

**To:** Joachim Kempin  
**From:** Richard Fade  
**Date:** June 20, 1991  
**Subject:** June 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

**REVENUE**

Gross revenue for June was \$8.3M vs. budget of \$1.8M, Q4 ended at gross of \$65M vs. budget of \$42.7M. FY91 total was \$199,817M on a plan of \$156M. Q4 got an obvious boost from the \$16M IBM revenues, FG DOS, Mouse sales, and increased Windows revenue helped as well.

Overall the domestic group did very well. Without the IBM revenue, gross sales were \$175M, 113% of budget, and 16% over FY90 revenues of \$151M. We also resolved the prepaid balance issues of all major accounts in the U.S. leaving the appropriate level of prepaids intact and improving customer relationships. This months report is shorter than usual reflecting my need to complete prior to travel to Far East.

The group has done a great job this past year, I would especially like to acknowledge the efforts of the Group managers in delivering on our mission with so many capable but green individuals in the group. Well done guys. it has been a pleasure to work with you !

**NEW BUSINESS**

<u>Account</u>	<u>Product</u>	<u>Comments</u>
AT&T	MMWin, DOS, Win, OS/2 Win Prod Pack	Amendment, \$1.8M/6 mos.
UB	LM Kanji	Std Uplift
Phoenix	Publishing Agreement	\$175K/year
HP/PCG	DOS/Windows	Per processor DOS/Shell
Momenta	Pen Windows/DOS 5.0	3 yr. agmt, nice design win
Northgate	DOS/Windows/Mouse	Financial "clean up" amendment
Zeos Intl.	Mouse Amendment	\$406,000 over 7 months
Gateway	MS Mouse	\$2.1M amendment

**NEWS**

AST will introduce a new product line for the mass merchant channel called AST Advantage. Plans for four new Advantage PCs are in the works, September intro is planned.

AT&T and NCR announced their product line plans. Most AT&T PCs (EISA) will disappear eventually as NCR favors MCA architecture-not good for MS strategy (politics). Rhapsody will be phased out.

Compaq announced their Advanced VGA graphics subsystem; 640X480 256 colors. It is now standard for the 386/25e and 386/20e, and by the end of the year will be standard for most of their desktops.

Cumulus signs deal to supply \$999 386SX to Sears with DOS/Win/WinWorks.

Dell is listed as fasted growing PC manufacturer in North America; sales increased 45% to \$174M in Q391, net income rose 88% to \$10M during same the same period.

Digital agrees to purchase \$100 million worth of AST Research machines for use in Navy bid.

X 587914  
CONFIDENTIAL

**HIGHLY  
CONFIDENTIAL**

Digital announces outsourcing alliance with EDS. First customer, Exxon Corps. Imperial Oil Ltd.

Phoenix announced it has developed a hardware and software "reference design" kit to help speed the design and manufacture of 386SL based notebooks. The kit could cut from two to six months off development times company officials said.

Tandon purchases Positive Corporation in an effort to buy US marketshare, and broaden their product offering (ie. lower priced systems market).

Tandy disclosed at the executive review that Radio Shack will sell CDI systems in 750 Radio Shack locations. The strategy is to fill a price void between the Gryphon and the MPC. The product will be sold under the Philips/Memorex name.

Tandy is de-emphasizing its retail business through Radio Shack Computer Centers. Most of these 230 centers will either convert to sales offices or standard Radio Shack consumer electronic stores or, be closed.

Tandy officially announced its intentions to open six Computer City "super stores" this year with plans to expand to a total of 100 by the end of 1992. It is expected that Tandy will sell the top four (their view of the world) name brand PCs; IBM, Compaq, Apple, and Tandy.

TI has signed their Windows 3.0 amendment and should be shipping Windows on a version of their TravelMate 3000 by mid August.

ZDS has begun development of a Pen Windows machine which will NOT run PenPoint. This machine slated to ship in Spring 92. Follow on machine may support Penpoint.

ZDS is interested in a per-system deal for Multimedia Windows to begin spring 92. MM Win would provide support for the sound hardware they will build into their new machines.

#### ISSUES

AST is eager to receive Kanji DOS 5.0 and DOS V drivers ASAP. AST expectations were set mid-July. AST expects MS to reset expectations in next month.

Commodore - ROM DOS: price, delivery dates, size.

Compaq - Support for Pen has increased dramatically at Compaq. Unfortunately, it is GO that they are hearing from most. We need to increase our efforts at Compaq dramatically.

