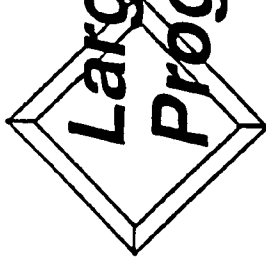


PLAINTIFF'S
EXHIBIT
3539
Comes v. Microsoft

Large Account
WW Agreements

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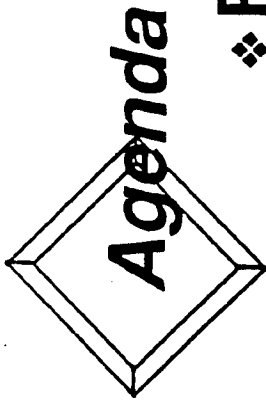
The logo consists of a diamond shape formed by two overlapping squares. The text "Large Account Agreement" is written in a bold, sans-serif font across the top half of the diamond, and the word "Program" is written in the same font across the bottom half.

**Large Account Agreement
Program**

- ❖ **Craig Fiebig** **US Large Account Sales**
- ❖ **Jacques Bablon** **EHQ Corporate Accounts**
- ❖ **Mike Rhamy** **US Channel Marketing**
- ❖ **Allen Wilcox** **Corporate Attorney**

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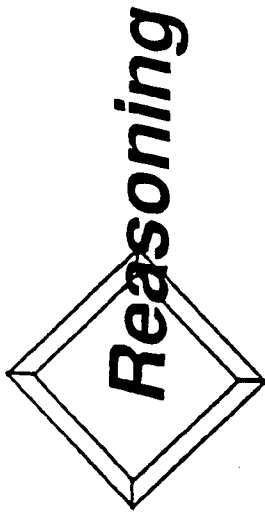


Agenda

- ❖ Reasoning
- ❖ Foundation
 - Special products
 - Pricing
 - Product pools
 - Channel strategy
 - Scenarios
- ❖ Open issues
 - Discussion
- ❖ Action items

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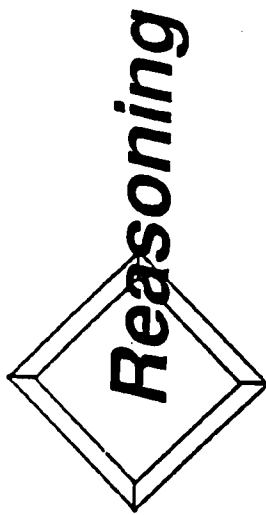


Customer Demand

- ❖ Scalable terms & conditions
- ❖ Rapid response
- ❖ Ease of administration, automatic legality
- ❖ Leverage for distributed purchases
- ❖ Ongoing, budgetable maintenance
- ❖ Microsoft ownership of key support and service

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The Competition

❖ Lotus

- Site license, auditing tools, maintenance, electronic distribution (Lynx).

❖ Word Perfect (CAP)

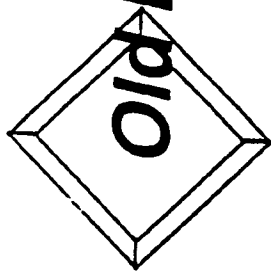
- Multiplatform, multi-lingual, one registration number, counts historical purchases.

❖ Borland

- Initiation Fee, annual thereafter. Any combination of products without restrictions worldwide. Count PCs only.

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Old Method - "Downloading"

❖ Custom reproduction rights with volume pricing

- Products to which rights apply
- Number of copies which can be made - right to consume

❖ Rights did not flow through channel

- Channel involvement limited to commissions/rebates/shut-up and be happy fees

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Special Products - Definition

❖ **MVLP/MELP**

– EULA with two variables

- ♦ products to which it applies (defined at the outset)
- ♦ number of copies which can be made (defined over time) counted per copy for MVLP, per computer for MELP

