

From: Bill Henningsgaard
Sent: Wed, 1/19/2000 9:25 AM
To: Jane Dickson; Mark Wolfram
Subject: FW: 12/23 Call Kerry Killenger/Washington Mutual

-----Original Message-----

From: Bill Henningsgaard
Sent: Wednesday, January 19, 2000 9:23 AM
To: Bill Gates, Christine Turner
Cc: Chuck Russell, Bonnie Hamilton, Jeff Raikes, Orlando Ayala
Subject: RE: 12/23 Call Kerry Killenger/Washington Mutual

per this mail from Gary Reed, Kerry intends to accept the staff recommendation for a Sun/Netscape solution. There is a reference to a migration from OS/2, which probably only refers to the need to use a thin client for mail (which we proposed) but conceivably could mean a move to some other device on the desktop (which has never been discussed - the scope of this bid was just messaging). The outside consultant referenced is Bob Howe, President of Scient. We haven't been able to get any direct feedback from him.

<< 1 (Attachment): FW: WAMU Update>>

Here is an updated backgrounder. The key points remain much the same:

- given our commitment to guarantee our cost & timeline (details provided in my letter in the backgrounder), we are the low risk solution. Netscape's present and future position in enterprise messaging, esp in the context of the merger, is questionable.
- we have tremendous partnership opportunities in the financial services area. the Home Advisor opportunity is just one example.
- we can provide an even more efficient solution with Windows 2000 and Exchange 2000. per the rules of the bid, we were only allowed to reference shipping products.

<< 2 (Attachment): Backgrounder for WAMU call 1-19-00.doc>>

again, we should not be in this position, but at this point, your discussion with Kerry is our last chance at this business - any opportunity to extend the decision (either by evaluating W2K/Platinum or to understand the impact of the AOL merger) is a great outcome.

-----Original Message-----

From: Bill Henningsgaard
Sent: Monday, January 17, 2000 2:38 PM
To: Bill Gates; Christine Turner
Cc: Chuck Russell; Bonnie Hamilton; Jeff Raikes; Orlando Ayala
Subject: RE: 12/23 Call Kerry Killenger/Washington Mutual

This is still at risk because the IT staff are advocating a Netscape solution and Kerry's been reluctant to over-rule them. We believe we've improved our odds with an offer I sent last week (details in the attached backgrounder).

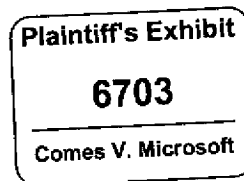
<< File: Backgrounder for WAMU call 1-19-00 doc >>

WAMU is out today - we'll check tomorrow for Kerry's availability.

-----Original Message-----

From: Bill Gates
Sent: Sunday, January 16, 2000 7:32 PM
To: Bill Henningsgaard, Christine Turner
Cc: Chuck Russell; Bonnie Hamilton; Jeff Raikes; Orlando Ayala
Subject: RE: 12/23 Call Kerry Killenger/Washington Mutual

I am glad to call before then.



After talking to him I did invest in the company and I feel we have a lot to offer him.

I am surprised this still hangs in the balance.

-----Original Message-----

From: Bill Henningsgaard
Sent: Friday, January 14, 2000 11:59 AM
To: Christine Turner; Bill Gates
Cc: Chuck Russell; Bonnie Hamilton; Jeff Raikes; Orlando Ayala
Subject: RE: 12/23 Call Kerry Killenger/Washington Mutual

they're set to announce a decision tuesday. chuck will send a backgrounder in case the call is still on at that point.

-----Original Message-----

From: Christine Turner
Sent: Thursday, January 13, 2000 11 49 AM
To: Bill Henningsgaard; Bill Gates
Cc: Chuck Russell, Bonnie Hamilton; Jeff Raikes, Orlando Ayala, Christine Turner
Subject: RE: 12/23 Call Kerry Killenger/Washington Mutual

Killenger's office called to set a call Wednesday instead. He will call Bill at 5 00pm.

