From: Pat Fox

Sent: Wednesday, July 24, 2002 9:01 AM

To: Dan Fowler (MSLI)

Subject: RE: *Microsoft Confidential* : Education and Government Incentives program

We went in to the BPR with $30MM in mind, but steveb said we shouldn't cap it, since it's "net accretive" to the P&L, ie if the field handles it correctly, it's revenue that we wouldn't have seen otherwise (ie if we lost to linux), so even if we make only a few bucks per PC, it's better than zero, plus we have the oppty to sell addl non-bootable sw into the customer.

Pat

-----Original Message-----
From: Dan Fowler (MSLI)
Sent: Wednesday, July 24, 2002 8:58 AM
To: Pat Fox
Subject: RE: *Microsoft Confidential* : Education and Government Incentives program

Do you know much money was budgeted for this?

> -----Original Message-----
> **From:** Pat Fox [mailto:patfox@Exchange.Microsoft.com]
> **Sent:** Tuesday, July 23, 2002 12:00 PM
> **To:** Dan Fowler (MSLI)
> **Cc:** Tom Baumbach (MSLI)
> **Subject:** FW: *Microsoft Confidential* : Education and Government Incentives program
> **Importance:** High
>
> Thanks for making the time this morning. Here's some background on EDGI.
>
> Pls let me know if you have any questions.
>
> Thx,
> Pat

> -----Original Message-----
> **From:** Orlando Ayala
> **Sent:** Tuesday, July 16, 2002 8:17 AM
> **To:** SMSG Leadership Team; Pat Fox; Kurt Kolb; Sherri Bealkowski; Rogers Weed; Asia Pacific General Managers; EMEA General Managers; icon general managers; Gerri Elliott; Linda Testa (LCA); Pamela Passman (LCA); Peter Wise
> **Cc:** Steve Ballmer; David Driftmier; Rafael Perez-Colon; Mark East; Jeff Raikes; Jim Allchin; Chris Jones (WINDOWS)
> **Subject:** *Microsoft Confidential* : Education and Government Incentives program
> **Importance:** High
>
> As many of you know, the Education Solutions Group [EdSG], and the Windows Client group team have been leading a cross-group effort involving LCA, OEM, WW Licensing and Pricing, and SMSG.
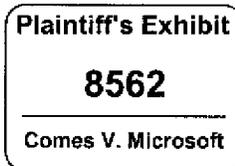
2/21/2003

The goal of this project is to provide a mechanism for emerging markets to build a rich, active, legal ecosystem around PC computing, and at the same time, make computers with Microsoft Windows preinstalled more affordable, especially in the education segment.

We recognize the critical importance of helping emerging markets build healthy and legal PC ecosystems and clearly the answer is having Windows be a core component. But in today's difficult economic environment, it is clear that some institutions and countries are making decisions based on short-term price, rather than long-term cost and benefits of their IT investments. It is clear that Windows offers far more benefits to an emerging economy and to the immediate use of customers, we have to do more in emerging markets to help foster a Windows ecosystem.

Until all the details of the program have been developed, it is important that we have a way to address large PC purchases that involve low-cost/no-cost competitors in the education (and government) sectors, especially in emerging markets. Effective immediately, we are significantly enhancing empowerment by the GM to provide services and, where necessary, even dollars back to the customer to offset the cost of buying new OEM PC's with *legal* Windows preinstalled instead of naked PC's with Linux and/or other low-cost/no-cost software.

Example scenario:

The government of "X" is advocating using open source for all government-funded computers in order to keep "X" dollars inside the country and save the taxpayers millions of dollars. They are therefore looking at rolling out 50,000 PC's with Linux to all their K-12 schools and run StarOffice for free or a locally-produced package that they can purchase for $5/desktop.

After extensive selling by the local MS account team, including the country GM, to convince them of the higher value, lower TCO, and overall advantages of the Windows-based eco-system in their country, the government still maintains that while there might be some premium attached to our software, it's not enough to justify the investment and they will stick with their plan to go open source across all schools.

In order to compete more effectively against Linux and other providers on these deals, we can now leverage the Education and Government Incentive [EDGI] program to help tip the scales to MS in the deal. After engaging the regional team, the region may use funds to provide services and/or rebates to the customer with the following limitation:
Not to exceed the estimated Windows royalties recognized by MS from the OEM selling the PC's to the customer (in the example, 50,000 PC's at approx. $100/PC for OEM Windows XP Professional would result in a maximum of $5M for the individual deal).

An outline of the sales process is included in the attached program document.

While this program is available for both developed and developing countries, initial focus is being given to those areas where economic conditions often dictate low-cost/no-cost software as the only solution. This would include LATAM, Africa, Middle East, South Asia including India and PRC.

2/21/2003

Ideally, this will still result in a net positive on the Executive P&L as the OEM revenues would not have been realized if the deals had been lost. **It is essential, therefore, that we use this in only in deals we would lose otherwise.** Initially, we will track each deal, then reevaluate in aggregate at the end of Q1 and again at MYR to validate effectiveness.

IF an opportunity meets the criteria in the attached sales process and normal sales process has not been sufficient to close the deal then the GM should ensure that the following takes place:

1) Engage regional team in sales opportunity
2) Escalate to the "comphot" alias for review by the competitive team, EdSG, and the Windows Client group.
3) EdSG will work with Windows Client Group and SMSG WW controller to ensure that funds are tracked and managed appropriately
4) Until appropriate OEM tracking systems are in place, it may be necessary for local account teams to validate appropriate Windows purchases by OEM's in order to ensure funds invested in customer do not exceed funds actually realized through the channel.

Action required:
1) RVP's should ensure local response teams are designated as per the attached sales process. It is critical that we are really present and actively working in this accounts way before it is too late. We don't want to be surprised by being "out of the game:"
2) RVP's should establish an approval process or empowerment guideline for their region
3) GM's to communicate program to appropriate sales teams in the subs
4) GM's to ensure regional response teams are engaged on any EDGI opportunities once teams are formed
5) EdSG (daviddri) to track and communicate EDGI account pipeline, work with Windows Client Group (patfox) to validate requests, and report back to results to RVP's.
6) Bottom line do our best to show the great value of our software to these customers and ensure we get opaid for it **under NO circumstances loseagainst Linux** before ensuring we have used this program actively and in a smart way. We believe for those customers to stay with Windows is in their best long term interest to protect and expand the great value in their investment and also for our long term relationship with this critical segments in your markets. Use this actively as an opportunity to also build great relationships and recognition for our honest desire to partner with them because that is the true intention of the program.

As detailed processes are implemented, new, detailed guidance will be published. There will also be additional guidance provided at MGB. Questions may be sent to edgihq. As always, thanks for your efforts in continuing the fight to help countries realize their potential through truly great software!

2/21/2003