

	A	B	C	D	E	F	G	H	I	
1									90	
2	Revenue Sources for New ISG A Products - World Wide									
3										
4										
5	(\$000)				Projected					Total
6		1999	2000	2001	2002	2003	2004	2005	1999-200	
7										
8	Americas									
9	New licenses rate		3.00	1.50	1.30	1.10	1.00	0.90		
10	revenue	5000	15000	22500	29250	32175	32175	28958	165058	
11	Prof services revenue	1000	3000	4500	5850	6435	6435	5792	33012	
12	Upgrade revenue	1000	3900	8010	13059	18188	22804	26315	93277	
13	Maintenance revenue	1000	3900	8010	13059	18188	22804	26315	93277	
14	Total	8000	25800	43020	61218	74986	84219	87380	384627.5	
15									384625	
16	Maintenance calculation									
17	Previous year maintenance		1000	3900	8010	13059	18188	22804		
18	Erosion rate		0.1	0.1	0.1	0.1	0.1	0.1		
19	Erosion Loss		100	390	801	1306	1819	2280		
20	Remaining maintenance		900	3510	7209	11753	16369	20524	60265	
21	New licenses	5000	15000	22500	29250	32175	32175	28958		
22	Maint/license price ratio	0.20	0.20	0.20	0.20	0.20	0.20	0.20		
23	Initial conversion rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0		
24	New licenses-maintenance	1000	3000	4500	5850	6435	6435	5792	33012	
25	Maintenance revenue	1000	3900	8010	13059	18188	22804	26315	93277	
26									93277	
27	International									
28	New licenses rate		3.00	1.50	1.30	1.10	1.00	0.90		
29	revenue	2000	6000	9000	11700	12870	12870	11583	66023	
30	Prof services revenue	400	1200	1800	2340	2574	2574	2317	13205	
31	Upgrade revenue	400	1560	3204	5224	7275	9122	10526	37311	
32	Maintenance revenue	400	1560	3204	5224	7275	9122	10526	37311	
33	Total	3200	10320	17208	24487	29994	33687	34952	153849	
34									153849	
35	Maintenance calculation									
36	Previous year maintenance		400	1560	3204	5224	7275	9122		
37	Erosion rate		0.1	0.1	0.1	0.1	0.1	0.1		
38	Erosion Loss		40	156	320	522	728	912		
39	Remaining maintenance		360	1404	2884	4701	6548	8210	24106	
40	New licenses	2000	6000	9000	11700	12870	12870	11583		
41	Maint/license price ratio	0.20	0.20	0.20	0.20	0.20	0.20	0.20		
42	Initial conversion rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0		
43	New licenses-maintenance	400	1200	1800	2340	2574	2574	2317	13205	
44	Maintenance revenue	400	1560	3204	5224	7275	9122	10526	37311	
45									37311	
46										
47										
48										

XNet/SCI Technologies

	A	B	C	D	E	F	G	H	I
50									91
51	Costs for New ISG A Products - World Wide								
52									
53									
54 (\$000)		Projected							Total
55		1999	2000	2001	2002	2003	2004	2005	1999-200
56									
57	Americas								
58	Revenues	8000	25800	43020	61218	74986	84219	87380	384623
59									
60	Cost of revenues rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
61	cost	800	2580	4302	6122	7499	8422	8738	38462
62	Marketing and sales rate	0.45	0.40	0.35	0.30	0.30	0.30	0.30	
63	cost	3600	10320	15057	18365	22496	25266	26214	121318
64	R and D rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
65	cost	1200	3870	6453	9183	11248	12633	13107	57693
66	G and A rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
67	cost	1200	3870	6453	9183	11248	12633	13107	57693
68	Total Costs- Americas	6800	20640	32265	42853	52490	58953	61166	275167
69	Cost/revenue ratio	0.85	0.8	0.75	0.7	0.7	0.70	0.70	0.72
70									
71	International								
72	Revenues	3200	10320	17208	24487	29994	33687	34952	153849
73									
74	Cost of revenues rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
75	cost	320	1032	1721	2449	2999	3369	3495	15385
76	Marketing and sales rate	0.45	0.40	0.35	0.30	0.30	0.30	0.30	
77	cost	1440	4128	6023	7346	8998	10106	10486	48527
78	R and D rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
79	cost	480	1548	2581	3673	4499	5053	5243	23077
80	G and A rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
81	cost	480	1548	2581	3673	4499	5053	5243	23077
82	Total Costs - International	2720	8256	12906	17141	20996	23581	24466	110067
83									110067
84	Cost/revenue ratio	0.85	0.80	0.75	0.70	0.70	0.70	0.70	0.72
85									
86									

XNet/SCI Technologies

	A	B	C	D	E	F	G	H	I
100									92
101	Net Present Value for New ISG A Products - World Wide								
102									
103					Projected				Total
104 (\$000)		1999	2000	2001	2002	2003	2004	2005	1999-200
105									
106	Americas								
107	Revenues	8000	25800	43020	61218	74986	84219	87380	384623
108	Operating Income rate	0.15	0.20	0.25	0.30	0.30	0.30	0.30	
109	Operating Income pre tax	1200	5160	10755	18365	22496	25266	26214	109456
110	Tax Rate	0.384	0.384	0.384	0.384	0.384	0.384	0.384	
111	Taxes	461	1981	4130	7052	8638	9702	10066	42031
112	Operating Income after tax	739.2	3179	6625	11313	13857	15564	16148	67425
113	NPV Factor (8.5%)	0.961	0.886	0.816	0.752	0.693	0.639	0.589	
114	Net Present Value	710	2816	5406	8507	9603	9945	9511	46499
115									
116	International								
117	Revenues	3200	10320	17208	24487	29994	33687	34952	153849
118	Operating Income rate	0.05	0.10	0.15	0.20	0.20	0.20	0.20	
119	Operating Income pre tax	160	1032	2581	4897	5999	6737	6990	28397
120	Tax Rate	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
121	Taxes	32	206	516	979	1200	1347	1398	5679
122	Operating Income after tax	128	826	2065	3918	4799	5390	5592	22718
123	NPV Factor (8.5%)	0.961	0.886	0.816	0.752	0.693	0.639	0.589	
124	Net Present Value	123	731	1685	2946	3326	3444	3294	15550
125									
126	World Wide								
127	Revenues	11200	36120	60228	85705	104981	117906	122332	538472
128	Operating Income pre tax	1360	6192	13336	23263	28495	32003	33204	137853
129	Operating Income after tax	867	4004	8690	15231	18657	20954	21740	90143
130	Net Present Value	833	3548	7091	11454	12929	13389	12805	62049
131									
132									

	A	B	C	D	E	F	G	H	I
1				ISC					88 90
2	Revenue Sources for New Net A Products - World Wide								
3									
4									
5	(\$000)				Projected				Total
6		1999	2000	2001	2002	2003	2004	2005	1999-2005
7									
8	Americas			3.00	1.50	1.30	1.10	1.00	1.80
9	New licenses rate		4.75	1.50	1.39	1.30	1.00	0.80	
10	revenue <i>C9 x B10</i>	5000 45000	26250	39375	53156	63788	70166	63150	330885
11	Prof services rate	.20	.20	.20	.20	.20	.20	.20	.20
12	revenue <i>B10 x B11</i>	7500	13125	19688	26578	31894	35083	31575	165442
13	Maintenance revenue	2000	6525	12960	21232	30591	40162	47512	160982
14	Total	24500	45900	72023	100967	126272	145411	142237	657309
15	upgrades								657309
16	Maintenance calculation								
17	Previous year maintenance		2000	6525	12960	21232	30591	40162	
18	Erosion rate		0.1	0.1	0.1	0.1	0.1	0.1	
19	Erosion Loss		200	653	1296	2123	3059	4016	
20	Remaining maintenance		1800	5873	11664	19109	27532	36145	102122
21	New licenses	5000	26250	39375	53156	63788	70166	63150	
22	Maint/license price ratio	30.00	0.18	0.18	0.18	0.18	0.18	0.18	
23	Initial conversion rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
24	New licenses-maintenance	100	4725	7088	9568	11482	12630	11367	56859
25	Maintenance revenue	10002000	6525	12960	21232	30591	40162	47512	158982
26	<i>B21 x B22 x B23</i>								160982
27	International								
28	New licenses rate		2.25	2.00	1.75	1.50	1.25	1.10	
29	revenue	6000	13500	27000	47250	70875	88594	97453	350672
30	Prof services rate		0.50	0.50	0.50	0.50	0.50	0.50	
31	revenue	3000	6750	13500	23625	35438	44297	48727	175336
32	Maintenance revenue	750	3105	7655	15394	26612	39898	53450	146863
33	Total	9750	23355	48155	86269	132925	172788	199629	672871
34									672871
35	Maintenance calculation								
36	Previous year maintenance		750	3105	7655	15394	26612	39898	
37	Erosion rate		0.1	0.1	0.1	0.1	0.1	0.1	
38	Erosion Loss		75	311	765	1539	2661	3990	
39	Remaining maintenance		675	2795	6889	13855	23951	35908	84072
40	New licenses		13500	27000	47250	70875	88594	97453	
41	Maint/license price ratio		0.18	0.18	0.18	0.18	0.18	0.18	
42	Initial conversion rate		1.0	1.0	1.0	1.0	1.0	1.0	
43	New licenses-maintenance		2430	4860	8505	12758	15947	17542	62041
44	Maintenance revenue	750	3105	7655	15394	26612	39898	53450	146113
45									146863
46									
47									
48									
49									