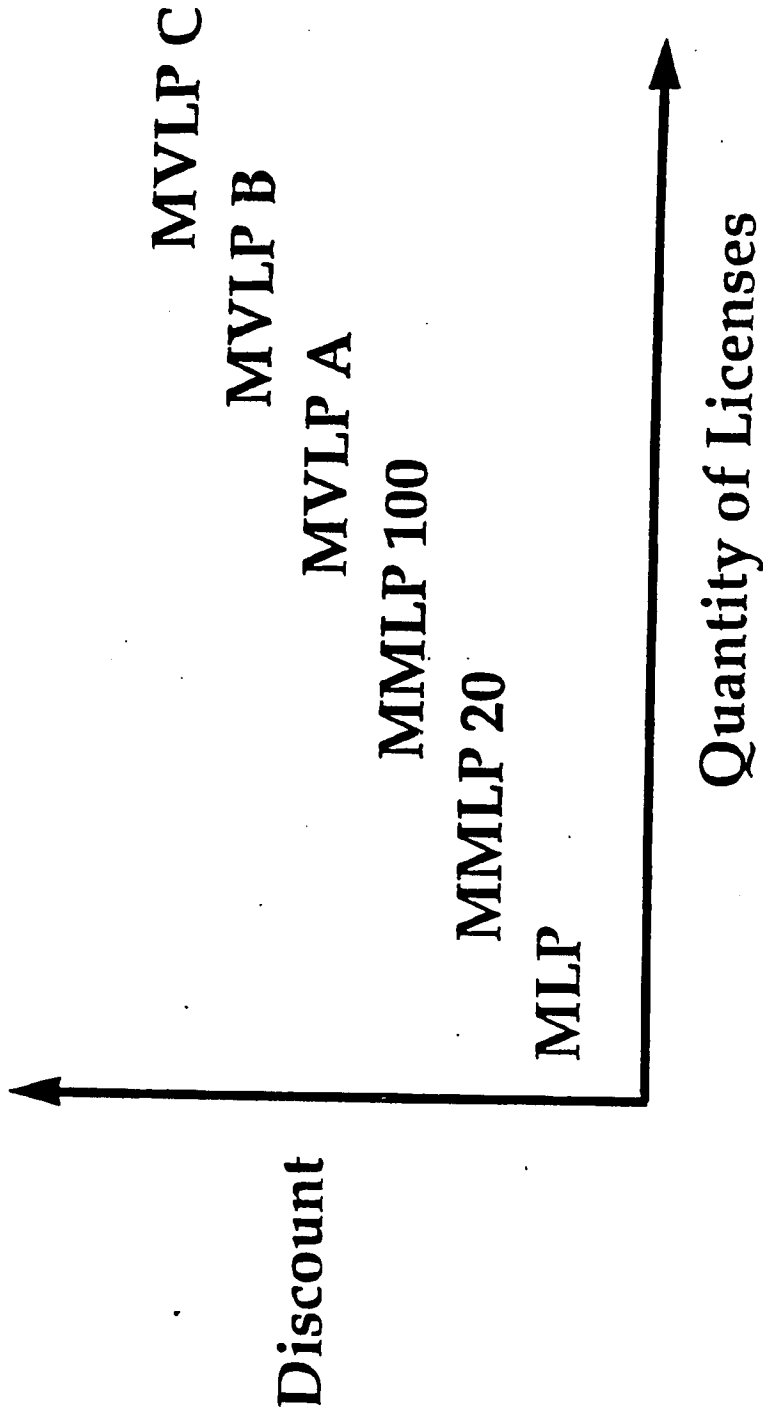
❖ **Maintenance**

– EULA which provides right to receive any and all upgrades for set number of copies of specific products covered in exchange for fixed installment payments

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A Scalable License Policy



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Pricing Example -- US

❖ Microsoft Excel 4.0

SKU	US
Proposals	SRP
FPP	\$495
MLP	\$396
MMLP-20	\$371
MMLP-100	\$347
VLP-A	\$347
VLP-B	\$322
VLP-C	\$297
MELP	\$248

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**Pricing Example -- US, Sarl,
GmbH & Ltd**

❖ Microsoft Excel 4.0

SKU	US	GmbH	Ltd
<u>Proposals</u>	<u>SRP</u>	<u>SRP</u>	<u>SRP</u>
FPP	\$495	DM1391	£395
MLP	\$396	DM1112	£316
MMLP-20	\$371	DM1043	£296
MMLP-100	\$347	DM973	£277
VLP-A	\$347	DM973	£277
VLP-B	\$322	DM904	£257
VLP-C	\$297	DM834	£237
MELP	\$248	DM696	£198

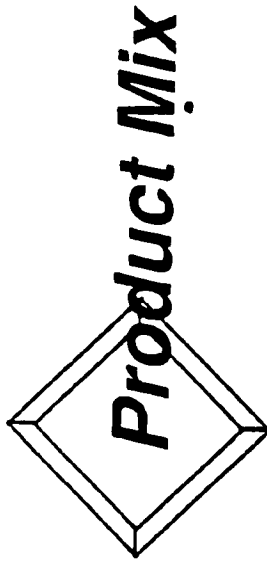


Specific Discounts

SKU	<u>Proposals</u>	<u>Units</u>	<u>Discount for SRP</u>
FPP		1	0%
MLP		1	20%
MMMLP-20		20	25%
MMMLP-100		100	30%
MVLP-A		1,000	30%
MVLP-B		2,500	35%
MVLP-C		5,000	40%
MELP		2,500	50%

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Product Mix

<u>Applications</u>	<u>Systems</u>	<u>Servers</u>
Office	DOS Upgrades	LAN Manager for NT
Fox *	Windows 3.1	SQL Server for NT
Excel	Windows for Workgroups	SNA Services for NT
Works *	Windows NT	Mail Servers & Gateways
Word *		
Mail SKUs		
PowerPoint		
Access		
Project		

