Amy Johnstone

From:	Carl Gulledge
To:	OEM Directors and Business Managers
Cc:	Douglas Jackson; Peter Miller; Tim Beard
Subject:	New PGL
Date:	Thursday, December 15, 1994 4:52PM

If there are no other comments on the PGL I will publish it tomorrow.

<<File Attachment: pos9412c.doc>>

MS-PCA 2611592

Internal OEM Price Guideline
for
Desktop Operating Systems:
MS-DOS, Windows,
Windows for Workgroups and
MS Windows 95

Price Guideline Definitions

Per System: .... A license in which all units of a particular OEM model name and/or number are licensed and a royalty is due for the MS-product whenever that particular model is shipped.

Per Copy: .... A license where a royalty is paid to MS whenever a copy or unit of the licensed MS product ships. The OEM is permitted to ship the licensed product only in conjunction with a particular OEM PC model(s).

Progressive Volume-Break Pricing .... OEMs will be quoted three progressive volume breaks: one break below their estimated volume; a break at their estimated volume; and a break above their estimated volume. For example, an OEM licensing 120K systems annually (10K monthly) on a per system basis would license MS-DOS and Enhanced Tools at $22.00 for the first 8K units shipped monthly; $21.75 for the next 4K; and $21.50 for all units in excess of the first 12K.

Default Royalty... OEMs may be charged this per unit royalty if their reported monthly Product/Customer System shipments fall into the first Volume Break three times (nonconsecutive) during the term of the Agreement. See Section 3(a) - PAYMENT AND REPORTING of the Agreement for details.

MS-PCA 2611594

Operating Systems

An OEM must provide end-user support for all licensed products. All products shipped in the U.S. must include a Microsoft end-user registration card. Royalties published here are for the U.S. versions.

Microsoft MS-DOS

Per Copy, one-year, U.S. version licenses.

Annual Volume	De-fault	6-12K	12-24K	24-48K	48K+
Monthly Volume		1K	2K	4K	4K+
MS-DOS 6.22	25.00	20.75	20.50	20.25	20.25
MS-DOS 6.22 Enhanced Tools	2.00	2.00	2.00	2.00	2.00

Note: For estimated annual unit shipments below 6K, use DSP.

Per System, one-year, U.S. version licenses.

"Per System" is defined as a license where a royalty is paid to MS whenever a licensed system is shipped.

Annual Volume	De-fault	48-72	72-96	96-144	144-192	192-240	240-288	288-384	384-480	480-600	600-720	720-840	840-960	960-1.2M	1.2-1.8M	1.8-2.4M	2.4-6M	6M+
Monthly Volume		4K	6K	8K	12K	16K	20K	24K	32K	40K	50K	60K	70K	80K	100K	150K	200K	500K
MS-DOS 6.22	25.00	20.25	20.00	19.75	19.50	19.25	19.00	18.75	18.50	18.25	18.00	17.75	17.50	17.25	17.00	16.75	16.50	16.25
MS-DOS 6.22 Enhanced Tools	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00

Note: For estimated annual unit shipments below 48K, use "Per Copy" pricing. OEMs operating with a per-system license also qualify for a per-copy royalty of $20.25 for MSDOS + $2.00 for Enhanced Tools for systems not licensed on a per-system basis.

MS-DOS 6 Incentives and Adders Table.

Pre-install on hard disk drive (subtract from royalty)	($.50)
Add to localized versions (add to royalty)	$2.50

Notes for MS-DOS Licenses

Note 1 The rommable version of MS-DOS is version 6.22 and is included with the standard MS-DOS license. It is the OEM's choice whether to ship a ROM-executable or RAM-executable version. Royalties for ROM-executable versions of MS-DOS versions 5.0 and 3.22 are the same as those listed in above MS-DOS 6.22. For embedded system licensing (ROM DOS for non-PCs) consult with Rayka for pricing.

Note 2 For MS-DOS/V or Windows/V pricing and availability, please contact your OEM Area Director.

Note 3 The MS-DOS OAK/ODK does not include MS-DOS mouse drivers MOUSE.EXE or MOUSE.COM. These are available to the OEM as part of the standard Mouse license. MS-DOS Mouse drivers cannot be licensed separately from the MS-Mouse.

Note 4 MS-DOS 6 Enhanced Tools requires MS-DOS license.

Note 5 CD-ROM extensions are now included in MS-DOS 6. Peripheral or other manufacturers who want to license CD-ROM extensions should refer to OEM Price Guideline for Associated Systems Products.

