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To: Ted Warr, Bill Elliott  
Date: July 11, 1997  
CC: Jim Collas, Jim Von Holle,  
Kathy Skidmore & Jim Wharton

From: Penny L. Nash  
Re: MS Relationship  
Issues for Steve Ballmer

Per your request here are a list of Relationship issues concerning Microsoft. Please review and provide your comments as to how much of this should be sent to Steve Ballmer.

In the past six to twelve months we have seen a steady decline in the over all business relationship between our two companies. The below examples show this decline.

- Obvious negative treatment due to our differences regarding Office.
  - Competitors continued Sales of Office 95 beyond contractual cut off dates.
  - Adding new application titles/bundles to support our Software Strategies has become burdensome and time consuming. This has created unwillingness to use MS content in our bundles or our software strategies.
  - MS causing delays in software PO shipments (due to licensing issues in MS' Troika System), which have caused Stop Ship situations (UK & APAC) and risks little or no inventory levels globally. This had rarely happened in past years but became very noticeable in the last 3-6 months on a "global basis". This has created negative feelings toward MS and unwillingness to use MS content.
- Lack of support/responsiveness from our Account Mgr. on addressing/resolving issues.
  - When issues are communicated they are immediately delegated. Very little communication (takes days or with no return call or mail) or ownership of issue resolution.
    - When issues are delegated, the person(s) to which the delegation is given do not have decision making authority, thus creating delay in resolution. Often requires escalation to get immediate attention to issues.
    - Often are referred to others within MS to get movement on things and are frequently told "this is not my responsibility you need to talk to..." (e.g. Agreements with other divisions of MS). When issue reach a higher level (either at GW or MS), we then see moment (CYA mode begins).
    - RFQ for Mouse - MS was one of three Mouse Suppliers that was sent this RFQ. MS did not reply. BF stated the he felt that they did not need to reply because of our current contract and commitments.
- Very Little Trust in our Account Mgr. or OEM Team
  - Net PC Specification. GW involved in discussions but not part of the OEM Team in drafting this specification (Dell, Compaq, HP & Intel) with MS.
  - Country Store Proposal provided to incorrect contact after being specifically informed of correct contact and cc's.
    - No copy to Supply Management (for tracking) or correct contact for timely reply. Appears that MS is trying to divide us. Causes frustration on both sides and creates a negative opinion of MS on our side.

*Handwritten notes:*  
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- Very Little Trust in our Account Mgr. or OEM Team Cont'd
  - Often get mixed/numerous mixed messages/communication. Causes delays in action, no accountability on either side and frustration on both sides (but yet this continues even after communication of GW's Supplier Policy from GPO & Supply Mgmt).
  - Sets up meetings with GW representatives with no communication to Supply Management or GPO, both internal at GW and off-site at MS. This creates mixed messages, no accountability on either side and inconsistent messaging from GW. (but yet this continues even after communication of GW's Supplier Policy from GPO & Supply Mgmt).
- Limitations on GW Flexibility
  - Changes in policy with no communication.
    - Changes to Windows 95 CD
    - Funding for Premier Support Services Contract.
  - MS dictates how GW should deliver product to our customer even when supplied with compelling proof of our customer needs/frustrations on their product(s).