Upgrades = ~~C20~~
 + must add to maint base

Table 90

	B	ISGA					Total	
		99	00	01	02	03		04
8 American								
9 New lic rev		3.00	1.50	1.30	1.10	1.00	.90	
10 rev. B10 B11		B10x	→					✓
11 Prof serv rev .2x B10		B10	→					✓
12 Upgrade rev B13		B13	→					✓
13 Maint rev B25		B25	→					✓
14 Total Rev		Σ B10, 11, 12, 13 etc.						✓
15								
16								
17		B25	C25	→				
18		.1	.1	.1	.1	.1	.1	
19		C17x	→					
20		C18	→					✓
21		C17	→					
21 new licenses		B10	→					
22		.20	→					
23		1.0	→					
24		B21x	→					✓
25		B22x B23	→					✓
maint rev		B20+	→					✓
		B24	→					

5000

duplicate for July except for

~~28~~
29

2000

	A	B	C	D	E	F	G	H	I	
50									BT 91	
51	156 A Costs for New XNet-A Products - World Wide									
52										
53										
54	(\$000)	Projected							Total	
55		1999	2000	2001	2002	2003	2004	2005	1999-2005	
56										
57	Americas									
58	Revenues	24500	45900	72023	100967	126272	145411	142237	657309	
59	Cost of revenues rate	0.20	0.20	0.20	0.20	0.20	0.20	0.20		
60	cost	4900	9180	14405	20193	25254	29082	28447	131462	
61	Marketing and sales rate	0.45	0.40	0.35	0.30	0.30	0.30	0.30		
62	cost	11025	18819	26648	33319	37882	39261	35559	202513	
63	R and D rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15		
64	cost	3675	6885	10803	15145	18941	21812	21336	98596	
65	G and A rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15		
66	cost	3675	6885	10803	15145	18941	21812	21336	98596	
67	Total Costs - Americas	23275	41769	62660	83802	101018	111966	106678	531167	
68	Cost/revenue ratio	0.95	0.91	0.87	0.83	0.8	0.77	0.75	0.81	
69										
70										
71	International									
72	Revenues	9750	23355	48155	86269	132925	172788	199629	672871	
73	Cost of revenues rate	0.20	0.20	0.20	0.20	0.20	0.20	0.20		
74	cost	1950	4671	9631	17254	26585	34558	39928	134574	
75	Marketing and sales rate	0.45	0.41	0.37	0.33	0.30	0.27	0.25		
76	cost	4388	9576	17817	28469	39877	46653	49907	196687	
77	R and D rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15		
78	cost	1463	3503	7223	12940	19939	25918	29944	100931	
79	G and A rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15		
80	cost	1463	3503	7223	12940	19939	25918	29944	100931	
81	Total Costs - International	9263	21253	41894	71603	106340	133047	149722	533122	
82	Cost/revenue ratio	0.95	0.91	0.87	0.83	0.80	0.77	0.75	0.79	
83										
84										
85										
86										
87										
88										
89										
90										
91										
92										
93										
94										
95										
96										
97										
98										
99										

Bit etc. →

B333

Some as above

Line 76 -
not 77

B333

	A	B	C	D	E	F	G	H	I
100									
101		New XNet-A Products (Net Present Value) World Wide							
102									
103									
104 (\$000)		1999	2000	2001	2002	2003	2004	2005	Total 1999-2005
105									
106 Americas									
107 Revenues		24500	45900	72022.5	100967	126272	145411	142237	657309
108 Operating Income rate		0.06	0.09	0.13	0.17	0.20	0.23	0.25	
109 Operating Income pre tax		1225	4131	9363	17164	25254	33445	35559	126141
110 Tax Rate		0.40	0.40	0.40	0.40	0.40	0.40	0.40	
111 Taxes		490	1652	3745	6866	10102	13378	14224	50457
112 Operating Income after tax		735	2479	5618	10299	15153	20067	21336	75685
113 NPV Factor		0.961	0.886	0.816	0.752	0.693	0.639	0.589	
114 Net Present Value		706	2196	4584	7745	10501	12823	12567	51121
115									
116 International									
117 Revenues		9750	23355	48155	86269	132925	172788	199629	672871
118 Operating Income rate		0.05	0.09	0.13	0.17	0.20	0.23	0.25	
119 Operating Income pre tax		488	2102	6260	14666	26585	39741	49907	139749
120 Tax Rate		0.20	0.20	0.20	0.20	0.20	0.20	0.20	
121 Taxes		98	420	1252	2933	5317	7948	9981	27950
122 Operating Income after tax		390	1682	5008	11733	21268	31793	39926	111799
123 NPV Factor		0.961	0.886	0.816	0.752	0.693	0.639	0.589	
124 Net Present Value		375	1490	4087	8823	14739	20316	23516	73345
125									
126 World Wide									
127 Revenues		34250	69255	120177	187236	259197	318199	341866	1330179
128 Operating Income pre tax		1713	6233	15623	31830	51839	73186	85467	265890
129 Operating Income after tax		1125	4160	10626	22031	36421	51860	61261	187484
130 Net Present Value		1081	3686	8671	16567	25239	33138	36083	124466

B33

GENTRAN:EDX

1. Description of product, its principal functions and its platforms for operation: GENTRAN EDX would be a product that includes a restricted-use version of RemoteWare with GENTRAN Server to extend the EC Messaging capabilities with remote systems management. Principal functions would include security and manageability for remote connection and scheduled remote communications with commerce partners. Platforms would include NT, UNIX, AS/400 and mainframe (S/390).
2. Major markets, competition and prospective SCI market share: Major markets would include traditional EDI and enterprise application integration. Geographically, markets would include the U.S. and Europe initially, followed by Asia and Latin America. Broader markets could also include large corporations with a variety of computing platforms and business applications that span almost any industry including government. Competition to GENTRAN EDX would be companies such as Harbinger, ISI Software and NEON. The size of the North American traditional EDI market will grow from \$270M in 1997 to \$500M in 2001 (Dataquest CAGR of 20%) with SCI holding a 35% (Dataquest) market share in North America in 1997. The size of the worldwide traditional EDI application integration market is expected to grow from \$300M in 1996 to \$2.5B in 2001 (Dataquest Group) with SCI holding an estimated 3% worldwide market share in 1996.
3. Estimate of when initial product or offering will be released and when full product or offering will be available: The initial release of GENTRAN EDX will be the second quarter of FY99. The fully integrated release is planned for first quarter FY02.
4. Pricing plans for new licenses, upgrades, add-ons, maintenance and services: Pricing for new licenses and upgrades/add-ons will vary but approximately equal to 20% of the list price.
5. SCI estimates of initial year new customers and revenues from new licenses: For FY99, estimated revenue from new customer licenses and upgrades/add-ons will be approximately \$11M in the Americas. Revenue growth for America's market will be 40% CAGR.
6. SCI projection of ratio between upgrades/add-ons and installed base: Estimated ratio would be 20%.
7. SCI projection of ratio of services revenue to new licenses revenue: Estimate ratio would be 20%.
8. SCI projection on initial acceptance rate of maintenance on both new licenses and on upgrades/add-ons. SCI projection on maintenance erosion rates after first year: Is there any "free" maintenance period; if so, how long. Initial acceptance rate of maintenance would be 100% with negligible erosion after the first year. There is no "free" maintenance period.
9. SCI's view on marketable product life in terms of new licenses and continued support of customers: Marketable life for new customers and support is at least seven years based on delivery of the fully integrated release within the planning period.

what price?
limits

platform; maintenance ←

erosion rate?

