

**From:** Kurt Kolb  
**Sent:** Wednesday, May 15, 2002 8:31 AM  
**To:** Carl Sittig; Richard Fade  
**Subject:** RE: Windows royalty for school projects

It's a little late to reverse course on Win98 EOL generally. Are you proposing it specific to your region?

-----Original Message-----

**From:** Carl Sittig  
**Sent:** Tuesday, May 14, 2002 7:40 PM  
**To:** Richard Fade  
**Cc:** Kurt Kolb  
**Subject:** FW: Windows royalty for school projects

Situation in Malaysia relating to the thread below...

Mimos is a Named Account in Malaysia. They won a project from the govt for PC in Schools in 2 years ago. These are networked and based on Win98. After implementation delays by the govt, they started shipping against the 37K units last year. They have shipped 20K so far, and remaining 17K will ship after July 1. Current Price is \$68 (minus special rebate of \$7 put into place well before the Consent Decree, rebate continues to end of current license which ends in June). As you know, after July 1 Win98 drops off the royalty license and Mimos will have to fulfill from DSP @ \$84.50.

Meanwhile, Phase 2 of the project for 60K units is approaching (Mimos has letter of intent) and it still requires Win98. Again this needs networking for schools and Win2K or XP Pro is viewed as too expensive for school project. Mimos is asking about the price and has indicated they would have to decline doing the new deal with the increased Win98 royalty (low margin deal).

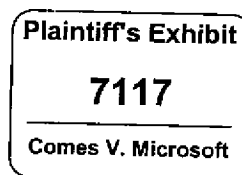
As indicated in the thread below, there is a push for open source in the govt. The Prime Minister has directed to look at Open Source as alternative in general and could potentially be implimented for school project. Rajiv feels that if Phase 2 had no change to Mimos for Win98 royalty the project could continue without a pause. But if Mimos declines because of price, it would throw the proposal back to the govt and open the door for changes. The irony here is that since this is a School project, we want to to lend a helping hand, but our Win98 eol policy is in the way

I have started other email threads on similar issue in countries where Win98 is the business OS of choice (primarily India). Our eol policy makes sense where the transition is from consumer OS to consumer OS, or Business OS to Business OS, but Win98 hits a strange cusp of being a low cost Business OS that needs to transition to a higher cost Business OS . in countries that are already under price pressure.

I propose we carve out a solution for Win98 (for business) in this schenario. I follow your business desk idea below, which is definately better than super-low OS royalty (or free), but my proposal is to just leave Win98 pricing alone. We can still get the \$68 in most cases.

-----Original Message-----

**From:** Orlando Ayala  
**Sent:** Monday, May 13, 2002 10:03 AM  
**To:** Richard Fade; Steve Ballmer; Bill Gates  
**Cc:** Michael Rawding; Jean-Philippe Courtois; Jim Allchin; Chris Jones (WINDOWS); Carl Sittig; Kurt Kolb; Bill Landefeld  
**Subject:** RE: Windows royalty for school projects



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Richard and I will discuss this tomorrow.. by the way it is also important to say that the OS is not only the problem.. we also have huge pressure in the Office front. this is the case in the middle East and South America (200k bid under way in Colombia) SEA and China.. Yes Bill Landefeld is working on a programmatic approach (resulting from a couple of deals we have been battling recently) and we will discuss soon. But as said it will not be simple starting with how you define poor vs non poor countries..and I am not sure that definition will prevent us to avoid very similar pressure in "non poor" countries which may use the Linux factor even harder after they learn what we have done in other places.. I also agree it will be very hard to exclude universities as there is where the huge Linux pressure comes from

let us work on this including the complication of OEM reporting, etc and see if we can get in place in the meantime we have told people not to lose even if we need to go with full donations in some cases..

-----Original Message-----

**From:** Richard Fade  
**Sent:** Monday, May 13, 2002 9:34 AM  
**To:** Steve Ballmer; Bill Gates  
**Cc:** Michael Rawding; Orlando Ayala; Jean-Philippe Courtois; Jim Allchin; Chris Jones (WINDOWS); Carl Sittig; Kurt Kolb  
**Subject:** RE: Windows royalty for school projects

There have been several situations we have been working in the past 3 months Schools and government bids – where the organization letting the bid would be happy using Windows but is asking for naked systems or Linux as a means to cut costs. It is very complicated rolling this back through the OEM reporting process as Steve's mail suggests.

I made a recommendation to Orlando about 2 months ago that we establish a "Business Desk" function to address these situations and fund it with marketing money we use to support the bids. We proposed the regional VPs must OK a bid being designated in this program. I understand Orlando is currently working on where this should be administered with Bill Landefeld

This is a very different approach in providing blanket amnesty or OS royalties for K – 12 – I believe universities will also be a challenge in this regard hence we were proposing a more tactical bid driven approach – the downside to my proposal is we (the local MS team) must be very proactive and work all major opportunities – rather than have a proactive approach as you suggest.

There is another non PC related device which we are tracking along with the Windows team – called the Simputer – which is a portable device envisioned to help illiterate farmers utilize technology in doing business.

We are working a set of tactics re Simputer now.

Any direction on this appreciated – I have an 1:1 with Orlando tomorrow we can follow up then

-----Original Message-----

**From:** Steve Ballmer  
**Sent:** Monday, May 13, 2002 8:38 AM  
**To:** Bill Gates  
**Cc:** Michael Rawding; Orlando Ayala; Jean-Philippe Courtois; Jim Allchin; Chris Jones (WINDOWS); Richard Fade  
**Subject:** RE: Windows royalty for school projects

As you highlight it is tough to do logistically but this is the first I paid attention to the issues Orlando and richardf should discuss

-----Original Message-----

**From:** Bill Gates

**Sent:** Sunday, May 12, 2002 10:36 PM

**To:** Steve Ballmer

**Cc:** Michael Rawding; Orlando Ayala; Jean-Philippe Courtois; Jim Allchin; Chris Jones  
(WINDOWS)

**Subject:** Windows royalty for school projects

When I was in New York Premji who owns most of Wipro came up to me and talked about how we were losing the school projects in India to Linux on the client. He said he didn't understand why we don't make Windows free on the client for school projects K-12 at least in poor countries. Likely it makes sense for all countries. He mentioned some specific state bids that we had lost. I talked to JeanPhillipe about doing this and thought if would become a worldwide thing. I didn't follow up on it though and from what Premji said this didn't happen. I absolutely think we need to do this. There are some options on how to do it - whether we still collect from OEMs or not and how we find out about these deals. I am not saying this is easy to figure out but if we are going to avoid just rotting away to Linux we need to find boundaries like this and do something. Who should be driving things like this in general? If you think this one makes sense then who should drive it? If there is pushback on this lets prioritize it for the next SLT since I want to understand that better if so.

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