Bill Gates

not sure i should forward this to you, but i am because i want you to see another perspective of the meeting with netscape so you can be fully informed. to be honest i worry that sometimes you get a distorted picture/account of things. for the guy at the top, that can be dangerous, as you need the best info possible so you can make the best decisions. i know you work hard to have good contacts at many levels in the org so you get good data, which is very wise. so here's more data...

From: thomasre
To: bens; johnku; paulma; bradsi; chrisjo
Subject: Netscape meeting: reality
Date: Friday, June 23, 1995 5:00AM

I think I should add some perspective, I suspect chrisjo will concur.

1) Netscape is preempting O'Hare. We sent them a list of about thirty talking points. They sent back ten, nearly all revolving around shipping their Win95 browser.
2) Despite four hours of talks, they really only wanted to know about two things: O'Hare and MSN. They were very very confused about MSN, and in particular Blackbird. My take is that Blackbird is seen as our killer browser, akin to their v2 browser (java+acrobat+director), they did not know if they could work around it or against it. They know now, as we did divulge quite a bit on this.
3) they only thought three months ahead. they were obsessed with hearing about ohare packaging and ship plans, like down to the day. we did not supply this info.
4) anthony bay engaged them on how they might play with MSN as uber-site. they had not understood that the MSN architecture could open up this way, to include netscape servers. this is an intriguing idea that has a better longshot chance than any of the ideas of getting them to reuse o'hare or catapult pieces.
5) The comments below of "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" is bunk. there was a noticeable increase in the level of tension whenever this sort of language came up. one clearly telling quote from barksdale: "all we want is our god given 95% market share for the browser". he said this with a wink, but I don't know what could be more clear.
6) barksdale made some very scary comments regarding our signup wizard. he suggested that we hold o'hare from the channel until the RNA api's are widely available for other isv's. this is not the comment of someone who wants to mitigate his investment against msft's browser.
7) the discussion about 'putting most of netscape's commerce server into nt' was actually about the communications server, the low-end box that netscape sells. the commerce server starts at $5k and up.

8) nobody in the room was at barksdale's level. he is very very impressive. i suspect he could have sent us home thinking netscape buying msft was an appropriate deal.

imo, the best we can do now is to avoid turning netscape into novell. we will compete on just about every technology. they will do so with partnerships (sun/java, adobe/acrobat, etc). we will do so with our platforms. the two areas where we can cooperate and both win today are STT and DocObject. they have started their own ecommerce development. if we don't close a deal on just that piece within, say, 6 more weeks. its dead.

with DocObject, we can lock them deeply into OLE for some time. while forcing them to ship a richer browser on windows than on the mac. o'hare has already done this to them. judging from the browser they shipped tues; each time they decide to ship something on windows (better yet, windows 95) and not on mac, we lessen their cross-platform stregths.

maybe I am being a dick, but there is no deal here. if we are smart and deft and engaged at the right levels, we have a chance to cooperate on a few of these smaller things, and can keep them from sabotaging our efforts thru the end of this year.

-thomas

ps: andreesen and I both had thinkpad butterfly's. he was running win3.1 and got very excited about win95 on mine. loved internet shortcuts and the infrared stuff. he is a gadget guy. i think he's blinded by win95 for the time being.

From: Dan Rosen
Sent: Thursday, June 22, 1995 4:26 PM
To: billg; nathanm; paulma; peteh
Cc: abey; bens; bfox; bobmu; bradst; chrisjo; jallard; jimall; johnlu; petern; ppathe; russs; rwolf; stevesi; thomasre; warrend
Subject: Netscape meeting

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 yesterday. 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.

Our goals going into the meeting were (in priority order):
1. Establish Microsoft ownership of the internet client platform for Win95.
2. Have Netscape add value to the NT server and Back Office platform (above our stuff), making it the preferred internet solution.
3. Have Netscape preferentially support Microsoft authoring tools/solutions and support our viewers
4. Send a message to the marketplace that Netscape and Microsoft were cooperating on internet issues.

