



LICENSING XLA

JUN 21 1991

MEMORANDUM

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Date: June 16, 1991
Subj: Extended License Agreement for Microsoft Applications Program (XLA)

This document is written with our current understanding of the Extended License Agreement for Microsoft Applications Program (XLA) proposed by Lewis Levin and Russ Werner. The program has some open issues that need to be agreed on before we can launch. We would appreciate your comments by end of this week (6/21). Open issues and budgets will be resolved at the task force meeting week on 6/25, 3-5pm, 8/1333.

I. Executive Summary

The Extended License Agreement for Microsoft Applications Program (XLA) was created to enable Corporate Accounts with 500 or more PCs to easily acquire Microsoft Word, Excel and/or Office on a per CPU basis. The Corporate Account must purchase in any appropriate form (packaged product, SWAP, MLP etc...) from the channel the applicable Microsoft Applications to equal the XLA Program predefined ratio of 60%. Once reaching the 60% ratio, Microsoft grants (free) the balance of 40% extended licenses to equal 100% standardization. Launch date of the program is targeted for early July.

II. Objectives

- 1. Make it easy for customers to standardize on Microsoft Excel, Word and/or Office across Windows-capable and Macintosh CPUs.
2. Provide our Corporate Account Sales Force with a simple, easy to implement selling tool to encourage large accounts to standardize on the XLA Microsoft Applications.
3. Provide a per CPU, site based substantial cost saving incentive to encourage large accounts to standardize on the XLA Microsoft Applications.
4. Profitably reach uncaptured market share by securing incremental business thru standard channel distribution.

III. Program Definitions

Site(s): A physical location for a company or division of a company with 500 or more Qualified CPUs, limited to a single country. For example, Microsoft Corporate, Lincoln Plaza and Ridgewood could be considered separate sites or could be combined to reach minimum ratios. Also, SMSD at Corporate can combine with the other SMSD district office locations to reach the CPU minimum.
Qualified CPU: A microcomputer owned, leased, rented or otherwise controlled by the company that is Windows-capable (excludes 808X and 286 systems with less than 10 MHz) and/or a Macintosh PC.
Microsoft Applications: Microsoft Excel, Word and Office for Windows and/or Macintosh (packaged product, MLP, SWAP or S129 Upgrade Offer apply).

Extended Licenses: Licenses that have been granted by Microsoft to the customer once they have reached the predefined ratio of 60%. The customer will be given one certificate indicating the number of Extended Licenses granted.

IV. Program Process

1. The Microsoft Corporate Account Sales Representative (CAX) presents the XLA Program to a qualified customer. The customer agrees to have the CAX prepare a proposal for recommendation and is given a *verification reporting form* which is used to conduct a count of the installed base of Qualified PCs and the number of licensed units of Microsoft Applications (Excel, Word and/or Office) that they want to include in the program.
2. The CAX in conjunction with the XLA Program Inside Sales Administrator reviews the *verification reporting form* and develops the proposal for the customer which reflects the best, most cost effective method to reach the predefined ratio of 60%. As needed, the XLA Administrator will consult with SMSD's Corporate Account Programs Management on special contracts.
3. The CAX presents the proposal (which may include more than one recommendation to reach the 60% ratio) to the customer. At this time the CAX also interprets the terms and conditions of the program.
4. The customer agrees to purchase the number of Microsoft Applications in any appropriate form (packaged product, SWAP, MLP etc...) from a reseller to reach the 60% ratio and signs the XLA Program Letter of Agreement. The customer receives an XLA Program Introduction Kit which includes a copy of the agreement and terms and conditions.
5. Once the customer has purchased the agreed upon number of Microsoft Applications, they will contact the administrator who will send them a certificate which grants the customer the balance of 40% Extended Licenses to reach 100% standardization and an order form for documentation.
6. On a quarterly basis the customer will complete a *verification reporting form* for the administrator.

V. Reseller Participation

The XLA program will be presented to resellers. Resellers are allowed to present the program to accounts that qualify. Once the reseller has reached agreement with the corporate account they must notify the XLA administrator. The administrator will work with the Corporate account to secure the granted extended licenses once the customer has reached the predefined ratio of 60%.

VI. Terms and Conditions

- The terms and conditions under the XLA Program will not change for 1 year from the signing of the Letter of Agreement. Microsoft will provide written notification to the customer 90 days prior to any changes in the terms and conditions.
- Concurrent Usage: All rights apply under this program as stated in the Microsoft standard license. Rationale: If a customer agrees to this program, they have already decided the program better meets their needs than concurrency. At 100% standardization they don't need concurrency.

