Depo. Ex. 142

OEM Sales Business Manual
POLICIES AND PROCEDURES

Microsoft

Microsoft Memo

To the OEM Sales Team:

Microsoft's licensing business with the PC manufacturers contributes significantly to Microsoft's business as well as achieving our goal of providing end users with "Information at Your Fingertips" (IAYF) later in this decade. It is therefore imperative that we constantly strive to improve our OEM relationships in the years to come and help OEMs improve their competitiveness through the design of better personal computers.

The key to our mutual success is you—the OEM Account Manager. Over time, you will obtain a unique set of selling and technical skills to develop your accounts. This book will help you do so.

Please be aware that because of OEM's strategic importance to the Company, you'll enjoy top management's attention and access at any time. We are here to help you be successful. Tell us what prevents you from doing so. Early escalation to management is a great way to make sure we are all well informed and continue to build a very market aware company.

Do what is right for your customers. Only when our OEM customers are successful can Microsoft fulfill its mission.

Joachim Kempin
Vice President
OEM Sales

Microsoft

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The Vision:

A personal computer
on every desk and in every home
running Microsoft software.

Microsoft designs, develops, markets and supports a product line of systems and applications software for business and professional use. Microsoft markets microcomputer software products, including operating systems, local area networks, computer language products and business application software in all major categories including: word processing, spreadsheets, database management, integrated presentation graphics, electronic mail, desktop publishing, personal money management and project management. Additionally, Microsoft develops solutions for Pen Computing and Multimedia environments. All of these products are designed to work together to fulfill Microsoft's vision of Information at Your Fingertips (IAYF), our campaign for the 1990s. The Company's products are available on all the popular microcomputers. Microsoft develops most of its software internally using proprietary development tools and methodology. Besides software, Microsoft develops and markets hardware peripherals, including pointing devices (e.g. Mouse and Ballpoint), sound boards, and printer font cartridges.

Microsoft MS-DOS operating system, introduced in 1981, is running on more than 70 million IBM PC and compatible microcomputers worldwide. In 1985, Microsoft shipped the graphical Windows environment, with drop-down menus, dialog boxes, and icons, making sharing text and graphics among programs easy and intuitive. Since then, we have released Version 3.0 of Windows which is the most successful software product in the history of computing. At the time of this writing, Windows 3.1 is selling at a rate of approximately one copy every four seconds. Microsoft's next generation of Windows is called Windows NT, for New Technology, and features a 32-bit preemptive multi-tasking operating system, with C2 security, fault tolerance, robustness (one bad application will not crash the entire system). Because Microsoft wrote Windows NT in "C", Windows NT is portable. This means Windows NT will run on other processors besides the Intel family (e.g. MIPS' RISC chips).

Other key systems products include Windows for Workgroups, Microsoft LAN Manager, Microsoft SQL Server and the DCA/Microsoft Communications Server. Windows for Workgroups is a peer-to-peer networking product targeted at the workgroup user. LAN Manager is the advanced local area network system for MS-DOS, Windows NT and OS/2 workstations and has advanced features such as a high-performance, non-dedicated server, a network security system, domains, and powerful network administration tools. Microsoft SQL Server is a high-performance, multiuser relational database management system for local area networks that is designed to support high-volume transaction processing as well as less demanding decision-support applications. The DCA/Microsoft Communications Server is a LAN Manager-based communications product expressly designed for enterprise-wide computing.

The Microsoft applications strategy focuses development efforts on two key systems platforms: the Apple Macintosh and MS-DOS operating system with Microsoft Windows. Over time, Microsoft plans product offerings in the following categories: word processing, spreadsheets, communications, database, electronic mail, project management, presentation graphics, small entry level accounting, and integrated software.

The Company, founded as a partnership in 1975, was incorporated on June 25, 1981. Fiscal year 1992 revenues exceeded $2.7 billion. Worldwide, Microsoft has more than 12,000 employees in over 46 locations.

Corporate headquarters are at One Microsoft Way, Redmond, Washington 98052-6399 USA. The phone number is (206) 882-8080. The fax number is (206) 936-7329 or (206) 93MSFAX.

OEM Business Principles

Our Mission:
To make our products industry standards through "partnerships" with OEM customers.

Partnerships:
A partnership goes beyond a simple vendor/customer relationship. We base it upon a longer-term view and center it on taking strategic steps to ensure both parties are successful with their business.

While it is clear how an OEM can help Microsoft be successful, you might ask yourself, "What value can Microsoft really add to the customer's business?" Besides powerful software, we can provide customers with input on how to use our products to build their business and design better systems. We do this via our industry insights and by sharing Microsoft's vision and product strategies. As an Account Manager, you play the critical role of building relationships with various levels of the OEM and understanding its business--products, markets, future plans--and developing strategies that match its needs with our product offerings.

Industry Standards:
Microsoft believes in setting standards to advance the level of computing. Today's standards are MS-DOS and Windows. These products were established as standards through their wide acceptance by end users and OEMs. An OEM's acceptance and incorporation of our software with its systems is called a "design-in". Design-ins are critical to our OEM business and are strategic to Microsoft's overall business (e.g. our success with the MS-DOS/Windows platform creates "standards" for powerful application products).

Revenue:
Of course, when we succeed at developing partnerships and capturing design-ins, we progress also in generating sound business for the Corporation. The OEM division plays a very significant role in providing funds required for Microsoft's ongoing growth, product development and profit for our shareholders.

Key OEM Business Principles:

• Distinct OEM channel - The OEM channel differs substantially from the Distribution (Retail) channel, as the below table summarizes:

OEM Channel	Distribution Channel
• MS Products sold only with OEM hardware products to provide a complete solution.	• Disti sells MS shrink-wrapped product or License Pack to resellers.
• OEM may adapt MS product to OEM's needs, write drivers and add value.	• MS product is sold "stand-alone" with no added value from disti.
• OEM might need to manufacture MS product.	• MS manufactures product.
• OEM markets and sells the product, but some marketing help might be available from MS	• MS markets product. • MS supports end users. • OEM might be a distributor.
• OEM supports their end users.	

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OEM serves as the primary channel for the distribution of Microsoft system software on PCs. This establishes "sockets" for application products written to these standard environments. The Retail channel is key to building momentum for Microsoft products, thus helping to create market demand. Retail also works as the best way to provide end users with product upgrades. Microsoft is most successful when we use both channels effectively to maximize our product exposure and revenues.

• **Volume-based royalty pricing** - We base our pricing on the level of commitment (volume) for which an OEM is willing to sign up...the greater the commitment, the lower the respective royalty rate. The commitment factors that impact our pricing are:

> • "Per processor", "per system" or "per copy": This terminology describes how the OEM is commiting to license our products. "Per processor" means that the OEM is licensed to distribute our product (and pay us a royalty for) every system it ships that includes a specific Intel or Intel-like processor (e.g. 286, 386 or 486). Note that under a "per processor" agreement, an OEM that ships a multi-processor system would pay a single royalty for such a system, regardless of the number of processors included. A "per system" agreement covers specific customer system models that the OEM ships (e.g., a certain model line such as Compaq's Deskpro series). The lowest level of commitment is the "per copy" agreement which means that the OEM pays us a royalty for every copy of our product.
>
> OEMs most often choose the per processor or per system option for systems products (e.g. MS-DOS and Windows). Under these options, the OEM owes Microsoft a royalty for each system shipped, whether the OEM ships our operating system, some other software (e.g. Unix or OS/2) or no software at all.
>
> • Pre-loading of software on the hard disk: We want end users to have a great experience with our software. A new user's ability to immediately access the operating environment upon turning a system on creates this positive experience. Pre-installation also significantly reduces the support burden on the OEM and Microsoft, since many support issues arise from installation questions/issues. Consequently, Microsoft incents OEMs to pre-install software onto their system hard drives by offering lower royalty pricing to participating OEMs (refer to the published Price Guideline).
>
> • Length of license agreement: Microsoft has a standard 2 year license agreement. An OEM can receive an additional discount if it commits to a 3 year term instead of 2 years (refer to the published Price Guideline).

• **Minimum commitment installments:** Our license agreements provide for periodic milestones in the OEM's satisfying its annual commitment to Microsoft. Typically, these payments are quarterly installments, timed to coincide with the due dates of the OEM's royalty report.

• **Provision for revenue growth:** The standard OEM license agreement differentiates between Update, Version and Product releases. OEMs do not pay any additional amount to Microsoft for Update releases of products they license. These Update releases (e.g. from 4.00 to 4.01) are primarily bug fixes. However, Microsoft may increase the royalty rate for a Version release (e.g. from 4.00 to 4.10). This provides an opportunity to obtain higher rates as product enhancements increase the software's value. Exhibit C in the standard agreement limits the increase that Microsoft can charge an OEM for a Version release. Product releases (e.g. from 4.00 to 5.00) typically require the execution of a new agreement or an amendment to an existing agreement in order to license the new product to

an OEM. Microsoft has the right to set new royalty rates for Product releases. In this way, we keep our pricing autonomy as we enhance our products.

• **Upgrades:** The standard license agreement no longer grants OEMs the right to distribute product upgrades to their installed base. We have found that the Retail channel is more effective at upgrading end users. However, if an OEM has a strong interest in this business, we can negotiate these upgrade rights, as long as the OEM is willing to commit to the business on an annual basis, separate from the OEM's new licensing business.

• **Replication Rights:** In order to enforce legal distribution of our products, we are removing replication rights from our agreements. Instead, we offer the OEMs a choice of using our MED package (explained below) or obtaining their documentation and diskettes through one of our authorized replicators (e.g. Phoenix and R.R. Donnelley). Exceptions to this might be granted if the OEM has added value to Microsoft's products and is willing to help us enforce compliance of its distribution restrictions.

• **Distribution Restrictions:** Our agreements provide that the OEMs can only distribute our products with the OEMs' systems, inside the system box; the OEMs cannot distribute our products on a "stand-alone" basis. This is critical to combatting software piracy and the gray market and keeping the OEM channel distinct from other channels. OEMs receive attractive pricing based on the assumption that the OEMs will add value to our product (typically by selling it with a computer system), thereby delivering a more complete solution to the end user, as well as supporting the end user. "Non-value added distributors" receive different terms, conditions and prices from Microsoft.

• **Licensing Options:** We offer two basic forms of licensing alternatives to our OEMs: 1) our standard royalty and minimum commitment-based license; and 2) our Microsoft Easy Distribution (MED) program. Significant aspects of the first option, geared to larger volume customers, were discussed above.

> • **The MED Program:** The MED program is primarily aimed at lower volume OEMs to provide an easy mechanism for them to obtain Microsoft logoed versions of Product for distribution with their systems. This program provides the benefits of favorable volume commitments, low order quantities, fast order turnaround and attractive unit prices for genuine Microsoft packaged product.
>
> The mechanics of the MED program rest on the concept of separating the "cost of goods", or "COG" component (MED Pack), and a "royalty" component. OEMs license the products and report royalties on a "per system" basis (the number of systems shipped by the OEM). In addition, the OEMs purchase the MED Pack at competitive prices on a "per copy" basis. The MED Pack is a Microsoft logoed and hologrammed original product consisting of either a "standard" or "concise" user's manual and the usual program diskettes, shrink-wrapped together. The product, which is distributed under Microsoft's name, clearly states that it is "To Be Sold With New Systems Only" and is "Supported by the Hardware Manufacturer". The product must be shipped inside the OEMs' systems box. Manufacturing, distribution and fulfillment of the MED Pack is handled by a third party under contract by Microsoft.
>
> Two options exist under the MED program: 1) "pay as you go" and; 2) MED with a minimum commitment. Under the "pay as you go" option, OEMs "prepay" both the COG and royalty components upon placing the order. The second option offers OEMs a more favorable royalty rate in exchange for commiting to a certain volume level. Both options require the OEMs to submit periodic royalty reports to Microsoft.

The Players In OEM

VP OEM	• Sets worldwide OEM policy, strategy.
OEM Director	• Owns attainment of business plan for sales groups/regions. • Assures group's/region's response to strategic and financial obligations.
OEM Sales Manager	• Owns sales group's attainment of business plan. • Enables group's success.
Account Manager	• Creates and develops Microsoft customer relationships, together with all of the above. • Owns attainment of strategic and financial goals for individual customers.
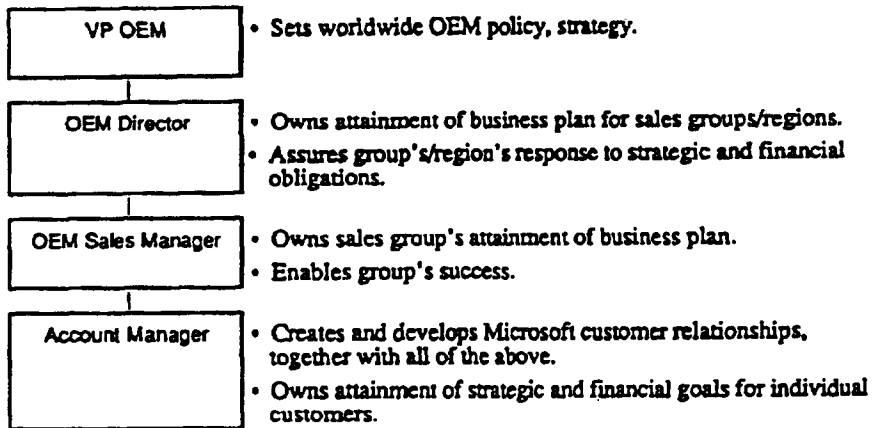
Corporate Supporting Players

OEM Marketing

• <u>Program Management</u> - Develops and implements programs that create opportunities, resolve issues and problems, and help achieve the tactical and strategic goals of the OEM Division.

• <u>Sales Development</u> - Develops and implements activity related to training, sales support and other programs which improve the overall productivity of OEM Account Managers, worldwide.

OEM Operations

• OEM Policies: Develops and implements worldwide policies to support our strategies.

• OEM Forecasting: Microsoft uses the forecast data to monitor revenue performance and expectations as well as to prepare the yearly OEM budget.

• Customer Service: Enters and tracks customer packaged MS-DOS orders, resolves related issues (U.S. only).

- Administrative Support: Provides support to sales teams, coordinates customer meetings, generates monthly mailers and processes customer packaged product orders (U.S. only).

OEM Finance

OEM Accounting Manager	• Reviews/approves agreements containing non-standard financial terms. • Oversees OEM accounting, license administration, & credit. • Coordinates non-standard OEM financial/operational issues.
OEM Accountants	• Administers license agreement's financial issues such as invoicing, revenue recognition, and tracking prepaid balances.
License Administrators	• Keeps OEM Business System current with license agreement and non-disclosure agreement information.
OEM Order Processor	• Coordinates OEM product ordering, manufacturing, & shipping. • Generates OEM Shippables List, status reports and order forms.

MIS and the OEM Business System

MIS maintains a VAX-based system that uses the Ingres database to store license agreement and payment information. This OEM Business System is Microsoft's official record of customers' names, license agreements, financial obligations, etc. The System can detect upcoming minimum commitments, catch non-payment situations and enable us to ensure that Microsoft and OEM customers conform to the signed license agreement.

The OEM Business System automatically generates letters to the OEM customer concerning the license agreement and financial issues; it sends you email (sender = spanky!oemdb) to keep you informed. A list of "Spanky" letters is in the Appendix. Send responses to the appropriate person, not directly to "spanky!oemdb." The "Spanky" letters were previously referred to as "DINERO" or "DARLA" messages.

OEM Legal

The Legal Department maintains legal instruments to protect Microsoft's assets. They approve the legal elements of any non-standard license agreements or amendments to secure Microsoft's legal business position. If it is impossible for you to negotiate a standard license agreement, the Legal Department will help you generate non-standard language. Legal requires written approval (email is acceptable) from OEM Directors or higher for unusual, non-standard terms. All non-standard licenses, amendments and other legal documents should be reviewed by OEM Legal before being sent to the OEM for signature.

Product Support Services

Product Support Services is made up of the telephone technicians and support engineers who provide technical support to OEM customers. The support offered for Domestic OEMs and International OEMs is becoming more alike over time; however, OEM Support is, and will continue to be, a local issue.

THE OEM Account Manager's Mission

The Mission

Your mission is to sell Microsoft system and application software on every personal computer to OEMs worldwide.

Steps toward Mission Accomplishment

Nurture the OEM relationship.

Capture design-ins.

Manage the business.

Protect Microsoft's assets.

Gather intelligence.

Nurture the OEM Relationship

Each Account Is Special

Each account you have is an important customer. There are relatively few "new" OEMs and if we lose a customer, there is not another waiting to take its place. OEMs are the most precious resource of the OEM division. Therefore, the relationship between Microsoft and its OEM customers is extremely valuable, and Microsoft depends on you to be the watchful guardian of that relationship. You are your OEM customer's advocate within Microsoft. Devote yourself to this advocacy. Supply your customer with information; support them.

Get to Know Your OEM

Building the relationship with an OEM is a long-term project. It requires building momentum, pursuing and getting design-ins early enough to give the OEM a competitive edge, and making sure that your OEM has all the cooperation we can provide in making adaptations to its product. Find out what is important to them. Gain a thorough understanding of the business terms between Microsoft and your OEM.

The Appendix contains an Account Plan Template geared to help you understand your customer and to give a good overview of your accounts to Microsoft management. Use this plan to articulate your understanding of your customer, your plans for developing your customer relationship, and your assessment of the design-ins to pursue.

Above all, watch over your OEM customer and its success with care.

Get Your OEM to Know Microsoft

Sell Microsoft in your account. Make your account familiar with you as "Microsoft." Earn your OEM's confidence and trust. Make sure that your customer gets no surprises from Microsoft. Keep them up-to-date on our systems products. Share available product and collateral materials. Forward appropriate messages from product managers. Identify PR opportunities that will benefit both your customer and Microsoft.

Account Penetration

Penetrate the account at multiple levels; meet, build a relationship with and influence as many people as you can within the company. Understand who are the contacts, the influencers, the economic buyers, and the decision makers. Build a consensus that supports your strategy. Penetrate the account in diverse areas, from marketing to engineering, from management to R&D. Identify a Microsoft solution for your OEM, and devise a strategy for implementing it. Match the customer's business needs with Microsoft products that make both businesses successful. The Appendix contains an "Account Assessment Methodology" document designed to assist you in this regard.

The OEM Annual Cycle

Each year, there are several events you can use to develop your customer relationship. These special events give you opportunities to interact with your OEM customer and to build new business. Contact your Sales Manager or Regional Director for future dates of such events. Below is an explanation of several of the events and activities.

OEM Sales Meeting

The OEM Sales Meeting is an annual meeting of all the Microsoft employees worldwide that have OEM sales, support and management responsibilities. Topics include both marketing and business issues related to OEM. This is the time for you to get information about our products, and give feedback to OEM management and product groups.

OEM Customer Briefings

The OEM Customer Briefing is Microsoft's best opportunity to present its product strategy to your OEM customers. At the Customer Briefing, the product managers and senior management present their views of the industry, demonstrate their products, and describe Microsoft's directions and intentions. As Microsoft's products become increasingly complex, the OEM Customer Briefing will be even more important. It is critical that your key accounts attend. The Worldwide Customer Briefing in Redmond is usually held in the fall. In addition, a separate spring briefing is held in Europe and the Far East.

To make this event as successful as possible, you should:

- Invite the most appropriate OEM representatives as soon as necessary to assure their attendance. You should know the date and location of the OEM Customer Briefing six months in advance.

- Find out before you come to the Customer Briefing what your customer hopes to gain by attending. What does he/she need to find out? Does he/she need to meet anyone at Corporate? Be sure to send your comments to OEM Marketing; we can direct the speakers to put a specific "spin" on their remarks to make their presentations as effective as possible.

- Stay with your OEM as much as you can. Attend the sessions so you know what was said, and so you get a good idea of how Microsoft is presenting its products to the OEMs. Remember: the OEMs will perceive the information to be as important as you do. Therefore, listen attentively. Avoid creating distractions. Make certain that your OEM can see the slides and hear the speaker.

- It is possible that you will further your own knowledge at the Customer Briefing; this is a beneficial side-effect. *Remember: this meeting is for your customer, first and foremost.*

- After the Customer Briefing, follow up with your customer to make sure you extract the greatest benefit from the Customer Briefing. The Customer Briefing has historically been a good revenue generator for Microsoft; many contemplated licenses get signed here. Take full advantage of this opportunity.

Trade Shows

Trade shows like Comdex, NetWorld, CeBIT, SICOB, Computex and the May Business Show are opportunities for you to ensure that your customers see Microsoft products.

Although you do not attend every trade show, you do have the opportunity to direct your OEM in the Microsoft path. Find out in advance which of your OEMs will be going to the trade show, and whenever possible, provide him/her a name of a Microsoft employee who will greet him and help him find answers to his questions. You should know what your customer is looking for even before he/she plans to attend the show. Make sure he/she knows what to expect from the show and how it fits with your joint strategy. Again, communicate specific areas of interest to appropriate Microsoft employees so we can make our demos, presentations and remarks as effective as possible.

After the show, call your OEM to solicit his feedback. Find out what you can do to help them understand Microsoft's products and strategy.

Executive Briefings (International) and Systems Forums (US)

Microsoft uses these events to present our architecture and strategies to major decision makers at large accounts. So, although these events are not directly targeted at OEMs, Microsoft needs you to get involved. Since our OEMs sell our systems products, it is important to get your OEM's customers to attend the Executive Briefings and Systems Forums. This is a winning situation for everyone involved; Microsoft gets the appropriate audience at the events, and that audience buys product from our OEM customers.

When these events are announced, work closely with your OEM to explain the purpose of the events, and gain their cooperation in sending their customers.

Capture Design-ins

Design-ins Are Critical

You can't overestimate the importance of a design-in. Design-ins are critical to our OEM business and are significantly strategic to Microsoft's overall business.

OEMs don't license our products on an impulse. OEMs license products to pursue a specific strategy–and more than likely, a long-term strategy. Strategies are not changed easily or often. Therefore, we live a long time with the design-ins we do –or do not– capture.

Furthermore, Microsoft bases its strategy on a set of building blocks. The design-ins you do –or do not– capture impact Microsoft's future ability to sell into the account, and ultimately, into the market.

For example, if you capture a design-in for Windows, you have influence in your OEM's strategy. "We are going with Windows, not another operating system." Furthermore, you have the potential to sell other products (like mice), and you open the market for our Windows applications, Pen and Multimedia offerings.

But if the OEM goes with another operating system, you have lost more than that deal. You have lost influence in your OEM's strategy, and you have lost the ability to sell most of our systems products and some applications, both to the OEM and in the general marketplace.

Understand Microsoft's System Strategy

Here is the OEM Division's prioritized list of strategic systems products:
1. Windows, Windows, Windows (including all derivatives)
2. MS-DOS
3. Everything else...

OEM Marketing and your manager can keep you current on Microsoft's strategy, and can help you develop a strategy for pursuing and capturing design-ins.

Understand Microsoft's Products

- Product knowledge. Know the features of Microsoft's products and how they fit into the Microsoft strategy. Be active and aggressive in gaining the product knowledge you need. You can gain product knowledge through training sessions, product documentation, manuals, white papers, and by taking advantage of the expertise within your office.

- Know the benefits of our products and the advantages the customer gains. What can the customer do with our product that it could not do without it? What can the customer do now that its competitors cannot? This is the key to your customer presentations.

- Position our products to the OEM and the user. Know the business reasons for using the product. Know the competitors to the Microsoft product. Be able to favorably position Microsoft products in the business and in relationship to their competitors.

- **Presentations.** Give persuasive presentations to your OEMs. Articulate the features, benefit and advantages they—and their corporate accounts—gain.

Understand the Competition

Know the competition, their products and their strategies. The more prepared you are, the more likely you are to succeed. Microsoft is facing competition that it hasn't faced since the MS-DOS vs. CP/M battle was won. There are two reasons for this: one is that old foes have reappeared to compete in different areas. The other is that Microsoft has entered new product arenas, where there are established players.

Three areas to note are hardware, operating systems/network operating systems (including Pen OS, Multimedia and other GUI solutions) and applications.

Hardware

Intel architecture, CISC (Complex Instruction Set Chip) is being challenged by RISC (Reduced Instruction Set Chip) technology (e.g. SPARC). Currently, Microsoft products run primarily on Intel's architecture. Therefore, it is important to know how to position CISC, and find out if your OEMs are considering the RISC architecture. Monitor your OEMs to keep track of any discussion of using RISC technology; if you hear rumors of a RISC implementation, report it immediately to your manager.

