Microsoft® Server Licensing

New Options for the Server CAL Licensing Model
& Improvements to Per Processor Licensing Model

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A. New Options for Licensing Server Products licensed in the Server CAL model (Items in this section were announced in December, 2002)

In December 2002, Microsoft® announced new options for licensing Microsoft server products to address your business needs with regard to use scenarios that previously were not adequately addressed in our product licensing models. These new options are also designed to complement the technical capabilities of Microsoft server products. These new changes will first be available with the release of Microsoft Windows® Server 2003 software.

The new options are particularly beneficial if you are seeking user-based licensing, which would provide server access to your end-customers or partners, or which run solutions that leverage multiple Microsoft server products. The new options are as follows:

1. User Client Access License Option (User CAL Option)
Customers expressed that there were no cost-effective licensing options to allow their users to access Microsoft server products from multiple devices, as is necessary with "roaming" or "mobile users." For example, mobile users may wish to access servers from a portable device such as a laptop, PDA or Internet Kiosk, in addition to a desktop computer. Microsoft understands that the current licensing rules do not offer a cost-effective means of licensing users in these scenarios. You are required to acquire licenses for each device from which a user accesses the server.

To address this concern, Microsoft introduced a Client Access License that is licensed to a User\(^1\) (known as the "User CAL"), as opposed to a Device\(^2\). The User CAL option eliminates the need for you to obtain a Device CAL for every device from which a particular user accesses the server products. However, if you prefer the current model, Device CALs will still be a licensing option. For most Microsoft server products, you will have the option of acquiring Device CALs and/or User CALs for new versions of the products that are licensed on a Server CAL basis. You should make this decision based on your own business needs.

The following is a comparison of today’s Device CAL licensing model with the new User CAL option:

---

\(^1\) An individual person who is accessing or utilizing the server software or any of its components
\(^2\) An electronic device that is accessing or utilizing the server software or any of its components
Today’s Model | New Licensing Option
---|---
For products that are licensed on a Server CAL basis, every copy of the server products requires a server license\(^3\), and you are required to acquire a CAL for every device accessing or using that server products (i.e.: Device CALs – previously called ‘Per Seat CALs’.) | A User CAL option will be added to the Server CAL model, so that you will have the option of acquiring a single CAL for an individual user that accesses the server products from any number of devices (instead of acquiring a CAL for each of those devices). Every installed copy of the server software still requires a server license.

The following is a summary of other key aspects of the User CAL option:

**Pricing Model**
For each server product, the price for a User CAL will be the same as the price for a Device CAL. In this way, Microsoft aims to simplify your decision-making process for choosing between User CALs and Device CALs.

**Options**
Taking advantage of the new User CAL is optional. You will have the option to continue to buy Device CALs only, to buy User CALs only, or to buy a mix of Device CALs and User CALs (unless you are acquiring the CALs under an Enterprise Agreement enrollment -- see discussion below). Though most customers will likely choose to standardize on either User CALs or Device CALs across their enterprise, Microsoft is providing options so you can choose the configuration that is most effective for their organization and business.

**Availability**
Generally, Microsoft anticipates that the User CAL option will be introduced with new versions of most server products that are licensed on a Server CAL basis. Currently, the User CAL option is anticipated for the next version of the following server products:

- Microsoft Windows Server
- Microsoft Windows Server Terminal Server (TS)
- Microsoft Exchange® Server
- Microsoft SharePoint™ Portal Server (SPS)
- Microsoft SQL® Server\(^4\)

---
\(^3\) Unless stated otherwise in the Product Usage Rights document.
\(^4\) As an exception to the general rule of User CALs becoming available with new product versions, a User CAL option will be introduced for Microsoft SQL Server 2000 in May 2003.
• Microsoft Project® Server

As of February 17, 2003, the only announced server products with a User CAL option are Microsoft Windows Server 2003 and Microsoft Windows Server 2003 Terminal Server, which will introduce the User CAL option in April 2003. Microsoft SQL Server 2000 will introduce the User CAL option in May, 2003. Generally, other products will introduce the User CAL option with new version releases. In doing so, Microsoft is providing a predictable schedule for introducing the User CAL option for individual products.

Consistency
Microsoft expects to offer the User CAL option for most server products that are licensed on a Server CAL basis. Therefore, you could eventually choose to have a consistent model across multiple server products in a solution. This is intended to reduce the complexity of acquiring, deploying and tracking licenses.

2. External Connector License Option
In addition, customers were concerned that the licensing requirements for their customers and business partners to access their servers running Microsoft Server Products, was inconvenient and uneconomical. For example, if you wanted to license your partners or end-customers for access to a business portal, Microsoft offered no convenient licensing solution. Microsoft also learned that some customers find it difficult to count CALs for partners and end-customers which are external to their organization.

In order to provide an optimal solution for licensing many customers' business partners and end-customers, Microsoft introduced the External Connector License option. The External Connector License permits access to a copy of the server product for which the license was acquired by an unlimited number of "External Users," which includes both partners and end-customers (except hosted services end-customers). The External Connector License option is designed to provide you with a manageable and cost-effective way to allow your business partners and end-customers to access your licensed server software. For many, the External Connector License option will be a simplified solution because it eliminates the need to count and acquire individual CALs for each business partner or end-customer accessing the licensed server software.

We realize that some customers will find it more economical to acquire CALs instead of an External Connector License for their External Users. For this reason, Microsoft is allowing customers to choose to acquire either the External Connector License or CALs for their External Users, whichever is more economical.
This option will generally be available for new versions of Microsoft server products that are licensed only on a Server CAL basis (i.e., server products without a processor-based licensing alternative). External Connector Licenses cannot be used for hosting.

The following is a comparison of licensing under today's model without the External Connector License option and with the new External Connector License option:

<table>
<thead>
<tr>
<th>Today's Model</th>
<th>New Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>For products that are licensed on a Server CAL basis, you are required to acquire a CAL for every device accessing the server software. Microsoft Windows Server and Terminal Server currently offer Internet Connector licenses as an alternative to acquiring individual CALs for access by certain external users (e.g., their end-customers) through the Internet. However, the Internet Connector license excludes business partners.</td>
<td>An External Connector License option will be added to the Server CAL model. Customers will have the option of acquiring a single license to provide access to a given copy of the server software and/or server services by an unlimited number of certain individuals external to your organization such as your business partners and end-customers.</td>
</tr>
</tbody>
</table>

The following is a summary of other key aspects of the External Connector License option:

**Pricing Model**

The External Connector License for any particular server product (e.g., Microsoft Windows Server 2003 Terminal Server) will have one price, independent of the edition of the server product with which it is used. For example, the price of the Microsoft Windows Server 2003 External Connector License will be the same whether it is used with a copy of Microsoft Windows Server 2003 Standard Edition or Microsoft Windows Server 2003 Enterprise Edition. Customers will need to acquire an External Connector License for each copy of the server product that is accessed by their business partners or end-customers.

**Options**

Customers will have the option to acquire either the new External Connector License or individual Device CALs or User CALs for External Users who need access to the your server running the Microsoft server product. Full-time or part-time employees, and on-site independent contractors or agency temporary employees do not qualify as External Users who may access the server software under an External Connector License.
Availability
The External Connector License option will be introduced with new versions of most server products that are licensed solely on a Server CAL basis. Microsoft currently anticipates the External Connector License option to be available for the following:

- Microsoft Windows Server
- Microsoft Windows Server Terminal Server (TS)
- Microsoft Exchange Server
- Microsoft SharePoint Portal Server (SPS)
- Microsoft Project Server

As of February 17, 2003, the only announced products with an External Connector License option are Microsoft Windows Server 2003 and Microsoft Windows Server 2003 Terminal Server, which will be released with an External Connector License option in April 2003. Generally, the rest of the products will introduce the External Connector License option with new version releases. In doing so, Microsoft is providing a predictable schedule for introducing the External Connector License option for individual products.

Please note that Microsoft SQL Server is not included in the list of products for which an External Connector License option will be made available. This is because Microsoft SQL Server's licensing model already accommodates access by unlimited users (either internal or external) under the per processor licensing model. Microsoft SQL Server may be licensed either in the Server CAL model or in the Per Processor model. Under the Per Processor model, the server software can be accessed by an unlimited number of users (for more discussion of the Per Processor licensing model, please refer to the section of this document titled, "Improvements to the Per Processor Licensing Model").

Consistency
Microsoft expects to offer the External Connector License option for server products that are licensed exclusively with a Server CAL model (i.e., products without a processor-based licensing alternative). Therefore, you could eventually choose to have a consistent model across multiple server products in a solution. This is intended to increase the manageability of purchasing, deploying and tracking licenses.

B. Implementation of the User CAL and External Connector Options in Volume Licensing Programs (Items in this section have not been previously announced)

1. Timing of the Introduction of User CALs and the External Connector options for Individual Products
Generally, the User CAL option will be introduced with new versions of most server products that are licensed on a Server CAL basis. Microsoft currently anticipates the next version of the following products to include the User CAL option:

- Microsoft Windows Server
- Microsoft Windows Server Terminal Server (TS)
- Microsoft Exchange Server
- Microsoft SharePoint Portal Server (SPS)
- Microsoft SQL Server
- Microsoft Project Server

As of February 17, 2003, the only announced products with a User CAL option are Microsoft Windows Server 2003 and Microsoft Windows Server 2003 Terminal Server, which will introduce the User CAL option with their release in April 2003. As an exception to the general rule of introducing the User CAL option with new product versions, Microsoft SQL Server 2000 will introduce the User CAL option in May, 2003. By introducing the User CAL option with new version releases, Microsoft is providing a predictable schedule for availability of the User CAL option for individual products.

Similarly, the External Connector License option will be introduced with new versions of most server products that are licensed only on a Server CAL basis, which Microsoft currently expects to include the following:

- Microsoft Windows Server
- Microsoft Windows Server Terminal Server (TS)
- Microsoft Exchange Server
- Microsoft SharePoint Portal Server (SPS)
- Microsoft Project Server

As of February 17, 2003, the only announced products with an External Connector License option are Microsoft Windows Server 2003 and Microsoft Windows Server 2003 Terminal Server, which will introduce the External Connector License option with their next version release in April 2003. Generally, the rest of the products will introduce External Connector Licenses with new version releases. In doing so, Microsoft is providing a predictable schedule for the availability of the External Connector License option for individual products.

Please note that Microsoft SQL Server is not included in the list of products which will introduce the External Connector License option, as Microsoft SQL Server’s licensing model already accommodates access by unlimited users (either internal or external) under the per processor licensing model. Microsoft SQL Server may be licensed either in the Server CAL model or the Per Processor model. Under the per processor model, the server product can be accessed by an unlimited number of users (for more discussion of the Per Processor licensing model,
please refer to the section of this document titled, "Improvements to the Per Processor Licensing Model").

