PLAINTIFF'S EXHIBIT 477 Comes v. Microsoft

Distribution List

Executive		**Business Unit Managers**	
Bill Gates	8S/2	Susan Boeschen	6/2
Mike Hallman	8S/2	Darrell Boyle	Menlo Park
Steve Ballmer	4/2	Bob Gaskins	Menlo Park
Frank Gaudette	8S/2	Pete Higgins	10N/2
Mike Maples	10N/2	Jeff Raikes	5/2
Scott Oki	8S/1	Charles Stevens	10S/1
Rich Macintosh	8S/1		
Brad Silverberg	3/1	Lewis Levin	10S/2
		Jim Dunnigan	10S/2
USSMD			
Gary Gigot	8S/1	**Systems**	
Valerie Houtchens	9N/1	Rich Abel	4/2
Dave Jaworski	8S/1	Russ Werner	3/1
Mike Negrin	8S/1		
Marty Taucher	9N/1	**Languages**	
		Fred Gray	3/2
Mike Appe	Eastern	Stew Chapin	3/2
Paul Burden	Eastern		
Neil Farnsworth	Western	**Hardware**	
Ed Johnson	Central	Steve Shaiman	EVA/2
		Rick Thompson	EVA/2
Finance			
Rick Devenuti	8N/2	**Network Business Unit**	
John Schiemer	8N/2	Bruce Jacobsen	1/2
		Mike Murray	1/2

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Distribution Marketing Report Executive Summary

October 1990

All accounts except one reported their October data to us. The only non-reporting account was Soft Warehouse.

Soft Warehouse's sell through figures have been estimated for this report, based on historical activity. We believe that this will provide a more complete picture of monthly sell through activity. Soft Warehouse is approximately 7-10% of total monthly sell through.

The DMR encompasses ONLY Microsoft's Direct Resellers and Distributors; so, approximately 78% of total USSMD business, or 6 of the 14 channels of distribution are addressed in this report (see chart two). The executive summary will limit in depth product analysis to "top 10" or key MS products (PC & Mac-Excel, Word, Works, Powerpoint, Project and all Mice Products). Otherwise, total channel analysis will encompass all full packaged products & upgrades (not updates) reported in the DMR (over 120 currently).

Any comments or questions about this report may be directed to Tom Hochstatter at X65895.

Quick Glance

- Month of Supply in the channel was up in October to 1.5 months supply, a jump from 1.1 in September.
- Direct Resellers and Distributors percent of total USSMD was 86%.
- Ending Inventories reported to reported sell through rose in October to 1.25 from September's .93.
- Sell Through remained on its new plateau of sell though: Win 3.0 is up almost 3,000 units, Win Apps are up. Dos Apps Low increase is attributed to seasonal sales and new product titles. Dos Apps High showed a slight decrease in October. (chart Five)
- PC word processing achieved a 32% internal market share figure. (chart Six)
- Win 3.0 continues to outpace all Win Apps by a two to one margin. This poses a terrific opportunity for Microsoft's Win Apps - as well as for our soon to be released competitor's Win Apps. (charts Seven and Eight)
- Mouse breadth has sustain its summer "promotion levels" even though the promotion ended August 31st.