Appendix ISGA

10. Differences between the Americas' market and projections and International markets and projections. For International markets, the FY99 estimated revenue from new customer licenses and upgrades/add-ons will be approximately \$4M. Answers to items 6, 7 and 8 would be the same. The answer to item 2 would be the same markets, but the traditional EDI market will grow from \$150M in 1997 to \$350M in 2001 (Dataquest CAGR of 18%) with SCI holding a 21% (Dataquest) market share outside North America in 1997. The answer to item 4 would also be the same, but the international list price is 25% uplifted from the Americas' list price on a per-unit basis. Revenue growth rate for International markets would be 80% CAGR.
11. BGAI projections: N/A
12. Source: Chuck Armstrong
13. Expected costs for Americas: Cost of goods 1%, Marketing, sales and support 53%, Research and development 14% and General and Administrative 4%
14. Expected costs for International: Cost of goods 1%, Marketing, sales and support 63%, Research and Development 14% and General and Administrative 5%

July 30, 1998

3

GENTRAN:EDX

- 1. Description of product, its principal functions, and its platforms for operation:** GENTRAN:EDX would be a product that includes a restricted-use version of RemoteWare with GENTRAN:Server to extend the EC messaging capabilities with remote systems management. Principal functions would include security and manageability for remote connections and scheduled remote communications with commerce partners. Platforms would include NT, UNIX, AS/400, and mainframe (S/390).
- 2. Major markets, competition, and prospective SCI market share:** Major markets would include traditional EDI and enterprise application integration. Geographically, markets would include U.S. and Europe initially, followed by Asia and Latin America. Broader markets could also include large corporations with a variety of computing platforms and business applications that span most any industry including government. Competition to GENTRAN:EDX would be companies such as Harbinger, TSI Software, and NEON. The size of the North American traditional EDI market will grow from \$270M in 1997 to \$560M in 2001 (Dataquest CAGR of 20%) with SCI holding a 35% (Dataquest) market share in North America in 1997. The size of the worldwide enterprise application integration market is expected to grow from \$300M in 1998 to \$2.5B in 2001 (META Group) with SCI holding an estimated 3% worldwide market share in 1998.
- 3. Estimate of when initial product or offering will be released and when full product or offering will be available:** The initial release of GENTRAN:EDX will be the 2nd quarter of FY99. The fully integrated release is planned for 1st quarter of FY02.
- 4. Pricing plans for new licenses, upgrades/add-ons, maintenance, and services:** Pricing for new licenses and upgrades/add-ons will vary by platform. Maintenance will be 20% of the list price annually. Services will be approximately equal to 20% of the list price.
- 5. SCI estimates of initial year new customers and revenues from new licenses:** For FY99, estimated revenue from new customer licenses and upgrades/add-ons will be approximately \$11M in the Americas. Revenue growth for America's market will be 40% CAGR.
- 6. SCI projection of ratio between upgrades/add-ons and installed base:** Estimated ratio would be 20%.
- 7. SCI projection of ratio of services revenue to new licenses revenue:** Estimated ratio would be 20%.
- 8. SCI projection on initial acceptance rate of maintenance on both new licenses and on upgrades/add-ons: SCI projection on maintenance erosion rates after first year; is there any "free" maintenance period, if so, how long:** Initial acceptance rate of maintenance would be 100% with negligible erosion after the first year. There is no "free" maintenance period.

July 30, 1998

9. **SCI's view on marketable product life in terms of new licenses and continued support of customers:** Marketable life for new customers and support is at least seven years based on delivery of the fully integrated release within the planning period.
10. **Differences between the Americas' market and projections and International markets and projections:** For International markets, the FY99 estimated revenue from new customer licenses and upgrades/add-ons will be approximately \$4M. Answers to items 6, 7, and 8 would be the same. The answer to item 2 would be the same markets, but the traditional EDI market will grow from \$150M in 1997 to \$350M in 2001 (Dataquest CAGR of 18%) with SCI holding a 21% (Dataquest) market share outside North America in 1997. The answer to item 4 would also be the same, but the international list price is 25% uplifted from the Americas' list price on a per unit basis. Revenue growth rate for International markets would be 80% CAGR.
11. **BGAI projections:** N/A
12. **Source:** Chuck Armstrong
13. **Expected costs for Americas:** Cost of goods 1%; Marketing, sales, and support 53%; Research and development 14%, and general and administrative 4%.
14. **Expected costs for International:** Cost of goods 1%; Marketing, sales, and support 63%; Research and development 14%, and general and administrative 5%.

Company Confidential

Gentran
Express, EDX,
Catalog
Enabler

June 29, 1998

Sterling Commerce, Inc.

ISG-A -
Gentran: EDX

From:
Greg Martin

XcelleNet Acquisition**New Solution and Business Opportunities Profile:**

- GENTRAN: Express: integrating and reselling a restricted-use Remoteware product to GENTRAN customers to extend their EC Messaging capabilities
- GENTRAN:EDX: delivering a highly-differentiated, message management capability to an enterprise including GENTRAN:Server, Web Suite, CONNECT:Direct and Remoteware
- GENTRAN:Catalog Enabler: allows PC-based (Windows and Windows NT) suppliers to update procurement and other catalogs via Remoteware.

Market

- U.S. and Europe primarily, though Asia and Latin America will continue to develop
- Market leaders, i.e. large corporations that use a variety of computer platforms and business applications
- Any industry, including government

Customer Application Example

- Both SCI and XcelleNet have been successful at assisting retailers in addressing their EC, communications, and EDI needs, enabling them to achieve significant improvements in their supply chains. One of the anticipated advantages of the pairing of the SCI and XcelleNet solutions is the ability to expand and enrich those solutions further.
- Many retailers use XcelleNet for conveniently and cost-effectively remotely managing in-store systems and exchanging business information. As part of an SCI solution, a store's point-of-sale information can be sent directly to an SCI EC Messaging Server. Then, the information can be translated to the appropriate formats for distribution to a company's business systems, forecasting systems, and suppliers worldwide. The flexibility and simplicity of the combined SCI and XcelleNet solutions can help companies improve business performance via electronic business processes.
- SCI customers can expect that this distinctive combination of products and services will enable them to meet their business needs quickly and effectively by leveraging the combined merit of SCI and XcelleNet solutions.

Product Requirements

GENTRAN and Remoteware software components would be required. The initial integration would be via current interfaces. However, subsequent releases would include value-added integration such as visibility to status information from Remoteware in GENTRAN.

GENTRAN Product Families

- GENTRAN:Server for Windows NT
- GENTRAN:Server for UNIX, integrated with Remoteware on a Windows NT server
- GENTRAN:Server for AS400, integrated with Remoteware on a Windows NT server
- GENTRAN Mainframe Product Family, integrated with Remoteware on a Windows NT server

