

To: Joachim Kempin

From: Richard Fade

Date: June 20, 1991

Subject: May 1991 Domestic OEM Status Report

cc: John Jenkins, Ted Hannum, Mark Chestnut, George Downing, Kathleen Graves, Peter Braman, Mike Murray, Paul Maritz, Steve Ballmer, Carl Stork, Brad Silverberg, Nell Miller, Tom Sherrard

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REVENUE

May revenue was \$38M vs budget of \$17.8M . Q4 revenue \$57M vs budget of \$42.7M. YTD (gross) is \$192M on a budget of \$154.7M (124%). Windfall revenue from IBM of \$12M was primary upside for the month. The division continues to enjoy strong sales, however I do anticipate we will post a number of very large credits or revenue reversals in June to clean up several situations which have been on the books this year . I have amended my Q4 forecast to be closer to \$60M, this would bring the FY91 YTD total to \$194M. (See Comments on Revenue for detail).

NEW BUSINESS

<u>Account</u>	<u>Product</u>	<u>Comments</u>
Tandy	DOS 5.0	Some progress
Wang	Works, Win Works, WEP, WPP	Pen Systems
Commodore	DOS/Windows/Works	\$5.8M, 3 years
3COM	LM 2.0 PP	None (approx. \$1.5M in FY91)
HP	FG/Windows/Excel	\$418K total commitment
Creative Labs	Multimedia Widows	Royalty - \$900K/year commit
ROO Systems	DOS/Win/Works	Royalty - \$800K/year commit
Caliber	DOS 4.0/5.0	Royalty - \$800K/year commit
Portacom	OEM Mouse	Royalty - \$51K/year commit
Model American	DOS/Windows	\$1.3M, 2 years
CompUSA	Roy DOS 5.0/Shell per proc	\$4.25M total m/c rev
TAKA	Win/Prod Pak	\$50K, 2 years
MicroPalm	ROM DOS 2.25/3.22	\$22K/yr

NEWS

AT&T will stay in the MPC council by reducing their involvement (and donation) to an upgrade kit manufacturer status. No technology contributions will be made to the council.

Tandy was the first OEM to announce availability of MPCs - five Multimedia PCs and two Multimedia upgrade kits. Delivery of all units with Windows plus Multimedia Extensions is scheduled for mid-July.

Everex announced the bundling of Windows 3.0 with all Step and 386 based Tempo systems at no additional charge.

Everex announced that it will ship two 486SX PCs with super VGA, DOS and Windows 3.0 with prices ranging from \$2,995 to \$3,995.

ZDS recently signed Computerlands 50 stores as ZDS resellers. ZDS is also revamping its VAR program and will announce a major network reseller in the near future. Michael Poehner was announced as the new VP of Sales and Marketing at ZDS replacing Art Lambert. Poehner was formerly VP of Sales and Marketing at Businessland.

Intel will announce its 50MHZ 486 chip at next month's PC Expo. IBM, NCR and Dell will be among the first companies to announce computers based on the chip.

Phoenix announced a joint development agreement with GO for a new Pen Computing platform. Phoenix will provide computer manufacturers with a complete, tightly integrated systems software/hardware reference design based on GO's Penpoint operating styles; the Intel 386SL microprocessor SuperSet and the new Phoenix PenBIOS.

SUN has sent a letter to its 700 resellers giving them 90 days to drop SUN-compatible workstations or face termination as a SUN authorized reseller.

Compaq announced that their Q2 revenue and earnings will be significantly lower. They expect their revenue to be 15% below their Q2 90 revenue of \$862M. Their earnings will be about \$22M or about 21% of their Q2 90 earnings.

Dell wins J.D. Powers' first time ever PC customer satisfaction poll.

AT&T's acquisition of NCR completed (awaiting FTC approval). Both companies quickly move forward to consolidate computer operations.

Hewlett-Packard announced a new line of workstations based on Motorola chips (68040) with high performance and low cost. They reported a large first order from GTE of over \$40M for the product.

