

Multics
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M. H. S. / PC

November 17, 1969

Mr. F. J. Corbato
545 Tech Square
Room 513

As per your request, I have put together a brief summary of what we have proposed and anticipated on Multics for the 3 year period.

Costs:

Financial arrangements with GE are basically 1/4 gross monthly rental of installed equipment plus 80K per year for Field Engineering extra shift coverage.

In addition we will share revenue with GE monthly on all revenue in excess of the 1/4 rental plus 80/12 FED expense.

1970 There is to be no sharing on the revenue until such time as it equals 7/16 gross monthly rental of installed equipment plus 80K/12 FED cost.

After that point revenue is shared on an 80 per cent/20 per cent basis in favor of GE.

1971 and Sharing now begins on all revenue in excess of the
1972 1/4 rent plus 80K/12 FED cost.

For the revenue above that on an amount equal to 6/16 of the gross monthly rental, we share on a 60/40 basis in favor of MIT.

All monthly revenue in excess of 10/16 basic monthly rental plus 80K/12 is shared on an 80 per cent/20 per cent basis in favor of GE.

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Our costs of running Multics now can never be less than 1/4 rental on installed equipment plus 80K per year for FED and, of course, our internal operating costs. Recovery against these expenses is naturally related to revenue and in years 1971 and 1972 it is more difficult to cover expenses.

Based on an average billing of \$7.50 per console hour (not that we will or should bill that way but that the average user will generate billable system resource usage equivalent to \$7.50/hr.), we then projected the number of console hours available for sale, by month for the 3 years of service.

	No. consoles supported	No. consoles for sale	Anticipated monthly revenue
<u>1970</u>			
J	30	15	38K
F	30	15	38K
M	30	15	38K
A	30	15	38K

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1971 and 1972 Sharing now begins on all revenue in excess of the 1/4 rent plus 80K/12 FED cost.

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	No. consoles supported	No. consoles for sale	Anticipated monthly revenue
<u>1972</u>			
J	65	50	125K
F	65	50	125K
M	70	55	137K
A	70	55	137K
M	75	60	150K
J	75	60	150K
J	80	65	162K
A	80	65	162K
S	85	70	175K
O	85	70	175K
N	90	75	187K
D	90	75	187K
		TOTAL	1872K

If we now apply all the factors against this projected revenue and our cost, we see the following financial picture develop:

1970	\$-209.6K
1971	\$+ 46.0K
1972	\$+188.4K

Net result after 3 years is \$+24.8K for MIT. Our operating costs are factored in at 25K/ mo.

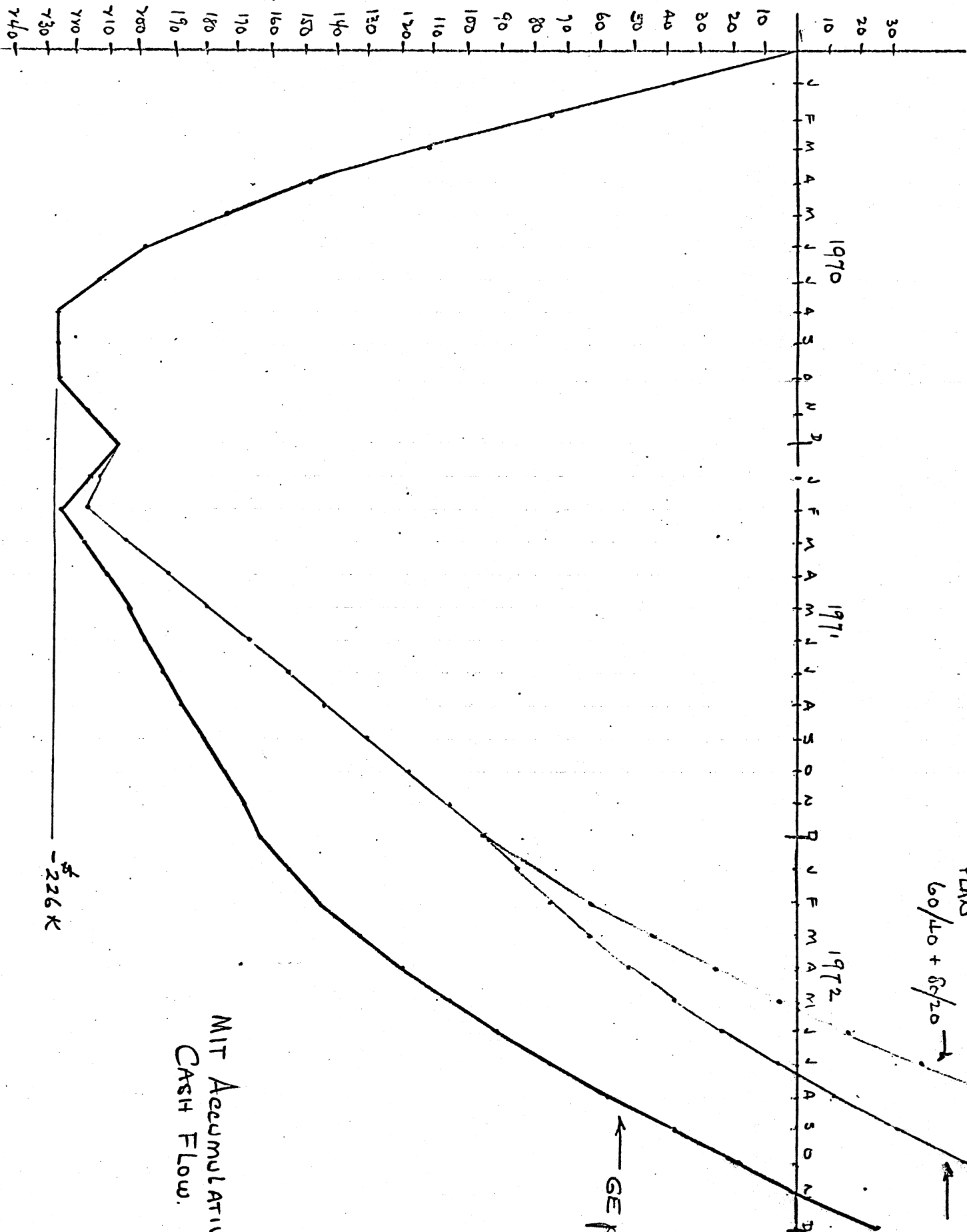
For your further information I have attached a set of charts and graphs which:

1. Are my work sheets
2. Show various alternatives on accumulative cash flow
3. Show anticipated sources of revenue for 1970, 1971, 1972

Wes
W. J. Burner
Assistant to the Director

WJB/ prm

THOUSANDS OF DOLLARS



MIT PLAN
60/40 + 80/20 →
60/40 '71
50/50 '72

MIT Accumulative
Cash Flow.

← GE PLAN

← 226K

MIT Projected Revenue Sources To Support Multico.

