Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

Tel 206 882 8080
Telex 160520
Fax 206 936 7329

Microsoft

May 31, 1996

File
Microsoft - Intent to Terminate

Mr. J. David Cabello
Compaq Legal Department
Compaq Computer Corporation
PO Box 692000
Houston, TX 77269-2000

Re: Notice of Intent to Terminate License Agreement #1107-3053, dated October 1, 1992

Dear David:

It has come to Microsoft's attention that Microsoft Windows 95 is being distributed by Compaq with Compaq Presario systems in a form which has been modified by Compaq. The most notable example is that Compaq has modified Windows 95 by removing the Microsoft Network icon from the Windows 95 "desktop" screen.

Section 2 "License Grant" of the above Agreement ("Agreement") permits Compaq to distribute Product software "as acquired from Authorized Replicator." Windows 95, "as acquired from Authorized Replicator," includes the Microsoft Network icon on the Windows 95 desktop screen. Section 2(e) of the Agreement provides that "all rights not expressly granted, including without limitation translation rights, are reserved by MS". The Agreement does not grant Compaq any rights to modify Product software (except as provided in Exhibit S1, as needed to adapt to enable Product software to execute on Compaq systems, to improve the installation process or to fix errors) or to delete items from Product software. Deletion of Product software components and distribution of Product Software other than as acquired from the Authorized Replicator is a violation of the Agreement.

As per the terms of Section 10 "Default and Termination" of the Agreement, this letter is written notice of Microsoft's termination of the Agreement. As per Section 10, termination will be effective thirty (30) days after this notice unless Compaq cures the above violation within the thirty (30) day period.

Microsoft Corporation is an equal opportunity employer

GOVERNMENT EXHIBIT 640

CONFIDENTIAL
COM-3-000222

Microsoft values the Microsoft/Compaq relationship, but at the same time we are obviously extremely concerned about the issue mentioned above.

Sincerely,

Peter Miller
Senior Corporate Attorney

cc: Steve Flannigan, Vice President, Compaq Computer Corporation
Joachim Kempin, Sr. Vice President, Microsoft Corporation
Don Hardwick, Microsoft Corporation
Bengt Akerlind, Microsoft Corporation

CONFIDENTIAL
COM-3-000223