



**Mark C. Swords**  
**Chief Operating Officer**

August 27, 2007

Dear Eolas Shareholder:

We are pleased to inform you that Eolas Technologies Inc. and Microsoft Corporation settled all claims between them in the *Eolas Technologies Inc. and The Regents of the University of California v. Microsoft Corporation* litigation on August 24, 2007. The Settlement Agreement prohibits Microsoft and Eolas from disclosing the terms of the settlement. In the past, we have tried to keep our shareholders informed about the status of the litigation. However, we hope that you will understand we simply cannot now or in the future provide any confidential details regarding the terms of the settlement. We invite you to attend an informational meeting for the Eolas shareholders that will be held at 7:00 PM, Tuesday, September 4, 2007, at the Holiday Inn Select, located at 1801 Naper Boulevard, Naperville, Illinois (same place as May 2007, shareholders meeting). At the meeting we will discuss the future business plans of Eolas, its finances, and such information regarding the settlement as we are permitted to disclose. This will be an informal meeting and there are no shareholder resolutions or other official action to be taken by the shareholders. Directions to the Holiday Inn Select are enclosed.

The litigation with Microsoft has taken a great deal of management time and effort and significant financial resources. We are very pleased that we now can focus our resources on commercializing our existing intellectual property portfolio and developing new fundamental technologies. During the next several weeks, the management team will complete planning the Eolas' post-litigation strategy and budget.

We also will be taking the required corporate actions necessary to declare a dividend to our shareholders. Although the exact timing and amount of the dividend will depend on several variables, we anticipate that a dividend will be paid prior to the end of 2007. Although the Eolas Board of Directors has not determined the amount of the per share dividend that will be paid to the Common Stock shareholders, the Board anticipates paying a dividend of between \$60 and \$72 per share.

It is absolutely critical that we receive all information from our shareholders that will allow us to pay dividends without delay. We have attached to this letter two documents, which we request that you fill out and return in the enclosed self-addressed and stamped envelop: (i) shareholder information sheet and (ii) a Form W-9. The shareholder information sheet will simply ensure that we have updated contact information for each shareholder. A completed Form W-9 is required for Eolas to pay shareholders a dividend without federal income tax withholding in the amount of 20% of the dividend. ***If you do not fill out, complete and return the enclosed Form W-9 by the time of the dividend, Eolas will be***

***required to withhold 20% of the dividend.*** A completed Form W-9 also will allow Eolas to provide you with a Form 1099-Misc for federal tax purposes.

If you are a holder of Preferred A and/or Preferred B shares you should have received with this letter a notice explaining the resolution by consent of the majority of Preferred A and B shareholders to convert all Preferred A and B shares as a class into Common Stock and your individual rights to convert Preferred shares to Eolas Common Stock and thereby receive the Common Stock dividend. Finally, if you are an Eolas stock option holder, you should have received with this letter notice of your right to exercise your options.

Once again, we would like to thank each shareholder for the support provided over the years. We believe that the end of the litigation with Microsoft is the beginning of an exciting new stage in the growth and development of Eolas.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Swords". The signature is fluid and cursive, written in a professional style.

Mark C. Swords  
Chief Operating Officer