OBSERVATIONS

- MS UNWILLING TO ENTERTAIN PROFIT NEUTRALITY

MS UNWILLING TO REDUCE ROYALTY

- DO NOT KNOW THAT PRODUCT GROUPS WANT TO WORK WITH IBM ~~THIS~~

→ IBM GETS REDUCTION FOR $5 million SETTLEMENT

- JOCHEN SAID NO TO AN 96 MDA

- SINCE THE TIME OF CONSENT DECREE MS CHANGED PRICING POLICY

- COMPAQ HAS 3 YR. OLD CONTRACT WITH 2 YEARS LEFT.
→ THEY ARE THE ONLY ONE THAT HAS A BETTER PRICE FOR ROYALTIES THAN IBM

(2)

GOVERNMENT EXHIBIT 2183

PENGAD-Bayonne, N.J.

- Quote on 3.51, At Per System Rate
- Jochen is not Available to meet with Tony At All
- Jochen will not meet w/ Tony on Royalties or improve Relationship
  - Smartcote → [illegible] Letus

Options

- Financial Consideration under the Family Agreement

Options 1

(1) Sign WDF → includes MDA
(2) Stay with Current Agreements
→ MDA 95 expires 10/1
→ Pisn modified MDA 96
Applies such that no Lapse occurs in MDA

(3) Signed modified WDF
→ extend 3.1 price thru 9/98
→ Pull out 3.1 from Family

(3) will need A Per System Price

Jochen doesn't think he
Agreed to do Anything

Cozie

→ Of the 3 scenarios what cost

→ what happens if they don't it out

→ If I sign the deal [illegible]
way it is can we close
the Deal

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increase 14.50 x .50 = 0540 = $77,000

(1) NO MDA if NO Family

(2) - $5 million Back in Escrow
- Internet
→ extend to July 97
→ went to Gates Today
on Internet
* Put together plan to do the net
- Jochen

(4)

(3) win NT & win 95 rates will not move based on volume

(4) win 3.11 rate from $3.50 to $40 → no movement
$30 million increase

(5) Pricing would take effect August 1, 1996 or entire for
→ takes effect 1/1/97

(6) EIAA → would be given without accomodating emerging Geographies.
** No IBMER on site

IBM's observations

1.) Given little → no π

2.) Forcing IBM to give up the existing Agreement
— Revising on prior Agreement
→ Playing Games with Desktop Family
→ Disadvantaging IBM from other OEM's who have no MDA

(5) Are you asking Compaq to give up frontline for WDF

5.) Need A Better Royalty on
win 3.4 & Start Later

6.) Renewal on 4 Neutrality
Renewal on 3.4.1
" on 5. million

~~7.) Give us~~ A

7.) You would entertain
AN MDA And did not
Give Middle Ground

Babers Points

- NOT making Available Discounts
- MS offers

Pager 800 - 946 - 4646
Pin 5494297

Home

# Actions by MS

- MS to call IBM on Monday with time (maybe) that Tucker is available.
- New MSA Agreements
- Get consultant report on Windows 3.11 (are competitors continuing to slip 3.11).

- Disappointed in results of last week MTG.

- Rational Justification Given for Royalty Price

Pete Leland