

Applications Price Guideline Distribution List

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April 6, 1992

To: DOEM, IOEM, List

From: Tom Gemmall

Subj: Revised OEM Price Guideline for Applications Products

Please find attached the revised OEM Price Guideline for Applications Products. Changes are summarized below. Please email me with any comments or questions you have on the price guide.

Applications Price Guideline changes:

1. Mechanics intended to discourage separation of the MS application from the accompanying PC system down-channel from the PC vendor have been modified. See page 2, first paragraph.

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OEM Price Guideline for Applications Products

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Applications Price Guideline

For all applications royalty licenses, the OEM is required to separate the application program setup/install diskettes from the application manuals, shrink-wrap them together and ship them only inside the same box as the PC system. The disk labels and OEM's application box should have the printed statement: "For distribution only in conjunction with OEM's microcomputer system's".

Prices herein are for Microsoft application products shipped in combination with an OEM's defined PC systems on a per-system basis under a royalty license. If your OEM would like to license MS applications on a per-copy basis, then the price, terms and conditions are the same as those offered to software distributors. In general, the OEM/distributor price will be at a 46% discount from the MS suggested retail price.

High-End Windows Applications

For distribution only in conjunction with OEM's PC systems.

US Only

6-Month License Unit Commitment

A1	Per-System Royalties	2,500 +	12,500 +	25,000 +
	Excel for Windows	\$116	\$96	\$79
	Word for Windows	\$116	\$96	\$79
	Project for Windows	\$162	\$134	\$111
	PowerPoint for Windows	\$116	\$96	\$79
	Office for Windows	\$173	\$145	\$119

Foreign Language Versions

6-Month License Unit Commitment

A2	Per-System Royalties	2,500 +	12,500 +	25,000 +
	Excel for Windows	\$191	\$158	\$131
	Word for Windows	\$191	\$158	\$131
	Project for Windows	\$268	\$222	\$183
	PowerPoint for Windows	\$191	\$158	\$131

High End Per-System Royalty Incentives & Adders

The incentives and adders from Table Z1 are for use to adjust high-end Windows applications royalties from Tables A1 and A2.

Z1	Description	Adjustments
	Pre-install on hard disk drive, High End Windows Applications (5)	-\$5.00
	MS provides end-user support for High End Windows Apps (4)	+\$20.00

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Entry Applications

For distribution only in conjunction with OEM's PC systems.

US Only

6-Month License Unit Commitment

B1	Per-System Royalties	2,500 +	12,500 +	25,000 +
	MS-DOS Works	\$15	\$10	\$7
	Works for Windows	\$20	\$18	\$16
	Multimedia Works for Windows	\$20	\$18	\$16
	MS Money	\$10	\$9	\$8
	MS Publish	\$28	\$26	\$24
	Win Entertainment Pack	\$4	\$3.50	\$3
	Win Productivity Pack	\$4	\$3.50	\$3
	Learning MS-DOS	\$4	\$3.50	\$3
	MS-Word (DOS)	\$45	\$35	\$25
	Visual Basic	\$28	\$26	\$24

Foreign Language Versions

6-Month License Unit Commitment

B2	Per-System Royalties	2,500 +	12,500 +	25,000 +
	MS-DOS Works	\$25	\$17	\$12
	Works for Windows	\$33	\$30	\$26
	Multimedia Works for Windows	\$33	\$30	\$26
	MS Publish	\$46	\$43	\$40
	Win Entertainment Pack	\$7	\$6	\$5
	Win Productivity Pack	\$7	\$6	\$5
	Learning MS-DOS	\$7	\$6	\$5
	MS-DOS Word	\$74	\$58	\$41
	Visual Basic	\$46	\$43	\$40

Entry Applications Per-System Royalty Incentives & Adders

The incentives and adders from Table Z2 are for use to adjust Entry Windows applications from Tables B1 and B2. Note that the end-user support adder from Table Z2 is also applicable for Multimedia Title royalties from Table C1.

Z2	Pre-install on hard disk drive, Low End Windows Applications (5)	Adjustments
	MS provides end-user support for Entry Apps & Multimedia Titles (4)	-\$0.50 +\$5.00

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Multimedia & CD-ROM Titles:

For distribution in conjunction with OEM's hardware products (PC systems, CD-ROM drives, sound adapter cards, etc.).

