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MICROSOFT Memo
 Date: 10 October 1991
 To: Tom Gemmell
 From: John Williams, EBU OEM
 CC: Mike Maples, Susan Boesch, Melinda French, Donna Garrison, Michael Harvey, Rich Macintosh, Mike Negrin, Heidi Breslaeur, Mike Metzger
 RE: EBU APPLICATION OEM PRICING

This document outlines the revised OEM pricing for Entry Business Unit applications for royalty agreements¹. These revisions supersede the pricing shown in the EBU OEM Strategy Document that Doanag and I previously published². Packaged goods pricing for EBU apps remains as published in the most recent "OEM Price Guideline for Applications Products" (attached for reference).

- In addition to policies noted in the guideline document, several key additions must be made for EBU deals:
1. Product update registration cards are required for all EBU application royalty bundles.
 2. A \$1 discount per application for pre-install (subtract from royalty) applies to all bundles with Works for Windows, Publisher and Money.
 3. A \$3 per product, per unit uplift for support applies to all Works for Windows, Publisher and Money bundles where MS is handling end-user technical support.
 4. Training of OEM support leads is mandatory for Works for Windows, Publisher and Money bundles where OEM is handling end-user technical support³. Training will be provided at a fee by MS PSS. The fee can be charged to the OEM or absorbed by MS OEM sales.

ROYALTY PRODUCT OFFERING: Entry Business Unit Applications (English Only):

A) Primary EBU Applications

Units	PC Works (\$149.00)	%SRP	WinWorks (\$199.00)	%SRP	Publisher (\$199.00)	%SRP	Money (\$69.95)	%SRP
<25K	\$15.00	10%	\$20.00	10%	\$28.00	14%	\$10.00	14%
25K+	\$10.00	7%	\$18.00	9%	\$26.00	13%	\$9.00	13%
50K+	\$7.00	5%	\$16.00	8%	\$24.00	12%	\$8.00	12%
100K+	\$6.00	4%	***	***	***	***	***	***
250K+	\$5.00	3%	***	***	***	***	***	***
500K+	\$4.00	3%	***	***	***	***	***	***

*** Please consult with EBU OEM Product Manager for pricing on quantities over 100K.

B) Additional EBU Applications

Units	WEP \$39.95	WPP \$59.95	LDos \$49.95
<25K	\$4.00	\$4.00	\$4.00
25K+	\$3.50	\$3.50	\$3.50
50K+	\$3.00	\$3.00	\$3.00
100K+	\$2.00	\$2.00	\$2.00
250K+	\$1.00	\$1.00	\$1.00
500K+	\$1.00	\$1.00	\$1.00

Thanks for your support in designing and implementing these changes.

¹ These revisions are effective October 9, 1991. Royalty deals made prior to this date defer to pricing agreed upon for duration of agreement term.
² Copies of the EBU OEM Strategy document are available from Johnwil.
³ A complete spec for training content, timing and costs will be forwarded to OEM Sales by 10/31/91. Johnwil is the contact point for questions/issues prior to that date.

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EXHIBIT
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Microsoft
OEM Price Guideline
for Applications
Products
 Effective October 15, 1991

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Royalty Product Offering

For all applications royalty licenses, the OEM is required to separate the application program setup/install files from the application. For character applications, these files would be put onto the MS-DOS disks. For Windows applications, these files would be put onto the OEM's Windows disks. The disk labels and OEM's application box should have the printed statement: "For distribution only in conjunction with [OEM's] microcomputer systems".

High-End Windows Applications

US Only		License Unit Commitment		
		5,000 +	25,000 +	50,000 +
A1	Per-System Royalties			
	Excel for Windows	\$116	\$96	\$79
	Word for Windows	\$116	\$96	\$79
	Project for Windows	\$162	\$134	\$111
	PowerPoint for Windows	\$116	\$96	\$79
	Office for Windows	\$232	\$192	\$159

Foreign Language Versions		License Unit Commitment		
		5,000 +	25,000 +	50,000 +
A2	Per-System Royalties			
	Excel for Windows	\$181	\$158	\$131
	PowerPoint for Windows	\$181	\$158	\$131
	Project for Windows	\$268	\$222	\$183
	Word for Windows	\$191	\$158	\$131

