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Microsoft

December 1, 1989

James Cannavino
Vice President and General Manager
of Personal Systems
IBM Corporation
Route 100 Building 3
Somers, New York 10589

Dear Jim:

I think we have a great opportunity to kick off our move to single site development with DOS. We currently have versions 3.3 and 4.0 in the market. 4.0 was developed at IBM and was received poorly in the market. It was buggy and much larger than 3.3 (17K). You are doing a small CSD style release of 4.0 in early '90 to support some new hardware. Both of our teams have been putting together plans for a 5.0 release later in '90. In addition, we are planning a 4.0 release with some small improvements, bug fixes and nice upgrade packaging for earlier in the year for which we have no joint plans

Working together to put together a DOS plan has been particularly frustrating for our team, and probably yours, since DOS gets little joint management attention. DOS remains the backbone though of both of our software businesses. It is under extreme attack by high quality clones like DR DOS. I think we can ease the frustration, cut resources, and most importantly improve DOS by moving now to single site planning and development here in Redmond. I have a great team including one of my best technical talents. Our total team is 14 and we would add some test resource. I think you have about 50 people on DOS today who could move to other things.

This move is relatively painless and gives us a prototype for single site development. Let's do it now. I will call to discuss with you.

Sincerely,

Bill

William H. Gates
Chairman

WHG:dgh

cc: stveb
russw
johnsa

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