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Microsoft (my office)

Confidential Memo

To: Mike Maples Scott Oki Jeremy Butler
Joachim Kempin Rich Macintosh Lewis Levin

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From: Mike Hallman
Date: November 27, 1990

EXHIBIT # 8
10/25/01
Annamarie Spangrud

Pricing of Applications to OEMs in the United States

- 1. The purpose of this memo is to outline the applications pricing you should offer to OEMs. This policy applies in the USA. Exceptions to this policy must be approved by me.
- 2. The primary channel of distribution for applications is the channel managed by USSMD. We desire to do OEM deals where their support of our product produces high penetrations with their marketing advantages. OEM deals are negotiated by the OEM group. The OEM group should inform USSMD and Applications when deals are being done, so that we can be prepared to handle questions from resellers.
- 3. For finished goods applications distributed to OEMs we offer a 46% discount. The OEM may resell products purchased at this price to his customers with hardware or as stand-alone products.
- 4. We should pursue OEM distribution where applications can be licensed as an "office automation" part of a OEM's products (ie AT&T Rhapsody, DEC, others) on a case-by-case basis. These should be few in number but strategic. Pricing should be proposed to me for approval before being offered to the customer.
- 5. A "hard bundle" is the physical bundling of our application into a computer box across an entire hardware model line. A hard bundling OEM may not, for instance, offer one 20 Mhz machine with our application and another machine without it at a lower price. Hard bundling deals are by their nature promotional in nature, usually lasting 90 days or so. For these deals we will offer a 60% discount on finished goods. We will also offer these products on a royalty license basis, at a royalty equal to 20% of the SRP for the full product retail version. Minimum commitment required for a hard bundle is \$500,000 per quarter. Discounts may not be increased by an OEM committing to higher minimum commitment.
- 6. An exception to Paragraph 5 above is royalty pricing for PC Works, which is as outlined in the current version of the OEM Pricing Guide. The Guide indicates a royalty of \$20 per system for an annual commitment of 25,000 units; \$15 per system for 50,000 units; and a royalty of \$10 per system for commitments in excess of 100,000 units per year.
- 7. All sales of finished goods products to OEMs under the above rules will include the same end user support as we provide to users who buy through the retail software channels. Royalty sales contracts will require that the OEM support our product.

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- Windows 1100 P/B/S Bonds
 - EXCEL
 - Windows
 - Word
 - Works

20%
 14%

**Microsoft OEM Price Guideline for Applications Products
 U.S. Domestic & English Language Countries**

Royalty Product Offering	Annual Commitment Royalty		Pricing		Royalty as % of SRP				Total Commitment Dollars (000)				
	5-7.5K	7.5-15K	SRP	Dist Street	1-10K	10-25K	25-50K	50K+	1-10K	10-25K	25-50K	50K+	
Windows High-End Applications	200	450	495	287	347	40%	33%	26%	18%	2,000	4,119	6,475	8,000
Excel for Windows	115	300	995	537	697	40%	30%	20%	10%	4,000	7,494	9,975	10,000
Office for Windows	200	165	80	287	347	40%	33%	26%	16%	2,000	4,119	6,475	8,000
PowerPoint for Windows	275	230	185	115	695	40%	33%	27%	17%	2,750	5,744	9,225	11,500
Project for Windows	200	185	130	80	495	40%	33%	26%	16%	2,000	4,119	6,475	8,000
Word for Windows	0	0	0	0	0	0%	0%	0%	0%	0	0	0	0
Visual Basic	0	0	0	0	0	0%	0%	0%	0%	0	0	0	0
Windows Mail	0	0	0	0	0	0%	0%	0%	0%	0	0	0	0
Entry Systems Unit Applications													
Works, (4,5)	23	20	15	10	149	15%	13%	10%	7%	230	500	750	1,000
Works, pre-installed, (4,5)	18	15	10	7	149	12%	10%	7%	5%	180	375	500	700
Works for Windows (4,5)	50	35	24	18	199	25%	18%	12%	8%	500	875	1,200	1,800
Windows Personal Financial Manager	0	0	0	0	0	0%	0%	0%	0%	0	0	0	0
DOS Character High-End Applications													
Multiplan, DOS & OS/2	80	65	50	35	185	41%	33%	26%	18%	800	1,625	2,500	3,500
Chart	160	130	100	70	395	41%	33%	25%	18%	1,600	3,250	5,000	7,000
PC-Mail & Pack	150	130	100	70	395	41%	33%	25%	18%	1,600	3,250	5,000	7,000
Project	200	183	125	80	495	40%	33%	25%	18%	2,000	4,083	6,250	8,000
Word	150	113	75	25	450	33%	25%	17%	6%	1,500	2,813	3,750	2,500
Low-End Applications Products													
Entertainment Pack for Windows	16	13	10	6	40	40%	33%	25%	15%	160	325	499	599
Productivity Pack for Windows	25	20	15	9	60	42%	33%	25%	15%	250	500	749	899
Learning Dos	20	16	12	7	50	40%	32%	24%	14%	200	400	600	700
Flight Sim	25	20	15	9	60	42%	33%	25%	16%	250	500	750	900
Flight Sim, Designer	17	14	10	6	40	43%	34%	25%	15%	170	338	500	600
Game Shop	21	17	12	7	50	42%	33%	24%	14%	210	413	600	700

