

From scotto Thu Apr 4 09:59:39 1991
To: billg
Cc: garygi jeremybu mikehal mikemap richmac russw scotto
Subject: Licensing policies
Date: Thu Apr 04 13:43:31 PDT 1991

Levin
EXHIBIT # 15
10/25/01
Attorney Spangrud

Date: Thu Apr 4 09:57:08 1991

Will start working on a proposal...fast! Will have to assess what impact this is going to have. We have companies now that are standardizing on the MS platform without the penetration pricing. I personally don't think we need to offer an aggressive price concession as you have proposed...but we should get some additional feedback on this.

PLAINTIFF'S
EXHIBIT
661
Comes v. Microsoft

Will have Russw drive this.

>From billg Wed Apr 3 10:11:20 1991
To: scotto
Subject: Licensing policies
Cc: jeremybu mikehal mikemap
Date: Wed Apr 3 10:11:14 1991

- available via the channel
- simple
- confined to a relatively
dense site

I would love to announce in a month new licensing policies --

specifically a way to sell 100% penetration applications licenses thru the channel [I dont know if it should just be office or include other things - I dont know how the commitment to penetration should be made. Basicly the way I see it is that if you commit to 100% penetration for all the new PCs in a group in the company and so upgrade for all 386 machines in those groups then you get office for 33% less than if you buy if otherwise (and perhaps some other applications thrown in?). In the US this would let someone buy an MLP office which lists at \$600 for as little as \$250 -- perhaps the 33% should be the very high volume case -like thousands of units and it should be more like 10% for >500 and 20% for >1000. The contract would have to be simple - like "I agree to buy a penetration license for all PCs used in the x group in the y company and this will be more than n pcs per year."

Also support for concurrency like Wordperfect.

Look at the briefing mail sent to me for the Research board - concurrency is an issue at most of the accounts - for example Intel, Federal Express, John Hancock Hartford Insurance etc...

This would be part of "we listen we are nice guys"

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russw

Thu Apr 04 13:43:31 1991

Page: 1

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From scotto Thu Apr 4 10:07:09 1991
To: russw
Cc: garygi richmac scotto
Subject: Penetration pricing
Date: Thu Apr 04 13:43:23 PDT 1991

Date: Thu Apr 4 10:05:29 1991

Boy, Billg really wants to get aggressive. Some things that we need to find out real fast:

1. Feedback from the field in terms of impact of penetration pricing. What impact will this have on companies who have already standardized on our platform. Will we have to give them money back?

price protection

2. What is the impact on the channel? How do we cut them in on the action? I would be pretty opposed to doing this direct without some kind of involvement with the channel. I can hear Mort now...

channel

3. How does the P&L shake out? It is a share versus revenue issue. Rickde and Mikene can assist on the profit model for this.

4. What is the optimal price points if we in fact decide to do penetration pricing?

*price structure
- qty - dollar
- %*

5. What is the impact on International? Do we use the same scheme in every country? What is the impact on some of the worldwide deals we have already done?

*worldwide
mixing?*

6. Do we adopt this policy broadly or do we just use it whenever we need it. Do we have a pr and ad campaign? Do we quietly promote it?

visibility

7. Who qualifies? Small companies? Only big companies? Departments?

minimum budget

I am sure there are many more issues that need to be considered. Richmac and Gary...any other comments?

Billg wants to move on this FAST...so let's get on it asap.

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From mikemap Thu Apr 4 10:27:14 1991
To: scotto
Cc: billg garygi jeremybu lewisl mikehal richmac russw
Subject: Re: Licensing policies
Date: Thu Apr 04 13:43:09 PDT 1991

Date: Wed Apr 03 10:21:08 1991

This is great. We will want to participate. LewisL will coordinate apps. We have been looking at also and have some ideas.

There are a lot of things to think thru in a hurry.

products

What products are included? - which apps, windows, DOS, mail client etc.

What is the prices for various conditions:

- New machines
- Installed base
- Installed base that are SWAPPING from competitors
- Annual update/maintenance fee. (this would be the time to introduce this concept)

| ✓

The question of selling thru the channel is interesting. Some customers will want to know why we are paying the dealers to do nothing.

