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February 26, 1988

Mr. Kazukiyo Ishimura
Vice President, LSI Division
Yamaha Corporation
10-1, Nakazawa-cho, Hamamatsu-shi
Shizuoka-ken 430, JAPAN

Dear Mr. Ishimura:

You may recall John Chowning and I mentioning a company that had desired to obtain FM chips but had been unable to obtain a decision from the local representative, Mr. Kishimuni. This company is Marquis Music of Toronto, Canada, and their representative who has contacted me is Paul Bugielski. Apparently, Marquis Music had obtained 200 FM chip sets and designed them into their product. They apparently could have used other chips but had anticipated that FM would be available and now are in a quandary. Their need, which is immediate, is for a supply of chips on the order of 20,000 units per month.

As I understand their product, it will be a black box that sits under a computer. It will have MIDI ports but will not include a keyboard.

When we last met, you advised that your practice would not be to sell chips for a directly competitive product. We need to better understand the nuances of the policy as the music industry is well aware of the Stanford/Yamaha connection, and we can anticipate getting other queries such as that of Marquis Music.

I should also note that they were aware that IBM will be procuring the FM chip, and I would anticipate that their market would be to other personal computer companies. In any event, the situation they are now in can be financially devastating to them if they are ready to move into production and have based their design upon a product they thought would have been available.

I'm sorry to get in the middle of this, and I recognize we are only hearing one side of the story. I should add that they would be pleased to meet with you in Japan, Los Angeles, or Toronto if that would be helpful. I sense a feeling of desperation on their part, so I think a prompt decision would be appreciated.

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Needless to say, we were delighted that you were able to convince IBM to use FM, and we look forward to ever increasing sales.

Best regards,



Niels Reimers
Director

cc: John Chowning
NJR:kla