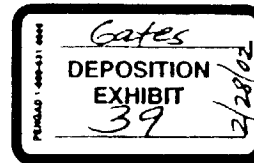


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June 23, 1989



Microsoft

Mr. Joe M. Guglielmi
IBM Vice-President and President, Applications System Division
IBM Milford
Internal Zip E01
472 Wheeler's Farm Road
Milford, CT 06460

Dear Joe:

I haven't seen you in quite awhile so I thought I would summarize in letter form a few things that are on my mind. I would like to follow up on them in person in the very near future.

First, congratulations on the OfficeVision announcement. We appreciated the opportunity to participate. The demonstration of OS/2 Excel and Mail highlighted the potential for third-party applications to snap into OfficeVision and reminded me of the opportunities we have to work together. I would like to establish a richer dialogue on such areas as data exchange, how Lan Server can work better with OfficeVision, improving OfficeVision's size and speed, and understanding how applications will fit in.

At the same time, I am concerned about press reports of IBM's plans to market 1-2-3/G. We took part in the OfficeVision announcement with the assurance that Excel would receive equal billing. We strictly respected your pre-announcement embargo on press contact, while Lotus executives were briefing editors on your plans. I am unhappy at the way this ended up positioning Lotus' role in Office.

I know that you have a contract with Lotus, but also understand that you have some flexibility. I urge you to not market 1-2-3/G because it would change our relationship and send mixed messages about the openness of OfficeVision. If IBM markets 1-2-3/G, Microsoft and IBM will be competitors in the spreadsheet business, and Microsoft will be, at least indirectly, a competitor to OfficeVision. I want to avoid this because, again, we have a lot to gain by working together.

The openness of OfficeVision to third-party applications is key to its success. A decision by IBM to market 1-2-3/G would suggest that OfficeVision is not open. On the contrary, it would suggest a closed, proprietary environment requiring special versions of off-the-shelf software. Of your three options -- (1) Marketing 1-2-3/G; (2) Remaining "spreadsheet neutral"; or (3) Marketing Excel -- we have a strong preference for the later two. Since the spreadsheet business isn't Microsoft's only business, we can be very flexible. I am very motivated to find a way to work together.

Microsoft Excel is the leading graphical spreadsheet today and will be the first graphical OS/2 spreadsheet by a number of months. We are working aggressively

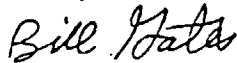
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to provide an Extended Edition connectivity solution for OS/2 Excel. We have already made great strides marketing Excel in partnership with IBM. The ACIS group is the best customer of Windows Excel, and we have some exciting plans to market OS/2 Excel with ISD and several of your European Subsidiaries.

I would like to develop this partnership even further with the first and future versions of OS/2 Excel, perhaps including IBM Executive participation in the Excel announcement, as well as the other applications we are developing for OS/2.

In closing, I am concerned with what I am hearing about 1-2-3/G and OfficeVision and how such a relationship would put our objectives at odds with each other. I would like to do whatever I can to avoid this outcome. Let's meet to discuss my concerns soon.

Best regards,



William H. Gates, III
Chairman and CEO
Microsoft Corporation

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