As a first cut I would suggest

- products now in office plus mail client plus windows,
- for each new machine purchase the cost would be \$ 375
- for each competitive upgrade the price would be \$ 275
- either WP or 123 or both
- an annual fee (after the first year) per installed machine
- 3 year contract \$ 150
- Minimum commitment = \$ 250,000 per year
- Contract would be by location or major division.

A Word, project, how?

This proposal is different than concurrent issue. We should do both concurrently (no pun). Our current contracts would be modified for those who do not want the penetration lisc. to allow concurrent use like WP.

>From scotto Thu Apr 4 09:57:18 1991
To: billg
Subject: Licensing policies
Cc: garygi jeremybu mikehal mikemap richmac russw scotto
Date: Thu Apr 4 09:57:08 1991

Will start working on a proposal...fast! Will have to assess what impact this is going to have. We have companies now that are standardizing on the MS platform without the penetration pricing. I personally don't think we need to offer an aggressive price concession as you have proposed...but we should get some additional feedback on this.

Will have Russw drive this.

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>From billg Wed Apr 3 10:11:20 1991

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Thu Apr 04 13:43:09 1991

Page: 1

MSPCA01488693

From scotto Thu Apr 4 10:45:25 1991
To: mikemap
Cc: billg garygi jeremybu lewisl mikehal richmac russw
Subject: Re: Licensing policies
Date: Thu Apr 04 13:43:04 PDT 1991

Date: Thu Apr 4 10:42:04 1991

LOTS of stuff to think thru ina hurry! I also sent
Russ a list of questions/issues that need to be thought
through. He'll start working stat. Great to have
Lewis' involvement.

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Thu Apr 04 13:43:04 1991

Page: 1

MSPCA01488694

From scotto Thu Apr 4 13:43:02 1991
To: charlotg
Cc: garygi jeremybu mikehal richmac russw
Subject: Penetration pricing
Date: Thu Apr 04 13:42:49 PDT 1991

Date: Thu Apr 4 11:41:37 1991

I have asked Russw to drive this. I have asked Russ to include you, Lewis, as well as people on his staff to really think through the issues.

He'll be in contact soon since we want to move on this post haste.

>From charlotg Thu Apr 4 11:35:21 1991
To: scotto
Cc: garygi jeremybu mikehal richmac
Subject: Penetration pricing
Date: Thu Apr 04 12:32:27 PDT 1991

I met with mikehal yesterday on several issues including multinational accounts and worldwide agreements. ONE of the issues we discussed was pricing for customers who will totally commit to our products only worldwide -- everyone agrees that these customers, if they can REALLY deliver on this commitment worldwide, should get a pretty aggressive discount.

Mike told me that you are currently owning penetration pricing ---can you tell me the status? I'd also like to share my thoughts on this (and would be willing to "own" the issue since it is near and dear to my heart) if you wish.

Please advise asap as I am trying to get out a policy statement on worldwide agreements which rich, jeremy, bernard, and chris agreed to several months ago and I'd like to include a statement about penetration pricing if possible.

THANKS
charlotte

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Thu Apr 04 13:42:49 1991

Page: 1

MSPCA01488695

From julieg Thu Apr 4 17:03:46 1991
To: russw
Cc: jnetter
Subject: briefing mail for Research Board
Date: Fri Apr 05 08:28:50 PDT 1991

Date: Thu Apr 04 16:59:28 PDT 1991

I think this must be the info BillG mentioned in his mail to you. Take a look at it and if you don't think this was it, let me know and I'll ask him specifically what he meant and then get the info to you.
thanks
julie

>From cindymc Mon Apr 1 10:43:24 1991
To: billg
Cc: cindymc edjohn julieg richmac
Subject: Research Board - Acct Info

Date: Mon Apr 1 12:41:26 1991

Below is a brief synopsis of account status for Central Region accounts attending the Research Board meeting in San Francisco.

NORTHERN TRUST: No urgent info to report. To date, activity has been very limited. The only ongoing activity is OS/2 WORD evaluation currently underway. (We provided a copy of the product, no other support added.)

