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Messages :

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From Jonro Fri Oct 4 14:26:21 1991  
To: alexn bradai davidcol richab richt  
Cc: alexn ericst jonro markbu tomle  
Subject: RE: Compaq Conference Call - 10/4  
Date: Fri Oct 04 14:09:10 PDT 1991

>From a strictly Windows perspective, it's hard to see how this deal makes sense. We're giving them Windows for \$5-\$10, cannibalizing more profitable retail sales, potentially lowering perceived value of Windows, and sets a dangerous pricing precedent with our other OEMs. From a company standpoint it might make sense if we placed a very high value on getting approximately 500k (800k total units next year, without the deal we would be on 300k anyway) more sockets out there for MS Apps, thwarts potential OS/2 2.0 deal (not likely to happen), stops potential DR DOS deal.

Since this does have retail channel and apps implications, Scotto and Mikemep should probably be consulted at some point.

>From alexn Fri Oct 4 13:56:18 1991  
To: bradai davidcol jonro peterbra richab richt teresach  
Cc: alexn ericst markbu tomle tomah  
Subject: Compaq Conference Call - 10/4

Date: Thu Oct 03 13:55:00 PDT 1991

Teresa, Peter and I conferenced with members of the Compaq Windows Team to continue discussions regarding the proposed DOS/Windows SKU. Compaq's team included Vikki Dunn, Judy Alan, Jenn Kishbaugh, David Street, and Jim Odum.

Compaq's current proposition is as follows:

1. Offer joint DOS/Windows SKU for \$99, same as DOS sells for alone today.
2. Develop jointly with MS an optimized, compatible install process that includes an increasing number of Windows-based diagnostic/machine setup tools.
3. Stand alongside us with a very loud, supportive Windows message at Launch and beyond.
4. Though they didn't say how much for how long, they want this joint setup program to be offered by them exclusively - other OEMs would not have Slick for an undetermined amount of time.

Their primary considerations for success of this deal are:

1. Cost - they want to control the royalties paid for Windows, the costs of the manufacturing, slim docs or other alternatives, compression of files to reduce number of disks, etc.
2. Exclusivity - though they didn't come right out and say it, they're very protective of this offering and would like to be the only OEM

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Who can do it for a while.

Other Details:

1. They see this product/support offering as a strong message for industry leadership. Their original idea was to offer the Windows

Toolkit (a support package of info/utilities, etc.) alone; they decided against this because they thought it wasn't a strong enough message to the marketplace.

2. They see the following advantages/disadvantages of the offering:

Advantages: a) Redundant development efforts, having need to create utilities in char & GUI forms, would be phased out. They'll only develop Windows desktop util/apps over time.  
b) easier to include specific support for video, faskdisk, etc.

Disadvantages: a) MIS managers will help show off their hardware user control, this Windows thing getting out of their hands and into their users' hands.  
b) Compaq will still have to support the product, and they're a bit concerned about this.

3. Compaq feels strongly that they will align closely with us during Windows 3.1 launch. Marketing efforts, public relations messages, and company strategy will promote Windows as the Compaq platform of choice. Though they didn't go as far as to say that Rod will be specifically saying such, they indicated that the commitment to Windows will be from all levels of the organization.

4. They think it important to maintain a \$99 price point so the market understands that this DOS/Windows thing is a combo technology, not Windows as an add-on to DOS. They'll count on us to provide flexible royalty structures, and they plan on eating a bit of the cost in each package.

5. We extended the offer to run this notion by our Champs after a product VTU, they were resistant to that because they thought their plans would "leak" to other OEMs.

Next Steps:

1. Alexn/Mike will work to reduce Compaq COGS with methods such as online docs, slim docs, great file compression, etc.
2. Alexn/Andrea will define a set of questions to be asked during VTU focus group to see if we can sanitize them to a point that no confidentiality is compromised.
3. MS OEM Account Team will work out pricing feasibility, other

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business ramifications.

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