Hewlett-Packard announced a new product from the Greeley Hardcopy division that's a complementary product to the LaserJet called the LaserJet FAX. SRP for this device is \$1895, making it an expensive alternative, but the first of several new products from this division centered on FAX technology.

Hewlett-Packard released a press release indicating their support of OLE specifications opening the door to all Windows apps.

Tandon's acquisition of "PC Brand" mail-order firm officially completed. Juggi went to PC Brand offices and made a welcome speech to employees.

Northgate's on-again/off-again acquisition of Cheetah Computer Systems is on again. In fact, this time Gary Heid (President of Northgate) already eliminated Jim Silva of Cheetah.

AST's Bravo 386SX/20 bundle will include Lotus 123 release 3.1. AST signed a \$29 royalty rate deal with Lotus.

Gateway 2000 has decided to continue shipping our standard Mouse for now and received back the signed amendment for \$2.1M worth of Mice. Will likely consider custom Mouse at a later time.

Texas Instruments has agreed to license Windows 3.0 and ship on a notebook model known as TM3000 Win/SX.

Positive disclosed to MS that they were purchased by Tandon. Will stay as a separate entity with Positive name and Wholesale Club focus.

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ISSUES

Tandy wants MS to agree to reduce the ISV royalties and eliminate the MS ISV royalties for the Gryphon/Haiku project.

Tandy wants low royalty rates for Windows in ROM and Windows on entry level systems.

Commodore - ROM DOS delivery and now size of MS ROM DOS V5.0.

Phoenix has established a relationship with GO which might compromise our relationship. This is in terms of their requests for DOS kernel source, OS/2 kernel source, and participation in the Advanced Power Management specifications.

As Compaq tightens up their budget, their JIA activity will be looked at more closely. Compaq has 8-10 people working the LAN Manager JIA. Compaq wants to understand what our success has been with LAN Manager to justify their expenditures on LAN Man. They want to know who our customers are and who our major prospects are.

Compaq has upped their forecast for Ballpoint by an additional 10,000 units for the end of the promotion, which is causing some problems for SPAG. SPAG was expecting to start shipping some MS retail product in June.

Digital - Pathworks supported as "blessed" LAN Manager/Windows network at PSS.

AST - IBM's sales force has increased the voice of corporate noise regarding IBM's OS/2. AST does not see any change in IBM's OS/2 message from a year ago, they just hear a noticeable increase in IBM volume. While AST is not experiencing an increase in demand for OS/2, they are working with IBM to test AST's hardware for OS/2 compatibilities.

TRUE Image - 1.01 is still not golden - expected date is June 14. Finally, everyone now feels good about the quality of this code.

Lockheed and NOVA contract underway, but much promised by Fed Office that will be difficult to deliver. Donhar and Petermi working with Fed Office, Lockheed and Finance to create the right agreement.

Sysorex was sold 3,000 RUPs by the Fed Office under "MLP" program to supply the postal service. Customer was very confused as to who to deal with and what products to buy.

Sun Moon Star audited. Revealed major standalone sales and license violations as suspected.

Unisys - DTIII Mouse needed SPAG FCC special change. SPAG refused potential in losing the business as other vendors quite willing.

Low-end board, component and "bare bones" guys have no good way to license our products. Systems being assembled further up the chain at distributor/reseller level.

Distec is planning to purchase packaged product MS-DOS from Phoenix Technologies. Shawn Bidsell, the sales manager for Distec, says Phoenix pricing is much more aggressive than MS, and they can save a substantial amount of money by making the switch.

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PEOPLE

Very active month with new organization announced. Two OEM account managers were recruited for positions in the new Business Development group reporting to Ron. Larry Edralin will report to Ron as Group Manager, Jeff Morris will assume AIME, Latin America, APG, and ICON OEM Sales and Support duties, reporting to Larry.