MS-DOS Source Code Fees

MS-DOS Kernel	$25K
MS-DOS Display and Keyboard	$5K
MS-DOS Extended Memory	$8K
MS-DOS Shell	$50K
Flash File System Source Code	$10K
Update of ABIOS Source 1.21 or 1.3	$5K

MS-PCA 2611595

Microsoft Windows
Per Copy, one-year, U.S. version licenses.

Annual Volume	De-fault	6-12K	12-24K	24-48K	48K+
Monthly Volume		1K	2K	4K	4K+
Windows 3.11	40.00	36.00	34.00	32.00	32.00
Windows for Workgroups 3.11 Add-on	10.00	10.00	9.50	9.00	9.00

Note: For estimated annual unit shipments below 6K, use DSP.

Per System, one-year, U.S. version licenses.
"Per System" is defined as a license where a royalty is paid to MS whenever a licensed system is shipped.

Annual Volume	De-fault	48-72	72-96	96-144	144-192	192-240	240-288	288-384	384-480	480-600	600-720	720-840	840-960	960-1.2M	1.2-1.8M	1.8-2.4M	2.4-6M	6M+
Monthly Volume		4K	6K	8K	12K	16K	20K	24K	32K	40K	50K	60K	70K	80K	100K	150K	200K	500K
Windows 3.11	40.00	32.00	30.00	29.50	29.00	28.50	28.00	27.50	27.00	26.00	25.50	25.00	24.50	24.00	23.50	23.00	22.50	22.00
Windows for Workgroups 3.11 Add-on	10.00	9.00	9.00	8.50	8.50	8.50	8.25	8.25	8.00	8.00	7.50	7.50	7.50	7.50	7.00	7.00	7.00	6.50

Note: For estimated annual unit shipments below 48K, use "Per Copy" pricing. OEMs operating with a per-system license also qualify for a per-copy royalty of $32.00 for Windows + $9.00 for Windows for Workgroups for systems not licensed on a per-system basis.

Incentives and Adders for MS-Windows Licenses	
Pre-install on hard disk drive (subtract from royalty)	($1.00)
Add to localized versions (add to royalty)	$4.00

Notes for MS-Windows Licenses

Note 1   For the U.S. only, Windows 3.11 can be licensed for resale in conjunction with hardware other than PC systems provided that the OEMs hardware interacts with Windows so as to provide "significant value or utility" to the user. "Significant value or utility" means .that: (1) the OEM hardware is the "primary" component of the Windows/hardware offering and (2) the hardware alone carries an SRP of at least twice the current SRP of Windows (i.e. $300 at the current Windows SRP of $150). The royalty for such licenses is a $20 uplift from the applicable Windows royalty. The OEM must commit to 25,000 or more units per year. Check with your OEM Area Director before quoting on this business.

Note 2   The Windows 3.11 OAK/ODK includes the Windows 3.11 driver MOUSE.DRV, and not the MS-DOS mouse drivers MOUSE.EXE or MOUSE.COM. MS-DOS Mouse drivers are only licensed as part of a MS-Mouse contract.

Note 3   The rommable version of Windows 3.11 is included with the standard Windows license. The OEM may ship a ROM-executable or RAM-executable version at its applicable royalty above. Technical adaptation support via MS-OnLine is highly recommended for OEMs designing Windows ROM based systems.

Note 4   MS TCP/IP and MS DLC is free of charge to OEMs which license Windows for Workgroups ("WFW"). A separate Product Exhibit is required. OEMs must have a license for for compatibility reasons. These products are licensed for use only on WFW systems.

Note 5   Windows For Workgroups royalty is in addition to the Windows 3.11 royalty.   **MS-PCA 2611596**

Note 6   The OEM must be qualified to support licensed product directly in every country where it is shipped. Windows for Workgroup localization uplift is applicable only if the OEM has not already paid a Windows uplift for a particular version. i.e.. only charge one uplift for a particular translated version of Windows and WFW.

HIGHLY CONFIDENTIAL

Microsoft Windows 95[1]

Per Copy, one-year, U.S. version licenses.

Annual Volume	Default	6-12K	12-24K	24-48K	48K+
Monthly Volume		1K	2K	4K	4K+
Royalty	75.00	73.50	72.00	70.50	70.50

Note: For estimated annual unit shipments below 6K, use Microsoft's Easy Distribution programs (MED/DSP).