In general, it was a sounding out of each others' positions. They

Page 16

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 on the platform level." All of the Netscape players were clear — they want to build on our platform as a first preference. They understand that we are going to incorporate into the platform (independent of any relationship with Netscape) technology that they provide today; they want to know what is in the platform and understand that we won't arbitrarily pull their most profitable 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. Joint marketing programs were discussed as a potential "carrot". ChrisJo and JAllard took the action to get back to them with follow up on what is in the platform, and internal Microsoft proposals of terms and conditions required.

They shipped a beta of their Win95 client this week, and have announced their NT server product. They positioned this with us as "being closely tied to Microsoft direction". Members of the MS team have also interpreted this as Netscape's attempt to keep ahead of our efforts. We need to quickly outline the terms that would give us rapid indication of their intentions. Each of the team members will take the actions outlined in this memo and feed them back to me for a consolidated agreement with Netscape, hopefully within three weeks.

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 their support of OLE and using DocObj. They seemed to believe that DocObj solves many of the problems that had them considering OpenDoc. We should quickly propose a deal that gives Netscape DocObj containment in exchange for them agreeing that DocObj is the only way to plug in viewers and editors on the Netscape browsers. They would also like to become an Office Compatible app. RWolf owns the follow up.

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
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deals were conditional on equity; I said "loosely conditional". We
will talk again in a couple of days as we consider the options.

CONCLUSIONS

The critical question is: Do they want to align strategically with us
or not? Are they willing to bet that we will be successful, and
will they make the commitment and changes necessary in their
strategy to align with us?

The test of this alignment will be Netscape's agreement to use
Microsoft's client code on Win 95, and use our BackOffice and NT
APIs, and promote these as their preferred solutions. If we can
achieve this alignment, we have a deal. One clear challenge will be
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preserve their right to be open - in technology, cross-platform, and
relationships with others. We did not have specific proposals to
test their intentions. We must quickly generate specific proposals
assess their direction.

If we discover that they do not agree to do align with us, then we
should simply treat them as an ISV. They are an ISV today, with a
majority of the internet browser business today. It was clear that
there are ISV arrangements that benefit both companies, regardless
of any larger deal. These include Netscape licensing STT, becoming
Office compatible, adopting DocObject, supporting our formats, etc.

Whether we succeed in forming a strategic relationship with Netscape
or not, it is essential that we commit resources to developing and
delivering our internet strategy. Netscape will have to follow 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
and understands what customers want in a Microsoft offer.
- Recruiting - targeted campaign to staff these positions with the
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Page 19

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From:	Dan Rosen[SMTP:drosen]
Sent:	Thursday, June 22, 1995 4:28 PM
To:	billg; nathanm; paulma; peteh
Cc:	abay; bens; bfox; bobmu; bradsi; chrisjo; jallard; jimall; johnlu; petern; ppathe; russs; rwolf; stevesi; thomasre; warrend
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From: Dan Rosen[SMTP:drosen]
Sent: Wednesday, June 14, 1995 6:03 PM
To: abay; bfox; chrisjo; jallard; ppathe
Cc: billg; jimall; johnlu; nathanm; paulma; peteh; petern; russs
Subject: Netscape

Per my previous message, the next step in engaging Netscape is to send them a list of things we would consider for an agreement or relationship and then get a team together from the two sides to discuss and put enough meat on the bones to reach an agreement. We need to move quickly, or risk them continuing their torrid pace of deals that make working with them more difficult.

I propose that our team be those on the TO line. Can each person there commit to do this? Netscape has proposed that we come to Mt. View next Wednesday 6/21. Barksdale (CEO), Homer (Marketing VP), Andraissen (CTO) and others will attend.

Thanks to all for the comments on the previous draft of the list of items to discuss. I've incorporated the specific items. Two comments: (1) General strategy is to "love them to death". We will give them sufficient reason to align with us (primarily they should make enough money) that they will have sufficient incentive NOT to do things with our competitors. Most people saw this as preferable than getting them to agree not to work with our competitors. (2) We need to get to a sufficient level of detail as soon as possible in our discussions. This list is not meant to be a term sheet – just framing our discussion.

If everyone is OK with the attached discussion list and this process, I will send to Netscape Friday PM. (I'm on the East Coast until then and can be reached via email or pager (1800SKYPAGE, PIN 877-9037).

