

d. Celeste Boyer and Dan Bourgoin participated in the (many) USSMD Road Shows to drum up some business for retail. This did stall our plans to quickly get out info to the field on networking and 3270 compatibility. We will try to recover lost time here. Mike Maples has opened up some lines of communication (so to speak) with IBM Austin re: 3270 since it looks like we can't resolve IBM 3270 problems without their help.

e. Windows ISV activities: Most major Windows ISVs are suffering from product slips. Our apps group: Asymetrix; Software Ventures (Microphone) and Xerox are all further out than originally anticipated. Fortunately a steady stream of Windows apps is finding its way to market and creating news. Our apps group remains a key element of the Windows productivity software story and therefore Windows success.

2. Windows 3.0

a. Since the last report several outstanding issues have been resolved: Asymetrix; Ruby; Codeview for 3.0; Write and a tentative decision to proceed with pMode Windows286 (subject to further testing of the concept).

b. We made some modifications to the Windows 3.0 SDK plan to make it possible to implement 2.1 apps using the 3.0 SDK vs. the previous plan which made it 3.0-specific.

c. The overall project is pretty much on plan, although we are very tight. pMode Windows286 introduces some risk to the 286 plan and we need to dimensionalize that.

d. Test resources remain a key sensitivity. We made an offer for a test manager that was accepted which should help here, although we need to hire more testers fast.

e. I am still concerned about backward compatibility issues and we are going through a number of alternatives to mitigate the problem to the degree possible.

f. On 2/10 a letter went out to 900 ISVs and IHVs regarding the ISV pre-release program. The Plan is to deliver Windows 3.0 binaries and a debugger to allow existing applications to identify where their code generates a GP fault. The goal is to get ISVs to resolve GP faults and ship an update asap to the field for their app so that we have a maximum installed base of apps that work cleanly with 3.0 by the time we ship.

In April, Beta 3.0 SDK's will ship and enable ISVs to begin developing a version of their application that takes advantage of 3.0 features and target the 3.0 version for the 3.0 ship timeframe. IHV's would get DDK's in April as well.

B. DOS

1. We had good meetings with both MS-Japan (Tom Sato) and Phoenix (Jonathan Gordon) to move aggressively at the RomDOS market. We will develop and commercialize a version of DOS executing out of Rom that is based on 3.21, but enhanced for large disk support and with net and Win386 conflicts resolved (hopefully).

- Domestic US would not be active in marketing/adapting code for the embedded systems segment (vs. general purpose pc market). We would help promote Phoenix as a source for adaptations. Phoenix and MS-Japan would both compete for the embedded systems market.

- For general purpose PCs and Laptops, Phoenix will have to compete with MS-Japan and Domestic US OEM for our traditional customer base. We will do adaptations as required for our OEM customers.

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2. Bill Pope and I finalized the text for applications to display when running on non-MS or PC DOS systems that warns that warranties are voided. I will now coordinate domestic and international and get this implemented worldwide ASAP.

3. Mark Chestnut has been discussing the implementation and marketing issues re: the Retail Upgrade (RUP) with several key OEMs. We have some issues to work through, but essentially we can get code etc. from these OEMs but we need to figure out how to get them whole for lost upgrade revenues (however modest they may be today). We also met with ScottO and DavidV to start planning the Fall roll-out of this product. They are enthused and would make it the centerpiece of the Fall activities.

4. Lotus will go ahead with 286 and 386 DOS extenders and I read today that Ashton-Tate is looking at them for its huge DBase IV as well. Per a meeting we had with marketing from Dave House's group, Intel looks like they will be highlighting DOS extenders since Intel is focusing on anything that supports 32-bit in their drive to have the world go 386. I complained loudly to them about this.

We are looking to define a very simple API so that DOS extenders can co-exist with Win386. According to David Reed, the DOS extender vendors are not committed to VCPI (Desqview co-existence API) and would embrace our APL. We have one month to resolve this. All this is potentially bad for OS/2 but we cannot derail the train so we are trying to make the least of it.

5. Win/DOS Merge: PhilBa and TomLo met with Feigenbaum and Thorsen from the Vickie Johnson team re: creating a team re: creating a seamless DOS/Windows. This was a requirement for the HPC discussions that are going on, but definitely helps make this a more current discussion.

C. Multimedia

1. We made great progress in getting the Boca Systems groups (OS/2 and DOS) up to speed and enthused about HPC, both hardware and software.

2. The key issue now is to resolve Hanrahan's sometimes emotional view of supporting Windows. PeterN is working through the OS/2 support for multimedia issue. Peter presents OS/2 sizing and strategic issues re: Plan of Record for OS/2 on 2/16 to Hanrahan. BillG meets with Canavino on 2/16 re: OPC.