Operating Systems and Interfaces

Microsoft sets standards to advance the level of computing. Today's standards are MS-DOS and Windows. However, MS-DOS faces competition from other operating system (O/S) vendors. When we have to compete against them on price, we lose a margin of revenue. If we don't compete on price, we risk losing the revenue altogether. Be prepared to position MS-DOS and Windows against other O/Ses (there are compatibility and support issues), and be on the alert for OEMs who are considering licensing from another vendor.

As a high-end desktop or server O/S, Windows NT faces competition from OS/2, UNIX, SOLARIS and PINK. The UNIX issue varies in importance in different parts of the world. The desktop is not as much at stake in the UNIX market; there is inadequate pre-packaged software to run on this divergent operating system. However, as individual UNIX permutations succeed in getting application software ported to their platform, this concern grows.

Be able to position Windows NT, OS/2 and UNIX, both on the server and on the desktop.

Network Operating Systems and Server Software

Each of our server products has at least one strong competitor; some have more than one. Keeping up with these products is not a small task, but it is an important one. Read the trade journals and the product selling guides to learn how to position our products and to keep current with changes.

Our primary competitor here is also the current and long-standing market share leader. Market share and momentum are not in our favor. However, Microsoft has a competitive offering with the capabilities of LAN Manager and Windows for Workgroups. These products offer adherence to open standards, ease of administration and support for server software. Communicate this positioning to your OEMs.

Manage the Business

Managing the OEM business requires your attention to business details related to products, licensing, finance issues and your customers.

OEM Products

Work the administrative systems to make sure the customer gets what it deserves. Use the OEM Shippables List, found on the corporate network server \\kaizen\thinkoem, to learn which products you can order for OEMs. Know how to find out about product availability time tables, also found on \\kaizen\thinkoem. If a shipment is delayed or "lost," work with the appropriate people at Microsoft to get the shipment expedited. Help the customer get the support it needs to adapt products. Get feedback from your customer to the product groups.

OEM Finance

Work with OEM Finance and with your customer to make sure that royalty reports and payments are submitted on time, and if they are not, make certain that the customer submits them.

You!

Set the expectations with your customer early in your relationship. Make sure that they understand your value to them at Microsoft, and that if you are spending time chasing late royalty reports or correcting erroneous ones, you can't be a resource for them in other areas. Gain their agreement that you are of greater value to them in areas that they do not have control over. You are their advocate within Microsoft, but don't loose sight of the fact they your major responsibility is to identify and pursue opportunity within your account.

Forecasting

Each Account Manager has access to the forecasting system maintained by OEM Operations. This system is vital to our ability to monitor our customers' performance, our performance against our annual budget, as well as project industry trends and future revenue for Microsoft. Each quarter, you are responsible for updating your customer's actual shipment information, a rolling six quarter forecast of your customer's processor shipments and the resulting Microsoft product revenue.

In addition to the obvious benefit to the OEM division, information from this system is valuable to our product groups. They utilize industry trend data (e.g. adoption of the 386sx as the "low end" machine, the migration to the 486 platform, acceptance of Windows, etc.) in developing product strategies. The machine shipment data also serves as the foundation for the entire Company's financial forecast and budget, since it provides insight into the overall PC market.

Protect Microsoft's Assets

Microsoft relies on its employees to protect its competitive assets (trademarks, copyrights, patents, strategic knowledge, technical know-how, etc.) and its material assets (source code, documentation, products). There are two legal instruments for doing this: the non-disclosure agreement and the license agreement.

Non-Disclosure Agreements

You may discuss strategic information about future Microsoft products and directions only with OEM customers who have a signed Non-Disclosure Agreement (NDA) registered in the OEM Business System, and then only if the information is not specifically Microsoft confidential or secret. A customer wishing to receive OEM products must have a registered NDA.

We handle the NDA like OEM license agreements. We register the NDA in the OEM Business System; this happens when the License Administrator enters the executed agreement number into the OEM Business System.

The NDA comes in four forms; each is the same agreement with variations on required signatures and "reciprocity" (i.e., where Microsoft receives confidential information from the OEM).

	Without Reciprocity	With Reciprocity
N: Microsoft signature not required	Preferred	n/a
S: Microsoft signature required	OK	OK

Remember: nothing is ever really "off the record." Don't say—or hint—what would not stand up to scrutiny. Don't play the "innuendo game."

Standard License Agreement

Naturally, Microsoft would like to license to each OEM all the Microsoft products the OEM can sell and support. We would be glad to have the OEM paying the highest acceptable royalty. And we would be delighted to gain all of this under the terms and conditions of our standard royalty license agreement.

Standard licenses, terms and conditions should be the goal for each agreement. Standard terms enable us to do business under our current pricing structure. For example, one of our standard terms is that the OEM indemnifies Microsoft from liability exceeding the amount already paid to Microsoft by the OEM. This standard term prevents Microsoft from having to establish funds to prepare for legal liabilities. If we had to establish these funds, the money has to come from somewhere, and that somewhere is the OEM. Our current pricing structure is based on the understanding that we don't need to establish these funds.

Furthermore, standard terms reduce the legal and financial overhead and reduce the likelihood of errors. Standard terms get the various "systems" working for you to help manage your accounts. This frees more of your time for strategic matters.

The degree to which we can accomplish this governs both our success with this channel and our ability to develop future systems products and to continue to influence the advancement of the microcomputer systems platform.

The ability to get OEMs to sign a standard OEM agreement and pay accordingly is the true test of the Account Manager. All other activity—training, knowledge, account management—prepares you for this event. Getting license agreements signed is not the sole measure of your success, but it is necessary for you to be successful.

The OEM Royalty License states the terms of the agreement between Microsoft and the OEM. Specific issues include:

1. Distribution of specific Microsoft software on designated OEM machine(s).
2. Royalty rate and annual minimum commitments.
3. Acceptance terms for the products.
4. Terms and limits of the warranty for the products.
5. Limits of Microsoft's obligation to indemnify the OEM for legal challenges (e.g., copyrights and trademarks) to the software.
6. Non-disclosure of Microsoft know-how by the OEM.
7. Protect Microsoft's rights to the software down the distribution chain and enforce an end-user license.
8. The consequences to the license if the OEM does not meet its obligations.
9. The period of time in which the license is effective.
10. What happens when the license terminates.
11. Rights to audit the OEM's records by an independent auditor.
12. Rights to inspect the OEM's distribution procedures and practices.
13. Official parties to receive notices and requests.
14. Other miscellaneous details: government restrictions; the agreement does not constitute a partnership or franchise; which laws govern the contract; the OEM cannot further sublicense the product, etc.

In addition to the above issues, the standard MED agreement has provisions addressing the OEM's ordering of products and the OEM's obligation to support its customers.

The upcoming section called "The Art of Licensing" gives you more guidance about negotiating with your OEM to gain the standard terms.

Application Products

OEMs license applications to add value to their systems. The perceived value of an application is created mainly by its SRP/street price in the market and the reputation of customer support available. Whenever we qualify an OEM for an application license, it is important to know whether the business makes sense for Microsoft (i.e., we must understand whether the license offers strategic gains that are easier or less expensive to achieve than by selling via other channels).

The higher the volume commitment, the more interesting is the opportunity for Microsoft. We prefer "per system" licenses. However, the OEM may select a specific model line or channel specific PC (e.g., mass market) as the "system".

Another goal is that the OEM agrees to preinstall the application on the PC. Experience has shown that end user satisfaction is increased and the support burden decreased when this occurs. If the OEM will be providing diskettes and manuals, the agreement must require that they be shipped inside the OEM's system carton. Furthermore, the application's installation disk must be separated from the program disk and included with the operating system diskettes. This is to help ensure against the unauthorized separation and distribution of the application apart from the OEM's system in the distribution chain.

The OEM must be able to provide support for the application. If the OEM cannot provide support it must pay a higher royalty to compensate Microsoft for our resulting increased support burden. Additionally, the OEM must agree to include a Microsoft registration card in the OEM application package. When returned to Microsoft, these registration cards allow us to provide on-going communication to the end-user (e.g. product upgrades, user tips, etc.).

As with systems products, Microsoft offers volume-based pricing for applications. The key differences are that application license terms are shorter (6 months versus 2 years), they typically do not encompass all CPU systems, and they are not necessarily worldwide in scope. Due to these differences and other considerations, application licenses are executed as separate agreements.

> **Note:** Do not mix systems and application products on the same license agreement. Have a separate license for applications products. Do not condition or "tie" licensing of one successful product on the customer's licensing of a second product (e.g., refusal to license Windows unless the OEM also licenses Microsoft application product(s)). Doing so has serious anti-trust implications to Microsoft.

Packaged MS-DOS Agreement (standard, non-MED)

In DOEM, two sales groups handle most US Packaged MS-DOS. There are exceptions: if an OEM that is managed by someone in another sales group wants to order packaged MS-DOS, that Account Manager will handle it. In the US, an account manager II, or above, may sign Packaged MS-DOS license agreements.

Internationally, there are several scenarios: The "stocking subsidiaries" have localized Packaged MS-DOS licenses; the General Manager signs the license, and it is administered at the subsidiary. Microsoft has delegated to most of the subsidiary General Managers the authority to sign standard Packaged MS-DOS agreements. The subsidiary administers these license agreements.

In any case, localized Packaged MS-DOS may not be ordered by a US OEM for shipment outside the US and Canada. Domestic OEMs who wish to furnish localized Packaged MS-DOS to their OEM outside the US and Canada should contact the appropriate subsidiary.

Negotiate this license as you would any other license. Use the Microsoft Internal OEM Price Guideline to determine prices for Packaged MS-DOS.

Other Agreements

Other agreements include those covering packaged mice and other packaged products. Mice should be licensed under the terms and conditions of the standard mouse agreements. See the Microsoft Internal OEM Price Guideline for pricing. For information on other packaged product licenses, consult your OEM Price Guideline for Applications Products, produced by OEM Marketing.

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Note: Do **not** mix packaged product and royalty business on the same License Agreement.

License Agreement Signature Authority

Refer to the Signature Authority memo in the Appendix for a table regarding who has the authority to sign our various agreements on behalf of Microsoft.

Gather and Report Intelligence

Changes in the industry affect the way we do business. The more we know about what is happening, the better the decisions we can make. For example, when the industry shifted from dumb terminals to PCs, it changed the way we did business with our OEMs who were primarily dumb terminal manufacturers; it opened up many sales opportunities. Report to your manager intelligence that you gather from your accounts and other sources. Don't be afraid to communicate bad news or news that you think is already reported. The sooner we know what is happening, the sooner we can act.

Comply with Business Practice Standards

Each Microsoft employee shall conduct his/her business activities in a manner which complies with the laws of the United States and all other countries in which we do business. The Business Practice Standards and Compliance Policies memo included in the Appendix describes the Company's and your legal and ethical obligations. You must review and conform to the standards and policies set forth in the memo.

If you have any questions about the memo, or if you believe any action or conduct will violate the laws of the United States or a country in which Microsoft is doing business, you should immediately contact the Corporate Legal Department for guidance.

OEM Account Manager Performance

Measuring your performance is an ongoing process. During the course of your work, you want to know that you are on the right track, that your direction is in line with Microsoft's expectations. Use the following Success Drivers to assess your strengths and weaknesses, and the GOKRs (see below) to understand the basis of your ongoing performance assessment and semi-annual performance reviews.

The Mission

Your mission is to sell Microsoft system and application software on every personal computer to OEMs worldwide.

Steps toward Mission Accomplishment

Nurture the OEM relationship.

Capture design-ins.

Manage the business.

Protect Microsoft's assets.

Gather intelligence.

The Success Drivers

Success Drivers are those characteristics that you will find in a successful OEM Account Manager. They fall into three areas: professional skills, technical knowledge and customer knowledge.

You will find in the Appendix, a copy of the Account Manager Development Plan, designed to help you and your manager ascertain your areas of proficiency and those that need to be enhanced. Work with your manager to implement a plan that will assist you in gaining the skills and tools necessary for you to be successful in OEM.

Professional Skills

Focus and Priority Setting

A successful Account Manager knows that he/she always has more work than one person can accomplish. Correctly prioritize your activities, and keep them focused on achieving your goals. Distinguish between the "urgent" and the "important," and correctly prioritize your time and activity. To do this, create a formal time-management mechanism to control

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your daily, weekly and monthly planning. The GOKRs process guides this activity planning. And you should assume that your "to do" list will never be completely finished.

Sales and Account Management

A successful Account Manager masters the psychology of selling and basic sales principles. You need to know how to:

- Question customers to uncover their real needs, motivations or objections.
- Move the sale forward to closure.
- Manage a complex sale to many decision makers (the economic buyer, the user buyer, the technical buyer, and others).
- Gain consensus among all the "buyers" so you can close the sale.

Negotiation

Once you have established the customer's needs, negotiate in good faith the most favorable license. Be able to assess the type of negotiation, and implement a winning strategy for that kind of negotiation.

The end result should be a license that is satisfactory for both Microsoft and the customer. Remember the dual importance of maintaining long-term relationships with our customers and securing as much business as you can for Microsoft.

Account Management Skills

You are ultimately responsible for Microsoft's relationship with your customer. You have the right, and the responsibility, to attend any meetings involving Microsoft and your customer.

Account management involves more than selling and negotiation; effective Account Managers guide the resources at Microsoft and the OEM.

- Make sure that Microsoft and the OEM understand what to expect from each other.
- Support the ongoing marketing and development activities for Microsoft products.
- Get fundamentally involved in any joint development between Microsoft and the OEM.
- Secure Microsoft's interests with NDAs, joint product development agreements, and other required legal tools.
- Work with the OEM Finance group to administer the financial relationship between Microsoft and the OEM.

These examples provide a skeletal outline of effective account management. But account management has far greater scope and depth. Effective account management is the greatest challenge of your position.

Knowledge

Establish a broad knowledge base encompassing the following areas:

Industry

- The information industry as a whole, including recent history of and current trends in the microcomputer industry (e.g. processor run rates and mix).
- The market position of industry leaders; the implications of their activities.
- Microsoft's role in the industry. Our near- and long-term objectives.

- The business needs that drive the industry.

Technical
- Basic PC architecture.
- Networking.

MS Products
- Microsoft's product technology .
- OEM product features and benefits.
- Microsoft's overall systems platform and specific product positioning (Information at Your Fingertips).

MS Resources
- Master the licensing process.
- Use the OEM operational "systems," such as the OEM Business System and the order entry process.
- Know how to network within Microsoft to solve your problems.

Customer Knowledge

The People
- Establish relationships with the people who drive your customer's business.
- Understand who makes decisions, and what motivates them.

Business Terms
- Know your OEM's numbers "cold."
- Know the terms of all existing license agreements between Microsoft and the OEM.
- Understand the consequences of the agreements (e.g. prepaid balances or forecasted/ budgeted revenue).

Financial
- Keep current on your customer's current financial status, and understand the influence it has on our relationship. A company's financial status can affect many elements of its business, from billings to overall strategy.
- As much as possible, you should keep track of your customer's business news, and consider what implications you should anticipate.

Customer Business

Do an Account Plan (sample in Appendix) to explore your OEM's vision, products and channels. When you complete this exercise you will have a thorough understanding of your OEM and guidance in developing the OEM relationship.

GOKRs

GOKRs stands for "Goals, Objectives and Key Results." It is OEM's implementation of the widely used "Management by Objectives" (MBO). MBO provides concrete objectives

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to direct your activities and to create mutually understood statements against which you and your manager evaluate your effectiveness.

In OEM, GOKRs is both a continuing process and an event. The "continuing process" is one in which you and your manager assess your current goals and objectives, measure your progress toward achieving them, and modify them (if appropriate) to set your priorities for the next week or month. The "event" is when you and your manager use the GOKRs as the basis for your semi-annual performance review.

You need to understand the definition of each of the terms in "GOKRs."

- **Goals:** Goals generally span quarters, and remain constant. Goals set the context for your objectives. They articulate the "big picture." A goal is generally set in conjunction with the overall goals of the division. Generally, goal achievement can be measured over the period of a year or more.

- **Objectives:** Objectives are specific, measurable, quantifiable results, with a specific goal date. In some significant way, they further the intentions reflected in the Goals. They aren't the day-to-day tasks one assumes, but the culmination of a number of activities into a notable accomplishment. They are the intentional result of planned activities. Objective achievement can be measured over the period of a quarter.

- **Key Results:** Key Results are the incremental milestones reached as steps in pursuit of an objective. Key Results should be defined in such a way that it is virtually impossible to produce the Key Results without also accomplishing the corresponding Objective. Key Results achievement can be measured from month to month.

The intention of the GOKRs process is to give purposeful direction to the activities that take place in the midst of frequent and random interruptions, fires, meltdowns and other "natural disasters." Clear direction enables you to get back on track, and have clear, specific guidelines for planning your activities and managing your time. In addition, you can elicit specific management input and agreement on your targets and priorities for the quarter. The GOKR process delivers a concrete plan against which you can continuously check your results. Where mid-course adjustments are required, you can manage those adjustments proactively rather than waiting to react. The GOKR process allows you and your manager to negotiate the objective measurements that will be used to assess performance in the semi-annual performance reviews.

In order to be effective, GOKRs must be "SMART": Simple; Measurable; Attainable; Relevant; and Timely.

The Art of Licensing

Negotiate the License Terms and Conditions

Negotiating the Standard License Agreement

The priority that has been—and will continue to be—key to Microsoft's success is *securing design-ins*. The art is to capture the design-ins at standard terms, and to assure the customer that we are now partners in success. The primary importance is gaining the design-in.

To do this you have to understand the situation and the customer. Examine the existing relationship. Work through the Account Plan in the Appendix. Where do you stand with this customer, from both a revenue and strategic standpoint? What is your unique selling proposition? What is the "demand" for the product you are selling. What is the customer's positional power? What is the elasticity of the demand for the product. Know what you are willing to do to get this license signed.

What constitutes a "Standard License Agreement?"

The goal is to have all licenses signed at standard terms and conditions. These terms are those that are in the standard license agreement in the OEM Documents Binder. In addition, under the Standard License Agreement Section of that binder, you will find the most commonly requested changes asked for by OEMs and some possible responses. Before offering any of these changes, consult with your manager to gain his/her approval.

What constitutes a "non-Standard License Agreement?"

Here are some criteria which determine that your proposed agreement is *not* standard.

- Any *change* in the standard language.
- Any *addition* to the standard terms (e.g., Exhibit E company language, terminations of prior agreements, credits, etc.).
- Any *deletion* of standard language.
- Any *non-standard financial terms* (e.g., hard payment dates).
- Any *delayed effective date* (e.g., an agreement signed in December with a March Effective Date).
- Any *multiple versions of the same product* (e.g., several language versions, or MS-DOS 3.3 and MS-DOS 5.0). Although there is "standard alternate language" for dealing with these situations, there have been a lot of problems with these so they should be reviewed by the Legal Department.

Agreements which are non-standard according to these criteria must be reviewed by the Legal Department before going to the customer for signature, regardless of whether the Legal Department helped draft the non-standard terms.

Avoid using amendments as corrective measures. Get the license signed right the first time.

Keep your manager advised of any non-standard terms and conditions your customer wishes to pursue. OEM Finance should review any terms or conditions that have financial impact. If you feel that Microsoft is being unreasonable, escalate the issue to the next management level and present your case.

Remember: You never get what you deserve--you only get what you negotiate; meaning the process always involves a give-and-take on both sides. Our goal is to establish a long-term relationship. Think about the impact of what you are negotiating. No license is entirely an end in itself. There may be "fallout" from a "blindly negotiated" license. Account managers' performance evaluation will consider his/her success in negotiating standard agreements as well as how often and how much he/she gives up and why.

Negotiating the Standard Royalty License Agreement

NOTE: The OEM Documents Binder includes a document that provides a section by section analysis of the standard license agreement and a brief explanation of the business principles embodied in each section. YOU SHOULD CAREFULLY STUDY AND UNDERSTAND THIS DOCUMENT. Doing so will better prepare you for customer negotiations.

Pricing

The Microsoft Internal OEM Price Guidelines give us consistent pricing around the world and gives each subsidiary opportunity to compete in its market. The guidelines are updated and distributed quarterly.

Price Quotes: Royalty Products

The Internal Price Guideline prices are in US dollars. All OEM royalty business is done in US dollars. We are not in the business of currency speculation and do not want exposure to market fluctuations.

Price Quotes: Packaged Products

Quote prices for OEM packaged products sold locally using local currency. The OEM customer should pay the Microsoft location shipping the product in that location's local currency.

Managing Prepaid Balances (PPB)

Prepaid balance exists when a customer's run rates have fallen short of the level of business to which it has committed. When properly managed at moderate levels, PPB can benefit Microsoft. When a customer's PPB gets too large, it can hurt our relationship and have a negative impact on Microsoft's future revenue growth.

You should understand the PPB your customer is carrying. (Discover this by completing an Account Plan.) Work with your manager to find ways to properly manage PPB. For more information on PPB and minimum commitments, see the OEM Financial Issues section.

Business Proposal

Make your business proposal to your OEM customer. This provides a degree of professionalism and a documented audit trail, as well. The business proposal includes:

* Complete product description

- Pricing
- Delivery dates and conditions of delivery
- Major business terms (be as specific as possible)
- Expiration date for the business proposal

Prepare a written business proposal when you have negotiated a verbal agreement with the OEM customer. If you are proposing a non-standard license agreement, get OEM Finance, the Legal Department and your Regional Director to review and approve the License Agreement *while you are still in draft mode.* Get the Legal Department to help you write any non-standard language and review the license for overall legal adequacy. Finance needs to review the license to determine whether there is any financial impact. (Pricing is not the issue here; financial impact is the issue—things like credits, terminations, payment terms, royalty reporting, administration of the license agreement, audit rights, hard coded payment dates, etc.) Submit a new written business proposal if you and your OEM customer make a new verbal agreement with different terms and conditions. A business proposal submitted to an OEM customer should be valid for no longer than thirty days. *Be sure that each proposal or price quote you submit to a customer includes a clearly indicated time limit.*

Know When to Call for Help

- One of your OEMs is seriously considering a competing desktop operating system.
- One of your customers is seriously considering a change to a non-mainstream RISC architecture.
- You see a high potential unique licensing opportunity (e.g., a promotional applications deal).

When We Lose a Deal

If you lose a deal, write a "postmortem" describing the reasons and send it to your manager and your director. It will help everyone understand the causes.

Get the License Signed

Here are the steps from when your customer signs the license to when it actually gets the product. Each step is described below.

1. OEM Customer signs license; AM marks changes.	2. Microsoft management reviews, signs license.	3. Finance enters license info in OEM Business System.	4. Products ship to the OEM Customer.

OEM Customer Signs the License

Cover letter and License Agreement

When you submit a license agreement to an OEM customer for signature, include a cover transmittal letter. This letter explicitly says that the submitted license agreement is not a proposal; *it is the final legal document* that must be signed to proceed with the mechanics of doing business. A sample is in the Appendix.

Gaining Customer Signature

- Get written acceptance of your business proposal.

- Submit two original transmittal letters and two completed license agreements to the OEM customer. The customer must clearly understand that this signed license agreement is *binding*. Do your negotiating using business proposals.

- Review the license agreement with the customer. Fill in all the blanks, including the effective date. Note: any non-standard license agreement language should have been approved before you get to this point. (See "Business Proposal," above.) One of Microsoft's goals is to minimize the number of revisions/amendments to the standard license agreements; keep this in mind as you negotiate the agreement.

> - After the customer signs the license agreement, create a "packet" containing
>   - one license summary sheet that summarizes the terms of the license and points out changes and non-standard terms;
>   - one copy of the license, highlighting all changes with a highlighting pen;
>   - two original signed licenses.
>   - routing page with the names of the different people who must "sign-off" on the license

- Send this packet to your group manager's administrative assistant (domestic account managers) or your director's administrative assistant (international account managers).

Microsoft Management Signature

The license is reviewed by your group manager and executives; non-standard licenses are also reviewed by Legal and OEM Finance (as appropriate). This process should be completed within 2 weeks. If the license is not signed within this time frame, start sending email to push it through the process.

Refer to the Appendix for a summary of the various signature authority levels.

OEM Finance Actions

OEM License Administrator

- Enters license information into the OEM Business System, including financial and product commitments and schedules. From this point, product shipment is automatic. You need not order the product for a new license. The next day a "Spanky" message (New License Signed) is sent to you and to other designated parties.