Dan

0613NETS.DOC

From:	Dan Rosen[SMTP:drosen]
Sent:	Friday, June 09, 1995 5:40 PM
To:	johnlu; nathanm; paulma; peteh; ppathe; russs
Cc:	abey; billg; chrisjo; petern; stevesi
Subject:	Netscape engagement

Per my last mail message, Netscape agreed to exchange lists for terms of engagement. Attached is a draft of my list. Special thanks to PPathe and JohnLu for help.

Two key events:

1) Jim Barksdale originally requested a meeting tomorrow (Saturday) with us, him and Mike Homer and Mark Andriesen. He later called to defer for a week. Tells me he is sincere and wants to be aggressive in seeking a relationship.

2) The IBM offer for Lotus should play into our hands, since he sees Lotus as his #1 competitor.

I'd appreciate any input to the attached list. I propose exchange for next Tuesday.

Dan

0609NETS.DOC

From:	paulma[SMTP:paulma]
Sent:	Monday, June 05, 1995 12:40 PM
To:	drosen; nathanm; peteh; russ
Cc:	bens; johniu; abey; billg; bradsf; chrisjo; jallard; jimall; petem; ppathe
Subject:	RE: NetScape Meeting

While, I dont disagree with any of the specifics in the mail, I did not get the impression (from the meeting at least) that Netscape is "ready for a broad strategic relationship". It was clear that he/they view the client as a key place to make money, since that is "hook is so important for selling additional software". Barksdale was primarily interested for us to distribute his client and his server, but was willing to consider doing client extensions if it did not cut him off from doing other extensions, and if fitted into their view of the "market demands". Also given Barksdale's rather strange view of the market (first opportunity is intra-company, then inter-company, then consumer), I wonder if he speaks for all of Netscape.

We should procede to exchange lists with them. But I suspect that it will be challenge to get them to concretely commit to do something concrete in a given timeframe.

From:	Dan Rosen
Sent:	Monday, June 05, 1995 8:19 AM
To:	nathanm; paulma; peteh; russ
Cc:	abey; bens; billg; bradsi; chrisjo; jallard; jimall; johniu; petem; ppathe
Subject:	Netscape Meeting

Attached is my summary of the meeting that Nathan, Paul and I had with Jim Barksdale of Netscape.

Dan

<<File: 0602NETS.DOC>>

From: nathanm[SMTP:nathanm@OXYGEN.ITG.microsoft.com]
Sent: Monday, June 05, 1995 1:30 PM
To: drosen; paulma; peteh; russs
Cc: abay; bens; billg; bradsi; chrisjo; jallard; jimall; johnku; peterm; ppathe
Subject: RE: NetScape Meeting

I will just add that this seemed to go very well.

I want to get them to sign up to the whole MSN front end (with Blackbird and
Media view as subsets), the Office format viewers, and an extension
mechanism which allows us to do Windows controls and OLE.   I think that
this is possible - at least from the spirit of the meeting on friday.

Nathan

From:	Dan Rosen[SMTP:drosen]
Sent:	Monday, June 05, 1995 8:19 AM
To:	nathanm; paulma; peteh; russs
Cc:	abay; bens; billg; bradsi; chrisjo; jakard; jimall; johnlu; petem; ppathe
Subject:	NetScape Meeting

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Dan

0802NETS.DOC

From: paulma[SMTP:paulma]
Sent: Thursday, June 01, 1995 8:59 AM
To: billg; brianf; chrisjo; nathanm
Subject: FW: working with Netscape

FYI

From: thomasre
Sent: Thursday, June 01, 1995 1:51 AM
To: benn; johnku; paulma; bradsi; jallard
Cc: hfox; denenl
Subject: working with Netscape

Dan&Barb&I met late yesterday to review our recent discussions with Netscape and form our next few
action items. Dan is meeting with Jim Barksdale, their CEO, shortly. Here's a summary of our thinking,
note that there is a lot of conjecture about Msft plans that's not called out as such. Apologies if this is
random, but i wanted to collect

· Working goals:
1. Launch STT, our electronic payment protocol. Get STT presence on the internet.
2. Move Netscape out of the Win32 internet client arena.
3. Avoid cold or hot war with Netscape. Keep them from sabotaging our platform evolution.

1. Launch STT

Our first and currently most important goal is to launch STT. We feel that we have the client-side story
well covered, but we are dead without a server-side (merchant channel) partner. Ben&I expect that STT
will be ready for our first O'Hare update in aug/sep.