We also decided account assignments which flow down from these actions in addition to the Peter Braman and Barry Spector promotions last month. In a nutshell they are: Teresach moves from NCR to replace Peter Braman on the Compaq account. Patty Eastern will move from AT&T to manage NCR/AT&T. During the merger, she and John McLaughlan will work together with John having primary responsibilities for AT&T and retaining Wyse. Michèle Pearson will move to assume Larry Edralin's duties with HP. Pete Peter will assume Unisys responsibilities. Nancy Ritzenthaler will replace Barry on the Dell account and wind down our current True Image customers, transitioning them to the correct person in the New Business group. Susan Diamond will replace Jeff Morris on the Wang and CompuAdd accounts. This leaves the Susan Diamond New Business territory open, the Everex/Parallan accounts, and the Intel, Phoenix and Logitech account positions open.

Needless to say, we have been working overtime to find qualified candidates. We do not have as healthy a crop of candidates as I would like so it is taking some time to get through this. Our plan is to make offers and move to complete these above transitions by the end of July. This puts some of the above into Ron's group 30 days late or pulling double duty. I anticipate at least one more account manager / account change in the coming 30 days plus two maternity leaves (Doris and Debbie) late summer/fall.

COMMENTS ON REVENUE

May revenue was buoyed again by IBM revenues in excess of our forecast plus Ballpoint sales to Compaq. IBM paid us \$16M thus far this quarter. This exceeds my previous forecast of \$12M. Tonya and I obviously need to develop a better forecasting method for IBM. This revenue plus healthy mouse and FG DOS sales will propel us to close to \$61M in revenue for the year (gross), more if FG DOS 5 sales explode in June.

We are also writing off or "reversing" some \$6M in revenues in June. These monies are associated with situations like the Novell/Excelan license (\$900K), the NCR master license renegotiation (\$1.8M), over billings for IBM, Northgate, and AT&T due to incorrect reporting (total \$1.7M), and a host of other smaller deals which we want to get into this fiscal year. So, if you have been watching the "Flash" and believe up to this point that I am a hopeless sandbagger, understand that about \$6M of that money you are seeing is not ours. Still, in all, we will deliver a record quarter (even without IBM's windfall the group's revenue exceed budget by \$3M after the adjustments above). We will close the fiscal year with gross revenues of near \$194M. This is up \$42.7M from FY90, holding IBM revenue equal between the years would result in revenue growth of \$20.7M while significantly decreasing prepaid balances.

Processor Ship Rates

Overall are still healthy, no new trends to report.

- Companies with European distribution report healthier growth than those without.
- Overall economy in the U.S. is pretty flat to slightly up.
- Some accounts who are highly leveraged in sick channels (Compaq), are having setbacks as this distribution moves to Superstores. (Hard to tell if there is a general down-trend with only one or so quarters of data.)
- Still significant volumes going through direct (telephone/catalogue) sales, mass merchant interest also seems on the rise.
- Price for 386SX continues downward, Packard Bell 386SX VGA, color systems advertised by Silo and Sears for \$1399 this month.

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Sample of systems shipments for OEM accounts for the quarter ended March 1991:

	Q3FY91	Q3FY90
Compaq	240,756	206,831
Tandy	65,544	121,883
Zenith	68,090	83,862
AST	83,918	66,652
Tandon	67,480	46,140
Dell	50,000	32,881
HP	43,937	39,591
Commodore	52,322	57,391
CompuAdd	27,814	28,449

I see pricing for 386SX systems under \$1000 SRP by fall. With a bit more memory these systems are decent Windows machines.

Issue: As we approach these lower (essentially 286) selling points as margins, OEMs will begin to balk at their 386 Windows royalties. We can hold the line for a period but will face the "do we want ubiquitous Windows distribution, or do we want max dollars?" question as these licensees renew.

I have given this some thought, and in the world where the OEM agrees to bundle Windows on the hard disk and provide some method of "trial" for the user for Windows apps (MS to supply this tool), we might be more aggressive on price. Barring that, we should establish a minimum royalty which is acceptable, and let the rest go through retail.