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Back-up Documentation

•• Note

- 2/97 - Dell/Micron Continued Promotion/Sales of Office Pro 97 Upgrade Program at N/C  
GW cut off per contract 2/1/97. GW complied with contract cut off date. In prior discussions MS stated that "All" OEM's license to offer this Upgrade ended on 2/1 as well as sales of Office-95 & 4 3
    - GW \$30 Upgrade option at point of sale 2/3 - 2/23.
      - GW ended Program on 2/23 per our agreement.
    - 2/26 MS BF notified of Dell continued sales of Coupon Program with purchase of Office 95
      - MS response that Dell was to Stop on 2/1, but was also given the same point of sale upgrade option as GW ending 2/23. The Dell rep was notified that this to stop immediately.
    - 2/27 Dell still offering Office 95 & Upgrade Offer.
    - 2/27 GW turned \$30 Upgrade Offer back on pending Dell discontinuation of program.
      - MS BF very unhappy of our decision to turn program back on.
      - Provided his authorization with restriction: should only be used if we could loose a sale.
    - 2/28 Call placed to MS BF. No resolution
    - 3/3 Discovery of Micron's promotion of Office 95 with "free" Upgrade Coupon.
    - 3/3 MS BF Notified.
    - 3/4 Dell discontinues Office Pro 97 "free" Upgrade and begins offering at \$215.
    - 3/4 Micron continues Office 95 as standard with "free" Upgrade Coupon to Office 97 SBE or \$29 upgrade to Office Pro 97.
    - 3/6 Dell offering Office 97 SBE as standard with \$215 upgrade to Office Pro 97.
    - 3/6 Micron offering Office 97 SBE as standard with \$199 upgrade to Office Pro 97. Still offering Office 95 on some lines.
    - 3/7 Micron now in compliance.
  - Calls placed daily to MS BF.
  - Numerous discussions of GW's business with MS Dell Rep.
    - Quote: "What ever MS gives GW impacts the Dell Account."
  - Threats of making sure that Dell and GW do not have an advantage over the other to end the political war.
- 
- 3/97 Request for GW Australia to provide fulfillment of Office Pro 97 Media from GW Sydnev.  
GW reasoning, low volume numbers and cost effectiveness. This request was provided to previous OEM Acct. Mgr. which was never addressed prior to New Acct. Mgr.
  - MS BF reply - NO!
    - Determining factor for this answer was that MS has traced Grey Market distribution of Office Products to GW2K.
    - Cost issue addressed again with BF and he states: "then why are you doing business there?"
  - Any notices or questions regarding Grey Market Distribution of MS Products have been addressed with proper resolution. Only one on record at GW.
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- 3/97 Allegations of Grey Market Distribution in Egypt
  - 3/20 MS BF requests information on GW System Sales into Egypt (GW OEM Product found in Grey Market).
  - 3/21 Total of 3 systems sold into Egypt from Jan. - March '97.
    - 1 to US Embassy
    - 1 Destination to Distributor (no application SW)
    - 1 to US Citizen
  - Issue Dropped

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- Modifications to Win 95 Backup CD

In the past MS has provided authorization to make additions to the Win 95 CD (from late Q394 until recently Q197). These changes provided our customers the availability of one location for all files needed for re-installation of the OS. Since the arrival of the New Acct. Mgr. MS has stated that GW can not continue to make "any" additions to the Win 95 Backup CD due to policy change.

  - Policy Change was never communicated to GW until first discussion with BF.
  - OSR (Operating System Release) releases. We receive OSR's from MS with fixes, added files, drivers, etc... MS will not allow GW to incorporate these releases into the Win 95 backup CD deliverable, MS is requiring that GW deliver the OSR on a separate media (diskette: adding COG's). Numerous discussions with MS with a reply of: "We have NO resources available to do this, they are working on Memphis and we can not afford to pull anyone off at this time."
  - Pix 4 (Intel & Microsoft) - Requested that MS address issue. Main issues for GW 1) customer satisfaction/OOBE (out of box experience) issues regarding Windows '95 which would provide one location for the customer & 2) providing the necessary files for the New Technology.
    - GW's request stalled by Acct. Mgr. BF
    - Files needed are MS files, but MS would still not provide GW the approval to add to Win 95, only provided approval to add to separate CD or ship on diskette.
  - Enabling USB. GW needs USB integrated into the setup of Win 95.
    - Numerous discussions with numerous individuals at MS. No movement from MS. USB is a top priority for GW.
  
