

Microsoft
*OEM Price Guideline for
 Application Products*
 May 11, 1993

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Applications Price Guideline

For distribution only in conjunction with an OEM's PC systems.

Applications are to be licensed on an Applications License Agreement separate from the OEM's license agreement for Systems products. Also, applications products and systems products should not be "linked" to one another in any way (e.g., requiring license of one type of product in order to get the other type of product; offering discounts on one type of product if a customer takes another type of product).

An OEM that elects to ship an application program is required to separate the application program setup and install diskettes from the application manuals, shrink-wrap them together and ship them only inside the same box as the PC system. The disk labels and OEM's application box should have the printed statement: "For distribution only in conjunction with [OEM's name] microcomputer system's".

Example: For an OEM that elects to ship an application program and is licensing MS-DOS, Windows and WinWorks, packaging would be as follows:

- Packet 1 Setup disks for each of the products
- Packet 2 MS-DOS manual and remaining disks
- Packet 3 Windows manual and remaining disks
- Packet 4 WinWorks manual and remaining disks

Prices herein are for Microsoft application products shipped in combination with an OEM's defined PC systems on a per-system basis under a royalty license. Per-system means "all units of a particular model" that the customer ships (e.g. all units of Compaq's Deskpro) or a particular subset(s) of a given processor type (e.g. 486DX, 33MHz). If your OEM would like to license MS applications on a per-copy basis, then the price, terms and conditions are the same as those offered to software distributors. In general, the OEM/distributor price will be at a 46% discount from the MS suggested retail price.

Application licenses require the OEM to include a Microsoft product update registration card in the box the application ships in.

High-End Windows Applications¹⁴

U.S. Only

6-Month License Unit Commitment

A1	Per-System Royalties	2,500 ±	12,500 ±	25,000 ±
	Excel for Windows	\$116	\$98	\$79
	Word for Windows	\$116	\$98	\$79
	MS-DOS Word	\$45	\$35	\$25
	Multimedia Word for Win on CD-ROM ¹⁰	\$139	\$115	\$95
	Project for Windows	\$162	\$134	\$111
	PowerPoint for Windows	\$116	\$98	\$79
	Access ¹²	\$116	\$98	\$79
	FoxPro	\$116	\$98	\$79
	Office for Windows ¹¹	\$173	\$145	\$119

NOTE: Consult with your OEM Area Director or Sales Manager before quoting any high-end Windows applications.

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High-End Windows Applications

A2	Per-System Royalties	6-Month License Unit Commitment		
		2,500 +	12,500 +	25,000 +
	Excel for Windows	\$191	\$158	\$131
	Word for Windows	\$191	\$158	\$131
	MS-DOS Word	\$74	\$58	\$41
	Multimedia Word for Win on CD-ROM ¹⁰	\$229	\$189	\$157
	Project for Windows	\$258	\$222	\$183
	Access ¹²	\$191	\$158	\$131
	FaxPro	\$191	\$158	\$131
	PowerPoint for Windows	\$191	\$158	\$131

High End Per-System Royalty Incentives & Adders

Incentives and adders from Table Z1 are for adjusting high-end Windows applications royalties from Tables A1 and A2.

		Adjustments
Z1	Pre-install on hard disk drive, High End Windows Applications ⁵	- \$5.00
	MS provides end-user support for High End Windows Apps ⁴	+ \$20.00

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Entry Applications

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6-Month License Unit Commitment

B1	Per-System Royalties	2,500+	12,500+	25,000+
	MS-DOS Works	\$15	\$10	\$7
	ROM Works (1MB or 2MB)	N/A	N/A	\$6
	Works for Windows	\$30	\$25	\$16
	Multimedia Works for Windows	\$30	\$25	\$18
	MS Money	\$5	\$4	\$3
	MS Publisher	\$28	\$26	\$24
	MS CD Publisher	\$33	\$31	\$29
	MS Profit	\$28	\$28	\$24
	Windows Entertainment Pack I, II, III or IV	\$4	\$3.50	\$3
	Windows Productivity Pack	\$4	\$3.50	\$3
	MS Golf ¹³	\$10	\$8	\$8

Foreign Language Versions

6-Month License Unit Commitment

B2	Per-System Royalties	2,500 + Units	12,500 +	25,000 +
	MS-DOS Works	\$25	\$17	\$12
	ROM Works (1MB or 2MB)	N/A	N/A	\$8
	Works for Windows	\$49	\$41	\$28
	Multimedia Works	\$49	\$41	\$26
	Microsoft Money	\$17	\$15	\$13
	MS Publisher	\$46	\$43	\$40
	MS CD Publisher	\$49	\$47	\$45
	MS Profit	N/A	N/A	N/A
	Windows Entertainment Pack I, II, III, or IV	\$7	\$6	\$5
	Windows Productivity Pack	\$7	\$6	\$5
	MS Golf ¹³	\$16	\$15	\$14

Entry Applications Per-System Royalty Incentives & Adders

The incentives and adders from Table Z2 are for use to adjust Entry Windows applications from Tables B1 and B2. Note that the end-user support adder from Table Z2 is also applicable for Multimedia title royalties from Table C1.

