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Microsoft

VIA COURIER

May 13, 1987

Forethought Inc.
250 Sobrante Way
Sunnyvale, CA 94086

Attention: Robert Campbell
President

Letter of Intent

Gentlemen:

This letter contains, in summary form, a statement of the preliminary understandings and current intentions of Microsoft Corporation ("MS") and Forethought Inc. ("Forethought") to negotiate in good faith MS's acquisition of Forethought.

1. Due Diligence. MS will conduct a technical, financial and legal investigation of Forethought as it deems appropriate and will not be obligated to proceed with the contemplated transaction if such investigation discloses information which MS deems in its sole discretion to be materially adverse. An essential part of the technical and business due diligence investigation will be Bill Gates' meeting with Bob Gaskins of Forethought during the week of May 18 or as soon thereafter as possible and Gates' interviewing other personnel and reviewing pertinent materials in order to assure himself as to the merits of this proposed transaction. Forethought shall furnish MS with such technical, financial, legal and other information as MS may request and will give representatives of MS access to such information at reasonable times. MS shall keep confidential all such information and materials obtained in this investigation.

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2. Acquisition by MS. MS would acquire all of the outstanding stock of Forethought in exchange for 100,000 shares of common stock of MS. The MS shares would be payable at closing.

3. Definitive Agreement. This letter of intent is subject to the negotiation and execution of a definitive agreement and approval thereof by the Board of Directors of MS and Forethought. The definitive agreement will, among other things:

- (i) provide that the transaction qualifies for treatment as a "tax-free" reorganization and as a "pooling of interests" for accounting purposes;
- (ii) provide that all MS shares to be issued in the acquisition shall have been registered with the SEC; and
- (iii) contain representations and warranties, covenants and conditions that are customary for transactions of this character.

This definitive agreement shall be executed by June 15, 1987.

4. Continuation of Normal Business by Forethought. Pending the consummation of the transaction outlined in this letter, Forethought will not take any actions which are outside of the ordinary course of its business.

5. Contemplated Operation. It is contemplated that as a condition to the closing of this transaction, Forethought key personnel, to be named in the definitive agreement, will relocate so that they will perform as a business/development unit of MS at the Redmond headquarters. The Forethought employees would be offered standard MS compensation packages, including stock options, appropriate to their standing as MS employees.

6. Public Disclosures. MS will consult with Forethought regarding any press releases or other public disclosures relating to this letter of intent or the contemplated transaction. Forethought will not disclose the existence of this letter of intent to anyone without Microsoft's prior written approval.

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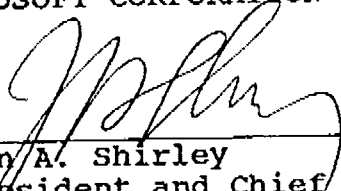
7. Costs and Fees. Each party shall pay any expenses it may incur in the course of negotiations and execution of the definitive agreement, including legal, accounting or other professional fees.

If this letter accurately sets forth Forethought's preliminary understanding and current intent to proceed, please sign in the space provided. This letter will be executed in duplicate, and each copy will be treated as an original.

Sincerely yours,

MICROSOFT CORPORATION

By



Jon A. Shirley
President and Chief Operating
Officer

Agreed to by:

FORETHOUGHT INC.

By

Robert Campbell
President

cc: Bill Gates
Francis J. Gaudette
William H. Neukom