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Microsoft

28 June 1996

Garry Norris
Director Software Strategy
PC Company
3039 Cornwallis Road
Research Triangle Park, NC 27709

Dear Garry,

Below please find Microsoft's modified proposal relating to the Windows 3.11 portion of the WDF license agreement currently under negotiation between Microsoft and IBM:

If IBM's shipment of Windows 3.xx with all licensed systems (excluding Dual Install & OS/2 with Windows 3.xx) are less than eight percent (8%) of IBM's total shipments of all licensed systems which include Microsoft Intellectual Property (i.e. Windows 95, Windows NT, Windows 3.xx, or MS-DOS) over the term of the Windows Desktop Family (WDF) license agreement, then:

a) The Five Million Dollars ($5,000,000.00) "Initiative Funds" currently held in an escrow account will accrue to IBM at the end of the term of the WDF license agreement.
b) IBM will receive a Six Dollar ($6) rebate for every unit of Windows 3.xx shipped over the term of the agreement. Such rebate to be paid at the end of the term of the WDF license agreement.

If, however, IBM's shipment of Windows 3.xx with all licensed systems (excluding Dual Install & OS/2 with Windows 3.xx) are less than twelve percent (12%) of IBM's total shipments of all licensed systems which include Microsoft Intellectual Property (i.e. Windows 95, Windows NT, Windows 3.xx, or MS-DOS) by 31 December 1996 then:

c) Two Million Five Hundred Thousand Dollars ($2,500,000.00) of the total Five Million Dollars ($5,000,000) "Initiative Funds" currently held in an escrow account will accrue to IBM on 31 December 1996.

Please accept this proposal as Microsoft's best offer relating to the Windows 3.11 portion of the WDF license agreement. We will add these terms and conditions to the WDF agreement in preparation for IBM's acceptance and signature.

Best Regards,

Wolfgang Struss

Wolfgang Struss
Account Manager
OEM Division

cc: Mark Baber

PENGAD-Bayonne, N.J.
GOVERNMENT EXHIBIT
2189

This proposal is valid until 01 July 1996.

Microsoft Corporation is an equal opportunity employer