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FG-Bundle for < 6 months

Packaged Product for sale across PC hardware line	Annual Commitment - Royalty		Pricing		Royalty as % of SRP			Total Commitment Dollars (000)			
	1-10K	10-25K	25-50K	50K+	SRP	Dist	Street	1-10K	10-25K	25-50K	50K+
Windows High-End Applications											
Excel for Windows, pkg prod	267	227	188	148	485	267	347	54%	46%	38%	30%
Office for Windows, pkg prod	637	457	378	298	995	637	697	54%	46%	38%	30%
PowerPoint for Windows, pkg prod	267	227	188	148	495	267	347	54%	46%	38%	30%
Project for Windows, pkg prod	375	319	264	208	695	375	487	54%	46%	38%	30%
Word for Windows, pkg prod	237	227	188	148	485	267	347	54%	46%	38%	30%
Visual Basic, pkg prod	0	0	0	0	0	0	0	0%	0%	0%	0%
Windows Mail, pkg prod	0	0	0	0	0	0	0	0%	0%	0%	0%
Entry Systems Unit Applications											
Works, packaged product	50	38	26	14	149	80	104	34%	26%	18%	10%
Works for Windows, pkg prod	80	64	48	32	189	107	139	40%	32%	24%	16%
Win Personal Fin. Mgr., pkg prod	0	0	0	0	0	0	0	0%	0%	0%	0%
Low-End Applications Products											
Entertainment Pack for Win, pkg prod	16	13	10	6	40	22	28	40%	32%	24%	16%
Productivity Pack for Win, pkg prod	25	20	15	11	60	32	42	42%	34%	26%	18%
Learning Des, pkg prod	20	16	12	8	50	27	35	40%	32%	24%	16%
Flight Sim, pkg prod	25	20	15	11	60	32	42	42%	34%	26%	18%
Flight Sim Designer, pkg prod	17	14	11	7	40	22	28	43%	35%	27%	19%
Game Shop, pkg prod	21	17	13	9	50	27	35	42%	34%	26%	18%

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Microsoft OEM Price Guideline for Applications Products
 Europe + 30% over US

Royalty Product Offering	Annual Commitment - Royalty		Pricing		Royalty as % of SRP			Total Commitment Dollars (000)							
	5-10K	10-25K	SRP	Dist Street	1-10K	10-25K	25-50K	1-10K	10-25K	25-50K	50K+				
Windows High-End Applications															
Excel for Windows	260	214	168	104	495	257	347	53%	43%	34%	21%	2,600	6,354	8,418	10,400
Office for Windows	520	390	259	130	995	637	697	52%	39%	26%	13%	5,200	9,742	12,968	13,000
PowerPoint for Windows	260	214	168	104	495	257	347	53%	43%	34%	21%	2,600	6,354	8,418	10,400
Project for Windows	358	299	240	150	695	375	487	51%	43%	35%	22%	3,675	7,467	11,993	14,950
Word for Windows	260	214	168	104	495	257	347	53%	43%	34%	21%	2,600	5,354	8,418	10,400
Visual Basic	0	0	0	0	0	0	0	0%	0%	0%	0%	0	0	0	0
Windows Mail	0	0	0	0	0	0	0	0%	0%	0%	0%	0	0	0	0
Entry Systems Unit Applications															
Works, (4,5)	30	26	20	13	149	80	104	20%	17%	13%	9%	299	650	975	1,300
Works, pre-installed, (4,6)	23	20	13	9	148	80	104	16%	13%	9%	6%	234	488	650	910
Works for Windows (4,5)	65	48	31	23	199	107	139	33%	23%	18%	12%	650	1,138	1,560	2,340
Windows Personal Financial Manager	0	0	0	0	0	0	0	0%	0%	0%	0%	0	0	0	0
DOS Character High-End Applications															
Multiplan, DOS & OS/2	104	85	65	46	185	105	137	53%	43%	33%	23%	1,040	2,113	3,250	4,550
Chart	208	169	130	91	395	213	277	53%	43%	33%	23%	2,080	4,225	6,600	9,100
PC-Mail & Pack	208	169	130	91	395	213	277	53%	43%	33%	23%	2,080	4,225	6,600	9,100
Project	260	211	163	117	495	257	347	53%	43%	33%	24%	2,600	5,281	8,125	11,700
Word	195	146	98	33	450	243	315	43%	33%	22%	7%	1,950	3,858	4,875	3,250
Low-End Applications Products															
Entertainment Pack for Windows	21	17	13	8	40	22	28	52%	42%	33%	20%	208	422	649	779
Productivity Pack for Windows	33	26	19	12	60	32	42	54%	43%	33%	20%	325	650	974	1,169
Learning Dos	26	21	16	9	50	27	35	52%	42%	31%	18%	260	520	780	910
Flight Sim	33	28	20	12	60	32	42	64%	43%	33%	20%	325	650	975	1,170
Flight Sim, Designer	22	18	13	8	40	22	28	65%	44%	33%	20%	221	439	650	780
Game Shop	27	21	16	9	50	27	35	55%	43%	31%	18%	273	538	780	910

