This is a posting which describes some of the reasons Apple has changed our system software licensing policy. While many of you will not agree with the decision, this posting and Q & A at least give you some of the reasoning for the decision.

Also note that we are looking at ways of distributing important pieces like Disk First Aid, future Tune Ups, etc. through bulletin boards and user groups as we have in the past. In fact, I hope to have QuickTime 1.5 available on ftp.apple.com within a few days.

Please do not send me mail flaming about this policy. I am providing this information to help the net better understand some of the reasons Apple is going this direction and possibly foster some informed discussion of the issues.

Apple Modifies System Software Licensing Policy

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Effective with the introduction of System 7.1, Apple has modified its system software licensing policies to end the distribution of Apple System Software on a no-charge basis. This decision came about as part of our continual efforts to further Macintosh as the premier personal computer with the most innovative system and application software. Fundamental changes in the hardware business have also contributed to this decision. Changing the way Apple distributes system software will allow the Macintosh System Software team to bring new system software developments to market and to reach more customers with these new technologies. This document explains our rationale behind this decision and includes a Q&A section with responses to anticipated questions.

Historically, Apple maintained an ad hoc approach toward providing new system software to our customer base. Customers purchasing a new Macintosh received the latest version of system software. However, our existing customer base had a limited set of options for obtaining new versions of system software. Those options consisted primarily of downloading the software from electronic bulletin boards or copying the disks from a Macintosh User Group. Since only a small percentage of Apple customers have access to these services, these methods are not effective for the majority of system software users. Furthermore, allowing system software to be distributed free of charge via these organizations has limited our ability to convince Apple resellers to distribute and promote Apple system software products to their customers.

The rapid decline of personal computer hardware prices has made it impossible for Apple to continue the practice of allowing new

system software to be distributed through user groups and electronic bulletin boards. In order to fund the development of system software enhancements and new capabilities across the entire Macintosh product family, not just on the newest models, Apple must institute programs that make our system software products pay for themselves. By establishing a new software licensing policy, Apple can offer customers new system software and extensions that will enhance their existing Macintosh systems at a modest price.

While Apple recognizes that individuals who are accustomed to receiving system software upgrades from user groups and electronic bulletin boards may find this decision difficult to accept, we are confident that this is a positive move for Apple and all of our customers.   By instituting this new software distribution policy, we can reach more customers through a wider array of software distribution channels than ever before. These new distribution channels include mail order catalogs, office supply stores, mass merchants, and software retailers, among others. And, by asking our customers to pay a modest price for their new system software, Apple will be able to accelerate future technological advances and offer technical support to more of our users via our toll-free customer support center.

Additionally, Apple recognizes that some customers will be concerned about the impact of this new strategy on the price of moving to System 7.1. Therefore, we will be introducing a low-cost system software update kit. Customers will be able to order the update kit directly from Apple beginning October 19, 1992. Customers have also asked Apple for an alternative to the System 7 Group Upgrade Kit. This new software licensing policy will enable Apple to offer a very flexible and cost effective volume license program to our customers.

QUESTIONS & ANSWERS

Q: Why is Apple modifying the licensing policy for Apple System Software?

Our previous policy of distributing system software via user groups and electronic bulletin boards reached only a small percentage of our customer base while often discouraging traditional software resellers from stocking and promoting new releases of system software. We had to find a way to make our system software available where the majority of Macintosh users traditionally obtain their software, such as mail order catalogs, office supply stores, mass merchants, software retailers, etc.

Additionally, the rapid decline in hardware prices coupled with
our new market strategy has forced Apple to institute programs
that make our system software products pay for themselves. In
order to fund the development of system software enhancements and
new capabilities across the entire Macintosh product family,
Apple will offer these new software developments to existing
customers at a modest price.

Q: Which system software products are covered by this new system
      software license policy?

