

Meeting Record

2/12/96

Microsoft Corporation

MS Attendees:

Joachim Kempin - Jan Claussen - Mike Oldham

GW Attendees:

Ted Wait - Rick Snyder - Kathy Skidmore

Notes

MS Office

Office '97: RTM will be July or August '96. (MS telling people that it won't be till the end of '96) Both Office '95 & Office '97 will be in the market place at the same time.

Joachim drew the following on the marker board to indicate MS' distribution of Office:

Distribution Channel	% of MS Business in \$	% of MS Business in Units	S/PC	\$ Units
Select	30%	40%	Good	Medium
Retail	65%	50%	Not Good	High
OEM	5%	10%	OK	Low

Joachim said that the biggest part of the tension with MS vs GW is on Bids and some countries. The countries because of their laws and on bids because MS sales representatives view us as competitors rather than partners. (They lose money / commission because their accounts are getting the software from us.)

MS' Strengths

- 1) Large Organizations MS has strong market share.
- 2) Medium Organizations MS has low market share.
- 3) SOHO MS has low market share.

In the small business and SOHO markets, Lotus is very strong. This is an area that MS is concerned about.

Joachim drew the following chart on the white board to indicate what MS wanted to do with GW in regards to MS Office '95 and '97:

	Per System Royalty	Co-Branded Royalty
Office '97		X
Single Apps	X	
Office '95	X	

On systems that cost over \$2,500, they would get Office '97 and on system below \$2,500, would be loaded with Office '95 and single apps.

Joachim stated that MS has run into legal problems in Europe and they have to be very careful in how they price their software. In order to demonstrate a range of price differences, the company you sell to has to do something with you, i.e.: investment. You can do it if you can demonstrate this was done under competitive pressure. (Joachim thinks MS is off the hook.)

GW 018493.

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Joachim pushing for GW to work with MS on a co-branding strategy. He suggested that MS put their logo on our systems and in our ads for systems over \$2500.

Joachim drew the following example on the white board.

<\$2500	Co-Branding >\$2500	GW Today
low end system	high end system	Low & high end systems
MS Mouse	Office Pro '97	MS Office Pro
Office '95 or Single app	Keyboard	MS Mouse
	Magellica Mouse*	
	Small Business pack	
	Internet capabilities	

Joachim suggested that a sticker would be put on the system that said, "GW2K & MS Small Office Solution" and also list it this way in our ads.

*note: The Magellica mouse is a mouse for MS Office Pro. You can scroll down through documents, or view multiple pages without dragging your mouse. (Has 3rd button in the middle.) You can also zoom and go back and forth between pages.

Joachim said, "if no co-branding no Office '97."

Ted stated and Joachim confirmed that MS is at 77% market share with Office. Two years ago before GW started bundling Office, their market share was more like 40%, maybe 50%. Ted also confirmed that Office '97 would really be more helpful on NT than Windows. Office '97 has more internet software. TW asked about pricing.

Office '97 royalty would be in the \$80 to \$100 range, plus GW would be taking advantage of MS' brand image. MS has good brand recognition and GW does not. (This came from Joachim.)

Ted said that co-branding systems in order to bundle Office '97 is unacceptable to us. We could perhaps create a MS branded upgrade. Maybe do two different systems; 1) for major accounts and 2) SOHO. Joachim thought that this would be acceptable.

AI: Ted said that GW need to put a group of people together to put some ideas together and do some research to see what makes sense for us to do together. Joachim would like to see a counter proposal from GW by 2/29 when MS is going to be back out at GW.

Joachim said that the "Office '97 Deal" would be a global deal.

note: Joachim said that we need to have plans agreed upon and final within 2 months.

Win '95 & NT

Win '95: Other than 2 - 3 technology updates a year, Win '95 will remain just that until the end of '97. In '98, they will have a Win '98 that will be more focused on the consumer market. Joachim sees market share at being only 20%.

NT: Will see 1 - 2 technology updates a year up through the end of '97. Each technology update will bring it more in sync with Windows. They see this product as getting 80% of their operation software sales in '98. In '98 they will have NT as their base operating software but it will have adders, 1 for commercial and a second for SOHO. If this goes good, MS may not need Windows.

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Bears & Cows

MS bought a small company, (Joachim could not remember the name), but they were a hardware company. They had will bears and cows that connected to PCs and could teach kids how to use the computer. ie: If they kids do something right, the bear would say, "good job using the mouse". Their uses could be expanded - they are only limited by the software being used. It will take about 1-1-1/2 years out before MS can get this out under \$100 retail.

Joachim suggested that this may be something GW would be interested in. Ted agreed. Joachim stated that Starbuck would be interested in us showing our computer and having this little animal on the shelf.

City Scope: MS wants to be presented in 50 US cities. They will have kiosks set up, where people can pull up via the internet of various activities in their town / area ea. People could pull up and see what shows are playing, order tickets to the theater, etc. It would make money because of the retailers advertising on it. Eventually, would be set up where people could order products.

AI: Mike Oldham to set up for John Sullen (sp?) to come to GW to meet with Rick Snyder and others next week. John is Joachim's person who knows what goes and what doesn't go on the internet. Rick wants to cover the following with MS next week:

Internet stuff - Ease of use diagnostics - Office

Web Servers: GW & MS should work together. Joachim things that there is 60% growth potential in this market.

Family Technology Nights: We don't have enough data to measure how successful this is.

cc. Dave Russell
Rob Cheng
Jim Collas
Steve D'Jong
Mike Hammond
Ian Pluthero
Bart Brown
Penny Nash

GW 018495.