Lastly, recent high level exchange of data with Intel suggests that we are underestimating the worldwide "unlicensed" systems by about 100%! I am following up with more focused conversation to determine the details and accuracy. Bad news is; looks as though we miss a lot more systems than we thought, good news is; there is more \$\$\$ out there and we need to get focused on how to get it!

FG-DOS

Units for the month rebounded from April's slump to come in right on our 6 month "average" of 23K units. We expect FG DOS sales to increase to 32 - 35k next month based on MS-DOS 5 release. George and Kathleen have prepared for this and there is stock in inventory and appropriate build schedules.

	May		Q4		FY91		FY90
	Units	%	Units	%	Units	%	
PP 3.3	4,227	18%	7,355	20%	60,290	26%	
PP 4.01(5 1/4)	11,722	51%	19,090	51%	125,693	54%	
PP 4.01 (3.5)	7,331	31%	10,775	29%	46,410	20%	
Units of PP	23,280	100%	37,220	100%	232,393	100%	249,241
Dollars of PP	\$1,205,710		\$1,922,760		\$11,857,751		\$12,704,449
Avg. Price	\$51.79		\$51.66		\$51.02		\$50.97

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LAPTOP WATCH

AT&T announced their notebook laptop this month called the Safari 386NXS/20. A slimline laptop will be announced in November. Pen-based in Q2CY92.

ZDS is strongly interested in Pen Windows and is interested in specing a Pen Windows machine for delivery next year.

Dell sub notebook (11x7x1 1/4) slated for Q491.

HP Corvallis has plans for a 286-based upgrade to the 95LX (code name "Cougar") in the next 12 months, also a 386SL based product with VGA and a hard disk in a sub-notebook size package with an SRP of less than \$2K (targeted for Q4 92).

AST is very slowly catching up with its \$30 million dollar backorder. Getting LCD screens from Sharp and Epson and hard drives from Conner is difficult because AST forecasted a much smaller sales demand than they are experiencing.

Tandon and Northgate's laptops and notebooks both shipping and running out of stock. Momenta's slate pad will be released in September, this full-size unit will run on two double A batteries, due to work they have done on the power supply.

KeyTronic to begin OEMing a notebook system this summer; plan to provide PP DOS and Windows on systems to OEMs who currently have no direct relationship with MS.

Rolodex is developing a \$499 notebook 8088 PC which they forecast would sell 250K in three years. They were quoted \$4 by DRI for DR DOS.

RISC WATCH

Enrico Pesatori is said to have prevailed and that ZDS will design the MIPS machine.

Spoke to an AMD FAE who said that AMD's VP of Strategic Marketing would be interested in porting OS/2 3.0 to the 29000 RISC chip which has the largest RISC marketshare today. Carls wasn't interested because the 29000 were not being used as processors.

Amdahl has licensed Sun Microsystems Sparc processor technology. Amdahl has hinted that they plan to produce a front-end processor product for Sun workstations. This product would offer easy connectivity to the Amdahl mainframe.

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DOS 5.0 WATCH

Status: P=Proposed N=Negotiation S=Signed N/A = Not Applicable
Ship date is OAK + n days... i.e. 60, 30, etc
DRI Threat is Y or N

<u>Account</u>	<u>Status</u>	<u>Close Date</u>	<u>Ship Date</u>	<u>DRI Threat?</u>
ALR	P	Promo FG		Y
Atari	N	unknown	unknown	Y
DG	N	5/15	unknown	N
Digital	P	6/91	+60	N
BSM	N	6/91	+90	N
Datapoint	N	7/91	+60	N
PC Craft	N	6/15/91	6/30/91	N
Intermec	N	6/28/91	Mid 92	N
Republic Tech	N	7/31/91	Late 91	Y
Texon	N	6/28/91	1992	N
Ampro	P	7/31/91	Late 1991	Y
Norland	P	8/30/91	Late 1991	N
System Integrator	P	7/91	+30	N
Hewitt-Rand	P	6/91	NA	N
Marcraft	P	9/91	+30	N
Tektronix	P	7/91	+30	N

MARKET TRENDS

Low-end screw driver guys are selling direct to "distributors"; Harvard Data, Tech Data, Soft Warehouse - closer to the end-user where system gets assembled per end-user requirements. Harder to make the DOS sale under traditional "per system" deal.