*look for
high*

	J	K	L	M	N	O		
1								
2	Revenue Sources for New ISG B Products - World Wide							
3								
4								
5	(\$000)			Projected				
6		1999	2000	2001	2002	2003	2004	2005
7								1999-2005
8	Americas							
9	New licenses rate			2.00	2.00	1.50	1.25	1.00
10	revenue		4000	8000	16000	24000	30000	30000
11	Prof services rate		0.8	0.8	0.8	0.8	0.8	0.8
12	revenue		3200	6400	12800	19200	24000	24000
13	Maintenance revenue		800	2320	5288	9559	14603	19143
14	Total		8000	16720	34088	52759	68603	73143
15								253313
16	Maintenance calculation							
17	Previous year maintenance			800	2320	5288	9559	14603
18	Erosion rate		0.1	0.1	0.1	0.1	0.1	0.1
19	Erosion Loss			80	232	529	956	1460
20	Remaining maintenance			720	2088	4759	8603	13143
21	New licenses		4000	8000	16000	24000	30000	30000
22	Maint/license price ratio		0.2	0.2	0.2	0.2	0.2	0.2
23	Initial conversion rate		1.0	1.0	1.0	1.0	1.0	1.0
24	New licenses-maintenance		800	1600	3200	4800	6000	6000
25	Maintenance revenue		800	2320	5288	9559	14603	19143
26								51713
27	International							
28	New licenses rate			2.00	2.00	1.75	1.50	1.25
29	revenue		1600	3200	6400	11200	16800	21000
30	Prof services rate		0.80	0.80	0.80	0.80	0.80	0.80
31	revenue		1280	2560	5120	8960	13440	16800
32	Maintenance revenue		320	928	2115	4144	7089	10580
33	Total		3200	6688	13635	24304	37329	48380
34								133537
35	Maintenance calculation							
36	Previous year maintenance			320	928	2115	4144	7089
37	Erosion rate		0.1	0.1	0.1	0.1	0.1	0.1
38	Erosion Loss		0	32	93	212	414	709
39	Remaining maintenance		0	288	835	1904	3729	6380
40	New licenses		1600	3200	6400	11200	16800	21000
41	Maint/license price ratio		0.2	0.2	0.2	0.2	0.2	0.2
42	Initial conversion rate		1.0	1.0	1.0	1.0	1.0	1.0
43	New licenses-maintenance		320	640	1280	2240	3360	4200
44	Maintenance revenue		320	928	2115	4144	7089	10580
45								25177
46								
47								
48								

XNet/SCI Technologies

	J	K	L	M	N	O	P	Q	R
50									94
51	Costs for New ISG B Products - World Wide								
52									
53									
54 (\$000)		Projected							Total
55		1999	2000	2001	2002	2003	2004	2005	1999-2005
56									
57	Americas								
58	Revenues	0	8000	16720	34088	52759	68603	73143	253313
59									
60	Cost of revenues rate	0.02	0.02	0.02	0.02	0.02	0.02	0.02	
61	cost	0	160	334	682	1055	1372	1463	5066
62	Marketing and sales rate	0.50	0.50	0.47	0.44	0.41	0.40	0.40	
63	cost	0	4000	7858	14999	21631	27441	29257	105187
64	R and D rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
65	cost	0	1200	2508	5113	7914	10290	10971	37997
66	G and A rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
67	cost	0	1200	2508	5113	7914	10290	10971	37997
68	Total Costs- Americas	0	6560	13209	25907	38514	49394	52663	186247
69	Cost/revenue ratio		0.82	0.79	0.76	0.73	0.72	0.72	0.74
70									
71	International								
72	Revenues	0	3200	6688	13635	24304	37329	48380	133537
73									
74	Cost of revenues rate	0.02	0.02	0.02	0.02	0.02	0.02	0.02	
75	cost	0	64	134	273	486	747	968	2671
76	Marketing and sales rate	0.50	0.50	0.50	0.50	0.47	0.45	0.45	
77	cost	0	1600	3344	6818	11423	16798	21771	61754
78	R and D rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
79	cost	0	480	1003	2045	3646	5599	7257	20030
80	G and A rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
81	cost	0	480	1003	2045	3646	5599	7257	20030
82	Total Costs - International	0	2624	5484	11181	19200	28744	37253	104485
83									104485
84	Cost/revenue ratio		0.82	0.82	0.82	0.79	0.77	0.77	0.78
85									
86									
87									
88									

XNet/SCI Technologies

	J	K	L	M	N	O	P	Q	R
100									95
101	Net Present Value for New ISG B Products - World Wide								
102									
103				Projected					Total
104 (\$000)		1999	2000	2001	2002	2003	2004	2005	1999-2005
105									
106	Americas								
107 Revenues		0	8000	16720	34088	52759	68603	73143	253313
108 Operating Income rate		1	0.18	0.21	0.24	0.27	0.28	0.28	
109 Operating Income pre tax		0	1440	3511	8181	14245	19209	20480	67066
110 Tax Rate		0.384	0.384	0.384	0.384	0.384	0.384	0.384	
111 Taxes		0	553	1348	3142	5470	7376	7864	25753
112 Operating Income after tax		0	887	2163	5040	8775	11833	12616	41313
113 NPV Factor (8.5%)		0.961	0.886	0.816	0.752	0.693	0.639	0.589	
114 Net Present Value		0	786	1765	3790	6081	7561	7431	27413
115									
116	International								
117 Revenues		0	3200	6688	13635	24304	37329	48380	133537
118 Operating Income rate		1.00	0.18	0.18	0.18	0.21	0.23	0.23	
119 Operating Income pre tax		0	576	1204	2454	5104	8586	11127	29051
120 Tax Rate		0.20	0.20	0.20	0.20	0.20	0.20	0.20	
121 Taxes		0	115	241	491	1021	1717	2225	5810
122 Operating Income after tax		0	461	963	1963	4083	6869	8902	23241
123 NPV Factor (8.5%)		0.961	0.886	0.816	0.752	0.693	0.639	0.589	
124 Net Present Value		0	408	786	1477	2830	4389	5243	15132
125									
126	World Wide								
127 Revenues		0	11200	23408	47723	77063	105933	121523	386850
128 Operating Income pre tax		0	2016	4715	10635	19349	27795	31608	96117
129 Operating Income after tax		0	1348	3126	7003	12858	18701	21518	64554
130 Net Present Value		0	1194	2551	5266	8911	11950	12674	42546
131									
132									
133									
134									
135									

Appendix ISGB

GENTRAN Web Suite Express

1. Description of product, its principal functions and platforms for operation: GENTRAN Web Suite Express is a web application framework allowing companies to deploy web applications that automate business processes. The product would embed RemoteWare Express functionality to facilitate the remote Internet systems management. It will support four platforms: NT, Unix, AS/400 and S/390.
2. Major markets, competition and prospective SCI market share: Web Suite Express will compete in the market generically known as Web Commerce. Geographically, markets would include U.S., Europe, Asia and Latin America. Major competitors would include Harbinger and Netscape. Other competitors would include CrossRoute, WebMethods, CrossWorlds, Neon. According to Gartner/Dataquest research, the market for Business-to-Business Web Commerce applications was \$28.5M in 1997 and is projected to be \$1.27B by 2002. SCI's prospective market share will be 4% in 1999.
3. Estimate of when initial product or offering will be released and when full product or offering will be available: The initial release of GENTRAN Web Suite Express will be the second quarter FY99. The fully integrated release is planned for fourth quarter FY99.
4. Pricing plans for new licenses, upgrades/add-ons, maintenance and service: It is estimated that pricing will be \$100,000 for 1,000 users with additional users at \$7,500 per 1,000 users. Maintenance is at 20% of initial license. Services revenue is estimated at \$80,000 per installation.
5. SCI estimates of initial year new customers and revenues from new licenses: Worldwide estimates are 50 customers in first year with \$5M revenues.
6. SCI projection of ratio between upgrades/add-ons and installed base: Estimated that over 75% of customers will be existing GENTRAN customers but not current users of GENTRAN Web Suite.
7. SCI projection of services revenue to new license revenue: Services revenue is estimated to be 80% of initial license revenue.
8. SCI projection on initial acceptance rate of maintenance on both new licenses and on upgrades/add-ons: SCI projection on maintenance erosion rates after first year, is there any "free" maintenance period, if so, how long: Initial acceptance rate of maintenance would be 100% with negligible erosion after the first year. There is no "free" maintenance period.
9. SCI's view on marketable product life in terms of new licenses and continued support of customers: Marketable life for new customer and support is at least seven years based on delivery of the fully integrated release within the planning period.