I. Product Supplies

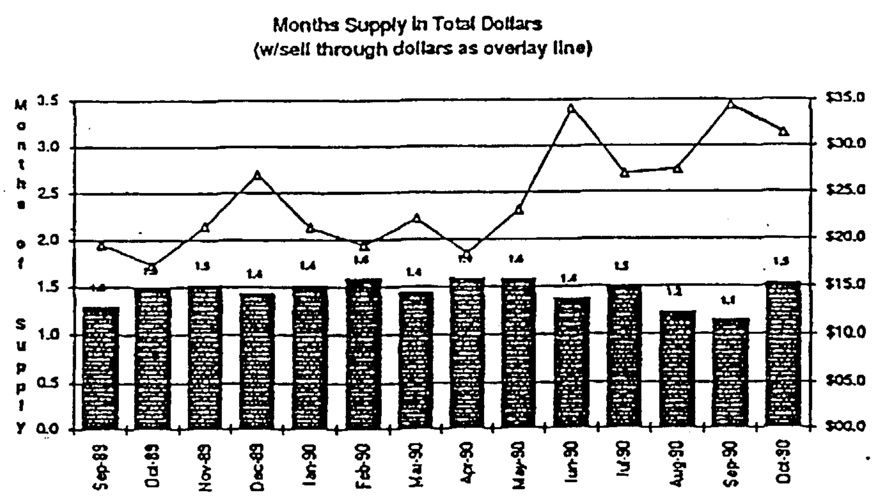

Chart One

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Months of Supply

Months of Supply rebounded substantially in October! Supply increased from 1.1 in September to 1.5 in October. This puts direct resellers and distributors in a much better supply position for the holiday season.

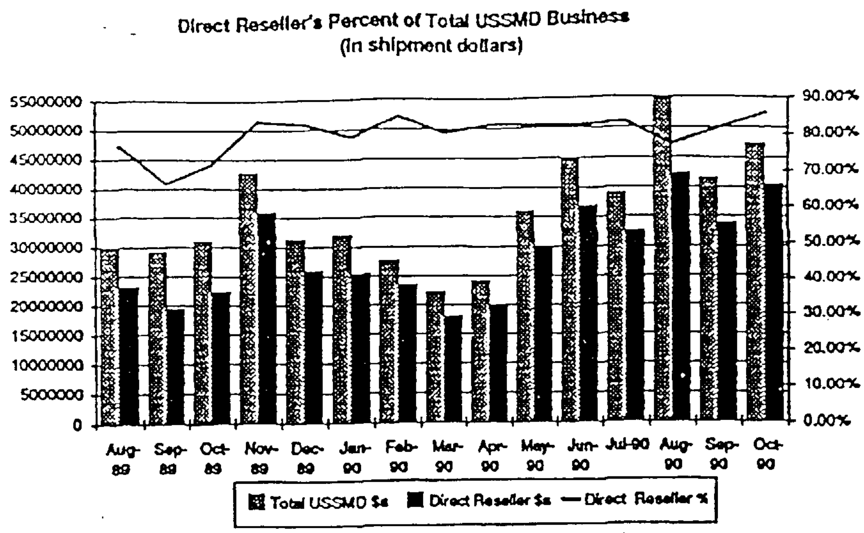

Chart Two

Percent of Direct Business
Our direct resellers and distributors have accounted for an average 78% of total USSMD business over the last 12 months. Month to month figures are shown in Chart Two.

October's direct resellers and distributors percent of business jumped to nearly 86% of total USSMD business. This increase is due, in part, to the increase in shipments by the direct resellers and distributors and the $2.0M decrease in Education shipments in October due to ACIS not requiring product scheduled to ship.

