



EXHIBIT # 24
Levin
10/25/01
Annamarie Spangrud

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From joachimk Thu Jan 2 12:46:54 1992
To: billg mikemap
Subject: Re: Gateway APPS deal
Date: Thu Jan 02 13:23:42 PDT 1992
Mail-Flags: 0000

Right, this is why I send the mail. After talking to them again it might be a deal breaker understanding that LOTUS put this in their head. I will meet with Mike to resolve, may be a price in between solves it. (we have not send our proposal) It just looks like that working with the mail order channel needs some general rethinking of how we distribute SW. (meaning to innovate early and not get caught like Compaq did by relying on a sick channel for too long)

I hate to let this go, just imagine that if they ship 400k units they could generate >40 M\$ in earned royalties for us next 12 month, giving us >100\$ per system. I would try a lot to get there! How many APPS \$ do we get in the US these days per system sold MIKE?

>From billg Thu Jan 2 11:34:04 1992
To: mikemap
Cc: joachimk
Subject: Re: Gateway APPS deal

Date: Thu, 2 Jan 92 11:32:44 PST

I agree with your feedback. The second application part is a problem.

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From lewisl Fri Jan 3 10:45:34 1992
To: richardf
Subject: Re: DAK
Date: Fri Jan 03 10:44:54 PDT 1992
Mail-Flags: 0000

I am sorry if there was personal rancor in my comments.
I thought the price was irresponsible, not you and Kathy.

It still seems like DAK used the competitive upgrade
as a leverage point because they felt that they had been misled
by our claim that the program would end. I still believe
we did not need to reduce our price--lower than any other customer gets
(that I know of). Regardless of how rigorous each dealer/telemarketing
rep is in enforcement, we have maintained the policy
more rigorously than Borland. It is very hard to believe that
the competitive upgrade has any substantial effect on the
attractiveness of a PC which comes with software at no charge to
the end user. I also don't think it was right to find out
about the price change after the fact.

I would like to understand how much DAK is buying and how
successful the bundle has been for them as they are one of few
customers bundling our high end apps.

From davewr Fri Jan 3 14:43:28 1992
To: dalech joachimk johnj lewisl mikemap ronh
Cc:
Subject: RE: FW: RE: Gateway APPS deal
Date: Fri Jan 03 14:39:13 PDT 1992

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I have personally worked Gateway for over 18 months, have closed in excess of \$15M in business with them and have worked this deal for the last 4 months. And through this I have a clear sense of how far they can be pushed. Trust me when I say Gateway is serious.

JIM MANZI personally visited Gateway about 3 weeks ago, after he was told that Lotus was out and MS had the business. MANZI is being very aggressive. Gateway's decision is not between MS apps or no apps, they will ship something March 1 (Lotus or Boreland). Gateway was willing to pay a healthy premium for MS before, but it is not reasonable to expect them to do the business now in light of the 400%+ increase in per copy royalty presented yesterday. They are ready to walk. I believe the letter I will received from Gateway today will confirm this.

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Permit me some quick math:

250k units annual commit.

400k units realistic shipments over this period.

\$19M to MS in revenue on first app business.

\$30M if they even begin to capatilize, on secondary apps

\$40M not beyond possibility if Gateway gets good and agressive.

This is totally above the other \$20M we will earn through the MS-DOS, Windows and Mouse licenses.

We have one choice here, we need to address the price. I believe there is some middle ground by which we can get the business. The decision is now in MS hands; provide a rasonable alternative or walk.

DSW

>From dalech Fri Jan 3 11:30:12 1992
To: davewr joachimk johnj ronh
Cc: lewisl
Subject: RE: FW: RE: Gateway APPS deal

Date: Fri Jan 03 11:26:38 PDT 1992

Ted is doing a classic play one side against the other with us and Lotus - which he told me he wouldn't do. You need to break this cycle and call his bluff - now. Either you draw the line in the sand and say this is our deal take it or leave it, or he'll continue to negotiate with both sides until we have to walk away. Lotus will always win on price. We always win on product quality and acceptance. His choice who he want to associate his products with.