10. Differences between the Americas' market and projections and international markets and projections. Currently, 40% of our existing Web Suite customers are international. Internationally, we have fewer current competitors since most of the competition are U.S.-based startups that are not able to compete internationally. Netscape is the only serious competitor that we have seen internationally. We have seen growth rates being similar to the U.S. markets. Pricing for international is based on U.S. pricing with a 25% uplift. It is projected that we will achieve \$2.5M in international revenue in 1999. Answers to items 6, 7, and 8 would be the same.
11. BGAI projections: N/A
12. Source: Chuck Armstrong
13. Expected costs for Americas: Cost of goods 1%, Marketing, sales and support 53%, Research and Development 14% and General and Administrative 4%
14. Expected costs for International: Cost of goods 1%, Marketing, sales and support 63%, Research and Development 14% and General and Administrative 5%

4

GENTRAN Web Suite Express

- 1. Description of product, its principal functions and platforms for operation:** GENTRAN Web Suite Express is a web application framework allowing companies to deploy web applications that automate business processes. The product would embed RemoteWare Express functionality to facilitate the remote Internet systems management. It will support 4 platforms: NT, Unix, AS/400 and S/390.
- 2. Major markets, competition, and prospective SCI market share:** Web Suite Express will compete in the market generically known as Web Commerce. Geographically, markets would include U.S., Europe, Asia and Latin America. Major competitors would include Harbinger and Netscape. Other competitors would include CrossRoute, WebMethods, CrossWorlds, Neon. According to Gartner/Dataquest research, the market for Business-to-Business Web Commerce applications was \$28.5M in 1997 and is projected to be \$1.27B by 2002. SCI's prospective market share will be 4% in 1999.
- 3. Estimate of when initial product or offering will be released and when full product or offering will be available:** The initial release of GENTRAN Web Suite Express will be the 2nd quarter of FY99. The fully integrated release is planned for 4th quarter of FY99.
- 4. Pricing plans for new licenses, upgrades/add-ons, maintenance, and services:** It is estimated that pricing will be \$100,000 for 1,000 users with additional users at \$7,500 per 1,000 users. Maintenance is estimated at 20% of initial license. Services revenue is estimated at \$80,000 per installation.
- 5. SCI estimates of initial year new customers and revenues from new licenses:** Worldwide estimates are 50 customers in first year with \$5.0M revenues.
- 6. SCI projection of ratio between upgrades/add-ons and installed base:** Estimated that over 75% of customers will be existing GENTRAN customers but not current users of GENTRAN Web Suite
- 7. SCI projection of services revenue to new license revenue:** Services revenue is estimated to be 80% of initial license revenue

8. **SCI projection on initial acceptance rate of maintenance on both new licenses and on upgrades/add-ons: SCI projection on maintenance erosion rates after first year; is there any "free" maintenance period, if so, how long:** Initial acceptance rate of maintenance would be 100% with negligible erosion after the first year. There is no "free" maintenance period.
9. **SCI's view on marketable product life in terms of new licenses and continued support of customers:** Marketable life for new customers and support is at least seven years based on delivery of the fully integrated release within the planning period.
10. **Differences between the Americas' market and projections and International markets and projections:** Currently, 40% of our existing Web Suite customers are international. Internationally, we have fewer current competitors since most of the competition are U.S. based start-ups that are not able to compete internationally. Netscape is the only serious competitor that we have seen internationally. We have seen growth rates being similar to the U.S. markets. Pricing for international is based on U.S. pricing with a 25% uplift. It is projected that we will achieve \$2.5 M in international revenue in 1999. Answers to items 6,7, and 8 would be the same
11. **BGAI projections:** N/A
12. **Source:** Chuck Armstrong
13. **Expected costs for Americas:** Cost of goods 1%; Marketing, sales, and support 53%; Research and development 14%, and general and administrative 4%.
14. **Expected costs for international:** Cost of goods 1%; Marketing, sales, and support 63%; Research and development 14%, and general and administrative 5%.

*Gentran:
Web Suite Express.*

Company Confidential

June 29, 1998

Sterling Commerce, Inc.

ISG - B

XcelleNet Acquisition

Gentran: Web Suite Express

New Solution and Business Opportunities Profile:

GENTRAN Web Suite Express: incorporates the distinctive capabilities of the Remoteware IP product into Web Suite to significantly enhance its file transfer and remote client management capabilities.

Connect: Manage

Market

- U.S. and Europe primarily, though Asia and Latin America will continue to develop
- Market leaders, i.e. large corporations that exchanging business information with large numbers of customers, suppliers and partners
- Any industry, including government

Customer Application Example

- Web commerce is expanding dramatically, particularly for business-to-business needs. Growth is primarily in web selling, though there are also significant, high-growth opportunities in web procurement and customer service applications. Although much of the needed capabilities require an "online session" with a web server and related applications, there is significant benefit to providing "offline" capabilities for all of these applications in accessibility, performance, reliability and mobility. Web Suite provides valuable "offline" capabilities today, though the addition of Remoteware capabilities would make it an extraordinarily powerful business-to-business web platform.
- For example, a company may be recreating their dealer business systems around the web to provide online access to the latest business, pricing, product and competitor information. However, dealers still have many functions, e.g. configuring products and preparing quotations, that need to be done by a mobile sales and engineering staff. The combination of Web Suite and Remoteware provides the ability to have both online access and outstanding management of the mobile workforce applications. It also provides the ability to exchange large volumes of data quickly and reliably with that workforce.
- SCI customers won't be confined by traditional web capabilities in their business-to-business solutions. They will have the ability to meet both online and offline needs, including mobile workforces with sophisticated web solutions tightly integrated to their ERP systems.

Product Requirements

GENTRAN and Remoteware software components would be required, with significant integration required to maximize the value of the product combination.

GENTRAN Product Families

GENTRAN Web Suite for all GENTRAN:Server product families

XcelleNet Contribution

GENTRAN Web Suite provides communications capabilities. However, it is limited to data exchange and ODBC capabilities. Remoteware offers the ability to expand beyond data exchange

and ODBC to remote system management, a significant value-add to companies relying on the web to enable mobile workforces, remote operations, dealer networks, etc.

XNet/SCI Technologies

	S	T	U	V	W	X	Y	Z	AA
1									96
2	Revenue Sources for New ISG C Products - World Wide								
3									
4									
5	(\$000)	Projected						Total	
6		1999	2000	2001	2002	2003	2004	2005	1999-2005
7									
8	Americas								
9	New licenses rate		5.00	1.75	1.50	1.25	1.00	1.00	
10	revenue	3000	15000	26250	39375	49219	49219	49219	231281
11	Prof services rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
12	revenue	3000	15000	26250	39375	49219	49219	49219	231281
13	Maint. and hosting revenue	1050	6195	14763	27068	41588	54656	66417	211736
14	Total	7050	36195	67263	105818	140025	153093	164854	674298
15									
16	Maintenance calculation								
17	Previous year maintenance		1050	6195	14763	27068	41588	54656	
18	Erosion rate		0.1	0.1	0.1	0.1	0.1	0.1	
19	Erosion Loss		105	620	1476	2707	4159	5466	
20	Remaining maintenance		945	5576	13287	24361	37429	49190	130787
21	New licenses	3000	15000	26250	39375	49219	49219	49219	
22	Maint & host/license price ratio	0.35	0.35	0.35	0.35	0.35	0.35	0.35	
23	Initial conversion rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
24	New licenses maint & host	1050	5250	9188	13781	17227	17227	17227	80948
25	Maint & hosting revenue	1050	6195	14763	27068	41588	54656	66417	211736
26									211736
27	International								
28	New licenses rate			2.00	2.00	1.50	1.25	1.00	
29	revenue		3000	6000	12000	18000	22500	22500	84000
30	Prof services rate		1.00	1.00	1.00	1.00	1.00	1.00	
31	revenue		3000	6000	12000	18000	22500	22500	84000
32	Maint. and hosting revenue		1050	3045	6941	12546	19167	25125	67874
33	Total		7050	15045	30941	48546	64167	70125	235874
34									
35	Maintenance calculation								
36	Previous year maintenance		0	1050	3045	6941	12546	19167	
37	Erosion rate		0.1	0.1	0.1	0.1	0.1	0.1	
38	Erosion Loss		0	105	305	694	1255	1917	
39	Remaining maintenance		0	945	2741	6246	11292	17250	38474
40	New licenses		3000	6000	12000	18000	22500	22500	
41	Maint & host/license price ratio		0.35	0.35	0.35	0.35	0.35	0.35	
42	Initial conversion rate		1.0	1.0	1.0	1.0	1.0	1.0	
43	New licenses maint & host		1050	2100	4200	6300	7875	7875	29400
44	Maint & hosting revenue		1050	3045	6941	12546	19167	25125	67874
45									67874
46									
47									
48									
49									