- Distributes the License Agreement:
    - One original signed license to the Group Sales Manger's (domestic) or the Regional Sales Director's (international) administrative assistant for distribution. The administrative assistant sends the original to the customer and a copy to the Account Manager (domestic) or the original to the account manager (international) for sending to the customer.
    - One original signed license and cover letter to Legal.
    - Copies of OEM licenses to OEM Accountants.

Product Ships to Customer

- OEM Order Processor reviews "Open Delivery" reports, which appear the day after product commitment data is entered in the the OEM Business System.
- OEM Order Processor verifies orders; makes sure product is shippable; flags product to be shipped.
- OEM Order Processor coordinates manufacturing and shipping. You will get two "Spanky" messages that tell you the status of your order:
  - "Shipment Requested" the day after the product is flagged for shipment, and
  - "Shipment Made" the day following shipment. Typically, shipment takes place within 48 hours of the request.

Create Sufficient Technical Support for the OEM Customer

What the OEM Needs

OEM technical support is a local issue (varies with Microsoft location). Providing quality technical support is critical for our OEMs as they adapt the OAK to run on their hardware. The technical support we provide allows OEMs to finish their projects sooner and with fewer problems.

OEM Support

Microsoft's Product Support Services group (PSS) offers a number of support options for OEM customers:

Professional Level: Professional Support is designed primarily for large OEMs which seek priority technical assistance on software adaptation issues with Microsoft OEM products. Additional support options include software development support and support of Microsoft networking products. Under this program, the OEM submits Service Requests (SRs) electronically to PSS. When PSS receives the Service Request (SR), it confirms receipt to the OEM. The SR is routed to the most appropriate technician, who answers the question. If the question is not clear, the technician will call the OEM directly. The technician generates a response in keeping with the indicated priority level; if necessary, he/she calls on other resources to get the SR answered. In addition to this, the OEM gets on-line access to Microsoft's Knowledge Base (a database of technical product information) and to Microsoft's Software Library.

Premier Level: Premier Support is one of our highest levels of technical support for OEMs which seek a direct support relationship with Microsoft with the added resource of a designated Strategic Account Engineer. In addition to the service under the Professional Level, Premier Level customers: receive phone access to a dedicated Strategic Account Engineer; can submit SRs over the telephone; are guaranteed a response or progress update for all SRs within four hours of receipt; and receive a monthly copy of the Knowledge Base on a CD-ROM.

Support Connection: Support Connection is designed to provide the OEM's support professionals easy access to technical information and tools to better support its customers with Windows applications.

Refer to the Appendix for collateral information regarding these support offerings.

Domestic OEMs

US Domestic OEMs have access to these programs now.

International OEMs

We are in the process of making these offerings available internationally as well. For information specific to your subsidiary, ask the OEM Manager or the Technical Manager.

OEM Products

OEM Products are listed on the OEM Shippables List found on the server \\kaizen\thinkoem and include:

- Source Code
- OAKs /ODKS(deliverables)
- Pre-Releases (alphas, betas)
- Miscellaneous (bug fixes, maintenance releases, product specifications, replacement disks, etc.)

Source Code

In the course of normal business, source code can be released only to an OEM customer who has licensed the source code and paid all associated fees.

When it is not "normal business," (for evaluation or partner use, for example) source code can be released to an OEM customer that has a registered NDA and approval of the VP OEM or higher.

Policy Violation

Intentional violation of this policy by a Microsoft employee is grounds for immediate termination of employment. Report accidental violations immediately to the Regional Sales Director and to the VP OEM.

OEM Adaptation Kits (OAKs) and OEM Development Kit (ODK)

Standard policy is that an OAK/ODK is only shipped to OEMs licensed for that product. Before we ship an OAK or ODK to an unlicensed customer, we must have a registered NDA. The agreement must explicitly state the rights and conditions related to the OAK/ODK. The VP OEM will decide what to do in special cases.

OAK/ODK Evaluation Customers

OEM Customers might need to order OAKs/ODKs to evaluate a product they have not yet licensed, to begin adaptation of a product they are in the process of licensing, to accommodate multiple sites or multiple departments, or to replace defective kits.

To order evaluation copies of OEM Products (except Source Code), send a written request (email is OK) to the OEM Order Processor (y-oemreq) who will set the OEM Product ordering process in motion.

Customers with valid license agreements get product updates via OEM Kits, which are sent within two weeks of the official release. If your OEM customer does *not* receive an update, send email to the OEM Order Processor (y-oemreq).

New License Agreements

Products for new license agreements ship automatically when the license is entered into the the OEM Business System. Don't make a special order for products on a newly signed license agreement.

Existing License Agreements

Approximately one week prior to a Version release to OEM Manufacturing, these events will happen:

1. The OEM Order Processor will send a "Version Notice" email to you. It will contain this information:
   - Product name
   - Product ID number
   - Version number
   - License ID number
   - Ship-to name
   - Address
   - Version charge (if there is one)

   Make sure this information is correct.

2. Send to OEM Order Processor a confirmation for each OEM who should receive the Version release. Note: an OEM customer must have a current license agreement which explicitly states the rights and conditions for the Version release.

3. OEM Order Processor will place an order for each confirmed "Version Notice."

4. From this point, the order is processed as any OEM Product would be processed.

Pre-Release Versions

The value that Microsoft gets in having an OEM become a beta site is directly related to the amount and kind of feedback we get from that OEM. Therefore, there is a limit to the number of OEMs who can be beta sites. In order to keep the information flowing both directions, it is up to the Business Unit Manager and the VP OEM to determine which OEMs may and may not be beta sites. Pre-Release versions are managed like existing license agreements above, but are designated "Pre-Release."

Miscellaneous OEM Products

All OEM products listed on the OEM Shippables List can be ordered. Some examples of miscellaneous OEM products are product specifications, bug fixes, maintenance releases, and replacement disks. If the product you need is not listed on the Shippables List, get the product manager's approval before you release it to a customer.

Ordering OEM Products

Microsoft has developed an OEM Product Ordering process to provide orderly and efficient product delivery to our OEM customers and to allow us to keep centralized records.

There are two ways to initiate product shipment: 1) registration of a new license in the OEM Business System, and 2) use of the on-line OEM Request form. The OEM Order Processor checks for orders throughout the day.

Newly Signed License Agreement

Newly licensed products ship automatically. After Microsoft signs the license agreement, the OEM License Administrator enters product commitments into the the OEM Business System. This triggers the shipment cycle. Therefore, *do not* use the on-line OEM Product Request form to order products for a newly signed license. Doing so will duplicate the events that will occur automatically, making more work for everyone, and reducing our product control.

On-line OEM Request Form

Use the on-line OEM Request form to order OEM products for customers or for internal use. If the order is for an OEM customer, fax a copy of the P.O. to the OEM Order Processor (contact y-oemreq) when you make your order.

To use the on-line OEM Request form, use the OEM Product Request E-Form or access email from Windows and follow these steps:

OEM Customer Orders On-line Request Form

Prompt	What you enter
XENIX $	y-oemreq
COMPANY	The OEM's company name
SHIP TO ADDRESS	The street address (not a box number).
CONTACT	The name of the person to whom the shipment should be sent.
COMPANY ID	The customer number.
LICENSE ID	The license number.
Is everything correct?	y for yes, n for no. (If "no," the system will let you make corrections.)
PART NUMBER	The part number assigned to the product. This is in the OEM Shippables List for part numbers.
DESCRIPTION	The product name.
QUANTITY	The quantity to be shipped.
Is everything correct?	y for yes, n for no. (If "no," the system will let you make corrections.)
COMMENTS*	This field is optional and can be left blank. Press the enter key and the product request will be sent.

*To enter more than one line of comments, set your terminal emulation program for "auto wraparound" and continue to type. Do not press the enter key to start a new line; the enter key sends the product request.

Internal Orders On-line Request Form

Prompt	What you enter
XENIX $	*y-oemreq*
COMPANY	Your department name
SHIP TO ADDRESS	Your subsidiary name or building/room number
CONTACT	Your complete name
COMPANY ID	Your manager's email alias
LICENSE ID	*x*
Is everything correct?	*y* for yes, *n* for no. (If "no," the system will let you make corrections.)
PART NUMBER	The part number assigned to the product. This is in the OEM shippables List for part numbers
DESCRIPTION	The product name
QUANTITY	The quantity to be shipped
Is everything correct?	*y* for yes, *n* for no. (If "no," the system will let you make corrections.)
COMMENTS*	This field is optional and can be left blank. Press the enter key and the product request will be sent.

To enter more than one line of comments, set your terminal emulation program for "auto wraparound" and continue to type. Do not press the enter key to start a new line; the enter key sends the product request.

Approval

When the OEM Order Processor receives your request, he/she sends it to the manager who needs to approve the particular OEM product. You get a copy of the request for approval.

The approving manager responds via email to y-oemreq. When the request is approved, the order is entered into the database. If the request is not approved, the OEM Order Processor will notify the requestor. If a request is not approved, contact your manager to find out the reasons and to resolve the issue together.

Shipment

The OEM Order Processor coordinates manufacturing and shipping. You will get two "Spanky" messages that tell you the status of your order:

- "Shipment Requested" the day after the product is flagged for shipment, and

- "Shipment Made" the day following shipment. Shipment should take place within 48 hours after shipment is requested.

Camera-Ready Materials (CRC)

Our standard policy is that OEMs purchase user documentation from our authorized replicators or MED distributors. OEMs authorized to do value added product releases that insist on camera ready materials should understand that such materials are not part of our mainstream business. As a result, CRC is expensive to the OEM and involves a lengthy turnaround time. If your OEM must have CRC, you must obtain Regional Director approval and contact y-oemreq for details on how to order.

OEM Financial Issues

Royalty Reporting

The license agreement requires the OEM customer to submit royalty reports on specified due dates. At the end of each reporting period, the OEM customer submits a royalty report. The reporting period is specified in the license agreement. The report should be addressed as indicated on the royalty report form which the customer receives each period from OEM Finance. Work with your customer to make sure it submits the royalty reports on time. If necessary, assist OEM Finance with collections.

Notices sent

- 60 days prior to due date: a written reminder to submit a royalty report will be sent to the OEM customer. An email copy will go the Account Manager.
- 15 days prior to due date: an email reminder will be sent to the Account Manager.
- 15 days after due date: a third email reminder will be sent to the Account Manager.
- When Finance receives the royalty report, it sends you a "Spanky" message which summarizes units and dollars reported.

Warning: If an OEM customer fails to submit timely and accurate royalty reports, the license might ultimately be terminated. (See "Termination Process.")

Localized Product Royalty Reporting

OEM customers must report royalties on localized versions of licensed Microsoft products they have licensed. Reporting royalties separately for localized products increases their visibility, and lets Microsoft determine the investment return of localizing products.

The procedure is the same as described in "Royalty Reporting". OEM customers report royalties by product and localized language version where applicable. This is stated in the license agreement, and is provided for in the standard royalty report form.

Revenue Recognition

Revenue & the Standard License Agreement

You and your OEM customer determine whether the OEM should license Microsoft software on a "per copy", "per system," or "per processor" basis. The price it pays is based on the volume it ships; the greater the volume, the lower the price.

The standard two-year license is divided into two periods, the first year and the second year. Under the standard license agreement, the OEM is obligated to pay:

- In the first year, *all* of the first period minimum commitments due, plus any additional earned royalties; and

- In the second year, *all* of the second period minimum commitments due, plus any additional earned royalties.

The due dates for each payment are specified in the license agreement.

Example: Suppose an OEM signs a license with the standard financial terms and conditions for a $200,000 minimum commitment (2 year term $100,000/year). The license schedule and minimum commitments are described in the charts below. The OEM owes the full $200,000 over two years, plus any additional royalties it owes for shipping more units than anticipated in the license agreement.

Standard Two-Year License Agreement for $200,000
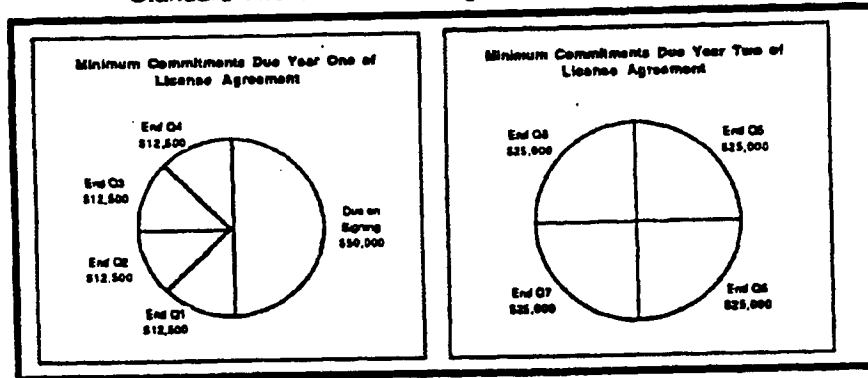
Understanding & Managing UPB/PPB

Minimum commitment billings may differ from the amounts specified in the license agreement. This is because minimum commitment billings are determined for each period within the license according to the following formula.

> Payment due each quarter = greater of (cumulative reported royalties, cumulative minimum commitment) – cumulative prior billings

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Minimum commitments are initiated in one of three ways: when the OEM customer ships product, as specified by the license agreement, or by the mere passage of time, keyed to the effective date. When a minimum commitment is billed, the revenue is credited to a fictitious product called "UPB" (unspecified product billing). As royalties are reported by the OEM, dollars are transferred from UPB and credited to the products reported by the OEM. So, simply stated, UPB is a "holding bucket" for minimum commitment related revenue.

Prepaid Balance (PPB) is an important concept for you to understand. Exhibit B states: "To the extent that cumulative minimum commitments exceed actual earned royalties, such excess is considered 'prepaid royalties,' and may be recoupable against future earned royalties." This is important because the existence of PPB may impact the future amount of revenue that Microsoft recognizes under a license agreement.

PPB is $0 if the OEM distributes product and pays royalties equal to or greater than its minimum commitment; otherwise it equals the difference between the cumulative minimum commitment and the cumulative earned (reported) royalties.

The concepts of revenue recognition, UPB and PPB are covered in detail during the New Account Manager Training classes held from time-to-time. If you have not attended one of these sessions or have questions in this regard, discuss them with one of the more experienced members of your local team or with your manager.

Royalty Reports

The OEM customer reports for each calendar quarter (or period specified in the license agreement) *from the effective date of the license agreement*, even if the quantity is "none."

To carry out the reporting, the OEM customer should:
* Submit royalty reports when they are due.
* Report only one period on each royalty report.
* Report activity for each license on a separate royalty report.
* Identify the OEM customer's name and license number on each royalty report.
* Note: OEM Finance provides the customer a royalty report form with the royalty report reminder letters.

If an OEM customer fails to file royalty reports, it may be subject to license termination.

OEM Payments

When the OEM customer makes his payment, it should withhold any amounts to be paid as taxes, and submit tax receipt documentation related to these amounts.

Domestic US OEM payments

The Domestic OEM pays via check.

> Microsoft Corp.
> Department 551
> One Microsoft Way
> Redmond, WA 98052-6399
> Telephone: (206) 882-8080
> Telex 328945

International OEM payments

The International OEM pays via wire transfer; US dollars only. Wire transfer to:

> Citibank N.A.
> 399 Park Avenue
> New York, N.Y 10043 USA
> ABA # 021000089
> Re: Microsoft International OEM Collections
> Account #38468231

When the OEM customer sends the wire transfer, it should also send a telex notice to OEM Finance-Collections. This helps us track the payment.

OEM customers should submit to OEM Credit and Collections, in a timely manner, any tax receipt documentation related to withheld amounts as required by their government.

Important: Only the VP OEM or higher has the right to tell OEM customers that they do not need to make payments while a license agreement is being renegotiated. During contract renegotiation, the customer must continue to meet their contractual obligations.

Any agreed to payment plans need to be approved by your Regional Director and Finance, and must be documented in a letter to the customer.

OEM Audits

OEM Finance conducts audits of OEM customers to ensure their compliance with the terms and conditions of our OEM license agreements. We will establish an ongoing process of routinely selecting and auditing OEM customers. If you have customers which you believe should be audited, please send email to the OEM Business Manager and your Regional Director. You will be notified before an audit is initiated.

Royalty Reports and Payments

The OEM customer makes payments according to the process described in "OEM Payments" section. If the OEM customer does not make these payments, find out what the problem is, and work with your OEM to resolve the problems as early as possible.

OEMs submit late royalty reports for various reasons:
- Oversight.
- Cash flow problems.
- Dispute with Microsoft—maybe they haven't received their product yet!

These problems typically delay posting payments to customer accounts:
- No customer name on payment.
- No remittance information (invoice numbers).
- Customer's bank does not know to wire transfer the funds.
- The invoice is stalled at the subsidiary.
- Customer doesn't understand its obligations under the standard license agreement. (For example, even if the OEM is not shipping product, it is still obligated to report royalties and make minimum commitment payments.)
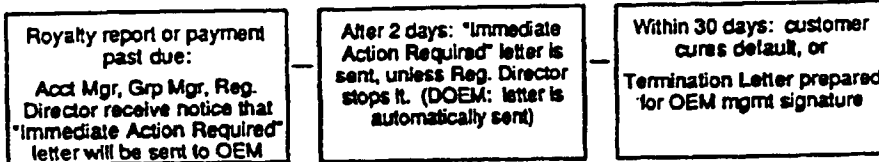
Be proactive in working with your customer to get these issues straight before the problem escalates to the Termination Process. We and our customers are happier when the relationship runs smoothly and as defined in the standard license agreement.

Termination Process

Our goal is to keep our customers and have them comply with their obligations under the agreements, just as we need to comply with our obligations. At the same time, we do not wish to work with companies that habitually fail to file royalty reports, pay amounts due, or comply with other aspects of the agreement (e.g., improperly distribute our products). These are the most common violations our customers make.

Past Due Payments and Royalty Reports: As an account manager you are constantly kept informed via email and hard copy reports about past due payments and royalty reports. It is your responsibility to assist in resolving such matters. If your customer tends to have problems in this area, you should consider: charging the customer interest on past due amounts; requiring prepayment or conversion to the MED program; developing a work-out plan for the OEM's payment of past due amounts; and restructuring the agreement to more closely coincide with the OEMs run rates (e.g., lower minimum commitments). But remember that the latter situation may also warrant an increase in royalty rates.

An agreement with an OEM may be terminated if resolution cannot be achieved. Finance generates reminders to you and the customer when a problem exists, as summarized below:

Royalty report or payment past due: Acct Mgr, Grp Mgr, Reg. Director receive notice that "Immediate Action Required" letter will be sent to OEM	—	After 2 days: "Immediate Action Required" letter is sent, unless Reg. Director stops it. (DOEM: letter is automatically sent)	—	Within 30 days: customer cures default, or Termination Letter prepared for OEM mgmt signature

When a royalty report or payment becomes past due, you and your Regional Director will be alerted via a "Spanky" email message and hard copy monthly reports (e.g., "OUTSROY"). In addition, the OEM Accountants and/or OEM Credit and Collections Supervisor will attempt to resolve the situation with you (via email or telephone) and concurrent telex reminders sent to the customer.

When either a royalty report or payment remains past due, an email will be sent to you, your Manager and your Regional Director stating that the Notice of Immediate Action Required letter will be sent to the customer in 2 days. This letter notifies the OEM of the existing problem and asks for immediate correction. After 2 days have elapsed, the notice is mailed or faxed to the customer unless the situation has been resolved or the Regional Director has provided a substantial reason that the notice should not be sent. The letter goes out under the OEM Business Manager's signature. (Domestic Notices of Immediate Action go out automatically, without advance notice to the account manager)

The customer has 30 days from the date of the letter in which to cure its default before the agreement may be terminated. You should be working closely with your customer during this time frame to resolve the situation. If the customer does not make the necessary payment or file the required royalty report within the 30-day period, a letter will be prepared for OEM management's signature which confirms the termination. If the agreement is terminated, it is turned over to the Legal department.

Unauthorized Product Distribution: Some customers do not understand or ignore the fact that they cannot distribute Microsoft products separately from their computer systems. Such "stand-alone" sales of our software seriously impact Microsoft revenues and create channel conflict. Furthermore, software pirates use OEMs' logoed products as a basis for their counterfeit versions of our software. Consequently, we are enforcing our rights against OEMs who violate the distribution restrictions in the license agreement.

When Microsoft becomes aware that an OEM is distributing product in an unauthorized manner, a letter is sent to the OEM informing them of the violation and requiring that they take corrective action. If the situation persists, we will require the OEM to convert to the MED program. Subsequent violations may result in the termination of the agreement with the OEM.

Regardless of the reason for termination, as stated in the standard license agreement, when an agreement is terminated, the customer must stop all sales of our product(s) and return them to Microsoft. You should ensure that the Microsoft products are returned to Microsoft.

Microsoft might work with a customer who wishes to be reinstated; reinstatement might include financial penalties. This is decided on a case-by-case basis.

Credit Hold

Customers might be placed on "credit hold" for failure to file royalty reports or make payments. The effects of this:

- New license agreements might not be signed.
- Shipment of OEM Products might be withheld.
- It is possible that Microsoft might withhold shipment of retail products.

Mutual Terminations

A mutual termination is agreed to by both sides, and is related to business reasons rather than reasons of license agreement breaches.

Only the VP OEM or higher has the authority to agree to terminate royalty license agreements. Printed copy of the email authorizing the termination is sufficient evidence.

The Regional Director should verify with OEM Finance that the OEM customer has made all payments and reported all royalties. Then he/she should send email to the VP OEM and the General Manager, copying OEM Finance, with the following information:

- Reasons for proposed mutual termination
- Certification that Microsoft has received all royalty reports for the OEM customer
- Certification that the OEM customer has made all payments

Do not offer your customer any assurance that termination is possible without authorization from the VP OEM. If the VP OEM and the Regional Director agree to the termination, the VP OEM will request that OEM Finance and the Account Manager implement the termination.

International OEM Support and Customer Visits

OEM has an International Sales Support Representative based in Redmond whose primary job is to act as an extension of your OEM team and do whatever it takes to make you successful. The representative reduces the number of transactions and the amount of time it takes to get what you need from Redmond; this means you can spend more time selling and less time chasing Redmond issues.

OEM-Related Support

Here are some of the OEM-related activities the representative performs:

- Organizes and manages international OEM customer visits to Redmond.
- Expedites time-critical material, information or products.
- Troubleshoots various problems.
- Coordinates and manages special events.

Organizing Customer Visits

Work closely with your representative to ensure successful, professional and productive visits for your customers. At least six weeks before the requested visit date, send your representative a completed Customer Visit Request form (see Appendix) describing in detail the purpose of this briefing. The representative will begin to make arrangements on receipt of the form. Note: If you need VPs or higher, submit the form eight weeks ahead of time because executives' calendars fill up much faster.

The representative will also make sure that all transportation, lodging, meeting room reservations and catering arrangements are taken care of. The representative will plan the entire meeting in accordance with your completed Customer Visit Request Form.

The table on the next page illustrates the time frames needed to organize a successful customer visit, as well as the responsibilities of the organizers.

