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From greggt Thu Nov 21 10:25:14 1991  
To: tedha  
Cc: kelly, ronh  
Record-folder: C:\WINMAIL\MAILBOX\GREGG.FLD  
Subject: zeos trip report  
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If I asked you to tell me the first geographical location you think of based on the following data: November timeframe/49 degrees/sunny, you probably wouldn't guess Minnesota but that's the right answer. Ted and I visited Zeos in St. Paul, Minnesota yesterday, Wednesday, November 20th for the first time since moving Zeos to a named account. I had two primary objectives for scheduling this trip:

- 1- to propose a new MS-DOS and MS Windows license agreement
- 2- to meet key individuals within the Zeos organization

The first part of the day we spent meeting with the following individuals to better understand Zeos's business:

John Bakewell-Chief Financial Officer  
Bill Edwards -VP of Manufacturing  
Walt Sadowski-Director of Quality Assurance  
Larry Johnson-Purchasing Manager  
Denise Kilbradt- Purchasing

Noteworthy items from the above meetings include: REDACTED BY AGREEMENT  
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- \* Judy Larkin who recently joined the Zeos team from Dell has been promoted to VP of Operations.

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During the last half of the day we discussed with Zeos's Greg Harrick and Rick Apple the following:

- 1- the existing MS-DOS and MS Windows license agreement
- 2- the MS EZ DOS program
- 3- the expiring MS House agreement
- 4- the On-Line agreement

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MS-DOS/MS Windows

Two things need to happen before Zeos can sign a new agreement. First, Zeos needs to do an internal analysis based on the MS proposal/royalty rates that we presented and decide at which run rate level they want to commit. Greg indicated that the level they are probably looking at would be between the 70,000 and 80,000 level. They are currently at a 45,000 run rate. Secondly,

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told Greg we would get back to him with an answer to his request. The odds of

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getting this agreement signed in the January 1992 timeframe is 75%.

#### MS-EZ DOS Program

Greg is very interested in initiating this strategy into his first time/entry level user products. Zeos's cost of goods for MS-DOS is between \$8-\$12 and the MS EZ DOS COGS is \$5.00. Greg is no dummy in realizing the advantages of a program of this type. He wants to take a look at amending this into his new MS-DOS and MS Windows license.

#### Expiring MS-Mouse Agreement

Zeos existing MS-Mouse agreement expires January 31, 1991. As I mentioned above they are shipping 1500-2000 mice per week. They have been talking to Logitech and we are exposed. Logitech has offered Zeos a 300 DPI Mouse with the Zeos logo for \$12. Zeos has always believed that the MS Mouse added value to their systems image from a user perspective. However, with a total pricing delta of over \$500,000 between the Logitech Mouse and MS Mouse, Zeos is rethinking their strategy. Greg mentioned with the dollars he could save by going with Logitech he could promote the hell out of the Logitech mouse, save money and the users wouldn't care anyway. We have 50/50 odds of winning this one. Price is the key.

#### On-Line Agreement

Greg believes in this program and wants to implement it at some level. Zeos has built its' reputation on technical support and Greg sees great value in this program. We have 85% odds of signing this agreement in the Jan/FEB 92 timeframe.

#### Non-License Interests

Greg is interested in 4 additional areas including pen based systems, testing suites, pre-installation of MS Windows and MS Trends Presentation.

#### ISSUES

- potentially large volume of pc's sold to an outside contractor with no software on the machine
- pricing of the MS Mouse
- Zeos wants MS to carry a one week's inventory of mice to utilize as a consignment account. This would allow for the spikes or peak periods typically experienced during the nov-mar timeframes

#### IMMEDIATE ACTION ITEMS

- gain agreement on how a new Zeos agreement would be amended
- contact davepru for mouse pricing
- contact alex nadar to present to Zeos a pre-installation and training plan.
- present an on-line services license proposal to Greg

The trip to Zeos moved the ball forward in several key areas. Primarily addressing new and existing licenses and additionally, promoting and gaining commitment on pre-installed software.

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