I think you're making a mistake asking him how far apart we are from Lotus pricing - this only implies we're ready to drop price.

I see no reason to hurry on getting them the code they want for prototyping as long as they are still jerking us around on price. You can tell them it's hard to justify resources to pull the various pieces of code and doc together for them early when it looks like we may not get the business.

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From lewis1 Mon Jan 6 11:21:27 1992
To: dalech
Cc: mikemap
Subject: RE: FW: DAK
Date: Mon Jan 06 11:20:55 PDT 1992
Mail-Flags: 0000

So they are well under their commit. Fall down on your agreement and Microsoft comes back and reduces the price for you. Sounds good to me.

>From dalech Mon Jan 6 10:32:50 1992
To: lewis1
Subject: FW: DAK

Date: Mon Jan 06 10:28:52 PDT 1992

Lewis,

Dak is a 1.5 yr license for 50K units at \$55 = \$2.75M min commit. They're current sales rate will result in 30K units over the life of the contract. Reality will probably be less since the initial push will have the biggest marketing investment and sales. I bet they end up at \$20K units.

>From debrasma Fri Jan 3 12:48:21 1992
To: dalech
Cc: debrasma patre
Subject: FW: DAK

Date: Sat Jan 04 00:45:14 PDT 1992

Agreement #5322-1129
Effective date: 4/9/91
Expiration Date: 9/30/92
Total Minimum Commitment: \$2,750,000
Number of units shipped: 5,073 (through 9/30/91)
Account Manager is John Wang.

>From nellm Fri Jan 3 11:58:00 1992
To: debrasma
Cc: dalech
Subject: FW: DAK

Date: Fri Jan 03 11:55:35 PDT 1992

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run with or without Pen Win. If they do not ship it, an ISV would have to do a specific Pen Win version that would not run with std Windows (unacceptable) or we must allow and force every Pen ISV to ship PENWIN.DLL.

Their issue is that it is a COGs issue and supposedly our one file is going to push them to include another disk. Do you think this is worth raising with Bill?

From billg Fri Jan 3 18:56:28 1992
Subject: Re: LONG BUT CRITICAL MAIL: Gateway APPS deal
To: davewr
Date: Fri, 3 Jan 92 18:56:20 PST
Cc: joachimk, mikehal, mikemap, johnj, ronh
Mail-Flags: 0000

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I have studied this email and I have studied the letter from Rob Cheng and decided that we should give in and accept the low royalty for the second application. I hope it is crystal clear that the second application has to be used only on these bundled application machines. I think this is dangerous and could create a problem for us with the retail channel - I also think it could create an orgy of applications bundling that will hurt the whole applications business - however given the alternative of losing this business to competition I want to give in to the second application royalty.

I am sorry the second application issue came up and I wonder if it needed to. When I met with Ted the issue was just bundling one application. I sent mail saying I was enthused by it. I was very suprised to see this second application thing in our offer - once we made that offer it is very hard to go back and now OEM is saying we will lose if we go back. I don't think the second application option helps gateway all that much and I think it hurts us a lot. It is the customer choosing an application or not choosing an application and getting a price dramatically below the value we have established in the channel. It is not bundling. I don't know why it wasnt mentioned before we sent our offer out. In any case I want to do this business even though it is in there.

If they want to make other substantial changes other than this we will back off. Let me know if there are other substantial changes since I have now instered myself into this decision process.

From davewr Fri Jan 3 18:15:19 1992
To: billg joachimk mikehal mikemap
Cc: johnj ronh
Subject: LONG BUT CRITICAL MAIL: Gateway APPS deal
Date: Fri Jan 03 18:10:53 PDT 1992
Mail-Flags: 0000

The fax from Gateway has arrived and it is very clear. It states the marketing value they plan on bringing to the deal. They have also provided us with competetive information in the form of average royalty they are being quoted from all vendors except MS vs. MS royalty, support and documentation pricing comparisons. Copies of the fax have been delivered to Billg (Julieg), Mikemap (cathyw) and Joachimk.