Time Frame	Account Manager	Redmond Rep.
6 - 8 weeks prior to visit	- Complete Customer Visit Request form and send it to the Redmond Rep - Communicate with Redmond Rep. to begin logistical planning/needs	- Director approval for request - Reserve conference room - Check on availability of MS execs
4 - 6 weeks prior to visit	- Provide a "briefing paper" to Redmond Rep	- Final agenda approved by Director - Reconfirm executive attendance
2 - 4 week prior to visit	- Discuss logistics with Redmond Rep, including meals, transportation, special needs, etc. - Arrange time to meet all MS personnel for briefing	
1 - 2 weeks prior to visit		- Distribute agendas and "briefing paper" to MS personnel
1 day prior to visit	- Meet with and brief all MS personnel - Prepare agendas for guests	- Arrange guest badges with receptionist
Day of Visit	-Host the meeting, including: - Kickoff (welcome and introductions) - Review of objectives (set expectations) - Keep meeting focused on objectives - Keep meeting on time - Wrap up (review status of objectives, identify all action items, establish next steps)	

Appendix

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Signature Authority

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Signature Authority Levels

MICROSOFT OEM SALES
LICENSE AGREEMENT SIGNATURE/APPROVAL AUTHORITY

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Authorized Signer	Type of Agreement
Customer (U.S. Only)	MS-DOS Packaged Product (<30 units) - *(no MS signature required)*
Account Manager II (U.S. Only)	MS-DOS Packaged Product - *Standard (no changes allowed)*
OEM Group Manager (U.S. Only)	Systems Royalty License Agreements - *Standard verbiage, guideline pricing, total value $3M or less* Systems Royalty License Amendments - *Non-Substantial (see notes)* Non-Disclosure Agreement (NDA) MED Agreement - *Standard "Pay-As-You-Go"*
OEM Area Director	Systems Royalty License Agreements up to $5M - *Standard (see notes)* MS-DOS ROM (Customer) up to $5M - *Standard (see notes)* MS-DOS ROM (Agent) - *Standard* Letter of Intent (LOI) up to $5M - *Standard (see notes)* Mice/Ballpoint (U.S. Only) up to $5M - *Standard*
OEM Vice President	Systems Royalty License Agreements up to $10M - *All* Systems Royalty License Amendments up to $10M - *All* Apps Royalty License Agreements up to $5M - *Standard (see notes)* Apps Royalty License Amendments - *Non-Substantial (see notes)* MS-DOS ROM (Customer) up to $10M - *All* Letter of Intent (LOI) - *All* Mice/Ballpoint (U.S. Only) - *All* Packaged Product Promos up to $5M (U.S. Only) - *Standard (see notes)* Source Code
Executive Vice President	All Other

NOTES	Due to tax and legal implications, subsidiary personnel cannot sign any OEM document (including side letters, Amendments, or other writings affecting license agreements) on behalf of Microsoft Corporation.
Standard Licenses:	Pricing within 10% of guidelines and contain only standard license verbiage or that of published "standard optional language" provisions. Agreements not meeting this criteria are "Non-Standard".
Non-Substantial License:	Agreements with a total value of $5 million or less.
Non-Substantial Amendments:	Do not change the T's and C's other than to add or change a customer system or extend the length of the agreement under the existing financial terms. Any other changes to the T's and C's, royalty rates, minimum commitments, etc. are considered "substantial".

ALL non-standard agreements, and ALL Amendments must be reviewed by legal prior to MS signing.

OEM Organization Charts
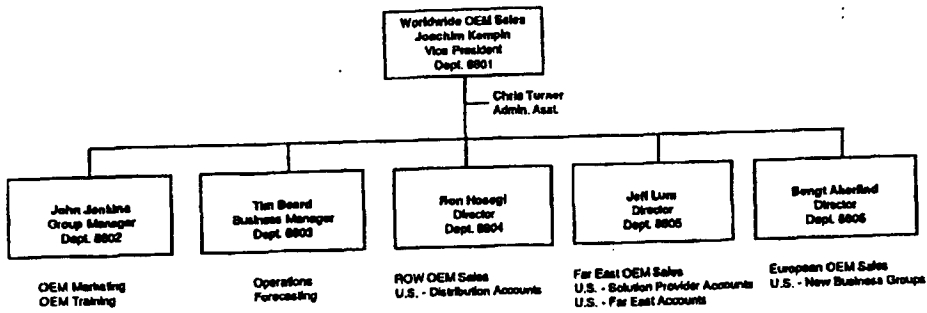
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                           ┌─────────────────────────┐
                           │   Worldwide OEM Sales   │
                           │     Joachim Kempin      │
                           │     Vice President      │
                           │       Dept. 8801        │
                           └────────────┬────────────┘
                                        │── Chris Turner
                                        │   Admin. Asst.
        ┌──────────────┬────────────────┼────────────────┬──────────────────┐
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│ John Jenkins  │ │  Tim Beard    │ │ Ron Hosogi │ │  Jeff Lum  │ │  Bengt Akerlind  │
│ Group Manager │ │Business Manager│ │  Director  │ │  Director  │ │     Director     │
│   Dept. 8802  │ │  Dept. 8803   │ │ Dept. 8804 │ │ Dept. 8805 │ │    Dept. 8806    │
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OEM Marketing   Operations   ROW OEM Sales   Far East OEM Sales   European OEM Sales
OEM Training   Forecasting   U.S. - Distribution Accounts   U.S. - Solution Provider Accounts   U.S. - New Business Groups
                                                                    U.S. - Far East Accounts

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┌─────────────────────┐                          ┌─────────────────────┐
│   John Jenkins      │                          │    Tim Beard        │
│  OEM Marketing      │                          │   OEM Sales         │
│    comunity         │                          │ Business Manager    │
│  Group Manager      │                          │   Dept. 8803        │
│   Dept. 8802        │                          └─────────────────────┘
└─────────────────────┘                                    │── Chris Turner
                                                            │   Admin. Asst.
TBH
Program Manager

Jackie Gerber
Marketing Project Manager
                                    ┌─────────────────────┐    ┌─────────────────────┐
Marlene Patterson                   │   Forecasting       │    │ Administrative Services │
Marketing Team Admin. Assistant     │      consult        │    │      Assistant        │
                                    │  Teresa Connelly    │    │    Jackie Gerber      │
John Sills                          │  Sr. Systems Analyst│    │ Admin. Support Manager│
OEM Program Manager                 └─────────────────────┘    └─────────────────────┘

Dave Williams                       Adrianne Goss               Brenda Bruce
OEM Sales Development Manager        Associate Programmer/Analyst Braman OEM Account Team

                                                                Kathy Crowley
                                                                Graves OEM Account Team

                                                                Nancy Idstein
                                                                Duchanne Account Team

                                                                Jill Frier
                                                                Customer Service Representative

                                                                Staci Hostflow
                                                                Chestnut OEM Account Team

                                                                Chris Mellin
                                                                Edralin OEM Account Team

                                                                Sherrie Sanders
                                                                Downing OEM Account Team

                                                                Kathy Thompson
                                                                Harnum OEM Account Team
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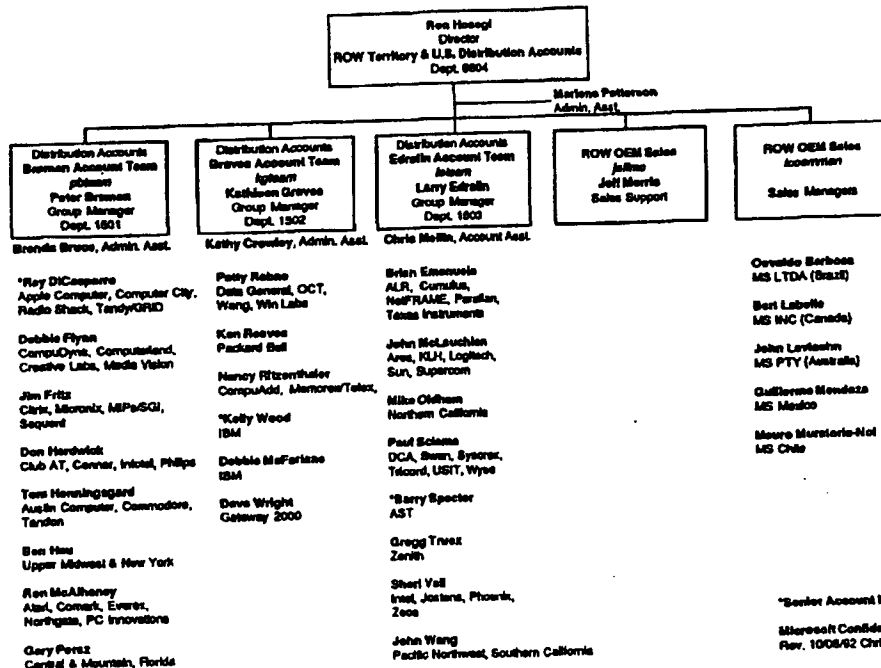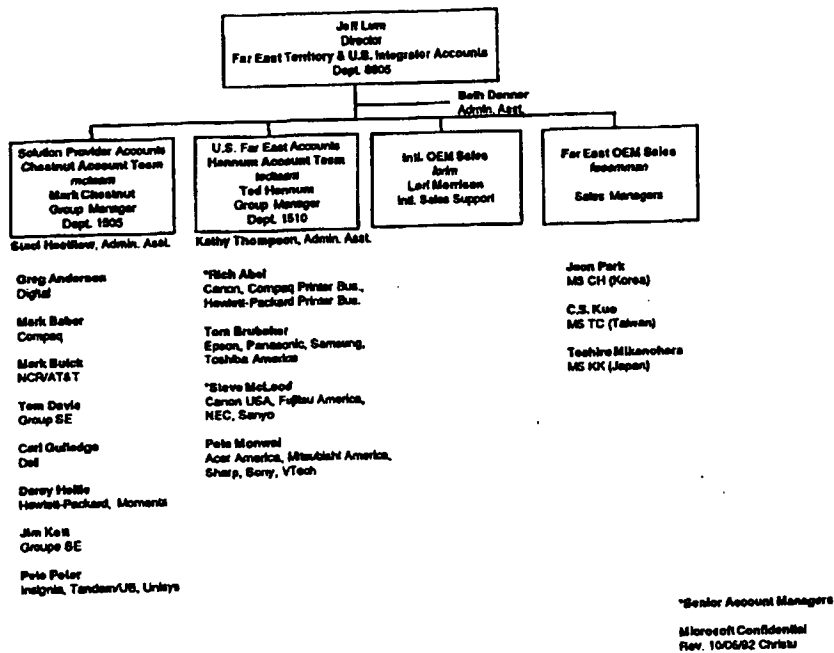
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Ron Hosogi
Director
ROW Territory & U.S. Distribution Accounts
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Marlene Patterson
Admin. Asst.

Distribution Accounts Bozman Account Team pbteam Peter Brozzo Group Manager Dept. 1801	Distribution Accounts Graves Account Team kgteam Kathleen Graves Group Manager Dept. 1502	Distribution Accounts Edralin Account Team lsteam Larry Edralin Group Manager Dept. 1803	ROW OEM Sales jullkie Jeff Morris Sales Support	ROW OEM Sales koemman Sales Managers

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Sequent

Don Hardwick
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Temporary
Phone Support

Temporary
Phone Support

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customer

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LA
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Rajiv Nair
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Debrabrata Majumdar
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Sales Manager

Clem McMurray
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Scott Porter
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Doug Clark
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Dorothy Johnson
Account Manager

Jeff Pittaway
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S.E. Asia
P.K. Weng
General Manager

Paul Sribhibhadh
Account Manager

Siew Hong Teo
Account Manager

Argentina
Eugenio Beaudrand
General Manager

Marcos Suarez
Account Manager

Chile
Mauro Muratorio-Not
General Manager

Daniel Villafranca
Sales Manager

Mexico
Guillermo Mendoza
Sales Manager

Ivette De Putera
Account Manager

Maria Elena Trevino
Account Manager

Brazil
Osvaldo Barbosa
Sales Manager

Luciana Abreu
Account Manager

Columbia
Felipe S. Romero
General Manager

Venezuela
Elias Obadia
Sales Manager

Rosamaria Ponceleon
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Joon Park (JoonP)
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MSCH (Korea)
Samsung, Oriental Precision

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C.S. Kuo (CSKuo)
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Kiyokazu Omi (KiyoO)
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Toshiba, Hitachi, NTT-Data

Kiichiro Katsumata (KiichiK)
Oki, MCI, YE-Data

Hideya Utagawa (HideyaU)
Epson

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Canon, Ricoh, RIOS

Junko Suzuki (JunkoS)
Section Admin. Assistant

Ichiro Fukuchi (IchiF)
Senior Account Manager
Sanyo, Sharp

Kenji Nakayama (KenjiN)
Senior Account Manager
Fujitsu, Matsushita (MEI)

Toshimi Hino (ToshimiH)
Mitsubishi, IBM-J

Koichi Onikubo (KouichiO)
(New, OJT, No Accts Yet)

C.H. Cho (CHCho)
Goldstar, Qnix

D.J. Choi (DJChoi)
Hyundai

S.I. Kim (SIKim)
Daewoo, Trigem

M.S. Lim (MSLim)
MED Licenses &
Packaged MS-DOS

Charlie Hua (CharliH)
MED Licenses &
Packaged MS-DOS

Max Kang (MaxKang)
Mitac, SMS, Twinhead

Russ Lee (RLee)(x131)
Copam, DTK, FIC

Phillip Wong (PWong)(x133)
Acer, Asure

Eddie Wu (EddieW)
Autocomputer, CAF, Tatung

Patrick Tien (PatrickT)(in PRC)
PRC OEM (& Retail) Accounts
Great Wall, Lang-Chao

Steven Yang (SYang)(in HK)
Hong Kong/PRC Accts
Bondwell, Porro, TRC, VTC

European OEM Sales
Bengt Akerlind, Director

Debby Johnson, Administrative Assistant

MS AB	MS AG	MS BV	MS GmbH	MS GesmbH	MS LTD	MS SARL	MS SPA	MS SRL
(Nordic Region)	(Switzerland)	(Holland)	(Germany)	(Austria)	(England)	(France)	(Italy)	(Spain)

MS AB (Nordic Region)

Magnus Larsson
OEM Sales Mgr

TBH
Admin. Assist

Dick Andersson
OEM Sales Rep

Erik Daniels
OEM Systems
Engineer

Terje Gjoester
Account Manager

Risto Reuterkorpi
Account Manager

MS AG (Switzerland)

Miguel Saye
Account Manager

MS BV (Holland)

Hans Renssiaar
OEM Sales Mgr

Katja Willems
Admin. Assist.

Gerrit Jan Bloem
PACKDOS Sales
Rep Netherlands

Wim Dolleke
PACKDOS Sales
Rep Belgium

Ronald Kruyt
PACKDOS Sales
Rep Netherlands

MS GmbH (Germany)

Juergen Huele
OEM Sales Mgr

Claudia Wacker
Admin. Assist.

New Business Grp

Michael John
Supervisor

Vivian Muehlen
Admin. Assist.

Alexander Dachleuser

Frank Eschenlohr

License Business Grp

Jaap Van Arkel
Supervisor

Heinz Adamski

Hermann Baur

Ricardo Cisneros

Andreas Nogel

Stefanie Reichel

Michael Rohrhuber

PACKDOS Sales

Margitta Feltin-Steiner
Supervisor

Vivian Muehlen
Admin. Assist.

Uwe Bucher

Wolfgang Mueller

Thomas Niggemeier

Christian Vogelsang

MS GesmbH (Austria)

Georg Conrad-
Bilroth
Account Manager

Norbert Pelecek
PACKDOS Sales
Rep

MS LTD (England)

Sandy Duncan
OEM Sales
Manager

Kirell West
Admin. Assist.

Named Accounts

Richard Barrie
Account Manager

David Bradley
Account Manager

Michael Dodson
Account Manager

New Business
Group

Dale Borland
Sales Manager

Natalie Ayres
Account Manager

Julie-Ann Muir
Account Manager

Ellen Taylor
Sales Associate

Jane Webber
Account Manager

MS SARL (France)

Pascal Martin
OEM Sales
Manager

Nathalie Sidoloid
Admin. Assist.

Account Managers

Stephane Boulez

Laurent Delaporte

PACKDOS Sales

Elisabeth
Genthier

Laurent Meunier

Nathalie Teyssier
Admin. Assist.

MS SPA (Italy)

Maurizio Bedine
OEM Sales
Manager

Daniela Ouatta
Admin. Assist.

Gianluca
Bascanini Account
Manager

Giuseppe Landelfi
Account Manager &
PACKDOS Sales
Rep

Giorgio Palazzo
Account Manager &
PACKDOS Sales
Rep

Maurizio Zazzara
Account Manager

MS SRL (Spain)

Ignacio Feu
OEM Sales
Manager

Beatriz Cuesta
License
Administrator &
Telesales

TBH
PACKDOS Sales
Rep Madrid

TBH
PACKDOS Sales
Rep Barcelona

East Europe

Jurgen Stranghoener
Director, E. Europe

Richard Hevron
Russia, Baltic

Barbara Kurcz
Hungary, Romania

Guenter
Pletschmann
Czech, Bulgaria

Olgierd Szida
Poland, Yugoslavia

Rev. 10/7/93 Debby Johnson

Marquell Corporation

Key Contacts List

OEM Key Contacts

Legal	Region	Contact
OEM License Agreements, Amendments, etc.	Domestic (U.S.)	Peter Miller (Petermi)
	Europe, AIME, ICON	Douglas Jackson (Douglasj)
	Far East, Australia, New Zealand	David Blachman
Piracy Issues (note: also copy the attorney that handles your OEM agreements on any piracy issues you have)	Corporate (Redmond)	David Curtis (Davidcu)
	Domestic (U.S.)	Jim Lowe (Jimlo)
	Central Europe	Eric Koenig (Ericko)
	Northern Europe & United Kingdom	Steve Ringleberg (Stevenri)
	Southern Europe	Peter Davies (Peterdav)
	Far East, Australia & New Zealand	Alix Parlour (Alixp)
	AIME, ICON & ROW	Brian McEachron (Brianmc)
	Latin America (as of Nov '92)	Jeff Steinhardt

Accounting Services	Director / Region	Contact
Invoicing, royalty reports, revenue recognition, customer payment processing	Bengt Akerlind (U.S. accounts)	Ann Winter (Annw)
	Bengt Akerlind (Europe)	Barb Schmidt (Barbsc)
	Ron Hosogi (U.S. accounts)	Debra Smaller (Debrasma)
	Ron Hosogi (AIME, ICON, ROW)	Mary Gordon (Maryg)
	Jeff Lum (U.S. accounts)	Pat Reese (Patre)
	Jeff Lum (Far East)	Bob Stillmaker (Robertst)
Escalation or questions	All	Bob Lunn, Mgr (Boblu) Charlie Knox, Dir. (Charliek)

Licensing Services	Region	Contact
Address & contact changes, NDAs, notices of shipment, new license signed or royalty report received "Spanky" messages	U.S. Royalty Agreements	Shirin Turnbull (Shirint)
	U.S. Pkg & Far East Royalty	Anna Aubry (Anna)
	Europe, ICON, AIME, ROW	Nolan Camacho (Nolanc)
Order Processing	All	Rochelle Evans (Rochelle) Shehzad Quershi (Shehzadq)
Escalation or questions	All	Lynette Leong, Mgr (Lynettel) Bob Lunn, Mgr (Boblu) Charlie Knox, Dir. (Charliek)

Credit/Collections	Region	Contact
Questions	International & Domestic	Susan Wrench (Susanwr)
	International	Donna Atchley (Donnaa)
	Domestic	Nora Duffy (Norad)
Escalation or questions	All	Rick Post, Mgr (Rickpo)

Financial Analysis	Region	Contact
Special reports, analysis and customer audits	All	Nell Miller (Nellm)

Product Release Service	Region	Contact
Prod. availability, schedules	All	Dave Keeley (Daveke)
Shipment of product	All	David Davis (Davidda)
Escalation or additional info	All	Claudia Robbs, Dir. (Claudiar)

MS 0013310
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Account Plan - Template

Account Pan Template
(\\baggins\oemmktg\tools\actplan.dot)

XYZ Company
Account Plan
A.M. Name goes here
September 21, 1992

BUSINESS

REVENUE SUMMARY

MARKETS

Market   %

CHANNELS

Channel   %

EMPLOYEES

COMPETITORS

RECENT BUSINESS CHANGES

MS BUSINESS

Product   Version   Royalty   Per   License   Expires   Ship   Value

XYZ Company
Account Plan
A.M. Name goes here
September 21, 1992

| BUSINESS |

| REVENUE SUMMARY |

| MARKETS |

Market   %

| CHANNELS |

Channel   %

| EMPLOYEES |

| COMPETITORS |

| RECENT BUSINESS CHANGES |

| MS BUSINESS |

Product   Version   Royalty   Per   License   Expires   Ship   Value

MS OPPORTUNITIES

MS Revenue

Units Shipped

Processor Mix

Legend: 486, 386, 286, 8086/88

X-axis labels: Q191, Q291, Q391, Q491, Q192, Q292, Q392, Q492, Q193, Q293, Q393, Q493

Quarterly Revenue

x $1M

$4.50
$4.00
$3.50
$3.00
$2.50
$2.00
$1.50
$1.00
$0.50
$0.00

Q191 Q291 Q391 Q491 Q192 Q292 Q392 Q492 Q193 Q293 Q393 Q493

——— Fcst/Actual ——— Budget

Q   ACCOMPLISHMENTS

Q   GOALS

I. Design-Ins

II. Revenue

III. Account Development

MS 0013316
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Account Plan - Sample

