0.0%	0.0%	25.4%	60.7%	54.0%		38.2%	25.1%	21.5%	34.1%	50.7%	27.2%	-37.5%	23.0%
Software, Etc.	0.0%	0.0%	0.0%	0.0%	0.0%			3.1%	31.8%	27.8%	0.0%	0.0%	34.7%	14.7%	68.0%
All Resellers	0.0%	0.0%	11.0%	44.8%	58.0%		11.2%	32.7%	21.9%	24.7%	23.5%	20.9%	-3.2%		
Microsoft Quantity															
Babbages	0	0	29	253	167		55	47	78	60	449	300	-33.5%		
Software, Etc.	0	0	0	0	0		8	57	80	60	0	65	-4.0%		
All Resellers	0	0	29	253	167		63	104	158	120	449	365	-18.9%		
Total Quantity															
Babbages		67	114	417	288		303	134	177	349	884	863	-2.4%		
Software, Etc.	130	130	130	130	130		239	384	384	384	600	443	-26.2%		
All Resellers	130	317	244	547	288		542	518	561	733	1484	1306	-9.0%		
Competitive Quantity															
Babbages		67	85	164	121		248	87	139	189	437	663	-31.7%		
Software, Etc.	130	130	130	130			251	127	139	189	600	378	-37.0%		

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Internal Market Share Rebate Program

Mice



T-1 Period	Beginning
MS Units	2490
MS IMS Perc	75.7%

Only two accounts participating
Missing T-1 data: Software Etc.
T-3 Req Incr: 4%, Plateau: 70%
Are we getting Windows sku stocked?

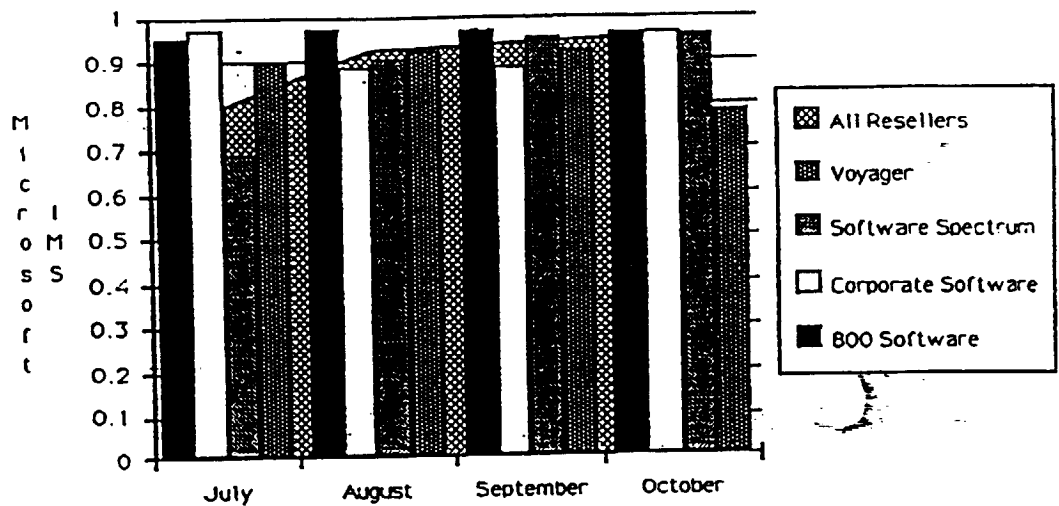
T-3 1989 - T-1 1990 Mice Summary

Reseller	July	August	September	October	November	December	Beginning T-3 IMS	Ending T-3 IMS	Percent Change	T-3 Goal	Beginning T-1 IMS
Microsoft Internal Market Share											
Babboages	72.7%	72.7%	61.0%	62.5%							67.2%
Software, Etc.	100.0%	100.0%	100.0%	100.0%							100.0%
All Resellers	80.2%	80.8%	75.2%	62.5%							75.7%
Microsoft Quantity											
Babboages	437	457	377	371							1,642
Software, Etc.	227	267	354	371							848
All Resellers	664	724	731	371							2,490
Total Quantity											
Babboages	601	629	618	994							2,442
Software, Etc.	227	267	354	371							848
All Resellers	828	896	972	994							3,290
Competitive Quantity											
Babboages	164	172	241	223							800
Software, Etc.	0	0	0	0							0