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Packaged Product for sale across PC hardware line	Annual Commitment - Royalty			Pricing		Royalty as % of SRP				Total Commitment Dollars (000)				
	1-10K	10-25K	25-50K	SRP	Dist	Srctd	1-10K	10-25K	25-50K	50K+	1-10K	10-25K	25-50K	50K+
Windows High-End Applications	347	286	244	495	287	347	70%	60%	49%	39%	3,471	7,391	12,207	19,266
Excel for Windows, pkg prod	598	595	491	895	537	597	70%	60%	49%	39%	6,981	14,868	24,557	38,766
Office for Windows, pkg prod	347	296	244	495	287	347	70%	60%	49%	39%	3,471	7,391	12,207	19,266
PowerPoint for Windows, pkg prod	488	415	343	695	375	487	70%	60%	49%	39%	4,875	10,381	17,147	27,066
Project for Windows, pkg prod	347	286	244	495	287	347	70%	60%	49%	39%	3,471	7,391	12,207	19,266
Word for Windows, pkg prod	0	0	0	0	0	0	0%	0%	0%	0%	0	0	0	0
Visual Basic, pkg prod	0	0	0	0	0	0	0%	0%	0%	0%	0	0	0	0
Windows Mail, pkg prod	0	0	0	0	0	0	0%	0%	0%	0%	0	0	0	0
Entry Systems Unit Applications	65	50	34	149	80	104	44%	33%	23%	12%	650	1,238	1,700	1,851
Works, packaged product,	104	83	63	189	107	139	62%	42%	31%	21%	1,040	2,083	3,130	4,191
Works for Windows, pkg prod	0	0	0	0	0	0	0%	0%	0%	0%	0	0	0	0
Win Personal Fin. Mgr., pkg prod	0	0	0	0	0	0	0%	0%	0%	0%	0	0	0	0
Low-End Applications Products	21	17	12	40	22	28	62%	42%	31%	21%	208	410	625	834
Entertainment Pack for Win, pkg prod	33	26	20	60	32	42	64%	44%	33%	23%	325	657	1,002	1,380
Productivity Pack for Win, pkg prod	28	21	18	60	27	35	62%	42%	31%	21%	280	520	781	1,042
Learning Dos, pkg prod	33	28	20	60	32	42	64%	44%	33%	23%	325	657	1,002	1,380
Flight Sim, pkg prod	22	18	14	40	22	28	65%	45%	35%	24%	221	449	690	984
Flight Sim Designer, pkg prod	27	22	17	60	27	35	65%	44%	34%	23%	273	553	846	1,172
Game Shop, pkg prod														

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Notes:

- 1) Prices are for English language products in English language countries. Quotes for localized versions will include a 30% uplift and require prior approval of VP OEM, VP Europe and/or the area manager.
- 2) Prices are for minimum promotional licenses for 1-quarter and maximum of 1-year.
- 3) Negotiate vigorously for guaranteed OEM advertising featuring the applicable application.
- 4) Works royalties are for Works without Checkwrite. Upgrades from Works 1.x are 50% of licensed royalty. "Growing Your Business" self-study course for Works is available for \$10 each (pn 070-099-240).
- 5) Works pre-install royalties are available to OEMs that both, commit to more than 5,000 units and ship works pre-installed on a hard disk drive. If the OEM supports the product directly, subtract \$1.00 from the royalty.
- 6) For packaged product licenses with minimum commitments of \$500,000 per quarter, and where OEM ships application across an entire hardware model line, additional discounts from royalty are available in the amount of 37%. See VP OEM prior to quoting your customer.
- 7) For commitments less than one year, divide the annual commitment quantity by the proportion of the year desired by your customer. For example, if the annual commitment is for 10,000 units of Excel and your customer wants a 6-month license, the license quantity would be 5,000 and royalty \$200.
- 8) OEMs that would like to license our applications for resale as a distributor may do so at the current distributor discount from SRP. Licensing is for US distribution only.

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**OEM Price Guideline:
What's New For July**

Long Range Pricing Goals:

Simplification
 Training
 Differentiate pricing into Entry-to-High End segments: 8086 - 286/386SX - 386SL -
 386DX/486SX - 486DX/586. This permits both volume and premium pricing strategy side-
 by-side.

Short Term Issues To Address:

1. Applications Pricing. See attached proposal revision.
2. Microsoft Windows for Pen Computing (aka Pen Windows)

Proposed changes to meet tablet market needs.

	1k	6k	25k	50k	100k	250k	500k
Pen Win w/ handwriting	65	60	40	35	29	22	20
Pen Win w/o handwriting	20	20	13	12	9	7	6
Pen Win extensions	3 →						
Handwriting recog.	17	17	12	10	8	6	5

3. Flash File System 2.0

Release 2.0 of FFS will replace FFS 1.0. It is backward compatible and carries the same royalty. There is talk that ROM DOS 5.0 will contain FFS2.

4. MS DOS 5.0

Packaged Upgrade Product

- Price for the US version increases to \$51 from \$47
- OEM is restricted to selling with their systems only

Source Licenses

- DOS Program management has issue with broken-out source pricing. Basically they are caught with parts down on this and owe us a schedule when they can deliver source in Kernel, Display/Keyboard, EMS and Shell pieces rather than one big chunk of code.

ROM DOS 5.0

- No schedule yet, due "early June". On action list with Sergiop.

5. Packaged DOS 3.3 or 4.01

Correct typo, 50-1000 quantity to \$60 from \$65 and Over 1K to \$55

6. Combo package DOS & Windows

Correct typo, 50-1000 quantity to \$115 from \$119

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7. MS-Networks / LAN Manager Basic DOS Redirector

Replace MS Net redirector with Basic LM DOS redirector. According to NBU feedback from my questions this will include the netbeui protocol and support for DOS 3.2 and up, plus they want higher pricing as shown below.

Commitment:	1K	3K	6K	25K	50K
Old MS-Networks	18	18	15	12	10
New LM Basic DOS Client	25	25	21	18	15
Increase	39%	39%	40%	50%	50%

I meet with Ruthw tomorrow to freeze pricing at MS-Networks level. They want to kill the product by raising the price, but it earns \$2.5 million in revenue for fy92, and carries average US royalty of \$16 and average TTL royalty of \$8. I don't think an increase good nor possible. Also, we need more DOS version support (I think), therefore absolute discontinuation of Networks will not be possible. Some OEMs (especially vertical system vendors) will want to continue with Networks.

8. TCP/IP, Macintosh client, and Asynch dial in

Commitment (add to N2 box)	\$250K	\$500K	\$1M	\$2M
TCP/IP 1-user w/ utilities	\$40	\$36	\$32	\$28
TCP/IP 1-user w/out utilities	\$15	\$10	\$7	\$5
MAC Connectivity/server	\$185	\$144	\$124	\$111
Asynchronous Dial in/server	\$344	\$268	\$230	\$207

We pay a royalty of \$50 per copy of MAC connectivity to Pacer (3Com) so royalty should be increased. Asynch is MS developed and is priced per server...the max concurrent asynch connections possible (netbios limitation) is 16-users.

MS retail packaging for TCP will be in 1-user and 10-user packs. OEMs can do the same thing...if necessary we can add 10-user line items and drop the royalty for such packages. We pay \$10 royalty per copy of TCP utilities. TCP itself was a one time fee of \$500,000.

9. LAN Manager for Unix

Pricing proposal scales up royalty for processor/system class (ie. mini & mainframe). I like this in principle though it is complex. NBU proposal is attached.

10. SQL Server

Dwayne Walker wants to increase pricing. FG price has increased from \$2495 to \$3995 and will soon increase again to \$4695. Our royalties don't reflect any of these changes. Also the 10-user Pak is being dropped.