KRAFT GENERAL FOODS: Ongoing relationship that is in the building process. Biggest news is that the current CEO of KFG was named the new CEO of Phillip Morris when the current CEO (Hamish Maxwell), retires later in the year. It has been rumored that the Phillip Morris corporate offices will relocate to Chicago once this occurs.

Due to the mixed environment of Macs & PCs at KFG, Mac connectivity on a Lan is extremely important. With this in mind, KFG will become a beta site for LM 2.1. However, the timing of the beta may jeopardize our opportunity as decisions are being made within a short time frame.

Mac & WinWord, Excel & PPT are on the standards list. Other than long term Lan connectivity (which will be available in 2.1), no other known issues exist at this time.

AMERICAN AIRLINES: They want a direct contract with us. We are meeting with them 4/9 to discuss. They will not roll out Win 3.0 until OCTOBER '91 on the InterAACT platform. They can't make InterAACT work properly in their environment.

JC PENNEY: Negotiations have begun to develop a Master Agreement as requested by J.C. Penney. MS Legal is developing new boilerplate for these agreements which legal says will be out for JC Penney by 4/30. JC Penney is also signing a commitment letter to standardize on Win 3.0 and Excel.

master agreement

EXXON: no pending issues.

DOW: Corporate briefing planned for 6/91. They are implementing Win and apps across most of corporation. MAC group also heavy with MS. Potential issue may be MAC connectivity. Overall, Dow InterAACT has been running smoothly.

CHIQUITA: Very little corporate activity here. We have met with them on a semi-regular basis over the past 18 months.

FEDERAL EXPRESS: Current "hot" topic that may come up regards concurrent licensing. They are very dismayed with our licensing and

concurrent usage

are considering moving away from our standards of Win Word and Excel to WordPerfect and Lotus in their networking areas, solely on the basis of our licensing policy. They have stated that they cost-justified the move to LANs on the basis of concurrency and we are at an extreme disadvantage with our competitors. They are very decentralized, with only a few depts. moving to LANs, and we cannot get a volume commitment (purchasing) from them to justify an "exception" at this point.

Jeff Raikes recently visited Federal Express (Feb) to present a mini-version of the SBT, which they could not attend in St. Louis. Very well received. Jeff is the Adopt-A-District Exec.

Recent MAJOR win for Lan Manager over Banyon and Lan Server! New corporate standard direction.

>From mikeap Mon Apr 1 08:17:45 1991
To: billg
Cc: julieg mikeap richmac
Subject: Research Board Information

Date: Mon Apr 1 11:10:40 1991

Here is information on accounts from the Eastern region attending the Research Board meeting:

CIGNA - is an IBM shop with approximately 12,000 PC's installed. They have just recently began implementing Windows as a supported platform. The hottest issue with this account is the future direction of Windows and OS/2. Some of the senior exec's are traveling to Redmond on the 18th and 19th of this month for an exec briefing. They recently signed an agreement with Consumer Software for Network Courier, and we are in the process of transitioning them to MS Mail Attending from Cigna will be Mike Natan, Senior Vice President - Cigna Systems. Mike is the #2 I/S executive within Cigna. He reports to Ray Carron, President - Cigna Systems. Ianw and Larrym met with Mike Natan in Philadelphia on 3/29. We'll be hosting Mike and his staff in Redmond on 4/18 and 4/19 for an executive briefing. Major Potential Issues are 1) MS relationship with IBM 2) Windows and OS/2 - Where are we going? Mike is currently driving the implementation of Windows within Cigna. 1,000+ units were procured during Q191. He wants to make sure this is the appropriate direction to take. 3) Microsoft's commitment to the insurance industry - are we committed for the long haul? 4) Cigna has standardized on CSI's Network Courier. They have a direct agreement with CSI to purchase 11,000+ units over the next 3 years. Will we honor it? Where are we going to take the product? What is our mail strategy? The net of it is that Cigna has been recently disappointed by IBM. As a result, they have approached us about developing a strategic partnership. They want to check us out and make sure we can provide the same level of commitment/service as IBM.

