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EXHIBIT**

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From: Jeff Meyer
Sent: Tuesday, January 20, 1998 7:27 PM
To: Joseph Krawczak; Robert Crissman; Bill Demas
Cc: John Vail; Kristen Dimlow (Roby); Priscilla Mistele
Subject: FW: Home Use Spec

Follow Up Flag: Follow up
Flag Status: Flagged

Tom,
The plans looks great.

I do have the following concerns:

- Home Use enrollees reach Select discount levels at lower prices than non-Home Users. Home users pay 80% of the VUP price, but get 100% of the Select program units. This seems unfair to our customers who pay 100% of the VUP price. Perhaps there is a way for Home Use Office licenses to count for 1.6 units.
- License enforcement. We should be very explicit about (not) allowing companies to move their home use licenses from employee to employee. Because companies will have no enforcement over the deinstallation of our software, we are leaving a door wide open for all kinds of abuses (some quite bizarre!) if companies are able to transfer home use licenses freely.
- Not including Front Page: if part of FP's market is departmental intranet users, and this program is designed to help people work from home, then we should consider including it. Not including it for revenue reasons is transparent in motivation and inconsistent with the rest of the messaging.

thanks, jeff

-----Original Message-----

From: Tom Bailey
Sent: Tuesday, January 20, 1998 3:18 PM
To: Joseph Krawczak; Jeff Meyer; Robert Crissman; Bill Demas
Cc: John Vail; Kristen Dimlow (Roby)
Subject: Home Use Spec

Attached is a draft copy of the Home Use spec. It contains the details of the actual program including target customer, pricing, commitment level, maintenance issues, etc. I would welcome any additional feedback you have about the program. If you want to give feedback I would like to have comments by eod Thursday as we are pushing to finalize the spec and get DAD, ECU and Ballmer buy-off prior to the BEC (we will have a slide in the BEC deck). I have the latest revenue and cannibalization assumptions and BEC presentation materials if you are interested.

The plan is get DAD buy-off by eow. I am meeting w/ Dennis and Kirstin tomorrow afternoon to go over the details with them. I expect to get ECU buy-off early next week and then run things up the flagpole to Ballmer by the end of the month.

Thanks. Let me know if you have any questions.



Final Work at Home
Spec.doc

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To: Jacques Bablon, Tom Bailey, Warren Talbot, Magnus Larsson, Anders Nilsson, Jonathan Downes, Morris Kremen
From: Marc Bauman, Volume Licensing Solutions
Date: January 16, 1998
Re: Home Use Program - DRAFT

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I. Background

With the release of Office 97 Microsoft removed unlimited home usage rights as part of the standard Office End User License Agreement (EULA). Under the terms of the current EULA corporate customers are permitted secondary use rights on portable PCs only.

The EULA was amended in response to the strengthened competitive position of Office in the corporate arena and in recognition that proliferation of free home use rights was likely cannibalizing retail sales of Office in the home segment. While the rationale behind changing Home Use rights for Office remains valid, three factors are driving a review of our Home Use policy for Office.

- Strong concern expressed by corporations over the removal of unlimited and free Home Use rights
- Home Use continues to be a recurring issue in many of the current negotiations for Select contracts and Enterprise Agreements.
- Recognition that we can drive significant incremental revenue by charging corporate customers for Home Use.

To respond to these challenges and opportunities we have developed a new Home Use program offering for Office (and Project). The following program specification details the program objectives, features, selling processes, risks, timelines and next steps.

II. Program Objectives

2.1 Goals

- Drive incremental revenue that can be attributable to Home Use and Office use in the home segment
- Provide corporate customers with a Home Use solution that meets their business requirements and ensures a simple means of compliance.
 - Reduce the frequency of home use issues being a sticking point in negotiations for Select contracts and Enterprise Agreements

III. Overall Timeline

Action	Date
Customer Call-Down Research	Nov - Dec
Volume Licensing Solutions to deliver initial draft of program specification & route for review	December 26
Initial program spec feedback due from DAD	January 9
Meeting with DAD & VSOL	Week of Jan 19
DAD BEC Review	February 10
Program specification finalized	February 15
Training & Communication plan finalized	March 1

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IV. Home Use Offering

4.1 Key Features

4.1.1 Enrollment

A new "Home Use" enrollment will be created under Select 4.0. With this new enrollment customers will be able to purchase Home Use license rights for Office 97 and future versions of Office. All customers wanting Home Use rights will be required to sign the new Home Use Enrollment agreement. The "Home Use" Enrollment will roll up under the Select 4.0 Master Agreement and Home Use licenses sold through this enrollment will count toward the customer's Select 4.0 Master forecast.