I think that it would be hard to take a price increase to OEMs now, and then do it again when their next release, V4.02 hits the streets in Q3 FY-92. I talked to Dwaynew about this but have not reached closure. He is out until next Monday.

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11. Comm Server & Workstation

Product Marketing wants to increase prices. I meet with Matt Ragan on Thursday.

12. Printer Products

TrueImage, royalty drops to \$25 for all quantity breaks.

TrueImage PDL source fees drop to \$95,000 from \$250,000.

13. Mouse & PenMouse

Big increases proposed for International OEMs on large deals. Other changes are smaller and scattered.

14. Multimedia Windows

See attached worksheet from Pamelago.

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LM Unix

6/20/91

LM UNIX 2.0 Pricing Models:

Royalty Price:

LAN Manager 2.0 for UNIX Systems: Minimum commit for LM for OS/2 and LM for UNIX can be combined.

Processor Types: PCs
Examples: COMPAQ Deskpro, IBM PS/2 (Intel Based Systems)

Notes:

Minimum Commitment	\$250K	\$500K	\$1M	\$2M
Base Server (includes 5 free users)*	\$225	\$175	\$150	\$135
10 User Pack	\$225	\$175	\$150	\$135
Upgrade to Unlimited**	\$770	\$700	\$675	\$640
LM Unlimited Server	\$885	\$775	\$725	\$675

1. This pricing is identical to the LM for OS/2 pricing
2. In all cases, Price of upgrade to unlimited from packs equals \$100 more (base plus one pack plus unlimited upgrade) than straight purchase of base server and unlimited.

- ** Base Server and 10 pack is required for Upgrade to Unlimited.
- ** Optionally, after six 10 packs, there is an automatic upgrade to unlimited.
- * The Base Server is REQUIRED for all other packs (including unlimited)

Processor Types: Workstations (RISC based systems)
Examples: HP Series Model 9000 700, IBM RS/6000 (RISC based systems)

Minimum Commitment	\$250K	\$500K	\$1M	\$2M
Base Server (includes 5 free users)*	\$225	\$175	\$150	\$135
10 User Pack	\$225	\$175	\$150	\$135
Upgrade to Unlimited**	\$870	\$800	\$775	\$740
LM Unlimited Server	\$995	\$875	\$825	\$775

3. Identical to OS/2 except in unlimited. Workstations are more powerful than PCs, so can support more users at the high end. Will probably support the same configuration as PCs (i.e. 10 packs).

- ** Base Server and 10 pack required for Upgrade to Unlimited.
- ** Optionally, after six 10 packs, there is an automatic upgrade to unlimited.
- * The Base Server is REQUIRED for all other packs (including unlimited)

Processor Types: Mid Computers
Examples: DEC VAX, IBM AS/400 (traditional commercial based work group computers)

Minimum Commitment	\$250K	\$500K	\$1M	\$2M
Base Server (includes 10 free users)*	\$450	\$350	\$300	\$270
15 User Pack	\$340	\$285	\$225	\$200
Upgrade to Unlimited**	\$1,120	\$895	\$775	\$700
LM Unlimited Server	\$1,360	\$1,060	\$900	\$800

4. Minicomputers are traditionally sold into departments. The Base Server includes 10 users, and the 10 packs have been turned into 15 packs. Pricing for Base Server is twice that of PCs. 15 pack price is 1.5 times that of 10 packs.

- ** Base server and 15 pack required for Upgrade to Unlimited.
- ** Optionally, after eight 15 packs, there is an automatic upgrade to unlimited.
- * The Base Server is REQUIRED for all other packs (including unlimited)

Processor Types: Mainframes
Examples: IBM 9370, IBM 3090

Minimum Commitment	\$250K	\$500K	\$1M	\$2M
Base Server (includes 25 free users)*	\$665	\$440	\$375	\$340
25 User Pack	\$665	\$440	\$375	\$340
LM Unlimited Server	\$2,260	\$1,760	\$1,500	\$1,360

5. Mainframes traditionally support large groups of users. Price for Base Server is 2.5 times that of PCs. 25 pack price is 2.5 times price of 10 packs.

