Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

Tel 206 882 8080
Telex 160520
Fax 206 936 7329

Microsoft

October 21, 1994

Mr. James Miller
IBM Corporation
1000 NW 51st Street
Boca Raton, Florida 33429
PHONE 407/443-5446
FAX 407/982-0525

Dear Jim,

Please find the attached IBM and Microsoft Market Development Agreement (MDA) for Windows 95. IBM's base royalty for Windows 95 is $75.00. After gaining agreement with this MDA, we will proceed with the Windows 95 License Agreement.

Regards,

Mary Jo N. Cullison

Mary Jo N. Cullison
IBM Account Manager

cc: Mark Baber
Dean Dubinsky

GOVERNMENT EXHIBIT
2132
PENGAD-Bayonne, N.J.

Microsoft Corporation is an equal opportunity employer.

WINDOWS 95 - Based PC Market Development Agreement

This Market Development Agreement ("Agreement") is made and entered into this 1st day of November, 1994 ("Effective Date") by and between MICROSOFT CORPORATION, a Washington Corporation ("Microsoft") and IBM CORPORATION.

WHEREAS Microsoft and IBM desire to establish and promote personal computer systems which are "Plug and Play" ("PNP") compatible and which are designed to take full advantage of features contained in MS Windows 95 ("WINDOWS 95 - Based PC Systems");

WHEREAS Microsoft intends to license Microsoft Windows 95 to its OEM Customers for distribution with WINDOWS 95 - Based PC Systems;

WHEREAS in consideration of IBM'S agreement to pursue the below described Milestone Activities relating to WINDOWS 95 - Based PC Systems, Microsoft is willing to offer IBM royalty reductions in the amounts stated below from royalties for Windows 95;

NOW, THEREFORE, the parties agree as upon IBM'S completion of each of the Milestone Activities described below, IBM shall be entitled to the corresponding royalty reductions for MS Windows 95 units shipped after the first day of the month immediately following the period ending ninety (90) days after MS release to manufacturing of MS Windows 95 ("RTM"):

WINDOWS 95 - Based PC Milestone Activities	Royalty Reduction (per activity)
• Ship all IBM desktop systems in compliance with the Microsoft Windows PC95 Hardware Design Guide by April 1, 1995.	$3.00
• Work with IBM's component suppliers and ship all WINDOWS 95 - Based PC systems with only PNP-compatible add-in cards by June 1, 1995.	$2.00
• Participate in "Windows 95 - Based Marketing Message Program" (Exhibit A) from Effective Date until MS Windows 95 Release to Manufacturing	$2.00
• Participate with Microsoft in the following: A) PC95 Showcase at Fall Comdex (November 1994) B) PC95 Display in IBM booth at Fall Comdex (November 1994) C) PC95 Display in IBM booth at CEBIT, Hanover Fair (March 1995)	$1.00
• Ship Windows 95 preinstalled with at least 50% of IBM systems in the month immediately following the period ending sixty (60) days after MS release to manufacturing of MS Windows 95.	$3.00
• Qualify for and use Windows 95 Logo beginning with IBM's First Customer Shipment of Windows 95 and throughout 1995.	
Minimum - Above plus display logo on each IBM PC95 carton exterior	$.50*
Exceed - Above plus display logo on each PC95's chassis and/or keyboard	$.50*
	* amounts are cumulative
• Display Windows 95 Logo in all IBM Windows 95 advertisements.	

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marketing and sales materials. *Minimum* - Windows 95 is one of several OS mentioned in advertisement *Exceed* - Windows 95 is the only OS mentioned in advertisement	$1.00* $1.00 * *cumulative
• Participation in Windows 95 launch event	$1.00
• Reference to Windows 95 in IBM product advertisements *Minimum* - List Windows 95 as one of several OS offered *Exceed* - Windows 95 is the only OS mentioned in the Advertisement	$1.00* $1.00* *cumulative
• Participate in MS-developed "Train the Trainer" Windows 95 support program and institute plan for training all support personnel by March 1, 1995.	$1.00
• Complete One "How to sell Windows 95 and PC95 systems" training sessions for sales force or sales trainers with follow-up plan to train 100% of sales force with a minimum requirement of distribution of sales materials to all sales people by April 1, 1995.	$1.00
• Presentation at ten IBM Customer Events with 200 (or more) customers at each event, highlighting Plug and Play or Windows 95 - based PC.	$1.00
• Convert and jointly publicize five Fortune 1000 end user customers to Windows 95 as agreed upon with MS Windows 95 product marketing group.	$1.00
• Adopt Windows 95 as the standard operating system for IBM.	$3.00
• Mobile Design-in for Windows 95. (Work with MS Windows 95 product group on specification).	$1.00
• Multimedia Design-in for Windows 95. (Work with MS Windows 95 product group on specification).	$1.00
• Customize IBM System Help and IBM's applets/utilities for Windows 95.	$1.00

