

Microsoft Interoffice Memo

To: PC Line Committee (List Attached)
From: RuthAnn Lorentzen
Subject: PC Line Meeting Minutes for July 5

Minutes

1. **Review**

- Today's agenda



2. **PC Works 2.0 Demo:**

John Neilson gave a demo of this great product showing the ease with which you can copy/paste from the spreadsheet to the word processor, its print preview capabilities (one of its best new features) and its ability to open/close multiple files without saving/closing each time. The product has fancy chart options and lots of font types. Its spreadsheet sorting feature is new in this version. The product has basic file management built in so you don't need to leave the program to get to DOS or to other apps. A conversion utility is also bundled into the product -- you can go back and forth between any RTF or DCA format. The CBT has 57 lessons. The product's memory requirement is 512k. Boeing is beta testing it for 8088/86 work stations. The product should win the Software Digest review this year (second place last year). Works 2.0 is the core engine for the Windows product. Currently 18% of all Works sales go into K-12. The laptop market is being served primarily through OEM bundles (Toshiba, Mitsubishi). A \$50 upgrade is being offered on the product. 75% of Works users describe themselves as "intermediate" level users. The Windows product is expected in September, 1990. First priority: a deal with IBM. Second priority: retail business.

3. **Internal Market Share (IMS) Program:**

Mike Rhamy presented the IMS program for September 1 - December 31. The program replaces the buy-in program and is only for direct dealers. Its purpose is to emphasize the categories relevant to each dealer's focus. It rewards dealers for taking share away from select competitors. The handout for this very interesting program is attached. Mike also briefly described the strategy they will be taking with distributors/franchisors: they will be rewarded with a 5% rebate for maintaining a 30 day supply for select SKUs (about 45). This is based on the belief that distributors fulfill, they don't create demand.

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| | | |
|---|--|---|
|  | Internal Market Share Rebate Program | Objectives and Key Tactics |
| <p>Objectives:</p> <ul style="list-style-type: none"> • Reward dealers for increasing or maintaining internal market share of Microsoft products in specific categories without causing abnormal inventory conditions • Have dealers focus on products that are suited to their customers, and product categories that have the highest potential for Microsoft to increase or maintain market share • Have a program that will generate high dealer enthusiasm • Have a program that is simple to explain, participate and administer • Collect accurate Microsoft and competitive sell-through data <p>Key Tactics:</p> <ul style="list-style-type: none"> • Base rebates on of Microsoft sell-through vs. competition sell-through • Establish reasonable and attainable IMS goals • Easy to compute beginning market share, IMS goals and ending market share • Sell-through reporting will be tied-in to current monthly sell-through/inventory reporting system, except that competitive products will be added, and verification will be required | | |
| 1 | Distribution Marketing: T3 - 1989 Terms and Conditions |  |

Ⓢ Specific Microsoft and competitive SKU's will be designed for participating in the Internal Market Share program. All products will be fully priced single-user retail versions excluding updates, note-packs, academic versions, etc. (Product version numbers don't matter, only titles).

| Corporate Software T1-T2 1989 Participation Internal Market Share Program | | | | |
|--|------------|---------|---------------|---------|
| Product Category | T1 Beg IMS | T1 Goal | T1 Ending IMS | T2 Goal |
| PC Spreadsheets | 3.8% | 5.3% | 7.6% | 6.5% |
| PC Wordprocessing | 8.1% | 9.5% | 9.6% | 12.0% |

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Internal Market Share Rebate Program

What is our market share?

Aggregate Market Share

- For a segment of the total market
- Measured on shipments or end user purchases? From what source?
- What products should be considered in the category?
- Based on what a specified period?

