

Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

Tel 206 882 8080
Telex 160520
Fax 206 883 8101



File

Microsoft Memo

Date: July 15, 1991

To: RGMs, DMs, CAMs, NAMs,

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From: Corporate Accounts Marketing

Subject: Extended License for Microsoft Applications Program (XLA)

CC: Mike Hallman, Scott Oki, Rich Macintosh, David Jaworski, Lewis Levin, Gary Gigot, Mike Negrin, Kevin Harrang, Bill Pope, Russ Werner, Ron Davis, Charlotte Guyman, Doug Levin, Tim Fisher, Sharon Decker, Rick Kerbs, CAMktg, Mike Rhamy, Shawna Stanley, Jay Henningsen, John Schiemer, Martha Coppola, Diane Johnson, Rick Devenuti, Lloyd Wilhelms, Michael Merker, Susan Jenkins, Craig Fiebig, David Brooks David Curtis, Tracy Neighbors

Attached you will find an information packet on the Extended License for Microsoft Applications Program (XLA). The following documents are included in this packet:

- 1) Program Overview
- 2) One page selling sheet
- 3) Q & A
- 4) Cost analysis and selling scenarios
- 5) CAX presentation for your large account customers

We have targeted completion of the following materials for the end of July, however beta drafts are attached. These documents are provided to you as information only and should not be copied or distributed to your accounts.

- 1) Extended License for Microsoft Applications Agreement and Certificate
- 2) Terms and Conditions
- 3) Quarterly Verification Reporting form

Also please keep in mind that the program is still being refined. The attached documents are being provided to you so that you are aware of the program and your reps can start now to present the concept to their accounts that are applicable. We are working diligently at Corporate to roll out the contract materials to you very soon.

The following materials can be found as files on \\SMARTPAGES\USERS in the \PROG\COACCTS\PROGRAMS\XLA folder.

Document Type	Use for	File name
Extended License for Microsoft Applications Program summary document	Internal field memo explaining XLA program	XLAPRGM.DOC
CAX XLA PowerPoint presentation	Presentation to explain program to large account customers	XLAPREZ.PPT
XLA Q & A	Questions and Answers	XLAQ&A.DOC
1 page selling sheet	Selling benefits on XLA	XLASELL.DOC
XLA Selling Scenarios/Cost Analysis	XLA Selling Scenarios/Cost Analysis	XLASITU.DOC

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For program clarification or questions email the "XLA" alias.

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Extended License for Microsoft Applications Program (XLA)

I. Program Overview

Starting immediately, you will have the opportunity to present to your Microsoft Corporate Accounts The Extended License for Microsoft Applications Program (XLA). XLA was created to enable large corporate accounts with 500 or more Windows-capable and Macintosh PCs to easily acquire Microsoft Word, Excel and/or Office on a per system basis. The program allows the corporate account to purchase in any appropriate form (packaged product, SWAP, MLP etc...) from the channel the applicable Microsoft Applications to equal the XLA Program predefined ratio of 60%. Once reaching the 60% ratio, Microsoft will grant the corporate account the balance of 40% extended licenses to equal 100% standardization. XLA is designed as a discretionary pricing *tool* for corporate accounts actively considering standardization and compliments the Share Drive Program.

II. Objectives

The objectives of the XLA program are:

1. Provide a substantial incentive for corporate accounts who are actively considering standardization on Microsoft Excel, Word and/or Office.
2. Make it easy for corporate accounts to become *legal* on Microsoft Windows Applications.
3. Make Microsoft Office *wildly* attractive to most corporate accounts.
4. Move active evaluations of Microsoft Windows Applications closer to a purchase decision *before* our major competitors ship their Windows Applications.
5. Encourage more accounts to think of software purchasing as license cost per workstation.
6. Reach uncaptured market share profitably by securing incremental and future business through standard channel distribution.