US Only

6-Month License Unit Commitment

C1	Per-System Royalties (7, 8)	6-Month License Unit Commitment		
		2,500 +	12,500 +	25,000 +
	Multimedia Bookshelf	\$22	\$19	\$15
	Multimedia Beethoven: The 9th Symphony	\$15	\$12	\$10
	MS-Bookshelf (DOS)	\$16	\$14	\$12

Per-Copy Finished Goods Without Hardware Restriction - US Only

Finished Goods licenses for all U.S. distribution versions of Microsoft applications are offered at a 46% discount from the MS suggested retail price with terms and conditions in line with our software distributors. This licensing option is available to OEMs that would like to license MS applications without the restrictions of per-system licenses.

Per-Copy Finished Goods for Non-US Distribution

Finished Goods licenses for all non-U.S. distribution versions of High-End Windows and Entry applications are offered at a 46% discount from the SRP of the applicable foreign country. Products are offered under master license; fulfillment and billing is through the local subsidiary. Charlotte Guyman should be advised of non-U.S. distribution quotes.

Working Models of Windows Applications

OEM royalty for licensing full-function/limited capacity English language versions of Windows applications Working Models is \$1.50 per-copy. Royalty is to cover Microsoft support costs. Working Models presently offered for licensing consist of Excel, WinWord, WinProject and PowerPoint. OEM is required to pre-install Working Model on a hard disk drive with Windows.

Example:

Determining The Applicable Royalty

The OEM's "License Unit Commitment" is determined on an application-by-application basis. The application royalty is determined by the number of units the OEM commits to in their license. For example, if the OEM licenses 7,500 units of Word for Windows the royalty will be \$116.00 (from Table A1).

Applying Per-System Royalty Incentives & Adders

Considering an OEM that would like to license Word for Windows and pre-install the application onto a hard disk drive, their royalty would be adjusted as shown below.

	2,500±	12,500±	25,000±
Word for Windows	\$116.00	\$96.00	\$79.00
Less pre-install incentive	-5.00	-5.00	-5.00
Net Word Royalty	\$111.00	\$91.00	\$74.00

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(cont.) Applying Per-System Royalty Incentives & Adders

Continuing with the example, if the OEM is unable to provide support in the UK, although they intend to distribute the products there, the OEM will therefore rely on Microsoft's UK subsidiary to provide support to their customers in that country and will be charged a royalty uplift. Base royalties for copies shipped in the UK are from Table A2 and determined as follows:

	<u>2,500+</u>	<u>12,500+</u>	<u>25,000+</u>
Word for Windows (UK version)	\$191.00	\$158.00	\$131.00
Less pre-install incentive	-5.00	-5.00	-5.00
MS end-user support (UK units only)	<u>+20.00</u>	<u>+20.00</u>	<u>+20.00</u>
Net Word Royalty	\$206.00	\$173.00	\$146.00

Determining the Minimum Commitment to Quote

Quote minimum commitments at the price column no greater than the minimum units committed to by the OEM. In other words, if an OEM states they will ship 17,500 units, quote their minimum unit commitment at 12,500 units and apply the royalty from that column. If the OEM expects to ship 5,000 units, quote their minimum unit commitment at 2,500 and royalty from that column.

How to Determine Apps Minimum Commitments

Notes on Royalty Licensing (A, B, C & Z Tables)

- Note 1: Application licenses require the OEM to include a Microsoft product update registration card in the box the application ships in. For OEM's selling directly to end-users this may be waived provided the names, phones and addresses of the end-users receiving MS applications are supplied to Microsoft. This applies to all products above including Multimedia & CD-ROM titles.
- Note 2: Standard license terms are for a period of six (6) months. Longer licenses are possible but should provide the OEM a cancellation option at the end of each successive six (6) month interval of the license. Consult your area director for renewals or licenses greater than 6-months.
- Note 3: The OEM is responsible for production of finished goods for end-users. Negotiate vigorously for guaranteed OEM advertising featuring the licensed application(s).
- Note 4: The OEM will provide end-user support for licensed applications in every market they sell the product. If the OEM ships product into countries where they are unable to support the application and will therefore rely on the local MS subsidiary to provide end-user support, the OEM will be charged for those copies as per Tables Z1 and Z2. Adder not applicable for Finished Goods licenses since Microsoft will already be providing support.
- Note 5: OEM is provided a golden master copy of the application for pre-installation purposes.
- Note 6: Golden masters for each of Multimedia titles are located at DADC in Terre Haute, Indiana. Contact Director of Multimedia Publishing marketing for details.
- Note 7: Pre-installation incentive is not applicable for CD-ROM and Multimedia titles since

they ship on a CD-ROM disk.

Note 8: See VP OEM and VP Applications before quoting prices below guideline or on unit commitments over 50,000. Do this by sending email to the "OEMAPPS" alias with a summary the quote you intend to make before it is made.

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