Compaq - DOS 5 RUP - The 100% program has created problems for Compaq. We did not give Compaq any time to react and modify their own upgrade program. Our SMSD sales force is being very aggressive, and some corporate accounts are getting the perception that MS is selling a complete DOS product, not just an upgrade product.

DEC Spitfire - The project definition and committed resources to this product have changed since it was passed from the Systems group to Applications. PCSG has made commitment to deliver a branch office server based on this product by may of next year and is putting a lot of pressure on Greg to deliver.

DRI is active in several different accounts, including: Arizona Co. , EMI, Dauphin Technologies, and PC Craft.

Initial discussions with NCR on patent immunity suggests that this will be a long and difficult negotiation.

X 587915  
CONFIDENTIAL

HIGHLY  
CONFIDENTIAL

Microsoft delivered the wrong LAN Manager code to Packard Bell three times within a five day period. Thanks to Herculean efforts by DanQ, this was turned around and they now have the proper code.

Tandem - The Excel group is backing off their stated support for the Strategic Alliance agreement with Tandem.

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

UB - The support burden for LM is exceeding the revenue from the product and UB wants to get out of the business.

The Unisys Mouse business continues to be threatened by competitive pricing; not helped by our slow response to jumping problem. Working closely with Pamela to guard.

Wang - The new IBM relationship has literally shut down doing business with Wang in the near term. People are not returning phone calls, the GUIDE group (Pen Windows at Wang) has not returned any of our phone calls or responded to any of our faxes. The Pen Windows amendment has been put on hold. After our first rounds of negotiations on a new master license agreement, it became very clear that Wang will be focused on having more flexibility on product bundling given IBM also sells PC-DOS, OS/2, GO, etc...Over the next couple of months it will be very interesting to see how much Wang will change and what they will be focused on.

ZDS has been briefed on Foghorn. We have disclosed that we are in an exclusive situation with a hardware vendor. We have been warned by Bob Meinshein of ZDS that they will be "incensed" if this vendor is a PC vendor since the Foghorn deal is an exclusive one and since ZDS was never approached on it.

There have been reports that Z-Nix is distributing their Super Mouse/Windows bundle in Australia.

#### PEOPLE

June saw the conclusion to the group reorganization. All promotions and new assignments announced ( see my previous memo and attached new org chart ). We have really had to scramble to recruit for the four positions opened through the above. We have filled all positions. Patty Rebne will join Geordge's group from MSU, John Wang will join Kathy's group from International. Sheri Vail will move over to manager Intel and Phoenix accounts reporting to Tedha. Everex and Paralan will be managed by Ken Reeves, an outside hire, starting in early July.

Ron and Jeff have joined the Monday staff meetings, group managers are scheduling presentations to Ron to transition to reporting directly to him. I will do same with MS KK, TC, and CH in the next 30 days beginning with trip on August 19th.

In all I believe the re-organization is going quite smoothly, though the group managers will have their hands full in Q1 with more than 1/2 dozen new account manager/account assignments.

#### COMMENTS ON REVENUE

June revenue was greatly increased by IBM revenue. The Windows, NT flat fees, OS/2 "unreported royalties", and unexpectedly high LAN Man royalties brought IBM's total for Q4 to \$16M (total for FY91 was \$24.8M). \$2M in FG Mice plus \$1.5M in FG MS-DOS sales also helped Junes total. These very positive revenues were decreased by close to \$8M in credits, revenue reversals associated with the renegotiation of the NCR master agreement, writing off the Excelan/Novell A/R and the like. These were not surprises, we addressed these outstanding credit issues to provide a clean start for FY92.

DOEM incremental prepaid balance has been arrested and initial analysis looks as though we decreased the current prepaid balance totals to \$40M, or roughly 20% of our go forward annual revenue. This is consistent with our goals, we are no longer pursuing any aggressive prepaid balance "earn backs" as we had earlier in this year. Overall I would declare FY91 a revenue success and again congratulate the group managers on a great job.

HIGHLY  
CONFIDENTIAL

### FG-DOS

Trend is about the same, we have seen total FG DOS sales increase on the release of MS DOS v5.0. We expect that after the initial 60 - 90 increase in sales our sales rate will settle in between 25-30K. We are working on a proposal for a new product offering aimed at significantly upping our FG DOS penetration without losing money, or cannibalizing our current royalty business.

We continue the practice of converting our larger FG DOS customers to p/system royalty licenses.