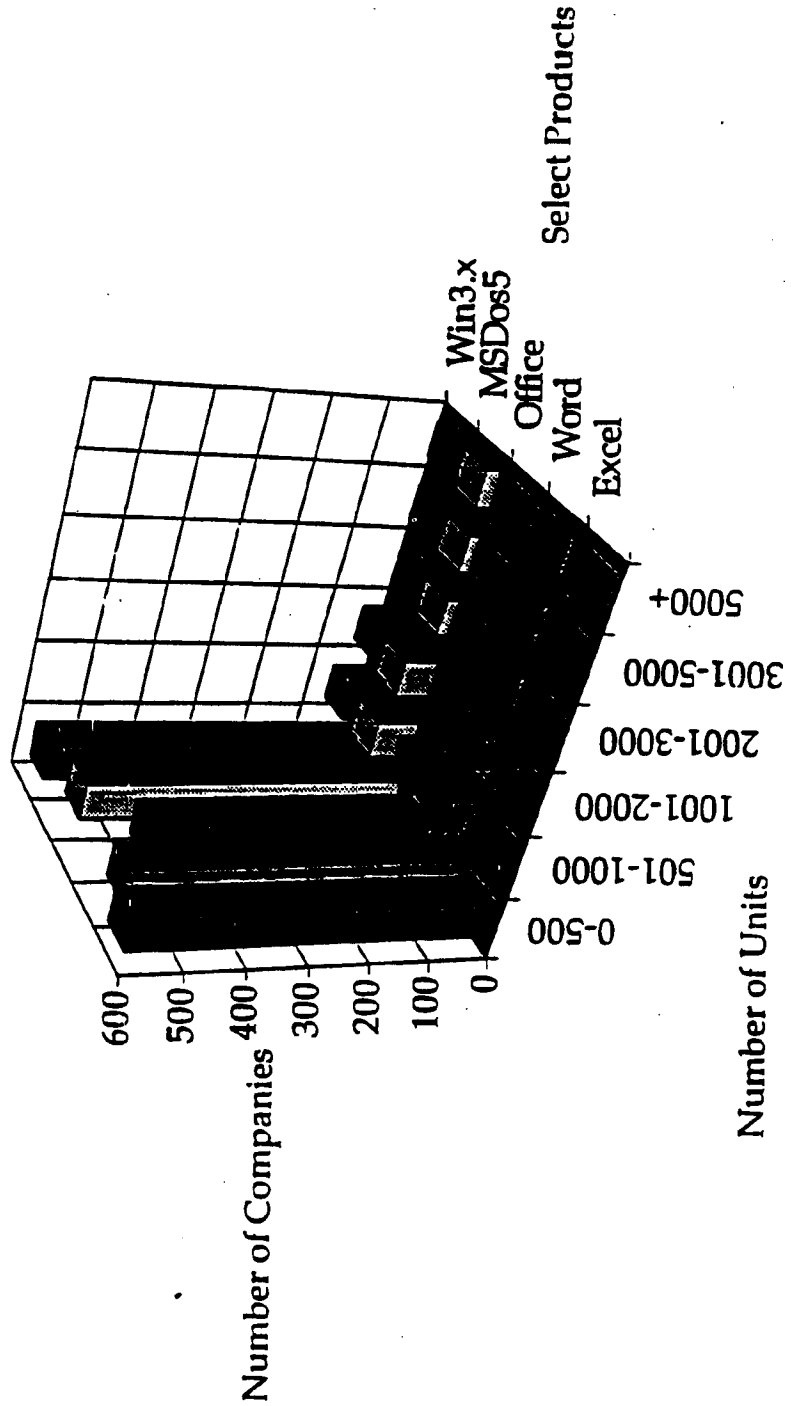
* Includes DOS Version

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Large Account Purchase Patterns

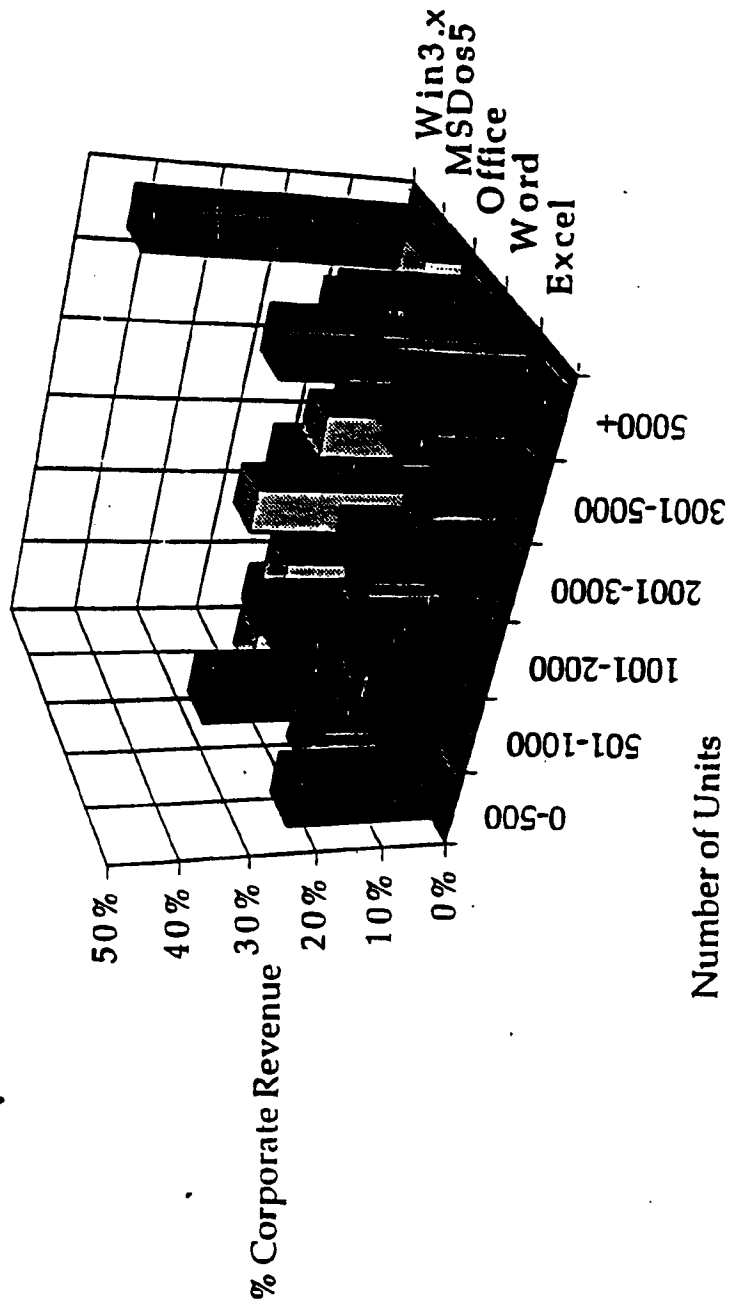
US FY92 Data



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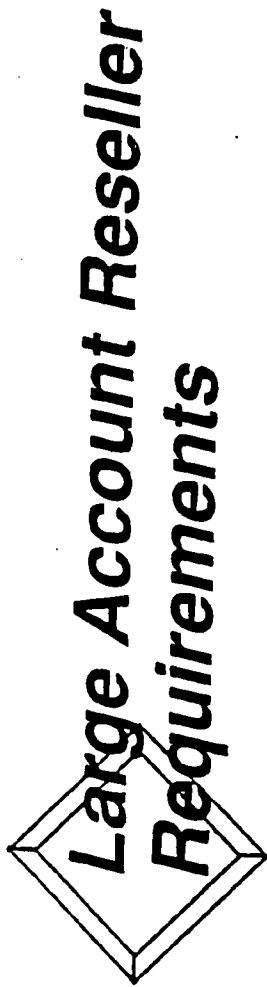
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Large Account Revenue -- US