3. We are trying to come to some consensus internally about the relative role of XA and OPC and timing of these platforms.

4. Suzanne has had good meetings with about 17 ISVs and they are generally supportive. The majority intend to submit formal proposals to participate in the IBM ISV program.

5. The multimedia tools group has made good progress on implementing the MPS engines and scripting environment. The current goal is to have 20 ISVs here in Redmond for a Windows and MPS developer's seminar in April.

D. Staffing (DOS/Win Business Unit Organization chart attached)

We are in reasonable shape on Windows staffing except Test, but have not made significant progress in filling the incremental DOS headcount approved. MMSYS test is also short. PhilBa is going to try to get this fixed up. The new test manager will have to scramble on recruiting.

Key hires last month include: John Enselein (Test Mgr-starts 3/1); Chris Harris (Snr. Tech Writer); Nigel Thompson and Scott Quinn (SDEs); Tim Gerken (Test).

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We have 2 offers out to Campus SDE candidates.

	2/13		Conf.	Offers		FY89	FY 89
	Actual	Hires	Out	Total	Plan	Rev.	Rev.
s30 Group	3		0	0	3	3	3
s32 Dev.	37		1	0	38	35	40
s34 User Ed	8		0	0	8	8	10
s36 Test	9		1	0	10	11	16
S38 Mktg.	15		0	0	15	12	15
TOTAL	72		2	0	74	69	84

We agreed on 1/5/89 to add the following positions to the FY89 Plan: 1 DOS SDE; 2 DOS testers; 1 DOS builder; 2 user ed. In addition, we will be converting the BJ Bahk replacement into a 286pMode SDE.

s60 Prod	5	0	0	0	5	5	5
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E. Objectives

For Last Month

1. Resolve Ruby/Win286 3.0 concerns: done--still tracking 286pMode decision. Also resolved Asymetrix; Write
2. Get 3270/Net project fielded: not done
3. Finalize Lotus/DOS Extender Strategy; DOS Shell; Resolve DOS development priorities: done--still tracking extenders
4. Get DOS Retail Upgrade Business Plan/OEM issues resolved; complete technical assessment progress
5. Finalize February 3.0 Plans/Implement: done/underway
6. Get more in-depth on mmsys tools; closure on OEM h/w: not done
7. Complete Win Marketing transition; Get Chestnut on board: done