Entry Applications

US Only		License Unit Commitment		
		5,000 +	25,000 +	50,000 +
B1	Per-System Royalties			
	Works	\$15	\$10	\$7
	Works for Windows	\$20	\$18	\$18
	MS Money	\$10	\$9	\$8
	MS Publish	\$28	\$26	\$24
	Win Entertainment Pack	\$4	\$4	\$3
	Win Productivity Pack	\$4	\$4	\$3
	Learning DOS	\$4	\$4	\$3
	DOS Word	\$45	\$35	\$25

Foreign Language Versions		License Unit Commitment		
		5,000 +	25,000 +	50,000 +
B2	Per-System Royalties			
	Works	\$28	\$19	\$13
	Works for Windows	\$37	\$33	\$30
	MS Money	\$19	\$17	\$15
	MS Publish	\$52	\$48	\$44
	Win Entertainment Pack	\$7	\$6	\$6
	Win Productivity Pack	\$7	\$6	\$6
	Learning DOS	\$7	\$6	\$6
	DOS Word	\$83	\$65	\$46

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Multimedia & CD-ROM Titles:

US Only	License Unit Commitment			
		5,000 +	25,000 +	50,000 +
C1 Per-System Royalties (7,B)				
Multimedia Bookshelf		\$22	\$19	\$15
Multimedia Beethoven: The 9th Symphony		\$15	\$12	\$10
DOS Bookshelf		\$16	\$14	\$12

Working Models of Windows Applications

OEM royalty for licensing full-function/limited capacity English language versions of Windows applications Working Models is \$1.50 per-copy. Royalty is to cover Microsoft support costs. Working Models presently offered for licensing consist of Excel, WinWord, WinProject and PowerPoint. OEM is required to pre-install Working Model on a hard disk drive with Windows.

Royalty License Incentives & Adders (Tables A & C):

	Adjustments
Z1 Pre-install on hard disk drive (subtract from royalty) (5)	- \$5.00
OEM relies on MS for end-user support (per-unit uplift) (5)	+\$20.00

Determining The Applicable Royalty

The OEM's "License Unit Commitment" is determined on an application-by-application basis. The application royalty is determined by the number of units the OEM licenses. For example, if the OEM licenses 15,000 copies of Word for Windows the royalty will be \$116.00 (from Table A1).

Applying Royalty Incentives & Adders

Considering an OEM that would like to license Word for Windows and pre-install the application onto a hard disk drive, their royalty would be adjusted as shown below.

	5,000±	25,000±	50,000±
Word for Windows	\$116.00	\$96.00	\$79.00
Less pre-install incentive	-5.00	-5.00	-5.00
Net Word Royalty	\$111.00	\$91.00	\$74.00

Continuing with the example, if the OEM is unable to provide support in the UK, although they intend to distribute the products there, the OEM will therefore rely on Microsoft's UK subsidiary to provide support to their buyers in that country and will be charged a royalty uplift. Base royalties for units shipped in the UK are from Table A2 and determined as follows:

	5,000±	25,000±	50,000±
Word for Windows	\$191.00	\$158.00	\$131.00
Less pre-install incentive	-5.00	-5.00	-5.00
MS end-user support (UK units only)	+20.00	+20.00	+20.00
Net Word Royalty	\$206.00	\$173.00	\$146.00

Determining the Minimum Commitment to Quote

Quote minimum commitments at quantities no greater than the minimum units specified in the header of a particular price column. In other words, if an OEM states they will ship 35,000 units, quote their minimum unit commitment at 25,000 units and apply the royalty from that column. If the OEM expects to ship 10,000 units, quote their minimum unit commitment at 5,000 and royalty from that column. The one exception to this rule is for quotes at 15,000 units. It is OK to quote the OEM the 5,000 column royalty and 15,000 units.

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Notes on Royalty Licensing (A, C & Z Tables)

- Note 1: Application licenses require the OEM to include a Microsoft product update registration card in the box the application ships in. For OEM's selling directly to end-users this may be waived provided the names, phones and addresses of the end-users receiving MS applications are supplied to Microsoft. This applies to all products above including Multimedia & CD-ROM titles.
- Note 2: Royalties are for per system licenses for a maximum period of six (6) months, renewable for an additional six (6) month period.
- Note 3: The OEM is responsible for production of a finished goods for end-users. Negotiate vigorously for guaranteed OEM advertising featuring the licensed application(s).
- Note 4: The OEM packaged Microsoft application can be distributed only in conjunction with OEM's PC systems.
- Note 5: The OEM will provide end-user support for licensed applications in every market they sell the product. 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, the OEM will be charged as per Table Z1.
- Note 6: OEM is provided a golden master copy of the application for pre-installation purposes.
- Note 7: Encyclopedia and Dictionary are subsets of Bookshelf, although the Encyclopedia should be licensed first if the OEM is undecided between it and Dictionary.
- Note 8: Golden masters for each of Multimedia titles are located at DADC in Terre Haute, Indiana. Contact Director of Multimedia Publishing marketing for details.
- Note 9: Contact V.P. OEM if you have inquiries about licensing applications on a per-processor basis.