Gateway Dir. of Mktg., Rob Cheng and President, Ted Waitt both

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have called me since the fax arrived to reiterate the following 4 points:

- 1) There is still a desire to complete the deal with MS above other software vendors.
- 2) The current deal is unacceptable.
- 3) If we can get back to the original \$50/system & \$50/copy there are still some other small issues but we could likely wrap the deal with no other major modifications (i.e. Gateway is still willing to accept a substantial premium for distributing MS products).
- 4) If we can not reach a deal extremely fast, Gateway will be forced to market a multi-vendor offering consisting of the leaders in each of the market categories NOT A SINGLE VENDOR APPROACH (read Lotus, Borland, WP, Harvard, etc.). Ted prefers entire MS approach but if not MS he will market the heck out of all the other packages in advertising and sales the same way he would have with MS products.

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BOTTOM LINE

- * Bottom line is our competition in the last two days has provided Gateway with even better pricing than the table below reflects. Basically since we have slowed things down with the tremendous raise in royalty, Gateway has had to quickly restart and begin new conversations with our competition knowing now that it may not be able to go through with MS as originally expected.
- * Competition is NOT requiring per system (only a unit commit of around 1/2 to 1/3 the size of ours on a monthly basis).
- * First unit royalty is exactly the same as additional apps pricing.
- * All other vendors are providing full technical support buried in royalty price and providing (most cases no add'l charge) vendors original documentation for Gateway to distribute.

ACTION REQUIRED:

- Ted Waitt is calling me on Saturday and Joachim, he and I will discuss expected outcome and steps to take.
- Joachim called me from Chicago today and wanted me to pass to those on the TO: line that he will be adding comments to this mail either this evening or Saturday morning and would appreciate prompt responses to the mail.
- I will be on mail frequently if any questions come up regarding specifics about the deal or the account.
- Joachim, Ted Waitt and I will be talking again Monday morning at 9:00 am Seattle time hopefully to wrap final pricing.

HIGHLIGHTS OF FAX

Average total royalties are as follows (including royalty for product, support and documentation):

	Average Competitors Pricing		MS	
	1st &/or 2nd app		1st app	MS 2nd App
Word Processor	\$ 50		\$ 69.50	\$244.50
Spreadsheet	\$ 35		\$ 69.50	\$244.50
Presentation	\$ 82		\$ 69.50	\$244.50
Combo Bundles	\$ 39		\$ 64.50	\$244.50

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Prog Pack \$ 63
Office type pak \$100

\$ 69.50
\$209.50

\$244.50
\$344.50

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MARKETING VALUE

Gateway will be dedicating 2 pages to MS apps and highlighting on two additional pages in all of their ads. This equates to roughly \$325k in advertising toward Microsoft apps. Or the same amount toward all of our competition.

COMPETITIVE POSITION

"We have had discussions with all the major software vendors, and we find Microsoft's current offering uncompetitive in virtually all product segments, and from all business aspects, (price, commitment level, support, etc)."

"Gateway recognizes the strength of a joint marketing effort between Gateway and Microsoft, as well as the breadth and strength of Microsoft's product offerings, but these issues cannot overcome the large disparity in the other business issues. We all recognize that the software vendors chosen will have gained a superior market position from a positioning, and penetration standpoint."

TIMING

Gateway is not changing their product line again until applications hit and therefore they are moving at top speed to get an apps deal complete so as to minimize the time in which their product line is stagnant.

"GATEWAY WILL TAKE A FINAL DECISION IN THE VERY SHORT TERM, AND THERE IS NOT MUCH TIME FOR FURTHER NEGOTIATION."