2. The Introduction of the Core User CAL
A Core CAL with user-based rights ("Core User CAL") will be available for the April 2003 launch of Microsoft Windows Server 2003, at which time the User CAL and External Connector License options will be introduced. The existing per-device Core CAL ("Core Device CAL") will remain as it is. This Core User CAL will permit one user to access and use the server software comprising the Core CAL (Microsoft Windows Server, Microsoft Exchange Server, Microsoft SharePoint Portal Server and Microsoft System Management Server). The Core User CAL will be available before all of the individual server products offer standalone User CALs.

At the time of launch (April 2003), only Microsoft Windows Server 2003 will have a standalone User CAL option. The remaining Core CAL products—Microsoft Exchange Server, Microsoft SharePoint Portal Server and Microsoft System Management Server—will only offer Device CALs outside the Core CAL initially. (User CAL options will be available for Microsoft Exchange Server and Microsoft SharePoint Portal Server when those products introduce new versions; System Management Server will only offer Device CALs when acquired as a standalone product.)

Also, customers with existing BackOffice CALs may convert to User CALs upon the launch of the Core CAL in April. For more information on the conversion of existing CALs upon launch of the User CAL option, please see separate section below, titled "Conversion to User CALs for existing CALs during the transitory launch period."

3. Introduction of the Enterprise Agreement with Core User CAL
Microsoft is also pleased to announce the availability of the Enterprise Agreement with Core User CAL. Today, in the Enterprise Agreement program, there are three "platform" products for which companies may enroll desktops: 1) Windows XP, 2) Office XP and 3) the Core CAL. The Enterprise Agreement with Core User CAL allows for customers to acquire the Core CAL platform product on a user basis, i.e., the Core User CAL. The Enterprise Agreement with Core User CAL allows customers to license the platform products in the following manner:

- Microsoft Office => Desktop basis
- Microsoft Windows desktop OS => Desktop basis
- Core User CAL => User basis

The Enterprise Agreement as it exists today will continue to be offered, where you may license the platform products in the following manner:

- Microsoft Office => Desktop basis
• Microsoft Windows desktop OS => Desktop basis
• Microsoft Core Device CAL => Desktop basis

These two offerings allow Enterprise Agreement customers to choose to license the Core CAL on either a desktop or a user basis. Please note that in both cases, Microsoft Office XP and Microsoft Windows XP are licensed on a desktop basis, as these products are not introducing a user-based licensing option.

In making this option available, we are helping you realize the economic benefits of user-based licensing, in addition to the following benefits of the Enterprise Agreement:

• Maintain the 15% platform discount for license acquisitions across all three enterprise platform products (even when user and desktop count may be different under the Enterprise Agreement with Core User CAL model): Office, Microsoft Windows OS and Core CAL.
• Retain the existing simplicity of the per-device Enterprise Agreement for customers that do not need the user-based CAL model.
• Maintain standardization and ease of tracking as core value propositions of the Enterprise Agreement

It should be noted that the Enterprise Agreement with Core User CALs does not allow you to mix Core User CALs with Core Device CALs within a particular enrollment. Microsoft believes that allowing customers to mix Core Device CALs and Core User CALs within an enrollment would introduce a level of complexity that undermines the benefits of the Enterprise Agreement, such as simplified licensing administration and ease of compliance. The Enterprise Agreement with Core User CAL has been designed solely to extend the benefits of the User CAL option to Enterprise Agreement customers in such a way that does not impair the existing customer benefit of the Enterprise Agreement.

In addition, there are a number of other items that we would like to clarify,

4. Conversion to User CALs for existing CALs during the transitory launch period
Customers with Device CALs enrolled in Software Assurance (through Open, Select or Enterprise Agreement), or Core CALs acquired under an Enterprise Agreement, will have the one-time right to convert any or all of these CALs to User CALs, per the following rules:

• Software Assurance for the Device CALs must be in effect at the time the User CAL option is initially introduced for the corresponding server product. In the case of Core CALs under an Enterprise Agreement,
the Enterprise Agreement enrollment must be in effect when the Core User CAL is initially introduced (i.e., April 2003).

- Customers may exercise the one-time option to switch eligible Device CALs to User CALs at any time during the remainder of the Software Assurance coverage period (or the term of the Enterprise Agreement enrollment with respect to Core CALs).

- All Core CALs acquired under a single Enterprise Agreement enrollment must be either device-based CALs or user-based CALs (i.e., no mixing of Core Device CAL and Core User CAL within an Enterprise Agreement enrollment).

License-only (without Software Assurance) customers keep the CAL type originally acquired (if they want to switch to user-based model they would need to buy a CAL for the new product version anyway).

- If within the allowed order adjustment period (provided to correct ordering mistakes), customers can contact their channel partner to return those CALs and acquire the other type.

This transition plan further demonstrates Microsoft’s continued commitment to providing real customer benefit to Software Assurance, by allowing Software Assurance customers to take advantage of the new User CAL option, immediately upon the launch of User CAL option for individual products.

5. Conversion to/from User CALs from/to Device CALs after the transition period ("Steady State")

As a general rule, all customers with CALs enrolled in Software Assurance will be able to switch from one model to the other (device-based to user-based and vice versa) upon renewal of the CAL’s Software Assurance coverage.

- At such time, customers will be able to place a renewal order for Software Assurance for their desired mix of Device CALs and User CALs, irrespective of whether the expiring CAL Software Assurance was device or user based. The total number of device or user CAL Software Assurance renewals cannot exceed the total number of CAL Software Assurance expirations.

- If the required number of CALs upon renewal is greater than the expiring number of CALs with Software Assurance coverage, you must acquire License and Software Assurance for that additional quantity of CALs.

Per current program rules, License-only customers need to acquire new CALs, if they want to move to the next version of a product.

C. Changes to Windows Server 2003 Terminal Service Licensing (Items in this section were announced in December 2002)

Removal of the Operating System Equivalency Provision
As part of this announcement, Microsoft also announced that the provision for Operating System Equivalency (OS equivalency provision) will not apply to Microsoft Windows Server 2003 Terminal Services. The OS equivalency provision states that there is no need for a Microsoft Windows Server Terminal Services Client Access License (CAL) for devices accessing Microsoft Terminal Services that are running a corresponding version of the Professional Edition of the Microsoft Windows Desktop Operating System. The following table summarizes the versions of the Microsoft Windows Professional Desktop Operating System that correspond to a version of Microsoft Windows Server Terminal Services:

<table>
<thead>
<tr>
<th>Microsoft Windows Server Terminal Services Version</th>
<th>Corresponding Versions of Windows Desktop Professional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microsoft Windows 2000 Server Terminal Services</td>
<td>Microsoft Windows 2000 Professional or Microsoft Windows XP Professional</td>
</tr>
<tr>
<td>Microsoft Windows NT® Server 4.0 Terminal Server Edition (Terminal Server was a separate product at the time of this version release)</td>
<td>Microsoft Windows NT Workstation 4.0 (or later version of Windows XP Professional)</td>
</tr>
</tbody>
</table>

This decision was made based on:

- Additional features/functionality that have been added to Microsoft Windows Server 2003 Terminal Services.
- The OS Equivalency provision that was inconsistent with Microsoft's new software licensing framework, in providing consistent and flexible licensing terms.

Microsoft realizes that the removal of the OS Equivalency provision for Microsoft Windows Server 2003 Terminal Services will affect some customers and is committed to ensuring that existing Microsoft customers who would like to take advantage of Microsoft Windows Server 2003 Terminal Services features have a cost-effective way of doing so. As a result, we have developed a transition plan to provide a cost effective means for existing Volume Licensing customers to migrate to Microsoft Windows Server 2003 Terminal Services CALs, upon product launch.

**New Value added to Windows Server 2003 Terminal Services**

Microsoft has added new functionality to Microsoft Terminal Services in the Microsoft Windows Server 2003 release. This release of Microsoft Terminal Services software will provide more business value than previous releases and the additional functionality will provide customers with a better out-of-the-box solution. The following is a summary of some of the improvements that customers will be able to take advantage of:

- Better User Experience
Advanced Resource Redirection: (Disk drives, Local and Network Printers, Serial devices, Smart Card, Clipboard, Time zone, Audio output, Windows key combos)
Hi Color (Up to 24-bit), 1600x1200

Enhanced Manageability
- WMI, Group Policy, ADSI, MMC Snap-In, Software Restriction Policy
- Microsoft Windows System Resource Manager (WSRM) - Included in Microsoft Windows Server 2003, Enterprise Edition

Increased Scalability
- Scale-up: improvements to scalability in larger SMP systems
- Scale-out: support for Load Balancing (Session Directory)

Enhanced Security
- 128-bit bi-directional RC4 encryption
- FIPS (Federal Information Processing Standard) Encryption Level
- Smart Card Support

Consistency with Microsoft's New Software Licensing Framework
The introduction of the new options for licensing Microsoft software products that are licensed in the Server CAL model reflects our commitment to making licensing more consistent, flexible, and valuable to customers. We received feedback from customers that the OS Equivalency provision was inconsistent with those qualities for the following reasons:

- The OS Equivalency Provision resulted in situations where customers were at risk of becoming noncompliant. In the past, if you were using the most current version of the desktop operating system, then you were granted access to Microsoft Windows Terminal Services in the Microsoft Windows Server Operating System. But if you upgraded to a new server operating system and didn’t upgrade your client operating systems, you were required to acquire Microsoft Windows Server Terminal Services CALs. Depending on your client upgrade cycles, you could easily find yourself moving in and out of compliance with licenses. This caused customers a great deal of frustration and confusion.

- Microsoft Windows Terminal Services is adding the User CAL and External Connector options to solve many customer problems encountered with our previous Microsoft Windows Terminal Services licensing models. Keeping the OS Equivalency Provision, in conjunction with the new CAL options, would result in you having to do complicated calculations to figure out what to buy and when. For more information on the User Cal and External Connector options, please refer to: [http://www.microsoft.com/licensing/](http://www.microsoft.com/licensing/).

- The new licensing model for Microsoft Windows Terminal Services in Microsoft Windows Server 2003 is more consistent with the Microsoft Windows Server licensing model. We received feedback from numerous customers that the licensing of Terminal Services was highly confusing, largely due to the OS
Equivalency provision. Because Microsoft Windows CALs and Microsoft Windows Server Terminal Services CALs are both required when using Microsoft Windows Terminal Services, having the same license structure removes a layer of complexity.

Transition Plan for OS Equivalency Removal in Microsoft Windows Server 2003 Terminal Services
Microsoft realizes that the removal of the OS Equivalency provision will affect some customers and is committed to ensuring that existing Microsoft customers who would like to take advantage of Microsoft Windows Server 2003 Terminal Services features have a cost-effective way of doing so. As a result, we have developed a transition plan to provide a cost effective means for existing Volume Licensing customers to migrate to Microsoft Windows Server 2003 Terminal Services CALs, upon product launch.