	June Units	%	Q4 Units	%	FY91 Units	%	FY90
PP 3.3	2,282	12%	9,637	16%	62,572	25%	
PP 4.01 (5 1/4)	4,655	24%	23,745	42%	130,348	52%	
PP 4.01 (3.5)	2,005	10%	12,780	23%	48,415	19%	
PP 5.0 (5 1/4)	8,764	45%	8,764	16%	8,764	4%	
PP 5.0 (3.5)	1,764	9%	1,764	3%	1,764	0%	
Units of PP	19,470	100%	56,690	100%	251,863	100%	265,282
Dollars of PP	\$1,047,850		\$2,970,610		\$12,905,601		\$13,533,159
Avg. Price	\$53.82		\$52.40		\$51.24		\$51.01

### LAPTOP WATCH

AST plans on introducing a new Advantage notebook for the mass merchant channel within the next six months. The notebook SRP is \$2,995. AST expects to avoid channel conflict by requiring large quantity agreements which Premium notebook distributors have the opportunity to sign.

AT&T - Safari group wants MS to help them differentiate their Notebook computer. Meeting set for 7/31 to discuss Pen, MM, voice, communications, PCMCIA, etc.

CompUSA planning to introduce low-priced CompuDyne notebook systems with possible SRP of \$1500 for 386SX, 40MB systems.

Digital - Production problems with the Olivetti laptop have delayed the shipping of this product.

EMI's notebook systems currently come with MS DOS they have told MS they may go with DR DOS on some of the systems (coming from FE vendor Nantan).

GRID announced the 1550cd portable. The first portable with an internal CD ROM drive. The system also includes a built in ISOPoint and Windows 3.0. It has an SRP of \$6590 and weighs 17lbs.

Momenta is shooting for an October release of their first product; a DOS based pen notebook system (this reflects a 30 day slip in their schedule).

TI will ship a DOS 5.0/Win 3.0 system by August 31, 1991.

ZDS met with Pen Windows group to discuss plans to build a Pen Windows machine. This machine will not run Penpoint. ZDS has also announced to SPAG that they would build the Ballpoint docking receptacle into every portable machine beginning next year and that every ZDS machine will ship with Windows.

X 587917  
CONFIDENTIAL

HIGHLY  
CONFIDENTIAL

### RISC WATCH

AT&T may add RISC processors to their 3B line buy only to be used as accelerators for existing platforms and NO SPARC will be used.

Wang will be a reseller of the IBM R6000 and will re-evaluate their commitment to MIPs. 90% chance Wang will get out of ACE and drop MIPs line.

Xerox has committed to selling 6,000 SPARC stations in 1992.

ZDS briefed on Jazz. They re very excited and want to begin a "skunkworks" development project staffed by their Advanced Technology organization. ZDS/Bull issues over who own MIPs remain.

### DOS 5.0 WATCH

We are changing the format of this section for next month to focus on who is actually shipping DOS 5 and on what % of their systems. June's data is a bit fragmented in this report, however we have standardized on a new format to report this and will do so in July.

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>
Tandem	S		Shipping	N
Commodore	S	5/91	OAK + 90	N
Phoenix	S	12/90	30	N
Intel	S	12/90	30	N
Compaq	S	9/90	mid July	N
Dell	S		6/11	N
Digital	P	6/91	OEM ver in CQ491	N
NCR	S	4/91	Shipping	N
HP	S	4/91	+ 60	N
Data General	N	8/91	?	N
Momenta	S	5/91	+ 120	N
Tandon	S	4/91	Shipping	N
Northgate	S	2/91	Shipping	N
AST	S	4/91	+ 30	N
Atari	N	8/91	?	Y
BSM	N	7/91	+ 90	N
Datapoint	N	7/91	+ 60	N
CompUSA	S	5/91	+ 90	N
PC Craft	N	7/15/91	7/30/91	N
Bell Computer	S	6/15/91	7/5/91	N
Intermec	N	6/28/91	Mid 1992	N
Republic Tech	N	7/31/91	Late 1991	Y
NCR POS	S	6/28/91	Late 1991	N
NCR Financial	S	6/28/91	Late 1991	N
Telxon	N	6/28/91	1992	N
Ampro	P	7/31/91	Late 1991	Y
Norland	P	8/30/91	Late 1991	N
Ares	P	10/91	10/91	N
Data Media	P	10/91	11/91	N
System Int.	P	8/91	8/91	N

All accounts are signed. Several have begun shipping, all will be shipping by end July.  
(Zenith, Tandy, Everex, Packard Bell, CompuAdd)

X 587918  
CONFIDENTIAL

HIGHLY  
CONFIDENTIAL

### 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

#### DOS 5.0

Inventa and CalComp need XIP for palmtop PCs and Intermec need XIP for handheld terminals.