Sample Account Plan

```
┌─────────────────────────────┐
│            XYZ              │
│        Account Plan         │
│         Joe Smith           │
│      September 21, 1992     │
└─────────────────────────────┘
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BUSINESS

XYZ is a main frame and mini computer peripherals manufacturer and systems integrator. They manufacture IBM compatible terminals, storage subsystems, high speed tape subsystems, printers, and a complete line of personal computer (Intelligent Systems). Their integration services specialize in 3270 network products, OS/2 LANMAN based PC networks, and sophisticated Gateway solutions. XYZ also manufactures magnetic computer supplies sold under the Memorex label. They also have a very profitable service division which supports all of their manufactured products. The XYZ PC division is known for their customization and build to order integration capabilities.

REVENUE SUMMARY

	Revenues	Net Margin
FY 91	NA	NA%
FY 90	$ 1.98B	-3.8%
FY 89	$ 2.24B	12.77%
FY 88	Year of Merger	NA%

MARKETS

Storage Devices (3270)	36%
Midrange Peripherals	6%
Intelligent Systems (PC's)	9%
Computer Supplies	15%
Service	25%
OEM Tape Subsystems	7%
Airline and Banking	2%

CHANNELS

Direct Sales	88%
Retail	12%

EMPLOYEES

198 field sales offices in the United States.
Owns or leases 3,073,295 square feet of manufacturing, office, sales, engineering and warehouse space.

COMPETITORS

- IBM
- Amdahl
- Compaq

RECENT BUSINESS CHANGES

- Major restructuring in August of 1991 - Moved manufacturing from Poland to LA
- All European product now manufactured/integrated in Holland
- Completed a prepackaged bankruptcy in Feb. 1992
- Expected growth for FY93 in PC shipments is expected to be less than 15% worldwide.
- Piloting a Nation wide Tele sales and mail order campaign beginning April 1992.

MS BUSINESS

Product	Version	Royalty	Per	License	Expires	Ship	Value
MS-DOS	3.3	30.00	Proc	7/1/90	9/30/93	Yes	4.9M
	4.01	30.00				Yes	
	5.0	30.00				Yes	
Windows	3.0	45.00	Copy			Yes	
OS/2	1.1,1.21	135.00	Copy			Yes	
MS Mouse	6.25	13.00	Copy			Yes	
		15.00	FinG				

ISSUES

- XYZ is struggling to establish pre-install capabilities worldwide.

- XYZ is negotiating new OEM contacts with IBM, Novel, SCO, and AMI.

MS OPPORTUNITIES

- Per Processor Windows
- Continue to be an OS/2 supplier for limited needs (Airline, Banking, Europe)
- Promotional Bundling with Office or Works
- Kanji and DOS 5.0/V Source Agreement

2

MS Revenue

Quarterly Revenue

BALANCES
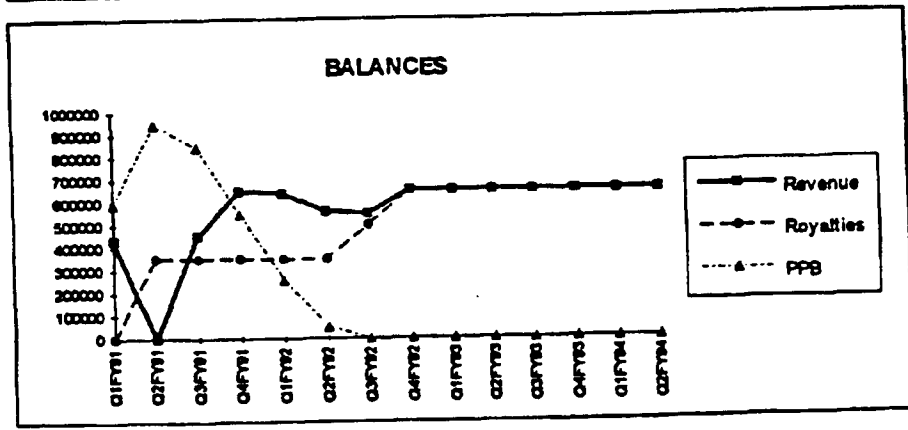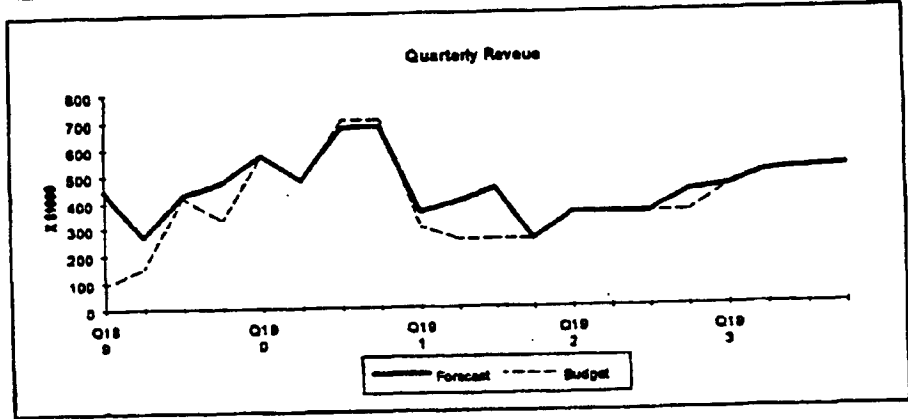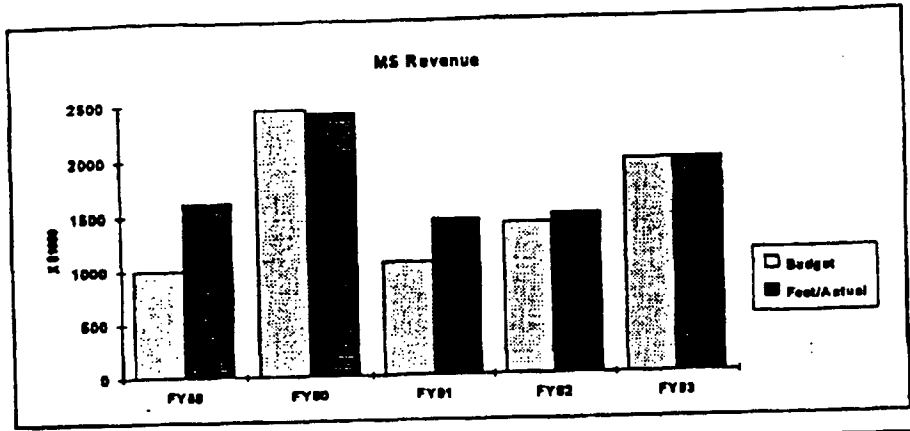
MS 0013320
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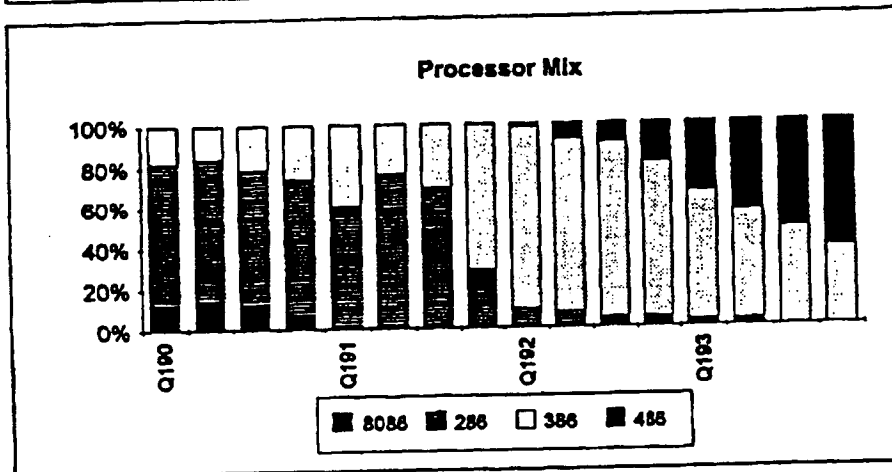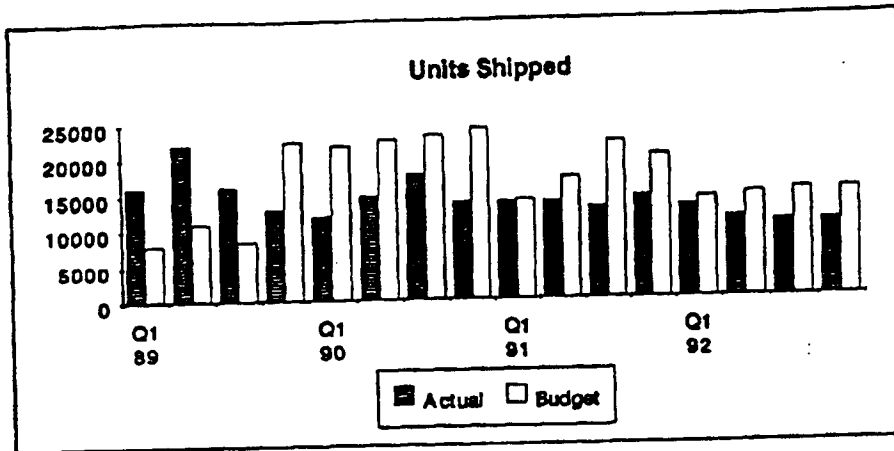
Units Shipped

■ Actual   □ Budget

Processor Mix

■ 8086   ■ 286   □ 386   ■ 486

Account Plan - 9/21/92

4

Q3-92 ACCOMPLISHMENTS

I. DESIGN-INS

1.	Qualify *Applications* opportunity at XYZ. Focus: big-boy apps.	Ongoing
•	Meet with key marketing and engineering players	Done
•	Be able to explain XYZ business model as it relates to Applications.	Done

II. REVENUE / LICENSE

1.	Study and update the existing license with an appropriate amendment.	Done
2.	Propose and advocate a per processor license agreement for Windows.	Done
3.	Deliver a MCL proposal for XYZ server systems.	Done

III. ACCOUNT DEVELOPMENT

1.	Qualify the current XYZ relationship and XYZ's 1992 Business objectives / update MAP.	Done
2.	On site meeting with XYZ staff to meet players and resolve old business.	Done
3.	Categorize buying influences and target a "coach".	Done
4.	Obtain a commitment to send at least two Engineers/Developers to WinHEC.	Done
5.	Establish a date for an Executive Review in Q4FY'92.	June 1992

Account Plan - 9/21/92

Q4-92 Goals

I. DESIGN-INS

1.	Propose a promotional bundling for Applications	May
2.	Resolve international pre-installation issues.	June
3.	Develop a Long Term strategy to cope with OS/2.	June

II. REVENUE / LICENSE

1.	Sign a new master license for Per Processor MS-DOS and Windows	May
2.	Sign a DOS/V Kanji Amendment for Source and Object.	April

III. ACCOUNT DEVELOPMENT

1.	Establish relationships with management in the Tele Sales and Field Sales organizations.	June
2.	Support XYZ's efforts for their Fortune 1000 conference series.	May

Status Report Template

Note: The above document is currently being revised. The new form will be distributed to you separately in the near future.

Sample License Transmittal Letter

Microsoft

September 16, 1992

Mr. John Customer
COMPANY NAME
Address 1
Address 2
COUNTRY

RE: Microsoft License Agreement #A000-1234

Dear Mr. Smith,

Enclosed is the fully executed original License Agreement for MS-DOS 5.0, dated August 15, 1992.

Please note that the due on signing payment of $____.00 is due immediately. An invoice will be sent to you within a few days and is payable upon receipt.

Payments are to be made via telegraphic transfer to:

> Citi Bank N.A.
> 399 Park Avenue
> New York, NY 10043
>
> ABA 021000089
>
> Re: Microsoft Int'l OEM Collections
> Microsoft License Agreement #A000-1234
> Account #38468231

Thank you for licensing MS-DOS 5.0. Microsoft is looking forward to a positive and mutually rewarding relationship with you.

Sincerely,

Regional Director
Director
OEM Sales

cc: *Account Manager*
OEM License Administration File

Enclosure

MS 0013326
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International Customer Visit Request Form

CUSTOMER VISIT REQUEST FORM

A. CONTACT INFORMATION

1. Account name:

2. MS Subsidiary

3. Microsoft account team:
   Account Manager:
   Sales Manager:
   Account manager must accompany customer to Redmond

B. REVIEW OBJECTIVES

1. What are your *measurable* objectives for this briefing?

2. What are the account's *measurable* objectives for this briefing?

C. ACCOUNT ATTENDEES

1. List everyone from the account planning to attend this briefing. Expand table as needed.

NAME	POSITION/TITLE (List division as appropriate.)	ROLE/BACKGROUND (Executive, Sr. Decision Maker, Technical Decision Maker, Influential User/Recommender, Other - specify)

4. What is the English language ability of the visitors?
   Excellent ( ) Good ( ) Fair ( ) Poor ( )

5. What is the technical level of the attendees?
   High ( ) Medium ( ) Low ( )

D. MICROSOFT ATTENDEES

1. List all Microsoft personnel you would like to attend the meeting. State why you feel this person's presence is needed. Expand table as needed.

NAME	POSITION/TITLE (List division as appropriate.)	WHY IS THIS PERSON NEEDED?

E. AGENDA

1. Proposed Meeting Date(s): _____

2. Proposed Location: (Redmond or other) _____
2. Proposed Meeting Start Time: _____

3. List your preference for order of topics and estimated length of sessions, expanding the table as needed.

PREFERRED ORDER OF SESSIONS	TIME ALLOTMENT	NOTES

F. KEY ISSUES

1. Do any of the attendees have hot issues/concerns to be aware of?

2. List any other Key issues that are important to know about the account or the proposed visit. (e.g., politics, hostilities between attendees)

Reference Materials

Business Practice Standards and Compliance Policies

✓icrosoft Memo

Microsoft Business Practice Standards
July 1, 1991

Microsoft's "Business Practice Standards and Compliance Policies" ("Standards") have been revised effective July 1, 1991. The substantive revisions are as follows:

1. **Application.** Prior versions of the Standards, originally inspired by the requirements of the Foreign Corrupt Practices Act, included references which could be construed to make the Standards applicable only to operations outside of the United States. All such references have been eliminated, so that the application of the Standards to all Microsoft operations is clear.

2. **Violations of Law.** Section II.A. has been substantially rewritten:

A. **Former Standard.**

The use of funds or assets of Microsoft for any purpose which would be in violation of any applicable law or regulation or which would otherwise be in violation of any policy of Microsoft is prohibited. Moreover, no employee of Microsoft shall knowingly assist any other person in that person's attempt to evade any law, regulation, or these policies.

B. **New Standard.**

No Employee shall violate any law or government regulation affecting the conduct of Microsoft's business, or any Microsoft policy. The use of funds or assets of Microsoft for any purpose which would be in violation of any applicable law or regulation or which would otherwise be in violation of any policy of Microsoft is likewise prohibited. No Employee shall knowingly assist any other person in that person's attempt to evade any law, regulation, or these policies.

Beyond the specific prohibitions discussed below, certain violations of law may not directly affect Microsoft's business but may nevertheless also be a violation of these Standards. Thus, for example, it is particularly important that officers, directors, managers and other employees involved in financial administration comply with applicable laws regarding the timely reporting of income and payment of income taxes due. Similarly, unauthorized duplication of any third party software by any Employee is strictly prohibited. Employees may be subject to discipline, including termination, for these and any other violations of law which evidence unethical or dishonest conduct.

3. **Insider Trading.** A new Section II.E (and Exhibit B) covering insider trading has been added.

4. **Gifts.** New language has been added to Section II.H (formerly II.G) prohibiting the solicitation of gifts, payment or entertainment of any value, as follows:

The solicitation of gifts, entertainment, or personal favors of any value from persons or firms with which Microsoft actually or potentially has business dealings is prohibited. Employees should exercise care so as to avoid placing any vendor or customer in a position where he or she may feel compelled to make a gift, provide entertainment or provide personal favors in order to do business or continue to do business with Microsoft. If an Employee requests that a vendor or customer provide something of value for his or her personal benefit, it must be fully paid for by the Employee.

5.   Compliance Certifications. As part of Microsoft's compliance program, Directors, Officers, and certain other employees are annually asked to sign a "Compliance Certification." A new sentence has been added to Section III, stating: "Submitting a Compliance Certification known to be false shall itself be a violation of these Standards."

6.   Reporting Violations. A new Section IV. has been added stating: a) that employees should report violations of law or policy; b) that it is Microsoft's policy to protect employees from retaliation for reporting violations of law or policy; and, c) that confidentiality will be preserved regarding such reports.

7.   Anti-Boycott Laws. Our former policies place much of the responsibility for analyzing and responding to boycott-related requests in the hands of the person or business unit receiving the request. Exhibit C (formerly Exhibit B) has been revised to direct all clear or suspected boycott-related requests to LCA for handling. It is believed this approach is more suitable to insuring that boycott-related requests are properly analyzed, responded to and reported. A side benefit is that substantial portions of Section C, Typical Boycott-Related Requests, which provide legal analysis of the examples given (whether they are in fact prohibited requests, whether alternative language is available, what response is required, etc.) has been eliminated, making it easier for employees to read and understand.

8.   · Hiring Foreign Nationals. A new Section H has been added to Exhibit D to address the potential problem of violating U.S. Export Control laws hiring a national of certain specified countries, whether the hiring is at corporate headquarters or at a subsidiary.

9.   Compliance Certifications. The various Compliance Certifications attached as Exhibits E, F, G and H have been updated.

All employees should be educated about their obligations under these Standards. Towards that end, please note that it is the responsibility of all managers to ensure that these Standards are distributed to all employees in their respective areas of supervisory responsibility.

LCA is available to meet with you to review any questions you may have regarding the Standards or to assist in responding to questions from other employees.

MICROSOFT CORPORATION

BUSINESS PRACTICE STANDARDS AND COMPLIANCE POLICIES

EFFECTIVE JULY 1, 1991

I. INTRODUCTION

Microsoft shall conduct its business activities in a manner which complies with the laws of the United States and all other countries in which it does business. To assist employees, officers and directors in understanding and complying with the company's legal and ethical obligations, Microsoft has adopted the following Business Practice Standards and Compliance Policies ("Standards"). While these Standards will alert employees, officers and directors to important provisions of the laws and regulations of the United States, they cannot provide a complete analysis of all legal requirements. Microsoft recognizes that the legal requirements created by Congress and other legislative and regulatory bodies are not always clear. Nevertheless, Microsoft and its employees, officers and directors must comply with all applicable laws and regulations.

The requirements of these Standards apply to Microsoft Corporation, all subsidiaries or affiliates in which Microsoft Corporation owns 50% or more of the voting control ("Controlled Affiliates"), and to all directors, officers, agents and employees of each.

All references in these Standards to "Microsoft" shall include Microsoft Corporation and all Controlled Affiliates unless otherwise specified. All references to "Employees" shall include directors, officers, agents and employees of Microsoft. All references to "LCA" shall be mean the Department of Law and Corporate Affairs at Corporate Headquarters.

If you have any questions about these Standards, or if you believe any action or conduct will violate the laws of the United States or a country in which Microsoft is doing business, you should immediately contact LCA for guidance.

II. STANDARDS

A.   Violations of Microsoft Law, Regulation or Policy. No Employee shall violate any law or government regulation affecting the conduct of Microsoft's business, or any Microsoft policy. The use of funds or assets of Microsoft for any purpose which would be in violation of any applicable law or regulation or which would otherwise be in violation of any policy of Microsoft is likewise prohibited. No Employee shall knowingly assist any other person in that person's attempt to evade any law, regulation, or these policies.

Beyond the specific prohibitions discussed below, certain other violations of law may not directly affect Microsoft's business, but may nevertheless reflect badly on Microsoft or on an Employee's honesty and integrity. Thus, for example, it is particularly important that officers, directors, managers and other employees involved in financial administration comply with applicable laws regarding the timely reporting of income and payment of income taxes

due. Similarly, unauthorized duplication of any third party software by any Employee is strictly prohibited. Employees may be subject to discipline, including termination, for these and any other violations of law which evidence unethical or dishonest conduct.

B.   Undisclosed Funds. No undisclosed or unrecorded fund or asset of Microsoft shall be established or maintained for any reason.

C.   Accounting Procedures. Compliance with generally accepted accounting rules and controls as established by the Department of Finance and Administration is required at all times. All records of Microsoft must reflect accurately and describe properly the transactions they record. All assets, liabilities, revenues and expenses of Microsoft shall be recorded in the regular books of Microsoft. No false, misleading or artificial entries shall be made in any books or records of Microsoft for any reason. Obtaining, creating or authorizing false, misleading or artificial invoices, certificates or other documentation or the invention or use of fictitious entities, sales, purchases or services for any reason is prohibited. These restrictions shall not preclude bookkeeping practices which are normal, usual and customary in the industry, and which have been approved in advance by the Department of Finance and Administration.

D.   Payments. The making of any payment for "Sensitive" purposes, or where strong grounds exist to believe that the payment is for "Sensitive" purposes, is unlawful and is prohibited. In general, "Sensitive" payments involve the use of corporate funds for corrupt purposes. "Payments" in this context includes the payment of money and/or the giving of any other thing having monetary value. Exhibit A contains a detailed discussion of this subject. Since exceptions exist for some payments which might be considered corrupt in the United States, advice should be obtained in advance from LCA whenever a payment could be "Sensitive."

E.   Insider Trading. Trading in Microsoft stock based upon "insider information" is unlawful and is prohibited. "Insider information" is information which is both "material" and "nonpublic." Information is "material" if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether or not to buy or sell Microsoft stock. Information is "nonpublic" if it has not been disseminated in a manner which makes it available to the investing public. Examples of insider information could include: quarterly or year-end financial results; the announcement of a significant new product or version; the advancement or delay of a product shipment date; a significant agreement with another company. It can be good news or bad news. It is also unlawful and prohibited for you to disclose "insider information" to third parties (family members, friends, etc.) who then trade in the stock, and to recommend to others that they buy or sell the stock if your recommendation is based on "insider information" even if you do not actually disclose the "insider information" to that person.

Trading in the stock of a Microsoft customer based on "insider information" about that customer is subject to the same general rules. Further, account managers are prohibited from trading in the stock of their customers under any circumstances; if you presently own any such stock, it should be promptly sold.

A detailed discussion of insider trading is included in Exhibit B.

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F.   _Participation in a Boycott_. Action which results in participation or cooperation with a boycott or secondary boycott not sanctioned by the government of the United States (e.g., the Arab League boycott of Israel) is unlawful and is prohibited. Exhibit C contains detailed guidelines concerning this subject.

G.   _Export Laws_. No action will be taken which violates the laws of the United States or any other country regulating exports of commodities and technical data. Exhibit D contains detailed guidelines regarding United States law on this subject. In case of an actual or apparent conflict between the laws of the United States and the laws of another jurisdiction, you should contact LCA for guidance.

H.   _Gifts_. The receipt of payments in any amount, or gifts (including services) or favors valued in excess of US$100, from persons or firms with which Microsoft has business dealings is prohibited unless prior approval is obtained from a Corporate Vice President. The acceptance of entertainment which is unreasonably lavish in the relevant country is also prohibited unless prior approval is obtained from a Corporate Vice President. The solicitation of gifts, entertainment, or personal favors of any value from persons or firms with which Microsoft actually or potentially has business dealings is prohibited. Employees should exercise care so as to avoid placing any vendor or customer in a position where he or she may feel compelled to make a gift, provide entertainment or provide personal favors in order to do business or continue to do business with Microsoft. If an Employee requests that a vendor or customer provide something of value for his or her personal benefit, it must be fully paid for by the Employee.

I.   _Foreign Sales Representatives_. The utilization of and payment to foreign sales representatives, agents and consultants shall be subject to the following:

    1)   All agreements with foreign sales representatives, agents, and consultants shall be approved in advance and in writing by LCA.

    2)   All commission and fee arrangements shall be covered by a written agreement and all commissions and fees shall be reasonably related to the services rendered. Any commission or fee in excess of the amount established in the written agreement may not be paid without the prior written approval of LCA. No such arrangement may be entered into with any firm in which a government official is known to have a substantial interest unless permitted by applicable law and the prior written approval of LCA is obtained.

    3)   Commissions or fees shall not be paid in cash to representatives or agents without an appropriate receipt and supporting documentation. All such commissions and fees shall be paid in the country of the principal place of business of the agent, representative or consultant except in those cases where the prior written approval of LCA has been obtained.

J.   _Political Contributions_. Corporate assets shall not be contributed directly or indirectly to any political candidate, political organization or ballot issue campaign without the prior approval of LCA.

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III. IMPLEMENTATION

Microsoft recognizes that the foregoing Standards may preclude certain transactions which are both legal and in the best interest of Microsoft. For this reason, exceptions may be made from these Standards when written approval has been obtained in advance from LCA.

Because of the importance of these Standards, all Employees of Microsoft must be properly educated about their obligations to ensure compliance. All officers and managers of Microsoft shall be responsible for distributing these Standards to all Employees in their specific areas of supervisory responsibility. These Standards should periodically be reviewed with Employees to ensure understanding and compliance. LCA will be responsible for updating the information in these Standards in the event of significant changes in any relevant legislation. If necessary, LCA will meet with managers in the affected department after an update is issued to explain in greater detail any changes or new requirements.

All foreign sales representatives, agents and consultants shall be required to execute the "Agent's Compliance Certification" attached as Exhibit E before performing any services for Microsoft and annually thereafter. Officers, directors and managers will be asked to sign the "Manager's Compliance Certification" attached as Exhibit F on an annual basis. Other Employees will be required to read these Standards, including the attached Compliance Policies, and may be required to sign the "Employee Compliance Certification" attached as Exhibit G. Certain Employees responsible for establishing and monitoring accounting standards will be asked to sign the "Accounting Compliance Certification" attached as Exhibit H annually. Submitting a Compliance Certification known to be false shall itself be a violation of these Standards.

Violations of these Standards may result in disciplinary action, including reassignment, demotion, or dismissal. If you have any questions regarding these Standards, you should contact LCA for guidance.

IV. REPORTING VIOLATIONS

Any illegal or improper conduct could have a strong negative impact on Microsoft's reputation and business. If an Employee becomes aware that another Employee has acted in an illegal or otherwise improper manner, he or she should discuss the situation with his or her manager or other Microsoft representative. Employees should always feel free to contact LCA if they have questions or concerns regarding another Employee's actions.

It is Microsoft's policy to take all possible measures to protect Employees from retaliatory actions resulting from reporting improper or illegal conduct. The source of reports of violations of law or policy will be kept confidential if required or requested by the reporting Employee.

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EXHIBIT A

SENSITIVE PAYMENTS COMPLIANCE POLICIES

The United States Congress has enacted legislation known as the Foreign Corrupt Practices Act ("FCPA") to prevent the use of corporate funds for corrupt purposes. These Sensitive Payments Compliance Policies apply to transactions occurring solely within the United States ("domestic") as well as foreign transactions.

A.   Anti-Bribery Provisions.

A payment will be deemed to be "Sensitive" if each of the following circumstances exist: (1) a Microsoft Employee; (2) act in furtherance of an offer, payment, or promise to pay money or anything of value; (3) to a government official, political party, political party official or candidate for political office (collectively "Official"); (4) for the purpose of influencing any act or decision of such person in his or her official capacity (including a decision to fail to perform his or her official functions) or inducing the Official to do or omit to do any act in violation of his legal duty as an Official; and (5) in order to assist Microsoft in obtaining or retaining business for or with, or directing business to any person or to assist Microsoft in obtaining special preferential treatment with respect to existing contracts or other business operations.

The making of any "Sensitive" payment is prohibited. This prohibition applies to a situation where strong grounds exist to suspect that a payment will be "Sensitive."

Any action of an Employee which violates this Standard may create both civil and criminal liability for the individual involved and for Microsoft. Liability under the anti-bribery provisions of the FCPA may arise even if you did not have actual knowledge of a violation. If an Employee is aware of circumstances which cause him or her to suspect that there is a high probability of the existence of a violation, both the Employee and Microsoft can be held liable.

A transaction will not be considered to be a "Sensitive" payment if: (1) the payment, gift, offer, or promise of anything of value that was made was lawful under the written laws and regulations of the country in which it occurs (it is not sufficient that the payment is "customary" if the payment violates a written law of the country); (2) the payment, gift, offer, or promise of anything of value that was made was a reasonable and bona fide expenditure, such as travel and lodging expenses, incurred by or on behalf of an Official, and was directly related to the promotion, demonstration, or explanation of products or services, or the execution or performance of a contract with a government or agency thereof; or (3) the transaction was approved in advance and in writing by LCA.

In some countries it is possible to make a facilitating or expediting payment to an Official to secure the performance of a routine governmental action by the Official. Such facilitating or expediting payments, if made in a country other than the United States, may not constitute "Sensitive" payments. The term "routine governmental action" means only an action which is ordinarily and commonly performed by an Official in (1) obtaining permits, licenses, or other official documents to qualify a person to do business in a foreign country; (2) processing governmental papers, such as visas and work orders; (3) providing police protection, mail