IBM shall work with Microsoft OEM Sales to monitor status of Milestone Activities. This cooperation will include supporting information where necessary. IBM agrees to make a written progress report to MS on January 1, 1995, April 1, 1995 and July 1, 1995 stating the Milestone Activities completed and those in progress. MS shall determine in its sole discretion as to whether IBM has satisfactorily completed each Milestone Activity. The corresponding royalty reduction shall be calculated based upon Milestone Activities completed by the first day of the month immediately following the period ending ninety (90) days after RTM and the royalty reduction shall be applicable to MS Windows 95 units shipped after that day. IBM agrees to keep records relating to completion of each Milestone Activity.

Exhibit A
WINDOWS 95 - BASED PC Marketing Message Program

1. IBM shall:
- Develop and release PNP press release with the attached PNP definition by December 1, 1994.
- Develop and release WINDOWS 95 - BASED PC press release at announcement or shipment of first WINDOWS 95 - BASED PC system.

2. IBM shall not:
- Use terms such as "Chicago-ready" or "Windows 95-ready" in its advertising and marketing materials.
- Use any Windows 95 logo or portion or facsimile thereof.

3. IBM may, at its option, elect to use a marketing message with regard to IBM's development of WINDOWS 95 - BASED PC systems. If so, IBM shall use the following marketing message until RTM for those systems that meet the requirements in Table 1 and pass the current (M7) System Compatibility Test:

"'IBM SYSTEM NAME' is designed to take advantage of Microsoft Windows 95. IBM has built this PC according to Microsoft's hardware specifications for Windows 95."

If IBM elects to use the foregoing phrase, it shall also be permitted to use the phrase "Designed for Windows 95" in the same marketing message in conjunction with the foregoing phrase. The phrase "Designed for Windows 95" may not be used alone.

If IBM uses the above phrase(s) in any advertising, packaging, press releases, or any other marketing-related materials, IBM shall be prohibited from any statements that state or imply that MS has verified, certified or in any way committed that IBM's SYSTEM is a WINDOWS 95 - BASED PC System. In addition, if IBM uses the above phrase with respect to a IBM System, IBM agrees to make any necessary changes to IBM System such that it passes the final MS Systems Compatibility Test for Windows 95. IBM agrees to send a minimum of two IBM SYSTEM models that meet the requirements in Table 1 to the MS Windows 95 testing laboratory for a minimum of one month prior to February 1, 1995.

MS reserves the right to approve IBM advertising relating to the WINDOWS 95 - BASED PC Marketing Message.

The above obligations and restrictions shall be in effect from Effective Date to RTM.

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The term of this Agreement shall commence upon the Effective Date and shall terminate at the end of the first year of the term of IBM's initial license agreement for MS Windows 95, unless such agreement is terminated prior to that time.

IBM shall keep confidential the terms and conditions of this Agreement, and other non-public information and know-how disclosed to IBM by MS. However, IBM may disclose the terms and conditions of this Agreement in confidence to its immediate legal and financial consultants as required in the ordinary course of IBM's business.

This Agreement does not create and is not intended to create a license for MS Windows 95. Further, the royalty discounts described above shall be applicable only in the event Microsoft and IBM enter into a license agreement for MS Windows 95. Such discounts shall not be applied to any other products currently licensed or which may be licensed in the future from Microsoft, nor shall IBM be entitled to any other compensation or other consideration in exchange for its participation in the above described Milestone Activities.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above. All signed copies of this Agreement shall be deemed originals.