PRODUCT MARKETING FEEDBACK

Flash Memory File Systems

Still not released officially so that we can ship it to OEM customers.

NBU

NBU needs to be more responsive on their promise. It took a full three weeks for an eval OAK to go out to Round Valley following a conference call promise - and this was after many continuous emails.

OS/2

IBM is courting AST heavy.

PC Mail

Tandem - Critical need for P7 support for X.400 gateway. According to Tandem, this is a critical need for all X.400 users, not just Tandem. They will present this to us during a June 5 meeting.

Pen Windows

Lloyd Frink did a great job with AST engineers. Thanks.

Systems

Develop a better method of communicating changes in the MS systems strategy - the rumor mill is confusing and misleading.

Windows

Thanks to the Windows group for visiting AST.

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Works

Rolodex couldn't put Works in ROM in their notebook PC because 1M ROM requirement is too large.

ACCOUNT SUMMARIES

(As reported by Group and Account Managers)

Jenkins Account Team

AT&T (Patty Eastern)

The patent issue has heated up as a result of my meeting with John Oellrich at WinWorld and has been escalated to senior management—another proposal is on the table at AT&T. AT&T agreed on the pricing and commitment level for the extension at WinWorld. The LM/Unix development teams are working fast and furious to release product mid-September. The Pen Windows group at Safari was very receptive to our product, presented at WinWorld and is now a Q1CY92 opportunity.

Tandy (Ray DiCasparro)

Tandy mentioned to MS that on June 13, Tandy will announce that it will open a chain of computer "superstores" in 1991 (VERY confidential). Howard Elias is heading up this effort and the details will be communicated to MS at the Executive Review on June 13. Raydc is coordinating meetings/conversations with Scotto and will investigate the impact on the organizational structure at Tandy. Tandy and MS conducted a series of meetings regarding the current status and progress of Gryphon (multimedia player) and Haiku (the system software). Tandy is extremely concerned about meeting a March '92 delivery date for Haiku.

CompuAdd (Jeff Morris)

Jeff resolved CompuAdd Multimedia PC not being shown via MS at Windows World (MS demoed CompuAdd MMPC at Windows World. CompuAdd now interested in talking about Pen Windows (meeting scheduled in June). Started shipping Windows Productivity Pack in May on all 386SX and above systems (pre-installed), CompuAdd will start shipping Multimedia PC's in late June, Jerry Baldwin (CompuAdd Red Flag) made a big issue out of CompuAdd being cut from MS vendor approved list (neile made phone calls to CompuAdd management to cool down the fire).

Wang (Jeff Morris)

Signed Works, Windows Works, WEP and SPP per system license (first design win with Wang in sometime and we beat Lotus out too). Jeff held a great meeting at Wang with Pen Windows group to finalize GUIDE announce plans in June (MS will participate in Wang Announce). Jeff visited with Jeanne Dunn and others at Windows World to lock in mini exec review in July at MS (very positive) and also learned Wang Micro Products in the future could be sold off (slight possibility), Wang already coming back to raise commitment level on Works bundle to get lower royalty (will wait and see first few royalty reports, Pen Windows amendment drafted and sent along with New master license agreement.

Zenith (Tom Davis)

ZDS announced five new portables, a new server and new diskless workstation at Spring Comdex. Interest is very high in the new SL based portable. ZDS had reportedly taken orders for 60K machines while at Comdex.

