

Consumers and Businesses May Claim Microsoft Settlement Benefits

A court authorized this notice. This is not a solicitation from a lawyer.

- The settlement will provide up to \$1.1 billion of vouchers that people and businesses can use toward the purchase of desktop, laptop or tablet computers, printers, scanners, monitors, keyboards, pointing devices (e.g. a mouse or trackball) and generally available software made by any manufacturer. The settlement applies to consumers and businesses that acquired Microsoft Windows, MS-DOS, Office, Word, Excel, Works Suite or Home Essentials between February 18, 1995 and December 15, 2001 for use in California.
- The settlement will resolve private lawsuits about whether Microsoft violated California antitrust and unfair competition laws.
- Your legal rights are affected whether you act or don't act. Read this notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:

Submit a Claim Form—This is the only way to get settlement benefits—i.e. vouchers that can be redeemed for cash after the purchase of computer hardware or software.

Object—Write to the Court if you do not like the settlement.

Go to a Hearing—Ask to speak in Court about the fairness of the settlement or attorneys' fees.

Do Nothing—Get no vouchers. Give up rights.

- These rights and options—**and the deadlines to exercise them**—are explained in this notice.
- The Court in charge of this case has granted preliminary approval of the settlement but still has to decide whether to grant final approval. Vouchers will be distributed after the Court grants final approval of the settlement and any appeals are resolved.

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BASIC INFORMATION

1. Why was this notice issued?

The Court issued this notice because you have a right to know about a proposed settlement of a class action lawsuit that the Court has preliminarily approved. You also are entitled to know how you may make a claim for the benefits of the settlement and about all of your options. If the Court grants final approval and any appeals are resolved, valuable benefits will be distributed to those who submitted their Claim Forms before **March 15, 2004**. This deadline might be extended.

This notice explains the lawsuit, the settlement, your legal rights, what benefits are available, who is eligible for them, and how to fill out a Claim Form to get them.

Judge Paul H. Alvarado of the Superior Court of California in San Francisco, is in charge of the case, *Microsoft I-V Cases*, J.C.C.P. No. 4106. The people who sued are called Plaintiffs and the company they sued, Microsoft Corporation (“Microsoft”), is called the Defendant.

2. What is this lawsuit about?

Twenty-seven lawsuits filed in California claim that Microsoft violated California’s antitrust and unfair competition laws and thereby overcharged consumers for certain of its operating system, word processing and spreadsheet software. Microsoft does not admit it did anything wrong and contends that it developed and sold high quality and innovative software at fair and reasonable prices. The Court ordered these 27 lawsuits coordinated.

In settling this action, Microsoft has agreed to provide vouchers worth up to \$1.1 billion to the California users of its software and, if less than the full amount of the settlement is claimed by consumers, to California public schools that serve students from low-income households. More information can be found in a copy of the Settlement Agreement that is available at www.microsoftcalsettlement.com or by calling the toll-free number 1-800-960-5660.

3. Why is this a class action?

In a class action, one or more person(s) or business(es) called Class Representatives sue on behalf of those with similar claims. All of these people and businesses together are called a Class or Class Members. One court resolves the issues for all Class Members, except for those who previously asked to be excluded from the Class. The Class Members are all people and businesses who acquired the Microsoft software listed in Question 9 below either by itself or installed on a computer for use in California between February 18, 1995 and December 15, 2001.

4. Why is there a settlement?

The Court did not decide in favor of the Plaintiffs or Microsoft. Instead, both sides agreed to a settlement. That way they avoid the uncertainty and cost of a trial and those included in the Class will get an opportunity to receive vouchers. The Class Representatives and the attorneys appointed by the Court to represent the Class believe the settlement is best for all Class Members.

WHO IS IN THE SETTLEMENT

5. How do I know if I am part of the settlement?

You are entitled to settlement benefits if you are within either of the following groups:

- (1) All persons or entities who, between February 18, 1995 and December 15, 2001, indirectly purchased “Microsoft Windows operating system software or MS-DOS operating system software” for use in the State of California and who did not purchase it for the purpose of resale.

