

SENT BY: Xerox Telecopier 7020 ; 7-23-91 ; 8:46PM ;
 Microsoft Corporation Phone 202 364 2485
 5335 Wisconsin Avenue, N.W. Fax 202 364 8833
 Suite 600
 Washington, DC 20015

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512 335 6236; # 2

*No mouse
 must upgrade for free
 Year 1 66% of business
 CompuAdd.*

Microsoft

July 23, 1991

*Sanjad 895-2046
 202*

CompuAdd
 12303 Technology Boulevard
 Austin, Texas 78727

Attention: Jerry Mixon

Subject: Air Force Solicitation Number F01620-91-R-A212

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Dear Mr. Mixon:

Microsoft is pleased to provide the following prices for the Microsoft products being furnished to CompuAdd in support of, and solely for the subject contract effort.

OFFICE AUTOMATION SUITE - OPTION 1

The royalty pricing for this Office Automation product, consisting of these component products, of \$270 is a per copy/non-exclusive price. "Per copy" means that CompuAdd may use this price for any or all Basic, Intermediate, and Advanced Systems shipped (CLINs 0001AA, 0002AA, and 0003AA), under this contract effort, and can be used for the Separately Orderable Software (CLIN 0005AA), or for any system originally ordered without Office Automation Software, but later requiring it. The component products may not be ordered separately, as they are only available as a group of products to satisfy the Office Automation Software requirement for the subject effort. "Non-exclusive" means that CompuAdd may offer these products at these prices in some or all of the bids submitted.

Product	SRP	Discounted Price
Microsoft Windows Applications:		
- Microsoft Word for Windows	\$495	
- Microsoft Excel for Windows	\$495	
- Microsoft PowerPoint for Windows	\$495	
Total Per Copy Price	\$1818.95	\$270

The Microsoft Mouse being made available is the OEM 9-pin 200ppi serial Mouse. It will be made available for \$17.

OFFICE AUTOMATION SUITE - OPTION 2

The royalty pricing for this Office Automation product, consisting of these component products, of \$250 is a per copy/exclusive price. "Per copy" means that CompuAdd may use this price for any or all Basic, Intermediate, and Advanced Systems shipped (CLINs 0001AA, 0002AA, and 0003AA), under this contract effort, and can be used for the Separately Orderable Software (CLIN 0005AA), or for any system originally ordered

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Microsoft Corporation is an equal opportunity employer.

without Office Automation Software, but later requiring it. The component products may not be ordered separately, as they are only available as a group of products to satisfy the Office Automation Software requirement for the subject effort. "Exclusive" means this price is contingent upon CompuAdd bidding this Office Automation product as the sole and exclusive product in all of CompuAdd's bids for the Office Automation Software requirement for the subject effort.

Product	SRP	Discounted Price
Microsoft Windows Applications:		
- Microsoft Word for Windows	\$495	
- Microsoft Excel for Windows	\$495	
- Microsoft PowerPoint for Windows	\$495	
Total Per Copy Price	\$1818.95	\$250

The Microsoft Mouse being made available is the OEM 9-pin 200ppi serial Mouse. It will be made available for \$17.

OFFICE AUTOMATION SUITE - OPTION 3

The royalty pricing for this Office Automation product, consisting of these component products, is a per system/exclusive price, which means that it must be licensed for all Basic, Intermediate, and Advanced Systems shipped (CLINs 0001AA and AB, 0002AA and AB, and 0003AA and AB) under this contract effort. CompuAdd shall only be responsible for the payment, to Microsoft, for the royalties equaling the product of the stated price (see below) and 80% of the systems shipped (as defined above), during the royalty reporting period. The component products may not be ordered separately, as they are only available as a group of products to satisfy the Office Automation Software requirement for the subject effort. "Exclusive" means this price is contingent upon CompuAdd bidding this Office Automation product as the sole and exclusive product in all of CompuAdd's bids for the Office Automation Software requirement for the subject effort.