Hannum Account Team

Compaq (Mark Bulck)

In May, the Joint Integration Toolkit was completed and went to press. Mark presented the JIA to the Network Channel at the regional kickoff meeting in Colorado Springs. It was well received and they are anxious to get additional information. Mark has received very positive support from both the reseller account managers and the reseller systems engineers. In June we plan to get the cross-training of our respective organizations kicked off. Compaq will be here in mid June to start this process with the PSS organization.

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We have revised the Audio Board spec from Compaq and that project is moving forward. We have a verbal understanding of what the relationship will look like and are in the beginning stages of developing an agreement for this project.

Both Pen Windows and Multi-Media are stagnant at this time.

Compaq (Peter Braman)

Compaq has finally decided to make Windows part of their product strategy. Their short-term goal is to provide an easy install of Windows on two to four of the new systems that they will introduce in the September time frame. Longer term, Compaq wants to pursue a preinstall strategy for Windows on all their desktops.

Ungermann-Bass (Mark Bulck)

UB is in a period of transitioning customer from LM 1.X to LM 2.0. So far they have been fairly successful in this effort and have been until now one of our strongest supports of LM. They are now raising some issues as to their future involvement with LM. There will be a meeting this week at UB to discuss this topic with them.

Commodore (Debbie Flynn)

The master license has been executed. The hottest issue this month is ROM DOS on their palmtop machine. The license was written from a per system perspective rather than a straight per processor, even though per processor has been agreed to in an executive meeting. A close look at the language indicated that CBM is not contractually obligated to put MS DOS on their palmtop. However, in several conversations with Tony Ricci, the meaning of per processor was discussed and it was understood that per processor was the kind of agreement we had made. Ned McCook is following up with Tony to get his perspective. It is probable that CBM will use the fact that they are not contractually obligated to supply MS DOS on this machine as a lever to get a lower price. Our competition has already quoted sub \$2.00 and CBM has repeatedly asked for \$1.50. The good news is that CBM has pushed out their date of delivery, allowing MS a much better chance to deliver our ROM DOS product. They have also made the decision to only use English DOS. The Flight Simulator proposal was delivered. CBM has indicated that they want to have this product for CDTV first. An OS/2 proposal was also delivered this month.

The Amiga Works project was killed. CBM management did not feel the investment in time or money would pay off soon enough to make this worth their while.

NetFRAME (Debbie Flynn)

Progress was made in several areas this month. A meeting was held at MS with Jody Snodgrass and Don Kite where the support options were clearly laid out. NF indicated that they were unwilling to pay for support given the fact that they were being forced to support MS software customers on their hardware with no offsetting revenue. They had a difficult time understanding why MS was charging them to support MS customers, especially when MS gets the software revenue.

Phoenix (Pete Peter)

The Publishing Agreement was delivered to Phoenix for signature in May with an expected closure in early June. We successfully terminated a parallel translation effort Phoenix had begun with the slim version of DOS 5. Phoenix has agreed to slim our translated documents rather than violate their agreement by doing an independent translation. They are receiving early shipments of all foreign DOS 5 documentation in support of this effort. Phoenix has obtained an exclusive license from GO to sell and enhance their hardware design and will create a reference design in a new product called PenBIOS. This will enable OEM's to deliver PenPoint or Pen Widows on the he same hardware platform with the decision being made at the point of shipment. This is a win for GO and a loss for MS. The press announcement will be made on June 4, 1991. Phoenix is planning to have DOS 5 ready for shipment on the day Microsoft announces the product.

Logitech (Pete Peter)

Logitech is having great success with their Windows bundles. Thus far, they have been very good corporate citizens by submitting their royalty checks on time and staying within their distribution territory. They eagerly

await a beta copy of Windows 3.1 in mid-June and plan to dedicate resources to it as soon as possible. For the quarter just ended in March, Logitech had the biggest quarter of their agreement with over 15,000 units of Windows shipped which significantly exceeded the 6,250 unit minimum commitment.