- (2) All persons or entities who, between February 18, 1995 and December 15, 2001, indirectly purchased Microsoft “Word” word processing software and/or “Excel” spreadsheet software compatible with “Windows operating system software or MS-DOS operating system software” for use in the State of California and who did not purchase it for the purpose of resale.

You “indirectly purchased” Microsoft software and are part of the settlement if you legally acquired your software from a person or entity other than Microsoft. For example, if you purchased your Microsoft software directly from a computer manufacturer, a retailer or another reseller, you indirectly purchased your software.

Keep in mind that you or your business may have purchased a computer on which the software was already installed. That also makes you or your business part of the Class.

6. Are there exceptions to being included in the settlement?

Government entities, Microsoft officers and directors, subsidiaries in which Microsoft has greater than a 50 percent ownership interest, and any judges or justices assigned to hear any aspect of this litigation are not included in the Class.

7. What if I’m not sure whether I’m included in the settlement?

If you are not sure whether you or your business is included in the Class, you may call the toll-free number 1-800-960-5660 with questions. You may also write with questions to the lawyers appointed to represent the members of the class at Class Counsel, P.O. Box 2837, San Francisco, CA 94126-2837. **DO NOT CALL THE COURT.**

THE SETTLEMENT BENEFITS—WHAT YOU GET

8. What does the settlement provide?

The settlement provides up to \$1.1 billion in vouchers to Class Members, which can be used for purchases made after **July 18, 2003** of any brand of qualifying computer hardware or software described below (see Question 13). If less than \$1.1 billion provided by the settlement is claimed by consumers, the settlement requires Microsoft to provide two-thirds of any unclaimed amount to be distributed as vouchers for hardware, software and technology services to California’s public schools that serve students from low income households.

9. How much will the vouchers be worth?

You may submit claims for each copy of the software products listed below which you lawfully obtained between February 18, 1995 and December 15, 2001 for use in the State of California. Businesses that licensed their software on a “volume” basis are entitled to submit claims for each computer their volume license authorizes them to use in conjunction with the Microsoft software listed below. Software upgrades count as a separate purchase for computing your recovery unless you are a business with an “Enterprise” license. The vouchers are worth:

- \$16 each for Microsoft’s “Windows” and “MS-DOS” operating system software
- \$29 each for Microsoft’s “Office” productivity suite software
- \$5 each for Microsoft’s “Word” word processing software (including versions of “Home Essentials” and “Works Suite” that contain “Word”)
- \$26 each for Microsoft’s “Excel” spreadsheet software
- Note: You cannot make a claim for Microsoft software that was purchased for use on Apple computers or for Microsoft operating systems used on computer servers.

HOW TO GET VOUCHERS—SUBMITTING A CLAIM FORM

10. How can I get vouchers?

To qualify for vouchers, you must fill out and submit a Claim Form on time. If your claim is for 5 or fewer licenses and is for \$100 or less, you can complete and mail a Standard Claim Form, and you do not have to provide any additional documents or proof about your software. If you have more than five licenses or \$100 in claims and your software was not acquired through a volume license program (e.g. “Open,” “Select” or “Enterprise” licenses), you can also fill out a Standard Claim Form, but you will need to provide additional information about your software. If you acquired your software through a volume license program (see Question 14), you need to complete a Volume License Claim Form. The Claim Forms contain detailed instructions about how to fill them out.

Claim Forms are available at www.microsoftcalsettlement.com that can be printed, filled out, and mailed in. You can also get one by calling 1-800-960-5660 or writing to the address below. Read the instructions carefully, fill out the Claim Form completely, and mail it postmarked by **March 15, 2004**, to:

Claims Administrator
Microsoft - California Settlement
P.O. Box 790
Minneapolis, MN 55440-0790

This deadline might be extended. Claims may be audited and persons or companies that file false or fraudulent claims will be prosecuted to the full extent of the law.