All Apple System Software is covered under this new policy,
including the following system software retail products:

    M7202LL/A   System 7.1 Update Kit
    M7200LL/A   System 7 Personal Upgrade Kit
    M7201LL/A   System 7 MultiPack Upgrade Kit
    M1252LL/A   Macintosh PC Exchange
    M1269LL/A   QuickTime Starter Kit
    M1436LL/A   At Ease
    M1438LL/A   At Ease - 10 Pack
    M4040LL/A   Apple Font Pack for Macintosh

Q: What about earlier versions of Apple system software? Can
      user groups and electronic bulletin boards distribute the System
      6 releases and version 7.0 of System 7?

Yes, Apple will continue to allow System 6 releases and version
7.0 of System 7 to be distributed by authorized organizations
(such as user groups and electronic bulletin boards) that have
existing agreements with Apple permitting them to distribute the
software.

Q: What about the new QuickTime 1.5 system extension, Tune-Ups,
      and System Enablers? Will user groups and electronic bulletin
      boards be able to distribute these system software components?

Yes, Apple has committed to making the QuickTime 1.5 extension
available through user groups and electronic bulletin boards and
we will stand by that commitment. Apple will continue to allow
the QuickTime system extension, system software tune up disks and
system enablers to be distributed by authorized organizations
(such as user groups and electronic bulletin boards) that have
existing agreements with Apple permitting them to distribute the
software.

Q: Can I make copies of the new Apple software

products, like Apple Font Pack for Macintosh, At Ease or
Macintosh PC Exchange?

No! These software products are covered under the standard Apple
end-user license which only allows an end-user to use Apple
software on a single Apple computer and make one machine readable
copy for backup purposes.

Q: How can I get the latest version of System 7?

System 7.1, and future updates, will be available to existing
System 7 customers via a low-cost update kit sold directly by
Apple. System 6.0x users can upgrade to System 7.1 by purchasing
the System 7 Personal Upgrade Kit either directly from Apple or
from a variety of software resellers worldwide. In addition, most
new Macintosh systems will come pre-installed with a copy of
System 7.1. System 7 upgrades and updates are available in the
following configurations:

- System 7.1 Update Kit: This single-user package provides the
   software necessary for a customer to update from version 7.0 to
   version 7.1 of System 7. The System 7.1 Update Kit contains six
   1.4 MB floppy disks with the version 7.1 system software, the
   QuickTime 1.5 system extension, the Compatibility Checker 2.0
   utility, and a System 7.1 user manual. In the United States, the
   System 7.1 Update Kit is available directly from Apple by
   calling 1-800-769-2775. It is priced at US $34.95 and includes
   one-year of toll-free customer support directly from Apple.

- System 7.1 Volume License Program: Beginning in December 1992,
   customers who want to purchase large quantities of the System
   7.1 Update Kit can take advantage of a new system software
   volume license program.

- System 7 Personal Upgrade Kit: This single-user package
   provides the software necessary for a customer to upgrade from
   version 6.0x of the Macintosh system software to System 7.1.
   In the United States, the System 7 Personal Upgrade Kit is
   available through a wide variety of software resellers for a
   suggested retail price of US $99.00. This price includes one-
   year of toll-free customer support from Apple. Outside the
   United States, the System 7 Personal Upgrade Kit is available
   through Apple authorized resellers. Prices vary by country.
- System 7 MultiPack Upgrade Kit: This ten-user package provides
   the software necessary for a customer to upgrade up to ten users
   from Version 6.0x of Macintosh system software to System 7.1.
   The System 7 MultiPack Upgrade Kit contains a CD-ROM with the

version 7.1 system software (in several language versions), the QuickTime 1.5 system extension, the Compatibility Checker 2.0 utility, and a System 7.1 user manual. The MultiPack also includes the System 7.1 software on a series of 1.4 MB floppy disks. The System 7 MultiPack Upgrade Kit is priced at US $499.00 and will be available for sale in November.

