

**January Status Report  
KG Team Account Team  
February 11, 1993**

**Revenue**

**New Business Signed**

<u>Account</u>	<u>Product</u>	<u>Comments</u>
Argent	MS-DOS 6	Amend, min commit
Compulink	MS-DOS 6	Amend, EZ
Comp. Prod.	MS-DOS 6	Amend, added \$122K mins.
Comteck	MS-DOS 6	New EZ
Crutchfield	MS-DOS 6	Amend, min commit
Crutchfield	RTR	Mailed
Daly Comp.	MS-DOS 6	Amend, min commit
Dunn	MS-DOS 6	Amend, added \$60K mins.
Dunn	Windows	EZ
Integra	MS-DOS 6	New EZ
IDPC	MS-DOS 6	Amend, min commit
Iverson	MS-DOS 6	New EZ
MicroSmart	MS-DOS 6	Amend, min commit
Net. Conn.	MS-DOS 6/Win/WFW	New license, 3 years
Nova	OS/2	Amend, added another year
PC Expanders	MS-DOS 6/WFW	Amend, EZ
People's	MS-DOS 6	Amend, min commit
Solutions Eng	MS-DOS 6	Amend, EZ
Uniq	MS-DOS 6	Amend, EZ
Win Labs	MS-DOS 6	Amend, added \$846K mins.
MIC	MED agreement for MS-DOS & Windows	No more replication rights.

**HIGHLY  
CONFIDENTIAL**

**< New Business Pending >**

<u>Account</u>	<u>Product</u>	<u>Royalty</u>	<u>Commit</u>	<u>Close</u>	<u>Chance</u>	<u>Train (Y/N)</u>
Comp. Prod	Mouse	\$31	\$31K	3-93	75%	
Compulink	Mouse	\$28	\$56K	3-93	75%	
CSP	MS-DOS/Win	\$66	\$128K	2-93	75%	
Daly Comp.	Mouse	\$23	\$230K	3-93	50%	
Daly Comp.	Win	\$37	\$740K	3-93	50%	
Dunn	Mouse	\$30	\$30K	2-93	50%	
IDP	Mouse	\$24	192K	3-93	75%	
IDP	WFW	\$12	\$50K	3-93	75%	
Lexmark	MS-DOS ROM	\$12	\$600K	3-93	80%	
Lexmark	ROM Works	\$8	\$200K	3-93	80%	

\*\* MICROSOFT SECRET \*\*

**MS 0054368  
CONFIDENTIAL**

PC Exp.	Mouse	\$28	\$84K	3-93	50%	
PC Plus	Windows	\$38	\$50K	3-93	75%	
Pioneer	MS-DOS	\$26	\$200K	3-93	75%	
Compuadd	MSDOS 6.0	\$19				
Mem-Tel	MS-DOS 6.0	\$25				
Gateway	MS-DOS 6.0	\$18.00	\$20M+	2/15	90%	Y
Gateway	Win Multimedia Pack	\$8.00	\$200k	2/15	90%	Y
Packard Bell	WSS	\$4	500,000	Mar.	45%	N
	MS-DOS 6	\$15	500,000	Feb.	90%	N
MIC	WinWorks	\$18	\$360,000	1Q93	90%	
	MS-DOS 6				90%	
Northgate	MS-DOS 6				90%	
TI	Ballpoint	??	??	1Q93	95%	
	MS-DOS 6				90%	
Conner	MS-DOS 6	\$25	??	1Q93	50%	

< News >

- Memorex Telex is getting out of the PC mfg business; instead will buy from a larger volume supplier, with EDS doing the integration.
- Compuadd loses their protest to DT4 to Zenith. Will not protest again due to legal costs, but expects EDS to protest.
- Compuadd is in Intel's "penalty box" due to their relationship with Cyrix and shipment of IBM's 486SLC2-50 processor. They will be last in line at Intel for the Pentium, so are considered a line of Alpha machines instead.
- Gateway shipped over 140,000 systems in Q2FY93. 40% growth over previous quarter.
- Gateway hitting significant long spell of poor response rates on phones due to phenomenal growth. Much negative press.
- Everex in bankruptcy.
- Northgate having cash flow problems. Working with their investors for another cash infusion.
- TI '486 based notebooks continuing to win industry awards.