III. Program Definitions

Qualified CPU: A microcomputer owned, leased, rented or otherwise controlled by the company that is Windows-capable (excludes 808X and 286 systems with less than 10 MHz) and Macintosh (minimum 1MB) PC.

Site(s): Sites can include a legal entity, location or address, and department, division or other distinct organizational subpart that separately or combined have a minimum of 500 Qualified CPUs. The Sites are limited to a single country, and the site must count all Qualified CPUs as defined above. (The definition of Site for XLA is NOT the same site definition as the MS-DOS 5 100% program). Please refer to the attached Terms and Conditions document for further clarification.

Microsoft Applications: Microsoft Excel, Word and Office for Windows Macintosh and/or OS/2 (packaged product, MLP, SWAP or Competitive Upgrade Offer apply).

VI. Program Administration/Materials

The XLA program encompasses only four materials for easy administration, both for you and your customer.

Terms and Conditions: A detailed description of all terms and conditions applicable.

Extended License for Microsoft Applications Agreement: A one page, three part agreement (similar to the MS-DOS 5 100% Program) which is to be completed after the customer has reached the 60% ratio. Information must be filled out by the customer including identification of sites, number of Qualified PCs and licensed Microsoft Applications the customer owns (equal or greater than 60%).

Extended License for Microsoft Applications Certificate: One page Certificate which grants the customer the number of extended licenses.

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

VII. XLA Program Key Terms

- * Windows-capable PCs AND Macintoshes can be combined to reach the 500 CPU minimum. The customer must count 100% of Qualified CPUs at the designated Site(s).
- * Installed CPUs are defined as CPUs in the customers inventory at the time the agreement is signed. CPUs on order can not be counted.
- * Licensed units of Excel and Word can be counted towards the ratio required for Office.
- * The Program does not cover Project, PowerPoint, Mail, Programming Languages or Systems products including: DOS 5.0 Upgrade, Windows, LAN Manager and Server based applications. Promotional bundles also do not apply.
- * Updates are not included under the XLA program.
- * Transfer of Licenses: The extended licenses can be transferred to any part of the company which is covered under the XLA Agreement. They can not however be resold *under any circumstances*, even after the customer has terminated the program.
- * Concurrent Usage: All rights apply under this program as stated in the Microsoft standard license.
- * The term of the agreement is 1 year from the date of signature by Microsoft. The account must commit to maintaining the 60% ratio, purchased/total systems identified, through the life of the agreement. (Microsoft reserves the right to notify the account of any changes in the terms at end of the first year with 90 days notice.) Under the XLA agreement extended licenses vest at 25% per quarter, therefore if the account maintains the 60% ratio on all reported CPUs through the term of the agreement they will be 100% vested on all extended licenses. If not, the unvested portion is cancelled. (This is further explained in the attached Questions and Answers.
- * Documentation for extended licenses can be purchased from Microsoft.
- * The same Product Support services apply to extended licenses as with standard packaged product.
- * As with all other software sales to end users, licenses are between Microsoft and the customer.

Microsoft

EXTENDED LICENSE AGREEMENT PROGRAM

CORPORATE ACCOUNTS SALES GUIDE

Program Purpose:

The purpose of the Extended License Agreement ("XLA") program is to empower the Microsoft sales force with a tool to help bring about corporate customer standardizations on Microsoft Excel, Word and Office. The XLA is a permanent tool which was designed at this time to augment Microsoft's Share Drive efforts. The XLA represents a sales opportunity because a corporate account will purchase additional software in order to qualify. From a corporate account's point of view, Microsoft is effectively discounting the remaining 40% of the software acquired by not charging for the issuance of additional licenses.