Internal Market Share Rebate Program

MAC Spreadsheets



T-1 Period **Beginning**
 MS Units 6,825
 MS IMS Perc 90.0%

Missing T-1 data: Nynex,
 Softmart, Univar
 T-1 Req Incr: 1.5%, Plateau 90%



T-3 1989 - T-1 1990 MAC Spreadsheets Summary

Reseller	March	April	May	June	July	August	September	October	November	December	Beginning T-3 IMS	Ending Plateau T-3 IMS	Change/Col	T-3	Beginning T-1 IMS
Microsoft Internal Market Share															
800 Software					95.3%	97.4%	96.5%	96.5%							96.7%
Corporate Software	97.2%	95.0%	97.8%	95.5%	97.9%	98.0%	98.8%	96.5%							92.8%
Nynex															85.1%
Softmart															89.4%
Software Spectrum					89.1%	91.8%	95.0%	96.0%							90.8%
Univar					98.2%	92.3%	92.0%	98.0%							
Voyager					99.8%	97.5%	94.6%	95.0%							
All Resellers															
Microsoft Quantity															
800 Software					344	549	589	434							1,331
Corporate Software	314	334	313	275	467	427	358	366		491					1,600
Nynex															0
Softmart															2,192
Software Spectrum					938	730	853	632							0
Univar															95
Voyager					27	24	23	11							6,825
All Resellers					1,788	1,730	1,814	1,473							
Total Quantity															
800 Software					343	603	608	429							2,003
Corporate Software	325	339	324	288	469	426	364	370		554					1,724
Nynex															0
Softmart															2,758
Software Spectrum					1,337	862	991	599							0
Univar															604
Voyager					41	24	23	14							7,583
All Resellers					2,241	1,913	1,918	1,573							
Competitive Quantity															
800 Software					17	16	19	13							67
Corporate Software	9	15	11	13	13	23	44	34		43					124
Nynex															0
Softmart															354
Software Spectrum					419	7	70	26							0
Univar															0
Voyager					4	2	2	3							11

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Internal Market Share Rebate Program

What have we learned so far?

Conclusions:

- Some resellers not focusing on program's financial implications
- Easier for resellers to get their IMS up to the aggregate than to increase it above the aggregate
- New versions or products significantly impact IMS
- Establishing "realistic" goals and plateaus is difficult – key is having the right products in the program

Recommendations:

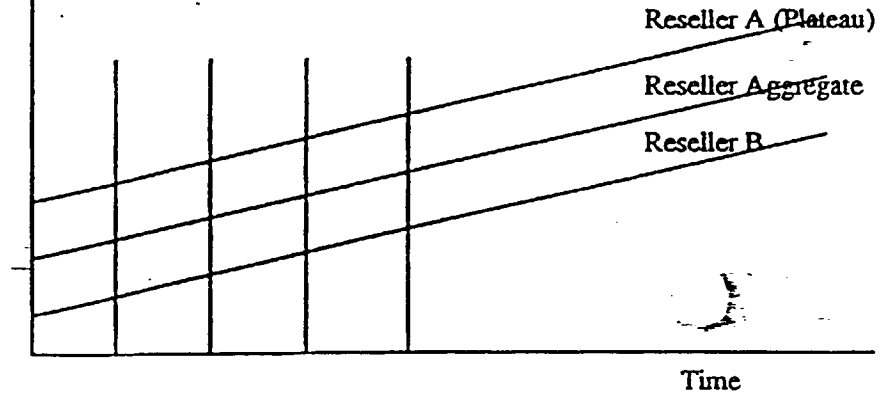
- Increase awareness and communications
 - Make sure resellers understand financial implications
 - Encourage at least weekly management reports
 - Emphasize marketing programs and provide sales tools to achieve goals
- Required percentage increases should be minimal:
 - 0% (maintain) where competitive versions are being introduced
 - 1-2% for established products where there are no anticipated disruptions
 - 3-5% when Microsoft versions or products have been introduced
- IMS Plateau should be a moving trend and be 5-10% above the "median"



Internal Market Share Rebate Program

What we really want to happen

Internal
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Share



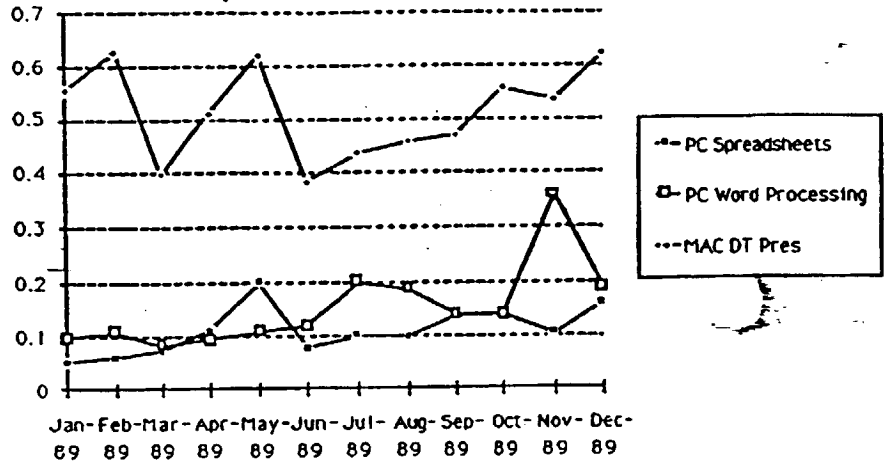
- Consistent, steady growth
- Set long-term goals (internally)
- Establish benchmarks for achievement