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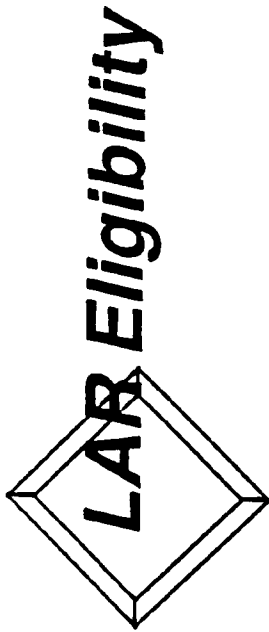
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**Large Account Reseller
Requirements**

Mike Rliamy Manager, Channel Marketing

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LAB Eligibility

- ❖ **Participation open to all resellers who...**
 - meet qualification criteria
 - continually meet performance requirements
- ❖ **Includes all types of resellers**
 - Direct vs. indirect
 - Strategic Integrators
 - OEM's (packaged product only)
- ❖ **Geared towards resellers who are...**
 - High-volume, low margin-oriented
 - software-oriented
 - focusing on LA market

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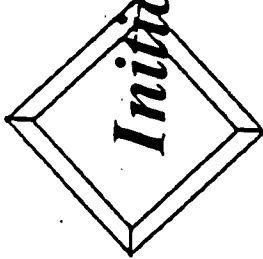


Minimum Qualifications
(all subs)

- ❖ **Record of Microsoft product sales to large accounts**
- ❖ **National product distribution and support**
- ❖ **Outbound sales force to work with Microsoft and LA's**
- ❖ **Technical support via phone**
- ❖ **Financial standing for participation in special agreements**
 - Reseller must be credit approved by Microsoft Finance department
- ❖ **LAR agreement is addendum to master reseller agreement**

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Initial US Qualifications

❖ **Phase 1 - Minimum \$1 million in LVA revenue for FY 92**

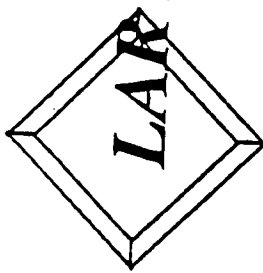
- 30 resellers -- 90% of US LA business
- Senior Partner status

❖ **Phase 2 -- Once distributors are operational**

- Remove minimum LVA sales requirement
- Approve resellers meeting qualifications upon completion of first MVLP or Maintenance agreement
- Expected by January 1, 1993

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LAP Participation Requirements

- ❖ **Quarterly billing**
- ❖ **Sales reporting**
- ❖ **Designated program administrator**
 - Coordinates between LA and Microsoft - special agreement issues
 - Escalates any issues to account management as necessary
- ❖ **Minimum technical support over phone**

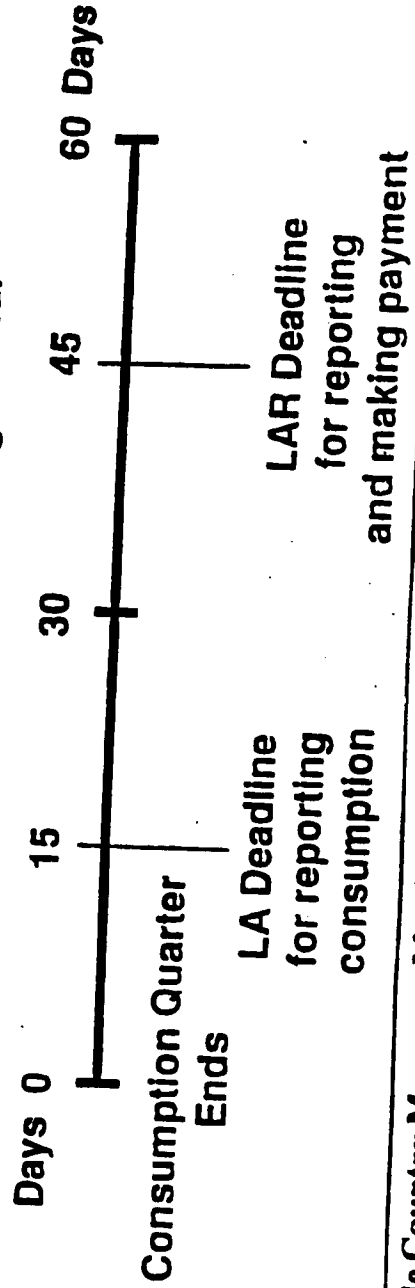
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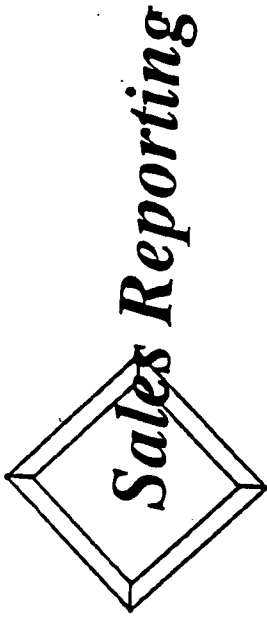
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Quarterly Billing

Reporting, invoicing, payment flow from LA to Microsoft via LAR, resulting in the flow:

- LA reports consumption to reseller within 15 days of end of each quarter.
- Reseller will have 45 days to complete sales activity reporting and pay Microsoft
- If LA has not reported in time, LAR informs Microsoft. LA will be in breach of their agreement, licenses consumed but not reported no longer valid.





