Microsoft®

August 15, 1995

Steve Flannigan
Vice President
Compaq Computer Corporation
P.O. Box 692000
Houston, TX 77269-2000

Dear Steve:

The following summarizes the results of our phone call on Tuesday, August 8, regarding several issues that Gary Stimac had raised via a letter to Steve Ballmer. Participants in the call were Gary Stimac, Hugh Barnes, John Rose, Steve Flannigan, Lorie Strong and Steve Goldberg from Compaq, and Joachim Kempin and Don Hardwick from Microsoft. We greatly appreciate Compaq taking the time to work with us on these issues, and it appears that we came away from the call with good compromises for both companies. The following were the main points:

1. Microsoft agreed that Compaq can precede the Windows 95 start-up process with their own software to add Compaq welcome screens and non-MS advertisements, as long as Compaq does not replace or modify the OPK install process in any way. Subsequent to the phone call, Compaq agreed to work with Microsoft to show us the start up sequence on the different Compaq machines and make sure we are both in agreement. Don Hardwick will meet with Steve Flannigan in Houston on Wednesday, August 16 to review.

2. Microsoft understands and is empathetic to Compaq's concerns regarding the COA and EULA process, and Compaq's view that this may impede their ready-to-run plans. Microsoft committed to researching what changes could be made to the COA logon process and agreed to communicate the results to Compaq by Monday, August 14. However, given the closeness of the Windows 95 launch, Compaq agreed that if no immediate changes were feasible they would use the standard Microsoft COA and EULA process for now on all Compaq systems, with the understanding Microsoft would work closely with Compaq to research and implement a solution that was better accepted by both companies as quickly as possible after the launch.

As of Monday, August 14, the results of the research showed that no changes were feasible for now given the short timing. However, in the near term Microsoft has a strong commitment to resolve the issue. Don Hardwick has since communicated this to Lorie Strong and Steve Flannigan, and Lorie suggested that the appropriate individuals from both companies get together in September to work out a mutual solution.

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3. Microsoft agreed to provide an additional $0.50 into the Frontline Partnership fund per each system Compaq ships with Windows 95 preinstalled on the hard drive, provided Compaq distributes the standard Microsoft Windows 95 Companion CD whenever Compaq distributes a backup copy of Windows 95. Microsoft also agreed that Compaq can distribute a Compaq designed recovery CD with each system that is shipped with the standard Windows 95 Companion CD, but not with systems that do not include the Windows 95 Companion CD. The Compaq recovery CD shall be produced by Microsoft Authorized Replicators and shall be designed and/or encrypted in a manner to make it useable only on Compaq machines. It was agreed that both companies will aggressively use the additional Frontline Partnership money to promote Compaq/Windows 95.

Steve, we would appreciate it if Compaq would review the above and respond back with a brief note of agreement to make sure we do not require any further clarifications with respect to the above items.

As always, we greatly appreciate your assistance and look forward to making Windows 95 a tremendous success for both Compaq and Microsoft.

Sincerely,

Don Hardwick
Group Manager

cc: Gary Stimac, Compaq
John Rose, Compaq
Joachim Kempin, Microsoft