< Significant Customer Announcements >

- Compuadd may be adding non-Compuadd PCs to their retail store. Brands include IBM, Compaq, and Apple.
- PB Navigator
- TI new line of '486 DX2/50 notebooks.

< Issues Requiring Management Escalation >

- Intel's business model does not fit well with our in-box distribution requirement for MS-DOS 6. The majority of Intel's systems ship without a hard disk or keyboard into a customer base that is made up primarily of Equipment OEM's. These are customers who manufacture medical

**HIGHLY  
CONFIDENTIAL**

**\*\* MICROSOFT SECRET \*\***

**MS 0054369  
CONFIDENTIAL**

equipment, financial terminals, and other embedded PC applications. The PC is essentially another component. Intel also ships to computer OEMs like DEC. They view this as a significant additional cost since an additional SKU will need to be created for each variation of system they manufacture. SheriV is still driving this amendment until she leaves.

- Access is currently a high profile product and licensed to Gateway. There is no solution for preinstalling the product in an OEM environment. This product could likely dislodge Borland and without resolving this issue, Gateway will not begin to ship the product. Reprioritization is required from product group.

- MM pricing for the mass merchant channel

**< Competition >**

<u>Competitor</u>	<u>Account</u>	<u>Product</u>	<u>Comments</u>
Logitech	Gateway	OEM mouse	single digit quotes
Borland	Gateway	Paradox + Lang.	still maintains a stronghold. Access trying to get footing.
Lotus	Gateway	1-2-3W	Lotus is staying close to Gateway.
Novell	Gateway	DR-DOS	extremely low quote. Low chance of losing business, but not timed well in MS-DOS 6.0 negotiations.
Voyetra	Packard Bell	sound software	royalties at \$.75
Computer	Comark	Aps bundle	done deal @ \$17.50 for any product including COGS

**< Windows Watch >**

<u>Account</u>	<u>% Penetration</u>	<u>% Pre-Installed</u>	<u>% MPC's</u>
Absolute	100%	100%	0%
Argent	100%	100%	0%
Ariel Design	75%	100%	0%
Compulink	100%	100%	0%
Crescent	75%	0%	0%
Crutchfield	100%	100%	5%
CSP	50%	0%	0%
Entre	90%	100%	0%
IDP	50%	100%	0%
Interface	100%	100%	0%
Magitech	25%	100%	0%
Micro Smart	90%	100%	0%
Network Connection	100%	100%	0%
People's Computer	75%	100%	5%
Solutions Eng.	50%	100%	0%
SRC Systems	100%	100%	0%
Compuadd	100%	100%	
Memorex Telex	50%	50%	
Gateway	99.5%	100%	0%
Packard Bell	100%	100%	<1%

**< MS-DOS Watch >**

**HIGHLY  
CONFIDENTIAL**

**\*\* MICROSOFT SECRET \*\***

**MS 0054370  
CONFIDENTIAL**

<u>Account</u>	<u>Qtr Run Rate</u>	<u>Version</u>	<u>%</u>
Absolute Computer	250	5.0	100%
Argent	250	5.0	100%
Ariel Design	250	5.0	100%
Comp. Sys. Research	100	5.0	100%
Compulink	700	5.0	100%
Crescent	600	5.0	100%
Crutchfield	500	5.0	100%
CSP	350	5.0	100%
Datamedia	250	5.0	100%
Dunn Computer	750	5.0	100%
Entre	250	5.0	100%
IDP	1200	5.0	100%
Integration Tech	400	5.0	100%
Interface Electronics	400	5.0	100%
Iverson	400	5.0	100%
Logicraft	400	5.0	100%
Lundy	500	5.0	100%
Magitech	500	5.0	100%
Micro Smart	2000	5.0	100%
Network Connection	600	5.0	100%
Osicom	1000	5.0	100%
PC Plus	300	5.0	100%
People's Computer	1200	5.0	100%
Solutions Eng.	500	5.0	100%
SRC Systems	250	5.0	100%
Uniq Tech	250	5.0	100%
Universal	500	5.0	100%
Gateway	140,000	5.0	>99.99%
Gateway	140,000	4.01	<0.01%
Gateway	140,000	3.3	<0.01%
Packard Bell	190,000	5.0	100%

**< Product Marketing Feedback >**

<u>Product</u>	<u>Comments</u>
Access	Lack of adequate OEM preinstall features in version 1.0 is causing a lost opportunity to potentially dislodge Borland within Gateway.
MS-DOS	No support for OEM Royalty upgrade program is creating more "Program Management" work within OEM then necessary. Will delay project completion for Gateway (CD-ROM upgrades to installed base).

