



CHANGES TO MICROSOFT OEM LICENSE AGREEMENT
FOR DESKTOP OPERATING SYSTEMS

Date Revised Form Published	Description of Change(s)	Purpose of Change(s)
August 11, 1994	<p>The following are a description of the differences between the July 1994 standard minimum commitment license agreement form and the new Desktop OS license agreement form.</p> <p>Title.</p> <p>Section 1. Deleted references to Authorized Distributors.</p> <p>Section 1. Deleted references to Authorized Replication Product.</p> <p>Section 1. Deleted references to OEM Replication Product. (Related provisions also deleted or revised throughout Agreement).</p> <p>Section 1(d). Revised definition of Customer System.</p> <p>Section 1(f). Revised and moved definition of Product Deliverables.</p> <p>* Section 2(c). Added MS right to have A/Rs limit quantity of Product delivered to an OEM.</p> <p>Section 2(c). Added MS right to suspend license rights upon default.</p>	<p>Changed to show the Agreement should only be used for desktop products (MS-DOS, Windows & Windows for Workgroups).</p> <p>OEMs cannot order MED products from Authorized Distributors under this Agreement</p> <p>Desktop operating system products are available under this Agreement only from Authorized Replicators. Definition of Product only includes this type of Product. (See Section 1(e), revised definition of Product).</p> <p>None of the desktop operating system products are OEM Replication Products.</p> <p>Revised to match definition of Customer System in the DOJ settlement agreement. Also clarified minimum configuration for standard system.</p> <p>Allows MS to better control the amount of Product delivered to OEMs. Helps prevent inventory loading by the OEM.</p> <p>Encourages OEM to quickly cure default by preventing OEM distribution of Product after violation of the Agreement.</p>

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	Section 2(g). Added that MS retains title to Product software and Product Deliverables.	Clarifies that Agreement is a license of intellectual property rights, not a sale of products.
	Section 3(a). Revised basis for determination of royalties. Royalties now based on actual shipment volume (in 3 "steps"), rather than minimum unit commitments.	Royalties based on volume as described in Exhibit C.
	Section 3(a). Added MS right to renegotiate royalties if any three of OEM's monthly shipments is in the lowest volume level.	Helps MS set appropriate royalty rate structure if OEM shipments are lower than expected.
	Section 3(a). Added \$10,000 administration fee if OEM does not pay MS any royalties for Product during term of Agreement.	Helps MS offset costs of preparing, processing and maintaining license agreement (Legal, Finance, OEM, Account Managers, etc.).
	Section 3(b). Added a refundable Initial Payment Amount, which can be used to pay OEM's obligations.	Establishes fund to help assure that MS will be paid for Product royalties and other amounts. This amount is not recoupable.
	Section 3(c). Revised provision about delivery of tax certificates.	Encourages OEMs to deliver tax certificates to MS. OEM must pay MS the taxes withheld if they do not provide the tax certificate to MS.
	Section 3(d). Revised royalty reporting and payment from quarterly to monthly. Reporting grace period of 15 days (formerly 30 days); payment grace period of 30 days (same). Also requires sending electronic or fax copies of reports. MS may bill OEM based on AR reports if OEM reporting is late.	Helps MS prevent large accumulations of unpaid royalties by OEM.
	Section 3(e). Added a 10% late payment charge, but reduced finance charge to 1% per month	Adds a late charge to recover MS costs in collecting late payments from an OEM.
	Section 3(f). Demonstration copies (royalty free) of Product reduced from 100 copies to 50 copies.	
	Section 5. Changed to clarify that MS will defend a lawsuit and pay a final judgment when OEM is sued for copyright or trademark infringement.	

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	Section 6(a). Added additional royalty for Product shipped separately from the computer system.	OEM pricing requires distribution with a computer. OEM should pay more if they violate Agreement and distribute in the retail channel.
	Section 9. Revised term to one year (from end of quarter of Effective Date)	Necessary to comply with DOJ settlement agreement.
	Section 10. Both MS and OEM can terminate if the other is in bankruptcy or insolvent.	Provides more alternatives to MS for OEMs that face financial challenges or consistently do not comply with the Agreement.
	Section 14. Revised record keeping provisions, and requires OEM to maintain records about each subsidiary	Improves MS' ability to verify royalties owed by the OEM and its subsidiaries, and whether Product was properly distributed with Customer Systems.
	Special notice above signature blocks. Added for Per System licenses	Required by DOJ settlement agreement.
	Exhibit B. Deleted in its entirety.	Not needed. Minimum commitments prohibited by DOJ settlement agreement.
	Exhibit C. Revised to: 1. Have 3 "step" royalty rates based on actual monthly volume for "per system" royalties.	
	2. Add Initial Payment Amount.	See Section 3(b).
	3 Revised Customer System format.	- Clarifies requirements for a Customer System. Must list system by model name/line/number for per system licenses as required by DOJ settlement agreement
	Exhibit S. Revised to address adaptation of Products.	Most products do not have an OAK anymore. Adaptation is now generally done by licensing source code or OAK, if available. Exhibit S now required for adaptation rights. Similar provisions deleted from Section 2(b) of Agreement.

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