

From russw Tue May 7 18:24:28 1991
To: lewis1 mikemap
Cc: (billp charlotg. Confidential) kharrang-client/attorney mikelal mikene
Subject: pricing meeting with mikemap/lewis1 on thurs at 10
Date: Wed May 08 18:22:28 PDT 1991
Date: Tue May 07 18:22:26 PDT 1991

mikelal would like to join this meeting to review the per system pricing status and see if we can close down on some of the tougher issues. Please note the following information needs developed in a review of the pricing schemes with mikelal today. LEWIS: can you try to collect the information for Point #1 below before the meeting on thurs?

1. Usage assumptions for key applications: can u develop an estimate for each of the key apps of what the % of users would be in typical large account situations:

a. based on current pricing/licensing: i.e. would excel be expected typically to be on 70% of systems in a good large account deal?

b. based on concurrent use licensing (running off server): would 60% of users be concurrently using excel?

c. for per system, we want to target the effective use price such that the purchaser would find it attractive to move directly from our current price to per systems and skip concurrent.

2. We are looking at a scheme that let's the purchaser choose from any 1,2 or 3 apps and getting better discounts respectively.

at 3 apps we set the discount equal to what office would be. the discount could be paid with free product.

there are some issues here: what volume minimum?; how would this scheme compare to office only being eligible?; should we exclude low-end apps (i.e. <\$200) from apps 1&2 to avoid the worst discounts being applied to the cheapest products.

now does this pricing schedule relate to upgrades.

there are a number of other issues that mikene is thinking about before thurs and will take us thru. (maintenance agreements; channel participation; extensibility by product/account type)

see u thurs. I am out tomorrow.

- 1) Maintenance Agreement
- 2) Pricing schedule w/ Upgrades (Competitive)
 - a) Pricing w/ Win + Upgrade Bundle
- 3)

From russw Wed May 15 12:28:08 1991
To: billp charlotg davidcu kharrang lewisl mikehal rond
Cc: mikemap richmac russw scotto
Subject: summary of key issues/proposal for apps per system pricing
Date: Wed May 15 13:53:20 PDT 1991

Date: Wed May 15 12:26:34 PDT 1991

the following outlines the state of this project going into today's pricing meeting and what we need to do from here.

Current proposal:

Based on meetings of 5/7 and 5/9 with mikehal and mikemap/lewisl -- and then some subsequent discussion the next day re: simplifying the proposals (scotto/mikehal) the following represents the working proposal

1. An account can obtain an unlimited right to copy for all systems for specified application(s) for:

- a master purchasing license that covers multiple physical sites as long as the terms are for 100% of systems in each physical site.
- the master license needs to cover 1,000 or more cpu's during the contract period (3 years)

the rationale here is that 90% of sites have less than 1000 units.

there remains an issue to be discussed of logical entities within a physical and how they get treated.

2. The unlimited right to copy is subject to the account purchasing product for any form of the specified application (mlp; update; swap full product etc.) per a table of a specified ratio of purchased product to all systems identified in (a). in the master license at the start of the contract and (b). as required given an updated count of all systems qualifying as monitored by the account (i.e. the same ratio must be retained throughout the life of the contract.

3. MS products covered: this program is limited to applications productivity software products with a srp of more than \$200. This contract does not cover windows or other operating systems products, languages or server applications or MS Mail. Office is covered. The MS DOS 5 Upgrade product is covered under a separate program.

- for simplicity, a per system license will be offered for a first application (a qualifying app) and for office. There will not be a sliding scale for the 2nd, 3rd or nth application. It is several apps could be granted a per system license but there would be no variable scale of ratios req'd (this is a discussion item).

4. Ratios: The ratios of purchased product to all systems have not yet been determined. Lewis Levin is providing the input from the applications division. In terms of targeting the ratios, the incentive would be to go from per copy to per system

(vs. concurrent use).

5. Contractual Relationship: The contract is between MS and the account. This is not a 3 party relationship.

6. Channel participation: The corporate account must purchase product in a fixed ratio to all systems. As such, the channel fully participates per any normal purchasing relationship that the account maintains with the channel. No special discounting or other contract between ms and the channel is req'd. The channel does not participate in the accounts additional unlimited right to copy. This simplifies the participation of International since this scheme does not involve product pricing.

