



From: John Vail (Exchange)
Sent: Monday, November 29, 1999 6:12 PM
To: Christine Chang (Exchange)
Subject: FW: Windows 2000 Professional & Server/Advanced, Office 2000 Commercial Pricing, CenterBeam, Round B Financing

FYI...

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

From: Bill Anderson (ECU - REDMOND)
Sent: Monday, November 29, 1999 11:47 AM
To: John Vail (Exchange); Pat Kirtland (Exchange)
Cc: Wendy Corley; Allen Wilcox (LCA); Jon Anderson (Exchange); Stephane Boulez; Kurt Kolb; John Duncan (Exchange); Joseph Krawczak (Exchange); Ken Myer (Exchange)
Subject: RE: Windows 2000 Professional & Server/Advanced, Office 2000 Commercial Pricing, CenterBeam, Round B Financing

John & Pat, per separate voice mails and one conversation with Pat Kirtland this a.m., we have agreement from CenterBeam that they will buy 100% of both Office Standard and Office Pro directly from MS on Commercial Licensing terms & conditions (Version 2 contract) and not from OEM. So its apples and apples at 9.76/user/mo for Office Standard and 13.13/user/mo for Office Pro. Dell will NOT pre-load Office from their OEM contract on these machines. B

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

From: John Vail (Exchange)
Sent: Monday, November 29, 1999 10:08 AM
To: Bill Anderson (ECU - REDMOND); Pat Kirtland (Exchange); John Frederiksen; Jay Goldstein; John Case; Stephanie Ferguson
Cc: Wendy Corley; Allen Wilcox (LCA); Jon Anderson (Exchange); Stephane Boulez; Kurt Kolb; John Duncan (Exchange); Joseph Krawczak (Exchange); Ken Myer (Exchange)
Subject: RE: Windows 2000 Professional & Server/Advanced, Office 2000 Commercial Pricing, CenterBeam, Round B Financing

Bill, if I understand what you're saying it sure seems like you are mixing apples and oranges. The commercial licensing prices are based on different assumptions than the OEM price so trying to create a blend takes us down a very complicated path that could have significant negative revenue implications and could be very hard to contain. I think we established a couple of weeks ago that there is nothing we can do to stop Dell from leasing PCs through a 3rd party like CenterBeam based on the current OEM agreement. However, if they want the flexibility of owning the licenses that are delivered to the customer, then they have a separate licensing program that we've made available to them with a fixed set of prices. Let me know if you think I am missing something. Thanks.

John

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

From: Bill Anderson (ECU - REDMOND)
Sent: Monday, November 29, 1999 1:36 AM
To: Pat Kirtland (Exchange); John Frederiksen; John Vail (Exchange); Jay Goldstein; John Case; Stephanie Ferguson
Cc: Wendy Corley; Allen Wilcox (LCA); Jon Anderson (Exchange); Stephane Boulez; Kurt Kolb; John Duncan (Exchange)
Subject: RE: Windows 2000 Professional & Server/Advanced, Office 2000 Commercial Pricing, CenterBeam, Round B Financing

Comments:

Bullet 2 below: the pricing for Office Std and Office Pro is not based on OEM Pricing. It is based on the Commercial Licensing/Pricing. It appears that CenterBeam does not intend to use Office from the OEM. Office Std is \$9.76/user/mo and Office Pro is \$13.13 per user/mo on the commercial pilot. The \$3.37 increment is the difference between those two numbers. The way to contain this is that the upgrade to Office Pro be made available only to those who have a SKU associated with the rental of Office Std at \$9.76/user/mo. The challenge here is in making it easy for the ASPs to modify the configuration to accommodate the end user requirements and at the same time not overcomplicating the MS administrative & financial controls necessary to manage the business.

Bullet 3 below: I understand that pricing may change considerably in the next 4 months, but we will still need a way to handle the transition from OEM licensed Windows 2000, to accommodate 3rd parties that want to use the OEM bundled product in order to rent or lease a subscriber based service, as well as to provide the 3rd party with the right to upgrade this product. I think it would be advisable to push ahead to build consensus for this as a policy decision and keep a pricing decision separate.