Concurrent usage

HARTFORD INS - The Hartford's installed base includes a mix of IBM, DEC, and Apple. They have approximately 8000 PC's. To date they have implemented Windows on a limited basis. The issues with this account can be summarized into three points; They want the ability to implement PC software based under a concurrent usage license agreement. They have the requirement to transfer information across their environments (IBM mainframes, DEC VAX's, IBM and Apple PC's). There is an internal political debate between proponents of solutions based on the IBM mainframe with Intel PC's, versus DEC VAX's with Apple Macintosh's.

Concurrent usage

JOHN HANCOCK - is primarily an IBM shop with an installed based of just over 5,000 PC's. They are implementing and supporting Windows. The main issues with this account are twofold; Hancock's management has, and continues to request the right to implement Microsoft software under a concurrent usage license agreement. The second issue deals with the Novell/IBM announcement. Prior to this announcement LAN Server was the strategic direction with regards to LAN operating systems. Today IBM is actively promoting Novell within Hancock, especially within the context of providing solutions to

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their smaller agencies. Diane Smigel is the Vice President attending the RB meeting, she sat at Bill's table at the SBT dinner in Boston.

CORNING INC. - Currently adopting both the GUI and Client Server Architecture. Being a big DEC shop, they have embraced client server through VAX and VMS due to their previous history. PCSA 3.0 has been set as the new client server platform for any new lans and this will give us Lan Man credibility for some OS/2 server implementations. Opportunities/Risks: We have demonstrated the benefits of Windows Office integration and it is being added with Windows 3.0 and a MS mouse for all new systems. SQL Server will supposedly run on PCSA ver. 4.1 which is targeted for late summer. This will open opportunity although Corning has a large investment in Oracle across the company. They believe SQL server is a better product but need to access mini based Oracle data from their pc database solution. "All-in-One" is important to Corning and Wordperfects ability to work with "All-in-One" is slowing the adoption of Word.

EQUITABLE - is strategically aligned with OS/2 and IBM. They have been worried as of late due to our decision to pursue a 32 bit Windows architecture over the further development of OS/2 2.0. Pen Windows and Go is another area of interest for them.

EXXON - In the New Jersey area our inability to support Exxon as one International company has raised concerns that we are currently working around. Overall they are committed to Lan Manager and are beginning a Windows Platform rollout. 3Com - Lan Manager transition issues are being addressed but are still viewed as a problem.

intentional misspelling

PRUDENTIAL - They have stated a strategic direction towards the Windows platform. Various groups have already standardized on the WinLine. Lan Manager and SQL Server are the recommended networking solution. To date they have installed 25 LAN's using either Lan Manager or Lan Server.

CITICORP CREDIT SERVICES (CCS) - CCS is a division of Citicorp providing credit and lending facilities to individuals and institutions. We have had limited interaction with their Harrison, NY location since many of their machines are older technology PC's and decisions are primarily left to end-users. Nonetheless, we have worked very closely with the many highly autonomous Citicorp divisions in NY and throughout the USA. A very important ally of ours is Colin Crook (CIO, reporting to John Reed, CEO) and a member of the CAC. Colin is very interested in "centralizing" technology decisions throughout Citicorp and has expressed a strong interest in working with MS to better position Lan Manager/SQL Server, PC/Mac Mail, and our Windows/Mac based applications through his staff and into the Citicorp business units. We are actively working with Colin's organization and numerous business units to achieve these goals.

MHT - Our largest win to date in MHT remains Art Block's Corporate Banking Division where more than 2,000 PC's run Windows/XL/WFW on a Novell network. Art Block remains committed to MS and is a member of the CAC. We are actively working throughout MHT in the Retail Banking, Real Estate, and Investment Banking Divisions to encourage them to adopt a LM/Windows based solution. In fact Ruben Collazo (CNSE) and bobv met with Carl Morales, SVP Retail Banking, to obtain his commitment to review our product offerings. He was very excited to talk with us and reaffirmed his position to strongly evaluate LM/Windows for MHT's Retail Banking Operations. Retail Banking is currently our largest opportunity in MHT.