The following table summarizes the migration path to Microsoft Windows Server 2003 Terminal Services CALs for customers by agreement and license type, at the time of the Microsoft Windows Server 2003 Launch.

<table>
<thead>
<tr>
<th>How do I migrate to Windows Server 2003 Terminal Services CAL, if I have the following situation upon the launch of Microsoft Windows Server 2003 …..</th>
<th>Answer*: Note that the bolded items represent migration rules that apply only to customers with licenses and active Software Assurance/Upgrade Advantage (SA/UA) or Enterprise Agreement (EA) enrollments at the time of the Microsoft Windows Server 2003 product release, as part of a special transition migration.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Microsoft Windows XP Professional Edition Upgrade L</td>
</tr>
</tbody>
</table>
| Select License | \begin{itemize}  
<p>| Current Terminal Server Work at Home CAL | Receive Microsoft Windows Server 2003 Terminal Services CAL. |
| Terminal Services CAL&amp;SA/UA, with UA/SA active at the time of launch of Windows Server 2003 | Receive Microsoft Windows Server 2003 Terminal Services CAL and SA/UA coverage during the remaining term of SA/UA. |
| \end{itemize} | |</p>
<table>
<thead>
<tr>
<th>Terminal Services Work at Home CAL</th>
<th>Receive Microsoft Windows Server 2003 Terminal Services CAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terminal Services CAL&amp;SA/UA, with UA/SA active at the time of launch of Windows Server 2003</td>
<td>Receive Microsoft Windows Server 2003 Terminal Services CAL and SA/UA coverage during the remaining term of SA/UA.</td>
</tr>
</tbody>
</table>

**Enterprise Agreements (active enrollments)**

<table>
<thead>
<tr>
<th>Microsoft Windows Desktop Operating System enrolled in an EA that is active at the time of launch of Windows Server 2003</th>
<th>Receive Microsoft Windows Server 2003 Terminal Services CAL and maintenance coverage during remaining enrollment term.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terminal Services Work at Home CAL</td>
<td>Receive Microsoft Windows Server 2003 Terminal Services CAL and maintenance coverage during remaining enrollment term (unless otherwise stated in your agreement).</td>
</tr>
</tbody>
</table>

* Note, Microsoft Windows Server 2003 Terminal Services CALs can be either User or Device CALs. However, Microsoft Windows Server Terminal Services will not be able to accommodate downgrades for User CALs (i.e. a Microsoft Windows Server 2003 Terminal Services User CAL cannot be downgraded to a Microsoft Windows 2000 Windows Terminal Services User CAL) because Microsoft Windows 2000 Terminal Services (and prior version) technologies only support Device CALs.
D. Improvements to the Per Processor Licensing Model: Partitioning (Items in this section have not been previously announced)

Microsoft is also pleased to introduce improvements to the Per Processor licensing model, which applies generally to Microsoft eBusiness server products. These changes are designed to provide customers with an improved ability to license Microsoft server products in a manner consistent with customers' software usage. These changes will be particularly beneficial to those customers who utilize hardware partitioning, software partitioning or software emulation, or who install and run multiple instances of a server application on a server.

These improvements are summarized as follows (“Server Software” refers to the server application being licensed):

**Customers must acquire licenses for only those processors that are accessible to any operating system copy upon which the Server Software is set up to run:**

- Microsoft is enhancing its server licensing to make it more cost-effective for you to utilize Server Software licensed in the Per Processor model when the software, through partitioning or other similar technology, does not utilize all of the processors in a server.
- When technology such as partitioning is used, each partition will have its own operating system copy; each operating system copy might not have available to all of the processors in the server.
- If any processor in the server is made inaccessible to all of the operating system copies set up to run the Server Software, then that processor does not require a processor license for that Server Software. Conversely stated, a Server Software processor license is required for each processor that is accessible to any operating system copy on which the Server Software is set up to run.

**You may install and run any number of copies of the Server Software on a server, provided that the required number of processor licenses has been acquired:**

- Microsoft is also making it more cost-effective to license server software in the Per Processor model when multiple instances of the software are installed on the same server and accessing the same processors.
- With the enhancements to the Per Processor model, you may install and run any number of copies of the Server Software on any processor that is licensed for the Server Software.
- This change will eliminate the need to separately license each copy of the Server Software for each processor in the server.

Note that for any given Server Software on a server, you will never need more Server Software processor licenses than there are processors in the server.
II. Frequently Asked Questions

A. New Options for Licensing Server Products licensed in the Server CAL model (Items in this section were announced in December, 2002)

01 Why is Microsoft making this change?
Microsoft is introducing new server licensing options, as part of a broad effort to improve the experience with licensing Microsoft software. These new options are designed to provide you with the ability to license Microsoft server products in a consistent manner across our product line. The new options will be particularly beneficial to those who seek user-based licensing, who would like to provide server access to their end-customers or partners, or who run solutions that leverage multiple Microsoft server products.

02 What is not changing in the new Server CAL licensing model?
Every installed copy of the server software still requires a server license unless otherwise stated in the Product Usage Rights document.

A license will still be required to access or use the server software, such as the Client Access License (or CAL).
- Most users or devices will need CALs to access the server software.
- You can still purchase Device CALs to allow devices to access the server software (previously referred to as “per seat” or “per device” CALs).

03 What’s the difference between Device CALs and User CALs?
The primary difference between Device CALs and User CALs is as follows:
- A Device CAL allows any number of Users to access your company’s licensed Server software from a particular Device.
- A User CAL allows a particular User to access your company’s licensed Server software from any number of Devices.

In other words, a User CAL will cover a particular User’s access to the server software from work PCs and laptops as well as from home PCs, PDAs, Internet kiosks and any other devices. A Device CAL will cover multiple Users’ access to the server software from a single, shared Device.

04 When will the new User CALs be available?
The first introduction of the User CAL will be for Microsoft Windows Server 2003 and for Microsoft Windows Server 2003 Terminal Server. For more information on the availability of User CALs for other products, please refer to question 54.
05 What is the definition of a Device?
A Device is an electronic device that is accessing or utilizing the server software or any of its components. Examples of electronic devices include PCs, laptops, home PCs, PDAs, and cell phones.

06 What is the definition of a User?
A User is an individual person who is accessing or utilizing the server software or any of its components. Examples include employees, independent contractors, agents, vendors, service providers and your end-customers. (See question # 54 for the definition of a "Qualified User" as it applies to the Enterprise Agreement.

07 When is a User CAL required?
The User CAL requirements will be consistent with those of the Device CAL requirements. A CAL is required when a device or user accesses the server software.

For Windows Server, a Windows CAL is not required when a server is accessed through the Internet by a device or user that is unauthenticated. For example, no Microsoft Windows Server CAL is required for a device or user that is browsing a public website.

For each product or server service (e.g., Microsoft Windows Terminal Server) CAL, you can choose either a Device CAL or a User CAL (whenever both are offered). The External Connector license can be purchased instead of CALs to allow your business partners or end-customers access to the licensed server software.

08 When is a Device CAL required?
The Device CAL requirements will not change and are consistent with those of the User CAL requirements. A CAL is required when a device or user accesses the server software.

For Microsoft Windows Server, a Microsoft Windows Server CAL is not required when a server is accessed through the Internet by a device or user that is unauthenticated. For example, no Microsoft Windows Server CAL is required for a device or user that is browsing a public website.

For each product or server service (e.g., Microsoft Windows Terminal Server), you can choose either a Device CAL or a User CAL (whenever both are offered). The External Connector license can be purchased instead of CALs to allow your business partners or end-customers access to the licensed server software.
09 Is the User CAL option being made available for Microsoft Desktop Operating System or Application licenses?
No, the User CAL option being made available for Microsoft Desktop Operating System or Application licenses.

10 When can the External Connector be acquired instead of CALs?
If your business partners or end-customers access the licensed server software, the External Connector license can be acquired instead of CALs.

11 What factors may be considered when deciding between the Device or User options?
Microsoft expects that you will choose between Device CALs and User CALs based on two factors:
1. Economic considerations driven by the ratio of Devices to Users
2. Ease of tracking Devices vs. Users.

If you who have multiple users sharing a few devices (such as in a call center) you are likely to find it more cost-effective to acquire Device CALs, as you would need to purchase fewer Device CALs than User CALs.

In contrast, if you have employees who use multiple devices to access the servers (e.g., from a work PC, a home PC and a PDA) you are likely to find it more cost-effective to acquire User CALs, as you would need to acquire fewer User CALs than they would Device CALs.

You may choose to purchase Device CALs versus User CALs based on ease of management and tracking. While you may find it easier instead to track devices (e.g., because their asset management systems are set up to track devices), others find it easier to track users (e.g., because their purchasing systems are tightly linked with HR processes).

12 Can I mix Device and User at the same time?
For a discussion of how to acquire user CALs through the Enterprise Agreement and other Microsoft Volume Licensing Programs, please refer to question # 46.

13 What is the difference between Device and User CAL prices?
The price for a User CAL will be the same as the price for a Device CAL. In this way, Microsoft aims to simplify the decision-making process between User CALs and Device CALs for you.

14 Does the usage of the CAL affect the pricing?
There will not be a special discounted User CAL for light or infrequent users. Multiple users sharing a device may prefer to purchase Device CALs.

15 Is the Microsoft Core CAL affected by these licensing changes?
For discussion of the introduction of the Core User CAL, please refer to question # 43.

16 **Will the User CAL option be available for all server products licensed in the Server CAL model?**
For more information regarding the availability of the User CAL option for other products, please refer to question # 54.

17 **Will Microsoft Terminal Server (TS) also be affected by the introduction of the User CAL option?**
For information on changes to Terminal Server Licensing, please refer to question #s 65-70, below.

18 **Will Microsoft Windows Server 2003 still have the per server licensing option?**
Microsoft Windows Server 2003 will continue to offer the Per Server licensing mode. In Per Server mode, you can acquire Microsoft Windows CALs and assign them to a copy of Microsoft Windows Server. The number of CALs should equal or exceed the total number of Users and/or Devices accessing the server software at a given time. (That is, the number of Microsoft Windows Server CALs required is equal to the maximum number of concurrent connections needed to that server.)

Alternatively, you can use Microsoft Windows Server 2003 in the ‘Per Device or User mode’, in which case you must purchase a Microsoft Windows Server CAL for each device or user, and there is no limit to the number of licensed devices or users that can access your licensed server software at a given time. This provides new options and maintains existing options to suit individual needs.

19 **How do I migrate from a Device CAL to a User CAL or vice versa for existing CALs?**
For discussion of migration paths for both existing licenses as of the launch date and for licenses acquired after the launch of the new licensing options, please refer to question # 56.

20 **What is the process if I want to change my choice of Device or User CALs after inadvertently making a licensing decision for either Device or User?**
If you inadvertently acquire Device or User CALs, but intended to acquire the other, you should work directly with your reseller to return your license within the time required by your reseller, and obtain a refund.

