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2. Apple IE Browser – (Jeff Shardell)

Attendees: Sergey Brin, Omid Kordestani, Joan Braddi, Gisel Hiscock, Karen Tsay, Jim Marocco, Sandy Kuo, Michael Zee, Ramsey Homsany, Julio Pekarovic, Kent Walker, Jeff Shardell, Sundar Pichai, Bill Kilday, Anne Strand, Susan Wojcicki, Sonam Thunden

Request:

-Option 1: (Google is NOT default):

*Sales recommendation: No revenue share to Apple

-Option 2 (Google IS default):

*Sales recommendation: Term of 2-3 years

**If Google is the default search provider, we share 10%-20% net revenue after 10% operating costs

**Cap revenue to Apple at \$100M per year

**Apple must agree to support Google in Chrome development

**[OPEN] In payment for this support, we share with Apple 2%-5% net revenue (after 10% op costs) for Chrome search box results

Discussions:

-Our current deals terms are following:

*Google default (and exclusive) search provider in Safari browser

*50% Net Revenue Share after 10% deductions for queries stemming from the Apple browser chrome

*Term through January 2008

-Apple wants current deal terms to apply to their new Safari OS for PCs

-Google will be one of the two possible choices for search provider, not the default. However, they want same financial terms as their current agreement (we are the default).

-The users will choose search provider prior to using browser. Choices are google.com or Safari.

-The current agreement is not tied to a specific OS, but requires Google to be the default search provider to qualify for revenue share

One of the key issues is that Apple is being uncooperative with our efforts on Chrome utilizing their open source platform.

-Given current deal terms, we would be paying them significant amount of money. Revenue share seems rich for non-default and non-exclusive deal

How much difference default status makes?

*Typically 75% take rate. Defaults have strong impact.

-How much will they make with the current deal terms?

*Partner payment for 3 year deal is worth \$2.8B

-We are not going to pay for non-default deal. We want to see performance, user base.

-If they insist on non-default, then no rev share.

-Otherwise we can deal with then under the current terms until agreement expires in 6 months. We will see how it runs. Let's look at the uptake and evaluate once we have more data.

-If they can prove they are bringing new incremental users to Google, then we are willing to pay Apple for them. But not willing to pay for users that would come to google.com anyway.

-Our concern is that come January when the deal term ends, Apple might not let go of 50% rev share.

-Ever bigger concern is that it would mean delay in cooperating with us on Browser. They could hold back for another 6 months.

- Let's not tie this deal with the chrome development. These should not be linked.

-Go back to Apple with two options:

*No default, no rev share OR

*Keep the existing deal terms until Jan. We will see the performance and if they are bringing incremental users, we will pay them.

Outcome

-Deal not approved

-Deal team to go back to Apple with two options:

*No default, no rev share OR

*Keep the existing deal terms until Jan. Google to pay for incremental users but not for users who come to google.com directly.