

management and apps strategy - all of this was forwarded to OEM sales.

When pressed, OEM sales indicates that Billg wanted to go in aggressive and get the business. I am not happy about the deal being made over EBU objections (it is our product afterall), but more importantly the precedent this sets for default "meet comp" pricing.

We never secured a written "meet comp" request or any verification of the Spinnaker pricing, which I requested.

We will hear today if Zenith accepts this counter offer.

John

From joachimk Mon Jan 27 14:48:36 1992  
To: billg  
Cc: mikemap  
Subject: FW: AST and Desktop IV  
Date: Mon Jan 27 15:25:18 PDT 1992  
Mail-Flags: 0000

Looks like we are on the ball-this time.

>From markche Mon Jan 27 13:09:11 1992  
To: jeffl joachimk  
Subject: AST and Desktop IV

Date: Mon Jan 27 14:07:07 PDT 1992

We had a conference call with AST and MS Fed Systems Group today, we came up with a proposal that seems to address their primary concern in bidding MS apps.

AST is convinced that they need to bid non-Windows systems for the low end (so that they can bid lower cost hardware). They are willing to bid Windows and MS Windows apps exclusively on the mid-range and high end systems if they can get the "option 3" (most aggressive) pricing from MS. MS Fed Systems (samjad) agreed that they could do this, so as long as AST bids MS apps on all Windows systems, they qualify for our best pricing.

There were a couple of other minor issues, none of which seem all that tough. I will be going down Wed to meet with them, it looks like we are in pretty good shape.

From joachimk Sun Jan 26 11:00:32 1992  
To: susanb  
Cc: mikemap  
Subject: FW: Works, Winball and ZDS  
Date: Sun Jan 26 11:36:55 PDT 1992  
Mail-Flags: 0000

HIGHLY  
CONFIDENTIAL

Was academic, as expected, but helped to move things along.

>From tomda Wed Jan 22 12:26:41 1992  
To: jeffl joachimk johnwil markche  
Subject: Works, Winball and ZDS

Date: Sun Jan 19 12:23:39 PDT 1992

I met with ZDS yesterday and agreed with them that Works for Windows would not be part of the Winball equation at ZDS. ZDS will not

offer Works to the customers who buy network ready machines. I will distribute a trip report later today that will provide further details.

Tom

From johnwil Mon Feb 3 11:33:07 1992  
To: oemapps  
Cc: johnwil susandi  
Subject: Wang proposal  
Date: Mon Feb 03 12:07:32 PDT 1992  
Mail-Flags: 0000

We are working on a proposal to Wang for a bundle with several EBU apps. Wang has been bundling PC Works for soem time, and Works for Windows on a limited basis for several months.

Wang has been garnishing quite a bit of positive press for their new Windows based systems, in particular their sound support and multimedia efforts. Their distribution is focused on the mass merchant channel. At CES they were showing all MS applications, with an emphasis on EBU.

They have expressed interest in a 12 month, PER PROCESSOR agreement on WinWorks, WEP 1 and WPP, with 2 possible commit levels. We plan on making the following proposal to them:

Product	125K Unit Commit	200K Unit Commit
Works for Windows	\$12	\$10
WPP	\$2	\$1.50
WEP 1	\$2	\$1.50

- Reg cards will be mandatory with all systems
- Working models of Publisher and Money will be pursued as well

All pricing falls within the %SRP model we initially agreed upon. This mail is sent due to a proposed commit in excess of 100K units.

Your response is requested within 24 hours - sorry for the short fuse but Wang needs to respond to customer interest from CES efforts.

Thank you - John

From dalech Mon Feb 3 11:02:20 1992  
To: davewr joachimk  
Cc: dalech kathleen lewisl mikemap  
Subject: Office/Gateway  
Date: Mon Feb 03 10:53:26 PDT 1992  
Mail-Flags: 0000

HIGHLY  
CONFIDENTIAL

Dave,

I got a call from Bill Schnieder at RR Donnelly this morning that is disturbing. He says they have been asked by Gateway to build MS Office and that Gateway is planning to sell Office as one of their apps offerings that the GW end user can select at time of sale.

Bill says GW is planning to price Office at \$150.

MS 5047881  
CONFIDENTIAL

If Gateway advertises that you can get MS products A, B or or C or you can get MS Office for \$150. We are going to destroy the price point for Office. This is a \$750 SRP price product with a street of \$500.

We talked about letting GW sell the second two components of Office at a price delta of the street of the street of Office ( \$500) - the street of the first app ( ~ \$300 ) to anyone who selects the third app as their free app. This is very different from advertising a selling price for the total Office product at \$150.

1. I don't remember ever seeing anything during these talks that quoted a royalty for Office.
2. If Office is listed as an item GW can sell in the contract it needs to come out. Our agreement was that GW can sell and market the individual components, not be marketing the Office package and not at a advertised price 30% of street. Not for our premium apps.
3. I want you to set up a conf call with Rob Chang, myself, and Kathleen the PM for Office so we can make the rules clear and understand exactly what they are planning to do.

