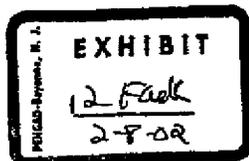


To: Steve Ballmer
cc: Richard Fade
From: Joe Williams
Subject: Briefing for Kevin Rollins 1:1 in Las Vegas

1. Dell has proposed the following (slides attached)
 - **Global OEM Pricing & agreement management** (same price w/w; particularly for Office and applications)
 - **Dell positioned as Microsoft's "Premier Partner" for Windows 2000 launch** (first OEM mention; on stage for all launch events)
 - **MSN "opportunity"** – no hard commitment from Dell yet; details on their specific requests coming. Activity with others unclear.
 - **Dell is the hardware provider for any Microsoft ASP service data centers.**
 - **Microsoft advocates Dell to our other ASP partners** (other than HP, Compaq, or other direct competitors to Dell)
 - **Microsoft & Dell explore joint venture re: E-Consulting**
2. What's missing from Dell's proposal:
 - A commitment to increase our relationship in marketing and sales for Windows products
 - Stake out a vision for what MS and Dell bring to the market (working together) i.e. "Microsoft and Dell; Uniquely qualified to deliver eCommerce for your business"
 - Specific, firm commitment to MSN / Dell.net Partnership
3. Considerations for responding to Dell's proposal:
 - **Global OEM Pricing request:**
We should break this off separately and discuss in the context of Dell's increased shipments and market share momentum, which support the requests they are asking for. **Global contract management is OK, best pricing (not "better than" pricing...this is key to our strategy w/others) on products given Dell's volume and momentum is workable. This should be limited to OS and Office where they lead in volume today. Same pricing across all markets doesn't recognize differences in various markets, and we should not agree to this.** Example: EMEA Office pricing floor is \$150.
 - **Win 2000 Launch Premier Partner request:**
Steve, your comments to Capellas (re Compaq's status) and assignment of LauraLe likely complicate this.
 - Possible angle for Win 2000 Launch: feature Dell in first "Voice of the Customer" story heard at launch – "Dell.com runs on Windows 2000. Dell is one of the Web's greatest success stories and we are running it on MS and Win2000 today"Win 2000 Premier Partner status requires a commitment from Dell that justifies that status.... this has a couple of aspects:
 - "Take a stand" – "Kevin, take a stand and we will do great things with you. If not, that's fine and we can continue to work together as we have...but don't expect partnership level terms for reseller level commitment..." It's untenable for our "Premier Partner" on Windows 2000 to be doing aggressive market development for another OS. (If Kevin protests they are not being aggressive we should remind him who sponsored Linux World this year etc.)
 - "Per system" commitment: if they want the "best" position, they need to commit as other volume leaders have. Steve, we will not win this later if you give on price now without this condition.



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- We should consider increased funding specifically for Windows 2000 launch and launch+180days. Matched 1:1 by Dell.

- **MSN Opportunity**

The opportunity is to work together to create a solution, which helps make Dellnet more effective in capturing subscribers. We have an interest in those subscribers participating in our communities / services, helping us build scale and ad revenue. This will require a significant investment from MS, we are happy to do this where we understand Dell is motivated to drive subscribers to this offering. We are far less incented to do this if Dell also builds a service on top of AOL, with rights there that make Dell agnostic about where the subscriber signs up. From conversations with Paul Bell - SVP Home and Consumer Sales at Dell, we know that AOL has proposed to build out a "Dellnet experience" on AOL for Dell customers. AOL would still bill the subscriber, but the content and ads would be scrubbed by Dell (ie no Gateway ads, Dell gets to run ads, all the PC products offers point to Dell). AOL is proposing the above plus increased \$\$\$ per sub in return for Dell's partnership (promotion and advertising), and a more prominent placement on Dell's desktop.

- **Dell as the hardware provider for Microsoft ASP data centers**

How Microsoft moves forward with ASP data centers is still TBD; we are working on pilot programs only today. If Microsoft decides to establish our own data center, we would give Dell every opportunity to win that business. Steve, not sure if you want to say more on this, like "If you will match the best bid price, it's yours."

- **Microsoft advocates Dell to our other ASP partners**

Some limits need to apply but open to recommend them as part of our solution -your take on this Steve?

- **Microsoft and Dell explore joint venture re: E-Consulting**

Main idea behind this is to take the structure of Dell.com running total MS solution and evangelize this to the general market. "Microsoft and Dell uniquely qualified to deliver eCommerce for your business"

Fade Comment:

Dell's proposal has fallen short of asking for meaningful partnership around joint business development. Their requests are mostly tactical and support their "reseller" status.

The weak nature of this proposal leads me to believe they want to get as much as from us as possible, and still do proactive development with AOL on the custom Dellnet domain on AOL's service. We should probe to understand this and help Kevin understand if they want to be a market leader in our products it takes more than "reseller" behavior to do that.

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