B

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

From: Pat Kirtland (Exchange)
Sent: Sunday, November 28, 1999 8:01 PM
To: Bill Anderson (ECU - REDMOND); John Frederiksen; John Vail (Exchange); Jay Goldstein; John Case; Stephanie Ferguson
Cc: Wendy Corley; Allen Wilcox (LCA); Jon Anderson (Exchange); Stephane Boulez; Kurt Kolb; John Duncan (Exchange)

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MS-PCA 2599558

Subject: RE: Windows 2000 Professional & Server/Advanced, Office 2000 Commercial Pricing, CenterBeam, Round 8 Financing

Couple of thoughts:

- 1) We use 9-10% TVM everywhere else and should do likewise here.
- 2) Pricing Office upgrade at Pro-Std is too low since we have not collected the Open A price for Office, but rather the OEM price. Also, concern is that many providers will hook up with OEMs to provide Office Pro at \$3.37/month. How will you contain this to Centerbeam?
- 3) I am reluctant to create a standard "Commercial Licensed Rental upgrade Component" for OEMs. We know pricing & licensing will change considerable over next 4 months so we need to limit this to just Centerbeam.

PatKirtland

Commercial Business Models

425.703.0538

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

From: Bill Anderson (ECU - REDMOND)
Sent: Friday, November 26, 1999 4:17 PM
To: John Fredenksen; Pat Kirtland (Exchange); John Vail (Exchange); Jay Goldstein; John Case; Stephanie Ferguson
Cc: Sanjay Chheda; Steve Simon; Wendy Corley; Allen Wilcox (LCA); Jon Anderson (Exchange); Ian Rogoff; Stephane Boulez; Kurt Kolb; John Duncan (Exchange); David Roberts (ECU); Bill Anderson (ECU - REDMOND)
Subject: RE: Windows 2000 Professional & Server/Advanced, Office 2000 Commercial Pricing, CenterBeam, Round 8 Financing

**Privilege Material
Redacted**

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

From: John Fredenksen
Sent: Wednesday, November 24, 1999 8:52 AM
To: Bill Anderson (ECU - REDMOND); Pat Kirtland (Exchange); John Vail (Exchange); Jay Goldstein; John Case;
Cc: Stephanie Ferguson
Sanjay Chheda; Steve Simon; Wendy Corley; Allen Wilcox (LCA)

MS-PCA 2599559

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Subject: RE: Windows 2000 Professional & Server/Advanced, Office 2000 Commercial Pricing, CenterBeam, Round B Financing

Commercial pricing already exists for Windows NT Server 4.0 & Enterprise Edition, including CALs. John Case and Stephanie Ferguson are working on the Windows 2000 Server and Advanced Server pricing. I believe that they are also working with Jay on Windows 2000 Professional pricing.

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

From: Bill Anderson (ECU - REDMOND)
Sent: Monday, November 22, 1999 11:06 PM
To: Pat Kirtland (Exchange); John Vail (Exchange); Jay Goldstein; John Frederiksen
Cc: Sanjay Chheda; Steve Simon; Wendy Corley; Allen Wilcox (LCA)
Subject: Windows 2000 Professional & Server/Advanced, Office 2000 Commercial Pricing, CenterBeam, Round B Financing

Following is MS confidential and will need some help from all of you regarding Windows 2000 Professional & Server and Office 2000 Commercial pricing. Time is a factor because we would like to tie this pricing in with closure on a MS Round B investment in CenterBeam within the next week.

Request (Jay & John): Need Commercial licensed/ subscriber monthly price set for Windows 2000 Professional and Windows 2000 Server (and Advanced).

Here is the issue

1. The OEM software license prohibits an intermediary (such as CenterBeam) from renting or leasing software (both Windows & Office) to a downstream customer if the Intermediary owns title to the software.
2. This raises an issue with Windows 2000 Professional because we don't have a commercial price for it and it is not currently part of the commercial licensing program. If CenterBeam (or any other ASP) chooses to acquire Windows 2000 Pro (or current shipping Windows desktop) from an OEM and then rents it on a commercial basis to a downstream customer, they are in violation of the licensing agreement which prohibits them from renting or leasing software.
3. Note, an OEM can pass title directly to the customer and have the intermediary simply act as a billing agent for the lease in which case the intermediary is not in violation of the software license because they don't own it. This is not desirable, however, because 1) it defeats the purpose of the commercial licensing program (recurring revenue stream from subscriber based pricing on non-perpetual licensed software) and 2) it does not incent the MS field personnel to work with the ASPs because there is no revenue recognition for field personnel associated with the OEM sales.
4. On the issue of Windows 2000 Server and Advanced Server, we also need a commercial price and to have them covered under the commercial licensign program as CenterBeam is rolling out on these as well.

[Bill Anderson comment]

MS-PCA 2599560

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