Components:

	Corporate Account :	Microsoft:
Participation in the XLA program	Maintaining 60% of the combined Windows-ready and Macintosh CPUs running Microsoft Excel, Word or Office	Grants free licenses of Microsoft Excel, Word and Office (based on customer preference) to the "purchasing site" up to 40% of the CPUs
Obligations	Four quarterly reports to MS	Grant additional licenses as account maintains 60% level
Restrictions	Domestic Use Only & Upgrades Not Included	New CPUs.
Term	One Year	
Administration	Four quarterly reports to MS	XLA Inside Sales Administrator

Process:

Step One: Microsoft CAX introduces the concept of the XLA program during a sales call and presents the *Microsoft Extended License Program Terms and Conditions* and *XLA Agreement*.

Step Two: Corporate account does an inventory of MS software and determines that 60% of the systems at company site run MS Excel and Word. Company signs the *Microsoft Extended License Program Terms and Conditions* and fills out the *XLA Agreement*. Microsoft CAX or customer returns form to Microsoft XLA Inside Sales Administrator.

Step Three: XLA Administrator sends the customer their copy of the signed agreement and a *Microsoft XLA License Certificate* -- which grants of licenses up to 40% of the CPUs at the customer's site.

Step Four: The customer fills out the *XLA Verification and Order Form* on a quarterly basis.

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XLA--QUESTION AND ANSWER

Most questions you will have regarding the logistics and requirements of the XLA program are outlined in the XLA Program Overview document. However outlined here are additional questions which you may find helpful.

Who is this program appropriate for?

This program is intended to assist large corporate accounts that are in the decision making process to standardize on a wordprocessor and/or spreadsheet. These are larger customers who have 500 or more Windows-capable and/or Macintosh CPUs.

What are the advantages of this program?

This program offers several benefits to customers who are ready to start implementing large-scale PC--based solutions.

- (1) XLA enables accounts to continue acquiring software in a "business-as-usual" manner which allows for continuity with established reseller vendors and buying procedures.
- (2) XLA enables accounts to immediately begin implementing a "per workstation" program in a way that provides for consistency and predictability. What this means is that the account can assess the base costs of acquiring the software required to meet the pre-defined ratio (60%) for Word, Excel and/or Office, and also calculate the "per workstation" cost if they were to enable every employee with access to the appropriate hardware to use the standard productivity tools. This allows the company to separate the economic decisions regarding the entire user population from the desire to have all users being productive.
- (3) XLA provides the advantage of enabling EVERY user to have their own copy of Microsoft Excel, Word and/or Office ON THEIR MACHINE. This provides the best performance, control and reliability for the user versus concurrent use which typically requires the application to be run off a server. Performance of an application off the server can be affected by the number of users on the network.

Is this a site license?

There are many definitions of a "site license". Most commonly site licenses refer to a fixed fee paid to the supplier with unlimited rights for usage at a site thereafter. This program is NOT a site license in that sense. There is no concept of an unlimited right to copy/use Microsoft software in this program. Microsoft is granting rights to a SPECIFIC NUMBER of licenses that the account is then entitled to use at the specified site(s). When new machines are acquired or leased, and the account continues to meet the terms of acquiring software to the pre-defined ratio (60%), they will be granted additional new licenses. Under XLA at any point in time all systems at a site will be either paid for or licensed by Microsoft. This achieves the accounts goal of all systems at a site being licensed and in that sense this programs shares the goals of a site license. However, the tactics are different.

Why not provide a site license as described above?

Microsoft distributes its products via the reseller channel and has a commitment to that channel. Site licenses are not economically feasible to work through the reseller channel. The XLA program provides the benefits of a site license while not excluding the reseller.

Under the terms and conditions of the XLA agreement, is there a penalty to the corporate account if they do not maintain the 60% ratio through the life of the agreement?

Yes. The account must commit to maintaining the 60% ratio, purchased/total systems identified, through the life of the agreement, which can be a 1 or 2 year agreement. Each time an account rolls-over the agreement, they are agreeing to maintain a 60% purchased/total systems ratio. Extended licences (up to 40%) vest at 25% per quarter, therefore if the account maintains the 60% ratio on all reported CPUs through the term of the agreement they will be 100% vested on all extended licences. If not, the unvested portion is cancelled. (Microsoft reserves the right to notify the account of any changes in the terms at end of the first year with 90 days notice.)