If you have enrolled licenses in SA, these Device or User CALs on SA can be converted to User or Device CALs respectively upon SA renewal.
21 **Can Device and User CALs be transferred to another device or user within my organization?**
You may transfer a given Device or User CAL from one device or user to another device or user, respectively, within the same organization, so long as the reassignment is made either (A) permanently away from the one Device or User or (B) temporarily to accommodate the use of the Microsoft Windows Server CAL by a loaner Device while a permanent Device is out of service, or the use of the Microsoft Window Server CAL by a temporary worker while a regular employee is absent.

22 **What are the downgrade rights for the new User CALs?**
You can buy User CALs for a new version of the server software and then exercise your downgrade rights (as defined in the EULA or agreement) to access any licensed previous version of the server software (or a mix of current and previous versions) on a User basis. This applies only when a previous version of the server software technologically supports a user-based licensing model.

For example, you can buy Microsoft Windows Server User CALs for Microsoft Windows Server 2003, exercise your downgrade rights and use User CALs with Microsoft Windows 2000 Server. Microsoft Terminal Server will not accommodate downgrades for User CALs—i.e. Microsoft Windows Server 2003 Terminal Server User CAL cannot be downgraded to a Microsoft Windows 2000 TS User CAL because previous TS technologies only support Device CALs.

23 **Do User CALs need to be the same or later version than the server that is being accessed?**
Again similar to Device CAL rules, User CALs need to be of the same or later version than the server software to which the particular Device or User has access. E.g., to access Microsoft Windows Server 2003 software, a Device or a User must be licensed with a Microsoft Windows Server 2003 Device or User CAL respectively.

24 **Will User CALs be available for the Core CAL?**
Enterprise Agreements will continue to offer the Core CAL on a device basis. In addition, Microsoft expects to introduce a Core User CAL.
- The Core User CAL would grant users the right to access the relevant server software from any device
- User rights would only apply to the Core CAL, not to desktop applications or the desktop operating system.
- The Core User CAL will be available in Select License and Enterprise Agreements as the Core Device CAL is today. More details about the Core User CAL will be available shortly.

25 **What is the difference between internal users and external users?**
An **internal user** is an individual person who is an employee, independent contractor, agent, internet service provider or other person who provides services to or on behalf of your company (or, where applicable, your company’s affiliates).

An **external user** is an individual who is not an employee, independent contractor, agent, internet service provider or other person who provides services to or on behalf of you (or, where applicable, your affiliates). Examples of external users are your business partners and end-customers.

**26 Who qualifies for the External Connector?**
The External Connector covers access only by external users or devices.

**27 When is the External Connector license required?**
An External Connector license is required for every copy of the server software or server service (such as Terminal Server) that is accessed by an external user or device (typically your business partners or end-customers. For example, an External Connector license is required for each copy of Exchange Server that is accessed by partners or end-customers. An External Connector license is also required for Microsoft Windows Server when it is supporting a copy of an application (e.g., Exchange) accessed by your partners or end-customers.

**28 Can any number of your partners or end-customers access a specific licensed copy of the server software for which an External Connector is purchased?**
Yes, when an External Connector is purchased for a specific licensed copy of the Server Software or service, any number of your partners or end-customers may access that copy of the Server Software.

**29 Can I choose to purchase CALs for my partners or end-customers?**
If you prefer, you may purchase individual Device or User CALs for these external devices or users instead of the External Connector license.

**30 How should I track CALs for my partners or end-customers?**
If you have purchased Device or User CALs for your partners or end-customers, you should have documented proof in purchase orders and/or license confirmations. It is your responsibility to assign the CALs to your specific partner or end-customers’ Users or Devices, and to ensure that only licensed Devices or Users access the company’s licensed Server Software.

**31 What factors should be considered when deciding between User CALs or External Connector for your partners or end-customers?**
Microsoft expects that you will decide between purchasing an External Connector license for your partners and end-customers versus individual Device or User CALs mainly based on two factors:
Economic considerations driven by the number of partners or end-customers that need to access the Server software and the number of copies of licensed Server software that they need to access, and

- Ease of tracking and counting of partners or end-customers.

For example, if you have only a few partners who need to access your company’s licensed server software, you will likely find it more economical to purchase individual CALs for those partners or their devices. You may also find it economical to purchase individual CALs if your partners or end-customers access multiple copies of the Server Software (e.g., on multiple servers). (With the External Connector, multiple copies of the Server Software would require multiple External Connector licenses—one per copy of the software.)

In contrast, if you have a very large number of partners or end-customers who need to access your licensed server software, you may find it more economical to purchase an External Connector for each copy of the server software that an unlimited number of partners can access.

However, some companies will choose to purchase individual Device or User CALs rather than the External Connector based on ease of management and tracking. Some companies may find it easier to track copies of server software than the number of business partners or end-customers accessing the server software and, therefore, choose the External Connector license.

32 Can I purchase the External Connector for my employees?
No, The External Connector does not cover employees (and others as defined above); CALs must be purchased in order for those users to access the server software.

33 Will the External Connector be available for all server products licensed in the Server CAL model?
Generally, Microsoft servers licensed exclusively on a Server CAL basis will introduce an External Connector license. Microsoft SharePoint Portal Server (SPS) already offers an External Connector. Microsoft Windows Server 2003 and Microsoft Windows Server 2003 Terminal Server will introduce the External Connector license when the new version releases. Microsoft is currently evaluating when to introduce External Connector's on other products.

34 Do unauthenticated users require an External Connector?
Unauthenticated external devices or users accessing the company’s Microsoft Windows Servers through the Internet do not require a Microsoft Windows Server 2003 CAL. Similarly, they would not require an External Connector license.
35 **Does the requirement for an access license depend on whether I purchase the External Connector or CALs?**

The External Connector license purchase requirements will be the same as the Device or User CAL requirements for a particular product. In other words, if for a given server product only those devices or users that utilize particular services of the Server Software require a CAL, the same will be true for access by business partners and end-customers.

36 **What are the benefits to the External Connector option?**

The External Connector license is a more straightforward solution for some companies, because it eliminates the need to count and track your individual partners or end-customers. Each External Connector license provides unlimited access to the licensed copy of the Server Software for which it is purchased. In addition, the External Connector may be more cost-effective than buying individual CALs if you have many partners or end-customers accessing the Server software.

37 **What will happen to the Internet Connector?**

The External Connector will replace the Internet Connector. Upon release, Windows Server 2003 and Windows Server 2003 Terminal Server will introduce External Connector licenses and discontinue the Internet Connector license.

38 **What happens to existing Internet Connector licenses?**

Internet Connector licenses are still valid for the version of the product for which they were purchased.

- If you enrolled your Windows Server Internet Connector license in SA, and the SA is active at the time Microsoft Windows Server 2003 first becomes available, then you will be eligible to convert the Internet Connector to an External Connector at any time after Microsoft Windows Server 2003 first becomes available. Thereafter, you will be eligible to renew SA on the External Connector.

- If you enrolled your Microsoft Windows Terminal Server Internet Connector license in SA, and the SA is active at the time Microsoft Windows Server 2003 first becomes available, then you will be eligible to convert the Microsoft Terminal Server Internet Connector to a Microsoft Windows Terminal Server External Connector at any time after Microsoft Windows Server 2003 first becomes available. However, the Microsoft Windows Terminal Server External Connector may only be used with the Terminal Services of Microsoft Windows Server 2003. The Terminal Services technology in Microsoft Windows 2000 Terminal Server does not support the use of a Microsoft Terminal Server External Connector. You will be eligible to renew SA on the Microsoft Terminal Server External Connector.
The following table summarizes the general migration path to the new External Connector. The migration path assumes that SA/UA on the Internet Connector (or Microsoft Terminal Server Internet Connector) is active at the time Microsoft Windows Server 2003 first becomes available. If not, the license-only migration should be followed. Migration is identical for Open License, Select License and EA customers.
<table>
<thead>
<tr>
<th>Agreement</th>
<th>If you have…</th>
<th>Migration Path</th>
</tr>
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<tbody>
<tr>
<td>Open License Customer</td>
<td>Microsoft Windows Server or Microsoft Windows Terminal Server Internet Connector L</td>
<td>Purchase the External Connector L. Internet Connector L is still valid for the version of the product for which it was purchased.</td>
</tr>
<tr>
<td></td>
<td>Microsoft Windows Server or Microsoft Terminal Server Internet Connector L &amp; SA/UA (SA/UA is active when Microsoft Windows Server 2003 first becomes available)</td>
<td>You may convert the Internet Connector license to the External Connector license. You may renew SA on the External Connector license.</td>
</tr>
<tr>
<td>Select Customer</td>
<td>Microsoft Windows Server or Microsoft Windows Terminal Server Internet Connector L</td>
<td>Purchase the External Connector L. Internet Connector L is still valid for the version of the product for which it was purchased.</td>
</tr>
<tr>
<td></td>
<td>Microsoft Windows Server or Microsoft Windows Terminal Server Internet Connector L &amp; SA/UA (SA/UA is active when Microsoft Windows Server 2003 first becomes available)</td>
<td>You may convert the Internet Connector license to the External Connector license. You may renew SA on the External Connector license.</td>
</tr>
<tr>
<td>Enterprise Agreement Customer</td>
<td>Microsoft Windows Server or Microsoft Windows Terminal Server Internet Connector L</td>
<td>Convert to External Connector license. You may renew SA on the External Connector license.</td>
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</table>

**39 What’s the difference between Internet Connector and External Connector?**

The External Connector license explicitly covers business partners, who do not provide services to you or on your behalf. The Internet Connector license does not cover business partners.

**40 How will the External Connector be priced?**

The External Connector will have one price per product or server service (e.g., Terminal Services), independent of server edition. For example, the price of the Microsoft Windows Server 2003 External Connector will be the same whether it is used with a copy of Microsoft Windows Server 2003 Standard Edition or Microsoft Windows Server 2003 Enterprise Edition. You would need to purchase an External Connector license for each copy of the Server Software and/or server services that is accessed by your business partners or end-customers.
Are External Connector licenses available in the Enterprise Agreement?

External Connector licenses are not included as enterprise products in either Platform or Component EAs, but may be purchased separately as Additional Products.

B. Integration of User CALs and the External Connector License options in Microsoft Volume Licensing Programs (Items in this section have not been previously announced)

What is Microsoft announcing?