SUN (Pete Peter)

After successfully implementing an NDA concerning LAN Manager for UNIX discussion we met with SUN in Redmond on May 23. The meeting was exploratory in nature and we agreed that an opportunity might exist for SUN and MS to enter into an agreement. SUN is very interested in the product and is happy the code base has been merged. TonyLau is also closely involved with the customer and we should make additional progress with qualifying this opportunity in June.

Dell

The overall relationship continues to grow stronger and stronger. There are many opportunities in their infancy including: a) worldwide factory installed Windows applications, b) Pen Windows, c) Multimedia and d) Ballpoint. We have confirmed Dell's first time ever Executive Review for July 2nd and will be attended by both Michael Dell and Billg.

This account will be transitioned to a new account manager during the month of June and it is important to maintain the momentum of the above mentioned opportunities.

Digital (Kelly Wood)

May was a busy month for Kelly in shifting a growing number of priorities. Greg Anderson came in mid month on a part time basis to help out on the account and is now on the account permanently. There were numerous meetings, both in Redmond as well as at various Digital sites that helped achieve progress on: the serve aspect of the A-1 agreement, Desktop Services as an MS SI, Spitfire, development work on the VD for Eclipse, and final negotiations on the DOS/Windows contract, and LM/Unix.

Chestnut Account Team

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NCR (Teresa Chapman)

Activities this month centered around developing and presenting a minimum commitment restructuring plan for NCR. A major meeting was held at Spring Comdex with Alok Mohan to accelerate negotiations. As of this report, a second proposal is on the table. In addition, MM Windows gained some momentum at NCR and we closed the new Master NDA. Pen Windows marketing activities with NCR included NCR sales training and preparation for the Hune media event. In addition, we strengthened technical ties with Augsburg in a day-long tech meeting.

Hewlett-Packard (Larry Edralin)

Primary focus for the month was the amendments to the MSA with PCG. We made significant progress, but had to overcome some objections from the Corvallis division based on their anticipated need for MS-DOS 5.0. We have separated the Corvallis contract and this amendment in order to stop any further delays in the amendment signing. We will continue to negotiate separately with Corvallis for a royalty on the "Palmtop" class of systems they sell. Two other very important meetings took place with the CCD (New Wave) division and the combined development teams from the peripheral group divisions and our Win32/4 development team. CCD's meeting was a pre-cursor to a management meeting to discuss our efforts to more closely integrate our directions around OLE technology and not confuse the ISV's with different API's to develop under. The peripheral group meeting was set to review feedback on the GDI/DDI spec we gave them in the last meeting. This meeting was very productive and sets the stage for possible further cooperating between our teams and maybe an HP Windows specific device in the future.

HP Corvallis (Darcy Ruscigno)

The Jaguar/Lion development group attended a product review meeting on May 13. The objective was to provide this group with information on ROM-DOS 5.0, ROM WIN 3.1, and ROM Excel, as well as general information on Ballpoint, and Pen Windows. The meeting identified areas where more information is needed, i.e. ROM Excel

and ROM Windows. Also, on Corvallis' strategy on the various Palmtop versions, Jaguar vs. Cougar vs. Lion. Darcyr will be working with Philba to champion the internal ROM push, and to work the Corvallis to consult them on their next version, Cougar and Lion.

AST (Jeff Daniels)

The warm glow of AST's May 2nd Executive Review cooled as AST's interest in Windows co-op marketing funds proved ineffective. AST's expectations had to be reset after May 2nd's meeting. AST wanted our Windows group to co-sponsor AST's Bravo PCs. Rich Abel sent four people to listen to AST and did not see any value in AST's proposal. AST was hoping the DOS 5 event would favor first and second tier PC manufacturers. Once AST knew they were being treated like everyone else, they sopped the rush to get DOS 5 out the door June 11. Also, AST signed a deal with Lotus. GO Corp., gave a convincing presentation to AST. MS followed-up with a Pen presentation to AST's marketing and executive staff. AST will wait for the market to mature before making any Pen software decisions. Finally, MS and AST did participate in each others' announcements. MS participated AST Japan's product announcement. AST sent three of AST's international mangers to MS' international OEM Briefing. AST is sending a VP and Director to our MS DOS 5 event.

