

RELEASE IN FULL

From: H <hrod17@clintonemail.com>
Sent: Wednesday, June 13, 2012 6:04 AM
To: 'Russorv@state.gov'
Subject: Fw: Kindle

Pls print.

-----Original Message-----

From: PIR
To: Evergreen
Subject: Kindle
Sent: Jun 11, 2012 9:53 PM

I'll try to keep this simple, but the overall point of this note is to give you some context for a bunch of clips you'll see tomorrow morning about State overpaying for Kindles.

On the flight home Lona and I talked to you a bit about this event next week with Jeff Bezos, announcing State's initiative to use Kindles at our embassies for people to come in and read American literature, both fiction and non-fiction. Concept's not new, the shift from actual books to e-readers is. You already know all this. We also talked to you a little bit about the terms of the deal with Amazon, and you had the same questions we were already asking R.

In the past 12 months, State purchased 6,000 Kindles for \$985,000. That's about \$163 apiece, reflecting a 10% discount from their standard retail price. So far so good. Or at least not terrible.

Fast forward to today. Some online gov't site named Netxgov spotted an RFP that State issued soliciting the next round of Kindles. It outlined a plan to spend as much as \$16.5 million over five years on a maximum of 35,000 devices, plus content. Without going into too much detail, one part of the proposal says State will only guarantee the 1st of those 5 years. We could walk away from the last four. Our requirement in year one would be to spend at least \$2.29 million on at LEAST 2,500 devices, the remainder on content. So we could wake up in year two and call it a day after spending \$2.3 million.

But this online group conflated the maximum contract amount of \$16.5 million and paired it with the minimum purchase obligation of 2,500 devices, and came to the wildly wrong conclusion that we would pay \$6,600 for each device that retails for only \$189. In truth, whatever we end up buying in the next round will be in the same ballpark as the pilot program, \$160ish.

It got picked up by a bunch of geeky websites, but then also noticed by the NY Post, Fox, The Atlantic, Dow Jones, and a couple other mainstream outlets. When I got wind of it I immediately took this out of PA's hands and get it back in the box. I think I've mostly done so. We'll see.

Again, just wanted to give you some context for what you're likely to read. Though if I did my job, there will be less of it to read.