Internal Market Share Rebate Program

What actually happens

Corporate Software's IMS History





Goal-to-Goal Cap: Adjust the resellers IMS goal so it is not more than the designated percentage increase from the previous trimester's goal

- 4 months data reflects reseller's current business activity
- Encourages L-T goal setting
- Rewards reseller for consistent growth
- Customizes goal to reseller
- Makes req increase non-uniform across all resellers (similar to what the IMS plateau does)

Using Corporate Software's wordprocessing numbers during the July-December 1989 period, the following comparison is provided:

T-1 Goal	18.7%
Goal-to-Goal Cap method	
Beginning IMS (Sept-December)	21.9%
Required Increase	2%
Pre-adjusted Goal	23.9%
Previous goal (16.7%+2%)	18.7%
Previous goal plus req incr	20.7%
Adjusted goal	20.7%



Internal Market Share Rebate Program

T-3 1989 IMS Audit Results

Corporate Software and Software Spectrum assisted Microsoft in establishing an audit process for participating IMS resellers

Terry Lee, independent auditor from firm Delloitte & Touche, completed the audits on December 15th and January 15th respectively

The final reports were distributed on February 1st

Results of audit:

- The audits went smoothly and painlessly as both the auditor and the resellers were cooperative
- Although the the audits did not impact the resellers' rebate results, some significant errors were found
- Microsoft should be more specific about sku's to be counted in calculations

The first IMS audits were implemented without incident for a number of reasons. First, the auditor was extremely empathetic to the sensitive nature of the audits themselves. This was very important in the process, and we hope that the same auditor will be able to conduct all future audits. Secondly, the field account management did an excellent job in properly positioning the audits to their accounts, and explaining that confidentiality would be protected, and that the process

Revised Audit Procedures:

Reseller provides signed IMS form verifying sell-through of specified Microsoft and aggregated competitive products. The forms are provided to auditor. One week prior to audit, the auditor calls the reseller's designated representative, discusses the reseller's accounting system, audit procedures and necessary documents to make available. Auditor visits reseller location and checks for:

- Proper sku's are being counted
- Consistent reporting for all appropriate months
- Proper transfer from monthly summary reports to IMS form
- Overstatement and understatement tests

The auditor's report to Microsoft consists of the following:

- A summary of audit procedures used
- Summary of Microsoft and competitive sku's for each category
- Table comparison of reseller numbers to units determined by the auditor
- An explanation, if necessary, of variances in the above table

If necessary, Microsoft and the auditor will review the results of the audit with the reseller before taking any action regarding rebates.



Internal Market Share Rebate Program

T-1 1990 IMS Audit Plan

Suggested Reseller Positioning Statement:

Six resellers will be randomly selected at the end of the trimester. Being audited one trimester does not exclude them from potentially being audited in a subsequent trimester.

The audits will occur during the April-May time period, as scheduled by Microsoft and the auditor (some accounts will be audited prior to the end of the trimester).

Method of Selection:

- Actual selection of accounts picked by RGMs and USSMD management, with respect to:
 - Indications that an audit is necessary
 - Current negotiations may be going on
 - All accounts should be audited eventually

While the first audits went smoothly we have a challenge ahead of us to make sure that the audits are perceived as a positive relationship builder rather than a negative. However, we cannot give any reseller the impression that they are exempt from being audited during any or all periods.



**Internal Market Share
Rebate Program**

T-2 IMS Products and goals

Product Category	Spreadsheets	Project Mgt	Word Proc	Mouse	Integrated
Platform	Win/PM	Win	PC/Win	PC	PC
Microsoft Titles	Win Excel PM Excel	Win Project	PC Word Win Word	Mouse	Works
Competitive Titles	Lotus 1-2-3 Quattro Pro SuperCalc	Timeline Harvard SuperProject Scitor Proj Sch	WordPerfect Displaywrite Multimate	Mouse Sys IBM Logitech	First Choice Ability Plus
Corporate Resellers CorpSW, 800SW, Softmart, Univar, SoftSpect, Voyager, B'land, Nvnex	yes	yes	yes		
Corporate/Retail Egghead, Computer Factory, Soft WH	yes		yes		yes
Retail Software, Etc, Babbages			yes	yes	yes
Required Increase	1%	5%	2%	1%	1%
IMS Plateau	25%	35%	27%	70%	60%



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