

October 9, 1992

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From: Tom Gemmell

Subj: New OEM Price Guideline for Applications Products

Attached is the final copy of the price guidelines effective October 9, 1992.

Licenses: Page 2, narrative under "Applications Price Guideline" to state requirement for licenses separate from Systems licenses & to clarify packaging of Setup disks.

MM Word: Pages 2 & 3. New MM Word for Windows pricing in Tables A1 & A2.

FoxPro: Pages 2 & 3. New FoxPro pricing in Tables A1 & A2.

Access: Pages 2 & 3. New Access pricing in Tables A1 & A2.

ROM Works: Page 4. New ROMWorks pricing in Tables B1 & B2.

Cinemanla: Page 5. New MM Pubs Cinemanla pricing in Table C1

Encarta: Page 5. New MM Pubs Encarta pricing in Table C1

Instruments: Page 5. New MM Pubs Musical Instruments pricing in Table C1

Soundbits-1: Page 5. New MM Pubs Hanna Barbara & MGM Soundbits pricing in Table C1

Soundbits-2: Page 5. New MM Pubs World Music Soundbits pricing in Table C1

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EXHIBIT
22
Gemmell 10.7.92

Microsoft

OEM Price Guideline for Applications Products

October 9, 1992

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Applications Price Guideline

Applications are to be licensed on an Applications License Agreement separate from the OEM's license agreement for Systems products. Also, applications products and systems products should not be "linked" to one another in any way (e.g., requiring license of one type of product in order to get the other type of product, offering discount on one type of product if customer takes another type of product, etc.).

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".

Example: For an OEM that is licensing MS-DOS, Windows and WinWorks packaging would be as follows.

Packet 1	The Setup disks for each of the products.
Packet 2	MS-DOS manual and remaining disks
Packet 3	Windows manual and remaining disks
Packet 4	WinWorks manual and remaining disks

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. Per-system means "all units of a particular model" that the customer ships (e.g. all units of Compaq's Deskpro) or a particular subset(s) of a given processor type (e.g. 33MHz 486DX). 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.

Application licenses require the OEM to include a Microsoft product update registration card in the box the application ships in.

High-End Windows Applications

US Only 6-Month License Unit Commitment

A1		2,500 +	12,500 +	25,000 +
	Per-System Royalties			
	Excel for Windows	\$116	\$98	\$79
	Word for Windows	\$118	\$98	\$79
	Multimedia Word for Win on CD-ROM (10)	\$139	\$115	\$95
	Project for Windows	\$182	\$134	\$111
	PowerPoint for Windows	\$116	\$98	\$79
	Access	\$163	\$135	\$111
	FoxPro	\$186	\$154	\$127
	Office for Windows (11)	\$173	\$145	\$119

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High-End Windows Applications

Foreign Language Versions	6-Month License Unit Commitment		
	2,500 +	12,500 +	25,000 +
A2 Per-System Royalties			
Excel for Windows	\$191	\$158	\$131
Word for Windows	\$191	\$158	\$131
Multimedia Word for Win on CD-ROM (10)	\$229	\$189	\$157
Project for Windows	\$268	\$222	\$183
Access	\$268	\$222	\$183
FoxPro	\$307	\$254	\$210
PowerPoint for Windows	\$191	\$158	\$131

High End Per-System Royalty Incentives & Adders

Incentives and adders from Table Z1 are for adjusting high-end Windows applications royalties from Tables A1 and A2.

		Adjustments
Z1	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
	ROM Works (1 MB version) (9)	N/A	\$8	\$5
	ROM Works (2 MB version) (9)	N/A	\$9	\$6
	Works for Windows	\$20	\$18	\$16
	Multimedia Works for Windows	\$20	\$18	\$16
	MS Money	\$10	\$9	\$8
	MS Publish	\$28	\$28	\$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	\$28	\$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
	ROM Works (1 MB version)	N/A	\$13	\$8
	ROM Works (2 MB version)	N/A	\$15	\$10
	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	Adjustments
Pre-install on hard disk drive, Low End Windows Applications (5)	-\$0.50
MS provides end-user support for Entry Apps & Multimedia Titles (4)	+\$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		2,500 +	12,500 +	25,000 +
	Per-System Royalties (7, 8)			
	Multimedia Bookshelf	\$22	\$19	\$15
	Multimedia Beethoven: The 9th Symphony	\$15	\$12	\$10
	MS-Bookshelf (DOS)	\$18	\$14	\$12
	Microsoft Encarta	\$150	\$125	\$110
	Microsoft Musical Instruments	\$15	\$12	\$10
	Microsoft Cinemania	\$15	\$12	\$10
	Microsoft Soundbits (Hanna Barbara)	\$10	\$9	\$8
	Microsoft Soundbits (MGM)	\$10	\$9	\$8
	Microsoft Soundbits (World Music)	\$7	\$5	\$4

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, its royalty would be adjusted as shown below.

	<u>2,500+</u>	<u>12,500+</u>	<u>25,000+</u>
Word for Windows	\$116.00	\$96.00	\$79.00
Less pre-install incentive	<u>-5.00</u>	<u>-5.00</u>	<u>-5.00</u>
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 it intend to distribute the products there, the OEM will therefore rely on Microsoft's UK subsidiary to provide support to its 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 it 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 its minimum unit commitment at 2,500 and royalty from that column.

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

- Note 1: Application licenses require the OEM to include a Microsoft product 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 it sell the product. If the OEM ships product into countries where its 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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Note 9: ROM Works carries a minimum semi-annual commitment of 12,500 units due to the testing and development that Microsoft is required to conduct. Work closely with the product group during licensing to set up delivery & testing schedules (contact Kellee McCusker. kelleem). The applicable OEM system must have no standard floppy drives (IC cards are permitted).

Note 10: Multimedia Word for Windows is an English language only product. International markets are limited to Canada and Australia. The UK is excluded due to trademark conflicts.

Note 11: Support for Office for Windows is priced at \$20 for each application in the package.

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