#### Flash Memory File Systems

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

#### LAN Manager

Tandem - Support for LAN Manager perceived as an excessive burden by UB. While generating 2% of UB's revenue accounts accounts for 20% of support.

#### 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 July meeting here.

#### Pen Windows

Telxon was concern about the robustness of Windows vs PenPoint.

#### Power Management

Need to have key embedded OEMs review advance power mgt. spec.

#### Works

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

**HIGHLY  
CONFIDENTIAL**

**X 587919  
CONFIDENTIAL**

## ACCOUNT SUMMARIES

(As reported by Group and Account Managers)

### Jenkins Account Team

#### **AT&T (Patty Eastern)**

The Pike Patent issue did not hold up the Amendment extending the term of the master agreement for DOS/OS/2/Windows and adding a Windows with Multimedia Extensions design win. The Amendment, worth \$1.8M in six months, was signed by AT&T on 6/28. Billg agreed to let the lawyers try to resolve the patent issue while we still let AT&T ship DOS/Windows for 6 months. I also closed a Rhapsody agreement amendment modifying some administrative terms. Our conversations with the Safari group are improving with a meeting scheduled for end of July to discuss new opportunities and a conference call regarding Flash Memory and PCMCIA was extremely productive. AT&T paid their \$400K co-sponsorship fee for the Win Discovery Days and they are off and running as of last week.

#### **Everex (John McLauchlan)**

Most of the month was spent on making arrangements for the Windows technical workshop and DOS sales and product support training sessions. I was pleased with the attendance at the sessions. In total there were over 100 people per day for the Windows and DOS training sessions. Special thanks to alexn, sergiop, randym from the systems transitions teams.

#### **Packard Bell (Melvin Henderson-Rubio)**

Packard Bell and MS sign the "network" LAN Manager license. MS provide WinExcel & MS-DOS 5.0 training at Packard Bell's for their tech support staff. Numerous details associated with getting PB to the point where they can ship the network solution bundle. Have meeting scheduled for 7/19 with Bery et al to present Windows/EBU apps proposal & Multimedia.

#### **Tandy (Ray DiCaspero)**

Tandy and MS had its annual executive review this month. There were no unexpected issues. The two issues that were brought up included:

1. Tandy is reluctant to pay higher royalties for DOS and Windows. This is an issue because their processor mix is migrating toward the 386SX and the royalties are higher than what they have been paying for 8086 and 80286 systems. Raydc is scheduled to meet with Tandy in July to agree on Windows royalties. Tandy will have to change its mind-set about expecting to pay low (<\$10-12) royalties for DOS and Windows.
2. Tandy wants to decrease the ISV royalties for Haiku and eliminate MS' receipt of 25% of the collected royalties. MS counter proposed by agreeing to decrease the royalties and MS retaining its prorated share of royalties. Tandy has yet to agree with the counter-proposal. Raydc and Robg will pursue seeking agreement from Tandy on the counter proposal.

#### **Wang (Jeff Morris)**

The big news of the month was Wang becoming a reseller of IBM HW. This will be an interesting deal to watch. The deal was cut at such a high level within Wang, that Wang management were completely caught off guard and are now trying to figure out what the deal is and how to implement. Jeff visited Wang with Susandi to start the first rounds of contract negotiations. Jeff is in the process of converting Wang over to a new master agreement, but given the IBM deal, Jeff will probably slow this process down given our current agreement has MS business locked in for an indefinite amount of time. During the first rounds of negotiations, it was obvious to Jeff that Wang is looking for more flexibility in our per-system model given IBM also sells PC-DOS and OS/2. The Pen Windows amendment has also been put on hold by Wang until they can better understand the IBM relationship. This is not good given IBM is selling GO. Wang shipped MS-DOS 5.0 on June 12!

**HIGHLY  
CONFIDENTIAL**

**X 587920  
CONFIDENTIAL**

## ACCOUNT SUMMARIES

(As reported by Group and Account Managers)

### Jenkins Account Team

#### **AT&T (Patty Eastern)**

The Pike Patent issue did not hold up the Amendment extending the term of the master agreement for DOS/OS/2/Windows and adding a Windows with Multimedia Extensions design win. The Amendment, worth \$1.8M in six months, was signed by AT&T on 6/28. Billg agreed to let the lawyers try to resolve the patent issue while we still let AT&T ship DOS/Windows for 6 months. I also closed a Rhapsody agreement amendment modifying some administrative terms. Our conversations with the Safari group are improving with a meeting scheduled for end of July to discuss new opportunities and a conference call regarding Flash Memory and PCMCIA was extremely productive. AT&T&T paid their \$400K co-sponsorship fee for the Win Discovery Days and they are off and running as of last week.