❖ **LAR reports LA sales data**

- LAR customer number
- MS billing location (sub) number
- LAA agreement number
- Customer parent number
- customer bill-to number
- calendar quarter ending
- SKU number
- SKU description
- SJU quantity
- SKU price

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Reseller Issues

❖ Quarterly billing

- LA penalty for late reporting
- Reseller obligated to pay if LA doesn't report
- Does LAR need invoice from Microsoft
- 45 day terms

❖ Sales reporting

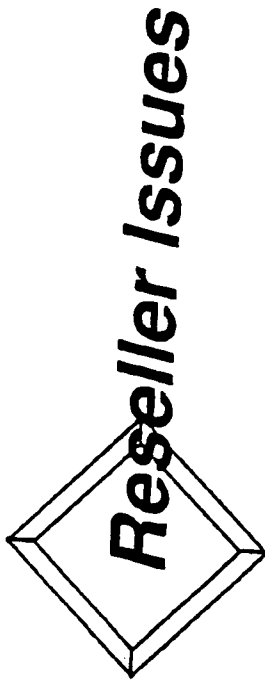
- Special report or tie into LVA report

❖ Discounts on physical product

- Provide rebate to encourage sales of broad product line

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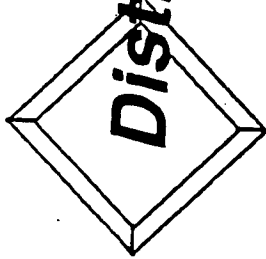


Reseller Issues

- ❖ **Long-term WW SRP/discount policy**
 - Need for consistent terms on worldwide basis
 - Standard rebates and marketing funds?
- ❖ **Reseller service fees for direct sales**
 - Appropriate amount
 - Provide service fees based on support provided

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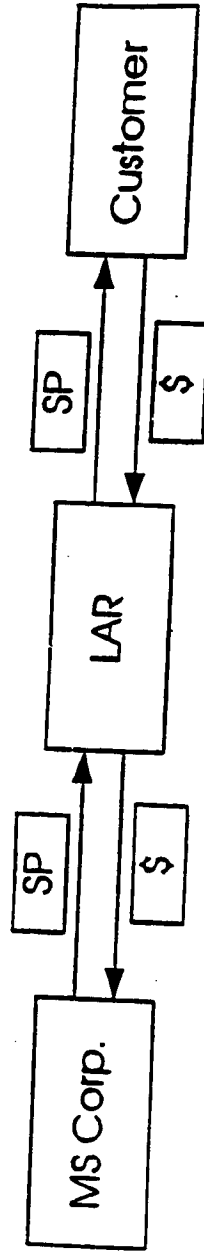
Distribution Scenarios

Allen Wilcox Corporate Attorney

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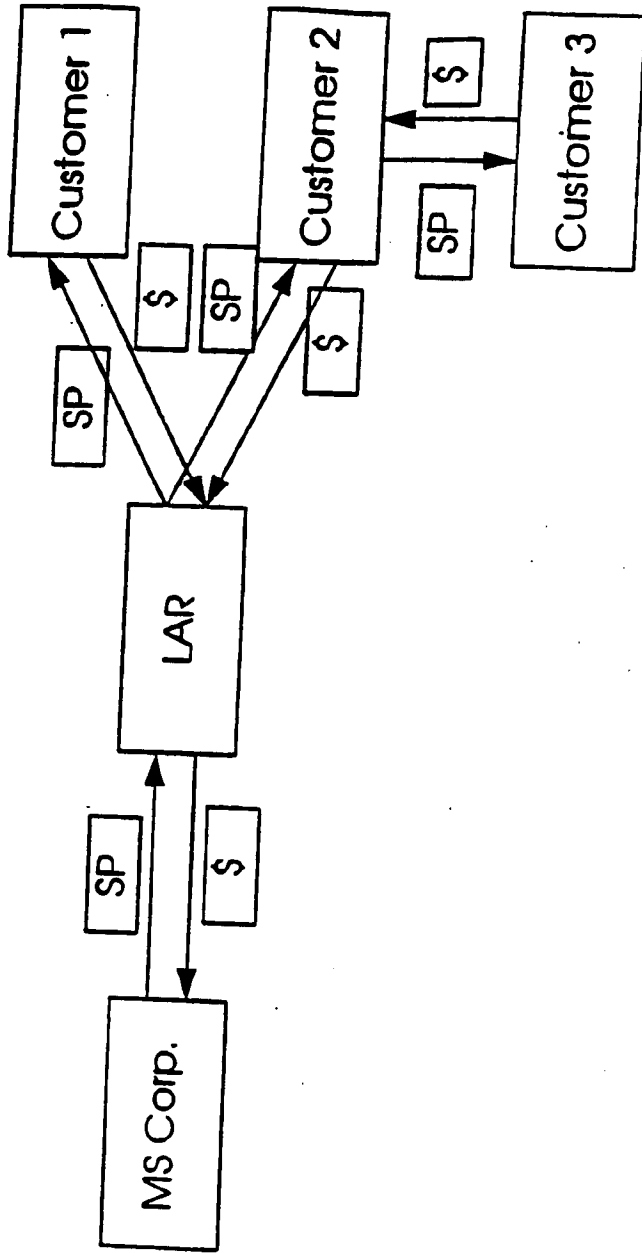
Distribution Scenario A
Single Selling Point, Single Reseller, Single
Purchase Point, Single Country



