IBM _International Business Machines Corporation_

Office of the Assistant General Manager, Programming
Personal Systems

Route 100, P.O. Box 100, Somers, NY 10589

July 18, 1991

Mr. Steve Ballmer
Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

Dear Steve:

Joe and I want to thank you and Mike for coming to New York to meet with us. I appreciate your openness concerning Microsoft's view of the industry and Microsoft's product direction. It is unfortunate that we as a group were able to find little if any common ground for pursuing additional mutually beneficial development relationships.

In spite of that conclusion, I think we all agreed that we still need to focus on the proper implementation of our current agreements.

I would like to propose that Tom Cronan, Jim Miller and our technical representative meet with Bill Pope, Tony Audino and your technical representative to resolve the following issues:

- WLO vs. WABCC
- Windows Source Code delivery to IBM
- Microsoft access to OS/2 Source Code
- LAN Manager Modifications
- IBM System definition

This meeting should take place as soon as possible. The four of us can then meet again, to resolve any open issue. It might be appropriate after our meeting for Bill and Jim to meet.

I would also like to schedule IBM's annual review of the NT project. It was not clear to me from your discussion what product(s) Microsoft is developing on what schedule(s) and what portion of such development IBM is funding.

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Exb.
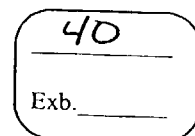
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Microsoft has now decided very late in the game and contrary to its past practices, that it will not make its C6 compiler generally available separately from the SDK. This is the only compiler that will work with the SDK developed applications without requiring recompilation. Likewise, although you strongly expressed your position that you were going to remain in the OEM distribution business for OS/2 2.0, with an offering priced to make any IBM offering impractical, at the same time you would not commit to a timely distribution, an adequate level of support or even a neutral position regarding the merits of OS/2 2.0.

You clearly want to market OS/2 2.0 to OEMs solely to prevent IBM from offering an alternative to Windows in those environments. Merely making OS/2 available to OEMs will not be satisfactory to IBM. If it is not fully supported by you, IBM will have to find a way to support OEMs.

With respect to your statement that you intend to deliver WLO as WABCC, I can only say that we have previously pointed out the shortcomings of WLO. It does not meet the contractual requirement to run substantially all existing Window applications "out of the box" without modifications. As Bill said in his letter to Jim, the better "Windows than Windows" phrase was originally Microsoft's idea. Just because you have now decided that you do not wish to see OS/2 succeed does not give you the right to avoid your contractual obligations. I am not willing to reconsider the WABCC plan we agreed upon in March and have been implementing since then unless you can assure me that WLO will meet all of the requirements of the contract and it is delivered to IBM immediately so that it does not impact my schedule.

I would like you to reevaluate your support of OS/2 2.0 and your current approach to your contractual obligations, which are inconsistent with the understandings reached last year, and in our opinion are clearly not good faith misunderstandings, but are deliberate attempts to slow down OS/2. I believe that your current approach towards IBM and OS/2 will prove detrimental to Microsoft, IBM and the industry.

Sincerely,

L. R. Reiswig, Jr.