What about the other costs of moving to standardization that a corporate account is concerned about?

Depending on the account and their specific concern i.e. local support, training, you should evaluate the customers concern and leverage other programs Microsoft offers that specifically target that concern. Corporate Accounts Marketing or the applicable group responsible for a program can help propose the best use of these programs and services to make your accounts move to standardization.

Does the XLA Program provide for a corporate account who changes its organizational structure on a frequent basis, whether it be merging internal divisions or selling/acquiring other company's?

XLA is very flexible in terms of adding new systems to the master contract. All that is required is that the account identify the changes, count 100% of all Qualified CPUs at the new sites, and reach or maintain the 60% ratio identified by the purchasing entity as being in the program. Once it has been established that the 60% ratio has been met or retained, Microsoft will grant the additional licenses for the balance of the systems.

How does the XLA program work for international subsidiaries of U.S. Companies?

Site(s) are defined within a given country, therefore no business will be done across borders. If your customer has a special overwhelming need, please contact Craig Fiebig (craigfi) in Microsofts International Marketing Group (Redmond).

Does the account have to install the Microsoft Application on every machine at every site?

NO, under the XLA program they are not required to install the product. In the case of the granted licenses, Microsoft is granting the account the licenses to use as they best see fit given their individual situations. It is certainly our hope that all users will elect to use our products if given the opportunity, but that is at the discretion of the user. (From the MIS manager's point of view though 100% standardization means they would no longer need to track every user since licenses would be available for all systems under the XLA program.)

What if an account has difficulty accepting or accounting for free licences?

Determining the internal accounting for purchased versus granted or "free" licenses will vary from account to account, depending on the company's accounting policies and methodologies or historical approaches. Many companies will simply treat software purchases as they would any office supplies under a certain dollar amount, and a department is allocated back these costs in some standard way. This approach is one recommendation which would provide an easy methodology for allocating all units.

What is the most efficient way for an account to standardize on Office under the XLA program?

Given the customer already has an existing installed base for Word and/or Excel, the customer should apply those units purchased towards Office. Also keep in mind that if the customer commits to standardize on Office, once they have reached the 60% ratio on BOTH Excel and Word, they will be granted licences not only for Office, but also for the balance of PowerPoint and Mail to reach 100% standardization. (Attached our examples which specifically address this PowerPoint).

What if an account wants to use the XLA Program for only their Macintosh's at a site, but that site also includes Windows-capable machines as defined in the XLA program?

Under XLA the customer is required to count 100% of all Windows-capable and Macintosh machines at the site(s) they have defined. Therefore under the program they must combine all applicable machines, and would need to reach the 60% ratio on the total of machines to qualify for any extended licences. (It is to the customer's advantage to pool their machines in order to reach the CPU minimum of 500 units.)

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XLA SELLING SCENARIOS AND COST ANALYSIS

This document addresses specific issues and provides detailed examples for applying Extended License Agreement in your accounts:

- what do the XLA terms and conditions mean in terms of what accounts can and should buy?
- what is the impact of concurrent usage on XLA?
- what is the effective cost to an account of our product under XLA?

Each of the purchase examples below uses the same basic price data:

	Extended License Target Percentages					
	Target	SRP	Pkg prod. Best quote	MLP	MLP Best quote	Swap
Excel	60.0%	495	329	395	280	129
Word	60.0%	495	329	395	280	129
Office	60.0%	750	459	600	420	#N/A

In actual applications the account will obtain its own best quotes for packaged product and MLP from its choice of resellers.

Note that XLA licenses are not free licenses to us or to the account as a whole, even if some lucky department thinks of itself as receiving free licenses. All of the licenses acquired under the program cost 60% of the normal cost of a license. The 60% target is a significant purchase requirement for the account.