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Finished Goods Product Offering

High-End Windows Applications

US Only - Volume Commitment Price

Volume License Commitment

D1	Volume License Commitment	
	5,000 +	25,000 +
Excel for Windows	\$198	\$173
Word for Windows	\$198	\$173
Project for Windows	\$278	\$243
PowerPoint for Windows	\$198	\$173
Office for Windows	\$398	\$348

Entry Applications

US Only - Volume Commitment Price

Volume License Commitment

E1	Volume License Commitment	
	5,000 +	25,000 +
Works	\$49	\$44
Works for Windows	\$66	\$64
MS Money	\$24	\$23
MS Publish	\$69	\$67
Win Entertainment Pack	\$14	\$12
Win Productivity Pack	\$20	\$18
Learning DOS	\$17	\$15
DOS Word	\$45	\$35

Foreign Language Versions

Finished Goods licenses for foreign language versions of High-End Windows and Entry applications are offered at a 46% discount from the SRP of the applicable foreign language country. Products are offered under master license; fulfillment and billing is through the local subsidiary. Foreign Language Royalties are for all non-US distribution licenses. Charlotte Guyman should be advised of foreign language quotes.

Multimedia & CD-ROM Titles:

US Only - Volume Commitment Price

Volume License Commitment

F1	Volume License Commitment	
	5,000 +	25,000 +
Volume Commitment Price (4,5)		
Multimedia Bookshelf	\$68	\$59
Multimedia Beethoven: The 9th Symphony	\$30	\$27
DOS Bookshelf	\$68	\$59

Finished Goods License Incentives & Adders (Tables D & E only):

		Adjustments
Y1	Pre-install on hard disk drive (subtract from price) (5)	-\$5.00

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Determining The Applicable Price

The OEM's "Volume Unit Commitment" is determined on an application-by-application basis. The applicable price is determined by the number of units the OEM commits to. For example, if the OEM commits to buy 15,000 copies of Word for Windows the price will be \$198.00 (from Table D1 \$198 = \$156 + \$42). The total price paid by the OEM will be the sum of the "Package Price" and "Royalty". Each of these two price components are payable at different times (much like mouse business). The Package Price is due on shipment of packages to the OEM and the Royalty is due along with the appropriate quarterly royalty report.

Applying Price Incentives & Adders

Considering an OEM that would like to license Word for Windows and pre-install the the application onto a hard disk drive, their price would be adjusted as shown below.

	<u>5,000+</u>	<u>25,000+</u>
Word for Windows		
Package Price	\$00	\$00
Royalty	\$00	\$00
Less pre-install incentive	-5.00	-5.00
Net Word Price	\$00	\$00

Determining the Minimum Commitment to Quote

Quote minimum commitments at quantities no greater than the minimum units specified in the header of a particular price column. In other words, if an OEM states they will ship 35,000 units, quote their minimum unit commitment as 25,000 with the applicable price from that column. If the OEM expects to ship 10,000 units, quote their minimum unit commitment at 5,000 and price from that column. The one exception to this rule is for quotes of 15,000 units. It is OK to quote the OEM the 5,000 column price and 15,000 units.

Notes on Finished Goods Volume Commitment Pricing & Licensing (D, F & Y Tables)

- Note 1: Volume Commitment Prices are for a maximum period of six (6) months though are renewable for an additional six (6) month period.
- Note 2: Microsoft packaged applications can be distributed only in conjunction with the OEM's PC systems. Try to obtain OEM advertising featuring the licensed Microsoft application(s).
- Note 3: To facilitate the installation process, OEM's that pre-install application(s) on a hard disk drive are provided a golden master copy of the application and permitted to make as many copies as are purchased under the license.
- Note 4: Encyclopedia and Dictionary are subsets of Bookshelf, although the Encyclopedia should be licensed first if the OEM is undecided between it and Dictionary.
- Note 5: Golden masters for Multimedia titles are located at DADC in Terre Haute, Indiana. Contact Director of Multimedia Publishing marketing for details.

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