11. When will I get the vouchers?

You should send in your Claim Form so that it is postmarked by **March 15, 2004**. Vouchers will be mailed to Class Members shortly after the Court grants “final approval” of the settlement and any appeals are resolved. Judge Alvarado is scheduled to consider final approval at a hearing on **February 13, 2004** (see the section “The Court’s Fairness Hearing” below).

12. How and when can I use the vouchers?

You can redeem your vouchers for cash by submitting proof of your purchase of qualifying products (listed in answer to Question 13 below) either with your Claim Form or your voucher to the Claims Administrator. The Claims Administrator will send you a check for the amount you redeemed and keep track of any remaining value on the voucher for your use in making future purchases. Your voucher will explain the redemption procedure in more detail. Once the vouchers are issued, they can be used for up to four years.

13. What can I buy with the vouchers?

You can redeem your vouchers for all or part of the price you paid for any purchases you make after **July 18, 2003** of the following computer products: Any desktop, laptop, or tablet computers made by any manufacturer for any operating system platform, or any of the following devices: printers, scanners, monitors, keyboards, or pointing devices (e.g. mouse, trackball). Qualifying software includes any non-custom software offered by any software vendor for use on a desktop, laptop or tablet computer. **The qualifying computer hardware or software does not have to be a Microsoft product.** Personal Digital Assistants (PDAs), computer servers, server software and custom software are excluded from the products that may be obtained through the settlement. Class members whose total claim is \$950 or more must purchase a computer in order to be eligible to use vouchers for printers, scanners, monitors, keyboards and pointing devices. More than one voucher can be used for a single purchase.

14. What if I have a volume license claim for Microsoft software?

A “volume license” is a license issued under Microsoft’s “Open,” “Select” or “Enterprise” license programs. Included on the Volume License Claim Form are directions that explain the information needed to verify volume license claims. The directions also tell you how to find the necessary license information online using Microsoft’s own volume license records. Microsoft’s records may not be complete so you will also want to verify them with your own records, if possible. You may also require Microsoft to search its records for your volume license information by checking a box on your Claim Form or calling toll free 1-800-960-5660. You can also call that toll-free number to obtain a password and other information needed to access these online volume license records.

15. Can I donate or sell my vouchers to someone else?

With some limitations you are free to sell your settlement vouchers or give them away as a personal gift or charitable donation. Up to \$650 of vouchers that a Class Member receives can be transferred to other persons or organizations provided they intend to use the vouchers or products acquired with the vouchers for their own personal or business use. The vouchers can only be transferred once. A person, business or charity may not redeem more than \$10,000 in transferred vouchers.

16. How will the settlement help California schools?

If the total amount of vouchers claimed and redeemed is less than \$1.1 billion, vouchers worth two-thirds of the unclaimed amount will be distributed to public schools in California with at least 40% of their students from low-income households. The schools can use the vouchers for up to six years after they are received. Two-thirds of the vouchers that are claimed by Class Members, but not redeemed for computer hardware or software products, will also be distributed in a similar fashion to public schools serving students from low-income families. The schools can use those vouchers for up to two years after they are received. Half of the vouchers distributed to the schools can be used for computers and other hardware, software, professional development services, support services, training and non-custom computer products for students with special needs. The other half of the vouchers can be used for certain types of generally available software sold by any software company.