MICROSOFT CORPORATION	(COMPANY NAME)
By (Signature)	By (Signature)
Name (Print)	Name (Print)
Title	Title
Date	Date

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Table 1: Windows 95 WINDOWS 95 - BASED PC Requirements (Desktop PC)

Feature	Logo Requirement	Requirement Notes (Page numbers refer to WINDOWS 95 - BASED PC Hardware Design Guide v 0.95 - Attachment 1)
1. CPU	Minimum 80386 architecture	See pp. 44 for more information
2. System RAM	4MB	See pp. 44 for more information
3. System BIOS	PnP 1.0a	Must be capable of reading back and reporting all resources on the motherboard and provide: 1. Accurate information about motherboard devices. 2. Motherboard device configuration if BIOS-configurable devices are present. 3. Power management control of individual devices known to the system BIOS if the system BIOS utilizes APM 1.1. See pp. 213-242 for more information
4. Option ROMs	Use PnP header info	See pp. 243-248 for more information
5. Icons	Molded, printed or permanently applied stickers	1. Required on system only, not required on cables. 2. No specific set of icons is required. See pp. 48-49 for more information
6. Display Adapter	VGA 640x480x8bpp color	1. Must contain a packed pixel frame buffer to enhance graphics performance. See pp. 47 for more information
7. Audio Circuitry	** (see note below)	1. Capability to produce 22kHz, 8-bit, monaural, output-only sound. 2. Support of either SoundBlaster or MS Windows Sound System compatibility, or provide a 32-bit Windows 95-compatible driver. 3. Use of a 1/8" mini-jack wired for stereo as the output connector. 4. Mapping of base I/O address to configurations compatible with either SoundBlaster or MS Windows Sound System. 5. Support of the IRQ signals used with either SoundBlaster or MS Windows Sound System. 6. Selection of at least three available DMA channels, either 8-bit or 16-bit channels, if DMA is supported 7. Capability of being disabled. See pp. 116-120 for more information
8. Floppy Disk Controller	** (see note below)	1. Use of at least static I/O addresses 3F2h, 3F4h, 3F5h. 2. Support of IRQ6. 3. Support of at least DMA2, if DMA is used. 4. Capability of being disabled. See pp. 107-109 for more information
9. IDE and/or SCSI Controller	** (see note below)	1. The system may include either or both controllers. 2. Requirements vary depending on type of controller. See pp. 110-116 for more information

** This feature is NOT a logo requirement for the system, however if it is implemented as an integrated system component, it must meet the requirements listed in the appropriate Requirement Notes.

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Table 1: Windows 95 Logo Requirements (Desktop PC) - cont'd

Feature	Logo Requirement	Requirement Notes (Page numbers refer to WINDOWS 95 - BASED PC Hardware Design Guide v 0.95 - Attachment 1)
10. Parallel Port	Standard, supporting nibble mode	1. Support compatibility mode and nibble mode protocols of the IEEE P1284 specification. 2. Map base I/O address to at least 378h and 278h. 3. Support of at least IRQ5 and IRQ7. 4. Selection of at least two available DMA channels, if DMA supported. 5. Capability of being disabled. see pp. 99-104 for more information
11. Serial Port	Standard	1. Support 115.2k baud or better. 2. Map base I/O address to at least 3F8h, 2F8h, 3E8h and 2E8h. 3. Support of IRQ3 and IRQ4. 4. Capability of being disabled. 5. If the system does not contain an integrated pointing device and the requirement for a pointing device port is met with a serial port then the system must contain at least two serial ports. see pp. 44 and pp.104-107 for more information
12. Keyboard Port	Standard	1. Either PS/2 or ACCESS.bus port. 2. Requirements vary based on type of keyboard port. See pp. 127-128 for more information
13. Pointing Device	Either pointing device port or integrated pointing device	1. Either PS/2, serial or ACCESS.bus port. 2. Capable of being disabled. 3. Requirements vary based upon type of port. see pp. 124-126 for more information
14. Networking	** (see note below)	1. Capability of enabling the adapter as either a boot device or a non-bootable device, if the adapter is designed for RIPL. 2. Support of the NDIS 3 network device driver. 3. No hooking of the INT18 or INT19 on ISA bus systems until instructed by the system BIOS. 4. Mapping of the I/O addresses to at least seven locations and disable. 5. Support for at least seven IRQ signals and disable. 6. Selection of at least three available DMA channels, either 8-bit or 16-bit, if DMA is supported. 7. Capability of being disabled. See pp. 121-124 for more information
15. Expansion Cards	A Windows 95 logo'd system may ship with non-PnP (legacy) cards.	1. If legacy cards are included it is strongly recommended that they ship with a Windows 95 compatible driver. See pp. 133-174 for more information
16. Motherboard device drivers	32-bit Windows 95 compatible	1. All devices integrated on the motherboard must ship with a Windows 95 compatible 32-bit device driver that enables the system to pass System Compatibility Test.

** This feature is NOT a logo requirement for the system, however if it is implemented as an integrated system component, it must meet the requirements listed in the appropriate Requirement Notes.

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