1. Purchasing Office with an installed base of Word and Excel.

- a. An account may count Excel and Word already purchased toward the 60% target for Office. Each pair of Word and Excel counts as one Office.
- b. If the account hits the 60% target for Office by counting Word and Excel towards the goal, the account still earns Office licenses for 100% of the machines, including Mail and PowerPoint. This is by design: it makes Office the most attractive part of the program. It means the account will likely find it attractive to buy Office for future machines.
- c. If an account has more of Word or Excel installed than the other, then the obvious strategy is to buy the app it has less of to match the other--and buy Office to get to the 60% target.

Here are two example calculations with costs:

Purchasing Office with equal installed base of Word and Excel

Installed base information

CPUs:	1000	
Competitive SS base:	0	
Competitive WP base:	0	Current %
Excel Base:	200	20.0%
Word Base:	200	20.0%
Office Base:	0	20.0%

Product purchase data

Excel:	
Word:	
Office:	Y

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Office--units	200	200	400	
cost	\$91,800	\$91,800	\$153.00	\$153.00
Total licenses	400	400	400	
Total Purchase cost	\$157,600	\$157,600	\$262.67	\$355.00

Final Position

	Base	Additional Purchases			Total
		Swap	Full	MLP	
Excel	200		200		
Word	400				
Office			200		400
					1,000

Why is the total cost per cpu higher for this case than the preceding case? Because in this case the account has purchased more units of individual product (or you could say they started buying Office later in the game). It was still cheaper for this account to buy 200 Excel and then buy 200 Offices than to buy 400 Offices.

2. Purchasing competitive upgrades to meet the target.

- An account may purchase competitive upgrades, up to the number of competing products it has, to move towards the target. If the account does not reach the target with competitive upgrades then it must buy full packaged product or MLP to reach the target.
- An account may purchase competitive upgrades of both Excel and Word, up to the number of competing products it has, to move towards the target for Office. The account could buy any number of competitive upgrades in any case. When the account runs out of qualifying competitive products, Office becomes the most cost effective way to purchase licenses.
- Using competitive swap to satisfy part of the purchase target makes the effective cost per system very low. You should use this as your technique to sell in lots of competitive upgrades during a time period when Lotus and WordPerfect will be aggressively pushing upgrades.

Purchasing Excel with competitive upgrades

Installed base information

CPU's:	1000	
Competitive SS base:	300	
Competitive WP base:	0	Current %
Excel Base:	0	0.0%
Word Base:	0	0.0%
Office Base:	0	0.0%

Product purchase data

Excel:	Y
Word:	
Office:	
Desired MLP %:	0%

Additional purchases required and effective cost:

	SWAP	Full	MLP	Total	XLA Licenses	Purchase cost/cpu	Inst. Base cost/cpu
Excel--units	300	300		600	400		
cost	\$38,700	\$98,700		\$137,400		\$137.40	\$137.40
Word--units							
cost							

- b. The account may count both our Macintosh and Windows applications to move towards the target. It is possible that an account with a very high percentage of our Macintosh applications at a mixed site could be granted licenses for a portion of its Windows capable machines.
- c. The granted licenses are specific to a given version of our product. A granted license can't be moved back and forth between environments. However, an account may request a specific mix of granted licenses. The number of granted licenses can't exceed the number of actual machines installed (either Mac or Windows). This is the principle that we don't grant licenses for machines that don't exist.

