Depo. Ex. 269

PLAINTIFF'S EXHIBIT 730 Comes v. Microsoft

From sandyd Mon May 13 11:22:06 1991
To: jeffl
Subject: Business Review Info
Date: Mon May 13 19:00:34 PDT 1991

I have the worldwide OEM Business Review coming up soon. I need to have each of think about the information below and supply me with some answers no later than May 8th. Thanks for your help.

TRENDS:

1> What do you see going on in your market or geographic area

- short term

The Taiwanese are coming !! The recent "Which computer" show had a small group of about a dozen board level exhibitors directly from Taiwan. This is despite the show's lack of success and is up from zero last year.

Also lots of ROM DOS opportunities keep cropping up.

8086 sales have died for most manufactureers (except RM) in the past twelve months.

Most if not all manufacturers have introduced some kind of palmtop computer, All have been OEMd from either Japan or Far East.

OEMs with direct sales (either large accounts or telesales) such as ICL, Elonex and Viglen are the most succesful as margins become tight. Those relying on 3rd party channels such as Apricot and Amstrad are finding it more difficult to price competitively.

- long term

Some manufacturers are missing out the 286 completely. Viglen, Apricot and now Elonex are in this camp. These are not top-end manufacturers either !

Amstrad will move to an entry level of 286. Margins will be tough for all manufacturers in this sector - we expect tougher negotiations than ever before for mmanufacturers who rely on 286 machines. Both ICL and Amstrad are building very low cost 286 machines.

Keenly priced 4Mbit chips will start to make windows licensing easier as 4MB machines become cheaper and easier to build.

Renewed interest in OS/2 licensing as 2.0 ships and IBM push hard.

2> PPBs:
Please describe what your plan is for any OEM you have that has a PPB of more than $1M.

Apricot c. $1.2M - This will be wiped out when new agreement is signed. The min commits will be reduced in Y1.

Amstrad c. $1M - Most of this is against their old 2000 series contract which expires in Q2 FY 92. This money will then be written off.

3> Competition

Who is your competition in your particular market. it could be a company or it could be a market, e.g. grey market or piracy. Please discuss in order of heaviest to lightest.

DRi They are getting very hungry. Their advertsisng has cost a lot, but little to show for it. They are picking up the odd PG DOS deal but we try to hunt these down as best we can. MOST important to keep them away from Amstrad.

SCO/Novell Both of these guys are picking up the high end server business. SCO are apparently having a tough time, not meeting aggressive sales targets, but sales are still well up on the same period last year. The UK retail sales guys are a bunch of arseholes and this helps to keep down their effectiveness, this could esily change however.
Novell are a very professional outfit in the UK and have consolidated well in ICL from their mainframe base and our complete lack of presence in the retail

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channel means LAN Manager is getting tougher to sell hard in OEMs like ICL.

Piracy We picked up 2,000 copies of DOS 3.3 coming in from S. Africa. Ther are lots of "small" cases of piracy on top of this - we have no way of quantifying the total effect as some of the "grey" imports may also be pirates.

Grey Import We seem to be threatened with this, but no evidence that it has materialised. We price our DOS in local currency to make direct comparisons difficult and to keep a constant local price. This seems to work, but we will follow US rather than internbational FG DOS pricing to minimise the risk of being caught out suddenly. The extra FG DOS head (effective October one) will help with grey import as well as piracy issues.

4> Your top 5 FY92 goals - Non account Specific

1 No DR DOS wins/Keep a close watch on IBM in our accounts.
2 Beat $12 Million
3 DOS 5 AND Win 3.0 shipping on EVERY UK manufactured 386SX and above by end H1 FY 92
4 ROM DOS - Create a channel as an investment. Kick DR out of the embedded system business.
5 Recruit two new people and establish a stable and happy OEM group as an important part of MS Ltd.

5> Your top 5 FY92 goals - Account Specific

1. ICL - Get a new Agreement signed i.e. don't lose ICL to Fujitsu. Windows per 386 processor.

2. Amstrad - Recruit dedicated A/M, license win 3 on every 386, kill off DRI and set ourselve up for a new systems agreement in early FY'93.