Can you do this this morning? Donnelly wants start Office production asap and I've told them to hold off until they hear from us.

Thanks  
Dale

From lewisl Thu Feb 6 10:57:09 1992  
To: davewr joachink  
Cc: dalech jeffr mikemap steveb  
Subject: RE: Office/Gateway  
Date: Thu Feb 06 10:56:25 PDT 1992  
Mail-Flags: 0000

We still haven't got this summary and we have no signed deal. It also appears that what Gateway is doing with Office may be different than what we all intended:

we thought G-way was going to sell the remaining 2 apps of Office as an "upgrade" when the customer chose an office app as his bundled app. But they may be marketing office at \$175 which would cause HUGE channel conflict problems for us.

But, over in apps we don't know because we haven't seen the final deal points and can't contact G-way directly. We need Dave's summary of the final deal points. If we've got a problem I want to avert it while we have a chance.

>From lewisl Mon Feb 03 11:27:33 1992  
To: joachink dalech davewr  
Cc: mikemap  
Subject: RE: Office/Gateway

We are executing a lot as if this were a signed deal.

**HIGHLY  
CONFIDENTIAL**

**MS 5047882  
CONFIDENTIAL**

All of the elements including the Office "upgrade" have been agreed to. But, it would probably be useful to review what the final contract is shaping up to. You probably have an up to the minute bullet point summary of all the deal points. We would get everyone marching to same tune if we could review where this is. Could we do that end of day?

From dalech Fri Feb 7 09:45:18 1992  
To: kathyg oemapps  
Cc: garype johnwil kathyg richardf  
Subject: RE: EMI DEAL  
Date: Fri Feb 07 09:40:03 PDT 1992  
Mail-Flags: 0000

I agree that we want this business to make inroads into the mass channel.

If we can get the royalties below and have EMI do mfg and support I'd be happy. I would not be real happy going lower. We'll always lose on price. We need to sell the strength and install base of the products.

I'd say John Williams has the more or less final call on this.

Let me know if you need anything else from me on EMI.

Thanks  
Dale

>From kathyg Fri Feb 7 09:14:48 1992  
To: oemapps  
Cc: garype johnwil kathyg richardf  
Subject: EMI DEAL

Date: Sat May 28 02:13:06 PDT 1988

Gary called me from EMI in Houston. He is trying to close a Solution Series deal which would displace Spinnaker. He was unable to reach closure with EMI at our current price structure which is:

Works for Win	\$12	at	100K units	/	1YR
Publisher	\$24	at	50K units	/	1YR
Money	\$ 4	at	50K units	/	1YR
EP	\$ 2	at	50K units	/	1YR

**HIGHLY  
CONFIDENTIAL**

They get Spinnaker now for \$9 including books. On the upside, EMI has heard that Leading Tech will be out in the channel with a MS EBU Solution - and the feedback from Mass Merchants (Sam's etc.) is very positive. This has put more pressure on EMI to market a MS' solution. Gary believes he can get their business at:

Works for Win	\$ 9	at	100K units	/	1YR
Publisher	\$18	at	50K units	/	1YR
Money	\$ 2	at	50K units	/	1YR
EP	\$ 1	at	50K units	/	1YR

**MS 5047883  
CONFIDENTIAL**

Total minimum revenue to MS would be \$1.95M over one year. I believe

this is GREAT business for MS and its a much better deal than we offered to Leading Technology - who EMI competes with in the Mass Merchant channel. Gary worked hard just to get to where we are and I believe he can close at these prices. The alternative is to let them continue to ship competitive products. If SMSD can get into SAM's and or Price Club and sell Works for Windows on EMI systems - then I would not propose this deal. Unfortunately, they cannot do this because EMI will be pre-installing Spinnaker in these stores and more.

Pls advise on the above pricing by the end of today so we can move forward. Thanks, Kathleen

From kathyg Fri Feb 7 09:15:17 1992  
To: oemapps  
Cc: garype johnwil kathyg richardf  
Subject: EMI DEAL  
Date: Sat May 28 02:13:06 PDT 1988  
Mail-Flags: 0000

Gary called me from EMI in Houston. He is trying to close a Solution Series deal which would displace Spinnaker. He was unable to reach closure with EMI at our current price structure which is:

Works for Win	\$12	at	100K units	/	1YR
Publisher	\$24	at	50K units	/	1YR
Money	\$ 4	at	50K units	/	1YR
EP	\$ 2	at	50K units	/	1YR

**HIGHLY  
CONFIDENTIAL**

They get Spinnaker now for \$9 including books. On the upside, EMI has heard that Leading Tech will be out in the channel with a MS EBU Solution - and the feedback from Mass Merchants (Sam's etc.) is very postive. This has put more pressure on EMI to market a MS' solution. Gary believes he can get their business.at:

Works for Win	\$ 9	at	100K units	/	1YR
Publisher	\$18	at	50K units	/	1YR
Money	\$ 2	at	50K units	/	1YR
EP	\$ 1	at	50K units	/	1YR

Total minimum revenue to MS would be \$1.95M over one year. I believe this is GREAT business for MS and its a much better deal than we offered to Leading Technology - who EMI competes with in the Mass Merchant channel. Gary worked hard just to get to where we are and I believe he can close at these prices. The alternative is to let them continue to ship competitive products. If SMSD can get into SAM's and or Price Club and sell Works for Windows on EMI systems - then I would not propose this deal. Unfortunately, they cannot do this because EMI will be pre-installing Spinnaker in these stores and more.