Product	SRP	Disc Price Yr 1	Yr 2	Yr 3
Microsoft Windows Applications:				
- Microsoft Word for Windows	\$495			
- Microsoft Excel for Windows	\$495			
- Microsoft PowerPoint for Windows	\$495			
Total Per System Price	\$1818.95	\$150	\$145	\$140

The software can be purchased for all Separately Orderable Software (CLIN 0005AA) requirements at a price of \$150.

The Microsoft Mouse being made available is the OEM 9-pin 200ppi serial Mouse. It will be made available for \$17.

All of the scenarios described above, for Microsoft Word for Windows, Microsoft Excel for Windows, and Microsoft PowerPoint for Windows include the right for CompuAdd to provide product updates, upon commercially release, for those products previously distributed under this contract, in accordance with the contract requirements.

Should CompuAdd elect OFFICE AUTOMATION SUITE - OPTION 3, and become the resultant (and final) awardee of this contract effort, Microsoft is willing to offer a one-time upgrade offer to CompuAdd, as follows. Microsoft will permit CompuAdd, upon the final

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award of the subject contract effort to CompuAdd, which results in the shipment of any product under this contract effort, to provide upgrade products for the Microsoft application products distributed under the Air Force Desktop III contract, to the Air Force Desktop III users who currently possess non-current versions of these application products. CompuAdd may manufacture and distribute these upgrade products for only \$50 for the entire suite. This entire suite is currently comprised of MS-DOS 5.0 Upgrade, Windows 3.0, Word for Windows 1.1, Excel for Windows 3.0, and PowerPoint for Windows 2.0. The eligible Air Force Desktop III contract non-current versions of products are MS-DOS 4.0, Microsoft Windows 2.11, Microsoft Word for Windows 1.0, Excel for Windows 2.1, and PowerPoint for Windows 1.0. The actual upgrade products offered will be those which bring those users of previous version of products current with the latest version which is commercially available at the time of contract award, as defined above. The right to distribute these upgrade products will only be valid for the first 180 calendar days following this contract award date, provided that CompuAdd remains the awardee shipping products under this contract effort. Distribution of these upgrade products is limited only to those Air Force Desktop III users who currently possess non-current versions of these application products. It is currently estimated that the potential revenue from this distribution could exceed \$43M! Depending on how this was proposed to the Government, the Government could be presented with a potential \$38M savings.



Additionally, should CompuAdd elect Pricing Option 3, Microsoft, acting as an exclusive agent for R.R. Donnelley & Sons Company, will issue the following prices for packaged documentation, without any firm quantity commitments:

Microsoft MS-DOS and Windows \$5.50/unit

Microsoft Windows Applications:

- Microsoft Word for Windows
- Microsoft Excel for Windows
- Microsoft PowerPoint for Windows
- Getting Started with Word, Excel, and PowerPoint for Windows
- Symantec Norton Utilities
- Polaris PackRat

\$22.00/unit for entire suite of application products

Total cost

\$27.50/unit for all system & application products

In order to qualify for this special packaged documentation price, CompuAdd must commit to providing this documentation for 100% of its documentation requirements under this contract effort. These prices are FOB Donnelley's Cranfordsville, Indiana plant. Documentation will be shrinkwrapped, packed in cartons and loaded on skids. Diskette pricing will be provided, upon request, by contacting Llewellyn Dorch of R.R. Donnelley & Sons, at (703) 204-2176.

* Microsoft has been authorized as the sole agent to provide these exclusive prices for these products, solely for this subject contract effort. As such, Microsoft will only be acting as an agent for this company, during the proposal preparation stages for this solicitation, in providing the prices stated herein for these products. Microsoft shall not be entering into a third party licensing arrangement with this company, and shall not be responsible for the distribution of products hereunder. Should CompuAdd demonstrate interest in any of these products, and desire to formally consummate an agreement with this company, CompuAdd and this company shall conduct any and all such discussions and subsequent negotiations.