We want to close a deal with Netscape:
- give them source to our STT code
- Netscape implements on Netscape Web server, Unix and NT
- Netscape implements on Netscape Win16 & Mac clients
- Netscape shares some of the backend revenue with Msft. this is prospective revenue thrown at us by
Visa and/or Mastercard
- Non-exclusive, either party could implement additional payment protocols

By partnering with Netscape on payment, even exclusively, we will force Visa and Mastercard and any
other backend player to fall quickly into line, and establish the 'per-click' business. This seems to be the
grail that we all lust for. My take from the recent W3C meeting is that nothing will solidify the rest of the
payment community more than Msft's entry; this community is also looking for leadership from Netscape; if
Msft enters with Netscape much of the likely opposition would be steamrolled. Barb points out that
Mastercard and Visa expect to play Msft and Netscape off against each other.

2. Move Netscape out of Win32/Win95, avoid battling them in the next year.

In every meeting we have with Netscape, they emphasize that they realize there is no money in the client
business, though mindshare there leads to many other opportunities. The businesses they see opening up
are the server integration business, and the value-add app business (such as RealAudio, Java applets,
secure newsgroups, etc). They are clearly focusing on the server business already, much more so than
Msft.

They appear to be moving fast to establish themselves in the value-add app business by leveraging
Netscape itself as a platform. They are the only browser today with a published OLE automation interface.
Most pages are currently authored to Netscape capabilities. Add those two factors (expansion capability
plus 'proprietary' leading edge visuals) and you have a platform and installed base to begin from.

Dan points out that we must offer them some story as to how they can slowly shift away from the core
client business, or at least the core Win32 client business. To my mind this means agreeing on client
interfaces and wire protocols so they can build these value-add apps and enhanced servers.

BradSi pointed out yesterday that since we are in a come-from-behind position wrt Netscape, we must have a cross-platform story. This story could be told two ways though, one in which Msft actually builds all of the clients (Win32, Win32/Win95, Win16, Mac, maybe Unix), or another scenario where Netscape does that client work in cooperation with Microsoft. In the latter scenario, Msft would need to share extensions (eg mediaview within ohare) with Netscape so they could port to Mac. BTW, if we are serious about moving mediaview into ohare, then we need to resolve our Mac story asap.

One note about Unix: since most web pages are designed on Unix boxes, and probably all good looking pages are, having a Unix "client" available is critical for gaining acceptance of any one 'interpretation' of web protocols. This will be the case until a suite similar to SGI's WebForce is available on PC's.

Near term, that is the next 6 months, we need to find a structured way to work with Netscape to avoid protocol collisions. Already, our new <font> markup causes Netscape pain. As we move to electronic updates, this problem will get worse. They have enough of an installed base already that this problem will not go away when O'Hare ships, even with our wildest projections for O'Hare adoption.

Dan feels there is reasonable hope for engaging Netscape in long term strategic cooperation, where Netscape might run with the Mac and Win16 clients. As a first pass, we can probably at least get them to move STT client to the Mac and not worry about that problem til we're ready with our own cross-platform tools next year???

What's next?

In the worse case scenario, Netscape will move from minor public dinging of O'Hare (Barksdale in PC-Week two weeks ago) to open slandering of all of our Internet tools, as well as explicit sabotaging of any protocol extensions we make. Its unlikely they will deliver a superior Windows solution to O'Hare, but they will leverage their cross-platform story to keep entrenching Netscape-HTML in the authoring community, and therefore in the viewing community.

As a yardstick, Netscape 1.1 took six months, and adds some nice stuff, but in just five months we've been able to achieve parity to Netscape 1.0 and nearly all of Netscape 1.1 (everything but SSL and tables); we are moving faster on our own platform.

There are varying degrees of what I'd call successful scenarios, from merely getting Netscape signed up for STT in their servers, to outright joint-design of multi-platform clients going forward.

The question then is do we try to accomplish a broad client cooperation agreement, within STT negotiations, or independently. We felt that since payment protocols was such a hot issue, that STT needed to be closed on its own, and that all of you obviously need to consider the bigger issues without holding up any STT deal. Is this sensible?

Barb&Dan, please correct any silly assertions I've made.

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