- Win NT 4.0 Service Packs (SP's)
  - MS does not provide OPK (OEM Preinstallation Kit) for Service Packs. Thus it creates increased download time (manual download), decreased manufacturing productivity, increased support calls and increased customer dis-satisfaction.
    - GW has requested that SP's be provided in OPK form. MS has not provided OPK to date.
  - MS does not permit us to incorporate Service Pack into our Win NT 4.0 CD Deliverable, MS requires that GW provide on separate media (1 additional CD adding additional COG's).
  - MS has been provided backup data outlining our issues, added costs, time, etc... with no reply other than: "there is NO OPK available and NO resources to create one."
  
- Premier Support Agreement
  - In past years (4+) MS OEM Sales has funded 100% of this Support Agreement.
  - MS has stated that OEM Sales will no longer fund this agreement moving forward.
    - The 97-98 Agreement MS OEM Sales will only fund 80% of this agreement and GW is responsible for the balance. Total cost of this Service Agreement is \$60,000. MS OEM Sales is funding \$40,000 and GW is responsible for the balance of \$20,000.
  
- Future Licensing of Past versions of MS Operating Systems
  - Questioned MS on concerns from MA Customers.
    - MA Customer(s) are hearing (from MS Field Sales Reps) that GW will be losing their ability to offer past versions of Windows products.
  - MS BF stated that he has not seen the new version of OS Agreement therefore he can not address the issue. Concerning the rumors, at this time there are no plans to change your choice of OS'.

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- Licensing of MS Application Titles
  - ~ Contract amendments for simple product additions take weeks and numerous calls of follow-up before action is taken.
  - ~ This has created delays in time-line execution for product launch, unwillingness to use MS content in our bundles or our software strategies.
  - ~ MS' pricing for their products is way out line compared to other SW Suppliers with just as or better compelling titles.
  
- Missing Licensing Information from MS' Troika System
  - ~ All Regions including US have had numerous instances in the last 6 months where our Replicator's can not produce or ship product to GW to fulfill our PO's due to the fact that MS' system shows GW as not being licensed for a particular product(s).
    - MS has made it perfectly clear to some specific AR's that if they ship said product(s) they risk their AR License with MS.
    - In some instances this has resulted in a STOP SHIP situation for several days.
    - In others, it risks little or no inventory levels globally which could/would have caused a STOP SHIP situation.
  - ~ Each instance has resulted in days of calls both with MS, the AR and our Subsidiaries before resolution was reached. This had rarely happened in past years but has become very noticeable in the last 6 months on a "global basis". This has created negative feelings toward MS and unwillingness to use MS content.
  - Example:** MS Mouse Drivers - GW has been licensed for the MS Mouse for many years. The contract is 3+ years in the making. GW has been reproducing the Mouse drivers for years per the terms of our agreement. Recent PO's have been put hold by MS; 1) questioning our quantities, 2) stating that we do not have the right to reproduce & 3) stating we do not have the rights to distribute separate from the Mouse. All of these issues are outlined in the contract and/or amendments providing us the license grant to do so.
    - ~ We had to provide the proof to MS.
    - ~ We supplied the language locations in the agreement(s).
      - BF has not been involved in this issue. He delegated it to his admin to handle. Neither BF or his admin took the time to review or have knowledge of this agreement prior to placing our PO's on hold.
    - ~ To date our PO's are still on hold pending our answers to questions on our large PO quantities. This situation alone has created a willingness to bring in "new" Mouse Supplier.
  
- No Reply to RFQ for Mice

MS was one of three Mouse Suppliers that was sent this RFQ. MS did not reply, BF stated the he felt that they did not need to reply because of our current contract and commitments.

  - Our minimum commitment with MS has been met.
  - Our contract with MS expires at the end of 1997.

Other Mouse suppliers can provide the same types of Mice as MS but a significantly lower price point than MS. Thus the RFQ to bring MS to the negotiation table for our business.
  
- MS Mtgs held with GW representatives On-site & Off-site with no notification of Supply Management or GPO
  - ~ Numerous Mtgs with GW representatives
    - No Accountability on either side
  - ~ Marketing invitation to OEM Acct. Mgr to Golf with GW Mens Golf League
    - Threat that he may have come in contact with information that he should have had access to

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