Internal Market Share

- For specific reseller accounts
- Measured on sell-through of designated Microsoft and competitive products provided by dealer
- Based on a finite four-month period

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Internal Market Share Rebate Program

IMS Growth vs. Plateau Definitions

IMS Required Growth Percentage:

Percentage of Microsoft market share (measured in total unit sell-through for the four month period) that the dealer will be required to increase in comparison to designated competitive products in a given category

- Goals are individualized to each dealer, yet are fair and consistent across all dealers and result in achieving our overall market share objectives
- Eliminates problems in factoring in differences of dealer business conditions and seasonality

IMS Plateau:

Percentage of Microsoft market share where, if the dealer is at or above that level, they are only required to maintain their current Microsoft IMS for that given category

- Dealers who have performed well in the past are not penalized with unachievable goals

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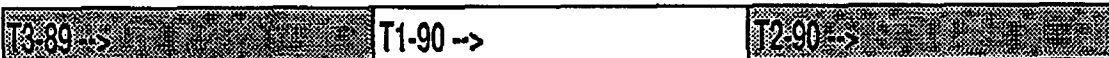
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Microsoft

- ⊙ The beginning IMS will be based on the total sell-through of Microsoft and competitive products for the four month period March 1-June 30, 1989.
- ⊙ Four months is the optimal length for the following reasons. First, it is unreasonable to ask the account managers and dealers to retroactively report more than four months of competitive data (we already have Microsoft sell-through data). There is just under twenty competitive products for which we are requesting sell-through data, and we really need to get it on a per month sell-through basis (to allow for improved competitive analysis and future planning). Second, the most recent months are a closer representation of current market share than a longer period of months, yet should be enough data to smooth-out month-to-month fluctuations. It is conceivable (such as PC Excel) that longer months of data could result in IMS goals lower than the accounts current sell through rate. Third, four months is consistent with that of the trimester and IMS rebate period. The four-month period also indicates that Microsoft is interested in maintaining an upward trend in our market share in all categories.
- ⊙ Four month sell-through data, and the IMS program in general, makes seasonality factors and month-to-month fluctuations a non-issue. Even if an account (such as Software Etc.) sells a larger unit volume of business during peak periods, there is no evidence to indicate that the percentage of Microsoft or competitive product sold differs from peak season to slow season. Nonetheless, four months is still one-third of the total year.
- ⊙ The ending internal market share will be calculated on total sell-through for the Microsoft and designated competitive SKU's for each category for the entire trimester, or September 1 through December 31st.

Mar-89 Apr-89 May-89 Jun-89 Jul-89 Aug-89 Sep-89 Oct-89 Nov-89 Dec-89 Jan-90 Feb-90

Calc beginning IMS



Calc Ending IMS



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Internal Market Share Rebate Program

Product/Reseller Overview

| Proposed products by reseller | | PC SS | PC WP | PC Entry Integrated Pascal | PC Entry QuickPascal | Mac DT Pres |
|-------------------------------|--|-------------------------------------|--|---|-------------------------|---|
| Microsoft Product: | | Excel | Word | Works | QuickPascal | PowerPoint |
| Competitive Products | | Lotus 1-2-3 Quattro Supercalc | WordPerfect WordStar Multimate Displaywrite | First Choice Turbo Alpha Works Ability Plus | Pascal | Persuasion Cricket Presents More II |
| Corporate | 800 Software Businessland Corporate Software Nynext Softmart Software Spectrum Univar Voyager | yes | yes | | | yes |
| Corporate/ Retail | Computer Factory Egghead Software | yes | | yes | | yes |
| Retail | Babbages Software, Etc. | | yes | yes | yes | |

• Other Microsoft Products considered: Mac Word & Mac Excel

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Microsoft

PC Works Sell Through Numbers:

| Reseller Account | Dec-88 Sell | Jan-89 Sell | Feb-89 Sell | Mar-89 Sell | Apr-89 Sell | 4 month Sell Avg | 4 mo. Sell % |
|--------------------------|-------------|-------------|-------------|-------------|-------------|------------------|---------------|
| Ingram | 1,237 | 1,533 | 974 | 1,014 | 746 | 1,067 | 19.9% |
| Micro D | 2,708 | 1,423 | 1,332 | 1,510 | 87 | 1,088 | 20.3% |
| Microamerica | 135 | 174 | 230 | 230 | 215 | 212 | 4.0% |
| Soft-Kat | 0 | 0 | 0 | 0 | 63 | 16 | 0.3% |
| Softsel | 996 | 574 | 583 | 938 | 607 | 676 | 12.6% |
| ComputerLand | 941 | 742 | 386 | 559 | 489 | 544 | 10.2% |
| Entre | 150 | 103 | 87 | 79 | 51 | 80 | 1.5% |
| Distributor Total | 6167 | 4549 | 3592 | 4330 | 2258 | 3,682 | 68.8% |
| 47th Street | 71 | 28 | 24 | 70 | n/a | 31 | 0.6% |
| 800 Software | 42 | 39 | 25 | 17 | 21 | 26 | 0.5% |
| Software Etc (B Dalt) | 382 | 419 | 289 | 503 | 343 | 389 | 7.3% |
| Babbages | 168 | 198 | 178 | 111 | 149 | 159 | 3.0% |
| Computer Factory | 225 | 96 | 54 | 90 | 35 | 69 | 1.3% |
| Corporate Software | 69 | 71 | 21 | 41 | 38 | 43 | 0.8% |
| IMS | 0 | 0 | 0 | 0 | 0 | 0 | 0.0% |
| NYNEX | 0 | 17 | 7 | 19 | 10 | 13 | 0.2% |
| Softmart | 34 | 97 | 10 | 14 | 42 | 41 | 0.8% |
| Univar (SW Cent) | 11 | 6 | 6 | 8 | 0 | 5 | 0.1% |
| Software Spectrum | 28 | 20 | 26 | 25 | 30 | 25 | 0.5% |
| Voyager | 2 | 2 | 4 | 6 | 5 | 4 | 0.1% |
| Businessland | 95 | 184 | 405 | 93 | 70 | 188 | 3.5% |
| Egghead | 581 | 705 | 720 | 590 | 704 | 680 | 12.7% |
| Total Dealers | 1708 | 1882 | 1789 | 1587 | 1447 | 1,671 | 31.2% |
| z-total | 7875 | 6431 | 5361 | 5917 | 3705 | 5,354 | 100.0% |

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Internal Market Share
Rebate Program

Rebate Structure

| Dealer Class | MC | LVD's |
|-------------------------|------|-------|
| Achieves 1 Product Goal | 1% | 1% |
| Achieves 2 Product Goal | 2.5% | 3% |
| Achieves 3 Product Goal | 5.5% | 6% |

- Progressive rebate structure gives strong incentive for dealers to promote all three products

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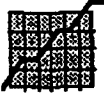


Internal Market Share
Rebate Program

T-3 Product Objectives

| Product Category | Req Percent Increase | IMS Plateau |
|---------------------|----------------------|-------------|
| PC Spreadsheets | 3% | 25% |
| PC Wordprocessing | 4% | 25% |
| PC Entry Integrated | 4% | 50% |
| PC Entry Pascal | 20% | 35% |
| MAC DT Presents | 5% | 50% |

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Internal Market Share Rebate Program

PC Spreadsheets

| Market Share Estimates | Competitive Products | | | Microsoft Excel | Required IMS | |
|--------------------------|----------------------|----------|-----------|-----------------|--------------|---------|
| | Lotus 1-2-3 | Outfitro | SuperCalc | | Increase | Plateau |
| Dist Marketing | 70.0% | 10.0% | 5.0% | 15.0% | 3.0% | 25.0% |
| Prod Marketing | 83.3% | 5.2% | 2.6% | 8.9% | | |
| S.P.A./MS Ships | | | | 5.1% | | |
| Corporate Software | 92.4% | | | 7.6% | | |
| Egghead Quarterly Review | 78.0% | 11.0% | | 11.0% | | |
| <i>Combined Estimate</i> | | | | 10.0% | | |