In December 2002, Microsoft announced new options for Microsoft Server Licensing (see introduction above for discussion of those items). The following items are related to these Licensing Options:

1. Timing of the Introduction of User CALs and the External Connector options for Individual Products

Generally, the User CAL option will be introduced with new versions of most server products that are licensed on a Server CAL basis. Microsoft currently anticipates the next version of the following products to include the User CAL option:

- Microsoft Windows Server
- Microsoft Windows Server Terminal Server (TS)
- Microsoft Exchange Server
- Microsoft SharePoint Portal Server (SPS)
- Microsoft SQL Server
- Microsoft Project Server

As of February 17, 2003, the only announced products with a User CAL option are Windows Server 2003 and Windows Server 2003 Terminal Server, which will introduce the User CAL option with their release in April 2003. As an exception to the general rule of introducing the User CAL option with new product versions, SQL Server 2000 will introduce the User CAL option in May, 2003. By introducing the User CAL option with new version releases, Microsoft is providing a predictable schedule for availability of the User CAL option for individual products.

Similarly, the External Connector License option will be introduced with new versions of most server products that are licensed only on a Server CAL basis, which Microsoft currently expects to include the following:

- Microsoft Windows Server
- Microsoft Windows Server Terminal Server (TS)
- Microsoft Exchange Server
- Microsoft SharePoint Portal Server (SPS)
• Microsoft Project Server

As of February 17, 2003, the only announced products with an External Connector License option are Microsoft Windows Server 2003 and Microsoft Windows Server 2003 Terminal Server, which will introduce the External Connector License option with their next version release in April 2003. Generally, the rest of the products will introduce External Connector Licenses with new version releases. In doing so, Microsoft is providing a predictable schedule for the availability of the External Connector License option for individual products.

Please note that Microsoft SQL Server is not included in the list of products which will introduce the External Connector License option, as Microsoft SQL Server's licensing model already accommodates access by unlimited users (either internal or external) under the per processor licensing model. Microsoft SQL Server may be licensed either in the Server CAL model or the Per Processor model. Under the per processor model, the server product can be accessed by an unlimited number of users (for more discussion of the Per Processor licensing model, please refer to the section of this document titled, “Improvements to the Per Processor Licensing Model”).

2. The Introduction of the Core User CAL

A Core CAL with user-based rights (“Core User CAL”) will be available for the April 2003 launch of Microsoft Windows Server 2003, at which time the User CAL and External Connector License options will be introduced. The existing per-device Core CAL (“Core Device CAL”) will remain as it is. This Core will permit one user to access and use the server software comprising the Core CAL (Microsoft Windows Server, Microsoft Exchange Server, Microsoft SharePoint Portal Server and Microsoft System Management Server). The Core User CAL will be available before all of the individual server products offer standalone User CALs.

At the time of launch (April 2003), only Microsoft Windows Server will have a standalone User CAL option. The remaining Core CAL products—Microsoft Exchange Server, Microsoft SharePoint Portal Server and Microsoft System Management Server—will only offer Device CALs outside the Core CAL initially. (User CAL options will be available for Exchange Server and SharePoint Portal Server when those products introduce new versions; System Management Server will only offer Device CALs when acquired as a standalone product.)

Also, customers with existing BackOffice CALs may convert to User CALs upon the launch of the Core CAL in April. For more information on the conversion of existing CALs upon launch of the User CAL option, please see separate section below, titled "Conversion to User CALs for existing CALs during the transitory launch period."

3. Introduction of the Enterprise Agreement with Core User CAL
Microsoft is also pleased to announce the availability of the Enterprise Agreement with Core User CAL. Today, in the Enterprise Agreement program, there are three "platform" products for which companies may enroll desktops: 1) Windows desktop operating system ("OS"), 2) Office and 3) the Core CAL. The Enterprise Agreement with Core User CAL allows for customers to acquire the Core CAL platform product on a user basis, i.e., the Core User CAL. The Enterprise Agreement with Core User CAL allows customers to license the platform products in the following manner:

- Microsoft Office => Desktop basis
- Microsoft Windows desktop OS => Desktop basis
- Core User CAL => User basis

The Enterprise Agreement as it exists today will continue to be offered, where you may license the platform products in the following manner:

- Microsoft Office => Desktop basis
- Microsoft Windows desktop OS => Desktop basis
- Microsoft Core Device CAL => Desktop basis

These two offerings allow Enterprise Agreement customers to choose to license the Core CAL on either a desktop or a user basis. Please note that in both cases, Microsoft Office XP and Microsoft Windows XP are licensed on a desktop basis, as these products are not introducing a user-based licensing option.

In making this option available, we are helping you realize the economic benefits of user-based licensing, in addition to the following benefits of the Enterprise Agreement:

- Maintain the 15% platform discount for license acquisitions across all three enterprise platform products (even when user and desktop count may be different under the Enterprise Agreement with Core User CAL model): Office, Microsoft Windows OS and Core CAL.
- Retain the existing simplicity of the per-device Enterprise Agreement for customers that do not need the user-based CAL model
- Maintain standardization and ease of tracking as core value propositions of the Enterprise Agreement

It should be noted that the Enterprise Agreement with Core User CALs does not allow you to mix Core User CALs with Core Device CALs within a particular enrollment. Microsoft believes that allowing you to mix Core Device CALs and Core User CALs within an enrollment would introduce a level of complexity that undermines the benefits of the Enterprise Agreement, such as simplified licensing.

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6 Recognizing there is a potential administrative challenge for customers to count both users and devices to take advantage of a platform that combines device-based Microsoft Office XP and Microsoft Windows XP and user-based Core CAL. However, for customers choosing this model, the economic benefits of purchasing fewer CALs outweigh this potential challenge.
administration and ease of compliance. The Enterprise Agreement with Core User CAL has been designed solely to extend the benefits of the User CAL option to Enterprise Agreement customers in such a way that does not impair the existing customer benefit of the Enterprise Agreement.

In addition, there are a number of other items that Microsoft would like to clarify,

4. Conversion to User CALs for existing CALs during the transitory launch period
Customers with Device CALs enrolled in Software Assurance (through Open, Select or Enterprise Agreement), or Core CALs acquired under an Enterprise Agreement, will have the one-time right to convert any or all of these CALs to User CALs, per the following rules:

- Software Assurance for the Device CALs must be in effect at the time the User CAL option is initially introduced for the corresponding server product. In the case of Core CALs under an Enterprise Agreement, the Enterprise Agreement enrollment must be in effect when the Core User CAL is initially introduced (i.e., April 2003).
- Customers may exercise the one-time option to switch eligible Device CALs to User CALs at any time during the remainder of the Software Assurance coverage period (or the term of the Enterprise Agreement enrollment with respect to Core CALs).
- All Core CALs acquired under a single Enterprise Agreement enrollment must be either device-based CALs or user-based CALs (i.e., no mixing of Core Device CAL and Core User CAL within an Enterprise Agreement enrollment).

License-only (without Software Assurance) customers keep the CAL type originally acquired (if they want to switch to user-based model they would need to buy a CAL for the new product version anyway).

- If within the allowed order adjustment period (provided to correct ordering mistakes), you can contact their channel partner to return those CALs and acquire the other type.

This transition plan further demonstrates Microsoft's continued commitment to providing real customer benefit to Software Assurance, by allowing Software Assurance customers to take advantage of the new User CAL option, immediately upon the launch of User CAL option for individual products.

5. Conversion to/from User CALs from/to Device CALs after the transition period ("Steady State")
As a general rule, all customers with CALs enrolled in Software Assurance will be able to switch from one model to the other (device-based to user-based and vice versa) upon renewal of the CAL’s Software Assurance coverage.

- At such time, you will be able to place a renewal order for Software Assurance for their desired mix of Device CALs
and User CALs, irrespective of whether the expiring CAL Software Assurance was device or user based. The total number of device or user CAL Software Assurance renewals cannot exceed the total number of CAL Software Assurance expirations.

- If the required number of CALs upon renewal is greater than the expiring number of CALs with Software Assurance coverage, you must acquire License and Software Assurance for that additional quantity of CALs.

Per current program rules, License-only customers need to acquire new CALs if they want to move to the next version of a product.

43 Will the User CAL option be available for the Core CAL?

A Core CAL with user-based rights ("Core User CAL") will be available for the April 2003 launch of Microsoft Windows Server 2003, at which time the User CAL and External Connector License options will be introduced. The existing per-device Core CAL ("Core Device CAL") will remain as it is. This Core User CAL will permit one user to access and use the server software comprising the Core CAL (Microsoft Windows Server, Microsoft Exchange Server, Microsoft SharePoint Portal Server and Microsoft System Management Server). The Core User CAL will be available before all of the individual server products offer standalone User CALs.

At the time of launch (April 2003), only Microsoft Windows Server 2003 will have a standalone User CAL option. The remaining Core CAL products—Microsoft Exchange Server, Microsoft SharePoint Portal Server and Microsoft System Management Server—will only offer Device CALs outside the Core CAL initially. (User CAL options will be available for Microsoft Exchange Server and Microsoft SharePoint Portal Server when those products introduce new versions; System Management Server will only offer Device CALs when acquired as a standalone product.)

Also, customers with existing BackOffice CALs may convert to User CALs upon the launch of the Core CAL in April. For more information on the conversion of existing CALs upon launch of the User CAL option, please see separate section below, titled "Conversion to User CALs for existing CALs during the transitory launch period."
(In the graph above, even though SMS will never have a user CAL option, the Core User CAL will include user rights for SMS.)

The use rights associated with the Core User CAL will be stated in the PUR and will indicate:

- Core User CAL permits one User (using any number of Devices) to access any server product that is part of the Core CAL (Windows Server, Exchange, SPS or SMS), regardless of whether or not the component products have User CAL option available when licensed individually;
- If an individual server product, that is a component of the Core CAL, offers a User CAL option outside of the Core CAL, the use rights for the product under the Core User CAL will be the product-specific use rights specified in the PUR, i.e., superceding the Core User CAL rights in the PUR.

This approach allows the Core User CAL to be versionless, a key design element of the Core CAL. This gives Microsoft the flexibility to upgrade any of the underlying products and the associated product-specific use rights without introducing a new version of the Core CAL.

44 Will customers with Software Assurance or an Enterprise Agreement for BackOffice CAL, in effect at the time of launch, be able to convert their CALs upon launch, as is the case for the Core CAL?

The BackOffice CAL (BO CAL) under an Enterprise Agreement will be treated with the same transition rules as the Core CAL. Then-current Enterprise Agreement customers with BO CALs will have the option of converting those CALs to User CALs. As such, the PUR will include use rights for a per-user BO CAL. At renewal time, customers choosing to renew need to do so using the Core User CAL.

45 Will the User CAL Option be introduced for Systems Management Server either as an individual product or as part of the Core CAL?
The Core CAL (Windows, Exchange, SPS and SMS) will introduce the choice of user-based licensing (the “Core User CAL”) at the same time Microsoft introduces Windows Server 2003. Though an SMS User CAL (as a standalone product) will not be introduced, customers can use SMS on a user-basis with the Core User CAL.