Combining Macs and PCs to buy Office for Windows

Installed base information

CPU's:	1000	500 Macs and 500 PCs
Competitive SS base:	0	
Competitive WP base:	0	Current %
Excel Base:	450	45.0% Assume this is all Mac software
Word Base:	450	45.0% Assume this is all Mac software
Office Base:	0	45.0%

Product purchase data

Excel:	
Word:	
Office:	Y
Desired MLP %:	0%

Additional purchases required and effective cost:

	SWAP	Full	MLP	Total	XLA Licenses	Purchase cost/cpu	Inst. Base cost/cpu
Excel--units cost							\$259.00
Word--units cost							\$259.00
Office--units cost		150		150	400		
		\$68,850		\$68,850		\$125.18	\$125.18
Total Licenses		150		150	400		
Total Purchase cost		\$68,850		\$68,850		\$125.18	\$301.95

Final Position

	Base	Additional Purchases			XLA	Total
		Swap	Full	MLP		
Excel	450					
Word	450					
Office			150		400	1,000

Note: "Best quote" price for Mac Excel and Mac Word was assumed to be \$259 in this example.

4. Concurrent Usage and XLA.

- a. We do not restrict an account from applying the concurrent usage provision of our license while they are participating in the XLA program. Purchased licenses and XLA licenses are identical in terms of concurrent usage. Why is this not a huge problem?

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Desired MLP %:

Additional purchases
required and effective
cost:

	SWAP	Full	MLP	Total	XLA Licenses	Purchase cost/cpu	Inst. Base cost/cpu
Excel--units cost							\$280.00
Word--units cost							\$280.00
Office--units cost			400	400	400	\$210.00	\$210.00
			\$168,000	\$168,000			
Total licenses			400	400	400		
Total Purchase cost			\$168,000	\$168,000		\$210.00	\$280.00

Final Position

	Base	Swap	Additional Purchases		XLA	Total
			Full	MLP		
Excel	200					
Word	200					
Office				400	400	1,000

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**MICROSOFT EXTENDED LICENSE AGREEMENT
FOR MICROSOFT APPLICATIONS**

**Extended License for
Microsoft Applications Agreement**

The benefits to you:

- o Standardization of your wordprocessor and/or spreadsheet
- o Substantial cost savings
- o Increased productivity, control and tracking
- o Decreased training and support over time
- o Limits your liability

Who is the Program For?

Large Account Customers with:

- o 500 or more PCs
- o A desire to move to 100% standardization on Microsoft Excel, Word and/or Office.
- o An interest in cost savings
- o A need to reduce support, training, and administration of tracking software.
- o A goal to increase productivity

HOW IT WORKS

THREE EASY STEPS--

- o YOU COUNTS 100% OF ALL QUALIFIED WINDOWS-CAPABLE AND MACINTOSH CPUs AT YOUR DESIGNATED SITE(S).
- o YOU PURCHASE MICROSOFT EXCEL, WORD OR OFFICE APPLICATIONS FROM YOUR RESELLER UP TO A PREDEFINED RATIO OF 40%.
- o MICROSOFT WILL GRANT YOU THE BALANCE OF 40% EXTENDED LICENSES.

PROGRAM DEFINITIONS

Site(s):

A single Site or any number of Sites designated by you in the agreement. This can include a legal entity, physical location or address, and division, department or distinct subpart of your company. All Qualified CPUs at such Site or Sites shall constitute the Purchasing Site.

Qualified PC:

Any Microcomputer owned, leased, rented or controlled by your company that is Windows-capable (excludes 808X and 286 systems with less than 10 MHz) AND Macintosh (1MB minimum). Windows and Macintosh CPUs can be pooled to reach the 500 minimum.

*Note: A Purchasing Site is limited to a single country and must have at least 500 Qualified CPUs to qualify for the program.

PROGRAM DEFINITIONS

Microsoft Applications:

Microsoft Excel, Word, and Office for Windows, OS/2 and/or Macintosh. (Standard Packaged Product, SWAP, MLP or Competitive Upgrade apply)

Extended Licenses:

Licenses granted by Microsoft to you once you reach and/or maintain the predefined ratio of 40%. You will receive once certificate indicating the number of licenses granted each quarter (up to 40%). Licenses "vest" 25% per quarter.