4.1.2 Products Offered

- Office 97 Professional (and future versions)
- Office 97 Standard (and future versions)
- Project (and future versions)

Customer is eligible to downgrade to a previous version of Office Products will not come with documentation or product support. Individuals with home use licenses will not receive support from Microsoft but should work through their employer.

4.1.3 Programs Offered

4.1.3.1 Select Option

This option will be the standard program offered to our Select 4.0 customers. The primary components of this program are:

4.1.2.1 Pricing

Customers will pay 80% of the VUP price for their particular Select volume level. The price level is established by the customers' Select forecast level and is tied to the minimum commitment requirements outlined in Section 4.1.2.2.2 below. Customer will have the option to pay for the work at home usage rights in one lump sum payment or split into two equal payments with the second payment being due on the anniversary of the Master Agreement.

Home Use provisions will be added to Upgrade Advantage at no additional charge so that customers who have purchased Home Use rights and Upgrade Advantage will be able to keep their Home Use versions consistent with what the customer is using at the office (ie the customer will not have to order UA for Home Use separately). The Home Use provision in Upgrade Advantage will be tied to the actual Home Use rights and will equal the number of Home Use licenses the customer has purchased through the traditional Select and Enterprise Agreement process.

4.1.2.2 Licensing

The Home Use licenses will require the product to only be used in the home for work related activities. As part of the standard offering customers (not the employees) retain the rights to the Home Use licenses. The following terms and conditions apply

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- 1) the customer is required to ensure that when an employee with a Home Use license leaves the company that the Office code and license is returned to the company and
- 2) the customer can reissue the work at home licenses to other employees during the period of the Select Agreement.

4.1.2.2.1 Customer Transfers Rights to the Employee – EXCEPTION ONLY THROUGH BUSINESS DESK. NEED TO MAKE AVAILABLE TO NORDIC REGION AS STANDARD PROCESS.

In the event that the customer needs to transfer rights to the Home Use license to the employee the following terms and conditions apply:

- 1) The employer will not be permitted to transfer more than one license of any version of the above products to an employee
- 2) the license will not be eligible for enrollment in Upgrade Advantage
- 3) the employer relinquishes all rights to the license, including being able to reuse the license when the employee leaves the company

4.1.2.2.2 Minimum Licensing Commitments

To participate in the Home Use licensing program Select customers must meet an initial minimum license commitment. The minimum commitment requirements are as follows:

Select Level A Apps Pool: 100 licenses (200 units) per enrollment
Select Level B Apps Pool: 400 licenses (800 units) per enrollment
Select Level C Apps Pool: 750 licenses (1500 units) per enrollment
Select Level D Apps Pool: 1000 licenses (2000 units) per enrollment

Minimum license commitments must be acquired up front (within 30 days of execution).

4.1.3.2 Enterprise Agreement Customers:

We will make available the standard offering, described in 4.1.2.2, to Enterprise Agreement customers at a lower price (\$50 per year).

4.1.4 Fulfillment

The Select CD Welcome Kit and updates will not be sent to the Work at Home Enrollment since the Master Agreement already receives a set of CDs. Select and Enterprise Agreement customers can either duplicate disks/CDs or order disks from their LAR (similar to what they do today). Individual employees will not be allowed to order disk.

V. Role of Large Account Reseller

5.1 Involvement in Selling Process

Large Account Resellers (LARs) will invoice the Select Customer for all licenses reported via the Home Use Enrollment Agreement.

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VI. Revenue

6.1 Revenue Allocation

Revenue will be allocated to the field based on the standard Select model that follows the 80/20 Rule. Country of usage will need to be captured by the LAR per the standard process.

6.2 Revenue Recognition

No change from the standard process. Revenue recognition will occur when the LAR is invoiced.

6.3 Product Group Revenue Recognition

DAD need to determine what percentage of the revenue generated by the Home Use Enrollment will be attributed to corporate accounts vs home.

VII. Legal

7.1 Agreements

Select Customers wanting Home Use will need to sign a Home Use Enrollment. It can be signed at any time during the course of their Select agreement.

Units resulting from licenses that are acquired via the Home Use Enrollment will count towards the customer's Master Agreement forecast. The minimum commitment level will need to be acquired up front (within 30 days of execution). Also, only full-time and part-time employees will be eligible to receive Home Use (ie no temporary or contract employees). No other compliance checks will be necessary.

Additionally, a modification to the Select 4.0 Master Agreement will be required.

7.2 License Confirmations

License Confirmations will be sent to the Home Use Enrollment.

They will not be sent to the Home Use Enrollment when the customer is transferring ownership, as the customer will be required to distribute a copy of the EULA when participating employees receive a copy of Office, Office Pro or Project.

Select and Enterprise Agreement customers must maintain a database of participating employees and must track the following information: employee name, product, version number, date acquired and whether or not the license right was transferred to the employee. Microsoft will reserve the right to audit the database.

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