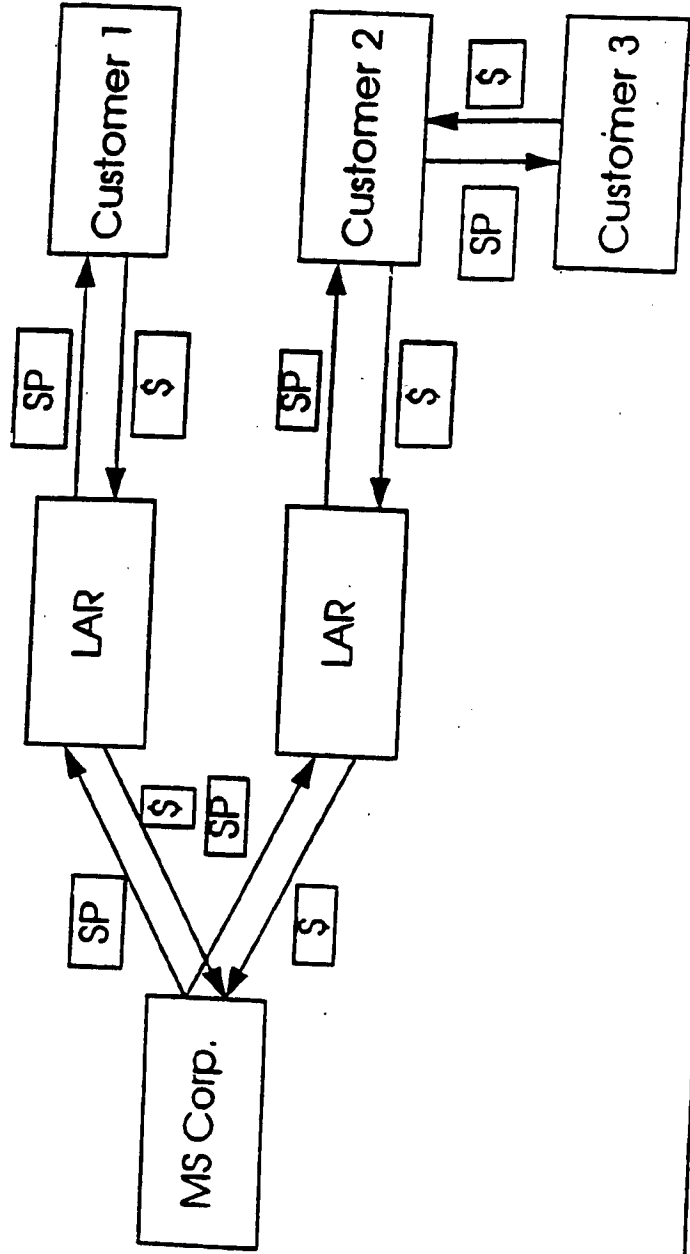
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Distribution Scenario B
 Single Selling Point, Single Reseller, Multiple
 Purchase Points (w/ secondary purchase point),
 Single Country



Distribution Scenario C
 Single Selling Point, Multiple Resellers, Multiple
 Purchase Points (w/ secondary purchase point),
 Single Country



Multiple Countries
Guiding Principles (Immovables)