| Unit Analysis Account | Microsoft 4 mo. total | Total category 4 mo. total | Required Unit Increase: | | |
|--|--------------------------|-------------------------------|-------------------------|-------------------|--------------------|
| | | | 10% Cat. Decline | No Cat. Growth | 10% Cat. Growth |
| 800 Software | 731 | 7,310 | 124 | 219 | 314 |
| Businessland | 1045 | 10,450 | 178 | 314 | 449 |
| Computer Factory | 270 | 2,700 | 46 | 81 | 116 |
| Corporate Software | 1954 | 19,540 | 332 | 586 | 840 |
| Egghead | 4339 | 43,390 | 738 | 1,302 | 1,866 |
| IMS | 141 | 1,410 | 24 | 42 | 61 |
| NYNEX | 300 | 3,000 | 51 | 90 | 129 |
| Softmart | 600 | 6,000 | 102 | 180 | 258 |
| Software Spectrum | 1045 | 10,450 | 178 | 314 | 449 |
| Univar | 962 | 9,620 | 164 | 289 | 414 |
| Voyager | 405 | 4,050 | 69 | 122 | 174 |
| <i>Total IMS Accounts</i> | 11,792 | 117,920 | 2,005 | 3,538 | 5,071 |
| <i>Represents 38% of total sell-through in distributor/reseller channels</i> | | | 17.0% | 30.0% | 43.0% |

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Microsoft

- ⊗ All required unit increase numbers assume a 10% beginning internal market share

The lower the beginning IMS the higher leverage the unit increase will be

Example:

- ⊗ A 10% internal market share with a 5% increase in internal market share is a 50% increase in units

- ⊗ A 50% internal market share with a 5% increase in internal market share is a 10% increase in units

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**Internal Market Share
Rebate Program**

PC Wordprocessing

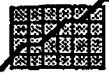
| Market Share Estimates | Competitive Products | | | | Microsoft | Required Increase | IMS Plateau |
|--------------------------|----------------------|----------|-----------|-----------------|--------------|-------------------|-------------|
| | WordPerfect | Wordstar | Multimate | DisplaywriteWrd | | | |
| Dist Marketing | 70.0% | 10.0% | 5.0% | | 15.0% | 4.0% | 25.0% |
| Prod Marketing | 67.0% | 8.5% | 7.4% | 8.5% | 8.5% | | |
| S.P.A./MS Ships | | | | | 5.4% | | |
| Corporate Software | 90.4% | | | | 9.6% | | |
| Egghead Quarterly Review | 67.0% | 13.0% | | | 20.0% | | |
| Combined Estimate | | | | | 15.0% | | |

| Unit Analysis Account | Microsoft Total category | | Required Unit Increase: | | |
|--|--------------------------|---------------|-------------------------|---------------|----------------|
| | 4 mo total | 4 mo total | 10% Cat Decline | No Cat Growth | 10% Cat Growth |
| 800 Software | 742 | 4,947 | 104 | 198 | 292 |
| Babbage | 237 | 1,580 | 33 | 63 | 93 |
| Businessland | 1731 | 11,540 | 242 | 462 | 681 |
| Computer Factory | 261 | 1,740 | 37 | 70 | 103 |
| Corporate Software | 1253 | 8,353 | 175 | 334 | 493 |
| Egghead | 5832 | 38,880 | 816 | 1,535 | 2,294 |
| IMS | 175 | 1,167 | 25 | 47 | 69 |
| NYNEX | 113 | 753 | 16 | 30 | 44 |
| Softmar | 541 | 3,607 | 76 | 144 | 213 |
| Software Spectrum | 1010 | 6,733 | 141 | 269 | 397 |
| Software, Etc. | 369 | 2,460 | 52 | 98 | 145 |
| Univar | 1088 | 7,253 | 152 | 290 | 428 |
| Voyager | 140 | 933 | 20 | 37 | 55 |
| Total IMS Accounts | 13,492 | 89,847 | 1,889 | 3,598 | 5,307 |
| <i>Represents 50.1% of total sell-through in distributor/reseller channels</i> | | | 14.0% | 26.7% | 39.3% |



The beginning IMS is assumed to be 15% for all accounts.