**< Marketing Programs >**

<u>Account</u>	<u>Program</u>	<u>Participating (Y/N)</u>
Ariel Design	RTR	Y
Crutchfield	RTR	
Interface Elect.	RTR	Y
Micro Smart	RTR	Y
Network Conn	RTR	Y

**HIGHLY  
CONFIDENTIAL**

**\*\* MICROSOFT SECRET \*\***

**MS. 0054371  
CONFIDENTIAL**

Memorex Telex	Solution Providers	N (they may fit into this program, instead of OEM programs)
Gateway	RTR	Y
Gateway	Reg. Cards	Y
Packard Bell	RTR	Y

<b>Account Summaries</b> (As reported by Account Managers)
---

carlsi

CarlSi closed seventeen (17) MS-DOS 6 agreements or amendments and increased minimum commitments to MS by over \$1M in the process. One new *Windows* license was added and one *Windows for Workgroups* amendment closed. One new RTR signed. Twelve (12) addition MS-DOS 6 agreements were drafted and sent to customers with expected closure by Feb. 15, 1993.

carlsi

Intel

Transition process was started with SheriV to be completed in February. Issues on the table are the MS-DOS 6 amendment (in-box shipment is a large problem for Intel), *Windows Sound System* amendment, and *Video for Windows* bundle with new Intel Indeo capture board.

carlsi

Win Labs

Closed MS-DOS 6 amendment and extended the contract for one additional year worth an additional \$846K in minimum commitments.

carlsi

PC Expanders, Dunn Computer

PC Expanders signed up for *Windows for Workgroups* on a per-system basis along with MS-DOS 6. At Dunn, closed *Windows* per-system license along with MS-DOS 6 amendment.

carlsi

Wang

Final Amendment to terminate the Wang license is almost complete and will take effect March 31, 1993. We go forward with a Pre-Paid Easy Distribution License.

**HIGHLY  
CONFIDENTIAL**

nancyri

CompuAdd

The first ever Executive Review with Compuadd went very well. It brought several incremental opportunities to the forefront, including possible apps bundles and audio integration, and increased their understanding of our general product strategies. We also used it as a negotiation session and high-level product presentation for MSDOS 6. Compuadd continues to feel incredible margin pressure on their business. Rick Krause appointed a marketing person to be the official marketing contact with MS which should help the two way communication. Compuadd was quite open in sharing their financial and shipment information. The relationship seems to be on an upswing. Compuadd is very concerned about the proposed MSDOS 6 price, even though they stated in the Exec Review meeting that they have to do MSDOS 6. Their MSDOS 5 price is channel based, \$13/\$18, with an average of \$16. In our negotiations, we went from \$22 to \$20 to \$19, \$19 is price guideline, but the \$3 average increase is tough for them in their current business

**\*\* MICROSOFT SECRET \*\***

**MS 0054372  
CONFIDENTIAL**

climate. The fact that we have \$2M in prepaids should give us some advantage in negotiations, however, we both had agreed to separate MSDOS 6 from the min commit negotiations. As Nancyri begins her new position(3/1/93) in New Zealand as the OEM Channel Marketing Manager, CompuAdd is being transitioned to Ronmca.

nancyri

#### Memorex-Telex

Memorex Telex is getting out of the PC manufacturing business, and will be choosing one of 3 vendors as their supplier. EDS will do all their integration, preinstall MSDOS and Windows and other software, and drop ship to Memorex Telex customers. Their margins have been suffering due to their high cost structure. Its too bad to lose such a good customer (shipments have been running above 75K/yr, way above their 50K/yr min commit volume). However, depending on their choice of vendors, we will hopefully get the MSDOS and Windows royalty from the supplying OEM. Questions such as how to change our relationship and contract, if necessary, to fit their new business model, will be addressed in February. As Nancyri begins her new position(3/1/93) in New Zealand as the OEM Channel Marketing Manager, Memorex-Telex is being transitioned to Paulsc.

