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Microsoft

June 28, 1990

Dr. Andrew S. Grove
President & CEO
Intel Corporation
3065 Bowers Avenue
Santa Clara, California 95051

Dear Andy,

I understand that Intel is considering making an investment in GO Corporation. Such an investment would be strongly negative for our mutual OEM customers, for the Intel 386 architecture, and for Microsoft. I would like to work with you to find ways of meeting Intel's needs without the damage an investment in GO would cause.

Recently our Windows-H team met with Paul Otellini, Mike Aymar, Tom Galvin and Mike Bruck to discuss Intel's reasons for investing in GO and to present the Microsoft Windows-H project. Your team gave two primary reasons for investing in GO: to ensure that the 386 architecture plays a significant role in stylus-based computing; and to acquire experience and technology which Intel can use to make chips and systems for the stylus-based computer market.

We share your enthusiasm for the stylus market and this is why we started our Windows-H project. Our Windows-H team presented the work that they are doing to extend the Microsoft Windows operating environment to incorporate support for stylus-based computers. This work is based on a standard version of Microsoft Windows, and it means that all Windows applications will run on stylus systems as well; conversely programs tailored for stylus systems can also run on standard desktop systems. What Windows-H will do is to extend the Windows+386 architecture standard to incorporate handheld and stylus computers in a completely compatible way. This extends and strengthens our mutual existing standard.

We are well underway on the Windows-H project. We are currently working closely with four OEMs, and will expand this set in the fall. We are planning to broadly disclose the Windows-H project to our OEMs at Microsoft's OEM Technology Briefing in October, and we would welcome Intel's participation, in particular by highlighting ties to Genesis and any other appropriate chips. The OEMs we are talking to have reacted very favorably to our project, in part because it ties into the existing MS-DOS/Windows standards, and because it provides them with a lot of ways to innovate and add value. Areas for differentiation include support for various storage media such as FLASH EPROM either for program execution or as a file system; plug in FLASH IC cards; varied screen resolutions and tablet sizes; etc.

We are doing innovative and leading-edge work in the area of handwriting recognition, which we feel will lead to increased end-user acceptance of the technology. Equally important, the handwriting recognition component is modular, allowing ISVs or OEMs to supply additional or replacement handwriting recognition. This will be important for

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foreign markets (e.g. Kanji and Arabic), specialized markets (e.g. mathematical and scientific equations and other specialized notations) and where other companies believe they have better or more tailored recognition. We believe that the Kanji market in particular will be very important early on, and several of our OEM partners in Japan already have Kanji recognition technology.

The applications are also very important for stylus computers. We are developing several core applications ourselves, including notetaking and daytimer applications; we are working with ISVs to develop several others; and of course standard application categories like spreadsheets and project management will be filled in by products that are popular on the desktop as well. The key point is that Windows-H will provide an open, documented environment for ISVs and that ISVs will be able to freely participate in the stylus computer market. Furthermore, the environment is consistent and compatible with the existing desktop environment meaning they can leverage their software investments and not have to choose between two conflicting platforms.

The bottom line is that Windows-H is a real project with significant OEMs and that Windows-H will make the 386 architecture the standard for handheld and stylus computing. And it will do this in a way that strengthens our existing PC standard and is supported by our OEMs. We'd like your help in achieving this.

The second objective that your team mentioned to us was that of acquiring experience and technology in the area of handheld and stylus computing. We believe that we can help you to achieve this, by working with us and in particular by working with some of our partners in the Windows-H project. We are in the process of identifying appropriate companies for Intel to work with. We'd like to get an indication from you that you would like to pursue this alternative.

The primary suppliers of the critical technologies (displays, integrated tablets and small form factor technologies) are in Japan and we have good relationships with them. We can put you in touch with suppliers from whom you can acquire the applicable technologies on terms that do not require Intel to license its processors. You can get access to technology and experience without an investment in GO Corporation. GO is essentially a software company. The vast majority of GO's employees are writing software. GO's primary strategy is to create an operating system standard that is different and incompatible with Microsoft's and that is proprietary to GO. An investment by Intel would support this strategy.

An attempt to establish a new hardware and OS standard at this time would be negative for the 386 architecture, for our OEMs and for ISVs. There is already enough confusion out there right now because of OS/2 and Windows and UNIX; introducing an additional new, incompatible environment will cause more confusion and fragmentation and weaken our existing standards. Please keep in mind that a new standard is completely unnecessary. We can do a fine job of addressing the stylus market without needing a new incompatible operating system and system design. What will happen is that users and ISVs and even OEMs are going to have to think about yet another environment to support and buy. It is

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unlikely that GO will succeed in establishing a standard, but even if they don't they will cause confusion and slow down the growth of Windows, the 386, and the PC standard.

An Intel investment in GO would send a strong message to both OEMs and ISVs, and it would be a message that would be very confusing to most of them. As the owner of the 386 architecture, Intel clearly has a key role in communicating standards and standards proposals to OEMs and others. Intel's investment in GO will be seen as an endorsement of GO's platform and system software. This will be a very powerful effect which you should not discount - in fact it is almost certainly a stronger effect than the value of the actual money that GO receives.

I guess I've made it very clear that we view an Intel investment in GO as an anti-Microsoft move, both because GO competes with our systems software and because we think it will weaken the 386 PC standard. Our mutual OEM customers will also react unfavorably to your investment because GO competes directly with them, and OEMs will view this investment in a competitor as contrary to their interests, as well as having it weaken the position of the systems they are building on today.

One other point I should address is IBM's involvement in GO. IBM's involvement is a strictly tactical response to a particular customer situation. A large insurance company offered to spend tens of millions of dollars for a custom system to be used for forms entry. IBM didn't have any technology in-house. Unfortunately, this has been a particularly tough time in the IBM-Microsoft relationship, and the bandwidth of communications has been used up by other issues, so we haven't been able to have good discussion on our handheld and stylus work. I feel confident that we will end up working with IBM in this area once we have resolved the present issues.

To sum up, we think we have some great technology and OEMs for the handheld and stylus market and that the market will be dominated by 386 architecture computers. We'd like to work with you to develop the market and to introduce you to appropriate technology sources. ~~Please asking you not to make any investment in GO Corporation.~~ Can we follow this letter up with a phone call early next week?

Sincerely,

Bill Gates

William H. Gates
Chairman

WHG/jg

cc: Dave House

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