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**Internal Market Share
Rebate Program**

PC Entry Integrated

| Market Share Estimates | Competitive Products | | | Microsoft Works | Required Increase | IMS Plateau |
|---------------------------|----------------------|------------|-------------|--------------------|----------------------|----------------|
| | First Choice | AlphaWorks | AbilityPlus | | | |
| Dist Marketing | 60.0% | | | 40.0% | 4.0% | 50.0% |
| Prod Marketing | 45.0% | 13.0% | 11.0% | 31.0% | | |
| S.P.A./MS Ships | | | | 19.2% | | |
| Egghead Quarterly Review | 56.0% | | | 44.0% | | |
| Combined Estimate | | | | 30.0% | | |

| Unit Analysis Account | Microsoft 4 mo total | Total category 4 mo total | Required Unit Increase: | | |
|--|-------------------------|------------------------------|-------------------------|------------------|-------------------|
| | | | 10% Cat Decline | No Cat Growth | 10% Cat Growth |
| Babbage | 636 | 2,120 | 13 | 85 | 157 |
| Computer Factory | 275 | 917 | 6 | 37 | 68 |
| Egghead | 2719 | 9,063 | 54 | 363 | 671 |
| Software, Etc. | 1554 | 5,180 | 31 | 207 | 383 |
| Total IMS Accounts | 5,184 | 17,280 | 104 | 691 | 1,279 |
| <i>Represents 24% of total sell-through in distributor/reseller channels</i> | | | 2.0% | 13.3% | 24.7% |

The beginning IMS is assumed to be 30% for all accounts.

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**Internal Market Share
Rebate Program**

Entry Pascal

| Market Share Estimates | Comp Prod | Microsoft | Required Increase | IMS Plateau |
|--------------------------|--------------|-------------|-------------------|-------------|
| | Turbo Pascal | QuickPascal | | |
| Dist Marketing | 100.0% | | 20.0% | 35.0% |
| Prod Marketing | 90.0% | 10.0% | | |
| <i>Combined Estimate</i> | | 10.0% | | |

| | | | Required Unit Increase: | | |
|---|------------|----------------|-------------------------|------------|------------|
| Unit Analysis | Microsoft | Total category | 10% | No | 10% |
| Account | 4 mo total | 4 mo total | Cat Decline | Cat Growth | Cat Growth |
| Babbages | 919 | 9,190 | 1,562 | 1,838 | 2,114 |
| Software, Etc. | 1231 | 12,310 | 2,093 | 2,462 | 2,831 |
| <i>Total IMS Accounts</i> | 2,150 | 21,500 | 3,655 | 4,300 | 4,945 |
| <i>Calculated using QuickBasic Sell-through</i> | | | 170.0% | 200.0% | 230.0% |

The beginning IMS is assumed to be 10% for all accounts.

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Internal Market Share
Rebate Program

MAC DT Presentation

| Market Share Estimates | Competitive Products | | | Microsoft PowerPoint | Required Increase | IMS |
|--------------------------|----------------------|--------------|---------|----------------------|-------------------|-------|
| | Persuasion | Cricket Pres | More II | | | |
| Dist Marketing | 35.0% | 10.0% | 20.0% | 35.0% | 5.0% | 50.0% |
| S.P.A./MS Ships | | | | 30.1% | | |
| Combined Estimate | | | | 30.0% | | |