Z2	Adjustments
Pre-install on hard disk drive, Entry Windows Applications ⁵	-\$0.50
MS provides end-user support for Entry Apps & Multimedia Titles ⁴	+\$5.00

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Multimedia & CD-ROM Titles

For distribution in conjunction with an OEM's hardware products (PC systems, CD-ROM drives, sound adapter cards, etc.).

U.S. Only		6-Month License Unit Commitment		
C1	Per-System Royalties ^{4, 7, 8}	2,500 +	12,500 +	25,000 +
	Multimedia Bookshelf	\$22	\$19	\$15
	Multimedia Beethoven: The 9th Symphony	\$15	\$12	\$10
	MS-Bookshelf (DOS)	\$18	\$14	\$12
	Microsoft Encarta	\$150	\$125	\$110
	Microsoft Musical Instruments	\$15	\$12	\$10
	Microsoft Cinemania	\$15	\$12	\$10
	Microsoft Soundbits (World Music)	\$7	\$5	\$4

Per-Copy Finished Goods Without Hardware Restriction - U.S. Only

We no longer offer Finished Goods to OEMs directly. They must go through distribution for all U.S. versions of Microsoft packaged product applications.

Per-Copy Finished Goods for Non-US Distribution

Finished Goods licenses for all non-U.S. versions of High-End Windows and Entry applications are offered at a 46% discount from the SRP of the applicable foreign country. Products are offered under master license; fulfillment and billing is through the local subsidiary.

Working Models of Windows Applications

Full-function/limited capacity English language versions of Windows applications Working Models is now royalty free. Working Models presently are offered on Excel, Word, Project, PowerPoint, Works, Money and Publisher. An OEM is required to pre-install Working Models on a hard disk drive with Windows.

Pricing Explanation

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 commits to in their license. For example, if the OEM licenses 7500 units of WinWord the royalty would be \$116.00 (Table A1).

Applying Per-System Royalty Incentives & Adders

For example, if an OEM would like to license Word for Windows and pre-installs the application onto a hard disk drive, its royalty would be adjusted as shown below.

	<u>2,500+</u>	<u>12,500+</u>	<u>25,000+</u>
Word for Windows	\$116.00	\$96.00	\$79.00
Less pre-install incentive	<u>-5.00</u>	<u>-5.00</u>	<u>-5.00</u>
Net Word Royalty	\$111.00	\$91.00	\$74.00

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Applying Per-System Royalty Incentives & Adders

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

	<u>2,500+</u>	<u>12,500+</u>	<u>25,000+</u>
Word for Windows (UK version)	\$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 a Minimum Commitment Quote

Quote minimum commitments at the price column no greater than the minimum units committed to by the OEM. In other words, if an OEM states it will ship 17,500 units, quote their minimum unit commitment at 12,500 units and apply the royalty from that column. If the OEM expects to ship 5,000 units, quote its minimum unit commitment at 2,500 and royalty from that column.

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

- Note 1 Application licenses require the OEM to include a Microsoft product registration card in the box the application ships in. For OEMs 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 application products above including Multimedia & CD-ROM titles.
- Note 2 Standard license terms are for a period of six (6) months. Longer licenses are possible but you should provide the OEM with a cancellation option at the end of each successive six (6) month interval of the license. Consult your OEM Area Director for renewals or licenses greater than 6-months.
- Note 3 The OEM is responsible for production of finished goods for end-users. Negotiate vigorously for guaranteed OEM advertising featuring the licensed application(s).
- Note 4 The OEM will provide end-user support for licensed applications in every market it sells the product. If the OEM ships product into countries where its unable to support the application and will therefore rely on the local MS subsidiary to provide end-user support, the OEM will be charged for those copies as per Tables Z1 and Z2.
- Note 5 The OEM is provided a golden master copy of the application for pre-installation purposes.
- Note 6 Golden masters for each Multimedia title are available. Please contact Martin Leahy (martin), when licensing Multimedia titles.
- Note 7 Pre-installation incentive is not applicable for CD-ROM and Multimedia titles since they ship on a CD-ROM disk.
- Note 8 VP OEM and VP Applications approval is required before quoting prices below guideline or on unit commitments over 50,000. Please contact your OEM Area

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Director.

- Note 9 ROM Works carries a minimum semi-annual commitment of 12,500 units due to the testing and development that Microsoft is required to conduct. Please contact Kellee McCusker (kelleem) to set up delivery & testing schedules. The applicable OEM system must have no standard floppy drives (IC cards are permitted).
- Note 10 Multimedia Word for Windows is an English language only product. International markets are limited to Canada and Australia. The UK is excluded due to trademark conflicts.
- Note 11 Support for Office for Windows is priced at \$20 for each application in the package.
- Note 12 For any Access price quotes, pls contact Dale Christensen (dalech), Apppline Marketing Manager.
- Note 13 OEM VP approval is needed for any MS Golf deals. Please contact your OEM Area Director.
- Note 14: High-end Windows Applications licences will be required to report sales out (LYA) information as required in the applicable Exhibit C.

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