



Facsimile Transmittal

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Date: 10/25/92

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Total number of pages (including this cover sheet): 2

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URGENT FOR YOUR REVIEW REPLY ASAP PLEASE COMMENT

Tony,

Just a note confirming the topics discussed on October 20, 1992.

Best regards,

Thomas Henningsgard

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October 25, 1992

Microsoft

Mr. Tony Ricci
VP and Controller
Commodore
1200 Wilson Drive
West Chester, PA 19380-4231

Dear Tony:

I think it is beneficial, in light of our discussion on Tuesday, to confirm Microsoft's pricing structure for OEM licensing deals.

Microsoft is able to offer its best pricing to those OEM customers who elect to report and pay Microsoft a software royalty based on each Customer System they ship. As we discussed, MS offers this "best pricing" if Commodore selects 100% of specific systems to ship with Microsoft software. Microsoft offers this type of pricing so that you can add value to your systems in the end-users' eyes, and help Microsoft penetrate markets we may not have access to without your promotion of the Microsoft Product. This type of pricing has additional advantages; it minimizes the cost of accounting, and inventory control, since only systems need to be counted for royalty calculation purposes (not individual copies of software). It also simplifies the decision process in manufacturing, since all systems get preloaded with the software.

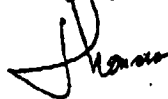
As an example, in our discussion on Tuesday, we touched on PC Works 3.0 pricing, whereby Commodore would commit to shipping 50K units in a twelve month period and pay a \$12 royalty. As we discussed, Commodore would designate 100% of a particular Customer System, or set of Customer Systems, to ship with the Microsoft software. These systems must include the software, preloaded on the hard drives, to receive this low royalty.

Microsoft does offer "per copy" pricing. The shortcoming of per copy pricing is that Commodore includes the Microsoft software, if customers request it. Per copy pricing is significantly higher since it generally takes sales away from our retail channel and doesn't create an incentive for Commodore to actively promote the software. Should Commodore choose to continue with a "per copy" royalty for PC Works and upgrade the license to PC Works 3.0, the royalty will be \$24.50 per copy. Here again, the software must be preloaded on the hard drive, to prevent unbundling at the dealer.

Tony, in regard to Windows per system justification, you disagreed with my analysis and agreed to send me a more detailed set of figures, which more clearly identify those systems you ship with Windows. I look forward to this.

I left with you two executable Amendments to your MS DOS and Windows License. You agreed to get these executed by Mehdi and sent to me within the week. I would appreciate closing these, as our accounting departments need to get the issues on this Amendment cleared up.

Best regards,



Thomas Henningsgard

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