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Microsoft

November 6, 1989

Mr. Dave House
Senior Vice President and
General Manager
Microcomputer Components Group
Intel Corporation
3065 Bowers Avenue
Santa Clara, California 95052-8131

Dear Dave:

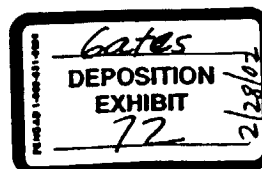
Recent activities by Intel are forcing us to reexamine our strategy of focusing solely on Intel microprocessors for our systems software. To avoid frustration we plan to focus the same percentage of our chip-specific work on Intel processors as Intel devotes software work to Microsoft operating systems. The Intel UNIX announcement last week crystallizes our concerns, but this is only one in a pattern of activities by Intel that are inimical to a strong PC industry based on Intel microprocessors and Microsoft system software.

Intel is making substantial investments in UNIX. Intel's UNIX investments are in every area, from technical work to promoting UNIX to ISVs and OEMs to end user marketing. Our ISVs and OEMs are seeing Intel's presence and promotion and are calling us up and asking what it means. The press is calling and asking why Intel is promoting UNIX instead of OS/2. Our software developers are seeing full page ads in *PC Week* telling them that the future is UNIX.

The success of UNIX is a direct threat to Intel's position in microprocessors. The most fundamental goal of UNIX is application portability and architecture independence. UNIX is already strong on all the competitive processors. Any design win that Intel gets based on UNIX can easily move to another processor. Situations like Prime illustrate the amount of lock-in that Intel processors receive when the software base is on UNIX.

The best thing for both our companies would be for Intel to recognize what its huge investment in UNIX is doing to the industry. I have done my best to communicate this message and although you seem to agree when we meet, the results get worse and worse. You have said that you want to change the emphasis within Intel, but we continue to see more and more emphasis of UNIX within Intel. Perhaps you do not have enough power within Intel to influence these UNIX activities. Microsoft and SCO have given the Intel architecture the strongest position in the UNIX world. Despite all of our concerns about UNIX, which we have communicated to Intel very clearly, the only outcome has been to agree not to publicly criticize SCO's UNIX product. Intel is undermining both OS/2 and SCO UNIX.

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We established DOS without any help from Intel. We also established XENIX as the most popular UNIX product despite interference from Bill Latin's group. In the past we have not needed any support from Intel for the success of our system software. Today we need your help for OS/2. 32-bit OS/2 will ship very soon. All of your efforts to promote UNIX hurts OS/2 because the target platforms, the target markets, and the target applications are the same.

Intel is not doing anything to help OS/2. No technical work, no ISV work, and no marketing work. You recently formed a small group that is supposedly focused on Microsoft operating systems. In fact, what this group is doing is promoting a 32-bit mapping layer different from the one that we have implemented. The reason that they give us is that they want the 32-bit mapping layer to work under UNIX and OS/2. There is no evidence that this group understands Microsoft operating systems and the ways that we have developed software that is not easily portable to other architectures and operating systems.

The increasing acceptance of RISC is bringing us to a juncture. RISC's performance advantage over CISC grows and RISC-based systems are going to increasingly gain market share. Microsoft's response to this trend is our RISC project based on the i860. Intel's focus on UNIX is making us question whether the i860 is the right choice for our project. A change in processor would be pretty dramatic since we would have to work with the leading PC companies to make sure that their hardware strategy is in line with our development plans. Another approach is to support multiple RISC processors just like Intel supports multiple operating systems.

I also feel that Intel doesn't consider Microsoft's RISC PC project important to the i860. From early on, our input and requests have always been balanced with anonymous other companies. The i860 cannot have PC level volume without our project. No one at Intel has taken the time to fully understand the project and see that it is the best possible thing for Microsoft and Intel to do in the RISC areas. People at Intel seem to forget that the i860 was missing key features that would have made it impossible to use as a general purpose processor. These features were added based on Microsoft's input. Now we hear about significant changes in the architecture like the Alliant additions after the fact. You are adopting these changes without even consulting us. We still do not know what they are. You think of me as a figurehead to call before a UNIX announcement, but you do not call me to discuss Les Kohn's departure and what the best strategy would be for dealing with that and what the impact is.

I would like to hear from you as to whether a change in how Intel allocates its software investment is possible. I would like Intel's software activities - technical, ISV and marketing - to be focused on Microsoft's operating systems. Please let me know so that I can balance my investments appropriately. Intel's degree of support for Microsoft operating systems will provide me valuable guidance in how we should invest our resources.

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I would like to discuss this at Comdex. I look forward to meeting with you.

Best regards,

Bill

Bill Gates
Chairman

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