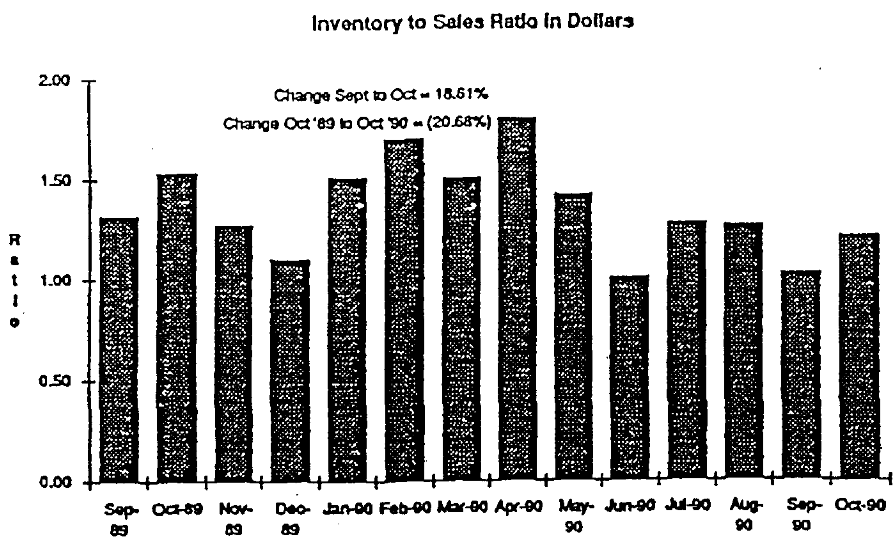

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Chart Three

Inventory to Sales Ratio
Defined: inventory to sales ratio relates the required amount of dollar inventory to make $1.00 of sales in the month.
Calculated: divide a 4-month moving inventory average in dollars to the current month's sell through in dollars.

Optimum inventory to sales ratio would be between 1.2 and 1.5. October ratio stands at 1.23.

Shipments to Sales Ratio in Dollars

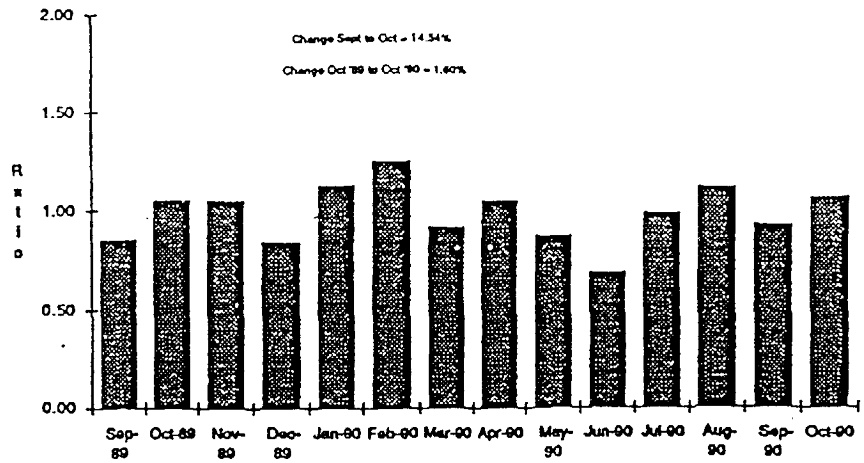

Chart Four

Shipments to Sales Ratio
Defined: shipments to sales ratio reflects whether or not shipments are keeping pace with sales.
Calculated: divide a 4-month moving shipment average in dollars to the current month's sell through in dollars.

Optimum shipments to sales ratio would be 1.0 assuming the channel has an optimum inventory estimated at 1.5 for ending October inventory. October's ratio is .1.21. This is up 30% over September.

