IBM

International Business Machines Corporation

PO Box 12195
Research Triangle Park, NC 27709

Transmitted via Facsimile

7/30/96

Joachim Kempin
Senior VP, World Wide OEM Sales
Microsoft Corporation
1 Microsoft Way
Redmond, Washington 98052

Dear Joachim:

We are close to finalizing our Windows Desktop Family Agreement. However, Microsoft has recently imposed two contractual restrictions which we will need your help in resolving. We feel it is in our mutual interest to come to some resolution on these two items in the manner we suggest.

First, Microsoft seeks to restrict IBM's ability to modify in any way the start up sequence of the Microsoft Windows 95 and Windows NT 4.0 operating system products. IBM will only be permitted to add icons to the desktop screen.

This restriction will negate the system tutorial features that are currently booting and will make the system harder to use, particularly for computer novices. It further undermines the significant value that we now bring to the end user's first experience with their systems. While Microsoft products have become easier to use, there are still significant technical hurdles which can only be overcome if IBM is given the ability to modify the start up sequence in some reasonable manner. Microsoft's proposed restriction will only result in increased end user support calls and customer dissatisfaction with the systems they have purchased.

Second, Microsoft is demanding that OEM's incorporate new OPKs onto their systems within ninety days of the OPKs release from Microsoft. IBM desires and intends to include the latest OPK on all of its systems; however, we can only do so in a reasonable timeframe that is consistent with our preload development schedules. It takes at least ninety days from receipt of a new OPK to develop, test, and debug a preload image. This assumes we have had access to beta versions of that OPK. We then release the image to our manufacturing operations for their inclusion on systems. We build a significant volume ramp of systems before announcement and first customer shipment.

This requirement will significantly disrupt our test and build processes. We have recommended language which reasonably ties our inclusion of the new OPK with our preload/build process yet

PENGAD-Bayonne, N. J.
GOVERNMENT EXHIBIT
2141

CONFIDENTIAL

still preserves our mutual interests of getting new OPKs, fully tested, in our systems as soon as practical. We ask that you accept this proposed language.

I would like to arrange a call to discuss this matter further. Please let me know.

Sincerely,

Tony

Anthony Santelli
General Manager
Product and Brand Management - PCCO

cc: Mark Baber
Garry Norris

CONFIDENTIAL