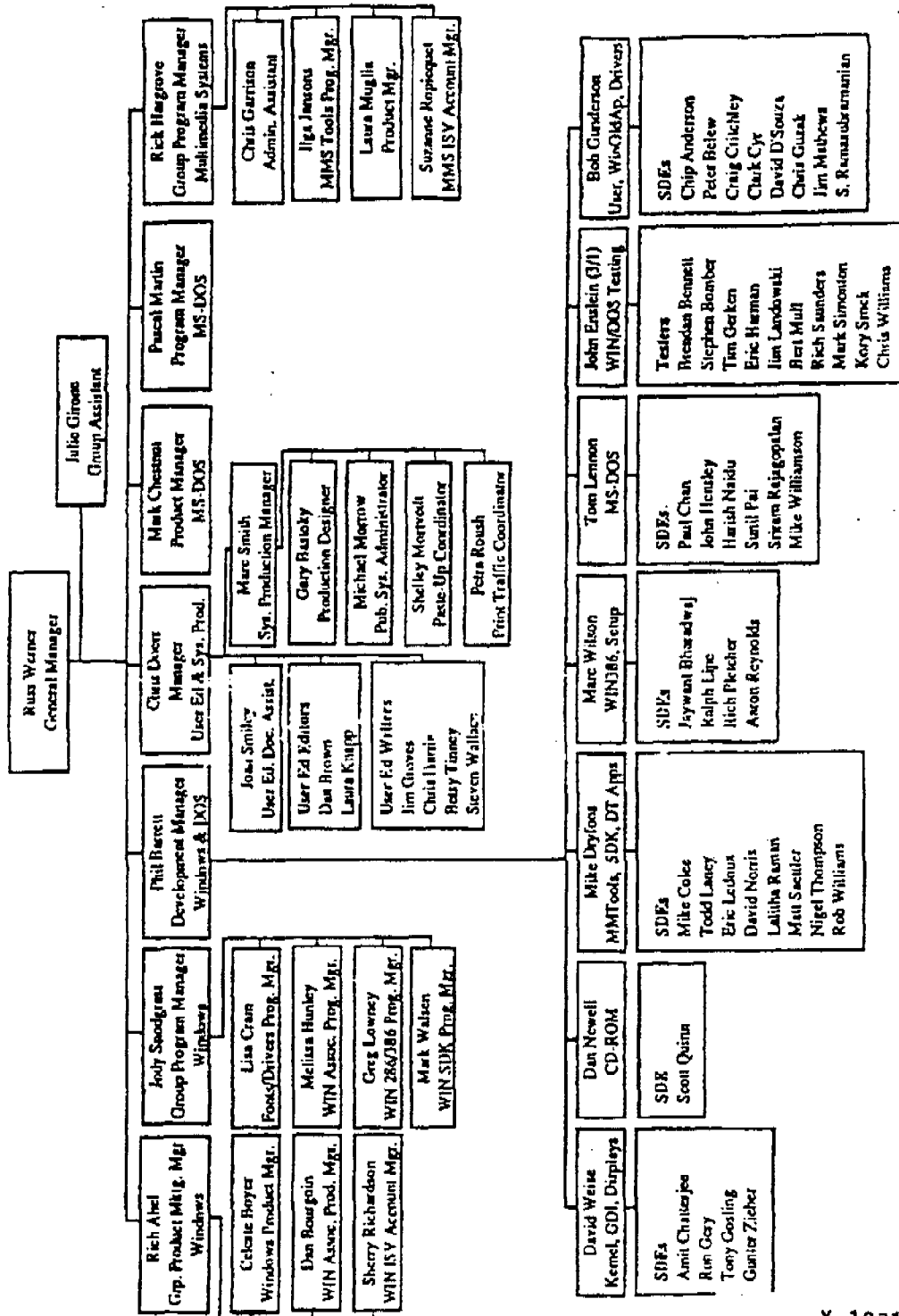
For This Month

1. Final OEM participation for RUP/revenue sharing issues (Fall intro/ship)
2. Final development plan for RomDOS (July ship) and Phoenix mktg. arrangement
3. Resolve Windows 3.0 schedule issues
4. Action plan for non-MS or PC Dos warning screen for MS apps worldwide (asap)
5. Get Win 2.11 fielded (w.o. 3/13); 3.0 ready for code complete (3/31); finalize pre-release plans for April ISV program; field 3270/net program to field
6. Push to get IBM to closure on HPC and OEM'ing DSP
7. Get DOS Extender Api's for Win386 defined with Lotus and extender vendors
8. Ship final MSCDEX 2.1; Ship final XA driver to Sony

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DOS & Windows Business Unit Systems Division

2-15-89
80 Employees



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January Financial Data Windows Product Line

	Actual Units	Actual Revenue	Budget Units	Budget Revenue	Revenue as % of Budget
Windows/286					
IBM USSMD	973	\$28,830	0	\$0	NA
Domestic Retail (non-IBM)	8,417	\$484,996	8,616	\$456,347	106%
Total Domestic Retail	9,390	\$513,826	8,616	\$456,347	113%
International Retail	11,870	\$972,781	11,660	\$882,774	110%
Domestic OEM	138,603	\$634,709	104,694	\$969,339	65%
International OEM	27,355	\$98,630	63,304	\$968,920	NA
All Channels	185,218	\$2,220,146	188,474	\$3,277,380	68%
Fiscal Year to Date					
IBM USSMD	50,554	\$1,436,160	0	\$0	NA
Domestic Retail (non-IBM)	85,135	\$4,399,354	86,672	\$3,502,545	126%
Total Domestic Retail	135,789	\$5,835,534	86,672	\$3,502,545	167%
International Retail	78,273	\$6,134,636	84,080	\$6,131,819	100%
Domestic OEM	527,302	\$3,528,060	279,390	\$3,679,099	96%
International OEM	378,178	\$2,542,142	332,090	\$3,996,735	64%
All Channels	1,117,542	\$18,038,372	762,232	\$17,310,188	104%
Windows/386					
IBM USSMD	0	\$0	0	\$0	NA
Domestic Retail (non-IBM)	6,963	\$735,560	8,616	\$898,864	82%
Total Domestic Retail	6,963	\$735,560	8,616	\$898,864	82%
International Retail	2,524	\$354,789	3,399	\$502,282	71%
Domestic OEM	13,281	\$54,200	33,191	\$719,032	8%
International OEM	1,961	\$45,103	14,000	\$250,600	NA
All Channels	24,729	\$1,189,652	58,206	\$2,370,778	50%
Fiscal Year to Date					
IBM USSMD	26	\$1,365	0	\$0	NA
Domestic Retail (non-IBM)	30,982	\$3,225,728	66,672	\$6,898,551	47%
Total Domestic Retail	31,008	\$3,227,093	66,672	\$6,898,551	47%
International Retail	15,503	\$2,232,290	21,793	\$3,157,566	71%
Domestic OEM	31,427	\$410,050	130,841	\$2,967,433	14%
International OEM	37,795	\$747,098	55,500	\$866,200	86%
All Channels	115,833	\$6,816,531	274,806	\$13,890,150	48%
Windows SDK					
Domestic Retail	1,541	\$296,970	431	\$115,239	258%
International Retail	311	\$104,203	80	\$19,676	530%
Domestic OEM	0	\$0	0	\$0	NA
International OEM	0	\$0	0	\$0	NA
All Channels	1,852	\$401,173	511	\$134,915	297%