3. Viglen/Brother - Increase their commitment.

4. Elonex - get them signed up and shipping.

5. Exceed FG DOS budget by 100%. (75K units)

Jeff,

Attached is my narrative from the sub business plan - this may help provide some additional info.

OEM Plan

The FY92 plan calls for an increase plan-to-plan revenue of 35% in the royalty budget
and an increase in packaged DOS plan-to plan of 50%. To accomplish that, an additional sales person (to make a total of 6 heads) is proposed. The UK OEM

accounts seem to be getting smaller in number but the potential for each is becoming
greater. As we have found for Amstrad and ICL, good account management resources
are required. In addition, adequate resource needs to be on tap to chase the increased
potential for Packaged DOS.

Amstrad
Objectives:-
a) Increase Windows penetration to all 286 and 386 products:-
Amstrad are as price sensitive as ever. We will re-visit our earlier proposals and look
for ways of making the pricing look more attractive to Amstrad. This is particularly
true of the 286. Amstrad see this as their key platform for the next eighteen months
and intend to remain as competitively priced as possible. The perceived success of the
Windows 3.0 bundle with the PC 4386 will be critical. This is the first machine to
come bundled with Windows 3.0 and they will regard this to be a barometer of market
reaction to the further expansion of Windows on Amstrad hardware.

b) Stabilise Microsoft relationship:-
Whilst our relationship has been strained in FY '91, the last few months have seen a
dramatic improvement, the recent re-organisation has removed two of our long term
contacts and we will need to work hard to establish alternative relationships. This will
be very difficult in an account that operates with very few key decision makers.

c) Work with them to develop strategies for Pen and Multimedia:-
In FY '91 we have uncovered some potential to work with Amstrad in both Handwriting computers and Multimedia. This needs to be nurtured and further investigated. Amstrad's position in the home market and experience in cost reduction
makes them a strong Multimedia prospect.

d) Combat the threat from Digital Research:-
The 8086 Agreement expires at the end of July. DRI have been pressing hard to get
at least a slice of this business through at least Amstrad's German machines where the
market has accepted DR DOS. We have agreed to add the 8086 machines on a per-

processor basis to the existing license at $2 per system plus $.25 for mouse on all 286
and 386 systems. This should cancel out any chance of DR getting royalties for DR
DOS in FY '92.

Apricot

Objectives:-
Maintain Apricot's commitment to MS Products and work with them to maximise the
benefits to MS of Mitsubishi's ownership and funding:-
We have recently agreed to a new Apricot agreement. The commitment is for 45K
machines in year one and 55K machines in year two. The current PPB will be written
off as part of this agreement. In FY '92 we will incorporate the Apricot account within
our group of "Japanese" OEMs. This group includes ICL (now controlled by Fujitsu),
Apricot (Mitsubishi) and Brother Europe. We intend to benefit from taking a common
approach to Japanese owned UK manufacturers. This group will be the responsibility
odf a single account manager.

ICL

Objectives:-
Re-sign a new, UK based license agreement directly with ICL when their contract
expires in December:-
ICL were taken over by Fujitsu in FY '91 at a point when their PC Sales were climbing to record levels, establishing themselves as a major player in the UK PC
market. We have forecast c. 80,000 machines in FY' 92, Our strategy is to make MS
Ltd indispensable to ICL and in turn make Fujitsu see the benefit of ICL's continued
local license agreement. This will be difficult as Fujitsu currently have a PPB in
excess of $12 million and may be looking to absorb some of this through ICL's PC
shipments. However we hope to benefit from our "Japanese" experience at Apricot.

Research Machines

Objectives:-
Successfully maintain their exemplary commitment as a Microsoft customer by re-
negotiating their license agreement.
FY '92 doesn't look terribly encouraging for RM. The education market is under siege
from other manufacturers and RM's traditional emphasis on quality and engineering

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skills may start to put them under heavy price pressure. Their
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