II. Product Categories Sell Through

Total Sell Through by Product Category

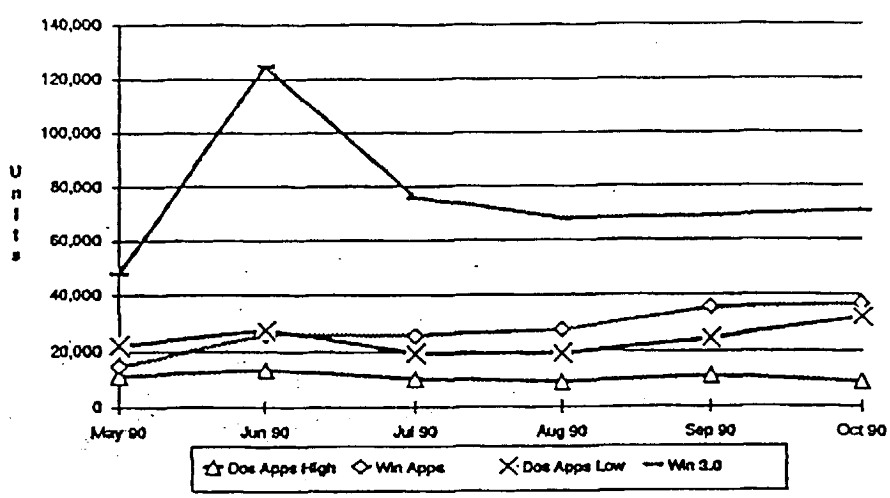

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Chart Five

Total Sell Through by Product Category
Win 3.0 increased in October by almost 2,900 units. The increase in Dos Apps low can be attributed primarily to the addition of the new applications - Win Entertainment Pak, Win Productivity Pak and Game Shop. Win Apps remain steady.

III. Product Reporting (Direct Account Resellers ONLY)

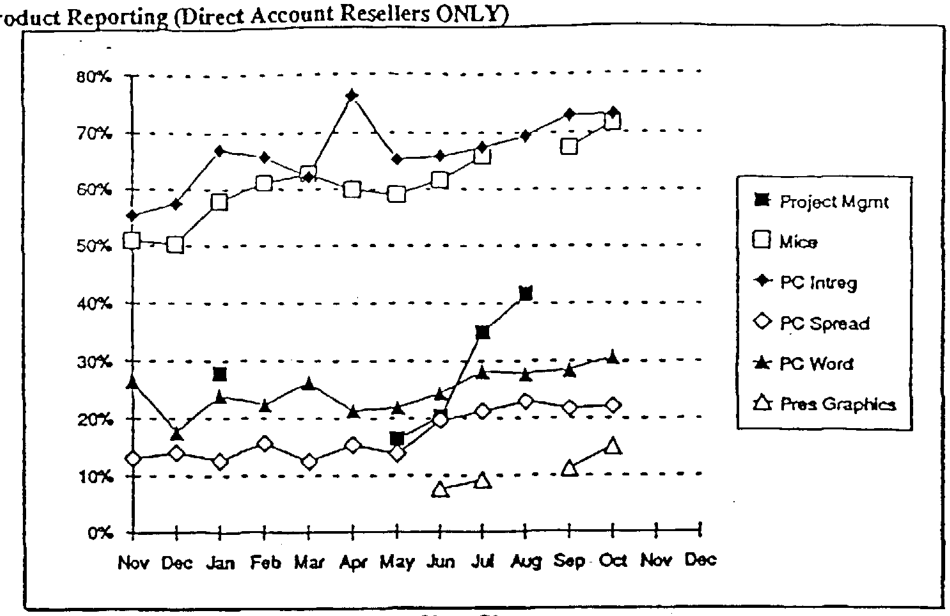

Chart Six

During October, all tracked Windows categories achieved increases in their internal market share. Most notably, PC word processing (combining both Win Word and PC Word sales), achieved a 32% internal market share. Win PowerPoint increased from 11% to 15%. The PC spreadsheet category appears to be leveling out at 22%. This data tracks primarily our internal market share through corporate account resellers and in-store (retail) resellers, including Egghead, Corporate Software, Software Etc., Babbages, Softmart, and Software Spectrum. Our prior analysis for hardware-outbound indirect resellers (provided last month) indicates substantially lower market share in all Windows categories.

IV. Reseller Channel Opportunity

Top 675 purchasing hardware indirect accounts vs. top franchisors and chains

The table below summarizes key data for the most recognized company-owned or franchised chains, and their relative importance, compared to the top 675 hardware indirect accounts, as reported by June-September 1990 Sales-out data.