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pick-up and delivery, or scheduling inspections associated with contract performance or inspections related to transit of goods across country; (4) providing phone service, power and water supply, loading and unloading cargo, or protecting perishable products or commodities from deterioration; or (5) actions of a similar nature. The term "routine governmental action" does not include any decision by an Official regarding whether, or on what terms, to award new business to or to continue doing business with Microsoft, or any action taken by an Official involved in the decision-making process to encourage a decision to award new business to or to continue business with Microsoft.

B.   Accounting Standards.

The FCPA requires that Microsoft maintain books and records which would evidence any violation of the anti-bribery provisions. Under the accounting standards requirements of the FCPA, Microsoft must maintain books and records which, in reasonable detail, accurately and fairly reflect the transactions of Microsoft and the disposition of its assets. To assure the accuracy all financial records, the FCPA requires Microsoft to devise and maintain a system of internal accounting controls. These controls require Microsoft to comply with four broadly stated objectives:

1.   Transactions shall be executed in accordance with management's general or specific authorization;

2.   Transactions shall be recorded as necessary (a) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (b) to maintain accountability for assets;

3.   Access to assets shall be permitted only in accordance with the general or specific authorization of management; and

4.   The recorded accountability for assets shall be compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any difference.

C.   Penalties.

Both civil and criminal penalties may be imposed on Microsoft and other individuals subject to the FCPA. Microsoft may be fined up to $2,000,000 and may be subject to a civil penalty of not more than $10,000 imposed in an action brought by the U.S. Attorney General for violations of the FCPA. Any Employee who willfully violates the FCPA may be fined not more than $100,000, or imprisoned not more than five years, or both. Any Employee who violates the FCPA may also be subject to a civil penalty of not more than $10,000.

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EXHIBIT B

INSIDER TRADING

Employees (including full and part time, co-ops, interns and Temporaries), contractor or consultant working for Microsoft may have access to technical, financial and business Information about Microsoft Corporation. Because of this access, Employees can be treated as "insiders" for purposes of United States securities laws which prohibit insider trading. Because Microsoft stock is a publicly traded stock in the United States, these rules apply to Employees, contractors and consultants of Microsoft Corporation subsidiaries regardless of the nationality or domicile of the trader.

An "insider" is an individual whose association with a company gives him or her access to information about the company which is material and nonpublic; trading in the company's stock while in possession of information which is both material and non-public is prohibited. Information is material if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to buy or sell Microsoft Corporation stock. Information is nonpublic if it has not been disseminated in a manner which makes it available to the investing public. Depending on the circumstances, examples of material information could be: fiscal quarter or year-end financial results; the announcement of a significant new product or new version; the delay in shipment of a significant new product or new version; the advance in shipment of a significant new product or new version; a significant agreement with another company, such as a joint development agreement or an acquisition of or an investment in another company by Microsoft. Material information can be good news, which might cause the stock to rise, or bad news, which might cause the stock to decline. The law prohibits making profits as well as avoiding losses by using material nonpublic information. It makes no difference how you receive the information; for example, it could be in the course of your specific job responsibilities or by overhearing conversation in the hallway or lunchroom.

Just as Employees may not trade in the stock of Microsoft Corporation when they know material nonpublic information, they may not disclose such information to any third party who then trades in Microsoft Corporation stock. This is considered illegal "tipping" and the Employee could be held liable even if he or she did not trade any Microsoft Corporation shares. The Employee can also be liable if he or she is found to have recommended to another that he or she buy or sell Microsoft Corporation stock, even if the Employee does not disclose the material nonpublic information.

An Employee who engages in insider trading of Microsoft Corporation stock is subject to immediate termination. In addition, the Employee is subject to criminal prosecution in the United States (including fines up to US$1,000,000 per transaction and/or imprisonment up to 10 years) as well as possible civil suit in the United States (where penalties up to 3 times the amount of profit gained or loss avoided can be imposed). These risks should not be taken lightly. The Securities and Exchange Commission in the United States closely watches both the performance of the stock and trading activity coinciding with changes in the value of the stock, and there is a large group of individuals and their lawyers who also watch such activities. Trading in Microsoft Corporation options or "short selling" is also carefully watched because these types of transactions are considered short term, speculative and high risk.

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If an Employee has access to confidential technical, financial or business information concerning a Microsoft customer (OEM, ISV, end user or other business partner), he or she may also be treated as an "insider" of the customer for purposes of United States securities laws which prohibit insider trading. The same general principals set forth above regarding trading in Microsoft Corporation stock should also govern trading in the stock of Microsoft customers.

In addition, account managers are prohibited from trading in the stock of their customers under any circumstances.

If you have any questions about this policy or how it applies under certain circumstances, please contact LCA.

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EXHIBIT C

ANTI-BOYCOTT LAWS

COMPLIANCE POLICIES

The United States Congress has enacted two laws commonly known as the "anti-boycott laws" which seek to counteract the participation of U.S. companies in economic boycotts or embargoes of other nations:

(1)   The Export Administration Act is administered and enforced by the United States Department of Commerce ("DOC"). This statute specifically prohibits United States persons and firms from taking or agreeing to take certain specified boycott-related actions, in connection with any transaction in United States commerce, with intent to comply with, foster or support a boycott not sanctioned by the United States; and,

(2)   The Tax Reform Act of 1976 is administered and enforced by the Internal Revenue Service ("IRS"). This statute provides for the imposition of income tax penalties on United States taxpayers that agree, as a condition of doing business with or in an Arab county, or with a national of an Arab country, to participate in or cooperate with a boycott not sanctioned by the United States.

These two statutes and their implementing regulations are in some cases inconsistent as to their respective jurisdictional scopes, substantive prohibitions, reporting requirements and penalties. For the purposes of these Standards, no distinction is made between provisions and requirements of the two laws. In the case of an inconsistency, the stricter standard has been adopted.

The anti-boycott laws and regulations are intended to prohibit United States companies, and foreign business concerns controlled by United States companies, from engaging in unsanctioned secondary boycotts. They prohibit a "United States Person" from knowingly agreeing to refuse to do business with or in a boycotted country, or with any business concern organized under the laws of a boycotted country, or with any national or resident of a boycotted country, or with any person who has dealt with a boycotted person or country when such refusal is pursuant to an unsanctioned foreign boycott. A "United States Person" includes not only United States citizens, residents and controlled corporations, but foreign branches and subsidiaries controlled in-fact by United States' firms or affiliates of United States' firms. Although the anti-boycott laws were passed mainly due to the boycott of Israel by the Arab League, the requirements apply to all boycotts not sanctioned by the United States government. The anti-boycott laws do not apply to boycotts sponsored by the United States government.

A.   Anti-Boycott Requirements.

1.   Microsoft's anti-boycott policy is mandatory. No Employee has the authority to act contrary to the provisions of these Standards nor to authorize, direct or condone any such violations by any other Employee without the prior written approval of LCA.

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2.   No Employee shall provide information, statements, certificates or any other communication, whether written or oral, which would be in violation of the anti-boycott laws and regulations. More specifically, and in the context of the boycott of Israel by the Arab League of Nations, no Employee shall provide any information with regard to Microsoft's relationship with Israel or any Israeli national, whether in positive or negative terms, and no Employee shall provide negative statements to the effect that materials, parts or components of Microsoft's products do not come from Israel.

B.   Prohibited Activities.

The anti-boycott laws and regulations apply to all operations of Microsoft. The terms "request" or "boycott related request" as used in these Standards refer not only to illegal boycott activity but to any act, agreement, understanding or requirement that has a boycott as its basis. Further, the term "request" refers to any written or oral communication whether or not any action or response is necessary. An example of this would be general terms and conditions contained in an invitation to bid that state that "the bidder agrees to comply with all local boycott laws." No specific action is required in response to such a statement, but it is a "request" or "boycott related request" for the purposes of the anti-boycott laws and these Standards.

The following activities are prohibited under the anti-boycott laws and regulations:

1.   Refusing, or requiring any other person to refuse, to do business with any person or entity pursuant to an agreement with, a requirement of or a request from or on behalf of a boycotting country;

2.   Refusing, or requiring any other person to refuse, to employ or otherwise discriminate against a United States person on the basis of the race, religion, sex or national original of such person;

3.   Furnishing information with respect to the race, religion, sex or national origin of any United States person or entity or personnel of the entity;

4.   Furnishing information concerning any person's (including Microsoft's) business relationships in a boycotted country, or with companies, residents or nationals of the boycotted country, or with regard to any person believed to be restricted from doing business in boycotting countries;

5.   Furnishing information about whether any person is a member of, has made contributions to, or is otherwise associated with charitable organizations which support a boycotted country; and

6.   Paying, honoring or confirming letters of credit which contain any conditions or requirements which are prohibited by anti-boycott laws or regulations.

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C. **Typical Boycott-Related Requests.**

Boycott-related requests are most likely to be encountered when Microsoft is exporting products to Arab countries or when Microsoft is establishing a local branch, subsidiary or agency relationship. The following are some examples of forms of conduct that are within the scope of the anti-boycott laws. This list is not complete, and it should be understood that the wording of requests may vary. Any request along the following lines should be immediately reported to, and no action should be taken in response to the request without guidance from, LCA.

1. A request for a statement or certificate that the exported goods are not manufactured in Israel or do not contain Israeli materials. Included in this category are requests for the "Israeli declaration," or requests for a "non-Israeli clause."

2. A request for a statement or certificate that the exported goods were not manufactured by a blacklisted company.

3. A request for a statement or certificate that the exported goods were not shipped on a blacklisted vessel.

4. A request for a statement or certificate that the goods will not be shipped on an Israeli-owned or Israeli flag vessel and will not call at an Israeli port en route to the purchaser.

5. A request for a statement or certificate that the goods are shipped on a vessel qualified to call on the ports of the country of destination.

6. A request for a statement or certificate that the exported goods are not insured by a blacklisted company or by an Israeli insurance company.

7. A request for a statement or certificate that the company insuring the exported goods is qualified to do business in the country of destination.

8. A request for a certificate that neither Microsoft nor any of its affiliates are blacklisted. This category includes a request for statements that the manufacturer is not a subsidiary or mother company of a firm on the Israeli Boycott Blacklist.

9. A request for a statement or certificate that Microsoft does not maintain an office or a branch in Israel.

10. A request for a certificate or statement that Microsoft will comply with the laws and regulations of the country of destination or the regulations of the country of destination's boycott office.

11. A request for information concerning the race, religion, or nationality of officers, directors of employees of the exporting company.

12. Any other statements or requests including the words "Israel," "boycott" or "blacklist."

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13. Any "risk of loss" clause is subject to special treatment under the DOC reporting requirements. A risk of loss clause would provide that Microsoft would reimburse the buyer for any loss the buyer sustains in the event that Microsoft's goods are not permitted by customs officials in a Middle Eastern country to be imported because of that country's laws or administrative practices. While this certification or statement is not prohibited, the DOC requires that a "risk of loss" clause be reported in the same time frame set out above. Copies of the clause and the purchase order should be forwarded as outlined in this section.

In some of these examples, such as examples 5 and 7, the requested action may be legally taken if the request is not boycott-related. In all such cases it should be presumed that the request is boycott-related, if it comes from a boycotting country (see below). Only LCA is authorized to determine that such requests are not boycott-related.

D. Reporting Requirements.

1. LCA. The DOC requires that requests for boycott-related activities be reported within 30 days after the calendar quarter in which they were received by a U.S. company. For a Microsoft subsidiary, requests must be reported within 60 days after the end of the calendar quarter in which they were received. Failure to file timely reports of requests is a violation of the anti-boycott laws. In order to insure compliance, all requests for boycott-related activities should be immediately forwarded to LCA, regardless of whether Microsoft may comply with them. Because there is some variance between what is prohibited and what is reportable, LCA should be consulted to determine whether a "request" is reportable. Since the reports sent to the DOC must include certain information such as the price and description of the goods, the type of document that contained the request, and the date the request was received, a copy of the purchase order, letter of credit or other document which provides this information should be furnished with the request itself.

2. Tax Department. The Internal Revenue Code provides that if Microsoft has operations with or in any boycotting country or with a national or company of a boycotting country, Microsoft must file a report of such operations with the IRS at the time it files its annual income tax return. The report must be filed if Microsoft has any operations with or in a boycotting country, even if none of those operations involves participation in or cooperation with the boycott. The Tax Department may from time to time ask for and review files at the end of each fiscal year. You should promptly comply with requests for information and copies from the Tax Department. Such requests will be in addition to any requests made by LCA.

E. Boycotting Countries.

The following is a list of countries identified by the United States government as countries requiring cooperation with an international boycott:

Bahrain	Libya	United Arab Emirates
Iraq	Oman	Yemen Arab Republic
Jordan	Qatar	People's Democratic
Kuwait	Saudi Arabia	Republic of Yemen
Lebanon	Syria	

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Any boycott-related request received from any country, whether on the above list or not, should be handled in accordance with these Standards.

F.   Compliance Procedures.

Upon receipt of a boycott-related request for information or activity, it should immediately be forwarded to LCA. If it is not clear whether a request is boycott-related, contact LCA. Note that any noncommercial request for information should raise a question about why it is required.

A final review procedure by a supervisory level employee should be established in each department that deals with purchasers or customers or paperwork from purchasers or customers, from whom boycott-related requests have been received. All business unit managers must establish a review procedure with respect to all documents received. Documents or files leaving those departments should be examined to ensure that prohibited boycott-related statements and certifications have not been included or agreed to and that LCA has been notified of any boycott-related requests. If there are any questions regarding the establishment of a review procedure, LCA should be contacted.

G.   Penalties.

Any individual who knowingly violates the Export Administration Act or any order, regulation or license issued under this legislation, may receive a fine of as much as $25,000.00 and imprisonment for one year. Subsequent violations are subject to a fine of $50,000 and five years' imprisonment. The penalties applicable to Microsoft are a civil fine of not more than $10,000 for each violation and/or the denial to Microsoft of export privileges.

IRS regulations provide that an anti-boycott violation shall be punished by a reduction of available foreign tax credit, the denial of certain benefits otherwise allowable as shareholder of a foreign-controlled corporation, and of a Foreign Sales Corporation and denial of deferral of tax for the entire violating transaction. However, once the IRS finds a violation in one transaction with a customer, it will presume that all transactions with that consumer are violations. The burden shifts to Microsoft to show that it has not violated the law with respect to each transaction. The cost of providing such proof could be considerable.

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EXHIBIT D

EXPORT CONTROL LAWS

COMPLIANCE POLICIES

A.   Export Control Laws.

The laws of the United States impose numerous restrictions on the export of technology and products from the United States as well as on the re-export of U.S. technology and products from one foreign country to another. The United States government restricts the export of products and technologies in order to accomplish three objectives:

1.   To protect U.S. national security;

2.   To implement U.S. foreign policy; and

3.   To preserve scarce resources.

Peace time export controls have been in place since 1949. The U.S. government has, since 1950, coordinated its national security export controls with the NATO allies and Japan in order to insure that the free world is restricting Eastern Bloc access to free world products and technologies in a coordinated and consistent fashion.

B.   What Constitutes an "Export" for Purposes of the Controls?

A very broad interpretation is given to the word "export" for purposes of the export regulations. The following are all deemed to be "exports":

1.   The direct export to a foreign country of a U.S. good, service or technical data;

2.   The re-export of a U.S. good, service or technical data from one foreign country to another;

3.   The foreign use of a U.S. good as a part or component in a foreign produced product and the ultimate disposition of that foreign produced product;

4.   The disposition abroad of a foreign made good that is the direct product of U.S. technical data;

5.   The export of 100% foreign produced products if the foreign manufacturer is controlled by a U.S. person.

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C.   Whaf Is Technical Data and How Is It Exported?

"Technical data" (information and know-how) is exported from the U.S. when it is shipped or transmitted outside of the U.S., when it is released in a foreign country or when it is released in the U.S. with knowledge that it will be used overseas. Data is "released" when a foreign national inspects equipment and facilities of U.S. origin, when information is exchanged orally in the U.S. or abroad, or when a person applies to situations abroad personal knowledge or data acquired in the United States.

D.   What Specific Restrictions are Placed on Exports?

1.   Commerce Department Export Controls. The export of most goods and technical data is controlled by the U.S. Commerce Department. The restrictions placed on the export of a particular good or technical data depend on both the nature of the good or technical data and on the location to which it will be exported. Certain goods and types of technical data can be exported to all locations without restrictions. Other goods and technical data may only be exported to specified countries (typically the free world) and then only if certain conditions are met. This group of goods and technical data require the specific written permission of the Commerce Department for their export to the Eastern Bloc. A final group of goods and technical data require written approval of the Commerce Department before they can be exported to any location outside of the United States.

2.   State Department Export Controls. The export of a more limited group of goods and technical data (including some types of software) are controlled by the State Department. Goods and technical data controlled by the State Department cannot be exported to any location outside of the U.S. without the prior written permission of the State Department.

E.   Special Restrictions on Exports to South Africa and Namibia.

For foreign policy reasons, the United States restricts exports to South Africa and Namibia. No exports of U.S. products or technical data can be made to the military or apartheid enforcing agencies of the South African government. Exports to other purchasers and users are typically permitted, provided that the importer has given his or her written assurance that the goods or technical data are not for, and will not be made available to, the military or the apartheid enforcing agencies.

F.   Restrictions on Sales to Certain Customers. Various companies and individuals (both U.S. and foreign) have been placed on a list known as the "Table of Denials" due to their past actions in violation of U.S. export laws. No sales may be made to any parties on the Table of Denial. The Table of Denials is accessible through the Microsoft E-Mail network.

G.   How Do the Regulations Affect the Export of Microsoft's Products and Technology.

The export or re-export of certain Microsoft products (both software and hardware) and technical data are restricted by the United States export controls. Due to the fact that both the controls and Microsoft's products change from time to time, it is impractical to set

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forth in these Standards a listing of which products and technical data are subject to export restrictions. Prior to exporting or re-exporting any Microsoft products or technologies, it is essential, therefore, that you contact with either LCA or Microsoft's Export Administration Officer in order to determine the relevant restrictions. Similarly, you should check with either the Export Administration Officer or LCA prior to exporting (permanently or temporarily) or re-exporting any third-party products (e.g., personal computers, third-party software, etc.) owned by Microsoft.

H.   Restrictions on Hiring Certain "Foreign Nationals" by Microsoft Corporation and Microsoft Subsidiaries.

The release of controlled technical data to foreign nationals is considered to be an export to their home country and may require an export license if the employee is from the Soviet Union, former East Bloc nations, China, Afghanistan, or any of the embargoed countries (Cambodia, North Vietnam, North Korea, Libya, Cuba and Iraq). You should check with LCA before hiring nationals from any of these countries, particularly if they are expected to engage in development activities.

G.   Penalties for Non-Compliance.

Individuals and companies found to have exported in violation of the regulations are subject to fines of up to five times the value of the goods or technical data shipped and to revocation of their export privileges. Knowing violations can also subject individuals to criminal penalties, including jail time.

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EXHIBIT E

AGENT'S COMPLIANCE CERTIFICATION

In acting as an agent, consultant or representative of Microsoft Corporation or a subsidiary of or affiliate in which Microsoft Corporation owns 50% or more of the voting control (collectively "Microsoft"), we agree to comply with all applicable laws and government rules, regulations and policies of the country into which goods are to be imported or in which the transaction or services will take place. We further agree that any failure to observe all such laws, rules, regulations and policies would be entirely our responsibility and that our failure to comply may result in the termination of our relationship with Microsoft.

The undersigned further represents that:

1.   Neither our relationship with Microsoft, nor the performance of our duties thereunder, is or will be contrary to the laws, rules, regulations and policies of the country into which goods are to be imported or in which the transaction or services will take place; and

2.   In carrying out our responsibilities under our agreement with Microsoft, we will not pay or agree to pay, directly or indirectly, any funds or anything of value to any public official, political party, political party official or candidate for political office for the purpose of influencing such person's official acts or decisions in connection with the business of Microsoft.

Dated:_____

Agent's Firm Name:_____

Agent's Address:_____

_____
Authorized Signature

_____
Name (Please print)

_____
Title

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EXHIBIT F

MANAGER'S COMPLIANCE CERTIFICATION

I attest and certify that to the best of my knowledge:

1. During the period July 1, 19___ through June 30, 19___ (except, if applicable, as indicated on the attached written summary of each such instance):

    A. Microsoft's Business Practice Standards and Compliance Policies were observed in the conduct of company business by Microsoft Corporation and its subsidiaries; and,

    B. There were no instances of improper payments or other deviations from the standards in Microsoft's Business Practice Standards and Compliance Policies.

2. Microsoft's Business Practice Standards and Compliance Policies have been circulated to and read by all appropriate employees under my direct supervision.

3. I further confirm that I have personally complied with applicable laws governing the conduct of both company and personal business, including laws governing the reporting of income and payment of taxes with respect thereto.

_____   _____
Signature   Date

_____   _____
Name (Print)   Title/Business Unit/Company

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EXHIBIT G

EMPLOYEE COMPLIANCE CERTIFICATION

THIS IS TO CERTIFY THAT I, the undersigned, have received a copy of the Business Practice Standards and Compliance Policies and I have read, understood, and shall comply with the procedures, policies, and requirements identified in that document.

I agree to immediately notify my superior and the Law and Corporate Affairs Department of Microsoft Corporation if I should become aware of any circumstances or situation which may violate any applicable law or any of the Business Practice Standards and Compliance Policies.

_____   _____
Signature   Date

_____   _____
Name (Print)   Business Unit

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EXHIBIT H

ACCOUNTING COMPLIANCE CERTIFICATION

I attest and certify that to the best of my knowledge:

1. During the period July 1, 19___ through June 30, 19___ the internal accounting policies set forth in Microsoft's Business Practice Standards and Compliance Policies were carried out in the operation of the business of Microsoft Corporation and its subsidiaries (except, if applicable, as indicated on the attached written summary of each exception), and in particular:

A. Transactions were executed in accordance with management's general or specific authorization;

B. Transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for all assets;

C. Expenditure of funds and other use of company assets were permitted only in accordance with management's general or specific authorization; and,

D. Microsoft's Business Practice Standards and Compliance Policies were observed in the conduct of company business and in its accounting practices by Microsoft Corporation and its subsidiaries.

2. I further confirm that I have personally complied with applicable national laws governing the conduct of both company and personal business, including laws governing the reporting of income and payment of taxes with respect thereto.

_____   _____
Signature   Date

_____   _____
Name (Print)   Title/Business Unit/Company

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Account Manager Development Plan

Account Manager
Development Plan
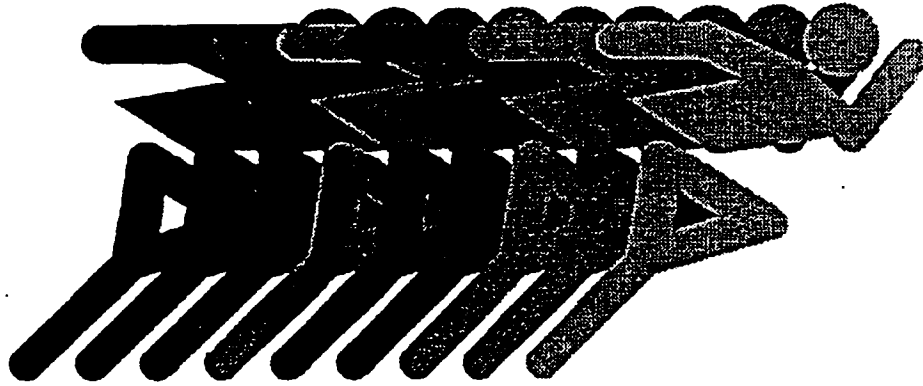
Name: _____   Position Title: _____

Group: _____   Date: _____

OEM ACCOUNT MANAGER
Job Description and Major Areas of Responsibility

Purpose
The purpose of the OEM Account Manager position is to provide a single point of responsibility/focus for management of OEM customer relationships in order to forward MS goals of setting standards and producing revenue.

Description
The OEM Account Manager is responsible for management of the relationship between Microsoft and the assigned OEM accounts. Specific responsibilities include: Defining objectives, developing and executing account plans to achieve objectives, Maintaining and growing MS revenue and account penetration; Communicating the status of current business opportunities to MS management, Forecasting future product and revenue performance, and communicating directions/plans between the companies.

MAJOR AREAS OF RESPONSIBILITY

Relationship Management
A significant responsibility of the Account Manager is the development and promotion of the relationship between MS and the OEM customer. The relationship between Microsoft and its OEM customers is crucial to Microsoft and the Account Manager is expected to own that relationship. This includes activities such as developing/cultivating relationships with key individuals within the account, looking for opportunities to strengthen the partnership through additional business, market development or promotional activities, and communication of direction/plans between the two companies.

Securing Design-Ins
This is the single most important aspect of an Account Manager's responsibilities. This is primarily a consultative sales process that results in an OEM licensing a Microsoft product or technology to be provided to end user customers as part of the OEM's solution. Operating system design-ins are crucial because they provide a long term commitment that aligns with our strategy, as well as a platform for sales of additional MS products.

Business Management
Managing the OEM business requires attention to business details related to assigned customers and products, licensing, and finance issues. This includes administrative activities such as management of order processing, tracking, and shipment, handling expediting of support or delivery issues, etc. The Account Manager is also responsible for ensuring compliance with the OEM's contract provisions, including timely submission of royalty reports and payments. From time to time Account Managers will also be called on to handle various other logistics or administrative tasks.

Protection of Microsoft Assets
Microsoft relies on the Account Manager to protect its competitive assets (trademarks, copyrights, patents, intellectual property, strategic market data & plans) and its material assets (source code, documentation, products). The Account Manager is uniquely positioned to control access to MS assets by the OEM customers. This access can be quite diverse and requires sound judgement to effectively manage.

Collection & Communication of Marketing Data
Real-time access to marketing data is vital to Microsoft's ability to see and react to market dynamics. The Account Manager plays a vital role in collecting and communicating such data to MS management and product marketing organizations. Account Managers are expected to report any interesting or potentially useful data, including data related to industry, competition, hardware, operating systems, networking, and other areas.

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RATING DEFINITIONS: Ratings should be in whole increments. For example, 2.0 is a valid rating but 2.5 is not.

(3) EXCEEDS PERFORMANCE STANDARDS: Consistently exceeds related requirements and expectations; performance often exceeds standards.

(2) MEETS PERFORMANCE STANDARDS: Consistently meets requirements and expectations; demonstrates successful performance.

(1) NEEDS IMPROVEMENT: Does not consistently meet related standards and expectations; inadequate performance ; demonstrates one or more deficiencies in the specified area.

Account Manager Development Plan

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PART ONE   SKILLS

Account Manager Development Plan

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PART TWO KNOWLEDGE

PART THREE QUALITIES

Account Manager Development Plan

PART ONE   SKILLS

MpM

1.   **Oral Communication** _____ ____ ____
     - Verbally expresses his/her thoughts, ideas and opinions clearly

     Organization/structure _____ ____ ____
     - Thoughts and ideas presented in an organized, structured manner
     - Sticks to the topic and maintains focus
     - Keeps to the level of detail appropriate for the topic

     Vocabulary/Grammar _____ ____ ____
     - Uses words appropriately
     - Follows the rules for good grammar and sentence structure

     Delivery _____ ____ ____
     - Utilizes good eye contact, body posture
     - Speaks with confidence and poise

2.   **Written Communication** _____ ____ ____
     - Able to express his/her thoughts, ideas and opinions clearly in writing

     Organization/structure _____ ____ ____
     - Thoughts and ideas are presented in an organized, structured manner
     - Sticks to the topic and maintains focus
     - Keeps to the level of detail appropriate for the topic

     Vocabulary/Grammar _____ ____ ____
     - Uses words appropriately
     - Follows the rules for good grammar and sentence structure
     - Zero spelling errors

3.   **Listening/Questioning** _____ ____ ____
     - Is not easily distracted during a conversation
     - Takes the time to summarize the other parties key points
     - Questions are relevant to the topic
     - Questions add value to the discussion
     - Asks "high-gain" questions

4.   **Presentation**

     Preparation _____ ____ ____
     - Objectives for the presentation are clearly defined
     - Understands the customers' needs & how they will benefit
     - Uses high quality media
     - Various modules of the presentation are consistent in form and content
     - Information is organized in a clear and concise manner
     - Presentation includes and opening, body, and close
     - Has a solid understanding of the material to be presented
     - Rehearses the presentation

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PART ONE   SKILLS - CONTINUED

	Mgr	A.M.

Delivery _____
- Non-verbal skills such as eye contact and gestures are used effectively
- Makes use of verbal skills such as inflections, pauses, etc
- Visual aids are used appropriately and effectively
- Adds value to the presentation, doesn't just read the slides
- Controls the presentation well, adapts yet keeps things on track, etc.
- Adheres to time restrictions & plans
- Uses humor appropriately
- Takes command of the audience

5.   **Sales**

Customer Service _____
- All customer phone calls are returned within 1 working day
- Customer contacts are satisfied (ask them)
- No customers complaints

Relationship Building _____
- Meets with contacts on a regular basis to refresh relationships
- Spends informal time with key contacts, away from the business setting
- "Works the organization" to accomplish specific account objectives
- Broad and deep span of contacts within the account

Leadership _____
- Drives the MS/OEM relationship
- Drives meetings, owns action items & issues
- Makes recommendations regarding account/MS direction
- Account looks to the A.M. for direction
- Has credibility with key account contacts

Sales Strategy _____
- Can describe the account strategy
- Can identify the key buyers, and their buyer type
- Has established coaches
- Can identify red flags, strengths and weaknesses
- Able to effectively assess and interpret situations, issues, and data

Sales Technique _____
- Can describe the sales process
- Effectively performs each step of the process:
     Creating interest
     Qualification
     Presenting the product
     Handling objections
     Close

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PART ONE   SKILLS - CONTINUED

6.   **Negotiation**

Mgr   A.M.

Planning _____ ____ ____
- Has clearly defined objectives for a given negotiation
- Reviews the personalities of the individuals involved
- Understands the 'win' for each of the participants
- Clearly understands the parameters & his/her room to negotiate them
- Understands the principles behind our terms and conditions .

Execution _____ ____ ____
- Stays within pre-defined parameters
- Strikes a positive balance between concessions and gains
- Actively drives the negotiation
- Directly and reasonably handles objections, vs. taking a 'policy' position
- Successfully carries out negotiations with minimal management involvement.

7.   **Personal planning/organization**

Goal setting _____ ____ ____
- Uses goal setting as a central part of their activity
- Goals do not require significant tuning by management
- Goals are "S.M.A.R.T."
- Uses a daily "to-do" list

Organization _____ ____ ____
- Maintains a structured filing system
- Maintains a clean and organized work area
- Is consistently prepared for 1:1's
- Has ready access to key documents and files

Time Management _____ ____ ____
- Is consistently on time for meetings
- Consistently meets his/her commitments
- Sets expectations appropriately

8.   **Administrative**

Legal/Licensing _____ ____ ____
- Can paraphrase the standard MS royalty license agreement
- Understands & able to explain OEM business practices/antitrust guidelines
- Understands OEM price guidelines
- Can write simple license amendments
- Understands & can explain the following key legal concepts:
  Subsidiary, Affiliate, Upgrade, adapt, acceptance, copyright, patent, indemnification, trademark, EULA, trade dress, assignment, acceleration, limit of liability, immunity, consequential damages, material discrepancy, jurisdiction, venue, restricted rights, cost or pricing data, waiver

Finance _____ ____ ____
- Understands & can explain the following finance concepts:
  Earned Royalties, Revenue Recognition, GAAP Adjustment, Budget, Forecast, Prepaid Balance, UPB, Recoup, Due On Signing
- Understands the OEM billing process; minimum commitments vs earned royalties, etc.

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PART ONE   SKILLS - CONTINUED

	Mgr	A.M.

Reporting......... ___ ___
- Understands & adheres to status report guidelines
- Understands & adheres to meeting report guidelines
- Reports other data as appropriate

Forecasting......... ___ ___
- Is able to update processor numbers
- Is able to update per-copy numbers .
- Is able to add/delete customer systems
- Can produce any applicable reports
- Updates forecast info on a timely basis

Tools .... ___ ___
- Able to communicate using Email on a day to day basis
- Can create spreadsheets and charts using Excel
- Can create status reports, trip reports, letters, etc. using Windows Word
- Can connect to, and copy files to and from a network share

Managing meetings

Preparation .... ___ ___
- Consistently defines clear objectives for meetings
- Consistently develops a written agenda
- Reviews the personalities of the individuals that will be involved
- Briefs each of the key MS participants prior to an important customer meeting
- Understands the 'win' for each of the participants

Execution .... ___ ___
- Drives meeting agenda, own action items, etc.
- Takes an active role as a participant in meetings
- Accomplishes his/her objectives
- Consistently produces a written meeting report within one week of a meeting

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PART TWO   KNOWLEDGE - CONTINUED

MICROSOFT KNOWLEDGE   Mgr   A.M.

1.   Organization _____ ____ ____
         ▪ Able to describe the following information about MS:
            Executive Org chart
            Top level Systems Div Org chart
            OEM Org Chart
            Key people
            Key resources

2.   Business _____ ____ ____
         ▪ Knows the following data about MS:
            Annual Sales, Net profit
            % Growth
            # Employees
            WW Operations
            History

3.   Products _____ ____ ____
         ▪ For MS-DOS, Windows, NT, LAN Manager, able to describe the following product attributes:
            Description
            5 key features/benefits
            Relative market position
            Top 2 competitors
            SRP (if applicable)
            Future plans

4.   Strategies _____ ____ ____
         ▪ Able to deliver MS's strategy in each of the following areas:
            MS Systems strategy, Info at your fingertips
            Unix
            RISC (ACE)
            Apps
            Mac
            Multimedia, Pen

INDUSTRY KNOWLEDGE

1.   Operating systems _____ ____ ____
         ▪ Able to describe the basic differences between the following operating systems
            MS-DOS, OS/2, NT, UNIX, System 7 (Mac), GO, DRI-DOS

2.   Channels of distribution _____ ____ ____
         ▪ Can describe the common channels of distribution for PC's in the U.S.

3.   Hardware standards _____ ____ ____
         ▪ Able to name three of the common hardware standards associated with PC's
            Intel, SPARC, Motorola, ISA, EISA, ACE

4.   Key players _____ ____ ____
         ▪ Can name five of the key players in the industry today.
            MS, IBM, Novell, Sun, Intel, OSF, UXI, Apple, DEC, etc

Account Manager Development Plan

PART TWO   KNOWLEDGE - CONTINUED

ACCOUNT KNOWLEDGE

Mgr   A.M.

1.   Organization .... ____ ____
       For each designated account, can describe the following:
          ** Key organizations, their charter
          ** Key People, their role in the organization
          *** Are the contacts relevant to the business goals? Is the relationship an effective one?
          *** Inter-relationships, dotted lines
          ᴵᵛ What makes the 'machine' run

2.   Their Business .... ____ ____
          ** For each significant designated account, can describe the following:
             Markets
             Products
             Future directions
             Channels
             # Employees
             Annual sales, trend
             Profitability, trend

3.   Our Business with them .... ____ ____
          ** For each designated account, has ready access to the following data:
             (most recent yr/qtr, actual vs plan, trend)
             Revenue
             Processor shipments
             Processor mix
             MS product mix
             Our goals for the account
             License Administration (for each significant license)
                 Products licensed
                 Customer systems licensed
                 Royalties
                 Min commitments
                 Reporting month
                 Non-std language
              -   Expiration date

          ᴵᵛ For each significant designated account, has comitted the above data to memory

TECHNICAL KNOWLEDGE

1.   Processors .... ____ ____
       Able to name five common microprocessors used in PC's:
          *** 8086/88, 80286, 80386, 80486
          ** 68000, SPARC, etc

       Can describe the basic difference between the following microprocessors:
          *** 8086/88, 80286, 80386
          ** 80486, 68000, SPARC

       Can describe the following processor related terms & concepts:
          *** CPU, microprocessor, protect mode, real mode, multitasking
          *** MVDS, virtual memory, addressable memory, co-processor, graphics co-processor, interrupt, NMI

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PART TWO   KNOWLEDGE - CONTINUED

	Mgr	A.M.

2. Displays _____

▪ Can name three common display architectures that have been seen on PC's.

Can describe the following display related terms & concepts:
▪ CGA, EGA, VGA, XGA, TIGA, 8514, Hercules, display pitch, RGB, composite video, bit map, frame buffer, bit-blit, pixel, dithering, CRT

3. Storage _____

Can describe the following storage related terms & concepts:
▪ Hard drive, Flexible drive, CDROM, Tape cartridge
▪ WORM, platter, track, cylinder, sector, interleave, IDE

4. 1/0 _____

Can describe the following 1/0 related terms & concepts:
▪ Serial port, parallel port
▪ EISA, ISA, MCA, SCSI, 1/0 bus, DMA, control bus, address bus, data bus, expansion bus

5. Networking _____

▪ Can describe the benefits of a simple LAN.
▪ Can compare Netware and LAN Manager in simple terms.
▪ Can describe the following 1/0 related terms & concepts:
Redirector, server, client, NIC, netBIOS, protocol stack, OSI model, bridge, CSMA/CD, Domain, ISO, Share, SMB, Volume, TCP/IP, Ethernet, Token ring, repeater, gateway

6. Printing _____

Can describe the following printing related terms & concepts:
▪ PDL, font, Postscript, TrueImage, bit map vs. vector printing, queue

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PART THREE   QUALITIES

	Mgr	A.M.

Commitment _____ ____ ____
- Willing to "do what it takes" to get the job done
- Defends his/her positions with management

Initiative/Independence _____ ____ ____
- Able to operate independently without significant involvement by the Group Manager
- Frequently initiates action that contributes to individual or group productivity
- Initiates unsolicited programs and plans

Teamwork _____ ____ ____
- Flexible in adjusting to the best interests of Microsoft as a whole
- Initiates and maintains constructive relationships with other MS employees
- Willing to assist others in reaching their own goals and objectives
- Initiates unsolicited action which benefits other members of the team

Judgement _____ ____ ____
- Opinions are well grounded
- Handles sensitive situations delicately
- Accurately assesses and interprets situations, issues, and data
- The majority of the A.M.'s decisions stand unchanged

Creativity _____ ____ ____
- Develops innovative solutions to problems
- Actively participates in brainstorming & trouble shooting activities
- Challenges existing practices & recommend improvements

Additional Contributions _____ ____ ____
- Makes additional contributions beyond achievement of account goals

Self growth _____ ____ ____
- Examines his/her performance on an ongoing basis and look for areas of improvement
- Follows through on self development plans

Accountability _____ ____ ____
- Accepts responsibility for his/her own performance
- Takes ownership of MS policies & practices when communicating with customers
- Responds to setbacks by owning problems rather than assigning blame

Attitude _____ ____ ____
- Responds positively to difficult assignments
- Enthusiastic and upbeat
- Has a 'can do' approach
- Reacts to difficult situations or problems as opportunities

Goal Attainment _____ ____ ____
- Consistently meets his/her quarterly goals and objectives

Account Manager Development Plan

SECTION II   TRAINING AND DEVELOPMENT OPTIONS

ORAL COMMUNICATION SKILLS
Toastmasters
Effective Executive Speaking - AMA
Interpersonal Review Skills - MS HR
Managing Interpersonal Relationships - MS HR
The Grammar Course - AMA
Writing, Speaking, Listening for Successful
Communication - AMA

WRITTEN COMMUNICATION SKILLS
Effective Business Writing - MS HR
Sharpen Business Writing Skills - AMA
The Grammar Course - AMA
Writing, Speaking, Listening for Successful
Communication - AMA

LISTENING SKILLS
Selling your Ideas - MS HR
Writing, Speaking, Listening for Successful
Communication - AMA

PRESENTATION SKILLS
Effective Presentation Skills - AMA

CUSTOMER SERVICE
Exceeding Customer Expectations - Fortune

STRATEGIC SELLING
Strategic Selling - Miller Helman
Creative Selling Strategies - Fortune
Principles of Professional Selling - AMA
Strategies for Selling Technical Products - AMA
Value-Added Selling - AMA

TACTICAL SELLING
Selling your Ideas - MS HR
Creative Selling Strategies - Fortune
Fundamental Selling Techniques - AMA
Principles of Professional Selling - AMA

NEGOTIATION
Karras Negotiation Seminar
Non-Manipulative Negotiation - Fortune
Negotiating to Win - AMA

PLANNING, TIME MANAGEMENT
Time/Business Organization Workshop - MS HR

LEGAL
OEM Legal/Finance Training

FINANCE
OEM Legal/Finance Training

FORECASTING
OEM Forecasting Training

TOOLS (WORD, EXCEL, WINDOWS, MAIL, ETC)
MS Apps Training

MANAGEMENT OF MEETINGS
Career Planning Skills - MS HR

TECHNICAL KNOWLEDGE
Chip Talk - TRIO
Hardware Basics - TRIO
Inside the IBM PC (MS Press book)
Hardware Management (MS Press Book)
Know Your Computer (MS Press Book)

Account Manager Development Plan

Account Assessment Methodology

Account Assessment Methodology

Our goal is to be the preferred software vendor for each of our OEMs. We can accomplish this goal by ensuring we have a strong interpersonal relationship with our customers and by providing them with products and programs that help the customers attain success in their markets. In order to do this, we must have a solid understanding of our customers' business and what it takes for them to succeed in their markets.

Included in this document is a series of questions about your OEM account. The questions are designed to help you determine your customer's "success factors", and the strength of the relationship between the customer and Microsoft. The questions are divided into two parts. The first section will help you identify the value system, or success factors, necessary for your account to be successful in its market. The second section helps you measure your customer's satisfaction with Microsoft (i.e., to what extent the account does business with Microsoft because it _wants_ to versus because it _has_ to).

Many of the questions can be answered by you and your group manager. However, for certain questions, you will need to seek information from within your account. Once this information gathering is complete, you should work with your group manager to devise a plan (strategy) that will assist your account in being successful and also strengthen the relationship. The plan may consist of a number of existing, newly developed or special programs tailored to the specific needs of your account. In addition, you need to strategize specific ways to improve the various interpersonal relationships Microsoft has within the account. Attached is a planning tool designed to help you develop and track your strategic plan.

Account Assessment Worksheet

Customer Name

A. The OEM's Value System (Success factors)

1. Fill in the charts below regarding the customer's business:

Channel	% Today	Est % in 2 Yrs.	Customer's Competitors	Customer's Major Strengths
Dealer				
Manufact. Direct				
Mail Order				
Electronic Whse.				
Mass Merchant				
VAR				
Distributor				
OEM				

Channel	Customer's Major Weaknesses	Proposed New Programs/Products/Services
Dealer		
Manufact. Direct		
Mail Order		
Electronic Whse.		
Mass Merchant		
VAR		
Distributor		
OEM		

2. What new products (or technologies) will your customer be announcing over the next 6 months?

3. What are your customer's top three goals over the next year?

   a.

   b.

   c.

4. What success factors are critical to your customer's achievement of the above goals?

5. What types of vendor programs does your customer find useful in helping it to succeed?

6. What types of programs, services or products would your customer like to see MS offer?

B. *Strength of the Relationship*

Microsoft Product	Current Licensee (yes / no)	Distributes Competing Product	Prospect for MS Product (yes / no)	% Likelihood will License w/i 12 mos
MS-DOS				
Windows				
Win / Wrk Grps				
NT				
Consumer Apps				
Mouse				
Ballpoint				

2. When was the last Executive Review?

3. Who attended and what position(s) do they hold in the company? Who attended from MS?

4. Fill in the table below explaining the key contacts in ...

7. On a scale of 1-10 with 1 being a reluctant licensee and 10 being they view MS as their "preferred vendor," how would you rank your customer?