Q: If I recently purchased a System 7 Personal Upgrade Kit or System 7 Group Upgrade Kit, will I be able to update to System 7.1 free of charge?

Customers who purchased a System 7 Personal Upgrade Kit or a System 7 Group Upgrade Kit after September 1, 1992, can obtain a free update to System 7.1 by calling Apple at 1-800-769-2775 (available in the U.S. only). Proof of purchase is required.

Q: When will I be able to order the System 7.1 Update Kit?

The System 7.1 Update Kit will be available for sale on October 19, 1992 and can be ordered by calling Apple at 1-800-769-2775 (available in the U.S. only).

Q: When will I be able to purchase volume licenses for System 7?

System 7 volume licenses can be ordered beginning in December 1992, by calling Apple at 1-800-769-2775 (available in the U.S. only).

Q: How does this new policy impact the System 7 Group Upgrade Kit license?

Customers who have System 7 Group Upgrade kits can update their users to System 7.1 via our new system software volume license program. Pricing and ordering information for the volume license program will be distributed by Apple in November. Effective October 19, 1992, the System 7 Group Upgrade Kit will be discontinued and no longer available for sale.

Q: Won't fewer people adopt your technology because of this new policy?

Apple is confident that we will reach more customers by modifying our system software licensing policy. Expanding our software distribution channels has been an important step in this direction. Previously, it was often difficult for a customer to find a reseller who carried new versions of Apple system software. Now, with our expanded distribution channels, system software is

available in more of the places where our customers shop.

Q: Won't user groups lose an important revenue source because of
      this new policy?

Under the terms of the current software distribution licenses
issued to user groups by Apple, user groups can only charge their
members for the cost of disks and duplication. They can not make
a "profit" on the distribution of system software to subsidize the
operations of the user group.

Q: If your goal is to reach more people, wouldn't making system
      software available from electronic bulletin boards help Apple
      attain that goal?

Not necessarily. Electronic bulletin boards and user groups reach
fewer than 10% of the potential Macintosh user audience. In
addition, the cost of downloading multiple system software disks
from an electronic bulletin board has become rather costly -- up
to $250.00 in connect charges if all the System 7 disk images are
downloaded. By ordering a System 7.1 Update Kit from our toll-
free order line, customers can obtain a full copy of System 7.1,
including user manuals, within 48 hours of their order and at a
very modest cost. They'll also receive one year of toll-free
customer support on their new system software.

Q: Didn't Apple promise when they introduced the Macintosh that
      system software would always be free?

Apple never stated that Macintosh system software would always be
free to Macintosh users. Our commitment has always been and will
continue to be that Apple will include the latest version of
system software with new Macintosh systems that we sell, as soon
as possible after the introduction of a new system software
release.

Q: How does this policy affect Macintosh users in the education
      market?

This new licensing policy applies to all Apple customer segments,
including our education customers. Education customers who want
to upgrade to System 7.1 can purchase one of the update kits or
purchase a System 7 volume license. Complete details on the
system software volume license program will be distributed by
Apple in November.

Q: How will this new policy affect subscribers of the Apple

Software Update Program (ASUP)?

Current subscribers of the Apple Software Update program (ASUP)
will automatically receive System 7.1 and a right-to-update
license for their site. Under this license, ASUP customers will
be able to update all machines at their site to System 7.1.
Following the release of System 7.1, Apple will discontinue the
ASUP program and transition subscribers over to the new system
software volume license program.

Q: What alternatives do Macintosh corporate customers have for
      updating all their users to System 7 other than purchasing
      several System 7 MultiPack Upgrade Kits?

A system software volume license program will be introduced in the
United States in November that offers customers a discount
commensurate with the number of licenses desired. System 7 Group
Upgrade Kit customers can take advantage of volume license
pricing, as well. Complete details on the system software volume
license program will be distributed by Apple in November.

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"You gave your life to become the person you are right now. Was it worth it?"
                              - Richard Bach, _One_