❖ **Taxes**



❖ **Internal Revenue Credit**

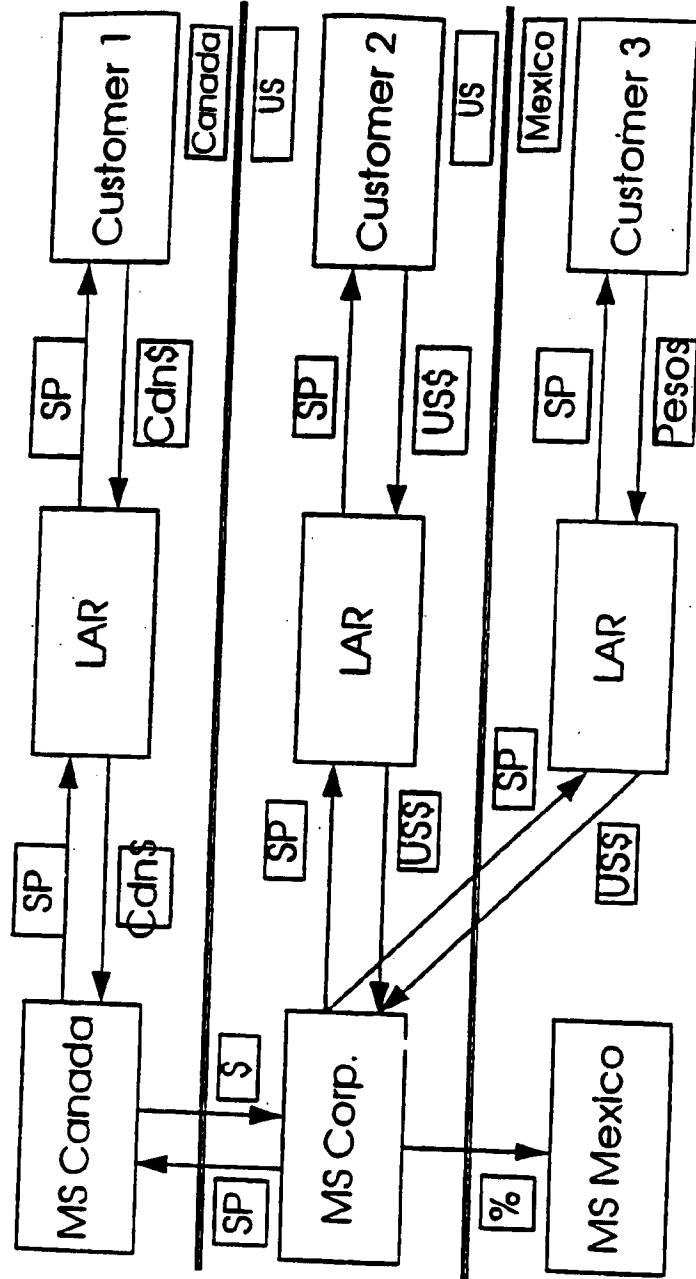


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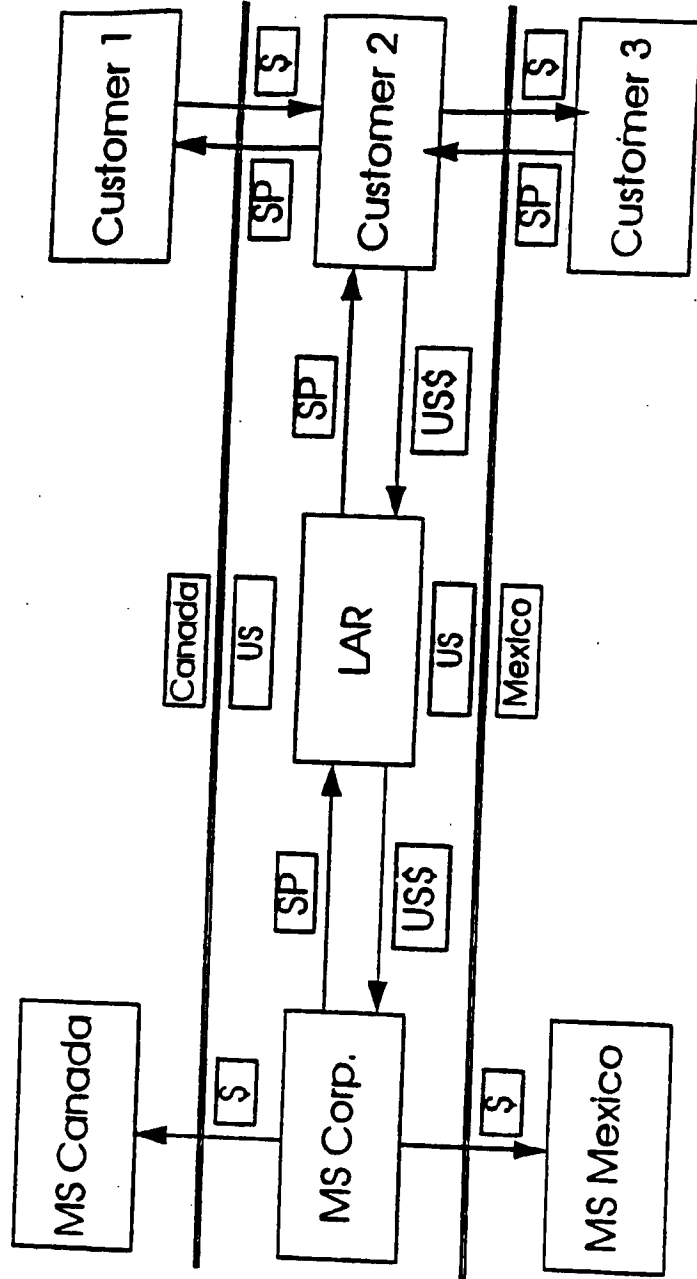
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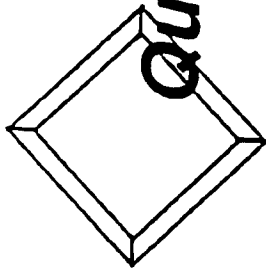
Distribution Scenario D

Multiple Selling Points, Multiple Resellers,
Multiple Purchase Points, Multiple Countries



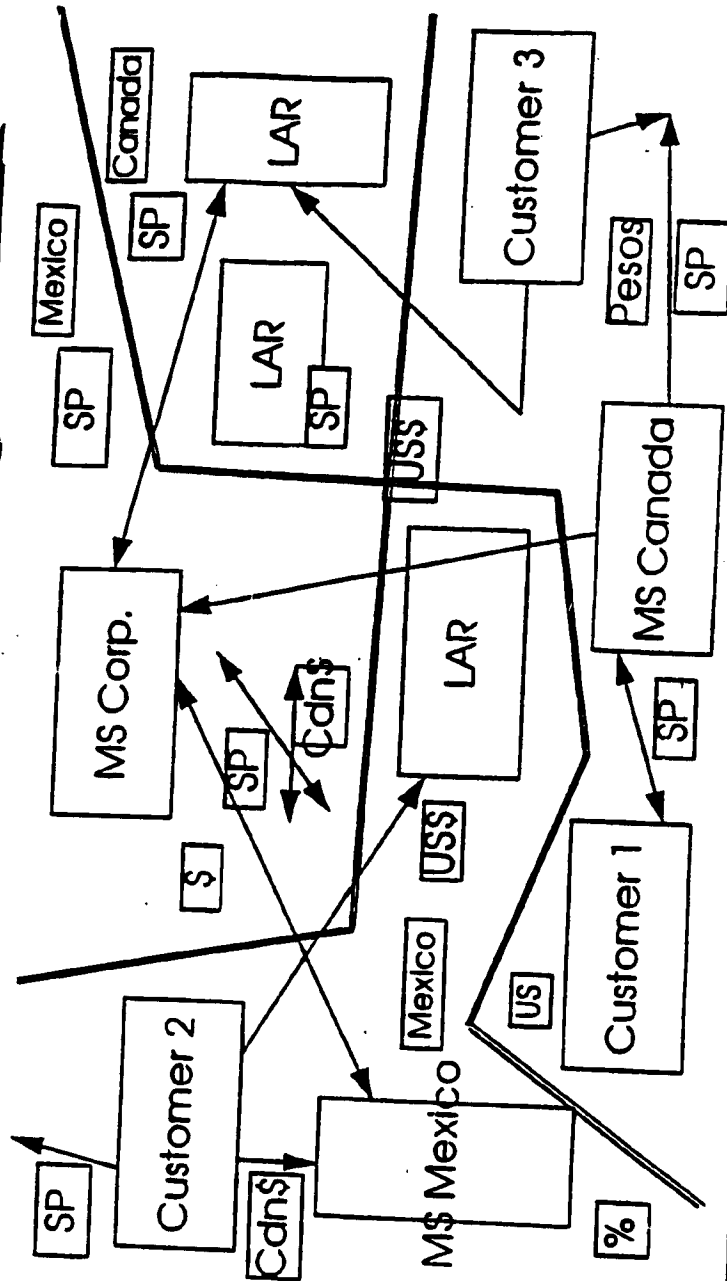
Distribution Scenario E
Single Selling Point, Single Reseller, Single
Purchase Point (w/ secondary purchase points),
Multiple Countries