```
1    2    3    4    5    6    7    8    9    10
|----------------+------------------------|
reluctant        okay                     preferred
licensee                                  vendor
```
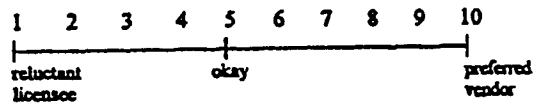
8. How do you think MS senior management would rank your customer?

```
1    2    3    4    5    6    7    8    9    10
|----------------+------------------------|
reluctant        Okay                     preferred
licensee                                  vendor
```

Account Assessment
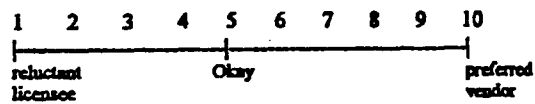
Account Relationship Plan

1. Customer Name: _____

2. Account Manager: _____

3. Date: _____

4. Current position on the "Relationship Barometer":

```
1   2   3   4   5   6   7   8   9   10
|-----------------|-----------------|
reluctant        okay            preferred
licensee                          vendor
```
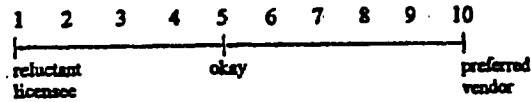
5. My position vs. the competition *(check one column for each MS product)*:

Microsoft Product	Exclusive	Dominant	Shared	Zero
MS-DOS				
Windows				
Win / Wrk Grps				
NT				
Consumer Apps				
Mouse				
Ballpoint				

6. There are many different people in an account that influence the relationship. List all of the key influencers in each of the following areas and how they rate the importance of their company having a strategic relationship with Microsoft (rating of 1 to 4, where 1 = not important at all and 4 = very important; if you do not know how they feel, enter "unknown").

Department:	Name:	Title:	Importance of Relationship:
Executive			
Sales			
Marketing			
R & D			
Manufacturing			
Engineering			
Finance			
Purchasing			

7. List the areas within the account where you do not have a good contact (e.g. manufacturing or purchasing).

8. Summarize your position in the account today.

Who likes us:	Why?

8. *(continued)*

<u>Who does not like us:</u>   <u>Why?</u>

9.   In your Account Assessment Worksheet, you identified the success factors critical to the success of your customer. List the five most important success factors below. Limit them to the customer's two primary channels or new channels they may be entering.

   a.

   b.

   c.

   d.

   e.

10. Outline an action plan that will help move your customer toward the "Preferred Vendor" end of our customer satisfaction scale. We can improve our relationship with your OEM by focusing on two main areas: improving interpersonal relationships with key influencers and by helping the customer attain it most important success factors. Refer to the list of "Suggested Programs" at the end of this document for ideas that might apply to your customer. Outline below your action plan to address these areas. You will want to develop and share applicable parts of this plan with your customer and meet with its personnel periodically to specifically monitor progress.

Influencer	Action	Completion Date

Success Factor	Action/Program	Completion Date

11. Include the various items of your action plans in your present GOKRs

12. You should meet with your group manager during the next 3 months to evaluate your progress and define necessary modifications and refinements to the plan. Set the dates of these meetings and enter them below:

Date #1: _____

Date #2: _____

Date #3: _____

13. Choose a date to visit your customer to discuss the progress of your plan.

    Date: _____

14. Choose a date five months from today and schedule the following events:

    a. A time to re-answer the questions on the Account Assessment worksheet to see if our relationship with your customer has improved.

       Date: _____

    b. A telephone call between your group manager and a key influencer at your account to evaluate the state of the relationship.

       Date: _____

Suggested Programs

Channel	Programs
Dealer	co-marketing, joint seminars, sales training videos
Manufact. Direct	Pre-install apps, sales and tech training, speak at users groups, joint sales calls
Mail Order	"
Electronic Whse.	Pre-install EBU apps, end user training; Upgrades
Mass Merchant	"
VAR	Lan certification, hard disk pre-install
Distributor	
OEM	Speak at user groups

Examples

1. Tandy — Works for Windows video — filmed at Tandy — MS provided s/w and talent — used to train sales force on how to sell Works

2. Compaq — Ballpoint exclusive when they rolled out new laptops

3. Unisys — presented at end user groups

4. Gateway 2000 — sales and technical support training for Gateway personnel.

5. Zenith — Tee shirts for sales force — company morale.

6. Dell/Zenith — seed copies of MS software — you sell what you know.

Six Steps to a Successful Executive Review

Six Steps to a Successful Executive Review

1. Establishing the need for an Exec Review
2. Scheduling
3. Setting the objectives
4. Setting the agenda/preparation
5. Running the meeting
6. Follow-up

1. Establishing the need for an Executive Review

Executive request for a meeting

Urgent issue(s)

Relationship requirement

Signed license "kick off"

Reorganization/new key players

One year since previous Exec Review

2. Scheduling

Sixty days in advance– *gives you enough time to get the meeting on all calendars (executives, presenters, etc.), plan agenda/objectives, etc.*

Establish relationship with OEM's admins– *this helps in scheduling, travel plans, understanding OEM exec's objectives/questions, learning idiosyncrasies, food preferences.*

Establish relationship with exec. coach- *use your contact to get to new contacts who can give you perspectives from the executive level/viewpoint.*

Include key players only– *limit number of attendees in order to keep a manageable number in the meeting room, keep it "executive level", should really keep it to one MS exec in the room at a time, group thought Mikehal is very receptive to attending Exec Review meetings.*

Schedule your presenters. *It was suggested that demos be done over lunch.*

3. Setting the objectives

Agreed upon goals on both sides– *everyone attending should know exactly what to expect during the meeting and be interested in it.*

Understand both company's goals– *understand WHY an OEM wants to discuss a certain topic or learn about a new product.*

Inform your MS attendees/presenters of goals– *brief every MS presenter/attendee about the OEM, current data (shipments, design wins– MAP), what role you want them to take in the meeting, what you want to end up with at the end of the meeting.*

Tell OEM what MS wants to know– *OEM should be fully aware of why MS wants this meeting.*

Tell MS what OEM wants to know– *tell everyone attending why your OEM is coming to MS.*

Set expectations on both sides– *make sure everyone has reasonable expectations about what can be accomplished in one meeting– probably lots but not everything!*

- 1 -

Patty Eastern

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4. Setting the agenda and preparation

Work w/the System Mktg Group- Tomsh— *get the right people to do presentations, discuss critical issues.*

Plan a "realistic" agenda— *there's only 8 hours in a day- don't plan too much or you'll run out of time for the important issues. Quality not quantity.*

Logical order of presentations— *schedule presentations like building blocks (i.e. DOS, Windows, OS/2, etc.) so it "all makes sense".*

Talk to your presenters - see their slides— *be fully prepared for everything that will go on that screen— no surprises. This is not easy, to say the least, given how few presenters know what they'll say in advance.*

Professional quality presentations— *most presentations have been done before for other OEMs or MS events and are on the net in PowerPoint format. Work with Corpcom (Jodyd) to make sure they're all the same standard MS format- very impressive. How can we expect our OEMs to use our products if we don't?*

Set presenters' expectations about time— *warn them about your schedule and time constraints so you stay on schedule.*

Schedule breaks and lunch— *gives you time to "catch up" if you fall behind.*

5. Running the meeting— staying on schedule

Set attendees' expectations at introduction about time limit vis a vis objectives— *make them understand that its in their interest to stay on schedule so they get the most out of their day.*

Learn the equipment in the conference room— *don't rely on the technical facilities people to move your screens up and down— chances are, they'll be out to lunch when you need them. Learn the lights, drapes, screens, what server the presentations are on, etc.*

Have someone take notes, reschedule if needed, worry about catering— *make sure they sit close to you so you don't have to get up to tell them what you need (distracting). Take notes too but someone else may catch something you missed while you were facilitating.*

Pay attention to the meeting/presentations— *you're more important than just a scheduler or facilitator so pay attention to the meeting and participate. Besides, if you don't listen, why should your visitors?*

One conversation at a time— keep control— *stay in charge of the meeting at all times and keep side conversations to a minimum if at all.*

Acknowledge comments, then move on— *if you're running late and you have a long-winded visitor, listen, acknowledge their comment, ask to take it off-line and move on. Be courteous but firm, especially if the subject isn't particularly important with respect to the objectives of the meeting.*

Know presenters' time flexibility— *if you and your assistant know when people can be moved throughout the day, its easier to jockey people around if you have to.*

6. Follow-up

Relax and congratulate yourself

Write the meeting report within one week— *its easier to remember everything this way.*

Include attendees, objectives on report

Don't recite events of the day nor tell a story

Patty Eastern

-2-

Report on issues/opportunities/news

Keep the report brief-- *no one will read a novel.*

Include action item list with owners-- *make sure everyone remembers what they promised to do, especially the OEM executives.*

Thank-you notes - coach, executives-- *thank people for their assistance in making the meeting a success.*

RESOURCES:

Jody Derman, Corporate Comm. - slides

Tom Sherrard, Sys Mktg - presenters

Your admin - lunch, room, scheduling

Your manager - agenda feedback

Your account - attendees, objectives

Kellyw and Pattye - help, direction

Darcyr suggests that Suef may be able to help OEM since she plans Executive Briefings for SMSD.

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PSS Support Offerings

OEM Support
PROFESSIONAL LEVEL

Professional Support is designed primarily for large Microsoft OEM accounts seeking priority technical assistance on software adaptation issues with Microsoft OEM products. Additional support options include, software development support and support of Microsoft networking products.

One-to-One Support:	Priority access is available to OEM Developer Support engineers.
Escalation Management:	Customer can rely on an escalation process involving management designed to resolve support incidents.
Support Access:	Unlimited Service Requests (SR - customer initiated support requests) can be sent electronically only (no telephone access); electronic SRs are submitted using Microsoft OnLine for Windows software accessing the General Electric Information Systems (GEIS) network; unlimited access to GEIS is included.
Response Time:	PSS guarantees response or progress update for all SRs within 24 hours of receipt by Microsoft.
Availability:	PSS responds to SRs from 6:00 am to 6:00 pm, Monday-Friday, Pacific time (excluding holidays).
Product Information:	Access to Microsoft's Knowledge Base (database of technical product information provided by Microsoft) and access to Microsoft's Software Library using OnLine for Windows software.
Number of Contacts:	One customer contact for this support offering.

Satisfaction Guarantee: 60-day unconditional money-back guarantee.

Modules:	OEM Software Adaptation	Networking	Developer
Environment	Software Adaptation	Systems Administration/ Operations	Software Development
Audience	Ensures Microsoft systems software operates on OEM hardware	Ensures networks can run sophisticated production-level projects	Focuses on the development of applications
Key Microsoft® Products®	OEM adaptation kits, OEM distribution kits.	LAN Manager, Mail, SQL Server, Gateways	Software Development Kits, Languages
Price per Year	$2,500	$5,000	$2,500

For more information about Professional Support for Microsoft OEMs, call your Microsoft OEM account manager at (206) 936-8844.

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Microsoft·

OEM Support
PREMIER LEVEL

Premier Support is one of Microsoft's highest levels of technical support for Microsoft OEM accounts desiring a direct support relationship with Microsoft with the added resource of a designated Strategic Account Engineer. Premier Support is designed primarily for large OEM accounts seeking technical assistance on software adaptation issues with Microsoft OEM products. Premier Level OEM support is composed of four modules corresponding to software adaptation, development, networking, and application environments designed to meet all OEM support needs. Premier OEM Developer Support can be purchased at the price noted below only if OEM Premier Software Adaptation Support has been purchased.

One-to-One Support:	Strategic Account Engineer (SAE - Microsoft's most senior technical engineers) assigned to an account; in-depth knowledge of account profile needs, hardware configuration, etc. by SAE allows for more responsive, customized support; SAE "owns" support issues and ensures resolution.
Account Reporting:	Monthly electronic reports and quarterly hard-copy reports summarizing account's support activity; reporting allows account to have an overall picture of how support is used and to track support issues.
Escalation Management:	Customer can rely on an escalation process, involving management, designed to resolve support incidents.
Support Access:	Unlimited Service Requests (SR - customer initiated support requests) can be sent via telephone or electronically;electronic SRs are submitted using Microsoft OnLine for Windows software access-ing the General Electric Information Systems (GEIS) network; unlimited access to GEIS is included.
Response Time:	PSS guarantees response or progress update for all SRs within four hours of receipt by Microsoft.
Availability:	PSS responds to SRs from 6:00 am to 6:00 pm, Monday-Friday, Pacific time (excluding holidays).
Product Information:	Subscription to Microsoft's Knowledge Base on CD ROM (database of technical information provided by Microsoft), updated monthly; access to Microsoft's Software Library and Knowledge Base using OnLine for Windows software.
Contacts:	Four customer contacts included with this support offering; additional contacts can be purchased on a per-contact basis.

Satisfaction Guarantee: 60-day unconditional money-back guarantee.

Modules:	OEM Software Adaptation	OEM Developer (option)	Networking	Applications
Environment	Software Adaptation	Development	Systems/Admin Operations	Help Desk/Info Center
Audience	Ensures Microsoft systems software operates on OEM hardware	Requires high level of support for applications development	Ensures networks can run sophisticated production-level projects	Provides centralized support to end-users
Key Microsoft® Products®	OEM adaptation kits, OEM distribution kits	Software Devel Kits, Languages	LAN Manager, Mail SQL Server, Gateways	Desktop applications, Windows Environment
Price per Year	$15,000 $5,000 per additional contact	$5,000 $5,000 per additional contact	$15,000 $5,000 per additional contact	$10,000 $3,000 per additional contact

For more information about Premier Support for OEMs, call your Microsoft OEM account manager at (206) 936-8844.

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Product Support Services

Microsoft Support Connection

The Microsoft Support Connection is designed to provide support professionals easy access to technical information and tools to better support customers with Windows applications. The Windows 3.1 Support Connection consists of the following components:

Product Information:	Subscription to Microsoft's technical CD ROM which includes the Knowledge Base, a database of technical product information-bug lists, fix lists, documentation errors, and common questions and answers. This is the same technical information used by Microsoft's Product Support Services technicians to diagnose and resolve customer problems. Distributed monthly on CD ROM.
	Private forum on CompuServe® providing a resource for technical information including access to Microsoft engineers and information exchanges and dialogs among peers. Access to this forum is available 7 days/week, 24 hours/day. Microsoft will respond within 24 hours of receipt of request. Standard CompuServe connect charges apply. The *Support Professionals* CompuServe forum is both hidden and private. Once enrolled in Support Connection, to access the forum while in CompuServe type: *GO SupProf*.
	Microsoft Technical Support Library - free access to technical notes on a wide variety of topics related to Windows. Microsoft Drive Library - free access to compatible devise drivers. Both of these services are accessible through Microsoft Product Support Download Service (MSDL) use your modem to call (206) 637-9009.
Product Support Training:	Regularly scheduled support training classes will be available for Microsoft Windows and Microsoft Windows applications. Through this program, we will proactively announce the availability of support training classes either available through Microsoft Product Support Services or other training organizations within Microsoft. Upon acceptance in this program, you will receive a complete schedule of upcoming classes. Classes are tentatively scheduled for Aug/Sept.
One-to-One Support:	You may designate up to four support engineers as your organization's contacts to access a team of engineers specially trained to deliver product support to support professionals. This team of engineers will respond to phone support requests from 6am to 6pm Pacific time, Monday through Friday, excluding holidays.
	Each month, hardcopy reports consolidating support activity will be distributed.
Information Required from Members:	Monthly reporting of Windows call statistics – problem category, length of call, total number of calls and product enhancement suggestions based on product supportability.

Enrollment in this program is limited based on eligibility requirements.

June 1992

Support Connection for Microsoft Windows™ 3.1 — Application

Upon receipt of this application you will receive confirmation of enrollment and additional details on specific program components including how to access the private CompuServe forum, the priority access phone number, and a schedule of Microsoft Window and Windows application workshops for support professionals.

Please complete the following and return by August 31, 1992 to:

Janel Bersanti-Madrazo
Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399
FAX (206) 93MSFAX

I. Participation Requirements.

- Members agrees to the following:
  - Monthly reporting of Windows call statistics

II. Contact Information.

Company Name _____

Address _____

City _____ State _____ Zip _____

Business Phone Number (____) _____

Fax Phone Number (____) _____

Date _____

Please indicate the name of the person who should receive marketing information about this program:

1. _____

Please indicate the names of the four engineers who will have priority access to Microsoft technicians:

1. _____ 3. _____
2. _____ 4. _____

III. Microsoft Product Support Training

Would you be interested in training on Microsoft Windows 3.1 or other Microsoft Windows application for you support engineers.

	Yes	No
Microsoft Windows 3.1	_____	_____
Microsoft Word for Windows	_____	_____
Microsoft Excel for Windows	_____	_____
Microsoft Work	_____	_____
Other	_____	

Topics you would like covered in a Windows 3.1 workshop: _____

_____

What level training would you prefer?   Novice_____Intermediate_____Advanced_____

IV. CompuServe Private Forum

In order to access the private forum on CompuServe, please provide your CompuServe account number.

CompuServe access number_____

V. Comments

_____

_____

_____

_____

"Spanky" Messages and Letters

"Spanky"

Listed below are the categories of "spankyloemdb" messages that are currently available in the OEM Business System (Ingres). Note: these messages were formerly called "DARLA" messages.

Type	Description
ar	Accounts receivable messages
	1. Invoice sent
	2. Credit memo sent
	3. Debit memo sent
	4. Journal entry
	5. Payment received
mc	Minimum commitment reminder and invoice overdue messages.
	1. Invoice overdue at least 7 days.
	2. Invoice overdue at least 15 days.
ls	License signed messages
am	Amendment signed messages
sh	Shipment messages
	1. Shipment requested
	2. Shipment made
r1	Royalty report received messages
r2	Royalty report due in 15 days messages
r3	Royalty report due in 7 days messages
r4	Royalty report overdue at least 15 days messages.

Account managers receive all of these messages for each of their accounts. If you are not receiving these messages when you believe you should, please tell your license administrator. Indicate your name and specify the messages you want to receive.

«DATA c:\word5\dinero\accdata.dat»«SET date=?Enter [DATE]»

«date»

«notices»
«IF company»«company»
«ENDIF»«address1»
«IF address2»«address2»
«ENDIF»«city», «state» «zip»
«IF country»«country»
«ENDIF»

Re: «product» «version» Product Delivery under Microsoft
      License Agreement #«license».

Dear «IF salutation»«salutation». «lastname»,
«ELSE»Sir:«ENDIF»

Our records indicate that Microsoft completed delivery of
«product» «version» on «deldate».

This letter notifies you that delivery is now complete under
the terms of License #«license». Please refer to the license
for additional delivery and acceptance information.

Should you have any concerns regarding this delivery, feel
free to contact us.   Please indicate your license agreement
number «license» on all correspondence.

Sincerely,

OEM License Administration
MICROSOFT CORPORATION

cc: «acctmanager»

«DATA c:\word5\dinero\deldata.dat»«SET date=?Enter [DATE]»

«date»

«notices»
«IF company»«company»
«ENDIF»«address1»
«IF address2»«address2»
«ENDIF»«city», «state» «zip»
«IF country»«country»
«ENDIF»

Re: «product» «version» Product Acceptance under Microsoft
     License Agreement #«license».

Dear   «IF   salutation»«salutation».
«lastname»:«ELSE»Sir:«ENDIF»

Our records indicate that Microsoft completed delivery of
«product» «version» on «deldate».

The license provides for a «accper» day acceptance period.
The acceptance period has now expired.

Microsoft has not received written notice of rejection as
provided for in the license. Therefore, Microsoft now
considers the product accepted.

Please refer to the license for complete acceptance, royalty
reporting and financial obligations.

Sincerely,

OEM License Administration
MICROSOFT CORPORATION

cc: «acctmanager»

«DATA c:\word5\dinero\dnupltr.dat»«SET date=?Enter Date»

«date»

«notices»
«company»
«addr1»
«IF addr2»«addr2»
«ENDIF»«city», «state» «zip»
«IF country»«country»
«ENDIF»

RE: «product» «version» Product Shipment under Microsoft
    License Agreement #«licnum».

Dear «IF salutation»«salutation».
«lastname»:«ELSE»Sir:«ENDIF»

Our records indicate that Microsoft shipped «product»
«version» on «shipdate».

Shipment was made to: «shipto», «company».

Please refer to your license agreement for specific terms
and conditions regarding this product.

If you have any concerns regarding this shipment, please
contact us. The license agreement #«licnum» should be
included on all correspondence.

Sincerely,

OEM License Administration
MICROSOFT CORPORATION

cc: «acctmgr»

«DATA c:\word5\dinero\drorelta.dat»«SET DATE=?[DATE]»

«DATE»

«fullname»
«company»
«addr1»
«IF addr2»«addr2»
«ENDIF»«city», «state»   «zip»
«country»

Re: Royalty Report Due - Microsoft License Agreement (License
     Agreement No. «contractid».

Dear «IF ctsalute»«ctsalute». «ctlname»:«ELSE»Sir:«ENDIF»

Our records indicate that a royalty report is due on
«rsdtedue» for the Microsoft product(s) licensed in the above
referenced agreement. The period to be reported is from:
«rsstart» to «rsend».

Microsoft is providing the royalty report form to facilitate
the royalty reporting process. The royalty report form
contains a line item for each licensed product. Please
provide all requested information. If there has been no
royalty activity during the reporting period, this must be
indicated on the report as 0 in the "Number Shipped"/"Copies
Shipped" column. This will enable us to maintain your account
and avoid having to contact you to obtain this information.
Please complete and return all pages of the royalty report
form to Microsoft.

If you require assistance in completing the form, please
contact your account representative.

Reports should be sent to: MICROSOFT CORPORATION
                               One Microsoft Way
                               Redmond, WA 98052-6399
                               Attn: Pat Reese

Thank you for your timely attention to this matter.

Best regards,

«IF acctmgr="Sheri Vail"»
Sheri Vail
OEM Account Manager
«ELSE»
OEM License Administration
«ENDIF»

cc: «acctmgr»

Attachment(s)

Glossary

Glossary

Legal / Licensing Terms

Acceleration
The process through which the customer's minimum commitments under an agreement become immediately due. The standard MS license agreement provides for acceleration in the event of a customer's breach of specific provisions; in this case, all minimum commitments under the agreement become immediately due to MS. This is similar to the process a bank follows when it "calls in a loan" of a customer.

Acceptance
When an agreement is signed or when product is shipped to an OEM, the OEM has 30 days to evaluate and test the product to ensure that it meets specifications. If the customer does not report deviations from specifications within the 30 day period, or if the OEM ships the product to a customer for revenue, the product is deemed "accepted". Shipment of the product by an OEM also impacts the term of the agreement and the flow of minimum commitment payments to MS.

Adapt
To adapt or modify a MS product (usually supplied in OAK form) to run on a particular computer system. The process of a customer's conversion of an OAK to a shippable product.

Assignment
The process in which a company transfers the rights and obligations under an agreement to another firm. MS does not typically allow assignment, except in cases where a firm is purchased by another (i.e., more than 50% ownership). Source code is usually excluded from assignment under any condition.

Copyright
The exclusive right provided by law to reproduce literary, artistic, dramatic or musical work for a specified number of years. Also applies to computer software.

Consequential Damages
Damages which occur as a result of using a MS product. For example, an accountant who was sued by his client due to data that was improperly calculated in Excel (even if due to a bug in Excel), or a company that suffered a large loss of data due to a bug in MS-DOS. Our OEM agreement and our EULA (typically all vendors' agreements) specifically exclude liability for consequential damages.

EULA
The End User License Agreement is the agreement between the manufacturer or licensor of a product and its end user. End users typically "agree" to the terms of the EULA via a "break-the-seal" agreement on the software package. In cases where software is pre-installed on a hard disk, the EULA may be implemented via a "break-the-seal" sticker over the computer's power switch.

Glossary (continued)

Indemnification

To reimburse another party for harm or loss incurred. Our standard agreement provides that MS will indemnify our OEMs against claims of copyright or trade secret violations brought by third parties against the OEM relating to MS products.

Jurisdiction

The legal power to enforce and administer the law. The standard agreement provides for jurisdiction by courts in the State of Washington. The standard agreement also provides that the laws of the State of Washington will apply to and be used to interpret the agreement. MS chooses Washington as it is one of the few states which have a concentration of software businesses and are most likely to have computer software laws.

Limit of Liability

MS limits its financial exposure under the agreement. Typically, this limit equals the amount that has been paid to MS by the customer. The basis for this limit is that MS is not willing to take on more risk than the amount of revenue opportunity provided in the agreement.

Material Discrepancy

In the context of the standard MS license agreement, this term refers to the difference between the royalties reported by an OEM and what the OEM *should have* reported, as determined by an audit. A difference is deemed to be *material* if it is equal to or greater than the lesser of either: 1) $10,000; or 2) 5% of the amount that should have been reported. If the discrepancy is material, the OEM reimburses MS for the cost of the audit. If the discrepancy is not material, MS pays for the audit.

Patent

The exclusive right to reproduce an invention for a specified number of years. In the case of computer software, patents are typically for unique and novel algorithms or other processes carried out by the software. Patents are typically granted for a particular function within a software title, not an entire software product.

Restricted Rights

Federal law provides that products which are distributed to the federal government can be copied without restriction by the government unless the products are designated as products with *restricted rights*.

Subsidiary

A company with more than 50% of its stock controlled by another firm. In the standard MS license agreement, the controlling firm is defined as "COMPANY".

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Glossary (continued)

Trade Dress
The packaging, color scheme, design, etc. of a product package. Essentially, the "look and feel" of the product packaging.

Trademark
The exclusive right provided by law to use and reproduce a distinctive name or symbol for use in conjunction with marketing a product. This right is only granted for a specified period of time.

Upgrade
A copy of a more powerful or newer version of a product provided to an existing end user of the product.

Venue
Defines where a legal proceeding may take place. Our standard agreement provides for venue in the State of Washington. This means that any legal proceeding would be brought before a state or federal court in Washington.

Waiver
An exemption which frees a customer from a particular license requirement.

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Glossary (continued)

Finance Terms

Budget
Every "forecasted" customer has a revenue and processor budget for the fiscal year. These budgets are "locked" at the beginning of the year and do not change. The individual customer budgets roll up into the overall OEM division budget. The importance of the revenue budget is obvious. The consolidated processor budget helps MS management understand industry trends (e.g., processor mix) and impacts our product development decisions.

Due on Signing
License agreements typically have a part of the minimum commitment that is due when the agreement is executed. This is referred to as the "due on signing".

Earned Royalties
These are royalties which have accrued on an OEM's shipment of its computer systems or copies of MS software (also referred to as "actual royalties"). Earned royalties are communicated to MS via the customer's quarterly royalty report.

Excess Royalties
The amount by which a customer's earned royalties exceed its minimum commitment for a period.

Forecast
After the budget has been set for the fiscal year, the Account Manager continues to receive new information (e.g., royalty reports, company news, etc.) that will affect his/her forecast of the volume of business an OEM will do in the future. In order for us to monitor these changes and understand their impact on our business, the Account Manager is required to maintain an on-going six-quarter rolling forecast of customer machine shipments and the resulting revenue contributions to MS. The relationship between budget, forecast and actual results are continually monitored to evaluate the business and trends in the industry.

Prepaid Balance (PPB)
PPB for a license represents the excess of cumulative paid minimum commitments over cumulative earned royalties, as of a certain point in time. As defined in Exhibit B of the standard license agreement, PPB is "recoupable" (that is to say that the customer receives value for PPB) via future earned royalties in excess of future minimum commitments under the license. This is important because the existence of PPB may impact the future amount of revenue that MS recognizes under a license agreement.

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Glossary (continued)

Recoup

Recoup means "to get back". Recoupment is the process in which an OEM gets the benefit of any prepaid balance that may exist on its license agreement. If a prepaid balance exists and the OEM's earned royalties for a period exceed the related minimum commitment, the prepaid balance is *recouped* to the extent of such excess. Consequently, the OEM would not owe MS any additional money for reported excess royalties, to the extent that such excess royalties were less than the existing prepaid balance.

Revenue Recognition

An accounting term relating to when revenue from an event is recorded (recognized) on MS' books. For example, an OEM ships 1,000 systems during Q3, but we don't bill the associated royalties until the OEM reports the activity to us in Q4...a report based upon revenue recognition will show the product units and associated dollars as Q4 activity. Basically, revenue recognition occurs when MS issues an invoice to the customer.

Unspecified Product Billing (UPB)

UPB is a fictitious product which serves as a "holding bucket" for revenue related to minimum commitment billings. A minimum commitment invoice puts dollars into the UPB bucket. As royalties are reported by an OEM, dollars are transferred (reclassified) from the UPB bucket and credited to the MS product(s) reported by the OEM. In any given period, UPB for a customer reflects the net billing/reclassification activity for the period. Although UPB activity impacts a customer's prepaid balance (PPB), they are not necessarily the same amount.

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