	S	T	U	V	W	X	Y	Z	AA
50									97
51	Costs for New ISG C Products - World Wide								
52									
53									
54 (\$000)		Projected							Total
55		1999	2000	2001	2002	2003	2004	2005	1999-2005
56									
57	Americas								
58	Revenues	7050	36195	67263	105818	140025	153093	164854	674298
59									
60	Cost of revenues rate	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
61	cost	1410	7239	13453	21164	28005	30619	32971	134860
62	Marketing and sales rate	0.40	0.40	0.40	0.38	0.36	0.34	0.32	
63	cost	2820	14478	26905	40211	50409	52052	52753	239628
64	R and D rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
65	cost	1058	5429	10089	15873	21004	22964	24728	101145
66	G and A rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
67	cost	1058	5429	10089	15873	21004	22964	24728	101145
68	Total Costs- Americas	6345	32576	60537	93120	120422	128598	135180	576777
69	Cost/revenue ratio	0.90	0.90	0.90	0.88	0.86	0.84	0.82	0.86
70									
71	International								
72	Revenues	0	7050	15045	30941	48546	64167	70125	235874
73									
74	Cost of revenues rate	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
75	cost	0	1410	3009	6188	9709	12833	14025	47175
76	Marketing and sales rate	0.40	0.40	0.40	0.38	0.36	0.34	0.32	
77	cost	0	2820	6018	11757	17477	21817	22440	82329
78	R and D rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
79	cost	0	1058	2257	4641	7282	9625	10519	35381
80	G and A rate	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
81	cost	0	1058	2257	4641	7282	9625	10519	35381
82	Total Costs - International	0	6345	13541	27228	41750	53900	57503	200266
83									200266
84	Cost/revenue ratio		0.90	0.90	0.88	0.86	0.84	0.82	0.85
85									
86									
87									
88									
89									
90									
91									
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93									
94									
95									
96									
97									
98									
99									

XNet/SCI Technologies

	S	T	U	V	W	X	Y	Z	AA
100									98
101	Net Present Value for New ISG C Products - World Wide								
102									
103					Projected				Total
104 (\$000)	1999	2000	2001	2002	2003	2004	2005	1999-2005	
105									
106	Americas								
107 Revenues	7050	36195	67263	105818	140025	153093	164854	674298	
108 Operating Income rate	0.10	0.10	0.10	0.12	0.14	0.16	0.18		
109 Operating Income pre tax	705	3620	6726	12698	19604	24495	29674	97521	
110 Tax Rate	0.384	0.384	0.384	0.384	0.384	0.384	0.384		
111 Taxes	271	1390	2583	4876	7528	9406	11395	37448	
112 Operating Income after tax	434.28	2230	4143	7822	12076	15089	18279	60073	
113 NPV Factor (8.5%)	0.961	0.886	0.816	0.752	0.693	0.639	0.589		
114 Net Present Value	417	1975	3381	5882	8369	9642	10766	40433	
115									
116	International								
117 Revenues	0	7050	15045	30941	48546	64167	70125	235874	
118 Operating Income rate	1.00	0.10	0.10	0.12	0.14	0.16	0.18		
119 Operating Income pre tax	0	705	1505	3713	6797	10267	12623	35608	
120 Tax Rate	0.20	0.20	0.20	0.20	0.20	0.20	0.20		
121 Taxes	0	141	301	743	1359	2053	2525	7122	
122 Operating Income after tax	0	564	1204	2970	5437	8213	10098	28486	
123 NPV Factor (8.5%)	0.961	0.886	0.816	0.752	0.693	0.639	0.589		
124 Net Present Value	0	500	982	2234	3768	5248	5948	18680	
125									
126	World Wide								
127 Revenues	7050	43245	82308	136758	188572	217260	234979	910172	
128 Operating Income pre tax	705	4325	8231	16411	26400	34762	42296	133129	
129 Operating Income after tax	434	2794	5347	10792	17513	23302	28377	88559	
130 Net Present Value	417	2475	4363	8116	12136	14890	16714	59112	
131									
132									

ANESCI Technologies

too high

	S	T	U	V	W	X	Y	Z	AA
1									
2	Revenue Sources for New ISG C Products - World Wide								
3									
4									
5	(3000)								
6									
7									
8	Americas								
9	New licenses rate		5.00	1.75	1.50	1.25	1.00	1.00	
10	revenue	3000	15000	26250	39375	49219	49219	49219	231284
11	Prof services rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
12	revenue		15000	26250	39375	49219	49219	49219	228281
13	Maint. and hosting revenue		5250	13913	26303	40899	54035	65859	206258
14	Total	3000	35250	66413	105053	139336	152473	164296	665820
15									
16	Maintenance calculation								
17	Previous year maintenance		0	5250	13913	26303	40899	54035	
18	Erosion rate		0.1	0.1	0.1	0.1	0.1	0.1	
19	Erosion Loss		0	525	1391	2630	4090	5404	
20	Remaining maintenance		0	4725	12521	23672	36809	48632	126359
21	New licenses		15000	26250	39375	49219	49219	49219	
22	Maint & host/license price ratio		0.35	0.35	0.35	0.35	0.35	0.35	
23	Initial conversion rate		1.0	1.0	1.0	1.0	1.0	1.0	
24	New licenses maint & host		5250	9188	13781	17227	17227	17227	79099
25	Maint & hosting revenue		5250	13913	26303	40899	54035	65859	206258
26									206258
27	International								
28	New licenses rate			2.00	2.00	1.50	1.25	1.00	
29	revenue		3000	6000	12000	18000	22500	22500	84000
30	Prof services rate		1.00	1.00	1.00	1.00	1.00	1.00	
31	revenue		3000	6000	12000	18000	22500	22500	84000
32	Maint. and hosting revenue		1050	3045	6941	12546	19167	25125	67874
33	Total		7050	15045	30941	49546	64167	70125	235874
34									235874
35	Maintenance calculation								
36	Previous year maintenance		0	1050	3045	6941	12546	19167	
37	Erosion rate		0.1	0.1	0.1	0.1	0.1	0.1	
38	Erosion Loss		0	105	305	694	1255	1917	
39	Remaining maintenance		0	945	2741	6246	11292	17250	38474
40	New licenses		3000	6000	12000	18000	22500	22500	
41	Maint & host/license price ratio		0.35	0.35	0.35	0.35	0.35	0.35	
42	Initial conversion rate		1.0	1.0	1.0	1.0	1.0	1.0	
43	New licenses maint & host		1050	2100	4200	6300	7875	7875	29400
44	Maint & hosting revenue		1050	3045	6941	12546	19167	25125	67874
45									67874
46									
47									
48									

Business Case for new Business Unit

Web Commerce Business --

Organization ISG
CVG

August 27, 1998

GENTRAN: SellSuite

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SellSuite is a Web-based order management solution which provides a web accessible catalog with search and select capability, order management facilities for one-time orders, partial-orders, and recurring orders, interfaces to payment and logistic service providers, back-end integration with the seller's business systems, and customer community management. This product solution leverages existing EC systems and legacy applications to complete end-to-end integration. XNET technology provides the functional components to: update and refresh catalog content and product information on the SellSuite server, provide the ability to deliver business rules to customers/distributors for customization of the ordering and selection process, and the synchronization of order content and order status between the SellSuite server and the customer/distributors platform.

2. Major markets (size), competition, prospective competitive and SCI market share.

The major market is web and internet commerce for business to business communication. This market cuts across traditional vertical segments and geographic regions. Budgets are getting bigger. 30% of North American companies are spending 10% of their IT budget on the Internet. In the business to business Internet space, 22% of the companies are conducting Internet based E-Commerce and 53% is b2b (IDC).

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Comptitors include SpaceWorks, Netscape, Connect, ERP vendors (SAP, BAAN), CommerceOne.

3. Estimate of when initial product or offering will be released (available for delivery) and when additional enhancements will be available (use appropriate quarter of SCI fiscal year 10/1-9/30)

Several implementation of SellSuite exist today. These include Owens-Corning, Vipar, BookNet, NCR, and TradeCompass. This provides the validation of the release which will contain the xnet technology. Plans are for GA in 3fy99. Major releases are planned on six month intervals.

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Discuss with Evangelists

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ISG New Product Notes

by M. Y. Silberberg

Following is additional information obtained from Kevin Byrd and Dave Evangelisti in a telephone conversation with them on August 19. Both Kevin and Dave were well-prepared for the discussion and responsive to my questions. The information they provided is organized consistent with the information checklist you provided.

