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12th February 1991

Mr Peter Roback
 Amstrad plc
 Brentwood House
 159 Kings Road
 Brentwood
 Essex
 CM14 4EF

Dear Peter

Thank you for your fax of 7th February, as requested I respond to each of your points:

- 1) It is unfortunate that you are unwilling to extend this trial to another market. However, if you cannot be persuaded to give this further consideration we have little option at this stage other than to accept this.
- 2) We foresee significant benefits being derived in the target market if the PC4000 is shipped with DR DOS 5.0. However if you are not able to accommodate this we again must accept it.
- 3) You refer to a full quarter. September to December is in fact 4 months. We are prepared to accept a mid-January review on two conditions:
 - 1) You clearly define now what are the criteria upon which this trial will be deemed a success or a failure.
 - 2) You commit to a new agreement being in place by 31st January 1992, assuming a success.
- 4) Your desire to ship the product free of charge is based upon a suggestion I made several months ago. At that time it was suggested as a discussion point, and whilst I am always keen to meet any commitments made I must make the following points:
 - 1) The product positioning of DR DOS is now much stronger than it was then,
 - 2) No actual time period for free shipment was discussed as you were unwilling to meet me at that time. The four months you now suggest is certainly greater than any period I had in mind,
 - 3) The £1 price you are now looking for is very much lower than our standard prices and a period of free shipment would have been most unlikely, even last year, based upon such a price,

where commitment

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Registered Office: Oxford House, 10 Lord Street, Newbury, Berkshire RG13 1JB. Company registration no. 1516053

EXHIBIT NO. 514
 4/27/98
 LEE A. BURSTEN

Plaintiff's Exhibit

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- iv) A period of free shipment was proposed with the UK market and the full Amstrad range in mind, your proposal to ship in Germany only on one model range puts this in a very different light,
- v) Finally, a verbal offer made many months ago, which you were not at that time prepared to discuss, is not a satisfactory basis upon which for us to begin a business relationship.

Therefore, we propose that if we are to accept a £1 price it should apply to all copies used.

- 5) In the absence of any commitment from Amstrad at this stage, we must be cautious about the extent of our pricing commitments. In order that this agreement can proceed we will confirm our acceptance of the £1 price on the PC5000 range, in Germany until the end of your existing agreement with Microsoft. Please confirm, by return, the exact dates of the expiry of each of you existing contracts.
- 6) As our standard terms are payment in advance we are unwilling to accept payment quarterly in arrears. However as a compromise we propose you pay us monthly in the same way as you currently pay CP/M royalties.
- 7b) All licensed copies of DR DOS are shipped with a hologram label attached to diskette 1. This is a security procedure that enables us to trace the source of product in the market and is also an easy way of OEMs monitoring numbers of copies shipped. These labels are provided by Digital Research.
- 7c) Amstrad have identified certain benefits to themselves to shipping DR DOS. During the course of the next few months Digital Research will be required to provide an unknown level of support relating to the new PC5000 range. We will also be required to supply masters of both software and documentation. However, it is unlikely that we will be due any revenue for at least the next 9 months. Consequently, we request that Amstrad make a payment of £5,000 to cover these initial costs. The sum itself is small but would be seen as a sign of serious intent on the part of Amstrad.

Additional Point 3) I do not believe that it is necessary to agree the exact words to be used at this point. An agreement that a press release will be jointly made, following joint approval of the wording is sufficient at this stage.



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Finally, let me reiterate our enthusiasm to proceed with this trial. Our only desire is to commence this business on mutually acceptable terms. I suspect that your current dissatisfaction with your agreements with Microsoft is due to the fact that the terms are not mutually satisfactory, and result from their exploitation of their dominant market position at the time the agreements were concluded. Equally, we wish to respond to your relative market strength without making commitments that will lead to an unsatisfactory relationship between our companies in the future.

We look forward to hearing from you and to concluding an agreement before the end of this month.

Yours sincerely

Anthony V. Speakman
OEM Sales Manager
Northern Europe

cc: Malcolm Miller, Amstrad plc
Robert Gunn, Digital Research (UK) Ltd

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