Downing Account Team

Sysorex

Royalty negotiations are back on track with Sysorex. In May, Sysorex was awarded a major bid from the US Treasury Department. The award is currently being protested. If Sysorex prevails, this will substantially increase their annual units rate. Geoged and Susandi will visit Sysorex in early June to meeting with the CFO who will be handling the negotiations.

Product	Annual Units	Royalty Rate
DOS 3.3, 4.01, 5.0	20K/35K	\$33/\$25
Windows 3.0	10K/20K	\$33/\$25
OS/2	50 \$60	

Total Annual Commitment: \$1,057,500/\$1.8M

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USIT

Susandi and Geoged met with Dr. Shaw, USIT President & CEO on May 2nd to discuss moving USIT to a per processor DOS/Windows royalty arrangement. USIT ships approximately 200K Units per year through their OEM (70%) and dealer (30%) channels. A per processor arrangement represents a \$3M/year minimum commitment. Microsoft has agreed to exempt USIT from reporting systems which ship to OEMs that already have licensing place for MS-DOS. Dr. Shaw has agreed to provide annual ship numbers for a per processor agreement within the next two months.

Gateway 2000 (Dave Wright)

Dave has obtained an agreement in principle for Gateway to sign extension of Mouse license with an increasing commitment (up to \$2.1M) for standard MS Mouse. Custom mouse still a high interest but timing will be Q2FY92 at earliest.

Texas Instruments (Dave Wright)

Dave ran a successful Executive Review with company overview/charter/future product direction main agenda times. Resulted in several concrete follow-up items including agreements to sign a Windows license. MS DOS 5.0 and CDS amendment fully signed.

Unisys (Michèle Pearson)

This month we delegated to much of the follow-up on Unisys meetings held early in the month. Redirector pricing was given to Round Valley putting the development and shipment of a Lan Manager product a little closer to reality. Legal issues surrounding the intro of the SuperGen line were also managed. The printer contract remains to be signed. Products or changes continue to be added to the second amendment which is committed

for execution during June. Finally received some initial direction on the applications promotions that the PC Marketing group in Blue Bell wants to generate.

Graves Account Team

DAK Industries (David Bennett)

Conducted a successful Executive Review for DAK Industries
Close DAK Windows/Productivity Pack amendment

Embedded System Sale Program (Ray Kanemori)

Received the buy-in from Joachim to proceed further on a commissioned component manufacturer's rep firm network for US and a component distributor network for Europe to cover the embedded system market. Will need to complete business plan due June 25 for Joachim to present to upper management. Finance is looking into what it would take to do this commission system and will be discussing with PSS on technical support issues. Ampro came to Redmond in mid-May to convince DOS and OEM management that this embedded market is more substantial than MS believes and their requirements to become an embedded system VAD for MS. Ampro sees an embedded DOS market of 18M units by 1994. Ampro licenses DR DOS 5.0 for around \$7.50- per copy. We will try to get Ampro to be a VAD for MS DOS.

Telxon (Ray Kanemori)

Telxon visits MS on May 1 to be convinced that Pen Windows is the way to go rather than GO. Telxon will be making the decision in June. Developed an amendment to add DOS 5.-0, DOS 5 kernel source code as well as DOSV to Telxon's existing contract.

CompUSA (Doris Medlicott)

Closed DOS 5 license which resulted in \$4.25M over two years with standard terms. Working aggressively to win a Works deal with CompUSA. They are being heavily pursued by Lotus on their low-end systems. Plan to begin account transition to Garype in June.

Leading Technologies (Doris Medlicott)

Made progress in closing them on a Bookshelf license. Aggressively pursuing a Windows and Works deal. They are very committed to Lotus. We will need to spend some time with them to turn around their negative perception of MS. Plan to transition account to Mikeold in June/July.

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