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Similar pricing for documentation for the other Pricing Options, although not as attractive as those described above, will be forthcoming.

Should CompuAdd wish to only offer any of the following items separately, the royalty prices for each are shown below:

Microsoft Windows Applications:	
- Microsoft Word for Windows	\$120
- Microsoft Excel for Windows	\$120
- Microsoft PowerPoint for Windows	\$120
Microsoft Mouse	\$17

These royalty prices are for the most current commercially available versions of these products at contract award. Pricing for newer versions of these products, defined as any change in the version numbers [X.XX], will be negotiable between Microsoft and CompuAdd, if updating the software product availability is desired. The term "royalty pricing" means that Microsoft will provide CompuAdd with a master set of diskettes and camera-ready documentation, so that CompuAdd may perform the actual reproduction and distribution of the finished product, in accordance with the terms and conditions of Microsoft's OEM License Agreement.

Separately Orderable Documentation

All of the pricing issued to CompuAdd which is described as royalty pricing is based on a one-to-one ratio of software and documentation reproduction. The prices for software and documentation cannot be segregated.

Pricing for camera-ready documentation for software products will be provided at a later date, upon request.

For the prices in this quotation to be valid, CompuAdd commits to providing the following:

1. CompuAdd shall establish a marketing fund pool beginning with the date shipment of the first product actually shipped under the resultant contract, should CompuAdd be awarded this contract. This marketing fund pool shall be in the amount of \$100,000 at this date, and for each annual anniversary date thereafter, for a total of three years. This marketing fund will be used solely by Microsoft, for the purpose of advertising and marketing the Microsoft products being provided under this contract, to assist CompuAdd in maximizing the revenue potential of this contract. All advertising and marketing program expenses from this marketing fund pool will be subject to the review and approval of CompuAdd, not to be unreasonably withheld.

2. Production and Delivery Reports

CompuAdd shall provide Microsoft with a copy of the Production and Delivery Reports required by the Prime Contract. Such Production and Delivery Report copies shall be provided to Microsoft not later than the 5th calendar day in each month, and shall be accompanied by a written calculation of the number of Microsoft Products shipped and the corresponding dollar amounts due to Microsoft, both on a current month basis, as well as a cumulative basis. Such reports shall also be provided in a manner detailing this Production and Delivery Report information by Government Agency/DoD Service (eg., Navy, Air Force, Army, etc.).

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3. Access to CompuAdd's mailing list of DT4 customers.

CompuAdd shall provide Microsoft with first access, on a monthly basis, to the complete CompuAdd DT4 mailing list of customers. This list shall include, at a minimum, Name, Title, Agency, full mailing address, and full telephone number. CompuAdd shall provide this information on MS-DOS compatible 5.25" diskettes, as well as in hardcopy format, completely and accurately. Microsoft shall use such mailing lists for the sole purpose of marketing Microsoft products under the subject contract effort.

4. Produce a DT4 Marketing Catalog

Should CompuAdd produce a DT4 Marketing Catalog, CompuAdd shall provide prominent placement of Microsoft advertisements, at no charge to Microsoft for the ad space, highlighting Microsoft software application products being supplied under the subject contract effort. Microsoft will, however, provide the actual ad for CompuAdd.

This offer is valid through October 30, 1991. Should you have any questions, please contact Ms. Mary Ellen O'Brien at (202) 895-2007. Contractual matters may be addressed to the undersigned at (202) 895-2049.

Sincerely,
Microsoft Corporation

Karl L. Brown

Karl L. Brown
Contracts Manager

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Pricing Option _____ (select only one) has been selected by CompuAdd. The prices, terms and other conditions of this proposal's Pricing Option have been reviewed and agreed upon by CompuAdd, in their entirety. This proposal, and the specified Pricing Option, shall not become valid until accepted by CompuAdd, as signified below.

Name

Date

Title

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