- * The Base Server is REQUIRED for all other packs (including unlimited)

Source Prices:

	Rights to Use (3 CPUs)		Additional Platforms (Rights to 3 CPUs)	
		Additional CPU		Additional Copies
If not current licensee of LM for UNIX 1.1	\$75,000	\$2,500	\$35,000	\$2,500
	\$100,000	\$2,500	\$50,000	\$2,500
If current licensee of LM for UNIX 1.1	\$50,000	\$2,500	\$35,000	\$2,500
	\$75,000	\$2,500	\$50,000	\$2,500

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Microsoft Windows with Multimedia Price Guidelines

OEM Product	1K	6K	25K	50K	100K	250K	500K
Audio Card Only	\$26	\$23	\$20	\$18	\$16	n/a	n/a
CD-ROM Drive Only	\$26	\$23	\$20	\$18	\$16	n/a	n/a
Upgrade Kits:	\$26	\$23	\$20	\$18	\$16	n/a	n/a
286 Processor	\$45	\$40	\$27	\$22.50	\$19.50	\$15	\$13.50
386/486 Processor	\$65	\$60	\$40	\$35	\$29	\$22	\$20

Microsoft Multimedia Extensions Price Guidelines

OEM Product	1K	6K	25K	50K	100K	250K	500K
Audio Card Only	\$16	\$14	\$10	\$9	\$8	\$7	\$6
CD-ROM Drive Only	\$16	\$14	\$10	\$9	\$8	\$7	\$6

Pricing of quantities not specified are calculated based on a linear scale. These amounts are guidelines for contract negotiation with OEMs and actual contract price may vary slightly.

[The information contained in this table is highly confidential.]

SPAG
-end of year
1991
product

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Applications Products OEM Channel Pricing Proposal
Revised: 6/26/91

What's New

Response to feedback from Jeremybur:

- OEM provides end-user support. A 15% uplift is charged for royalties on language versions that go into countries where OEM relies on MS subsidiary to support the product.
- Royalty and 60% discount FG deals are bundle deals only.
- Silent on non-US FG pricing (I think we need to do something within the next 12-months)
- Royalty & FG deals for localized product require Bernard & Chris approval.
- Localized Word royalty increased.

Royalty Proposal

Royalty guidelines are divided into two categories: US & English Language Countries and Localized Product for Non-English Language Countries. High-end Windows applications and Entry applications are considered separately because they appeal to different OEM needs.

- o Royalty pricing is for per-system licenses assuming a minimum 6-month and maximum 12-month duration.
- o The OEM is responsible for production of a finished end-user deliverable.
- o The OEM packaged Microsoft application can be distributed only in conjunction with the OEM's PC systems.
- o The OEM will provide end-user support for licensed applications. If the OEM ships product into countries where they are unable to support the application, and will therefore rely on the local MS subsidiary to provide end-user support, they will be charged an additional 15% uplift for those localized versions.
- o United States prices are for English language products in English language countries in addition to the US. Europe prices are for localized versions for which quotes require prior approval of VP OEM, VP Europe (Bernard Vergnes & Chris resp.) and/or the area manager.
- o Negotiate vigorously for guaranteed OEM advertising featuring the licensed application(s).
- o Works pre-install royalties are available to OEMs that both, commit to more than 5,000 units and ship works pre-installed on a hard disk drive. If the OEM supports the product directly, subtract \$1.00 from the royalty.

For your reference I have included distributor and street pricing alongside the proposed OEM pricing. Additionally, you will see columns for royalty as a percentage of SRP and total commitment dollars for each royalty/unit commitment break.

Finished Goods Proposal

MS finished goods pricing proposal for OEM licensees can be summarized as follows:

US and English speaking countries:

- o Commitments for under 5K units will be priced as are distributors with the applicable 46% discount from SRP. There are no bundling restrictions in this discount category.
- o Commitments for over 5K units will be offered a discount of 60% from SRP.
- o Commitments are for a minimum of 6-months and maximum of 12-months.
- o Exceptions are products listed separately in the OEM Pricing Guideline; specifically this permits continued aggressive pricing for finished goods for EBU applications like Works, Personal Financial Manager, etc.
- o Finished goods pricing for countries other than the US is outside the scope of this proposal. For all finished goods deals for non-US OEMs, contact Kimber Didge in INTL marketing.
- o Negotiate vigorously for guaranteed OEM advertising featuring the licensed application(s).

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→ 5-25K 15%
 → 25K 10%

Discounts:

uplet:
 "50% So \$50 = 75
 "10% So \$100 = 150

cannot then to 125K units.

once you have shipped 25K units you can choose to continue or not to continue.