Pls advise on the above pricing by the end of today so we can move forward. Thanks, Kathleen

From davewr Fri Feb 7 15:15:55 1992  
To: joachimk lewisl  
Cc: dalech jeffr johnj mikemap ronh steveb  
Subject: RE: Office/Gateway

**MS 5047884  
CONFIDENTIAL**

Date: Fri Feb 07 15:16:55 PDT 1992  
Mail-Flags: 0000

OK this is the current situation.

The products in the license include the following:

- 1) WinWord
- 2- Excel
- 3- Project
- 4- Powerpoint
- 5- "Home Office Pack"  
consisting of Pub, WinWorks, Money & WEPl
- 6- "Programmers Pack"  
consisting of VB, QuickC for Win, + few tools, like Help Comp.
- 7- Microsoft Office for Windows

We don't know exactly what price they are going to be selling their apps at, we can't tell them nor would we want to. They have offered to us the following information. They will be selling the secondary apps (as the first apps are free to the end user) at an aggressive street price (not below but at). This would include all of items 1-7. They offered this up without us asking or suggesting. They don't want to hurt any channels other than taking more business out of their own.

It would make sense (and they have spoken about this idea) that they will likely allow the end user to upgrade their first "free" app (if it was one of the components of MS Office) to the entire Office package. Since the end user is already paying for the initial app in the system price they would sell this upgrade at the street price difference between a single app and office. Mikemap, Joachim and I have spoken about this concept already.

We are getting the agreed to royalty (billg initially set) on each app that is distributed. Each of items 1-6 above carry one royalty and item 7 (OFFICE) carries a royalty equal to that of Word+Excel+Powerpoint (or 300% of a single app royalty). This is a fair royalty to MS and a fair to GW.

This is a brief summary of the issue at hand. Short of something around a 10 page email to summarize the whole contract let me know if there is anything else you have specific questions about.

DSW

-----  
>From lewisl Thu Feb 6 10:57:01 1992  
To: davewr joachimk  
Cc: dalech jeffr mikemap steveb  
Subject: RE: Office/Gateway

**HIGHLY  
CONFIDENTIAL**

Date: Thu Feb 06 10:56:25 PDT 1992

We still haven't got this summary and we have no signed deal. It also appears that what Gateway is doing with Office may be different than what we all intended:

we thought G-way was going to sell the remaining 2 apps of Office as an "upgrade" when the customer chose an office app as his bundled app. But they may be marketing office at \$175 which would cause

**MS 5047885  
CONFIDENTIAL**

HUGE channel conflict problems for us.

But, over in apps we don't know because we haven't seen the final deal points and can't contact G-way directly. We need Dave's summary of the final deal points. If we've got a problem I want to avert it while we have a chance.

>From lewisl Mon Feb 03 11:27:33 1992  
To: joachink dalech davewr  
Cc: mikemap  
Subject: RE: Office/Gateway

We are executing a lot as if this were a signed deal. All of the elements including the Office "upgrade" have been agreed to. But, it would probably be useful to review what the final contract is shaping up to. You probably have an up to the minute bullet point summary of all the deal points. We would get everyone marching to same tune if we could review where this is. Could we do that end of day?

From kathyg Tue Feb 11 11:14:24 1992  
To: garype johnwil oemapps  
Cc: johnwil richardf  
Subject: RE: EMI/KLH Pricing proposal  
Date: Wed Jun 01 04:08:03 PDT 1988  
Mail-Flags: 0000

One correction to your email: Spinnaker is in the account at \$12 but this includes support. They also require no minimum commitment and no per system - its a per copy "pay as you ship" deal.

This is why we dropped to \$9 for Works for Windows.

If you think we have to hold price on the original proposal then this is what we will do. We will try out absolute best. I know we will need to walk away from the Publisher deal at \$24.

We will let you know the final result. Its unfortunate we do not have more flexibility when dealing with such a potentially large acct in the mass merchant channel.

Kathleen

From johnwil Tue Feb 11 09:15:47 1992  
To: garype kathyg oemapps  
Cc: johnwil richardf  
Subject: EMI/KLH Pricing proposal  
Date: Tue Feb 11 10:10:22 PDT 1992  
Mail-Flags: 0000

My feeling is that the revised pricing proposed is just plain too aggressive for EMI, for several reasons:

HIGHLY  
CONFIDENTIAL

MS 5047886  
CONFIDENTIAL