davevr

#### Gateway 2000

Gateway is seeing stellar growth again. As a result of a forty percent growth last quarter customer interface problems are beginning to surface and has created some bad press for Gateway. Latest systems royalties brought in \$5.4M for last quarter. A new Account Assistant was hired this month to add to the bandwidth of the account management function for Gateway. As a result, communication is improving with Gateway on apps business. CD-ROM upgrades to installed base could become very successful model for Gateway in the near term.

kenree

#### Packard Bell

Packard Bell formally announced their relationship with MS at the Consumer Electronics show in Las Vegas on Jan. 5th. PB demonstrated WFW, Multimedia (MM works and bookshelf), Money and Win Works, the PB shell called "Navigator" and demonstrated a new profile of PC's including local bus video. Navigator and the MS lineup of software was well received by PB's resellers. Navigator development consumed much of Ken's time this month. The schedule has slipped from Jan. 15th to Feb. 8th for completed product. Lots of trade press for this Windows shell. The key feature is that very little Windows knowledge is required to use it.

Conducted a review of Packard Bell's internal IS department with a MS SE from the LA office. PB has converted to LAN Manager and SQL server database development and internal WFW clients. We reviewed the technical adherence to MS client server strategy and were pleased with the internal systems development underway at PB

ronmca

#### Conner

Ron has officially assumed account management of Conner. Ron has worked with both Scott Holt, EVP, and Howard Wing, Director of Marketing, previously in his career and both remembered him. Don Hardwick is still involved in the account in terms of closure of a new deal for MS-DOS v6 on their hard drives.

ronmca

**\*\* MICROSOFT SECRET \*\***

**HIGHLY  
CONFIDENTIAL**

**MS 0054373  
CONFIDENTIAL**

**THStyme**

Has agreed to modify their license to MED with a much lower commitment level and a higher royalty rate. This is in the queue for after the MS-DOS v6 full-court press.

**ronmca**

**Northgate**

They are not in compliance with the terms of the latest amendment which requires them to purchase MED product and make payments on past due M/Cs. Ron met with their CEO and they have run out of money. They are working with their major investors to get more money into the company and want to work out a new payment plan with us after the new funding. They were supposed to start a \$1.35M payment plan on 1/1/93 for past due M/Cs and pay monthly since September for actual shipments. They've done neither. They have not been able to confirm the new funding and MS credit has them shut down for all shipments of MED MS-DOS, Windows, WfW and mice. I am working with Norm Chapman from MS finance to put together a recovery plan for them. MS sent them a NOI in mid month. As soon as new information about their funding is available, the process to change their license to prepaid COGS and royalties and create another payment plan will begin.

**ronmca**

**PC Innovations**

This customer signed a license amendment to relinquish replication rights and begin buying MED MS-DOS and Windows. Ron has presented a license for Works for Windows which he expects them to sign the first week of February. In working with this customer, Ron uncovered an "accidental" under reporting for MS-DOS v5. The amount owed comes to approx. \$200K. An amendment is being put together to allow them to pay the amount in three payments in the month of February. Ron presented all the T's & C's for MS-DOS v6 and expects them to sign the license in early February.

**ronmca**

**Everex**

Everex filed for bankruptcy the first week of January. Steve Hoi, Chairman; Hal Clark, President; and Dave Zacharias, CFO have all resigned from the company. Two consultants have been retained by the company on an interim basis. Jack Kinney is the acting COO and Jack Kirby is the acting CFO. An official, court appointed, creditor's committee has been formed with MS as a member. The approximate amount owed by all divisions of Everex to all channels of MS is approximately \$5.7 Million. Everex is buying MED product for both MS-DOS and Windows and prepaying for both COGS and royalty. It is doubtful that Everex will emerge from Chapter 11 anytime soon and likelihood that they will move to Chapter 7 is great.

**ronmca**

**Comark**

The account has been presented with a draft for MS-DOS v6 and transitioned to Tom Henningsgard in PBteam.

**HIGHLY  
CONFIDENTIAL**

**ronmca**

**TI**

The first meeting with the customer was to discuss the T's & C's of the MS-DOS v6 license. TI has serious concerns about price, replication, registration cards and upgrades. Ron is addressing some of their concerns and will follow up with another meeting at their site in February with Ron Hosogi in attendance.

**\*\* MICROSOFT SECRET \*\***

**MS 0054374  
CONFIDENTIAL**