High-End Windows Applications Per-System Royalty Guidelines

United States & English Language Countries

Per-System Royalty Product Offering	Royalties		Prking		Rty as % SRP		Tot \$ Commit (000)	
	5-25K	25K+	SRP	Dist	5-25K	25K+	5K	25K
Windows High-End Applications	15%	15%						
Excel for Windows	\$100-	\$70	495	287	20%	14%	600	1,760
Office for Windows	\$200	\$140	995	637	20%	14%	1,000	3,500
PowerPoint for Windows	\$100	\$70	495	287	20%	14%	600	1,760
Project for Windows	\$140	\$100	685	375	20%	14%	700	2,500
Word for Windows	\$100	\$70	495	287	20%	14%	600	1,760
Visual Basic	\$40	\$28	199	107	0%	0%	199	687
Windows Mail (5-pak)	\$78	\$55	395	213	0%	0%	395	1,383

Localized Product for Non-English Language Countries

Per-System Royalty Product Offering	Royalties		Avg Rty as % SRP		Tot \$ Commit (000)		
	5-25K	25K+	SRP	5-25K	25K+	5K	25K
Windows High-End Applications							
Excel for Windows	\$185	\$115	816	20%	14%	824	2,884
Office for Windows	NA	NA	NA	NA	NA	NA	NA
PowerPoint for Windows	\$183	\$114	808	20%	14%	817	2,858
Project for Windows	\$209	\$150	1,040	20%	14%	1,047	3,740
Word for Windows	\$172	\$120	850	20%	14%	859	3,008
Visual Basic	\$52	\$36	199	28%	18%	259	905
Windows Mail (5-pak)	\$103	\$72	395	28%	18%	514	1,797

Note: European SRP is an average of several W. Europe countries. See attached, Office, V-Basic & Mail are US SRP.

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10%
7.5%
-30% uplift

Entry Applications
Per/System Royalty Guidelines
United States & English Language Countries

Per-System Royalty Product Offering	Per-System Royalties				Pkgg		Royalty as a % of SRP				Total \$\$ Commit (000)								
	5K	10K	25K	50K	100K	SRP	Dist	Est-Sk	5K	10K	25K	50K	100K	5K	10K	25K	50K	100K	
Entry Applications	\$26	\$23	\$20	\$15	\$10	149	80	93	17%	16%	13%	10%	7%	130	230	500	760	1,000	
Works	\$20	\$18	\$15	\$10	\$7	149	80	93	13%	12%	10%	7%	5%	100	180	375	500	700	
Works, pre-installed	\$35	\$31	\$27	\$20	\$13	189	107	124	17%	15%	13%	10%	7%	174	307	668	1,002	1,338	
Works for Windows	\$27	\$24	\$20	\$13	\$9	199	107	124	13%	12%	10%	7%	5%	134	240	501	669	935	
Works for Windows, pre-install	\$12	\$11	\$9	\$7	\$5	70	38	43	17%	16%	13%	10%	7%	81	108	235	352	470	
Windows Personal Financial Manager	\$55	\$45	\$40	\$35	\$25	460	243	278	12%	10%	9%	8%	6%	276	450	1,000	1,760	2,600	
DOS Word																			

Localized Product for Non-English Language Countries

Per-System Royalty Product Offering	Per-System Royalties				Royalty as a % of SRP				Total \$\$ Commit (000)										
	5K	10K	25K	50K	100K	SRP	5K	10K	25K	50K	100K	5K	10K	25K	50K	100K			
Entry Applications	\$34	\$30	\$28	\$20	\$13	344	10%	9%	8%	6%	4%	169	299	650	875	1,300			
Works	\$28	\$23	\$20	\$13	\$9	344	8%	7%	6%	4%	3%	130	234	488	650	910			
Works, pre-installed	\$45	\$14	\$35	\$28	\$17	199	23%	7%	17%	13%	8%	226	140	868	1,302	1,738			
Works for Windows	\$35	\$11	\$28	\$17	\$12	189	17%	6%	13%	9%	6%	174	110	651	868	1,215			
Works for Windows, pre-install	\$18	\$14	\$12	\$9	\$6	70	23%	20%	17%	13%	9%	79	140	305	468	611			
Windows Personal Financial Manager	\$90	\$78	\$65	\$52	\$40	737	12%	11%	9%	7%	5%	450	780	1,625	2,600	4,000			
DOS Word																			

Note: Works & DOS Word SRP are Europe averages, all others are US SRP. Royalties are pro-rated % of US-GRP against Europe GRP or are 30% uplift of US SRP where Europe SRP is unavailable.

FBU
- Support = 3% of SRP - \$5.
Depts = 1% of SRP - \$20.

