Subject: REDACTED request / DOJ
Date: Fri, 14 Feb 1997 19:54:34 +0000
From: billk@netscape.com (Bill Kellinger)
Organization: Netscape Communications
To: doj

As you requested, below is feedback on the Boston Consulting Group deal and the background on how and we came to the level of discount that we offered.

We were working with the Database and Internet Standards team at BCG for a technical evaluation of front end Navigation Tools for BCG Worldwide (3000 Users.) The BCG gave us a list of their technical needs for a client and they also told us they were deciding between the NN and MSO IE. The technical staff chose Netscape.

The Financial Heads within BCG rejected the decision of Netscape as The Internet Explorer is free. BCG then made a decision to obtain the MSO IE at less cost. We contacted a Netscape Fan within the Budget Team in BCG and came to an agreement on what discount level it would take to get BCG to reconsider a purchase of Netscape. Our contact gave us a feel for BCG's budget and at what cost and discount level it would take to get a purchase order from BCG on 3,000 units of the Netscape Navigator.

The cost and discount level was as follows:

Product:	Qty:	Unit Price:	Discount off List:
Navigator v 3.0	3000	$7.00	.76%
Subscription 1 Yr	3000	$4.90	.51%
Help Desk Support	1	$12,990	No Discount

2. Ultranet
ISP Opportunity for 12,500 units of the Dial up Kit.
Lost Business Opportunity: $50,000.
Contact: Geoff Schultz
Phone: 508 229 8400
schultz@ultranet.com

Micrsoft Strategy: To give Ultranet a front end client browswer tool at No Charge for distribution to their customers.

Ultranet won a bid to be the ISP Provider to Community Newspaper (An electronic newspaper distributed throughout New England to over 100,000 end users.) The customer requested that the Netscape Navigator be put to use.

Ultranet came to Netscape and mentioned that they wanted $50K in Navigator product upfront, but Ultranet would pay Netscape only $12K up front. Ultranet mentioned that if Netscape did not meet their demands, then they would drop Netscape outright for the project and distribute the Explorer at No Charge. Netscape could not honor Ultranet's request, and we lost the $50K deal up front, as well as an estimated $200K in future business.

Ultilicorp
John Flowers
816-467-3801
admin@energyone.com
1000 renewals/ 3,000 new lic. now/ 7,000 by end of Q2
$114K was quote on the table

PENGAD-Bayonne, N.J. GOVERNMENT EXHIBIT 107

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Pulled out because of IE being on the Win95 Operating System: Free!.

1)Eatel (formerly known as Advanced Tel, Inc.) Basically, they are actually one of our ISPs who decided to stop distributing NN and start burning IE because they didn't want to pay the backend POS. I tried to renegotiate the price for them with a pricing addendum, but they balked at the new prepay figures. They are still under contract with us but I doubt we will see a dime from them in POS going forward. Keith Cox (504) 621-4189 was my contact there. Michael Czerwinski is the CEO.

2)Clarity Communications. This is the situation we talked about with the prompt that keeps asking "are you sure you don't want to use Explorer" that this guy can't get rid of when he's running IIS for development. He hasn't responded to my request for information, but you might want to try and see what you can get out of him..... (maybe offer him a nice discount on the Enterprise Server I've been pushing to him) His name is Mark Sykora. 414-796-8644 or mark@claritycom.com

These two come immediately to mind, but I will get you a list of all of the ISPs that I called and get rejected by because of the "free" situation.

I just took a call in our sales queue that smells fishy to me. The gentleman I talked to is Brad Port from Universal Systems in Los Angeles. His full info is in Aurum, Lead ID #191376. He is at (213) 613-9000 ext 102. He runs an online service for attorneys. The site is http://www.unilegal.com/ The situation is complicated, but here is the bottom line. These guys have around 12 thousands lawyers that access their service. The service can not be accessed by Navigator because Universal Systems runs a Microsoft Server, not because they want to, but because they have to to support FOLIO within their service. If you are running Navigator and you go to this URL: http://signup.unilegal.com/ , scroll down the bottom and click on the Next button, you will be prompted with an error message. You can't sign up for their service unless you have a x-Perl Script plug-in. I talked to tech support and they said this type of plug-in doesn't exist for the Navigator currently. The catcher is that if you are running Explorer and you go to this site, you can sign up and handle the Perl script without a problem and without a plug-in. The code is built into Explorer natively. Now Brad at Universal Systems is in a quandry, because unless we can give him this plug-in, someone writes it, (or Microsoft releases this code) he has to recommend that his 12,000 (and growing) users all run Explorer, othewise they can't sign up for his service. He doesn't seem to want to do that, but he may have no choice right now. I don't know if this is more of a standards body issue or a legal issue.

