

Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

Tel 206 882 8080
Telex 160520
Fax 206 883 8408

FAX Bernard, Chris

Microsoft Memo

June 17, 1991

*see my email of
6/20/91*

To: Jeremy Butler, Ron Hosogl, Mike Maples, Jeff Raikes
Cc: Joachim Kempin, Jeff Lum, Richard Fade
From: Tom Gemmell *TG*
Re: Proposal: OEM Channel Applications Pricing Guideline

Jeremy

Attached please find the OEM pricing proposal for applications products that I have prepared for your review. This proposal will, when approved, form the basis of a new OEM pricing guideline for Applications products that is separate from that used for Systems products.

Chris

Royalty Proposal

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

The attached royalty pricing is for per-system licenses assuming a minimum 6-month and maximum 12-month duration. Note that it is also for non-finished goods product. The OEM is responsible for production of a finished end-user deliverable.

What about support?

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

handling

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.
- 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.

Europe:

- o Finished goods licensing is handled by the subsidiaries, though it is proposed that all apply similar pricing rules as in the US.
- o Commitments for under 5K units will be priced as are distributors with the applicable discount from local SRP.
- o A tacit agreement already offers "significant" OEM deals at 50% discount, subsidiary-to-subsidary. Keeping in line with the US, if these deals exceed 5K units the a discount of 60% from local SRP will be offered.
- o Commitments are for a minimum of 6-months and maximum of 12-months.

No.

The alternative for Europe is to apply a 30% uplift to US prices. This is easy in practice, though misses the opportunity to set pricing according to what the market can bear in a particular country, as local SRP based pricing allows.

X 563295
CONFIDENTIAL

Please let me know if you have any questions on the proposal.

Microsoft

EXHIBIT
6
Gemmell 10.2.01

High-End Windows Applications Per-System Royalty Guidelines

United States & English Language Countries

| Per-System Royalty Product Offering | Royalties \$-25K | 25K+ | SRP | Proj'dg Dist | Est. \$ | Roy. as % SRP \$-25K | 25K+ | Total Commt. (000) \$K | 25K |
|-------------------------------------|------------------|-------|-----|--------------|---------|----------------------|------|------------------------|-------|
| Windows High-End Applications | \$100 | \$70 | 495 | 287 | 307 | 20% | 14% | 500 | 1,750 |
| Excel for Windows | \$200 | \$140 | 996 | 637 | 616 | 20% | 14% | 1,000 | 3,500 |
| PowerPoint for Windows | \$100 | \$70 | 495 | 267 | 307 | 20% | 14% | 500 | 1,750 |
| Project for Windows | \$140 | \$100 | 695 | 375 | 432 | 20% | 14% | 700 | 2,500 |
| Word for Windows | \$100 | \$70 | 495 | 287 | 307 | 20% | 14% | 500 | 1,750 |
| Visual Basic | \$40 | \$28 | 199 | 107 | 124 | 0% | 0% | 199 | 697 |
| Windows Mail (5-pak) | \$79 | \$55 | 306 | 213 | 245 | 0% | 0% | 295 | 1,383 |

Europe

| Per-System Royalty Product Offering | Royalties \$-25K | 25K+ | Avg SRP | Roy. as % SRP \$-25K | 25K+ | Total Commt. (000) \$K | 25K |
|-------------------------------------|------------------|-------|---------|----------------------|------|------------------------|-------|
| Windows High-End Applications | \$165 | \$115 | 816 | 20% | 14% | 824 | 2,884 |
| Excel for Windows | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Office for Windows | \$163 | \$114 | 808 | 20% | 14% | 817 | 2,868 |
| PowerPoint for Windows | \$208 | \$150 | 1,040 | 20% | 14% | 1,047 | 3,740 |
| Project for Windows | \$172 | \$120 | 850 | 20% | 14% | 859 | 3,006 |
| Word for Windows | \$52 | \$38 | 199 | 26% | 18% | 259 | 903 |
| Visual Basic | | | | | | | |
| Windows Mail (5-pak) | \$103 | \$72 | 395 | 26% | 18% | 514 | 1,797 |

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

Entry Applications Per-System Royalty Guidelines

United States & English Language Countries

| Per-System Royalty Product Offering | Per-System Royalties | | | | | SRP | Pricing | | Royalty as a % of SRP | | | | | Total \$\$ Commit (000) | | | | |
|-------------------------------------|----------------------|------|------|------|------|-----|---------|-------|-----------------------|-----|-----|-----|------|-------------------------|-----|-------|-------|-------|
| | 5K | 10K | 25K | 50K | 100K | | Dist | Per-S | 5K | 10K | 25K | 50K | 100K | 5K | 10K | 25K | 50K | 100K |
| Early Applications | \$26 | \$23 | \$20 | \$15 | \$10 | 140 | 80 | 85 | 17% | 15% | 12% | 10% | 7% | 130 | 220 | 500 | 750 | 1,000 |
| Works | \$20 | \$18 | \$15 | \$10 | \$7 | 148 | 80 | 85 | 13% | 12% | 10% | 7% | 5% | 100 | 150 | 375 | 500 | 700 |
| Works, pre-installed | \$35 | \$31 | \$27 | \$20 | \$15 | 190 | 107 | 124 | 17% | 15% | 13% | 10% | 7% | 174 | 307 | 666 | 1,002 | 1,206 |
| Works for Windows | \$27 | \$24 | \$20 | \$12 | \$9 | 190 | 107 | 124 | 14% | 12% | 10% | 7% | 5% | 134 | 240 | 501 | 666 | 815 |
| Works for Windows, pre-install | \$12 | \$11 | \$9 | \$7 | \$5 | 70 | 39 | 43 | 17% | 15% | 13% | 10% | 7% | 61 | 108 | 225 | 322 | 470 |
| Windows Personal Financial Manager | \$55 | \$45 | \$40 | \$35 | \$25 | 480 | 240 | 279 | 18% | 10% | 8% | 8% | 6% | 275 | 450 | 1,000 | 1,750 | 2,500 |

Europe

| Per-System Royalty Product Offering | Per-System Royalties | | | | | SRP | Royalty as a % of SRP | | | | | Total \$\$ Commit (000) | | | | |
|-------------------------------------|----------------------|------|------|------|------|-----|-----------------------|-----|-----|-----|------|-------------------------|-------|-------|-------|-------|
| | 5K | 10K | 25K | 50K | 100K | | 5K | 10K | 25K | 50K | 100K | 5K | 10K | 25K | 50K | 100K |
| Early Applications | \$34 | \$30 | \$26 | \$20 | \$13 | 244 | 10% | 8% | 6% | 4% | 169 | 299 | 650 | 975 | 1,300 | |
| Works | \$28 | \$24 | \$20 | \$13 | \$9 | 244 | 8% | 7% | 6% | 4% | 130 | 234 | 484 | 650 | 810 | |
| Works, pre-installed | \$46 | \$41 | \$35 | \$26 | \$17 | 190 | 23% | 7% | 17% | 13% | 9% | 226 | 140 | 866 | 1,302 | 1,735 |
| Works for Windows | \$36 | \$31 | \$26 | \$17 | \$12 | 190 | 17% | 6% | 13% | 9% | 6% | 174 | 110 | 651 | 864 | 1,215 |
| Works for Windows, pre-install | \$16 | \$14 | \$12 | \$9 | \$6 | 70 | 23% | 20% | 17% | 13% | 9% | 78 | 140 | 305 | 458 | 611 |
| Windows Personal Financial Manager | \$72 | \$59 | \$52 | \$46 | \$33 | 737 | 10% | 8% | 7% | 4% | 360 | 565 | 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.