Company Name	No of Rpting Accts	Actual no. of outlets	Total $ purchases	Percent of Total	Type of Operation
Computerland	101	751	$12,359,779	14.3%	franch
MicroAge	37	661	$3,934,509	4.5%	franch
Inacomp	21	109	$3,671,004	4.2%	franch/co owned
TCBC/Entre/Connecting Point	41	883	$3,646,630	4.2%	franch
Computer Factory	1	68	$2,021,804	2.3%	co owned
Sears Business Center	7	50	$1,654,771	1.9%	co owned
Nynex	2	60	$1,281,129	1.5%	co owned
Heath-Zenith	1	45	$875,870	1.0%	co owned
Businessland	2	97	$586,997	0.7%	co owned
AC3	4	14	$440,105	0.5%	co owned
Photo and Sound	4	23	$352,490	0.4%	co owned
Valcom	4	181	$290,095	0.3%	franch
Totals	*225*	*2942*	*$31,115,183*	*35.9%*	
Top 675 hardware accounts	*675*		*$86,688,817*	*100%*	

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While the table indicates that the top chains account for 35.9% of the top 675 accounts total dollar volume, their importance is much greater when considering direct purchases and number of outlets, which are not accounted for in the analysis. Of the 35.9% attributed to reseller chains, 10.4% comes from company-owned chains, and 25.5% from franchised chains. The remaining 64.1% are assumed to be smaller chains and affiliated franchised resellers.

Some key issues and action items to be further researched are:

- Establishing a headquarters account relationship with all key chains and franchisors (currently missing with MicroAge and several other accounts)
- Evaluating alternative programs for key chains and franchisors to assist Microsoft in achieving our hardware penetration goals.
- Making our outbound programs, particularly financial incentives, work for company-owned chains.
- Accounting for all of the outlets of the top reseller chains and franchisors to insure that purchase data can be tracked to the outlet level.

V. Windows Applications Penetration to Windows 3.0

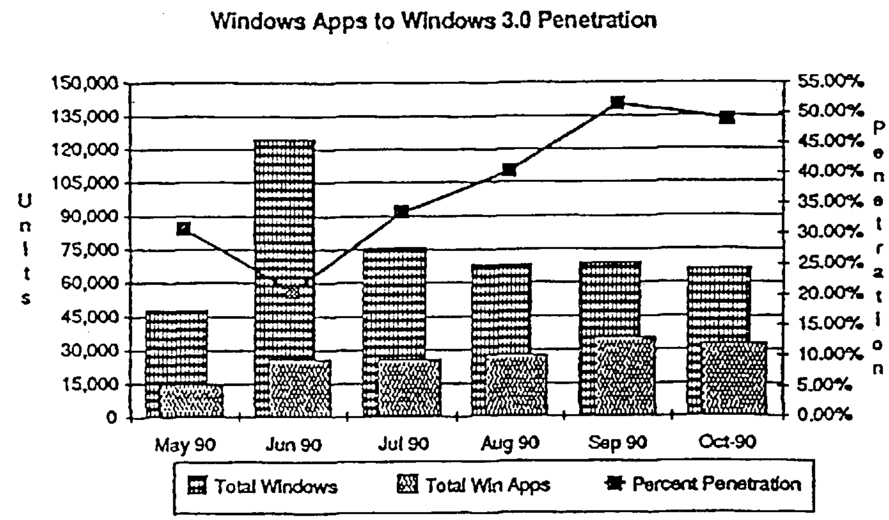

Chart Seven - Overlay line is Penetration Percent

Note: Win Apps include Win Excel, WinWord, Win Powerpoint, Win Project and associated MLPs. Win 3.0 includes Full Retail, Upgrades, and Mouse w/Win 3.0.

This penetration rate is important for two reasons. First, there is enormous opportunity for sales of Windows applications. Year-to-date, for distributors and direct resellers, we have sold 452,116 units of Windows 3.0 and a total of 220,814 units of all Windows applications. The potential speaks for itself. Microsoft's goal should be to achieve at least a ratio of 1 application to 1 Windows. Secondly, it is important to note this potential is open to all competitors. In particular, WordPerfect and Lotus will be releasing Windows versions of their respective products by the second quarter of 1991.