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Entry Applications

Per-System Royalty Guidelines

United States & English Language Countries

See Def 10/20/95

Per-System Royalty Product Offering	Per-System Royalties				Pricing			Royalty as a % of SRP					Total \$\$ Commit (000)					
	5K	10K	25K	50K	100K	SRP	Dist	Est. SA	5K	10K	25K	50K	100K	5K	10K	25K	50K	100K
Entry Applications	\$26	\$23	\$20	\$15	\$10	149	80	93	17%	15%	13%	10%	7%	130	230	500	750	1,000
Works	\$20	\$18	\$15	\$10	\$7	149	80	93	13%	12%	10%	7%	5%	100	180	375	600	700
Works for Windows	\$35	\$31	\$27	\$20	\$13	199	107	124	17%	15%	13%	10%	7%	174	307	668	1,002	1,336
Works for Windows, pre-install	\$27	\$24	\$20	\$13	\$9	199	107	124	13%	12%	10%	7%	5%	134	240	501	668	935
Windows Personal Financial Manager	\$12	\$11	\$9	\$7	\$5	70	38	43	17%	15%	13%	10%	7%	61	108	235	352	470
DOS Word	\$65	\$45	\$40	\$35	\$25	450	243	278	12%	10%	9%	8%	6%	275	450	1,000	1,750	2,500

Europe

Per-System Royalty Product Offering	Per-System Royalties				Pricing			Royalty as a % of SRP					Total \$\$ Commit (000)					
	5K	10K	25K	50K	100K	SRP	Dist	Est. SA	5K	10K	25K	50K	100K	5K	10K	25K	50K	100K
Entry Applications	\$34	\$30	\$26	\$20	\$13	344	10%	9%	8%	6%	4%	3%	2%	169	299	650	975	1,300
Works	\$25	\$23	\$20	\$13	\$9	344	8%	7%	6%	4%	3%	2%	1%	130	234	488	650	910
Works for Windows	\$45	\$14	\$35	\$26	\$17	199	23%	7%	17%	13%	9%	22%	14%	868	1,302	1,736		
Works for Windows, pre-install	\$35	\$11	\$26	\$17	\$12	199	17%	6%	13%	9%	6%	17%	11%	651	868	1,215		
Windows Personal Financial Manager	\$16	\$14	\$12	\$9	\$6	70	23%	20%	17%	13%	9%	7%	14%	303	458	611		
DOS Word	\$72	\$59	\$52	\$46	\$33	737	10%	8%	7%	6%	4%	3%	2%	368	685	1,300	2,275	3,250

Note: Works & DOS Word SRP are Europe averages, all others are US SRP. Royalties are pro-rated % of US-SRP against Europe SRP or are 30% uplift of US SRP where Europe SRP is unavailable.
 Note: Royalties are pro-rated % of US-SRP against Europe SRP or are 30% uplift of US SRP where Europe SRP is unavailable.

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High-End Windows Applications Per-System Royalty Guidelines

United States & English Language Countries

Per-System Royalty Product Offering	Royalties		Pricing		Rty as % SRP		Tot \$ Commit (000)		
	5-25K	25K+	SRP	Dist	Est. St.	5-25K	25K+	5K	25K
Windows High-End Applications									
Excel for Windows	\$100	\$70	495	267	307	20%	14%	600	1,760
Office for Windows	\$200	\$140	985	637	618	20%	14%	1,000	3,500
PowerPoint for Windows	\$100	\$70	495	267	307	20%	14%	600	1,760
Project for Windows	\$140	\$100	695	375	432	20%	14%	700	2,500
Word for Windows	\$100	\$70	495	267	307	20%	14%	600	1,760
Visual Basic	\$40	\$28	199	107	124	0%	0%	199	697
Windows Mail (5-pak)	\$78	\$55	395	213	245	0%	0%	395	1,383

Europe

Per-System Royalty Product Offering	Royalties		Avg		Rty as % SRP		Tot \$ Commit (000)	
	5-25K	25K+	SRP	SRP	5-25K	25K+	5K	25K
Windows High-End Applications								
Excel for Windows	\$165	\$115	818	818	20%	14%	824	2,884
Office for Windows	NA	NA	NA	NA	NA	NA	NA	NA
PowerPoint for Windows	\$163	\$114	808	808	20%	14%	817	2,858
Project for Windows	\$209	\$160	1,040	1,040	20%	14%	1,047	3,740
Word for Windows	\$172	\$120	850	850	20%	14%	859	3,006
Visual Basic	\$52	\$36	198	198	26%	18%	259	905
Windows Mail (5-pak)	\$103	\$72	395	395	26%	18%	614	1,797

Note: European SRP is an average of several W. Europe countries. See attached. Office, V-Basio & Mail are US SRP.

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