



Transmitted Via Fax

June 18, 1996

Mr. Joachim Kempin

Dear Joachim,

Since our last conversation, my team has done the financial analysis to determine the royalty rates which would make the PC Company financially neutral in moving to the Windows Desktop Family Agreement. Attached is an excerpt from the Windows Desktop Family License Agreement that reflects that analysis. We believe that these royalties are consistent with our conceptual agreement in our last call.

Even with financial neutrality, IBM's royalty payments to Microsoft are projected to increase from \$60 million in 1995 to \$250 million over the next 12 months (a 4.5 times increase).

My team is scheduled to be at Microsoft tomorrow, June 19, to close this agreement. I appreciate your support.

Sincerely,

A. Santelli
Gen Mgr.,.....

cc: M. Baber
G. Norris

bcc: S. Marison
D. Sclove
O. Osborne

CONFIDENTIAL IBM

90169

IBM 7510198257

**EXHIBIT C1
WINDOWS DESKTOP FAMILY**

Product Name and Version	Language Version(s)	Applicable Additional Provisions	Per System Royalty	Per Copy Royalty	Localization Additional Royalty	Added by Amendment Number
--------------------------	---------------------	----------------------------------	--------------------	------------------	---------------------------------	---------------------------

1. Windows Desktop Family:		(a)	Rozakir	Rozakir	
A. Windows © 95 operating system, OR	All languages as made available by MS	(a), (b), (c), (f)	US\$47.36	US\$56.76	US\$6.00
B. MS-DOS © operating system Version 6.22	All languages as made available by MS	(a), (c), (e), (f), (j), (k)	US\$16.50	US\$20.25	US\$2.00
C. Enhanced Tools for MS DOS © Version 1.0	All languages as made available by MS	(a), (c), (e), (f), (j), (k)	US\$2.00	US\$2.00	US\$3.50
D. Windows © operating system Version 3.11, OR	All languages as made available by MS	(a), (c), (e), (f), (j), (j)	US\$45.00	US\$49.50	US\$2.50
E. Windows © for Workgroups operating system Version 3.11, OR	All languages as made available by MS	(a), (c), (e), (f), (j), (j)	US\$45.00	US\$49.50	US\$2.50
F. Windows NT © Workstation Version 3.51 and Version 4.0 upon availability from MS (x86/Pentium™ compatible version)	All languages as made available by MS	(a), (c), (f), (g), (j)	US\$90.00	US\$110.75	US\$12.00
			Estimated Monthly Volume for Windows Desktop Family: 308,000		

CONFIDENTIAL IBM

98178

2. Windows® for Workgroups operating system Version 3.11	All languages as made available by MS	(c), (d), (f), (h), (i), (j)	<u>Royalty</u> US\$43.50	<u>Royalty</u> US\$48.00	US\$2.50	
3. Windows® operating system Version 3.11	All languages as made available by MS	(c), (e), (f), (h), (i), (j)	<u>Royalty</u> US\$43.50	<u>Royalty</u> US\$48.00	US\$2.50	
4. MS-DOS® operating system Version 6.22	All languages as made available by MS	(c), (e), (f), (j), (k)	<u>Royalty</u> US\$16.50	<u>Royalty</u> US\$20.25	US\$2.00	
5. Enhanced Tools for MS-DOS® 6.22 Version 1.02	All languages as made available by MS	(c), (e), (f), (j), (k)	<u>Royalty</u> US\$2.00	<u>Royalty</u> US\$2.00	US\$0.50	

CONFIDENTIAL IBM

98171