-----Original Message-----

From: Bill Henningsgaard
Sent: Wednesday, January 12, 2000 5 57 PM
To: Christine Turner, Bill Gates
Cc: Chuck Russell, Bonnie Hamilton, Jeff Raikes, Orlando Ayala
Subject: RE: 12/23 Call Kerry Killenger/Washington Mutual

ok, thanks. if the decision is still open at that point we're doing well. i'll send an updated backgrounder once the time is finalized

-----Original Message-----

From: Christine Turner
Sent: Wednesday, January 12, 2000 4 12 PM
To: Bill Henningsgaard; Bill Gates
Cc: Chuck Russell; Bonnie Hamilton; Jeff Raikes, Christine Turner
Subject: RE: 12/23 Call Kerry Killenger/Washington Mutual

Kerry's assistant called today to see about setting up a meeting with Bill. Bill can meet earlier in the week, but Killenger is not available until Thursday morning. His assistant is going to go back to see if he wants to do a call earlier in the week instead. I am holding 9:00am on Thursday though in case that is first time the can get together.

-----Original Message-----

From: Bill Henningsgaard
Sent: Friday, December 24, 1999 3 51 PM
To: Bill Gates; Christine Turner
Cc: Chuck Russell, Bonnie Hamilton; Wendy Langen, Jeff Raikes
Subject: RE: 12/23 Call Kerry Killenger/Washington Mutual

the reason we're in this position now is that we haven't done an adequate job locally in engaging them from a sales perspective prior to this opportunity. candidly, if Kerry hadn't gotten the vision at the CEO summit we probably wouldn't have any shot at this. there's more history than that, but that's why

we are where we are.

again, thanks for making this call - we'll get you the letter monday.

-----Original Message-----

From: Bill Gates
Sent: Thursday, December 23, 1999 5:18 PM
To: Christine Turner
Cc: Chuck Russell, Bill Henningsgaard; Bonnie Hamilton, Wendy Langen; Jeff Raikes
Subject: 12/23 Call Kerry Killenger/Washington Mutual

I spent 45 minutes talking with Kerry about his business.

I made it clear that it made no sense to me that they would think of SUN as a good messaging solution. I said I would be willing to meet with their people to discuss this or that we would be willing to make scalability guarantees if that was needed to get them to commit to us. The people who work on the product do not work for SUN and they are not working on corporate email and the product is not suited and never has been suited for corporate email. I was quite direct on this point. I said the only competitor in this space is IBM and that their focus is selling in a lot of services.

I spent a lot of time explaining how his ambitions require a software company partnership - not SUN with Hardware or IBM with hardware and services.

I mentioned he could be one of six partners to buy into Homeadvisor and we were spinning it off like Expedia. I said that they have software that could be used for better mortgage origination. He didn't really get interested in this specifically - I am not saying he was negative or anything he just came back to the high level strategy issues.

He explained their history and what he has done. It is quite an impressive story. We talked about integrating the web experience in with being able to come to branches and see people. I explained how the web will have video and audio and we can help him with that.

He is interested in getting his stock price up. We talked about building an Internet track record moving quick over the next year and either getting credit for that or creating a .com sub (which is complex).

I mentioned that the Wingspan approach of doing it separately is not the best long run approach. I mentioned that WELLS was doing the right strategy but it was hard for them to execute and mentioned that Sharon Osberg who had headed some of their Internet efforts had quit. He asked if he should hire her as CIO. I said probably not CIO but that there was probably a job there that she might be a good match there. Actually I don't know if Sharon is open to going to a real bank entity but I will ask her.

I think it was a good call.

I was very clear we wanted to be their software partner and not picking us for the messaging would make that very hard. I suggested our releasing Windows2000 or being willing to make some guarantee should make him able to go back to his team and say they should take another look at Microsoft. It would be a disaster to lose this to SUN - the bank needs a partner and once they get going with SUN we will never get them. I explained

that SUN will not support mobile workers and they hate PCs.

To be honest I am surprised we haven't beat the SUN offer without my calling Kerry since it would be such a bad decision for them.

Let me know if I can do anything more. I am glad to meet with him or others there or call again or sign a letter you write for followup. A letter is probably good. If you copy Wendy Langen we could even get it out on Monday if you write it by then (Wendy is in the office next week when Christine is gone).