**How can customers acquire User CALs via the Open, Select, and Enterprise Agreement Volume Licensing Programs?**

You may acquire User CALs via the following Volume Licensing Programs, as follows:

**Select License and Open License**

Select License ("Select") and Open License ("Open") programs will include the new User CALs as User CALs become available with new versions of server products, in addition to the existing “Device” CALs. Thus, you will have the choice of purchasing a Device CAL or User CAL for most new server products as they become available. You need not have a uniform environment; Select and Open customers may choose to have a mix of Device CALs and User CALs.

**Enterprise Agreement**

The current Enterprise Agreement is based on a desktop platform that includes Windows OS, Office, and the Core CAL (device-based). You count the total number of desktops in their organization and license the platform products for that number of desktops (the components of the EAs are subsets of the platform).

With the introduction of User CALs, Microsoft is introducing a new enrollment option—the “Platform Enterprise Agreement with Core User CAL” which requires the counting of both users and desktops in order to deliver the economic benefits of user-based licensing to customers:

- **Count users for server products**: You count all users in the organization, acquire Core User CALs for each user, and thus obtain user rights for each user to access the server products comprising the Core CAL from any number of devices.
- **Count desktops for Windows OS and Office licenses**: All Enterprise Agreement customers would maintain the desktop count for Windows OS and Office licenses.

Customers will choose to sign at the enrollment level:

- Enterprise Agreement with Core Device CAL (desktop count across all products, device rights as today), or
- Platform Enterprise Agreement with Core User CAL (user count and user rights for server products included on the Core CAL, desktop count and desktop rights for Windows client and Office)
Enterprise Agreement customers will have a uniform Core CAL environment at the enrollment level: all user-based Core CALs or all per-device Core CALs; however, a mix of enrollment types can exist within an Agreement in cases where multiple enrollments are permitted.

Note: All CALs that are not part of the Core CAL, such as CALs for Project server, if and when available on a per-user basis, can be acquired under any type of enrollment. The Enterprise Agreement with Core User CAL was created to give Enterprise Agreement customers access to new user-based server licensing as part of the Platform (Office, Windows OS and the Core CAL).

Why would I choose to sign an Enterprise Agreement with Core User CAL?

In general, customers with fewer users than qualified desktops will prefer the Enterprise Agreement with Core User CAL over the existing Enterprise Agreement with Core Device CAL. Customers with fewer qualified desktops than users will need to understand the nature of device usage outside of qualified desktops (e.g., on home devices, handhelds, etc.) in order to determine whether an Enterprise Agreement with Core Device CALs or Core User CALs is more economical. For example, it is possible for customers with fewer qualified desktops than users to still prefer the Enterprise Agreement with the Core User CAL because the Core User CAL permits users to access the server software from any device (internal or external to the company). Licensing the users with a Core User CAL removes the requirement to license each external device that those users use. The diagrams below illustrate some possible customer scenarios:
In making the Core User CAL option available, customers can enjoy the economic benefits of user-based licensing, in addition to the benefits of the Enterprise Agreement, as follows:

- Maintain the 15% platform discount for license acquisitions across all three enterprise platform products (even when user and desktop count may be different under the Enterprise Agreement with Core User CAL model): Office, Windows OS, and Core CAL.
- Retain the existing simplicity of the per-device Enterprise Agreement for customers that do not need the user-based CAL model.
- Maintain the price levels (A, B, C and D) offered to platform Enterprise Agreement customers.
- Maintain standardization and ease of tracking as core value propositions of the Enterprise Agreement.

48 How will the Enterprise Agreement with Core User CAL be structured?

Based on those considerations, the existing three-tiered structure of the Enterprise Agreement will be maintained exactly as it is today and a new enrollment option will be added incrementally: the enrollment for Core User CALs.

- New customers preferring the per-device CAL model will see no changes in the existing agreement structure.
- New customers preferring the user-based CAL model will still sign an MBA, an Enterprise Agreement, and the new Enterprise Agreement with Core User CAL.
- Existing Enterprise Agreement customers will be able to use new or existing Core CALs as User CALs (see section for Transition plans).
- There will not be a programmatic “mixed environment” at the enrollment level. Each affiliate will have either a standard per-device enrollment (as today, with 100% per-device Core CALs) or a Enterprise Agreement with Core User CAL enrollment (with 100% user-based Core CALs).

---

7 Recognizing there is a potential administrative challenge for customers to count both users and devices to take advantage of a platform that combines device-based Office and OS and user-based Core CAL. However, for customers choosing this model, the economic benefits of purchasing fewer CALs outweigh this potential challenge.
49 What is the entry level for the Enterprise Agreement with Core User CAL?

To be eligible to sign an Enterprise Agreement with Core User CAL enrollment, you must have at least 250 desktops and 250 users. (note: this level is consistent with that for the Enterprise Agreement today)

50 How will the Enterprise Agreement with Core User CAL be priced?
CAL pricing

All user-based CALs will have the same price as their counterpart per-device CALs. Example: Windows Server 2003 User CAL will have the same price as the Windows Server 2003 Device CAL. Thus, the Core User CAL will be priced the same as the Core Device CAL.

Pricing Levels

For customers licensing the full-platform Enterprise Agreement, price levels A, B, C and D for the Enterprise Agreement with Core User CAL enrollment will be derived from the desktop count, regardless of whether the user count is different from the desktop count.

<table>
<thead>
<tr>
<th># Desktops</th>
<th>Applications</th>
<th>Systems</th>
<th>Servers</th>
</tr>
</thead>
<tbody>
<tr>
<td>250-2,399</td>
<td>A</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>2,400-5,999</td>
<td>B</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>6,000-14,999</td>
<td>C</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>15,000+</td>
<td>D</td>
<td>D</td>
<td>D</td>
</tr>
</tbody>
</table>

Customers would receive price levels on a per-platform product basis (True up for Core CAL based on the user count, and true up for Windows OS or Office based on the desktop count) if all 3 platform products were not included in an Enterprise Agreement.

<table>
<thead>
<tr>
<th># Desktops</th>
<th>Applications</th>
<th>Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>250-2,399</td>
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<td>C</td>
</tr>
<tr>
<td>15,000+</td>
<td>D</td>
<td>D</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th># Users</th>
<th>Servers</th>
</tr>
</thead>
<tbody>
<tr>
<td>250-2,399</td>
<td>A</td>
</tr>
<tr>
<td>2,400-5,999</td>
<td>B</td>
</tr>
</tbody>
</table>
51 How will customers order licenses for the Enterprise Agreement with Core User CAL via the true-up process?

If you have an Enterprise Agreement with Core User CAL enrollment, you may increase the number of desktops and/or users at any time during the term of the agreement. You must order License and Software Assurance for the additional desktops and/or users at the next anniversary of the enrollment effective date of the agreement as indicated below.

**Desktop True Up**
You must determine the current number of qualified desktops in their business 1) at each anniversary of the effective date of the agreement (including anniversaries during any renewal); and 2) at the expiration or early termination of the agreement.

- If the desktop count has increased, the channel partner must submit, on your behalf, an order for License and Software Assurance covering those additional desktops. The order must be placed within 15 days following the anniversary or renewal of the agreement effective date, expiration or termination. Microsoft will invoice the channel partner in full upon our acceptance of the true-up order.
- If the desktop count has not increased, the channel partner must submit an update statement on behalf of you, confirming this fact on a form we provide within the same 15 day period.

**User True Up**
You must determine the current number of qualified users in their business 1) at each anniversary of the effective date of the agreement (including anniversaries during any renewal); and 2) at the expiration or early termination of the agreement.

- If the user count has increased, the channel partner must submit, on your behalf, an order for License & Software Assurance covering those additional users. The order must be placed within 15 days following the anniversary or renewal of the agreement effective date, expiration or termination. Microsoft will invoice the channel partner in full upon our acceptance of the true-up order.
- If the user count has not increased, the channel partner must submit an update statement on behalf of you, confirming this fact on a form we provide within the same 15 day period.
The True Up price level will be the same price level established for the enterprise products at the onset of the agreement. The existing remainder and notification process prior to anniversary dates is maintained as it is today.

52 What is the definition of "Qualified Desktop" in the Enterprise Agreement?

A "Qualified Desktop" is defined in the Enterprise Agreement as personal desktop computer, portable computer, workstation or similar device that is used by or for your benefit and that meets the minimum requirements for running any of the enterprise products. Qualified desktops do not include: (i) any computer that is designated as a server and not used as a personal computer, (ii) any system dedicated to run ONLY line-of-business software (e.g., an accounting or bookkeeping program used by an accountant, or a computer-aided design program used by an engineer or architect); or (iii) any system running an embedded operating system (e.g. Windows 9.x for embedded, Windows XP embedded).

53 What is the definition of "Qualified User" in the Enterprise Agreement?

“Qualified user” means any individual person who accesses any copy of a server software product that is licensed by an enrolled affiliate or any affiliate included in its enterprise and is accessible under a Core CAL. If a person’s access to this server software is solely pursuant to an External Connector License or in some other manner not requiring a CAL, then that person will not be considered a qualified user.

54 When will User CALs and the External Connector License options be made available for individual server products other than Windows Server 2003 and Windows Server 2003 Terminal Server?

Generally, User CALs will be introduced with new versions of most server products or services that are licensed on a Server CAL basis, which Microsoft currently anticipates will include:

- Microsoft Windows Server
- Microsoft Windows Server Terminal Server (TS)
- Microsoft Exchange Server
- Microsoft SharePoint Portal Server (SPS)
- Microsoft SQL Server
- Microsoft Project Server

As of February 17, 2003 the only announced products with a user CAL are Microsoft Windows Server 2003 and Microsoft Windows Server 2003 Terminal Server which will introduce User CALs with their next version release in April 2003. Microsoft SQL Server 2000 will introduce the User CAL option in May,
2003. Generally, other products will introduce User CALs with new version releases. In doing so, Microsoft is providing a predictable schedule for introducing the User CAL licensing option for individual products.

Similarly, the External Connector License option will be introduced with new versions of most server products that are licensed on a Server CAL basis, which are the following:

- Microsoft Windows Server
- Microsoft Windows Server Terminal Server (TS)
- Microsoft Exchange Server
- Microsoft SharePoint Portal Server (SPS)
- Microsoft Project Server

As of February 17, 2003 the only announced products with an External Connector License option are Microsoft Windows Server 2003 and Microsoft Windows Server 2003 Terminal Server which will introduce the External Connector License option with their next version release in April 2003. Generally, the rest of the products will introduce External Connectors with new version releases. In doing so, Microsoft is providing a predictable schedule for introducing the License option for individual products.

Please note that Microsoft SQL Server is not included in the list of products which will introduce the External Connector, as SQL Server's licensing model already accommodates access by unlimited users (either internal or external) under the per processor licensing model. SQL Server may be licensed either in the Server CAL model or the Per Processor model. Under the per processor model, the server can be accessed by an unlimited number of users (for more discussion of the Per Processor licensing model, please refer to the section of this document titled, “Improvements to the Per Processor Licensing Model”).