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MICROSOFT EXTENDED LICENSE PROGRAM
TERMS AND CONDITIONS

DISCUSSION DRAFT
NOT FOR DISTRIBUTION

1. Purpose.

The purpose of the Extended License Agreement ("XLA") Program is to offer to COMPANY broad and cost-effective license rights to Microsoft Corporation's ("MS") most popular applications software products. Under the XLA Program, COMPANY may qualify for additional license rights for selected MS software products for up to 40% of COMPANY's computers, at no additional charge.

2. Products.

The products included in this Agreement are Excel for Windows, Excel for the Macintosh and Excel for OS/2 ("Excel"), Word for Windows, Word for the Macintosh, and Word for OS/2 ("Word"), and The Microsoft Office for Windows and the Microsoft Office for the Macintosh ("Office"). (Office is a single product containing Excel, Word, PowerPoint, and a Mail product.)

3. Defining the Site.

a. Site. COMPANY must properly define the "Site" for which it desires to receive the XLA Licenses. To qualify, the Site must have a minimum of 500 "Computers" (as that term is defined in Section 4 below). Further, in defining the boundaries of the Site, COMPANY shall select from among the following options:

(i) Legal Entity. COMPANY may define the Site as an entire legal entity, e.g., "the entire corporation 'XYZ Corp.'" COMPANY may aggregate multiple legal entities, e.g., "the entire corporation 'XYZ Corp.'", and its two wholly-owned subsidiaries 'AB Corp.' and 'CD Corp.'" COMPANY may not select less than an entire legal entity as a Site, except pursuant to section (iii) below.

(ii) Location or Address. COMPANY may define the Site as an entire location or address provided that such location or address is capable of being distinctly described. For example, COMPANY may define its Site as "the entire corporate headquarters of XYZ Corp. located at 123 Main Street...." COMPANY may aggregate multiple locations or addresses, e.g., "the entire main office located at 123 Main Street, and the entire physical plant located at 45 Elm Street". COMPANY may not select less than an entire location or address, except pursuant to section (iii) below.

(iii) Department, Division, or Other Distinct Organizational Subpart. If COMPANY is unable to define its Site by (i) and/or (ii) above, then COMPANY may define its Site as an entire division, department, or other distinct subpart of its organization, subject to approval by MS. For example, COMPANY may define its Site as "the entire accounting department within XYZ Corp.", or "the entire sales division within XYZ Corp.". If COMPANY desires to select less than an entire division, department, or other subpart, COMPANY must define the boundaries of its Site in such a way to accurately document it for purposes of any future audit, e.g., "the entire Sales Division of XYZ Corp., not including the Eastern Regional office in New York which separately purchases its own software and hardware".

b. MS' Approval. MS shall accept any Site defined according to (i) and/or (ii) above, but MS reserves the right to review all Site definitions made pursuant to section (iii) above.

4. Definition of a "Computer".

The term "Computers" shall mean all IBM-compatible PCs capable of running Microsoft Windows graphical environment (i.e., containing a 10 MHz 80286 based processor or higher) (hereafter, "PCs"), and all Apple Macintosh computers (with 1 MB of RAM or greater) (hereafter, "Macintoshes"). The term "Computers"

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COMPANY executes its initial Verification and Reporting Form. COMPANY shall qualify for additional XLA License Certificates by verifying that (i) COMPANY has acquired additional Computers at its Site, and (ii) COMPANY has licensed the Selected Software on the Qualifying Threshold of sixty percent (60%) of such newly acquired Computers; provided, however, that in determining the 60% Qualifying Threshold on such newly acquired Computers, COMPANY may not include any XLA Licenses (i.e., COMPANY may only include license acquired from packaged Products or MS License Pak Products).

7. Reporting Obligations.

During the one-year term of this Agreement, COMPANY shall make four (4) quarterly reports to MS in the form supplied as Schedule _____. COMPANY shall deliver to MS one such quarterly report within thirty (30) days after the end of each calendar quarter following the date of COMPANY's signature on its first Verification and Order Form. MS has provided COMPANY with an electronic copy of the reporting form as an Excel spreadsheet, and COMPANY may deliver its reports in such electronic form on floppy disk.