7. Termination/Non-Compliance/Decertification: For simplicity, an account will be considered licensed for all systems per the master license for the period of the contract. There will not be a mechanism for rolling back the terms and forcing repayment etc. (to be finalized)

8. Installed base: There is a question about whether a different scale should be use for installed systems vs. newly purchased systems and whether MS customer should have yet another schedule for installed MS apps. (to be discussed).

9. Annual Fee: During the first year, there would be no additional fee for updates/upgrades. After Year I, there would be (lewisl to provide recommendation).

Other considerations/next steps:

A. P&L sensitivity analysis and analysis vs. concurrent use: These have not been done. On May 20, Mikene meets with jeremybu to review the matrix of concurrent vs. per system. Rickde will do a sensitivity analysis after today's pricing meeting.

B. Account feedback: we need to get some. after today's meeting we will work to get some discrete feedback working with the field.

C. Field Feedback: There is a meeting being held at Winworld on Wednesday 5/22 from 1-3 at the Buckhead Inn with the GMS and DMS only (not the field cams etc.) to get their feedback on the proposal. I will be there as will mikehal/rond/scotto/richmac. anyone who can make it is encouraged to.

D. Legal review: billp/kharrang need to provide some feedback.

agrees to purchase product from the channel (any form--updates; swaps; standard packaged product etc.)

WinMail 1.21

lewisl

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MS-PCA 2599455

From russw Wed May 15 12:26:32 1991
To: billp charlotg davidcu kharrang lewisl mikehal rond
Cc: mikemap richmac russw scotto
Subject: summary of key issues/proposal for apps per system pricing
Date: Wed May 15 13:16:52 PDT 1991

Date: Wed May 15 12:26:34 PDT 1991

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additional license fee
extended license
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3. Legal review: billp/kharrang need to provide some feedback.

- need to figure out what on account as new
- offer it separately
- provide on per license min / max threshold
- bill immediately

agrees to purchase product from the channel (any form--updates; swaps; standard packaged product etc.)

Committee upgrade:

• split installed base w. new, purchased? 4.2.9

8. new licenses for machines you don't have

most will be purchased licenses. annual license fee amount.
with originally under one payment, but not annual into due the rate is not maintained.

it will put in the license...

you can't...

TIME TABLE

	COM
1 APR	612 11
2 APR	502 12
3 APR	402 13
4 APR	302 14

- issues:
1. resolution
 2. define - date
 3. simplified cooperation
 4. are we installed here
 5. transfer with role of machine
 6. need product (how many)
 7. get out of contract

Customer 2 address: can you machine '172
 unique to our account
 display to MS why the machine is

	1	2	3	4
XL	66	61	51	50
WINDO	66	62	50	50
AP	20	14	14	12
MS	15	13	8	8
OO	50	50	25	

require agreement: 1st you
 would min. own pty. to 1st time
 what do we do subsequent years
 - most want this license? if you machines
 you are identified

update had on 70 of services (25% of total
 machine cost)

how do you get change - what on the right one?
 do you have multiple release bundles

McKenna, note: Nginx, Nginx, Nginx

1. accounting with operations - 6 am
 2. 015 bus per system along
 3. 015 bus per system along
- what products
 - relationship to accounting
 - how to administer, include them, but independently

1. comment
 - replicate
 - whole name p's
 - need to fill, core system needed, more

2. how to location
 - from this way?
 - by not to hold any
 - do change in some amount, rather to

license: Bill Mac, New Attorney, Bill
 Nixon, Chubby, Bennett

3. how many different licenses?
 - Bill
 - open: only one for open
 - licensed
 - rel. any license

4. license is interactive. Need to study account
 by bill. (this is you know us?)

5. how do you keep it simple?
 - define: full maintenance on a 2
 - define: eligible machine
 - how often do you re-evaluate? 1/2 yr, 1 yr
 - minimum of retention

From russw Thu May 16 12:51:27 1991
To: billp charlotg davidbr davidcu kharrang lewisl mikehal rond
Cc: mikemap richmac russw scotto
Subject: results of pricing meeting on 5/15/next steps
Date: Thu May 16 15:32:02 PDT 1991

Date: Thu May 16 12:50:48 PDT 1991

1. There was some discussion about what the basic "right" we are granting in this program is (starting to look toward marketing the program). The general conclusion was that we don't want to pitch this as an "unlimited right to copy" but to put more structure into the program to make it a grant of additional licenses (specified).