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From kathyg Fri Jan 3 17:49:57 1992
To: mikemap richardf
Cc: lewisl richardf
Subject: Re: DAK
Date: Sat Apr 23 10:49:30 PDT 1988
Mail-Flags: 0000

Mike -

Here is a summary of the DAK deal, its one of our largest deals for apps:

1. We receive \$2.75M a year for just Winword (61K units).
2. We displaced Wordstar. DAK accounted for 40% of Wordstar's business. (AMI and other competitors were trying to get this business)
3. DAK is in mailorder only and sells only bundled with their hardware - thus no conflict with our retail sales. DAK does all their own support, manuals, disks, etc. - we do nothing.
4. DAK currently licenses from us (under separate contracts):
Windows, Winword, Stat Pak, Small Bus. Consultant, Bookshelf, PC Works, and Productivity Pak.

Today, DAK pays us close to \$1M per quarter in minimum commitments. Its unfortunate that we had such a serious misunderstanding with this customer - but I do not believe it was worth risking them as a customer. Please let me know if you would like to discuss any more of the details of their agreement with me. We are working with them now as a potential licensee for the Solution Series.

Thanks, Kathleen

From billg Mon Jan 6 20:30:29 1992
Subject: Applications deal with Gateway
To: scotto, richmac
Date: Mon, 6 Jan 92 20:30:22 PST
Cc: lewisl, mikemap, mikehal
Mail-Flags: 0000

We are definetly doing an application deal with Gateway that for competitive reasons I decided we should do. It may be a week or so away from closing. Please let Joachimk know who he should write it up for so that the retail groups feel well informed. Joachimk knows the starting date and the start of the advertising. This memo will

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not include the price we got since I do not want that to be widely known. Essentially this deal means that Gateway will bundle one of 5 windows applications on their machines and will sell additional MS Windows applications onto THOSE machines (preinstalled only) for a fairly low price.

From dalech Tue Jan 7 14:14:46 1992
To: mikemap
Subject: Re: HP Lion Update
Date: Tue Jan 07 14:10:38 PDT 1992
Mail-Flags: 0000

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There is a new draft of the LOI I havn't read but the last one I read was clearly only exclusive by weight and application type. There was no mention of ROM being part of the exclusivity formula.

ie. We could not license to AST if they wanted both XL and Word and their system was < 2.5 lbs. I never understood why the ROM portion was left out of the LOI draft since HP shouldn't care about this - their system has only ROM based distribution.

>From mikemap Tue Jan 7 13:28:30 1992
To: darcyh
Cc: chrisp dalech jeffl joachimk josephr lewisl markche
Subject: Re: HP Lion Update

Date: Mon, 06 Jan 92 14:28:10 PST

even tho the software is not in ROM but on the hard disk, we still cant lisc?

>From darcyh Tue Jan 7 09:40:16 1992
To: mikemap
Cc: chrisp dalech jeffl joachimk josephr lewisl markche
Subject: Re: HP Lion Update
Date: Tue Jan 07 09:35:56 PDT 1992

The objective was to narrow the definition to limit the opportunity costs lost to MS, and to include all variables: combination of apps licensed in ROM, form factor (i.e. weight), and term of exclusivity.

The term of this is defined by DISTRIBUTION in ROM, of these apps, meaning that AST could license both these apps, but could not distribute during the 6 month period in which HP has these exclusive rights. For example, we can license Excel to AST on a form factor of 2.5 lbs, or WFW to AST on a form factor of 2.5 lbs. What we can NOT do is license both apps together to AST on a form factor of 2.5 lbs. for distribution during that same 6 mo period in which HP is distributing.

Hope this helps. Please let me know if you have more questions.

>From mikemap Mon Jan 6 17:46:23 1992
To: darcyh
Cc: chrisp dalech darcyh jeffl joachimk josephr lewisl markche
Subject: Re: HP Lion Update

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