#### **Everex (John McLaughlan)**

Most of the month was spent on making arrangements for the Windows technical workshop and DOS sales and product support training sessions. I was pleased with the attendance at the sessions. In total there were over 100 people per day for the Windows and DOS training sessions. Special thanks to alexn, sergiop, randym from the systems transitions teams.

#### **Packard Bell (Melvin Henderson-Rubio)**

Packard Bell and MS sign the "network" LAN Manager license. MS provide WinExcel & MS-DOS 5.0 training at Packard Bell's for their tech support staff. Numerous details associated with getting PB to the point where they can ship the network solution bundle. Have meeting scheduled for 7/19 with Beny et al to present Windows/EBU apps proposal & Multimedia.

#### **Tandy (Ray DiCaspero)**

Tandy and MS had its annual executive review this month. There were no unexpected issues. The two issues that were brought up included:

1. Tandy is reluctant to pay higher royalties for DOS and Windows. This is an issue because their processor mix is migrating toward the 386SX and the royalties are higher than what they have been paying for 8086 and 80286 systems. Raydc is scheduled to meet with Tandy in July to agree on Windows royalties. Tandy will have to change its mind-set about expecting to pay low (<\$10-12) royalties for DOS and Windows.
2. Tandy wants to decrease the ISV royalties for Haiku and eliminate MS' receipt of 25% of the collected royalties. MS counter proposed by agreeing to decrease the royalties and MS retaining its prorated share of royalties. Tandy has yet to agree with the counter-proposal. Raydc and Robg will pursue seeking agreement from Tandy on the counter proposal.

#### **Wang (Jeff Morris)**

The big news of the month was Wang becoming a reseller of IBM HW. This will be an interesting deal to watch. The deal was cut at such a high level within Wang, that Wang management were completely caught off guard and are now trying to figure out what the deal is and how to implement. Jeff visited Wang with Susandi to start the first rounds of contract negotiations. Jeff is in the process of converting Wang over to a new master agreement, but given the IBM deal, Jeff will probably slow this process down given our current agreement has MS business locked in for an indefinite amount of time. During the first rounds of negotiations, it was obvious to Jeff that Wang is looking for more flexibility in our per-system model given IBM also sells PC-DOS and OS/2. The Pen Windows amendment has also been put on hold by Wang until they can better understand the IBM relationship. This is not good given IBM is selling GO. Wang shipped MS-DOS 5.0 on June 12!

X 587921  
CONFIDENTIAL

**HIGHLY  
CONFIDENTIAL**

**Zenith (Tom Davis)**

ZDS met with us this month to discuss their plans to develop a Pen Windows machine and to propose joint development in this area. We disclosed ZDS on peer-to-peer networking, NT/Jazz and our plans to market a sound board. They are very interest in these areas. We also met to discuss a per systems deal which would place MM Windows on every ZDS machine. Discussions continue. A billg and Enrico Pesatori visit is planned for next month during which these topics will be discusses. Also, ZDS has experienced continuing success in the retail channel. They signed Businessland and Micro Age this month and have an amazingly high level of orders and interest in their new machines.

**Hannum Account Team**

**Compaq (Peter Braman)**

Compaq Systems Engineering and Product Marketing spent the entire month of June evaluating their Windows strategy options. They have decided to back on ff on a Windows 3.0 strategy and instead pursue a Windows 3.1 pre-install strategy.

**Compaq (Mark Buick)**

Pen Windows took a step forward in June. Compaq has now completed the informal phase of the Pen investigation and is moving forward to a more in depth phase of deciding what a pen machines should look like. Compaq has seen significance interest in the corporate marketplace for Pen computing. Unfortunately at this stage most of the interst has been generated by GO. Compaq is concerned about having to offer both environments when they develop a product for this marketplace.

**Commodore (Debbie Flynn)**

The issue of which DOS to put on their palmtop machine is a very hot issue. In a meeting with Tony Ricci this month, it was discovered that there was some internal miscommunication about the technical equivalence of MS ROM DOS 5.0 and DRI. Because of that, Tony refused to continue the negotiating. This matter was straightened out relatively quick with all of the technical people agreeing that this is going to be a priced decision. CBM is anxious to move forward on a DOS decision so that they can begin their application development. MS is at a severe competitive disadvantage with regard to the price, delivery date and size of the product. Debbieff will be working to buy some time so that MS can build value for the product and also understand the competitive advantages that will make it successful in the marketplace. DOS 5.0 will not be shipping until late August.

