

Microsoft®

July 19, 1991

Transmitted via Fax: 914-766-3819

L. R. Reiswig
IBM Corporation
Office of the Assistant General Manager
Programming Personal Systems
Route 100
Post Office Box 100
Somers, New York 10589

Dear Lee:

Your letter of July 18, 1991 includes a number of inaccuracies which need to be cleared up.

1. Microsoft has not changed its position on C6 lately or contrary to past practices. We do and will continue to offer C compiler products separate from SDK's. You chose a technical direction to offer OS/2 2.0 in a form where it will not work with our forthcoming C7 product. We have never had a plan to offer any other retail C product that generates 386 code. You never separately sought to license distribution rights to any C compiler from Microsoft that generates 386 code. That was your decision.
2. I said nothing about our pricing of OS/2 to our OEM's. I did say we would aggressively license OS/2 to OEM's expecting that you will honor your contractual obligation to deliver us full OS/2 2.0 code on a monthly basis. We will do our best to serve our OEM customers but are limited by the quality of code and support you provide. We have no contractual obligations to IBM to market OS/2 in any particular fashion, as we are both aware.
3. Please indicate which review under the contract you are proposing.
4. We are working to provide WABCC. I remind you that the letter and spirit of the contracts are explicit that Microsoft has full discretion over the form of WABCC implementation and that we mutually anticipated that WABCC might not be ready for 2.0. Bill Gates worked with you in September carefully writing the words on WABCC to ensure we could meet the contract with our technical approach. He explicitly explained what Windows application behavior we would not support. You agreed. We said working with the ISV's behind our approach was optimal. We never agreed upon a WABCC plan in March. Your memory failure on this amazes me. I was explicit in saying that all technical discussions in the March meeting would stop immediately if anyone (including you) was confused that "technical discussions" meant I accepted your proposals as WABCC. I allowed discussion to encourage cooperation. I also told you I thought your approach would fail. I made sure that we reminded you of your royalty obligations on using Windows code in OS/2 as soon as you told me that, to my astonishment, you planned on publicly discussing your technical direction.
5. You imply outrage over our current view of IBM OS/2 2.0 (your so called "better Windows than Windows") as a competitor yet you unilaterally chose to attack Windows with it in April. This came as a surprise to us and we were frankly outraged by it.

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Plaintiff's Exhibit

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6. Our current approach to our contractual obligations is 100% consistent with the agreements we entered into last year. You have since engaged in efforts to slow down Windows. You escalated competition between Windows and OS/2 2.0 in April, but we nonetheless will remain consistent with all agreements signed last year. We will respond accordingly though to the escalated competition.

You have alternatives to work together with us to spur the industry on. You have decided instead, for reasons that appear unrelated to sound business practice, to do otherwise. Your current approach is detrimental to IBM and OS/2. That is your call.

Tom Cronan, Jim Miller, Bill Pope and Tony Audino should meet to discuss any contractual issues either of us have. I do not understand why we need to consume technical resources for black and white contract issues. Please have someone contact Tony to begin scheduling this meeting.

Sincerely,



Steven A. Ballmer
Senior Vice President

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