-----Original Message-----

From: Bill Henningsgaard
Sent: Friday, December 17, 1999 3:42 PM
To: Steve Ballmer
Cc: Debbie Hill; Jeff Raikes; Rose Patterson; Bonnie Hamilton
Subject: Billg call to WAMU

We're battling Sun/Netscape for 40K messaging seats at WAMU. They're going to make a decision before end of December - currently we're beating Notes but losing to Sun. This mail is to request a call from Bill to their CEO Kerry Killinger. following is the background.

Jeff made a call with me Kerry. After that call, Jeff suggested I arrange a conversation between Bill and Kerry. I suggested this to Bill at the Exec Staff meeting two weeks ago and he agreed. I've proposed this to Kerry last week and he declined, preferring to wait until after the messaging decision. I think Bill will be the most effective contact because the CEO summit really made an impact on Kerry. He's driven the DNS message down into his org - bringing almost his entire mgmt team out here in Sept. He would (my read) prefer we win but is leaving it to a mgmt committee to select the system.

Part of the value proposition to WAMU (beyond the messaging battle) is that, because we're both local, we and they should have a great relationship with lots of exchange of ideas and opportunities. The goal for the call is to both emphasize how Exchange is superior to Netscape and offer WAMU an investor position in Home Advisor as it's spun out. Kerry's prime interest is to raise WAMU's multiple by make it a stronger internet player. The attached mail shows some of the prep work the HA team and pacwest has done to position this.

I wrote a letter to Kerry this week to urge him to take this call - am going to talk to him in the next day or so. I expect the call to be a half hour. I'm hoping you agree this can go ahead since clearly I've moved forward based on bill's agreement

<< Message: FW: WAMU update >>

From: Mark Wolfram
Sent: Wed, 1/19/2000 8:44 AM
To: Bill Henningsgaard
Cc: Chuck Russell, Jane Dickson
Subject: FW: WAMU Update

fyi on my mail. Jane and Chuck have taken many of my comments and provided them in the background.

-----Original Message-----

From: Reed, Wm. G., Jr. [mailto:WREED@smprsn.com]
Sent: Tuesday, January 18, 2000 6:29 PM
To: Mark Wolfram
Subject: RE: WAMU Update

Mark,

It looks almost certain that we've lost this business to Sun. Kerry reported to the board today that he intended to accept his internal team's recommendation that a transition from their OS/2 platform to Sun's would be easier than Microsoft's. He also cited the benefits of an open architecture and mentioned the scalability issue. His outside consultant, in whom Kerry professes great faith, also supports the decision. He had good words to say about our proposal, especially the guarantees, but apparently it wasn't enough. I understand Jim Barksdale's been very attentive and effective.

I will say this: Kerry did not positively say that he had made the decision yet, but that he intended to. Perhaps a call from Bill tomorrow, as you mentioned in your email, would change the outcome, but it's a long shot at best.

Anyway, this is a big disappointment for me, as I'm sure it is for you and your team. I wish I could do something more.

Gary

-----Original Message-----

From: Mark Wolfram [mailto:markwol@MICROSOFT.com]
Sent: Friday, January 14, 2000 11:55 AM
To: 'Reed, Wm. G., Jr.'
Subject: FW: WAMU Update

Gary,

Here is the latest information we have on the WAMU ecommerce decision. Apparently the letter we sent, I sent you copy of it earlier, has created some heated discussion at the bank. We also have lined up to have Bill call Kerry on Wednesday next week.

Thanks again for your assistance and advice and let us know if you have any other recommendations