**Dell (Barry Spector)**

June was a transition month for the Dell account, with Barrysp moving on handle OEM training. It was also a month of major planning for the first Dell executive review, which went well during the last week of the month. With the new per-processor, Window/DOS license signed, new opportunities are in the following areas: 1) Pen Windows, 2) Preinstalled apps, 3) Windows partners. There is concern about going to IBM is OS/2 2.0 support is not available from MS. Michael Dell, Andrew Harris, Dell's Sr. Mktg VP, and Glenn Henry, the Sr Engr VP, all came out of the meeting jazzed about doing joint marketing and strategic projects with Microsoft.

**Digital (Kelly Wood)**

The evolution of the mini/mainframe business has not left Digital unscathed. A newly announced headcount reduction plan will start to take affect with nearly 9,000 people scheduled to get their pink slips by year-end. It is heavily rumored that this number could double. Due to these pressures sand Digital's new organization structures, the development groups Kelly and Greg deal with are exhibit aggressive behavior in driving costs down and firm up schedules. The bulk of Kelly's time was spent this month in working issues around the All-in-1 and Master (DOS/Windows) contracts, preparing for another account review (wake up call to DEC issues), and preparing for a BillG meeting with Jack Smith and Bill Strecker. The Master contract was dealt somewhat of a setback due to a last minute marketing/selling blitz of OS/2 2.0 by our good friends at IBM.

**HIGHLY  
CONFIDENTIAL**

**X 587922  
CONFIDENTIAL**

**Intel (Pete Peter)**

During May, we signed the second amendment to the FMSDK Distribution Agreement. This amendment expands the distribution of Flash File System at \$2.00 per copy royalty to an additional collection of Developers kits which feature and promote solid state memory implementation. SMSD participated in a corporate-wide upgrade days at Intel which was very controversial for everyone involved. Intel systems people claim that Microsoft upstaged their opportunity to upgrade themselves at a reduced cost and effectively positioned OEM supplied DOS as inferior to the retail upgrade. This issue is not yet resolved.

**Logitech (Pete Peter)**

Logitech continues to have great success with their Windows bundles. They will immediately devote engineering resources to their implementation of Windows 3.1 after receiving a beta copy in June. We are awaiting two new bundles which package their radio controlled (cordless) mouse and their portable trackman (Ballpoint competition) with Windows.

**Phoenix (Pete Peter)**

The publishing agreement was closed in June. We met with Phoenix during June to hear their request for our support of the PenBIOS project. GregS, PradeepS and PeteP met with Gerry Purdy, Director of Portable Systems on June 12. Phoenix is very clear about our disappointment with this initiative. We concluded that it will be in our best interests to ensure that the Pen Windows promoting of this is implemented correctly but are hesitant to publicly endorse the design or participate in co-marketing or joint development of this product.

**SUN (Pete Peter)**

After our exploratory meeting with SUN in Redmond on May 23, they continue to be interested in LAN Manager for UNIX but aren't beating the door down. They are evaluating competitive offerings from Atlantix, Syntax and Novell. TonyLau supplied SUN with the newly released license agreement language and pricing in June. Our plan is to bombard them with press coverage on LAN Manager for UNIX and marketing collateral. We are considering the possibility of showing them a path to their huge DOS prepaid balance as an incentive to come on board with LAN Manger for UNIX. The path to the prepaids is only an idea at this point.

**Ungermann-Bass (Mark Buick)**

In June, we met UB to discuss their future involvement in marketing LM> UB is seriously considering getting out this business. The support burden is far later than the revenues received from the product.; This issue will be escalated in July with a meeting here at MS with Mike Murray.

**Chestnut Account Team**

**AST (Jeff Daniels)**

AST ended FY91 with an estimate of \$625M in sales revenues. AST's FY92 goal is internally referred to as Quantum Leap - \$1B in sales revenues. AST expects large revenue increases from a new product line called Advantage that is targeted for the mass merchant channel. MS derailed AST's verbal agreement with Lotus Works on the Advantage product line by selling them on Windows Works, Barney, and the Productivity Pack. I reached verbal agreement on these products and expect license closure when MS delivers golden masters. New issues with AST surfaced this month: poor communication within MS regarding how the DOS 5.0 upgrade program will really work caused some tension. AST doubts MS' promise of DOS V beta drivers to be shipped mid July. Finally, IBM and MS's disparity on OS/2 leaves IBM as the more credible long term source for OS/2, we need to address this asap.

