

Z-Nix Case Rude Q & A
Tuesday, June 23
DRAFT

Q Why is Microsoft hitting on a little guy like Z-Nix?

A Our action has two purposes: to stop unauthorized distribution of Microsoft software and to protect the business of other Microsoft licensees. Many of them are small companies in fact, and have told us of their difficulty in competing against the unauthorized Z-Nix product. It has nothing to do with Z-Nix' size; it has everything to do with putting a stop to a significant problem in the distribution of Microsoft software.

Q What are the terms of an OEM license, that you say they violated?

A Microsoft licensees are authorized to reproduce and distribute Microsoft software with the OEM's hardware. They are also authorized to distribute upgrades to their existing customers. Distributing the software stand-alone, or without hardware, is a violation of the agreement. Distributing the upgrade to customers who did not buy full package from the licensee is also a violation. Our investigation shows that Z-Nix did both, and even distributed full package falsely labeled as an upgrade.

Q Why doesn't Microsoft allow stand-alone sales ?

A Microsoft distributes its own products stand-alone. (Only the MS-DOS operating system is not sold stand-alone, except for the MS-DOS 5 Upgrade.) Microsoft also licenses manufacturers of computer hardware, such as Z-Nix with its mouse pointing devices, to add value to their products by distributing them as a package, with Microsoft software. This form of distribution benefits companies in the industry and end users, as well as Microsoft.

Q What was the 1990 dispute all about? Does this indicate a vendetta against them?

A We settled a dispute out of court in November 1990, with Z-Nix. Negotiations resulted in Microsoft licensing Microsoft Windows operating system software to Z-Nix through 1991 and a mutual release from any claim related to complaints.

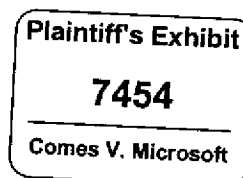
Q You say you lost potential licensees. Can you give me an example?

A There are several examples. There are former licensees, who opted out of their agreements based on competition from unauthorized Z-Nix product. There are current licensees who have complained of harm to their business from that product. And there have been prospective licensees who cited the Z-Nix problem as their reason for not signing up.

However, out of consideration for them, we will keep their names out of this dispute. Suffice it to say that there have been many complaints, or we would not have initiated an investigation and lawsuit.

Q How big a customer was Z-Nix to you?

A The size of their business is not at issue, and we would not disclose that information for any licensee. The point is their violation of the agreement.



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Q Isn't Microsoft concerned that Z-Nix, who brought an anti-trust suit in '90, might provoke the FTC investigators?

A This is a case of contract violation between Microsoft and Z-Nix. There is no reason why the FTC should take interest in such a matter.

Q Z-Nix says they took action to correct the problem, but you went ahead with the lawsuit regardless.

A If they took actions, we saw no result. They refused to contact their distributors, and so the problem was never even really addressed. We've resorted to litigation because we feel the problem must be addressed.

Q Z-Nix says you did not negotiate in good faith for contract renewal. What is your response?

A Funny, we just heard of their interest in renegotiating last week, and that process hasn't even begun yet. Is that bad faith? Last month we heard that they had negotiated a contract with Digital Research for DR DOS. Do you think they would expect a contract with us if they have one with DR DOS? What do you think is going on?

Q Z-Nix says you wanted them to open their books to you, so you could steal their customers.

A It is true we wanted to audit them. The right to audit a licensee's books, for evidence that they are abiding by their royalty agreement, is written into every license agreement. Their refusal is a violation of our agreement, not a business ploy. It's in our best interest for our licensees to serve as many customers as they can.

Q Z-Nix says you are unfair competition to them - that you upgrade their customers but they aren't allowed to upgrade yours.

A We never solicit upgrade customers from licensees. But when a Microsoft user comes to us and requests the upgrade from us, we supply them. This has always been our policy.

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