Thanks

Mark

> -----Original Message-----

> From: Chuck Russell

> Sent: Friday, January 14, 2000 11:51 AM
> To: Jane Dickson, Steve Klepper, Mark Wolfram; Bill Henningsgaard
> Subject: WAMU Update
>
> I heard a little news out of Washington Mutual today. Wednesday and
> Thursday of this week WAMU Sr. Executives met. Yesterday one of the items
> that was discussed was the Intranet/WAMU.com decision. Apparently, most of
> the meetings between the Sr. Executives are very professional and not too
> "heated" This was not the case yesterday, the Intranet discussion was a
> little argumentative. Apparently our last offering has a few Sr.
> Executives supporting our proposal because they challenged Liane's
> position on Sun/Netscape. It is very clear that Liane is still very much
> in the Sun/Netscape camp. One lower level person (reports to Liane) in the
> meeting said "It was the most uncomfortable meeting he had ever been in at
> the bank".
>
> Apparently Kerry's style is to listen to feedback from his direct reports
> and then make a decision. Based on the news we received from the meeting
> yesterday we are in better shape than we were the previous week because it
> appears we have people fighting for Microsoft.
>
> The word is that a decision will be announced on Tuesday.
>
>
> Chuck
>
> Microsoft Corporation
> www.microsoft.com/pacwest
> 10500 NE 8th Street, Suite 1300 Bellevue, WA 98004
> 425-705-1773 (Office), 1-888-429-9040 (Pager)
>

Bill, things have changed at Washington Mutual. In a board meeting yesterday, Kerry announced his vendor selection for the Intranet/Messaging/E-commerce project is likely to be Sun/Netscape. We think we have a slight opportunity to change his mind based on his comment that this was the direction he is leaning toward. In the board meeting he highlighted that Sun was a more scalable solution for the bank. We have highlighted changes to the following document in red.

Objectives for your phone conversation

- Re-inforce that our strong desire to be their partner and the confidence we have in our technology has led us to guarantee our solution to Washington Mutual (more detail on this later in this note). With Kerry's direction toward Sun, do we have to enhance our guarantee to convince him we have a very scalable solution? We are open to guaranteeing that our solution will meet WAMU requirements for a longer period of time (for instance three years) In addition, emphasize our solution did not include Windows 2000 (his team would not let us bid Windows 2000 because it was not shipping at the time of the evaluation). With Windows 2000 we can significantly reduce the number of servers in our proposal (from 30 servers to under 20). He should also know that NT can only support 8 processors while Windows 2000 can support 32, this should help him understand the scale of Windows 2000. We are supporting many companies with NT that are larger than WAMU.
- Further stress the partnership opportunities we can have between our two companies such as HomeAdvisor. Please let him know you are personally committed to helping build these partnerships. What partnership opportunities will convince him to do business with us?
- The Time Warner/AOL merger further legitimizes that AOL/Netscape are in the content providing business not the software business. Even if Sun were to acquire Netscape, most of the Fortune 500 has already chosen their messaging partner. Gartner estimates that Sun/Netscape will not get more than 10% of the Enterprise Messaging Market, over the next several years. Because of this, Netscape's business plan may shift back to only focusing on the ISP marketplace.
- Re-inforce we can deliver the new WAMU.com faster than any vendor because of our integrated tool set (Nordstrom and Costco are two great local references). Kerry wants to launch the "new" WAMU.com in June. This would not be easy with a Java/Sun implementation.

New information since our last update

- Gary Reed who is both on our board and Washington Mutual's board has been very helpful to us in the last several weeks. In early January he let us know that Kerry's team was still leaning toward Sun/Netscape. Gary volunteered to help us out. Gary feels a Microsoft decision is in the best interest of Washington Mutual. We met with Gary and gave him details on our proposal and our partnership ideas. Gary offered to talk with Kerry on this decision and give him his opinion and recommendation. Gary had a phone conversation with Kerry the next day. Kerry said that this was the hardest decision he has had to make while he has been at the bank. Kerry mentioned that Liane Wilson, Sr. Executive and CIO would retire soon and he wanted to go with a safe solution (As you know, Liane is pushing Sun/Netscape very hard). Gary got the feeling that most of Kerry's direct reports were favorable toward Sun/Netscape and therefore he equated their solution to be the "safe solution".
- After getting this feedback from Gary we decided that we needed to reduce the perceived risk of implementing a Microsoft solution. Last week we sent the attached letter to Liane with a copy to Kerry. With the support of our partner, Compaq, we have guaranteed to Washington Mutual that we can deliver both WAMU.com and their Intranet within a certain timeframe and price. Essentially, we have given them a fixed priced proposal for our solution. Any overruns will be split between Compaq and Microsoft. We heard this week that this proposal has gained us supporters within the Sr. management ranks at the bank. In a Sr. Executive meeting last week there was a very big debate on which vendor Washington Mutual should use. Liane Wilson is still heading the effort against us and she has a lot of influence with technology decisions.