1. The new products will provide a more cost-effective approach for users with small/intermittent needs who currently use outside facilities. These new products will give users their own communication infrastructure.
2. The new offerings will provide integrated function derived from the current best of breed products. Customers could buy current products and develop their own infrastructure. SCI's competitive advantage will be that they will provide and support integrated products. The possibility of Microsoft embedding similar/same function in its basic offerings is a potential downside risk, but it is not expected.

All figures quoted (market size, SCI share) in this section and in other sections are based on 1998 year revenue, CAGR, maintenance percentage, services percentage, ratios, etc. All forecasts reviewed and approved by Finance staff and management. The forecasts either have been or are being included in SCI's 1999 plans.

3. The initial release will use intermediate files to link the XcelleNet and Sterling portions of the integrated products. Development for 2Q99 will focus on testing and packaging. The later releases (4Q99/1Q00) will provide direct interfaces. It will all be transparent to the user in any case, but the later releases will have better throughput.

SCI's development schedules are determined primarily by availability of development resources, rather than any complexity/difficulty of the development task. The Web Suite Express resources are controlled by that part of the company involved in Web-related offerings. There could be competition for the EDX offerings however; its later schedules could be exposed in that regard.

4. For both products, the distribution by platform of revenue from new licenses and upgrades/add-ons is estimated to be:

NT	40%
MVS	15%
AS/400, midrange	6%
UNIX	39%

- 5 (No additional information requested)
- 6 (No additional information requested)
- 7 (No additional information requested)
- 8 Some customers may switch to other vendors, but existing customers will always take maintenance. List prices will be adjusted annually; this is built into the growth rate.
- 9 (No additional information requested)
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- 12 (No additional information requested)
- 13/14 The international market is not as mature as the Americas market. Sterling has been/is building up its resources there. The need for additional attention and extensive travel in the international area accounts for the difference between the 53% for marketing, sales and support in the Americas and the 63% estimated for international.

MYS MANAGEMENT SERVICES

ISG

~~Date: August 21, 1998~~

~~To: Burton Grad
Burton Grad Associates, Inc.~~

~~From: Martin Y. Silberberg~~

~~Subject: SCI/XNET Valuation New ISG Products~~

~~Reference: Your memo to me of August 14, 1998~~

ISG New Product
Notes

by NY Silberberg

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All figures quoted (market size, SCI share) in this section, and in other sections as well (initial-year revenue, CAGR, maintenance %, services %, ratios) have been reviewed and approved by Finance staff and management. The forecasts either already have been or are being included in SCI's 1999 plans.

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SCI/XNET1-1

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5, 6, 7. (No additional information requested.)

8. Some customers may switch to other vendors, but existing customers will always take maintenance. List prices will be adjusted annually; this is built into the growth rate.

9, 10, 11, 12. (No additional information requested.)

13/14. The international market is not as mature as the Americas market. Sterling has been/is building up its resources there. The need for additional attention and extensive travel in the international areas accounts for the difference between the 53% for marketing, sales and support in the Americas and the 63% estimated for international.

BURTON GRAD ASSOCIATES, INC.
101 POST ROAD EAST
WESTPORT, CONNECTICUT 06880
(203) 222-8718 FAX: (203) 222-8728
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BG

ISG

Date: August 14, 1998
To: Marty Silberberg
From: Burton Grad
Subject: SCI/XNET Valuation: New ISG Products

As agreed, you will call Dave Evangelisti and Kevin Byrd on ~~Tuesday 8/18/98~~ ^{Wed 8/19/98} at 3 P.M. EDT on phone # 614-793-7464. They will be available until 5 P.M.

To help you prepare for this phone call, I have enclosed the following items on the proposed new products:

- Gentran:EDX -- material from Kevin Byrd responding to BGAI questions
- Gentran: Web Suite Express -- material from Dave Evangelisti responding to BGAI questions

• Earlier descriptions of these proposed products prepared by Greg Martin who is no longer with SCI. The third proposed offering does not appear to be technology-based, so it has been eliminated; however, this form of premium support may increase the projected maintenance revenue on the two new products.

• New Product Technologies Analysis which shows the use of XNet technologies and ISG technologies in the new ISG products. ISG-A is Gentran:EDX while ISG-B is Gentran: Web Suite Express.

In addition, I have enclosed a page which ISG sent me describing the significant technologies in their current products which are applicable to the new products.

You received a list of the information to be obtained the other day. Note that the new products are, so some extent, follow-ons to current products, so we need to be sure we are only identifying the value from major new products, not simply picking up normal revenues from the current products.

For you background, I have also enclosed a sample of the spread sheets that I will be filling out based on your input. The first sheet covers the assumptions needed to make the revenue projection (all the #'s are for testing only); the second sheet covers the cost assumptions. The third page uses the numbers from the first two pages to compute the net present value of the operating income stream after taxes.

Please call me to discuss this assignment.

Company Confidential

June 29, 1998

Sterling Commerce, Inc.

ISG-C
Gentran Premium Support**XcelleNet Acquisition****New Solution and Business Opportunities Profile:**

GENTRAN Premium Support: leverages Remoteware technology to enhance GENTRAN support offerings, and expands premium support offerings to all PC-based (Windows and Windows NT) customers.

Market

- U.S. and Europe primarily, though Asia and Latin America will continue to develop
- Market leader and middle market firms
- Any industry, including government

Customer Application Example

- As with many XcelleNet customers, SCI can expand and enhance customer service by capitalizing on XcelleNet products.
- In the case of SCI, many SCI customers operate important information systems based on SCI products on computer systems using the Microsoft Windows NT and Windows 95 operating systems. XcelleNet solutions will allow SCI to substantially enrich and expand customer service to these customers.
- Specifically, SCI customers will be able to subscribe to services that automatically keep their information systems updated, help diagnose performance issues, and maintain their system availability.
- The combination of SCI and XcelleNet solutions will provide SCI customers a range of customer support solutions distinctive in the software industry.

Product Requirements

GENTRAN and Remoteware software components would be required.

GENTRAN Product Families

All GENTRAN product families using Windows '95 and Windows NT, e.g. GENTRAN:Server for Windows NT

XcelleNet Contribution

Remoteware offers significant system management capabilities that GENTRAN doesn't provide.

ISG Products / Technologies

GENTRAN: Director – Provides EDI translation and management. Contains a communications component to connect to a VAN or trading partner. The key technologies here are the EDI translation and the communications protocols and scripting.

GENTRAN: Smartforms – Provides EDI translation using a “forms” metaphor. The outbound translation is from data entered onto screen forms set to mimic actual paper forms to EDI. The inbound translation is from EDI to printed forms using “print templates”. The data entry forms and print templates can be created by Sterling or by the end user using GENTRAN: Integrator. Contains a communications component to connect to a VAN or trading partner. The key technologies here are the EDI translation and the communications protocols and scripting.

GENTRAN: Integrator – Provides the ability to create the translation objects, data entry forms and print templates used by GENTRAN: Director and GENTRAN: Smartforms. The key technology is mapping.

GENTRAN: Server for Windows NT – Provides a complete client/server EC messaging solution. GENTRAN: Server can interface and integrate with a variety popular applications systems and databases, as well as customer written applications. It also provides a complete complement of access control, auditing and tracking functions. The key technologies are translation, mapping, access control, process control, message management, exception management, application integration, database interfaces and communications protocols and scripting.

GENTRAN: Web Suite – Provides a link to GENTRAN: Server and database information using Microsoft IIS on the server side and a Web Browser on the client side. Allows secure file exchange and the translation of Web based business “forms” to EDI. The key technology is the transfer agent application.

ISG

614 793 7464 1 ^{Dave} Evangelisti

Monty
Lilkerberg

set up date for ^{the} 8/18 } 2 pm - 5 pm
~~12 noon~~
12 noon
with Dave and Kevin ~~Birney~~.

to
MYS call to Dave E #

Centran EDX

Centran Web Suite Express

CSG
Hoyt

? "ACS" related offering.

CVG Ed Hefner
David Winkler

XNet

ISG



**STERLING
COMMERCE**

FAX

To: Burt Grad

From: Kevin Byrd *KB*

Company:

Phone:

Phone:

Fax:

Fax: 203-222-8728

Date: August 11, 1998

Number of pages: 5

Time:

Comments: Answers and information based on July 15th FAX to Greg Martin.
We'll be ready on the 18th at 3:00pm.

