Richard Wolf

From: chrisjo
Sent: Thursday, June 22, 1995 11:25 AM
To: jallard; abay; bfox; drosen; rwolf; thomasre
Subject: RE: Netscape notes; comment please

My thoughts:

Assumptions - Microsoft's goals, in priority order, are to:
1. Own client platform
2. Own server platform
3. Deliver authoring tools/solutions
4. Sell services on top of both

Independent of any relationship, NetScape is an ISV, and they will react to whatever changes Microsoft makes in the platform. They are interested in exploiting NT and BackOFfice, and also understand that Windows 95/WinNT is the dominant client.

Microsoft going to make changes to the platform independent of NetScape's involvement, some of which will provide for free functionality that they provide today.

As they are an ISV, and they have a majority of the client business today, there are arrangements we will work out with them regardless of any larger deal.

The critical question is: Do they want to align strategically with us or not? Are they willing to bet that we'll be successful, and will they make the commitment and changes necessary in their strategy to do this? Because of our priority to own client and server platform, if they can agree to use our client code on Win 95, and use our BackOffice and NT API's, and promote these as the solutions, then they will have aligned with our businesses and we have a deal. If, however, they do not agree to do this, we should simply treat them as an ISV and move on.

They were extremely cagey on this subject, and while they didn't oppose our strategy, they also tried as much as possible to preserve their right to be open - in relationships with SUN, ATT, others. Unclear in my mind if they will be more than an ISV, but they didn't say enough to make a definitive decision, and we need more investigation.

Either way, it is essential that we commit resources to developing and delivering our Internet strategy. NetScape will follow only if we set a strategy and execute quickly on it. This means staffing and supporting:
. Platforms - both client and server.
. Tools/Solutions - both bundling and developing code that leverages our platforms.
. Services - billing, IP access to MSN, etc.
. Marketing/Relationships/PR - a team who owns MS Internet message.
. Recruiting - targeted campaign to staff these positions with the most talented people

Chris

From: Dan Rosen (Xenix)
Sent: Wednesday, June 21, 1995 10:03 PM
To: Anthony Bay (Xenix); Barb Fox (Xenix); Chris Jones (Exchange TEST ONLY);

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James 'J' Allard (Exchange); Richard Wolf (Xenix); Thomas Reardon (Xenix)
Subject: Netscape notes; comment please

I will send this out at about noon tomorrow. All comments welcomed, including distribution list.

Thanks,

Dan

To: Nathan Myhrvold; Paul Maritz; Pete Higgins; Russell Siegelman; Peter Neupert; Bill Gates
Cc: Anthony Bay; Jim Allchin; James 'J' Allard; Chris Jones; Peter Pathe; Steven Sinofsky; Barb Fox; Warren Dent; Thomas Reardon; Ben Slivka; Richard Wolf; Bob Muglia; John Ludwig

SUMMARY

Seven of us met with Jim Barksdale (CEO), Mike Homer (VP Marketing), Mark Andreisen (CTO), and Ram Shiram (VP Business Dev) of Netscape for four hours today. The purpose of the meeting was to scope out specific areas that a relationship between the two companies might take and to set in place a process to either conclude a strategic relationship or go our separate ways.

In general, it was a sounding out of each others' positions. They were unwilling to share their three year business direction in any specificity (we weren't sure that they had one). They asked a lot of the right questions of us. I believe that we understand each other better.

ChrisJo summed up the purpose nicely: "We need to understand if you will adopt our platform and build on top of it or if you are going to compete with us at the platform level." All of the Netscape players were clear -- they want to build on our platform as a first preference. They need to know what is in the platform and understand that we won't arbitrarily pull their stuff into the platform. Much of the conversation centered on a discussion of how the lines would be drawn between the platform and their value added. On the client end, we discussed "sucking most of the functionality of the current Netscape browser (but not the toolbar, cool places or advertising) into the platform; they seemed OK with this concept. On the server, JAllard asked about pulling most of the functionality of their commerce server into the platform, and again they indicated a willingness to follow our direction. ChrisJo and JAllard took the action to get back to them with follow up on what is in the platform.

They also were concerned about MSN. They believed that MSN was a closed environment and that they couldn't add any value on MSN. ABay explained our openness and took the item to (a) look at the feasibility of the Netscape client being an MSN client; (b) look at the Netscape server being able to server MSN customers on MSN; and (c) look at allowing the Netscape browser sign-up mechanism work with MSN for IP service.

RWolf demonstrated DocObject and talked about authoring. They are interested in continuing support of OLE and using DocObject. They would also like to become an Office Compatible app.

BFox discussed current status of STT discussions. They acknowledged that they have been slow, but want to move faster. They are concerned about licensing terms and pricing. They have a near term decision, so we must act quickly. Bfox has the follow-up with WarrenD.

Jim Barksdale and I had a discussion on a potential MS investment in Netscape. They don't need the money and fear (a) a disruptive MS presence on their board; (b) the effect of dilution at a time when they are contemplating the timing of an IPO; and (c) the message a MS investment would send to others. He wanted to know if the above deals were conditional on equity; I said "loosely conditional". We will talk again in a couple of days as we consider the options.

ACKNOWLEDGMENT

Thanks to Anthony Bay, J Allard, Barb Fox, Chris Jones, Thomas Reardon, and Richard Wolf for their participation and good ideas. I suspect that I will not adequately represent their clear thinking here.

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