MELLON BANK - represents a relatively new opportunity for MS. The account is currently evaluating LM 2.0 in its Pittsburgh location. PC Concepts is the Network Specialist on the account. The opportunity is for 15 to 20 servers. Mellon is interested in evaluating SQL Server as well. Also, Mellon evaluated LanServer and was dissatisfied with the product.

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| KRAFT GENERAL FOODS - Philip Morris Companies owns Philip
| Morris U.S.A. in Richmond, VA, a named account Philip Morris Companies
| also owns Kraft General Foods. Philip Morris USA has come around
| and we are deploying Windows workstations like crazy.
| We are also deploying Mac products and
| OS/2 products where appropriate. We have recently won a
| PC Mail evaluation over CC:Mail, and we have several active
| projects working on evaluating Lan Manager and SQL Server. Over
| all, very positive right now. Last year Philip Morris told us to
| go away with Windows as they were waiting for OS/2. Now Windows
| is the thrust, and gaining their confidence in OS/2 is the challenge.

| BLACK AND DECKER - we are not working with the
| corporate offices in Baltimore, but we are working with a
| subsidiary, Planning Research Corporation on some large
| MAC Mail installations. We have 1000+ installed today and
| we are working with them on Mac Mail 3.0 and PC Mail. Today they
| have an all AppleTalk network with many PC connected. They
| are putting AppleTalk cards in the PCs... all of them...
| This is challenging and a backwards effort... CC:Mail is
| tough on our heels for price, and functionality. They have a
| much more synergistic PC and Mac front end today with
| calendaring. We really do not have an executive alignment here
| as the organization is de-centralized and we have not spent
| many cycles.

| mikeap

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From rond Wed Apr 10 09:39:41 PDT 1991
To: charlotg davidbr lewisl mikene reedk rickde russw
Subject: RE: Today's meeting---let's get concurrent!
Date: Wed Apr 10 14:54:35 PDT 1991

Date: Wed Apr 10 09:36:29 PDT 1991

We should add to the appropriate topic - something on the "selling channel" - i.e. are we looking at developing a penetration program that is delivered ONLY thru our sales force, or sales force + resellers, or thru RichMac direct "deals" only, via particular Sub personnel, etc.

>From charlotg Tue Apr 9 22:22:48 1991
To: davidbr lewisl mikene reedk rickde rond russw
Cc: garygi jeremybu
Subject: Today's meeting---let's get concurrent!

Date: Tue Apr 9 22:20:08 1991

OK..here is what i have from today's meeting:

Goals of Penetration Pricing program:

- 1) Gain high penetration in large accts (both installed base and new machines)
- 2) Target accts with size and # of node consideration
- 3) Reward and encourage large scale commitment to MS products
- 4) Pre-empt the competition
- 5) Gain strategic acct leadership [what does this mean/?]
- 6) Profitability
- 7) Customer satisfaction
- 7) Keep it a simple program

Key Decisions We'll have to Make (Lewis' model!)

I. Price Structure

- minimums: units, %, \$
- volume breaks: yes or no? post or pre? amounts?
- Physical site limit?
- Worldwide?
- Price protection?
- counting mechanism?
- SWAP?
- New machine pricing
- transfer price for int'l

II. Non-Price Issues

- Service component to large accts
- Maintenance agreements
- Form factor (CD-ROM, etc.)

III. Channel

- How involved?
- How compensated?

IV. Legal Considerations

- Price discrimination?
- Tieing
- Forcing penetration?
- Advertising

V. Licensing

- Library checkout vs. network
- Downloading
- metering
- laptops/home

VI. Marketing

- how promoted?
- How visible?

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lewisl

Wed Apr 10 14:54:35 1991

Page: 1

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- Segments?
- Competition

VII. Products

- which ones
- COGS
- P&L

ACTION ITEMS FOR NEXT MEETING

Ron: Lotus and Wordperfect updates on license
Lewis: SPA license position and review
Charlotte: Lotus & Wordperfect licenses for int'l
also: major existing penetration agreement summary
Rickde: existing agreement summary for U.S.
Russ: schedule next meeting and get legal representative
on committee (davidcu)

Pass this mail on to whoever needs to see it!
charlotte

MS-PCA 1488701

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Page: 2

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lewis1

Wed Apr 10 14:54:35 1991

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