55 Why will the External Connector License option not be introduced for SQL Server?

The External Connector License option will not be introduced for SQL Server, as SQL Server's licensing model already accommodates for access by unlimited users (either internal or external) under the Per Processor licensing model. SQL Server may be licensed either in the Server CAL model or the Per Processor model. Under the per processor model, the server can be accessed by an unlimited number of users (for more discussion of the Per Processor licensing model, please refer to the section of this document titled, Improvements to the Per Processor Licensing Model”).

56 How will an existing Volume Licensing customer migrate to the new User CALs for a particular product (or Core CAL) both during the transitory launch period and in the “Steady State”?
Transitory Launch Plan
Customers with device CALs enrolled in Software Assurance (through Open, Select or Enterprise Agreement) or Core CALs acquired under an Enterprise Agreement will have the one-time right to convert any or all of these CALs to user-mode, per the following rules:

• Software Assurance on the device CALs must be in effect at the time the user CAL is initially introduced on the corresponding server products. In the case of Core CALs within an Enterprise Agreement, the Enterprise Agreement enrollment must be in effect when the Core User CAL is initially introduced (i.e, April 2003).
• You may exercise the one-time option to switch eligible CALs to user-mode at any time during the remainder of the Software Assurance coverage period (or Enterprise Agreement enrollment for Core CALs within the Enterprise Agreement).
• All Core CALs acquired within a single Enterprise Agreement enrollment must be used as either device-based CALs or user-based CALs (i.e, no mixing of Core Device CAL and Core User CAL within an Enterprise Agreement enrollment).

Steady State Migration Plan
As a general rule, all customers with CALs enrolled in Software Assurance on their CALs will be able to switch from one model to the other (device-based to user-based and vice versa), upon renewal of Software Assurance for those CALs.

• At such time, you will be able to place renewal orders for their desired mix of Device CAL Software Assurance and User CAL Software Assurance, independent of whether the expiring CAL Software Assurance was device or User based. The total number of device and User CAL Software Assurance renewals cannot exceed the total number of CAL Software Assurance expirations.
• If the required number of CALs upon renewal is greater than the expiring number of CALs with Software Assurance coverage, you must acquire License & Software Assurance for that additional quantity of CALs.

Per current program rules, License-only customers need to acquire new CAL if they want to move to the next version of a product.

User CAL Migration Summary
The following table summarizes the migration paths from Device CALs to User CALs, or vice versa, both during the transitory launch migration and in the steady state migration:
<table>
<thead>
<tr>
<th>Customer Type</th>
<th>Transitory Launch Migration (from first introduction of User CAL option until expiration of Software Assurance coverage period)</th>
<th>Steady State Migration (first renewal after product launch)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Lonly</td>
<td>Acquire new User CALs (unless device CALs are returned to, and exchanged by resellers) Documentation: N/A</td>
<td>Acquire new User CALs (unless device CALs are returned to, and exchanged by, reseller). You have User CAL or Device CAL (whichever was acquired) for that product version in perpetuity Documentation: N/A</td>
</tr>
<tr>
<td>L&amp;SA</td>
<td>Convert Device CALs to User CALs when User CAL is introduced Documentation: The right to switch from device-mode to user-mode will be documented in the Product List. If you renew Software Assurance, you may elect Software Assurance for a mix of device CALs or user CALs. This renewal choice will be documented in your transaction history. If you do not renew Software Assurance and had elected to switch CALs to user-mode, then the Product List will be the sole documentation of the right to deploy CALs in this manner.</td>
<td>• Switch between User and Device CALs at renewal of Software Assurance • At expiration, customers are granted perpetual rights to whichever CAL type (device or user) was renewed under Software Assurance at the previous renewal were acquired at renewal. Documentation: Receive formal documentation upon ordering Software Assurance Renewal for each CAL</td>
</tr>
<tr>
<td>Select</td>
<td>L only</td>
<td>Acquire new User CALs (unless device CALs are returned to, and exchanged by, reseller)</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>
| LSA | Convert Device CALs to User CALs when User CAL is introduced | • Switch between User and Device CALs at renewal of Software Assurance  
• At expiration, customers are granted perpetual rights to whichever CAL type (device or user) was renewed under the Software Assurance at the previous renewal. **Documentation:** Receive formal documentation upon ordering CALs at each Software Assurance renewal |
| Enterprise Agreement | Convert Device CALs to User CALs when User CAL is introduced | • Switch between User and Device CALs at renewal of the Enterprise Agreement.  
• At expiration, customers are granted perpetual rights to whichever CAL type (device or user) was renewed under the Enterprise Agreement at the previous renewal. **Documentation:** Receive formal documentation upon ordering CALs at each Software Assurance renewal |
<table>
<thead>
<tr>
<th>48 of 60</th>
</tr>
</thead>
</table>

**CALs or Core User CALs.** If you do not renew the Enterprise Agreement and had elected to switch CALs to user-mode, then the Product List will be the sole documentation of the right to deploy CALs in this manner. For CALs other than the Core CAL, the right to switch from device-mode to user-mode will be documented in the Product List. This renewal choice will be documented in your transaction history. If you do not renew Software Assurance and had elected to switch CALs to user-mode, then the Product List will be the sole documentation of the right to deploy CALs in this manner.

**Software Assurance Renewal**

<table>
<thead>
<tr>
<th>57</th>
<th>How can I document my CALs after conversion, both during the transitory launch period and in the steady state?</th>
</tr>
</thead>
</table>

Please see the summary table in question # 16 above for details of how you can document their conversion.

<table>
<thead>
<tr>
<th>58</th>
<th>How will a new Volume Licensing customer migrate to the new User CALs both prior to and after the introduction of User CALs for a particular product (or Core CAL)?</th>
</tr>
</thead>
</table>

Prior to introduction of User CALs for a particular Product (or Core CAL) Enroll Device CALs in Software Assurance at time of license acquisition (or acquire Device CALs through an Enterprise Agreement) in order to take advantage of the transition migration, whereby you may migrate to User CALs anytime from the first introduction of the CALs until the contemporaneous Software Assurance coverage period expires. See details of this migration in question 15 above. |
After introduction of User CALs for a particular Product (or Core CAL)

At time of signing an agreement, you may choose between Device CALs and User CALs. Please refer to question 15 for a table which summarizes how you may migrate between User CALs and Device CALs after signing an agreement.

59 If I convert to the new User CAL model, will I receive a credit or refund for any excess CALs that were acquired?

There will be no credit if upon switching to the per-user model if you would require fewer CALs than you needed in the per-device model.

60 If you choose not to renew their agreement that expires after the introduction of User CAL option for a particular product (and that was in effect at the time of the launch), can I convert to user CALs after expiration, as part of my perpetual rights?

If customers choose not to renew their contracts or the Software Assurance coverage on those CALs, and assuming they come from a perpetual program, they will end up with a number of perpetual CALs on the following basis:

- For those products that you had Software Assurance coverage on and which introduced User CALs during the term of the agreement, you have the choice to keep those as perpetual licenses on either a user-based or device-based model. This eligibility will be documented in the Product List.
- All License-only CALs are perpetual and remain on the licensing model they were originally acquired

These rules do not apply to subscription programs, where the licensing rights are non-perpetual.

61 Can Campus and School Agreement customers acquire the External Connector License for their students?

Yes. Schools and universities can acquire the External Connector Licenses that are available via the Academic Open and Academic Select programs for student access to servers. In education, the External Connector License will cover parents, community, alumni, in addition to students. We anticipate that many existing customers with Student Option will continue to find their current solutions preferable. For more information on Student Option, see http://www.microsoft.com/education/default.asp?ID=CAStudentOption

62 Is there an additional transitory benefit that will be offered to Campus and School Agreement customers, with regard to the Removal of the Operating System Equivalency rule for Terminal Services?
Yes. Campus and School Agreement customers whose Software Assurance coverage is in effect at the time Microsoft Windows Server 2003 first becomes available will be eligible for a perpetual Microsoft Windows Server 2003 Terminal Server CAL for each covered desktop or FTE (full-time equivalent.) Upgrade rights are not provided on the Microsoft Windows Server 2003 Terminal Server CAL.

63 Will the "Limited Access Rule" (or the "80/20" rule) be removed for Exchange Server and SharePoint Portal Server?

Exchange Server 2000 and Sharepoint Portal Server 2001 allow Limited Access by Other Devices (or the “80/20” rule). Customers taking advantage of “80/20” rule must monitor and limit each user’s server connect time from devices for which the user is not the primary user. This is a compliance and auditing challenge for both the customers and Microsoft. Because User CALs allow a user to access the server from any device, without the time restrictions that the Limited Access by Other Devices rule imposes, User CALs are a simpler and better way to license users who use multiple devices. Therefore, new product versions offering User CALs will not need nor offer Limited Access by other Devices.

64 If you are accessing Office via a Terminal Server network and licensing Terminal Server via User CALs, am I still required to license Office on a desktop basis?

Yes, even in this situation where I am using Office via a Windows Server 2003 Terminal Server User CAL, I must still acquire a separate license for Office for each device. Again, we are not licensing Office on a user basis, only Microsoft server products that are licensed on a Server CAL basis.

C. Changes to Windows Server 2003 Terminal Service Licensing (Items in this section were announced in December 2002)

65 How will the User CAL option and the External Connector affect Terminal Server licensing?

The addition of the Microsoft Windows Terminal Server User CAL will address many of the licensing challenges that companies experienced with Microsoft Windows 2000 Server licensing, such as those encountered in scenarios that included roaming users and devices not owned or controlled by the company.

- For example, a company whose employees access Terminal Server from multiple devices, such as work PCs, home PCs, and PDAs, can now purchase 1 User CAL for each employee rather than multiple Device CALs per employee.
- Also, Microsoft Windows Terminal Server will no longer offer a Work-at-Home SKU. Instead, you will have the choice to acquire: 1) a User
CAL for the user who accesses the servers from both work and home PCs, or 2) separate Device CALs for the work PC and the home PC.

66 How will the User CAL option and the External Connector affect Microsoft Windows Terminal Server licensing?
The addition of the Microsoft Windows Terminal Server External Connector option provides a solution to enable your partners and end-customers to access a copy of the Microsoft Windows Terminal Server software. For small numbers of your identifiable partners or end-customers, you may choose to purchase individual Device or User CALs instead. With Microsoft Windows Server 2003, the Microsoft Windows Terminal Server External Connector will replace the Microsoft Windows Terminal Server Internet Connector.

67 Will OS Equivalency persist for Microsoft Windows Server 2003 Terminal Server?
No, all client devices, regardless of which Operating System they are running, will be required to have a Microsoft Windows Terminal Server CAL. (With Microsoft Windows 2000 Terminal Server licensing, if a client device was running the most recent version of the Microsoft Windows (desktop) Professional Operating System, a Microsoft Windows Terminal Server CAL was not required to satisfy the licensing requirement.)

