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Dear Jim,

Thank you again for the feedback on Windows 98. It's been very worthwhile. I challenge us both to sit down sooner with future releases and walk thru the enhancements to ensure we get Gateway's feedback in a timely enough manner to make as many enhancements as possible.

Below are the areas of feedback you provided along with a description from Microsoft of current status. In general, coding and bitmap changes are not possible at this time in order to bring Windows98 to market. However, even at the late stage you will see that several of Gateway's enhancements that have been identified as critical to Gateway's business goals (eg. channels) have been accommodated. We hope more will be included as we continue to work together on future releases.

<u>Changes Microsoft has made based on Gateway feedback in the area of Active Desktop and Channels</u>
Based on feedback from Gateway on Gateway's business philosophy, possibilities with implementation and customer intimacy goals, MS agrees you have a good approach and has made substantial changes in this area.

- GW - We do not want to ship active channels as part of the standard product.

MS – Gateway will now have the option to either enable or disable the default display of the desktop Channel Bar in new systems that are based on Windows 98 with Internet Explorer 4 technology

- GW - We want the option for active or inactive mode on boot.

MS - This is okay. Just to clarify, this choice is made by Gateway during pre-installation, not at boot time. In addition, the end user can change how Gateway has set the default. To be consistent with streamlining the boot process, these end user options occur after boot.

- GW - We want flexibility to use the channel bar for Gateway selected content.
  - Will be based on information we know about the customers since we have direct order model

MS – It's great that Gateway recognizes the value of the channel bar and would like to leverage this technology to provide a better computer experience for their customers. This is okay for Gateway to do.

<u>Recommendations MS would like to pursue but due to timing cannot be incorporated into this first rev of Windows98:</u>
In general, coding changes and bitmap changes are not possible at this time. In order to bring Windows 98 to market, Microsoft is limiting code changes to the following areas:

- Data loss bugs
- No boot bugs
- Mainstream GPFs in basic functionality
- Loss of critical functionality in a new Windows 98 feature
- Regression of basic Windows 95 functionality

GOVERNMENT EXHIBIT 769

Bitmap changes are not possible as the print manuals are already complete and being manufactured and translated. Making text or bitmap changes would affect the manuals and the localized product.

- GW - We want to be able to enter a master COA number in our manufacturing process.
  - Simplify the customer out of box experience, minimize customer requirements to begin using the system.
  - We receive significant support calls from customers asking where they find this number.
  - This would be a gateway specific PID so MS and GW support know it is GW version. Will continue to ship separate COA / PID in our systems with the APM.

  MS - This is an interesting idea. Due to the breadth of this project, we are not able to undertake this prior to the release of Windows98 but would like to work with Gateway further on this. Please provide us more details on the mechanisms Gateway would propose to do this which would allow us to maintain current levels of anti-piracy efforts.
- GW - "Register now" change to "Register with MS" to avoid confusion where the customer is actually registering.

  MS – This is good feedback for OSR1. Due to our code freezes this change is not currently possible. In this first release the welcome screen does display a very visible Microsoft Windows 98 logo, indicating to the end user that they are dealing with Microsoft.
- GW - We will add a welcome to Gateway type button and a support / help area (GW help spot). We need two additional buttons for this on the Welcome screen.

  MS - Win98 currently provides for one button. This is good feedback for OSR1.

Areas where our goals are the same but our research on how to implement differs:

- GW - We want to put a "Close" button next to "Begin". It is not intuitive to new users that the "x" in the upper right corner means "close." Users should not be forced into this each time. There needs to be a choice to go around this.

  MS – Both Gateway and MS have the same goal to provide the best experience possible for the user. We differ here on how best to implement. Microsoft research has indicated that new users, who do not know the 'x' means close are the ones that need to go thru the Welcome screens the most. This is designed as intended. As always, we will continue to monitor the success of this design and will make enhancements as appropriate in future releases. We'd certainly appreciate any data Gateway captures on this as well.
- GW - The "show this screen at start up" tag needs to be default to OFF after the first time boot to the Windows registration.

  MS - Microsoft evaluated many design choices for this. It is in the customer's best interest to run the maintenance wizard and tour if they are a novice user. If it did not run on successive boots, the user may not realize how to run these applications. There are many applications and screens that use a similar paradigm. This is a deliberate design choice.

Request has been satisfied:

- GW - There does not seem to have been any thought at MS for a situation where the customer does not have a modem or if they try to register without the modem connected. There were no "user friendly" messages given to the user to let them know what is occurring or that they have a choice to send in paper registration.

  MS – We agree with you and this situation is accommodated for in the product. The Windows98 beta Gateway has should confirm the following process: If a customer tries to register without a modem, Windows98 will inform the customer they don't have a modem and do they want to install one now or cancel. If the customer selects cancel, Win98 will refer them to the registration card in the box.
- GW – subsequent to our meetings, Gateway engineering requested to use the Intellimouse tutorial in the start-up rather than the 2-button mouse tutorial.

MS – The use of the Intellimouse is another great example of Gateway providing good products to their customers. Gateway can substitute the 2-button mouse tutorial with the Intellimouse tutorial.

Further information forthcoming in Windows Update area:
GW - Concern about changing any drivers that have not been released (or tested) by Gateway. MS will need to accept the support for these customers – we can not take responsibility. We do not want this at all for the initial product launch. We can work toward this after we gain confidence in MS organizations to properly execute.
MS - MS agrees that what is presented to the user should be a tailored list of approved drivers specific to the customer. A detailed description of how this will work will be sent to Gateway in the next week.

Internet issues:
Thank you for the feedback to-date on issues related to the Internet. A meeting has been scheduled for 5/7 to discuss these further.

- GW - Gateway will populate the Online Services folder with the options we choose. (based on the agreements we have with ISP's).
  MS - Gateway ma[illegible] any Online Service Provider(s) it chooses to a folder that Gateway creates on the desktop. Thus, Gateway may provide consumers with a variety of alternatives including cer[illegible] options that Gate[illegible] itself chooses to offer them. Microsoft 's contracts merely limit Gateway from adding or deleting items in the OLS folder that Microsoft includes in Windows 98. This is consistent with Windows 95.

Thanks again for your time and providing good feedback on behalf of Gateway. As you can see, Microsoft values Gateway's feedback and has made changes as appropriate and possible at this time in the development cycle of Windows 98. We look forward to working together on any remaining items.

Sincerely,

Gayle Snyder McClain
OEM Account Manager

cc: Microsoft Corporation Law & Corporate Affairs File