| Unit Analysis Account | Microsoft 4 mo total | Total category 4 mo total | Required Unit Increase: | | |
|--|-------------------------|------------------------------|-------------------------|------------------|-------------------|
| | | | 10% Cat Decline | No Cat Growth | 10% Cat Growth |
| 800 Software | 258 | 860 | 13 | 43 | 73 |
| Businessland | 1409 | 4,697 | 70 | 235 | 399 |
| Computer Factory | 53 | 177 | 3 | 9 | 15 |
| Corporate Software | 306 | 1,020 | 15 | 51 | 87 |
| Egghead | 1957 | 6,523 | 98 | 326 | 554 |
| IMS | 39 | 130 | 2 | 7 | 11 |
| NYNEX | 127 | 423 | 6 | 21 | 36 |
| Softmart | 301 | 1,003 | 15 | 50 | 85 |
| Software Central | 47 | 157 | 2 | 8 | 13 |
| Software Spectrum | 576 | 1,920 | 29 | 96 | 163 |
| Voyager | 95 | 317 | 5 | 16 | 27 |
| Total IMS Accounts | 5,168 | 17,227 | 258 | 861 | 1,464 |
| <i>Represents 55% of total sell-through in distributor/reseller channels</i> | | | 5.0% | 16.7% | 28.3% |

The beginning IMS is assumed to be 30% for all accounts.

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Internal Market Share Rebate Program

Calculating Beginning IMS

- Based on four month total sell-through March through June sell-through
- Account Manager has discretion to use April through July sell-through data
- Sell-through totals for Microsoft and competitive products are used only for determining IMS percentages

Example

| Product | Microsoft 4 mo total | Comp 4 mo 4 mo total | Total categ. 4 mo total | Current IMS |
|---------------------|-------------------------|-------------------------|----------------------------|----------------|
| PC Spreadsheets | 1733 | 15,458 | 17,191 | 10.1% |
| PC Word Processing | 2990 | 9,887 | 12,877 | 23.2% |
| PC Entry Integrated | 1311 | 1,153 | 2,464 | 53.2% |

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Microsoft

The following charts provide three examples of calculating beginning IMS, account goals and ending IMS. The examples show how the required increase and IMS plateau interact to establish the account goal.

The example uses PC Spreadsheets, PC Wordprocessing, and PC Entry Integrated products, which are the categories designated for Computer Factory and Egghead. However, the numbers used are not representative of either account, and are used for the example only.

The beginning IMS is based on unit sell-through for Microsoft and competitive products for the period March through June. At the account managers discretion, April through July data can be used, but this is not recommended, since it will take you well into August before you are able to calculate the beginning IMS, and it is not likely to create a major difference in beginning IMS.

The units for the designated period are used solely for calculating the IMS percentages (or ratios). This approach neutralizes any seasonality factors or differences in reseller growth rates.

All begining, ending IMS and account goals are calculated to one tenth of a percent.

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**Internal Market Share
Rebate Program**

Establishing IMS Goals

- Once the current IMS is established then the account goals are determined by comparing the required Percentage increase and IMS Plateau

Example:

| Product | Current IMS | Required % Increase | IMS Plateau | Account Goal |
|------------------|-------------|---------------------|-------------|--------------|
| PC Spreadsheets | 10.1% | 3% | 25% | 13.1% |
| PC Word Processi | 23.2% | 4% | 25% | 25.0% |
| PC Entry Int | 53.2% | 4% | 50% | 53.2% |

- ⊗ Once the beginning IMS percentages are calculated, then the account goals are established by comparing them to the required percentage increases and the IMS plateaus. Plateaus are designed to reward accounts who have performed well in the past and already have achieved acceptable IMS levels. All they must do is maintain their current market share.
- ⊗ In the PC Spreadsheets example, the required increase is 3% and combined with the beginning IMS, the goal would not be high enough to reach the plateau, so the goal becomes 13.1%
- ⊗ In the PC Wordprocessing example, the required increase of 4% would take the account above the IMS plateau of 25%. Therefore, all they have to do is obtain an IMS of atleast 25%.
- ⊗ In the PC Entry Integrated category, the account's beginning IMS is already above the IMS plateau of 50%. Therefore, all they have to do is maintain their current IMS of 53.2%. Notice they are not allowed to slip back to 50% -- accounts will not be rewarded for losing internal market share under any scenario.