- Bill Henningsgaard had a phone conversation with Liane Wilson this week. The objective of the call was to ease her concerns with a Microsoft solution. It was very apparent during the phone conversation that she is not in our camp.

Bill, at this point the decision clearly rests with Kerry Killinger. Thanks again for your assistance.

The following document is the backgrounder prepared for your call with Kerry last month.



Backgrounder for
WAMU call, 12...

The following document is the letter we sent to Washington Mutual last week with our fixed price proposal



Billhe letter to
Lane.doc

DOCUMENT SEPARATOR SHEET

Washington Mutual Backgrounder

Objectives of Conference Call with Kerry Killinger, President CEO, Washington Mutual

The purpose of the conference call is to:

- Convey to Kerry that we can deliver a highly reliable Intranet/messaging solution to Washington Mutual (WAMU).
- Show that Microsoft is committed to making WAMU projects successful with local resources and Executive support.
- Present that there are significant partnership opportunities between our two companies if we are working together.

The HomeAdvisor team has agreed to open discussions with WAMU regarding equity investment opportunities with HomeAdvisor.com. We have alluded to this with Kerry but we would like you to officially offer it to WAMU. As you know, HomeAdvisor is offering limited equity investments to banking organizations to gain industry backing of HomeAdvisor technology.

This is one of many opportunities that can be opened up to WAMU if they use Microsoft products. These types of opportunities will help WAMU expand their presence on the Internet.

Washington Mutual Introduction

Washington Mutual is the eighth largest bank in the United States. They have grown eight fold in the last two years through acquisitions. Washington Mutual's earnings for 1998 were \$1.5 billion. Their goal is to increase earnings per share by 15%/year. Washington Mutual's main business is checking accounts and loans. Washington Mutual has over 35,000 employees (50% in CA, 25% in WA, rest across U.S.). The bank has 1500 locations throughout the U.S. Much of the efforts of the IT organization, over the last two years, has been integrating the acquired banks applications and working on Y2K.

Washington Mutual Computing Environment

WAMU is a very large IBM Global Services customer. It is estimated that WAMU spends \$100 million a year with IGS. IGS supports just about everything (network, desktop, UNIX systems, etc.) except the mainframes. WAMU's centralized business applications run mostly on IBM S/390's. The current e-mail/calendaring system being used by WAMU is mainframe based (Wizmail). They have a small amount of Oracle on HP hardware and AIX on RS/6000's. The expertise of the WAMU IT group is heavily mainframe oriented. WAMU current only uses Microsoft products on the desktop. WAMU has 22,000 OS/2 clients running Office 97. In addition, they have 13,000 Windows 95 client running Office 97. WAMU's loan origination, account creation, consumer-lending applications in the branches are based on OS/2 technology.

Microsoft Opportunity

Washington Mutual is very focused on updating their technology base after completing multiple bank mergers. Last summer WAMU began the evaluation of a WAMU Intranet. The first phase of the Intranet is a messaging/collaboration system for 35,000 desktops. After that they will expand the Intranet to include expense reporting and other employee self-service applications. Washington Mutual is evaluating three vendors for the Intranet/messaging solution, IBM with Notes/Domino, Sun/Netscape and Microsoft.

We have proposed our NT based products for a WAMU Intranet solution in addition to Exchange for e-mail, calendaring and collaboration. WAMU required that we only propose existing technology; although we have shown them Windows 2000 and Exchange 2000 we proposed NT4 and Exchange 5.5. WAMU does not want client code on the 22,000 OS/2 workstations so we have proposed Outlook Web Access for the OS/2 clients (mainly bank tellers) and Outlook 2000 for the Windows clients (corporate knowledge).

workers and Executives) The main concern WAMU has with a Microsoft based solution is our ability to scale and manageability. WAMU is unfamiliar with NT and its use in business critical environments. Our proposal has a total of 30 servers versus less than 5 for the Sun/Netscape proposal. We have provided key customers references including visits to ITG and Boeing to convince WAMU of the scaling/manageability capabilities of NT. Over the last three months we have delivered several presentations, demonstrations and proposals on our ability to meet and exceed WAMU's requirements. At this time we believe Sun/Netscape is the preferred solution (large system bias of WAMU IT) with us in second and IBM in third

In addition to the Intranet/Messaging opportunity, WAMU is looking at replacing its current web site, WAMU.com. WAMU.com is currently outsourced to IBM and WAMU wants to bring it in house. The current direction of WAMU is to give the WAMU.com platform to the vendor who wins the Intranet/messaging opportunity.