**Hewlett-Packard (Larry Edralin)**

This month had two major events occur: the signing of a per processor amendment with PCG and another of the Steering Committee meetings between Gates and Hackborn. Also, in preparation for these events many meetings were held with the PCG R&D staff and contracts, the Boise teams, and management meetings with Bob Frankenberg and the new GM of BPR, Steve Simpson. Helped to set up MS as a beta test site for the LaserJet IIIsi in the MIS group and finalized the process for release of the DLC stack in LM 2.0c after testing by the LM group.

**Hewlett-Packard Corvallis (Darcy Ruscigno)**

The Lion project has progressed. Corvallis wants to move immediately on closing the business terms of Lion; inclusive of Dos 5.0, Windows 3.1, WFW, and Excel. Corvallis sees making Lion a "Microsoft" machine as key differentiator in portable market. Darcy, Markche, and Lewis visited on 6/20 to discuss and present on the marketing opportunities for putting Excel and WFW on Lion, which was well received, and endorsed Corvallis' research. Internally, Darcy has met with the OBU and ABU BUMs to get their buyoff for supporting this project. Darcy is now coordinating technical discussions between both companies to identify resources required. At the HP Quarterly Steering committee meeting, Lion was referenced frequently by HP's VPs, and project status update was well received by both companies. Next steps are for Darcy to coordinate technical resources, and compile license terms.

**NCR (Teresa Chapman)**

After a great deal of effort, both parties finally signed the LOI which outlines terms for a new master agreement, re-structures NCR's minimum commitments, and solves the UPB problem (while also providing an increased DOS per processor royalty). Teresa visited NCR in Augsburg and made good progress in moving the Pen Windows license forward, as well as initiating per system Windows discussions.

**Printer Business (Nancy Ritzenthaler)**

After a misleading and negative WSJ article saying Microsoft was getting completely out of the printer business, quite a bit of damage control with customers and prospects was needed. Current customers will now be handled directly by the WPG, and prospects will be transferred to the named account OEMs or the new business OEMS. The new aggressive pricing schedule should be of interest to accounts with low support needs. We expect much of the business to come from our sub-licensees, Peerless and LaserMaster.

Printer companies I continue to handle include PDP, Mannesman Tally/Siemens, and DEC. The first two companies are likely to sign TrueImage licensees, and DEC is strategic for the printer business. Both PDP and Mannesman Tally now have evaluation units in-house and are actively testing compatibility and performance

**Downing Account Team**

**Britannica (Wolf Struss)**

The Britannica deal for MM Windows has been put on indefinite hold. Apparently, Britannica is re-thinking their product strategy.

**Cumulus (Susan Diamond)**

Marty Alpert of Cumulus visited Microsoft on Monday, 1 July. Purpose of the meeting was to discuss DOS/Windows/Works pricing for a Sears Department Store bid. Cumulus has been awarded the bid but is requesting better pricing specifically for this new channel. Pricing decision is still under consideration by Microsoft. Also provided product presentations on the EBU line, including demos of Voodoo, Barney and WinWorks, and Win 3.1.

**Gateway 2000 (Dave Wright)**

Dave has closed the Gateway mouse amendment which is a commitment for \$2.1M with a unit commit of 120,000 units (the largest mouse license in MS history). Custom mouse still a high interest but timing will be Q2FY92 at earliest.

**Headland Technologies (Wolf Struss)**

Negotiations were completed on their Multimedia Windows license agreement. The minimum,um commitment was lowered from \$2430K to \$120K. The agreement was sent to Headland for signature.

**ROO (Wolf Struss)**

Met with ROO and discussed the schedule slip for ROM DOS 5.0. ROO requested that they be allowed to make the disk based release of DOS 5.0 ROMable. Forwarded this request onto the DOS group and set up a technical

contact for ROO within the DOS group. They are under severe time pressure and cannot wait for the ROM DOS 5.0 final release. They also requested that ROO be allowed to quote MS in a press release they are planning on releasing in the next few months.

**SMS/Acbel Technologies (Ben Hsu)**

BenH spent a lot of time in this account in order to keep up the customer relationship to keep DRI out of this account.

**Swan Technologies (Susan Diamond)**

Swan has become a DRI threat. DR visited Swan on Wednesday, 26 June and gave their pitch. Now Swan is considering DR-DOS as an alternative to MS-DOS. Key points are:

\*Price: DR-DOS is 2.5X lower than MS-DOS (around \$7 per copy).