- **Transfer of Licenses:** The Extended Licenses are the same as the MLP license and cannot be resold under any circumstances, except if the business entity is sold. In that case the purchaser inherits the agreement. The customer cannot sell the Extended Licenses with any computer. The Extended Licenses can only be transferred to a part of the company which is already covered by the program.
- Once an account has reached the minimum, they may discontinue the program at any time by providing written notification to the XLA Administrator. At this point they are no longer eligible for any Extended Licenses.
- The Program does not cover Project, PowerPoint, Mail, Programming Languages or any Systems products including: DOS 5.0 Upgrade, Windows, LAN Manager and Server based applications. Promotional bundles also do not apply.
- Licensed units of Excel and Word can be counted towards the ratio required for Office.
- Upgrades are treated the same as standard product and therefore are eligible to receive extended licenses once they have purchased the predefined ratio of 60%.
- Windows-capable and Macintosh CPUs can be combined to reach the 500 CPU minimum.
- Installed CPUs are defined as CPUs in the customers inventory at the time the agreement is signed. Therefore machines on order can not be counted as installed CPUs in inventory.
- Documentation for extended licenses is available at MLP documentation pricing.
- On a quarterly basis the customer will be required to provide to the administrator a verification reporting form, even if no new CPUs have been purchased in that quarter. Once the customer has purchased additional CPUs and has met the 60% ratio of Microsoft Applications, they will be granted the balance of 40% extended licenses. Quarterly reports must be submitted no later than 30 days after the end of the quarter.
- As with all our other software sales to end users, all certificates issuing extended licenses are between Microsoft and the customer.

VII. Program Administration/Materials

Granted Extend License Certificate: A serialized certificate card which states the quantity of extended licenses Microsoft is granting the customer.

XLA Letter of Agreement: A one page letter that states the number of Qualified PCs, the number of licensed Microsoft Applications the customer owns and the number of Microsoft Applications the customer needs to purchase to reach the ratio of 60%. The agreement states that the customer has read and agreed to all terms and conditions of the program.

Quarterly Verification Reporting form/disk template: An Excel formatted template (hard copy and disk) which include data fields for the number of new Qualified CPUs and Microsoft Applications purchased by the customer since the last reporting quarter.

XLA Inside Sales Administrator: Responsible for administration and support of XLA program.

XLA Customer Database: WinSales module which maintains customer information.

CAX Sales Tools/Materials

CAX Support Materials: Information packet for launch includes:

- Summary of the XLA Program
- Selling scenarios
- Q & A
- PowerPoint presentation for Corporate Accounts
- Verification Reporting forms
- XLA Letter of Agreement
- Order forms for documentation and price list
- A Sample of the Extended License certificate
- Fast Fact card on the program

XLA Program Introduction Kit: Presented to the customer once they have joined the program.

- Welcome letter signed by Sr. Executive
- One page program summary
- Signed original of the XLA Letter of Agreement
- Terms and Conditions
- Rolodex card with the XLA Administrators address and phone number
- Quarterly Verification Reporting forms and a disk template (Excel format), including instructions
- A vinyl portfolio to store the Extended License certificates.
- Order forms for documentation and price list.

OPEN ISSUES:

- Definition of site: Ok to pool select Divisions? Ok to pool select Departments? *(Under the MS -DOS 5 Upgrade 100% Program a "site" means any physical location or locations identified by a street address where a company conducts business. Therefore under the DOS program divisions or departments can combine only if the entire location agrees to participate in the program.)
- Licensed units of Excel and Word can be counted towards the ratio required for Office. For example, a customer owns 1000 CPUs and 500 licensed units each of Excel and Word. To standardize on Office the customer would only need to purchase 100 copies of Office or 100 copies of either Excel or Word to reach the 60% ratio. The customer would then be granted 400 or 40% Extended Licenses of Office. Since PowerPoint and Mail, which are part of Office, are not applications covered under this program, does this mean then that the customer would not be required to purchase either PowerPoint or Mail to receive Extended Licences of Office ie... they need only reach the 60% ratio on Excel and Word?
- Worldwide Agreements: How does this program apply to existing agreements?
- Impact on existing contracts in SMSD?
- Multi-packs?
- Maintenance upgrades: What do we do for customers who currently have fixed fee updates? What about customers who will want fixed fee updates?
- Impact of software royalties?
- Customers who can not accept free licenses?
- Budget for XLA program materials (CAX and Customer)
- Budget and administration for program including hiring/training administrator and reprogramming of WinSales contract module.
- Cost analysis/comparison of the XLA program to concurrent usage. Who will prepare?
- Program Communication to field: Are we going to train field via district visits? If so, all districts? Whose responsibility?
- End User Registration: At the Corporate Account a single contact maintains the certificates and manages the XLA program. However if the customer wants his end users to register each of the extended licenses individually, is this ok? If so, how does the end user register? Is the serial number on the certificate enough?