

Week in review: Google shows its cards

By [Steven Musil](#)
Staff Writer, CNET News.com
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Google finally filed its plans to go public, revealing details about its finances and plans in one of the most-anticipated offerings in years.

Google [seeks to raise \\$2.7 billion](#) in an unusual auction-style public offering that will give the founders rare control over the company. However, the filing didn't disclose the number of shares that will be offered, nor the range in price for those shares.

In an unusual provision for a technology company, Google will create two classes of shares with different voting rights, a move that aims to guarantee that founders Sergey Brin and Larry Page will maintain decision-making authority. Such structures have proved beneficial in media companies such as The New York Times, the filing states.

With the filing, Google for the first time [released its financial results](#), answering long-awaited questions about the company's profitability. The company generated \$961.9 million in revenue in fiscal 2003 and posted \$105.6 million in net profit. That marked the third consecutive year of profits for the Web's most popular search engine. During the most recent quarter, which ended March 31, Google collected \$389.6 million in revenue and posted a \$64 million profit.

Investors who want to get in on the IPO better be prepared to jump through a [number of hoops](#) to get there. Among other roadblocks, Google issued a firm warning to speculators hoping to make a buck by quickly flipping their shares, a hallmark of many hot technology IPOs in the past. Instead, Google hopes to place its shares in a way that avoids the typical investment-banking strategy of intentional underpricing-and the volatility that frequently follows.

Google's investment bankers will gather up the bids and enter them into a master order book, which will be reviewed by the company's founders and underwriters. If a bid appears unusually large or the share price listed far exceeds the top range, then investors may be disqualified for creating a speculative bidding environment, according to the filing.

Brin and Page also made it clear that they are going to continue to run the company their own way. A seven-page letter included in Google's regulatory filing is an [organizational manifesto](#) crafted by the co-founders to map out Google's credo as a public company that goes against most principles for operating a public company.

The letter outlines everything from the triumvirate leadership between the co-founders and CEO Eric Schmidt to its promise not to be "evil" by sacrificing its ideals for short-term financial gains. It promises more spending on employee perks such as free meals, as well as a separate voting structure for executives and plans to avoid making financial predictions for Wall Street. Instead, the company asserts that it will focus on long-term priorities that do not have an immediate effect on earnings.



Tale of two tunes

Apple Computer on Wednesday celebrated the first birthday of its iTunes Music Store by unveiling more than a [half-dozen new features](#) for the popular online music service. The company also touted the fact that more than 70 million songs have been purchased to date from its online service.

But while that figure is large, it falls short of the 100 million songs Apple had earlier projected the service would achieve in its first year, mainly because of slower-than-expected adoption of the service and concept. Part of the difference may be due to a Pepsi promotion that gave away about 5 million free songs, [far fewer than the 100 million tracks](#) that could have been redeemed.

One of iTunes' several new features is iMix, which allows customers to publish their playlists for others to preview, rate and purchase. The company has also added Party Shuffle, which is designed to automatically choose songs from a customer's music collection. The same feature also has the ability to display upcoming songs and add, delete or rearrange them.

Apple has also [plugged a hole](#) that had allowed people to download music from other computers. Apple's iTunes allows Macintosh and PC users to play music stored on other computers in a network, so music can be streamed off other machines. But file-swapping enthusiasts quickly created other programs, such as MyTunes, to capture the songs and allow them to be saved to another computer's hard drive.

With the latest iteration--version 4.5--Apple appears to have plugged that hole. Apple confirmed that with the new version of iTunes, the company has "strengthened" the music-sharing feature to make sure that song sharing is limited to personal use.

The flip side

Apple's new file-swap-blocking feature came as welcome news to the Recording Industry Association of America, which filed a [new round of copyright lawsuits](#) against 477 anonymous file-swappers, bringing the total number of people sued to nearly 2,500 in eight months.

As with March's wave of suits, the organization highlighted its litigation against university students, this time at 14 separate schools. Record labels have been particularly concerned about high levels of music trading on campuses, where students often have access to fast Internet connections and little money for music purchases.

Despite the new lawsuits, a new file-trading network [has sprung up](#) on Internet2, the university network that offers researchers and students a way to communicate at blazing speeds while avoiding the ordinary Internet's data traffic jams. Dubbed i2hub, the network has drawn thousands of students from universities around the country to trade files and chat at speeds that far exceed what even ordinarily swift campus networks can provide.

The students involved say they're simply looking to use unused Internet2 bandwidth, which can be less expensive for their colleges than ordinary commercial Net connections. But some also see it as a way around limitations that many universities have begun to impose on widely used file-swapping applications such as Kazaa.

Microsoft's OS challenges

As Microsoft focuses on merging its Web browser and operating system software, open-source competitors are mulling a proposal to join forces and [beat the software giant to the punch](#). Representatives from two open-source foundations, Mozilla and Gnome, met to consider a joint course of action aimed at keeping their respective Web- and desktop-software products relevant after Microsoft releases Longhorn, the next major overhaul of its Windows operating system.

Microsoft now has a "single team for Web and native desktop rendering," noted one participant, according to meeting minutes posted on the Gnome Web site. "Gnome and Mozilla need to align to counter this." The meeting is but one manifestation of the open-source community's Longhorn jitters. Microsoft has promised that Longhorn will fuse Web browsing and desktop computing to an unprecedented degree.

Microsoft has also [delayed the planned release](#) of its next update to Windows XP by about a month. The software maker had originally said Windows XP Service Pack 2 would be released in its final form in the first half of this year, but a representative said the release is now likely to come later in the summer.

Windows XP Service Pack 2 is largely intended to bolster the security of Windows XP, but it will also add features such as a pop-up blocker for Internet Explorer. Internally, Microsoft is now targeting a July release, as opposed to the June release originally intended.

Corporate shake-ups

Spanish Internet company Terra Lycos has retained investment bank Lehman Brothers to [explore a possible sale](#) of its U.S. Internet business, including its flagship Lycos.com Web site. A sale of the unit would unwind the \$12.5 billion merger of Lycos and Terra Networks, struck in 2000 at the height of the dot-com bubble.

Now, with a resurgence of online advertising spending, Terra is seeking a buyer for the Lycos division as it focuses on its Spanish- and Portuguese-language businesses, according to the document, prepared by Lehman Brothers and circulated to prospective buyers during the past several weeks.

Meanwhile, Nortel Networks has shaken up its top management, [firing its chief executive officer](#) and two other top executives as a result of an internal review of the company's accounting practices. The telecommunications equipment maker fired CEO Frank Dunn, Chief Financial Officer Douglas Beatty and Controller Michael Gollogly. The company refused to comment on whether the dismissals were related to fraud.

Also of note

Gateway reported a larger-than-expected first-quarter loss due to restructuring charges, and it announced plans [to lay off 1,500 more employees](#) by the end of the year, reducing its employee headcount to about 2,000...The U.S. Department of Justice [filed a criminal complaint](#) against four Detroit-area men under the federal Can-Spam Act, in the first case sparked by the legislation...The U.S. Senate voted to [renew a four-year ban on taxes](#) on Internet connections such as DSL and cable modems instead of approving a competing plan that would have created a permanent moratorium...The latest notebook chip from Intel [will come out May 10](#), along with price cuts and a new naming scheme.

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