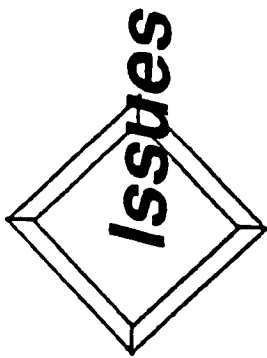




Questions

??
??
??
??

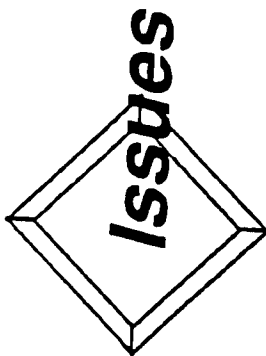




❖ **Craig Fiebig**

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Issue #1

❖ **Can we publish the MVLPL discounts?**

-- No

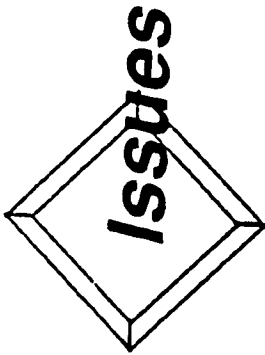
♦ We cannot let this information out to our competitors.

-- Yes

♦ If we do not publish the only people without the information are customers.

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Issue #2

❖ Can each Subsidiary set its own levels of MVLP?

— Yes

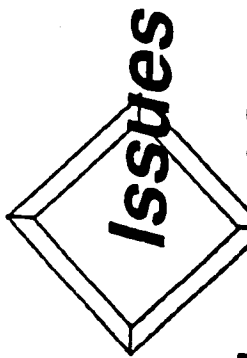
- ♦ Setting the minimum level of the MVLP A is important for this program to match my countries market.

— No

- ♦ Having one MVLP which is single country and one which is multinational leads to multiple SRPs for the same SKU.
- ♦ Discounts are largely based on absolute volumes. Smaller customers can use MMLP.

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Issue #2 (Corollary)

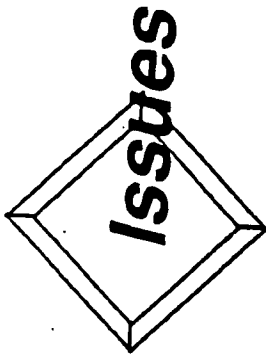
❖ If MVLP A has an entry point of 1000 units, isn't that too low for a multinational agreement?

- No

♦ We need a low entry point for the smaller multinational corporations in my territory.

- Yes

♦ The cost of creating a multinational agreement are greater than the revenue we'll see. Make MVLP B the entry for multinational deals.



Issue #3

❖ **Can we rationalize our channel policy for volume licenses?**

– No

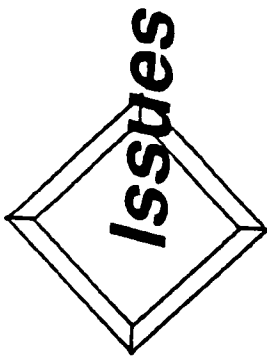
- ♦ Each country needs to sell MVLPS to its channel in a manner consistent with current local practices.

– Yes

- ♦ This is an opportunity to establish one globally consistent channel term for large accounts.
- ♦ This will be increasingly important with resellers and Solutions Providers operating in multiple countries.

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Issue #3 -- Example

MVLP-B (2,500 units) and a 35% discount,

Excel 4.0 SRP = \$495, less 35% = \$322,

\$322 less 44% = \$180 for MS revenue,

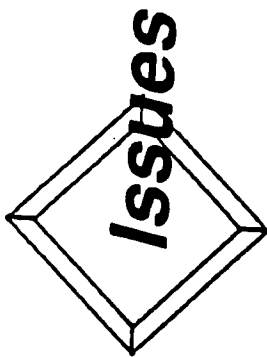
\$180 / (1 - 17%) = \$217,

MVLP B SRP for Excel 4.0 = \$217,

Channel cost = \$ 180.

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❖ **Issue #4**

❖ **Can we use the same discounts for MVLP A, B & C worldwide?**

- Yes

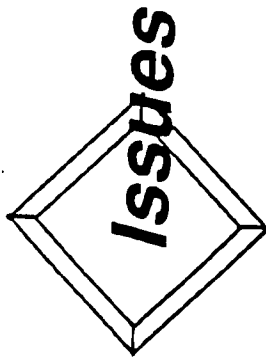
- ♦ It's important to offer our customers a consistent set of discount terms around the world.

- No

- ♦ Some areas have already embarked upon MMLP strategies discounted more aggressively than the rest find comfortable. Two discount schedules should be created; one for relatively high SRP areas and another for low SRP areas.

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Issue #4 -- Example

European Discounts	Other Discounts
MLP	MLP
20%	20%
MMLP 20	MMLP 20
30%	25%
MMLP 100	MMLP 100
35%	30%
MVLP A	MVLP A
35%	30%
MVLP B	MVLP B
40%	35%
MVLP C	MVLP C
45%	40%
MELP	MELP
55%	50%

Worldwide Country Managers Meeting - Sep/29th to Oct/2nd, 1992