\*Commitment: DR offers per-copy deals with no minimum commit or minimum term. Microsoft has offered per system, 2-year terms.

\*Features: DR is pitching DOS 6.0 as the future industry standard. They emphasize the fact that MS is at least one year away from a 6.0 version.

\*Better support.

Swan will make their decision based on a proposal which is currently being worked on. Susandi is working with key Swan contacts to influence and assist with the proposal. A meeting with the Swan decision maker, Jim Bauer, has also been scheduled for 25 July. Swan has confirmed that no decision against Microsoft will be made prior to that meeting.

**Texas Instruments (Dave Wright)**

TI has signed a Windows 3.0 amendment for 6000 units. They will ship Windows on a per system basis on a unit based upon their TravelMate 3000 unit called a TM 3000 WinSX. They also will be releasing other models soon with Windows preinstalled.

**Tusk, Inc. (formerly Task Systems (Susan Diamond))**

Tusk Inc. has confirmed that they will participate with Microsoft in our Fall COMDEX pen computing booth. Tusk will be one of four OEMs participating.

**Unisys (Michèle Pearson)**

Unisys paid their quarterly min commit of \$4,000,000.00 even though they continued their downward spiral with additional layoffs. During the first half of the month, Flemington and Blue Bell were both hit hard; DSD suffered as well. Despite this the applications proposal was finalized and the first counter proposal has come in verbally. The final printer driver agreement was executed by Unisys and in MS routing. The source code agreement for WLO is being finalized in MS legal and will be provided to DSD/Flemington week of July 15. Video-conference on Windows for Pen and Multimedia proposed to several divisions. Unisys is reviewing the final draft on Amendment Two. Mouse competition became more obvious. Transition activities begun in earnest with HP.

**Graves Account Team**

**Embedded System Sales Program (Ray Kanemori)**

Completed a business plan for Joachim to present to upper management the concept of a commissions component manufacturer's rep firm network for US and a component distributor network for Europe to cover the embedded system market. Ampro is interest in MS DOS 5.0 at \$10 per copy but they have a \$300K prepaid balance with DRI. They are interested in licensing Kanji MS0DOS 5.0 and DOS/V for the Japanese market. Ampro continues to give us info about what they are doing with component distributors in Europe.

**Miscellaneous Accounts (Doris Medicott)**

There was a great demand for DOS 5.0 during June; Doris signed 28 license agreements, the majority being FG DOS 5. MS competition for DOS and EBU products are everywhere...Doris encountered DR and Lotus in some

accounts during June and is currently working to ensure business opportunities for MS in all these accounts. In preparation for maternity leave, Doris successfully transitioned KeyTronic and Leading Technology to Mike Oldham, and is in the process of transition CompUSA, and BSM to Garype.

**Miscellaneous Accounts (rayka)**

Sent out the contracts for Rolodex(Tele-Art Marketing) and Republic Technology. Rolodex is working on future plans for a pen-based system that will include ROM-DOS 5.0, ROM Windows, Pen Windows and Works. Uncovered a huge opportunity at TV Interactive for a 386SL/DVI TV decoder for ROM-DOS 3.22/ROM Windows/Multi-Media Windows. Presented ROM-DOS 5.0 to four important Far East palmtop PC vendors (Inventa, VideoTech, Bondwell, and Cal-Comp). Although some of these are using DR-DOS 5.0, they are interested in evaluating MS-DOS 5.0 for their HHC1 prototypes.

**Telxon (rayka)**

Telxon was sent an amendment to their current contract that includes the MS-DOS ROM Version 5.0, the kernel source code, and DOS/V driver. Telxon is leaning towards Pen Windows over GO but they still are concern about the robustness of Windows vs PenPoint. At the Intel-Chandler meetings on HHC1, Telxon expressed that they will be shipping ROM-DOS 5.0 in their HHC1 and the pen-based system but will continue to ship 3.2 in their existing models.

**Zeos (mikeold)**

Greg Harrick committed to extending the existing mouse agreement for an additional seven months at a reduced royalty rate of \$18. Based on emerging pointing device technologies, Greg felt it was too compromising to commit beyond that time frame. He referred to wireless and infrared products he had recently seen as he considered competitive products to the MS mouse. Greg also agreed to meet at Microsoft for an executive review in Q4. Dan Yeakley, director of product development, will be evaluating the Ball Point mouse for Zeos mobile systems. He has been evaluating Logitech's Trackman Portable and considers it awkward for users accustomed to a standard mouse.

**HIGHLY  
CONFIDENTIAL**

**X 587926  
CONFIDENTIAL**