Executive Marketing

Kerry Killinger, President and CEO of Washington Mutual attended the Microsoft CEO conference this year. At this meeting Kerry was very interested in the information he learned about building a Digital Nervous System. In September of this year we presented to Kerry and his executive management team our Intranet (MSMarket, FinWeb, etc.), Kerry's comments at that meeting were "I want one of those." Kerry used our Intranet as a vision of where WAMU internal systems should be in the future.

Bill Henningsgaard and Jeff Raikes met with Kerry last month on the Intranet/messaging opportunity. We learned at that meeting we were trailing Sun/Netscape in the evaluation. Kerry mentioned that he was very focused in expanding WAMU's business on the Internet, anything Microsoft could propose to help get WAMU further engaged in the Intranet would help our Intranet/messaging proposal. Later, this offer was also made to Sun/Netscape and IBM

In our final proposal to WAMU we proposed a partnership with HomeAdvisor.com. We provided a bundled proposal to WAMU that included hardware, services and funding to help WAMU implement HomeAdvisor software including loan origination software. Washington Mutual is evaluating the replacement of its current loan origination software.

Kerry is favorable to Microsoft but his IT team does not have the experience and trust that Microsoft can deliver a highly scalable, reliable Intranet/messaging solution. Some of the line of business WAMU executives are favorable to a Microsoft solution.

Additional Information

Sun/Netscape

Sun/Netscape has a solution that was built for the ISP market. In the Fortune 100 they have less than 6% market share (Exchange is the leader with over 50%) In a recent Gartner Article (August 12, 1999) Gartner predicts that this product will not win more than 10% of the enterprise messaging market over the next several years. The Sun/Netscape solution is web based e-mail calendaring and they can support a lot of users on a small number of UNIX machines. For the users that need a "thicker client" they use Netscape Communicator which allows them to have offline calendar and e-mail. The functionality of the Sun/Netscape solution is not close to our Outlook 2000/Exchange solution for the Windows clients but it is better than their current mainframe e-mail system.

HomeAdvisor

HomeAdvisor has three core businesses:

- Real Estate Portal
 - The purpose of the site is to monetize consumer traffic through advertising, referral fees and revenue share relationships, and mortgage loan transactions. The portal has over

750,000 home listings. Loan transactions are facilitated through a pricing engine that walks users through an eight-step process and allows them to directly apply for mortgage loan products

- Mortgage Technology
 - The mortgage technology business is built around MortgageATM, a unique platform that brings real-time, risk-based pricing to the consumer at the point of sale. Mortgage technology enables credit checks, point of sale rate locking and automated property evaluations. Mortgage technology lowers the cost of transactions and can be implemented under Washington Mutual branding.
- Desktop Tools
 - The desktop tools business is built around RealtyDesktop, a suite of Web-based applications designed to make the job of the real estate professional easier and more productive.

DOCUMENT SEPARATOR SHEET

January 11, 2000

S. Liane Wilson
Executive Vice President of Corporate Operations
Washington Mutual
1201 3rd Avenue, M/S WMT 1501
Seattle, WA 98101

Dear Liane:

Thank you for the phone conversation yesterday. We are very interested in partnering with Washington Mutual to help you implement a full function Intranet in addition to expanding the bank's presence in the Internet. The following are three major reasons why I think we are best suited to deliver on your vision of a more Internet-focused company:

- **The proximity of our two companies offers unique opportunities for partnership.**
 - Opportunities that require a close working relationship and trust between our two companies' executives.
 - Opportunities such as equity investments with MSN, preferred access to MSN users and joint advertising that will drive traffic to Washington Mutual's new web site. With another local customer partnership, we helped increase site traffic to their Web site by four times through Microsoft advertising and special promotions.
- **Microsoft is willing to guarantee the price and delivery dates of our Intranet and e-commerce proposals to Washington Mutual.**
 - For your e-commerce solution we are willing to work with Washington Mutual to guarantee a solution within a certain timeframe at a pre-specified price. We will guarantee the price and delivery of a production system for the e-commerce solution outlined in our proposal dated November 15, 1999. We are willing to deliver the solution to this project to meet your objectives of a pilot in April and a production system in June. If our price to deliver this solution is less than our estimate, from our proposal, Washington Mutual will only be responsible for the lower amount.
 - For our Intranet proposal, we are also willing to guarantee solution delivery dates at pre-specified prices. We are willing to guarantee our pricing presented in the December 10, 1999 proposal in addition to the implementation dates requested by Washington Mutual. As an additional option, Microsoft is willing to offer another incentive to insure the successful implementation and skills transfer of a Microsoft solution at Washington Mutual. Microsoft will guarantee to Washington Mutual a not-to-exceed price for hardware, software, implementation services and 18 months of outsourcing (including Intranet support and performance guarantees) for Scenario's 2 and Scenario's 3 as presented in our proposal dated December 10, 1999. During the 18-month period we will provide skills transfer to Washington Mutual personnel. At the end of 18 months, Washington Mutual will have the option of managing the installation with Washington Mutual personnel or extending the outsourcing arrangement. The following are the guaranteed prices for Scenario's 2 and 3 as presented in our December 10th proposal which include 18 months of outsourcing for 32,000 employees:
 - Scenario 2 \$10,900,000
 - Scenario 3 \$14,500,000

Again, if the actual prices to deliver the hardware, software and implementation services are less than our estimates, Washington Mutual will only be responsible for the lower amount.

- **Microsoft is committed to industry standards. The following information will provide you more details on our support for standards:**
 - Microsoft is a leading proponent of industry standards and has a long history of actively developing and implementing support for a broad range of standards across its product line. Microsoft works closely with standards-setting bodies, such as the World Wide Web Consortium (W3C), the Internet Engineering Task Force (IETF), ECMA, and others to assure that its platforms and applications are integrated with industry standards -- regardless of whether the standard originated with Microsoft or other companies.
 - One of the results of this participation is that Microsoft operating systems and applications can interoperate with UNIX systems, mainframes, and a range of other devices and systems. The following are examples of Microsoft-supported standards and specifications:
 - **Data access:** ODBC, SQL
 - **Graphics and media:** AIFF, ASF, GIF, ICC, JPEG, MPEG, PNG
 - **Hardware:** DVD, FDDI, I20, IEEE802.x, PnP, SCSI, TWAIN
 - **Languages:** C, C++, ECMAScript
 - **Management:** SNMP, DMTF, WBEM
 - **Messaging:** IMAP, LDAP, MIME, POP3, S/MIME, SMTP
 - **Networking:** AppleTalk, WebDAV, DNS, HTTP, IPSec, WPAD
 - **Security:** Kerberos, X 509, SSL/TLS, RADIUS
 - **Telephony:** H 323, T 120
 - **Web:** HTML, CSS, DOM, XML, XSL, XML Schemas

Liane, in previous conversations, you have mentioned you are leaning toward a Sun/Netscape solution. With recent AOL/Netscape acquisitions, announced this week, we are convinced that AOL's focus is not on building enterprise software products. The purpose of this letter was to take the risk out of making a Microsoft decision. As you know, Microsoft is the leader in the enterprise calendaring/e-mail marketplace with over 55% market share in the Fortune 50. Sun/Netscape have less than 6% market share. In addition, over 50% of the top e-commerce sites run on Microsoft technology.

January 11, 2000

Page 3

Liane, thanks again for considering Microsoft products for your Intranet and e-commerce projects. We are committed to developing a very close partnership with Washington Mutual. Please call me if you have any questions.

Sincerely,

Bill Henningsgaard
Vice President
Western US & South Pacific Region
425-705-1786

cc: Kerry Killinger, Chairman, President and CEO
Bill Gates, Chairman and CEO, Microsoft Corporation

MS-CC-MDL 000000057897
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