8. Restrictions.

a. XLA License Certificate. The license rights granted by the Certificate are as set out on the sample copy enclosed with this packet of XLA materials. Like all MS license cards, the Certificate should be treated as valuable property, and must be retained as COMPANY's proof of license.

b. Use Restrictions. During the term of the XLA Program, The Products which are licensed pursuant to the XLA Licenses may only be used within the Site (i.e., may not be installed on or otherwise accessed by computers outside the Site).

c. Domestic Use Only. The XLA Program is for domestic U.S.A. version Products only. COMPANY's Site definition may not include any Computer located outside the geographic boundaries of the United States.

d. Upgrades Not Included. The XLA Program does not include upgrades or updates to the Products. The XLA License Certificates will apply to the latest Product version for which COMPANY has a properly licensed copy.

e. Eligibility. This offer may not be combined with any other promotion, offer, or other special licensing arrangement offered by MS. This offer is valid until December 31, 1991, and COMPANY must execute and return its Verification and Order Form by that date to accept this offer.

9. Term.

The term of the XLA Program offered to COMPANY is for a period of one (1) year from the date of COMPANY's execution of the first Verification and Order Form. This offer is not terminable except for breach of its terms by COMPANY, in which event MS shall so notify COMPANY in writing. Any expiration or termination of this offer will not terminate any licenses granted by MS to COMPANY prior to such expiration or termination, including XLA Licenses, which by their terms are perpetual.

10. General.

a. End User License Agreement. Except as otherwise stated in this document, the Verification and Order Form, or the XLA License Certificate, COMPANY's use of the Products shall at all time be governed by the terms of the applicable MS end user license agreement, and this such license(s) is deemed incorporated herein.

b. Entire Agreement, No Modifications. This document, the Verification and Order Form, the XLA License Agreement, and the applicable end user license agreements constitute the entire agreement between MS

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**DISCUSSION DRAFT
NOT FOR DISTRIBUTION**

Certificate Serial Number: _____
Date of Issue: _____

MICROSOFT EXTENDED LICENSE AGREEMENT ("XLA") CERTIFICATE

Product Name and Version Number: _____
Number of Copies Authorized by this Certificate: _____

COMPANY: _____

This copy of the original XLA License Certificate is COMPANY'S proof of license.
Please treat it as valuable property.

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XLA VERIFICATION AND ORDER FORM

COMPANY shall use this XLA Verification and Order Form to order its XLA License Certificate(s) from Microsoft Corporation.

1. XLA Program

The Microsoft Extended License Agreement ("XLA") program is offered to COMPANY subject to the rules set out in the document "MICROSOFT EXTENDED LICENSE PROGRAM TERMS AND CONDITIONS". By signing and returning this Form, COMPANY agrees to such Terms and Conditions. COMPANY shall complete this Form according to the Terms and Conditions.

2. COMPANY's Site

COMPANY's "Site" to which this Form applies is as described below.

Instruction: COMPANY must define its Site in accordance with Section 3 of the Terms and Conditions, as (i) a legal entity, (ii) a location or address, or (iii) a department, division, or other distinct organizational subpart.

Site Definition:

3. COMPANY's Computers

COMPANY's Computers at its Site shall consist of (*indicate number of each and total*):

Number:
_____ All IBM-compatible PCs
_____ All Apple Macintoshes
TOTAL: _____

Note: See Section 4 of the Terms and Conditions for a more detailed definition of a "Computer".

4. Selected Software

COMPANY elects the following as its Selected Software (*indicate one*):

___ Microsoft Excel for Windows / for the Macintosh / for OS/2
___ Microsoft Word for Windows / for the Macintosh / for OS/2
___ The Microsoft Office for Windows

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