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VI. Product Categories Breadth of Distribution

Mouse with Windows Breadth Promotion

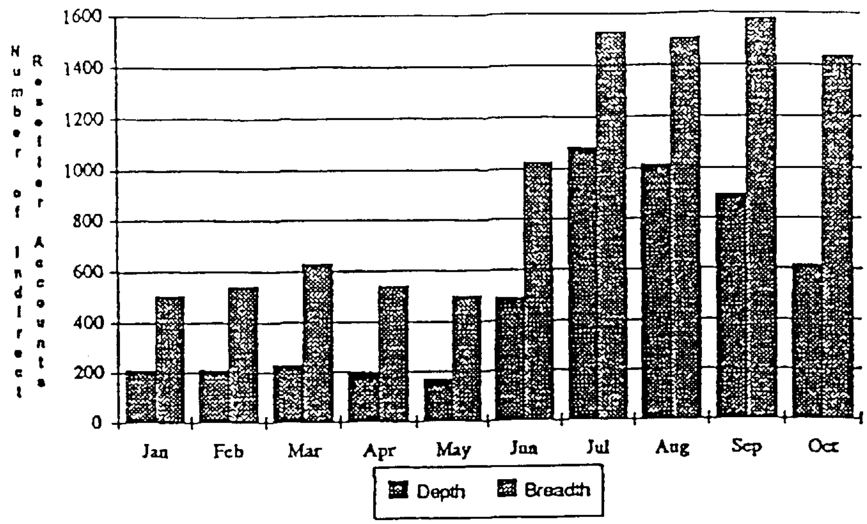

Chart Eight

Breadth: Number of indirect reseller accounts purchasing through distributors
Depth: Number of indirect reseller accounts purchasing three or more units

A distribution depth promotion for Mouse with Windows SKUs was run through distributors July 16 to August 31 of this year. Although the promotion ran for six weeks, the bulk of breadth and depth was achieved the first two weeks of the promotion. The depth gains have tapered off over several months. However, they remain at higher levels than before the promotion. The breadth gains have been retained for over three months now.

Indirect account unit sell through has grown 49% - three times faster than direct account sell through (15%) since the promotion began in July.

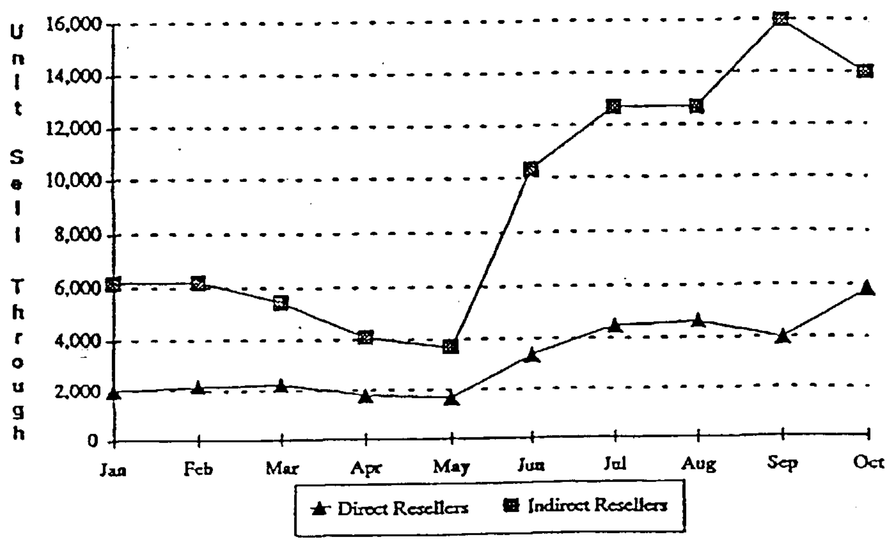

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Chart Nine