From: SANTELL --RHQVM02 Date and time 06/28/95 16:40:11
To: THOMAN --RHQVM02 Thoman, G. Richard
cc: NMD --RHQVM02 Donofrio, N. M. THOMPSON--RHQVM02 Thompson, John M.

FROM: A. E. SANTELLI
General Manager, Power Personal Systems
3N-06, Somers 3, 8-826-3330
Subject: Dinner Meeting with Joachim Kempin (Microsoft)

Joachim Kempin learned from Roy Clauson that I was in Kirkland yesterday and suggested that we have dinner together - no subject.

Joachim prefaced his comment with "I wanted to meet to clear the air, Bill Gates does not know we're having this discussion."

Joachim expressed concern that our companies are headed on a collision course. This is bad for the industry and both companies and will result in lost opportunity to create a bigger pie we can all share in.

Specifics Raised:

1) He felt strongly that a meeting with Gates and LVG was crucial.

2) Microsoft needs to better understand what's behind the Lotus deal. LVG should have called Gates to explain.

3) He heard rumors in South America (he just returned) that IBM was planning to preload "Lotus Smart Suite" on all IBM PC's and sell it to "OEM's for $5/copy."

4) He was surprised to read me quoted as "IBM will provide Mac OS" on Power Series.

Points I Made:

1) Thoman, Gates meeting should be arranged. He pushed back and said CEO's meet with Gates all the time and suggested a Ballmer/Thoman first step. I told him Thoman/Gates met before and should continue their relationship. He said he'd try to sell that.

2) I told him all I know about the Lotus deal is what I've read in the press. I've been focused on the Power Series launch and could not add anything. I asked him, did Gates call LVG when he was trying to buy Intuit? He said, "touche".

3) The best people to tell him about PCCo plans vis-a-vis preload was Claflin.

4) Concerning MAC OS, I told him we needed a high volume O/S in the '96/'97 timeframe to address SoHo and mass market.
It was not AIX or Solaris. It was not Windows NT. M/S was not interested in porting Win '95 to PowerPC. M/S was not making Win 32 API available to OS/2 for PowerPC.

He asked me, did I seriously think MAC OS has a chance? I told him we could make it real interesting.

Joachim Summarized: The agenda of the proposed meeting should address:

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1) Can IBM and Microsoft work together in specific areas to grow the pie for both to profit?

2) Better understanding of IBM Lotus strategy.

3) Would M/S be prepared to provide OS/2 with Win 32 API?
(I got the feeling this was not out of the question)

4) Could M/S support Windows 95 port or equivalent for PowerPC?
(MAC OS is still a bell ringer at M/S)

He told me he would carry this to Bill Gates to test his receptivity. I told him I would do the same and get back in 2-3 weeks.

Rick, I'll call you tomorrow morning on this and give you my views of the body language.

Tony