17. What claims against Microsoft am I releasing?

When the settlement becomes final—even if you don’t claim vouchers—you will be releasing Microsoft from liability for all claims associated with this case and you will be bound by the release in the Settlement Agreement. Copies of the Settlement Agreement and Release are available at www.microsoftcalsettlement.com, or by calling 1-800-960-5660. The release in full states:

“Upon Final Approval [of the Settlement], each member of the California Class hereby expressly and irrevocably waives and fully, finally and forever settles and releases all claims, demands, actions, suits and causes of action against Microsoft and/or its directors, officers, employees, attorneys, insurers or agents, whether known or unknown, asserted or unasserted, that any member of the California Class ever had, could have had, now has or hereafter can, shall or may have, relating in any way to any conduct, act or omission which was or could have been alleged in any of the cases listed on Appendix A [of the Settlement Agreement] and which arise from or relate to the purchase, use and/or acquisition of a license for a Microsoft Operating System and/or Microsoft Application and where the claims, demands, actions, suits or causes of action concern or relate to any of the following: (a) antitrust (including without limitation the Sherman Antitrust Act, 15 U.S.C. §§ 1 *et seq.*, and the Cartwright Act, California Business and Professions Code §§ 16720 *et seq.*), (b) unfair competition, (c) unfair practices, (d) price discrimination, (e) trade regulation, (f) trade practices, (g) California’s Unfair Competition Law,

California Business and Professions Code §§ 17200 *et seq.*, (h) California's Unfair Practices Act, California Business and Professions Code §§ 17000 *et seq.* and/or (i) other federal or state law, regulation or common law similar or analogous to any of the above. This Release does not include (a) claims related to the acquisition or licensing of Microsoft Operating System or Microsoft Application software for use outside of California, (b) claims arising from purchases directly from Microsoft Corporation of licenses for Microsoft Operating System or Microsoft Application software or (c) claims by competitors of Microsoft in their capacity as competitors. This Release does not include claims relating to Microsoft's conduct, acts or omissions that take place after December 15, 2001. However, class members hereby release any and all claims described above relating to Microsoft's conduct, acts or omissions that occurred on or prior to December 15, 2001.

In addition, . . . , each member of the California Class hereby expressly and irrevocably waives and fully, finally and forever settles and releases, upon Final Approval [of the settlement], any and all defenses, rights and benefits that the class member may have or that may be derived from the provisions of applicable law which, absent such waiver, may limit the extent or effect of the release . . . above. Without limiting the generality of the foregoing, each member of the California Class expressly and irrevocably waives any and all defenses, rights and benefits that the class member might otherwise have in relation to the release under or by virtue of the provisions of Section 1542 of the Civil Code of the State of California, which reads:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Each member of the California Class also expressly and irrevocably waives and fully, finally and forever settles and releases, upon Final Approval [of the settlement], any and all defenses, rights and benefits that the class member may have under any similar statute in effect in any other jurisdiction that, absent such waiver, might limit the extent or effect of the release.”

18. Can I participate in another lawsuit against Microsoft?

Unless you previously asked to be excluded from the Class, you can't sue, continue to sue, or be part of any lawsuit against Microsoft for the claims which this settlement resolves. Your release of Microsoft is quoted in full, in answer to Question 17 above. As a consequence of this settlement, you are releasing Microsoft of all claims described above with respect to Microsoft's conduct, acts or omissions that occurred up to December 15, 2001, including claims for purchases made of Microsoft products after December 15, 2001.

Other lawsuits have been and might in the future be filed against Microsoft based upon the same conduct that is alleged here, seeking recovery of overcharge damages in connection with the purchase of Microsoft products after December 15, 2001. Your right to participate in any such lawsuits could be affected by the Court's final approval of this settlement. All of the Court's orders will apply to you and legally bind you.

THE LAWYERS REPRESENTING YOU

19. Do I have a lawyer in this case?

The Court appointed the law firm of Townsend and Townsend and Crew, of San Francisco, CA, to represent you and other Class Members as lead “Class Counsel” to supervise and coordinate the work of the lawyers in the coordinated antitrust and unfair competition cases filed against Microsoft in California. You do not have to pay lead Class Counsel, or any of the

other lawyers who also participated as Class Counsel. If you want to be represented by your own lawyer, you may hire one at your own expense.