Kevin

*to
MYS, call #
614-793-7464
8/18 - 3pm*

MYS

7/15/98

To: Marty Silbenberg

From: But Quad

I faxed to you a few pages from Greg Martin (614-793-5123) describing the planned new ISG products which will incorporate substantial technologies from XcelleNet (XNet). We will only do ~~3~~ Gentran:EDX and Gentran: Web Site Express. Your other contacts will be David Evangelisti (614-793-7000). I'll talk with Greg and David this morning to tell them you will call later today (Wednesday) or to morrow. I'll also fax them a list of the questions you will be asking so that they can assemble relevant material.

Carol will ~~send~~^{fax} you the question list later this morning. The two spread sheets I faxed you last night tie into the questions.

I'll be at 413-243-4578 until 11am today and back after 1³⁰ pm.

I will need to be debriefed on the 2 ISG products sometime on Thursday (if possible)

Thanks...

SC7/xNet
ISG

✓ Dunayer, ✓ McSwain, ✓ Grad
✓ Martin, ✓ Wilkinson
✓ Hoyt, ✓ McGowan

7/10/98
Dane Evangelisti - Web Com
Kevin Bird - alt. Integ.

ISG-A

Integration^{ltd} development work --

Comprehensive mgt of widely distributed
Gentran + RemoteWare networks

Harvey, Martin

ISG

Techn

Centran: Server - engines

<NT, UNIX>

client - user interface, administration

mapping + translation

security, process control,

~~etc~~ application adapters

communications

Adv data distribution

Web Site includes, Web EDI, Web Docs

Internet Transport

~~etc~~

Message Mgt

old
prod
tech

Technologies

Nancy Harvey

- Dave

Wilkinson

6/4 7/3 5/04

Acs

Centran: Director

Centran: Smart Form

Centran: Integrator

SC/NET/ISG

ISG Tech

FAX

**STERLING
COMMERCE**

To: Bert Grad

From: Greg Martin

Company:

Phone: 614-793-5123

Phone: 203-222-8718

Fax: 614-793-7221

Fax: 203-222-8728

Date: 6-25-98

Number of Pages: 10

Time: 5:45 pm

Comments:

GENTRAN

Sterling Commerce
Your Partner for Success

GENTRAN:Server for Windows NT
Product Overview Presentation

Presenter
Date

STERLING
COMMERCE

Copyright 1997.


GENTRAN

The GENTRAN Product Family
for Microsoft System

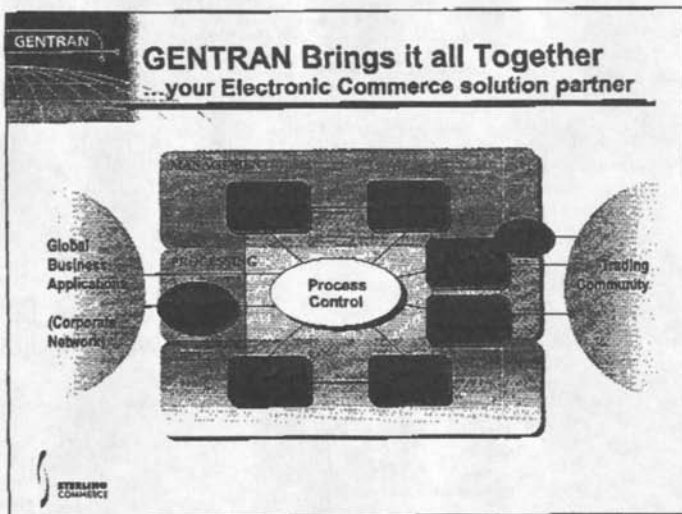
GENTRAN

GENTRAN:Server for Windows NT

- First product to bring full-scale distributed EC messaging to Windows NT
- Exchanges formatted messages between applications 24 hours a day, 7 days a week
- Integrated with Microsoft BackOffice and Windows NT

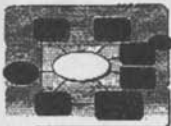


STERLING
COMMERCE



GENTRAN

Business Case Mapping & Translation

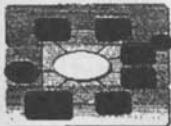


- Transform business data quickly and accurately
- Support key public standards worldwide
- Any-to-any mapping
- Rich feature set minimizes program development requirements
- High-performance translation



GENTRAN

Business Case Security

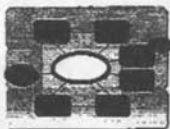


- Protect integrity of business information
- Control access to company interests
- Integrated with NT and database security to minimize administration
- Efficiently manage shared access in a multi-user environment
- Support secure EC over the Internet



GENTRAN

Business Case Process Control

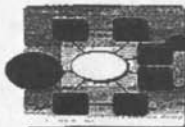


- Flexible, powerful definition and control of document flow, translation, and processing
- Event-driven processing of critical business information
- Scheduled operations
- Allows distribution of processes to suit business requirements and maximize hardware and software utilization



GENTRAN

Business Case Business System Extensions

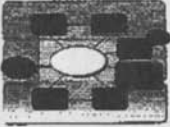


- Streamline linking to business systems
- Certified, supported integration with EC solution
- Rapid support of new ERP system releases



GENTRAN

Business Case Communications

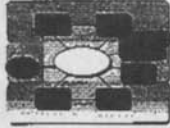


- Connect business systems over a wide range of networks and communications protocols
- Maximize investment by utilizing best solution - VAN, direct, or Internet
- Support global Electronic Commerce

STERLING
COMMERCE

GENTRAN

Business Case Advanced Data Distribution

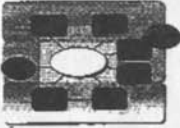


- Expand communication options with Trading Partners worldwide
- Manage multiple message types and communication technologies
- Support sophisticated internal EC applications

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COMMERCE

GENTRAN

Business Case Web Suite

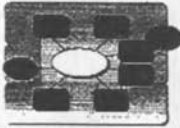


- Extend your EC solution by Web enabling multiple business systems
- Centralized management to facilitate secure Internet communications
- Easily build and distribute Web-based forms to transact any data type with your trading community

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COMMERCE**

GENTRAN

Business Case Internet Transport

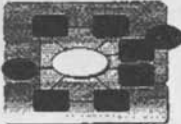


- Reduce communication costs
- Provide secure and reliable automated data transfer
- Transport files of any data type

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COMMERCE**

GENTRAN

Business Case Web EDI

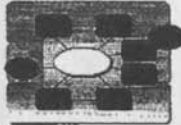


- Leverage existing EDI infrastructure
- Exchange EDI documents through secure Web-based forms
- EDI enable small and occasional trading partners

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COMMERCE**

GENTRAN

Business Case Web Documents

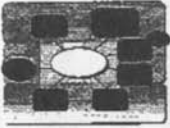


- Exchange all types of business information with internal and external partners through Web-based forms
- Trading partners create, edit and manage documents on or off-line

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COMMERCE**

GENTRAN

Business Case Exception Management

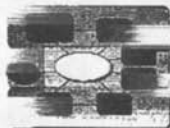


- Efficient of EC operations
- 7 x 24 operations support
- Management by exception
- Provide visibility to process failures

**STERLING
COMMERCE**

GENTRAN

Business Case Message Management

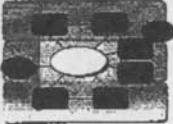


- Control electronic business processes
- Maximize service levels and productivity
- Support compliance with data retention requirements
- End-to-end tracking of all transactions
- Optimize system performance


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COMMERCE**

GENTRAN

Global Solutions



- Global standards support
- Global communications and network support
- Regional and local support centers in Europe and Asia
- National language support



STERLING
COMMERCE

new ^{product} 1) Gentran: Web site Express

2) Gentran: EDX (include Catalog enabler)

~~3) AES~~

~~4) Gentran: Cat enabler (with EDX)~~

3) ~~5)~~ Premium Support offering Services

**STERLING
COMMERCE**

ISG
new products
FAX to Sid D
6/30/98
FAX

To: Bert Grad

From: Greg Martin

Company:

Phone: 614-793-5123

Phone: 203-222-8718

Fax: 614-793-7221

Fax: 203-222-8728

Date: 6-29-98

Number of Pages: 6

Time: 5 pm.

Comments: Notes for forecast