

From: Ken Goetsch
Sent: Monday, March 09, 1998 9:30 AM
To: Ben Waldman; Jodi Granston; Ed McCahill; Laurent Meunier
Cc: Amie Baldwin; John Vail; Anders Nilsson; Amy Acher (LCA); Barry Stulberg (LCA)
Subject: RE: MS Office License Proposal DRAFT

Laurent - you need to be in the loop on this. The expansion to the Americas is new - however - depends on the interpretation of the contract. My view after re-reading the following section of the Technology Agreement is that we are OK to restrict to Europe and if expanded - get some form of ratio reduction. Comments?

Section 5.5 Credit "Microsoft acknowledges and agrees that Apple shall have the right from and after the date hereof to receive without charge or royalty licenses for 84,000 copies of the versions of Microsoft Office for Macintosh made available under Section 2.1 above, including without limitation Microsoft Office 98 for Macintosh. Apple shall publish and distribute such copies under the terms of written OEM arrangements for Europe which shall be reasonable and consistent with Microsoft's practices for OEM distribution: provided, however, that to the extent that such agreements only license the publishing and distribution of 84,000 copies, such agreements shall not contain price or minimum quantity provisions."

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

From: Ben Waldman
Sent: Friday, March 06, 1998 9:00 PM
To: Jodi Granston; Ed McCahill; Ken Goetsch
Cc: Amie Baldwin; John Vail; Anders Nilsson
Subject: RE: MS Office License Proposal DRAFT

- 1. Definition of release has to be retail avail, not RTM
- 2. Don't want to treat Europe as one entity, since releases there span over more than a month, meaning we don't get the full 90 days in some subs
- 3. need to make it clear that this is std sku, not gold
- 4. might want to consider not doing this in Japan, depending on avg rev/license in Japan. should ask japanese sub for input

The larger question is why does Apple want to do this -- are we missing something? That is, why do they want to move licenses into the US? Don't they think they will actually go through all the European licenses? (if they don't, then we should just not let them move them at all, since we'll benefit by them not being able to use the licenses)?

Also, what should our counterproposal be? I'd suggest that licenses outside of Europe be converted at a new ratio, say 2:1, or 1.5:1. Anything we get beyond 1:1 is more revenue for us. Another option is moving to 120 days rather than 90. Another would be to restrict the segments or CPUs on which these are used (restricting to certain CPUs is a crude way of segmenting if they won't go for segmenting)

Also, would be good to run this by Euro prod mgrs to get their input -- perhaps they can give us more detail about what's going on with Apple in their countries.

Also, do we have a report from Apple (we should) about where they have sent 24K units since last summer (when the # was 84K).

Ben

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

From: Jodi Granston
Sent: Friday, March 06, 1998 3:42 PM
To: Ed McCahill; Ken Goetsch; Ben Waldman
Cc: Amie Baldwin; John Vail; Anders Nilsson
Subject: RE: MS Office License Proposal DRAFT

great suggestion. any other ideas?

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

From: Ed McCahill
Sent: Friday, March 06, 1998 3:28 PM

To: Ken Goetsch; Jodi Granston; Ben Waldman
Cc: Amie Baldwin; John Vail; Anders Nilsson
Subject: RE: MS Office License Proposal DRAFT

I like their proposal, too, but would add a suggestion. I'm not sure when the licenses expire, but if they're open-ended we ought to add an expiration date to their proposal, after which all unused licenses expire (suggest 12/31/98). This would force Apple to get aggressive in their bundling deals and promotion and that would synchronize well with Office 98's sustain period. Apple's aggressive promotion plus the MS sustain messaging could give a real boost to our sales while helping Apple turn this IOU into some needed sales.

Comments?

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

From: Ken Goetsch
Sent: Friday, March 06, 1998 2:45 PM
To: Jodi Granston; Ben Waldman
Cc: Ed McCahill; Amie Baldwin; John Vail; Anders Nilsson
Subject: RE: MS Office License Proposal DRAFT

Looks good to me. I have sensed zero interest of late from Apple in licensing Office other than to deplete this inventory - therefore - I actually want them to have as much reasonable latitude as possible and maybe they will surprise themselves in terms of how Office 98 might help them move Macs. (by the way - one of the folks in Apple Canada wants to do a retail promo that would drive 500 units of Mac inventory out of dealer stock. The dealers told Apple that this was the best way to move this older inventory - nice to hear from retail).

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

From: Jodi Granston
Sent: Friday, March 06, 1998 2:30 PM
To: Ben Waldman
Cc: Ken Goetsch; Ed McCahill; Amie Baldwin; John Vail; Anders Nilsson
Subject: FW: MS Office License Proposal DRAFT

I am quite fine with this proposal - does anyone object? ken, do you need/want to use their desire for ww rights as a leverage point?

From my perspective, Apple's willingness to not ship any OEM office 98 until 90 days post launch means that they will not cut into our early adopter spike. I think run rate penetration will significantly increase in the first 90 days, and then fall back down to a more natural rate - this means that apple's use of OEM only 90 days post launch will minimize cannibalization effect (since they will be shipping on a higher percentage of machines that wouldn't have purchased office anyways). another positive is that european FPP rev/lic is greater than US - so, on a ww MS perspective, it is better to cannibalize US business than european. since they already own these non version specific credits, I think their proposal is a win-win for both companies. We may want to try and encourage them to utilize these in education, although they have some internal transfer cost issues with this (education group would have to pay \$150 per copy internally if they wanted to use these licenses). But I digress...anyhow, this top-level proposal looks great to me. Thoughts?

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

From: Rick Holzli (SMTP:holzli@apple.com)
Sent: Friday, March 06, 1998 1:35 PM
To: Jodi Granston
Subject: MS Office License Proposal DRAFT

----- Begin Forwarded Message -----

Hi Jodi,

Rick mentioned we needed to send you Apple's proposal regarding the Microsoft Office licenses in Europe.

The following is the proposal made to Microsoft Corporation related to the Microsoft Office licenses which have been prepaid by Apple for distribution in Europe. This is a non-binding proposal being issued for discussion purposes only.

Licenses: appx. 60,000 remaining

MS-PCA 2605509
HIGHLY
CONFIDENTIAL

Distribution rights: Extend to worldwide. Apple may distribute a particular localized version of Microsoft Office 98, in a particular geography, no sooner than 90 days after Microsoft's initial release of that localized version in that geography. For purpose of this agreement, the geography's are identified as: the Americas, Europe and ROW.

Additionally, Apple's distribution of such licenses will be no more than 50% outside of Europe.

Term: Distribution rights will continue until all licenses are exhausted.

Apple believes the above proposal provides benefit to both parties. Apple would be able to utilize licenses which have been paid for and Microsoft will be able to realize the initial revenue for new releases with the 90 day delay in distribution.

Please let me know if you should have any questions or wish to discuss this further. I look forward to hearing from you shortly.

Regards,

Susan Priore
Software Business Manager
Apple Computer, Inc.
Phone: (408) 974-3791
FAX: (408) 974-4589

----- End Forwarded Message -----

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