Non -MDA Pricing - Per System, one-year, U.S. version licenses.
(For OEMs which do not have an MDA with MS).
"Per System" is defined as a license where a royalty is paid to MS whenever a licensed system is shipped.

Annual Volume	Default	48-72	72-96	96-144	144-192	192-240	240-288	288-384	384-480	480-600	600-720	720-840	840-960	960-1.2M	1.2-1.8M	1.8-2.4M	2.4-6M	6M+
Monthly Volume		4K	6K	8K	12K	16K	20K	24K	32K	40K	50K	60K	70K	80K	100K	150K	200K	500K
Royalty	75.00	70.00	69.00	67.50	66.00	60.25	59.50	58.75	58.50	58.00	57.50	56.75	56.00	55.25	54.50	54.00	53.50	53.25

Note: OEMs operating with a per-system license also qualify for a per-copy royalty of $70.50 for systems not licensed on a per-system basis.

MDA Pricing (and volume discounts)[2] - Per System, one-year, U.S. version licenses.
(For OEMs which have an MDA with MS)

"Per System" is defined as a license where a royalty is paid to MS whenever a licensed system is shipped.

Annual Volume (K)	Default	48-72	72-96	96-144	144-192	192-240	240-288	288-384	384-480	480-600	600-720	720-840	840-960	960-1.2M	1.2-1.8M	1.8-2.4M	2.4-6M	6M+
Monthly Volume		4K	6K	8K	12K	16K	20K	24K	32K	40K	50K	60K	70K	80K	100K	150K	200K	500K
Win95 MDA Volume Discount[2] Royalty(see below)	0%[3]	8%	10%	12%	13%	14%	15%	16%	16.5%	17%	18%	19%	20%	21%	22%	23%	23.5%	24%

Note: OEMs operating with a per-system license also qualify for a per-copy royalty of $70.50 for systems not licensed on a per-system basis.

Incentives and Adders for MS-Windows 95 Licenses
To be applied after all other royalty calculations are completed

Pre-install on hard disk drive (subtract from royalty)	($1.00)
Add to localized versions (add to royalty)	$6.00

Notes for MS-Windows 95 Licenses

Note 1   Windows 95 is priced separately from an OEM's pre-existing MS-DOS and Windows royalties.

Note 2   MDA volume discounts are used for Windows 95 Market Development Agreement OEM participants. The MDA adjusted royalty is determined by subtracting the MDA incentives from the MDA Base royalty ($75.00). Once the MDA adjusted royalty is determined, the volume discount is applied and is expressed as "percentage off" MDA adjusted royalty. Royalties should be rounded to the nearest $.25 increment. See pricing example on next page.

Note 3   The Default Royalty for an MDA per system license is calculated by subtracting the OEM's earned MDA incentives from $75.00. The Default Royalty will never be lower than $55.00.

MS-Windows 95 MDA Pricing Example:

MDA OEM will ship 500K Windows 95 systems next year, has signed an MDA Agreement, and achieves $20.00 in MDA incentives. The OEM Pre-installs Windows 95 and ships some localized product. Default royalty is calculated to be $55.00

Using Progressive-Volume Breaks:

	Break #1 - 32K/mo.	Break #2 - 40K/mo.	Break #3 - 50K/mo.
MDA Base Royalty	$75.00	$75.00	$75.00
Less MDA Incentives**	-$20.00	-$20.00	-$20.00
Adjusted MDA Royalty	$55.00	$55.00	$55.00
MDA Volume Discount	-$9.08 (16.5%)	-$9.35 (17%)	-$9.90 (18%)
OEM Pre-installs	-$1.00	-$1.00	-$1.00
Total Royalty (US Eng)	$45.00	$44.75	$44.25
Total Royalty (localized)	$51.00	$51.65	$50.25

** MDA incentives shown are maximum. MDA incentives are variable and determined by OEM MDA participation

For US English Product the Royalty due for each system shipped in the reporting period (month) would be:

First 40K units, $45.00 - Next 10K units, $44.75 - 60K units and above, $44.25

Corresponding Exhibit C:

Product Number Name and Version		Per System Royalty*		Per Copy Royalty*	Non-English Additional Royalty
Windows™ 95		Monthly Units Royalty 1 to 40,000 US$ 45.00 40,0001 to 50,000 US$ 44.75 60,0001+ US$ 44.25 Estimated annual volume: 500,000 Default Royalty: US$ 55.00		Royalty US$ 70.50	US$6.00

MS-PCA 2611598

HIGHLY
CONFIDENTIAL