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**Internal Market Share
Rebate Program**

Calculating Ending IMS

Ending Internal Market Share:

Calculated on total sell-through for the Microsoft and designated competitive SKU's for the period September 1 through December 31 .

Example:

| Product | Microsoft Category 4 mo total | Comp 4 mo total 4 mo total | Total category 4 mo total | Ending IMS | Account Goal | Rebate Earned |
|------------------|----------------------------------|-------------------------------|------------------------------|---------------|-----------------|------------------|
| PC Spreadsheets | 2323 | 16,328 | 18,651 | 12.5% | 13.1% | no |
| PC Word Processi | 3250 | 9,600 | 12,850 | 25.3% | 23.2% | yes |
| PC Entry Int | 1250 | 1,050 | 2,300 | 54.3% | 53.2% | yes |

- Ⓢ The ending IMS will be calculated based on Microsoft and competitive sell-through during Sept-December. We have used some fake numbers to show how this account would have fared.
- Ⓢ Once the ending IMS is determined, then the percentages are compared to the account goals, which were established on the previous page. In this example, the account achieved the goals in two out of the three categories.
- Ⓢ The account will be required to submit documentation for Microsoft and competitive sell-through on a monthly basis, and provide back-up documentation in the form of computerized sales reports/printouts. Specific competitive SKU sell-through data is preferred. Aggregate competitive data will be accepted only if it is verifiable and auditable. (that only designated products are included) and approved by the RGM.
- Ⓢ Microsoft corporate maintains the right to reject any documentation and to audit the account's sales records via a third-party auditing agency. (CPA Firm).

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Internal Market Share Rebate Program

Verification and Auditing

- Dealer retroactively reports four months of competitive data
- RAX compiles monthly sell-through data and dealer printouts and submits to Programs Management
- Monthly data must be received
- Dealer can report specific competitive SKU's or an aggregate total (must be verifiable)
- Programs Management compiles results and reports to finance
- Microsoft may audit all data at reseller site

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Microsoft

- ③ The dealer will be responsible for *retroactively* reporting (and providing appropriate documentation as specified in the next section) the competitive sell-through information on a month-by-month basis for the four month period. This will allow Microsoft personnel to immediately establish monthly competitive trend analysis, and have it available for planning T1-1990 IMS goals (which will require July through October sell-through data).
- ③ The Distribution Marketing Department will provide our records of sell-through numbers for the period March through June, as well as the four month total. The account manager will then obtain the competitive sell-through numbers and documentation, calculate the dealer's IMS goals, and submit the paperwork to Programs Management by August 25th. The final participation offer will be contingent upon Rich Macintosh and Programs Management approval.
- ③ Beginning September 1st, all Microsoft and competitive products will be tracked in monthly reporting will be tracked by SKU. If the dealer refuses to provide specific competitive SKU data, then there will be an area for reporting aggregate competitive sell-through for each product category, as appropriate. The specific competitive SKU's that are part of the IMS program will be identified in advance. All sell-through numbers must be reported on a monthly basis, and the account manager will be responsible for keeping the account posted on their progress toward the goal.
- ③ The account will be required to provide the account manager with monthly sales reports, in computer printout form, to the account manager each month as documentation. The account manager will compile the numbers into the sell-through data entry system, and submit the computer printouts to corporate along with the monthly sell-through data file. The data entry system will enable the account manager to keep his/her own records of the sell-through being reported, in order to keep the dealer posted on his progress.
- ③ If the account cannot provide computerized monthly sales reports (it's hard to imagine a reseller not having these) for individual SKU's then they must submit an alternative reporting format to Richmac and Programs Management for approval to participate in the program. Programs Management and Distribution Marketing will monitor the data and follow-up with the account/account manager on any discrepancies. If necessary, Microsoft will acquire the services of a public accounting firm to verify the accuracy of all sell-through data being reported. Microsoft will maintain the right to perform audits on all dealers to verify all sell-through data being reported.

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