- a determination is made as to what constitutes "all systems" at the start of the contract period (subject to some minimum say 1,000 units)

- for the installed base: ms will grant the additional licenses from the existing number of licenses up to the total installed base of systems--subject to the ratio requirements. e.g. if an account has 1,000 existing systems and has installed 500 xl, than upon the purchase of 166 more xls licenses, ms will grant 334 additional licenses (with a ration req't of 66%).

- for new systems purchased, the account agrees to provide proof of having aquired licenses for 66% of the systems brought in , ms will grant licenses for the other 1/3.

- we would like to make ensure that accounts continue to purchase product regularly and not wait until the end of the reporting periods, so the idea is to issue a certificate that identifies the number of new licenses granted when the account submits the proofs of purchase. this would be on an on-going basis vs. an annual/quarterly certification.

2. The wording for the site will follow the wording for the dos rup VPP (volume purchasing agreement). a site is a physical or designated location for a company or division. ther are also purchasing sites to act as a master purchasing contract.

3. ratios/scaling: Lewisl will get back on fri with a point of view about the ratios and work thru an issue regarding how office relates to single app licenses. there is also an issue relating to companies with mixed unit volumes for the products that make up office when they upgrade to office per system.

4. maintenance agreements: lewisl will also provide a point of view regarding the fees for a maintenance agreement. we did agree that these should be covered on a separate contract, but made availble in time to be announced with this program.

5. name: we are recommending that this be called the Extended Volume License (vs. VPP or Per System License).

other

- lewis memo on fri
- russw to prepare presentation for dm/gm feedback at winworld
- mikene/jeremybu to review concurrent use vs. Ext. Vol. License deal structure from account perspective on May 20.
- account feedback: after winworld, russw to get some account feedback.

From russw Fri May 24 09:16:49 1991
To: billg mikehal
Cc: billp charlotg davidcu garygi jeremybu kharrang lewisl mikehal mikemap
mikene richmac rond russw scotto
Subject: agreements/key changes to per system pricing plan per mtg w/
gms/dms
Date: Tue May 28 08:25:51 PDT 1991
Date: Fri May 24 09:16:57 PDT 1991

lewis, from russw

on wed, mikehal, lewisl and myself reviewed the Extended Volume License (aka per system pricing) with the gms/gms and richmac. overall, there was a strong consensus that this is a winning program and the gms and dms are strongly in favor of proceeding with the proposal.

*attached
Lew/lewis*

I am sending a copy of the presentation as given to everyone on the cc: line today. Bill is reviewing the program for comment and this mail updates the plans per the discussions.

Mikehal would like to have the program presented at the Exec Staff meeting on June 4 so that we can make out goal of July 1 in the market

I will call a meeting the w.o. 5/27 to review the plan again per the action items below and to finalize the presentation.

In the discussion the following key decisions were reached and issues identified to be resolved.

*\\sysmktz\private
(password = JMDR)
Folder: RUSSW
File: Persys2.ppt
Eval.ppt*

decisions

1. greater simplification by reducing number of apps and making same ratio for office as for excel and word (70% looks like a good number-- and is the reco subject to the concurrent use analysis from mikene below):

- excel
- word 4 windows
- office

i.e. project, powerpoint, db are no longer in the program. this was for the sake of simplicity and focus. it reduces the number of ratios to deal with and most of the business in the program will be for the remaining products.

2. add mac apps to the program. the ensure that we aren't sending a negative message about our mac apps. mac apps are on a similar schedule but purchases of mac apps cannot be applied to win apps to meet ratio req's (and vis versa)

3. LVA resellers will be directly involved in the contract. A goal of the program was to not have three party agreements BUT, the gms/dms and richmac field that it is key to have the resellers actually administer and be the ones to provide the additional licenses granted by MS.

the reason for this is a. to create a stronger role for the LVA reseller and b. that the group felt that many accounts would not be able to figure out how to allocate the "free" licenses vs. the paid for licenses within their own organizations. by going via the reseller, the reseller could put some sort of weighted average price on the "invoice". there is some complexity here with accounts with multiple resellers etc. MIKENE: congratulations, you are now back in the program. (fyi: people want the MLP's serialized also)

Issues

1. definition of "qualified pcs (and macs): depending on the industry there could be higher levels of funny machines used for purposes other than the desktop. we may want to exclude more types of systems