68 Is Microsoft providing a transition plan for the Terminal Server licensing changes?
Yes, Microsoft realizes that the removal of OS equivalency will affect you and is committed to ensuring that existing Microsoft customers who would like to take advantage of Microsoft Windows Server 2003 features have a cost-effective way of doing so. With the introduction of the User CAL, Microsoft is attempting to provide a simple, consistent and cost-effective licensing solution for Terminal Server.

For every Microsoft Windows XP Professional desktop operating system that you are licensed for on the date that Microsoft Windows Server 2003 first becomes available you will be eligible for a Microsoft Windows Server 2003 Microsoft Windows Terminal Server CAL. Microsoft customers will fall into one of following scenarios:

- Customers with either platform or operating system component Enterprise Agreements (EAs) or that have enrolled your Microsoft Windows Professional licenses in SA/UA and whose EA/SA/UA coverage is active at the time Microsoft Windows Server 2003 first becomes available will be eligible for a Microsoft Windows Server 2003 Microsoft Windows Terminal Server CAL plus SA coverage on that Microsoft Windows Terminal Server CAL for each such covered license.
- Customers with Microsoft Windows XP Professional licenses without upgrade rights (no SA/UA or is not enrolled in an EA) will be eligible for
a Microsoft Windows Server 2003 Microsoft Windows Terminal Server CAL for each such license acquired on or prior to the date that Microsoft Windows Server 2003 first becomes available but will not get upgrade rights on the Microsoft Windows Terminal Server CAL.

The following table summarizes the migration path to Microsoft Windows Server 2003 Terminal Services CALs for customers by agreement and license type, at the time of the Microsoft Windows Server 2003 Launch.

<table>
<thead>
<tr>
<th>Open License</th>
<th>How do I migrate to Windows Server 2003 Terminal Services CAL, if I have the following situation upon the launch of Microsoft Windows Server 2003...</th>
<th>Answer*: Note that the bolded items represent migration rules that apply only to customers with licenses and active Software Assurance/Upgrade Advantage (SA/UA) or Enterprise Agreement (EA) enrollments at the time of the Microsoft Windows Server 2003 product release, as part of a special transition migration.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microsoft Windows XP Professional Edition Upgrade L</td>
<td>Receive Microsoft Windows Server 2003 Terminal ServicesCAL</td>
<td></td>
</tr>
<tr>
<td>Microsoft Windows Desktop Operating System license (any edition or version other than Microsoft Windows XP Professional), not including SA/UA</td>
<td>Either 1) Acquire Microsoft Windows XP Professional Upgrade License before the launch of Microsoft Windows Server 2003 Terminal Services and receive a Microsoft Windows Server 2003 Terminal Services CAL, or 2) Acquire a CAL for Microsoft Windows Server 2003 Terminal Services</td>
<td></td>
</tr>
<tr>
<td>Current Terminal Server Work at Home CAL</td>
<td>Receive Microsoft Windows Server 2003 Terminal Services CAL</td>
<td></td>
</tr>
<tr>
<td>Select License</td>
<td>Microsoft Windows Desktop Professional Edition Upgrade L &amp; SA/UA, with UA/SA active at the time of launch of Windows Server 2003</td>
<td>Receive Microsoft Windows Server 2003 Terminal Services CAL and SA/UA coverage during the remaining term of SA/UA.</td>
</tr>
<tr>
<td>----------------</td>
<td>---------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Terminal Services CAL &amp; SA/UA, with UA/SA active at the time of launch of Windows Server 2003</td>
<td>Receive Microsoft Windows Server 2003 Terminal Services CAL and SA/UA coverage during the remaining term of SA/UA.</td>
<td></td>
</tr>
<tr>
<td>Enterprise Agreements (active enrollments)</td>
<td>Microsoft Windows Desktop Operating System Upgrade enrolled in an EA that is active at the time of launch of Windows Server 2003 **</td>
<td>Receive Microsoft Windows Server 2003 Terminal Services CAL and maintenance coverage during remaining enrollment term.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Terminal Services Work at Home CAL</td>
<td></td>
<td>Receive Microsoft Windows Server 2003 Terminal Services CAL and maintenance coverage during remaining enrollment term (unless otherwise stated in your agreement).</td>
</tr>
</tbody>
</table>

* Note, Microsoft Windows Server 2003 Terminal Services CALs can be either User or Device CALs. However, Microsoft Windows Server Terminal Services will not be able to accommodate downgrades for User CALs (i.e., a Microsoft Windows Server 2003 Terminal Services User CAL) because Microsoft Windows 2000 Terminal Services (and prior versions) technologies only support Device CALs.

** Can I downgrade to a Microsoft Windows 2000 Server Terminal Server or a previous version of Microsoft Windows Terminal Server, with the new User CALs?
Terminal Server will not be able to accommodate downgrades for User CALs (i.e. Microsoft Windows Server 2003 Terminal Server User CALS cannot be downgraded to a Microsoft Windows 2000 Microsoft Windows Terminal Server User CALS) because previous Microsoft Windows Terminal Server technologies only support Device CALs.

**70 Can I downgrade to a Microsoft Windows 2000 Server Terminal Server or a previous version Microsoft Windows Terminal Server, with the External Connector?**

Terminal Server will not be able to accommodate downgrades for the External Connector (i.e. Microsoft Windows Server 2003 Terminal Server External Connector cannot be downgraded to a Microsoft Windows 2000 Terminal Server External Connector) because previous Terminal Server technologies will not support the use of the External Connector.

**D. Improvements to the Per Processor Licensing Model: Partitioning (Items in this section have not been previously announced)**

**71 What is Microsoft announcing?**

Microsoft is also pleased to introduce improvements to the Per Processor licensing model, which applies generally to Microsoft eBusiness server products. These changes are designed to provide customers with an improved ability to license Microsoft server products in a manner consistent with customers’ software usage. These changes will be particularly beneficial to those customers who utilize hardware partitioning, software partitioning or software emulation, or who install and run multiple instances of a server application on a server.

These improvements are summarized as follows (“Server Software” refers to the server application being licensed):

**You must acquire licenses for only those processors that are accessible to any operating system copy upon which the Server Software is set up to run:**

- Microsoft is enhancing its server licensing to make it more cost-effective for customers to utilize Server Software licensed in the Per Processor model when the software, through partitioning or other similar technology, does not utilize all of the processors in a server.
- When technology such as partitioning is used, each partition will have its own operating system copy; each operating system copy might not have available to all of the processors in the server.
- If any processor in the server is made inaccessible to all of the operating system copies set up to run the Server Software, then that processor does not require a processor license for that Server Software. Conversely stated, a Server Software processor license is required for each processor
that is accessible to any operating system copy on which the Server Software is set up to run.

You may install and run any number of copies of the Server Software on a server, provided that the required number of processor licenses has been acquired:

- Microsoft is also making it more cost-effective to license server software in the Per Processor model when multiple instances of the software are installed on the same server and accessing the same processors.
- With the enhancements to the Per Processor model, you may install and run any number of copies of the Server Software on any processor that is licensed for the Server Software.
- This change will eliminate the need to separately license each copy of the Server Software for each processor in the server.

Note that for any given Server Software on a server, you will never need more Server Software processor licenses than there are processors in the server.

The following illustration compares the licensing requirement under the per processor licensing model before and after the changes to the per processor licensing model, due in April, 2003, for various scenarios. Note that for any given server software on a server, you will never need more server processor licenses than there are processors in the server. Please also note that the Windows Server licensing requirements will not change as a result of any changes to the Per Processor licensing model:
As part of our attempt to address key customer scenarios more effectively, we are striving to make our product licensing more cost-effective, easier to understand, and more consistent across our product lines. In introducing enhancements to existing models, we are being careful to preserve the benefits of our current licensing models.

72 What is not changing with the per processor licensing model?

The following are key aspects of processor licensing model that aren’t changing:

- Server software may only be used on processors that have been licensed for the server software.
- Each server application must be separately licensed. For example, a processor license for SQL Server 2000 does not permit you to run BizTalk Server 2000. If a processor will run both SQL Server 2000 and BizTalk Server 2000, then both a SQL Server 2000 processor license and a BizTalk Server 2000 processor license are required for that processor.
- Changes to the Per Processor licensing model do not affect server products licensed in the Server CAL model.

73 What is the "Per Processor Licensing Model" and to which products does the model (and therefore these changes) apply?

The "Per Processor Licensing Model" is Microsoft’s software licensing model in which the processors in a server are required to be licensed in order to install and run the software. Client devices or users that access server products...
licensed in the Per Processor mode do not require Client Access Licenses (CALs).

Generally, Microsoft server products that are licensed on a Per Processor basis will introduce licensing changes in April 2003.

As of April 2003, server products that we expect will introduce new Per Processor licensing rules include:

- Microsoft SQL Server 2000 (when licensed in the Per Processor model)
- Microsoft BizTalk Server 2002
- Microsoft Commerce Server 2002
- Microsoft Content Management Server 2001
- Microsoft Host Integration Server 2000
- Microsoft Internet Security and Acceleration Server 2000
- Microsoft Application Center 2000
- Microsoft Operations Manager 2000

Software licensed in the Server CAL model will not be affected by the changes to the Per Processor model.

74 **What is the Server CAL licensing model and what products are licensed under this model?**

The "Server CAL Licensing Model" is Microsoft’s software licensing model in which each installed copy of server software requires a separate server license. Additionally, client devices or users that access the server software licensed in the Server CAL mode require Client Access Licenses (CALs) in accordance with product use rights for the server products.

75 **When will these changes take effect?**

Per processor model enhancements will be introduced on April 1, for both new and existing licenses for products licensed under the per processor model. The enhanced Per Processor licensing will first appear in the April 2003 PUR.

The Per Processor licensing model enhancements will apply to the current and new versions of products, and they can apply to previous versions of products only through the use of downgrade rights.

76 **May customers exercise downgrade rights to apply these changes to a version of the product that is previous to that which is licensed?**

Per processor model enhancements may be introduced prior to the next version release of a product. The enhanced Per Processor licensing will first appear in the April 2003 PUR. The Per Processor licensing model
enhancements will apply to the current versions of products and can apply to previous versions of products only through the use of downgrade rights.

77 Will there be a price increase for Processor Licenses incorporating these changes?

We cannot comment on the price of unreleased products. The Price for existing products as of April, 2003 will not change. This means that beginning April 2003, customers will gain the benefits of these changes without a price increase.

78 Will Microsoft allow for a refund or credit for customers with excess Processor licenses as a result of these changes?

We realize that the change in use rights might decrease the licensing requirements for customers who have already acquired processor licenses. However, we don’t intend to offer refunds for any licenses that were previously acquired. In accordance with the license reassignment rules in Volume Licensing, server application processor licenses may be reassigned to other processors provided that the reassignment is not on a short-term basis.

To find out more about Microsoft products, services, and support options or further details on any Microsoft Volume Licensing offering, visit http://www.microsoft.com/licensing.