All- I talked to a prospective ISP this afternoon, David Deutsch of Foundation Online Services, and he revealed to me the following: they are going to distribute IE because the deal was "too good to pass up". pressed for details he revealed that MS has agreed to burn the first 5000 CD's for them at NO CHARGE and once they hit that number subsequent CD's will be at $8/unit- he expected to take delivery within a week. further, MS has also agreed to provide them with all documentation free of charge. also noteworthy, David told them he still wanted to have the Netscape link on his homepage and that MS said "no problem". Attached is his address/phone should you wish to pursue further:

David Deutsch (CEO)

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Foundation On Line Services, Inc.
48 Union Street
Stamford, CT 06906
203-425-2335 phone
203-425-2336 fax
founder@fos.net

Fiest (an ISP)
> *Mark Piening*
> *301.847.6230*
> *Tennessee*
> **MS offered a free registration server and consulting*
> *to build it*
> **free advertising*
> **free product*
>
> *Customer wanted Netscape*
>
> *Lighting Internet (ISP)*
> *NYC*
> *Reed Fishler*
> *516.248.8400*
>
> *4/8/96 He contacted us because we were the product*
> *of choice from his customers*
>
> **MS contacted him and offered free software AND*
> *hardware*
> ** they also offered to pay him commissions on sales*
> *of future NT products (this is reverse of normal)*
> ** They offered free advertising*
>
> ** He then set up booth at trade show, and*
> *called us in a panic saying that our brochures*
> *we're "flying out of his booth"...*
> *He was panicked because customers wanted Netscape,*
> *but MS was pressuring with freebies, etc...*
> ** He was pleading for our product free, logo free,*
> *and advertising free*

In response to your request.

Klaus Etzel
Manager Business Development
CerfNet Inc
3510-A Dunhill
San Diego, CA 92121
619.455.4434

ISP Agreement. Worked with these guys for approximately 2 months.

Decided not to distribute Navigator Dial Up Kit because MS IE was free. They couldn't justify the added expense.

Estimated lost revenue: $24,440-42,500 (assuming distribution of 1000-2500 units).

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John Martis
General Manager
American Digital Networks
619.576.4272

ISP Agreement proposed. Worked for 6 weeks with them. Terms:2500 units @ $12 ea (a 31% discount), 50% downpayment. Verbally agreed to terms, but never sent purchase order.

Estimated lost revenue: $30,000 based on figures above.

Access Point Corp.
Tom Djokvich
714.757.4136

ISP Agreement proposed, 1000 units@$24.44 including support. Worked for 5 weeks. Chose not to distribute
Netscape because Microsoft was free.

Estimated lost revenue: $24,440

The First American Financial Corp
Ryan Cobb
909.321.0139

End User license agreement. Worked for 6 weeks. Proposed 5000 units @ $10 license/$6 subscription (60% discount). Chose to go with Microsoft because free and bundled with NT.

Estimated lost revenue: $80,000.

NACS Corporation
Paul Falardeau
528 E. Lorian Street
Oberlin, OH 44074
216.775.7777 xtn 2404
216.774.5315 FAX

I spokw with Paul Falardeau of NACS yesterday... His company has 75 Netscape Navigators with Subscription. They prefer Netscape. However they will probably go with IE b/c of ,according to Paul, pressure from the Microsoft Sales representative to convert to IE.

NACS is an Authorized reseller of Micorsoft products and 40% of their revenue comes from MS software. They resell software to Colleges across the country. Plus they get money from Micrsoft for Marketing etc.etc.

Of course these folks have to make a business decision and according to Paul will most likely go to IE. Paul was not happy about the situation but understood it as a necessary measure to take inorder to keep on the good side of MS.

Bob Verola
> > Vicom
> > 516 694 3900 x301

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> > 60 Carolyn Blvd.
> > Farmingdale, NY 11735
> >
> > Claimed was offered free tech support from Microsoft for distribution of
> > IE as an ISP. Vicom decided to license Netscape Navigator.
Revenue lost= $6,000

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Bill Kellinger Netscape Communications Corp
billk@netscape.com Vice President of Netsales
Tel 415.937.2880 Fax 415.528.4140

Netscape Intranet Whitepaper by Marc Andreessen:
http://home.netscape.com/comprod/at_work/white_paper/intranet/vision.html

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