20. How will the lawyers be paid?

Class Counsel appearing in the 27 coordinated antitrust and unfair competition cases against Microsoft in the California Superior Court will ask the Court for attorneys' fees and expenses up to \$275 million including a payment of up to \$40,000 for the Class Representatives. Lead Counsel and Microsoft will attempt to negotiate the amount of fees and expenses to be paid by Microsoft and, if they cannot agree, Microsoft will oppose Plaintiffs' request. The Court will evaluate Lead Counsel's request and award those fees and expenses it concludes are reasonable. Microsoft will pay the fees and expenses that the Court awards in addition to the vouchers of up to \$1.1 billion it has agreed to issue to you and other Class Members and to the public schools. The amount paid to Class Counsel will not reduce the number or value of the vouchers distributed to Class Members or schools. Microsoft will also separately pay the cost of notice to the class and the costs of administering the settlement.

OBJECTING TO THE SETTLEMENT OR ATTORNEYS' FEES

21. How do I tell the Court that I don't like the settlement?

If you're a Class Member, you can object to the settlement, including the amount of Class Counsel's attorneys' fees and expenses, if you don't like any part of it. To object, you must send a letter saying that you object to the settlement in *Microsoft I-V Cases*. Be sure to include the case number (J.C.C.P. No. 4106), your name, address, telephone number, your signature, and the reasons why you object to the settlement. Send the objection to these three different places so that they receive it by **December 30, 2003**:

COURT

Clerk of the Court
San Francisco County Superior Court
P.O. Box 2821
San Francisco, CA 94126-2821

CLASS COUNSEL

Eugene Crew
Richard L. Grossman
TOWNSEND AND TOWNSEND AND CREW LLP
P.O. Box 2837
San Francisco, CA 94126-2837

DEFENSE COUNSEL

Robert A. Rosenfeld
HELLER EHRMAN WHITE & MCAULIFFE LLP
P.O. Box 150
San Francisco, CA 94104-0150

THE COURT'S FAIRNESS HEARING

22. When and where will the Court decide whether to grant final approval?

The Court has scheduled a hearing at 10:00 AM on **February 13, 2004**, at the San Francisco Superior Court, Department 305, 400 McAllister Street, San Francisco, California 94102. At this hearing, the Court will consider whether the settlement is fair, reasonable and adequate. If there are objections, the Court will consider them. The Court may also decide how much to pay to Class Counsel. After the hearing, the Court will decide whether to grant final approval of the settlement.

23. May I speak at the hearing?

You are welcome to come to the hearing at your own expense. If you send a written objection, you don't have to come to Court to talk about it. As long as you send your written objection so that it arrives on time, the Court will consider it. You may also pay your own lawyer to attend, but it's not necessary.

You may ask the Court for permission to speak at the hearing. To do so, you must send a letter saying that it is your "Notice of Intention to Appear in *Microsoft I-V Cases*." Be sure to include the case number (J.C.C.P. No. 4106), your name, address, telephone number, and signature. This letter must be received no later than **December 30, 2003**, and be sent to the Clerk of the Court, Class Counsel, and Defense Counsel at the three addresses listed in the answer to Question 21.

IF YOU DO NOTHING

24. What happens if I do nothing at all?

If you do nothing, you will not get any vouchers from this settlement. Also, unless you previously asked to be excluded from the Class, you won't be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against Microsoft, concerning the claims which this settlement resolves. See Questions 17 and 18 for a full description of the claims this settlement will release.

GETTING MORE INFORMATION

25. How do I get more information about the settlement?

This notice summarizes the proposed settlement. More details are in a Settlement Agreement. You can get a copy of the Settlement Agreement at www.microsoftcalsettlement.com or by calling the toll-free number 1-800-960-5660. You may also write with questions to Class Counsel, P.O. Box 2837, San Francisco, CA 94126-2837. **DO NOT CALL THE COURT.**

You can get a Claim Form at www.microsoftcalsettlement.com, or by calling the toll-free number. Microsoft employees cannot answer questions about this settlement.

DATE: July 18, 2003