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January Financial Data Windows Product Line

	Actual Units	Actual Revenue	Budget Units	Budget Revenue	Revenue as % of Budget
SDK Fiscal Year to Date					
Domestic Retail	5,951	\$1,314,918	3,334	\$284,481	149%
International Retail	2,207	\$863,305	600	\$147,570	449%
Domestic OEM	13	\$3,700	0	\$0	NA
International OEM	0	\$0	0	\$0	NA
All Channels	8,171	\$1,981,921	3,934	\$1,032,051	192%

Windows Updates/Promo/Other

Domestic Retail	4,433	\$50,635	0	\$0	NA
International Retail	2,175	\$50,778	0	\$0	NA
Domestic OEM	-735	(\$11,737)	0	\$0	NA
International OEM	0	\$0	0	\$0	NA
All Channels	5,873	\$89,674	0	\$0	NA

Fiscal Year to Date					
Domestic Retail	52,772	\$866,861	15,000	\$515,700	168%
International Retail	14,426	\$529,233	0	\$0	NA
Domestic OEM	3,377	\$40,765	0	\$0	NA
International OEM	0	\$0	0	\$0	NA
All Channels	70,575	\$1,436,859	15,000	\$515,700	279%

January: Product Line

IBM USSMD	973	28,830	0	0	NA
Domestic Retail (non-IBM)	21,354	1,588,161	17,663	1,470,450	107%
Total Domestic Retail	22,327	1,596,991	17,663	1,470,450	109%
International Retail	18,880	1,482,549	15,139	1,404,732	106%
Domestic OEM	149,149	677,172	135,085	1,586,371	40%
International OEM	29,318	143,833	77,304	1,219,520	NA
All Channels	217,672	\$3,900,645	248,191	\$5,783,073	67%

Year to Date: Product Line

IBM USSMD	50,680	1,437,545	0	\$0	NA
Domestic Retail (non-IBM)	174,840	\$9,806,859	151,678	\$11,801,677	83%
Total Domestic Retail	225,520	\$11,244,404	151,678	\$11,801,677	95%
International Retail	110,509	\$9,559,484	106,473	\$9,436,955	101%
Domestic OEM	562,119	\$3,980,575	410,231	\$6,646,532	80%
International OEM	413,973	\$3,289,240	387,590	\$4,862,935	68%
All Channels	1,312,121	\$28,073,683	1,055,972	\$32,748,099	86%

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To: Steve Ballmer
From: Russ Werner *RW*
Subject: January Monthly Report: DOS/Windows
Date: 2/14/89

Route Burn's

I. Overview

The group has made good progress on the Windows 3.0 development plan. To date we are holding to a 8/31 ship date but it is tight.

We have also made good progress on getting a real plan in place for RomDOS for July and on the Retail Upgrade product for the Fall.

Windows business is ok (109% to USSMD revenue for January; 95% to USSMD revenue y-t-d), but order trends for January and February to date are cause for concern given that we have now exhausted backorder.

IBM has taken up some management bandwidth as they come to terms with learning to love Windows for the HPC project.

Mark Chestnut and Rich Abel have both transitioned over on the marketing side which is a big help. We moved without disrupting things too much—thanks Julie and Lon.

II. Summary Status

A. Windows

1. Current Business

a. We have managed to come in reasonably on budget all things considered. Windows Product Line came in at 109% to retail revenue forecast for the month of December. Year-to-date, Windows product line is 95% to revenue forecast.

It has become very difficult to read the business given the impact of feature promotions to the channel. So far, February looks like a lean month in terms of bookings and we have exhausted all the backorder in the system. Hopefully things will normalize very soon. We have not seen any effect of making Win386 a required purchase for this buy-in period. We need to find out why.

Attached is a summary of January and Y-T-D results for the business.

b. Windows 286 and 386, v 2.11, is scheduled to ship the week of 3/13, but will be held up if there is a channel inventory issue for 2.1 product. This release will provide some relief for Excel in low memory situations and provides an 8514 driver for Win386. This will enable IBM to start ordering Win386 for the ACIS program.

c. Windows P&L: After a titanic struggle to crack the code of our accounting system, Lon, Rich and I managed to present a normative model of the Windows Retail profitability model. It certainly underscores the importance of the 386 business to the profitability of the retail franchise. It also underscores how profitable OEM is vs. retail.

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