From: Anthony Bay
Sent: Tuesday, October 25, 1994 2:26 PM
To: Ben Slivka
Subject: FW: MCI as an access provider

you asked me for BillG's comments on this...

From: Bill Gates
To: nathanm; russs; tomev
Subject: RE: MCI as an access provider
Date: Thursday, October 13, 1994 1:05PM

I think Russ's arguments are the strongest ones here. We are trying to make Marvel be a better experience than Internet and use that to drive scale and IPs to take advantage of our uniqueness. It is a tough challenge but very important.

If someone has something aimed directly at ANCS (the novell thing) then I would be open minded to that since Marvel isnt aimed there but Internet access overlaps MOS too much.

From: Russell Siegelman
To: Tom Evslin; Bill Gates; Nathan Myhrvold
Subject: RE: MCI as an access provider
Date: Thursday, October 13, 1994 8:12AM

I am vehemently against this proposal. As I have said in previous email when you brought up similar deals allowing service providers get access to the Windows box, I don't know why we would do this. It competes directly with our MOS business and gives away our 1 unique and valuable asset - Windows distribution - at way too low a price. As per my mail MOS is going to come in with plan for Microsoft to be a service provider. It is part of the Marvel strategy to become an Internet provider, but that is not the real issue. The real issue is that we want Microsoft to be the service provider - this means we sign up the accounts, not MCI. The only real advantage we have in this game is Windows distribution. Why sell it so cheaply when we think is will be a big market and can give us leverage in so many ways in the iway business? I understand the Ohare proposal, which as I understand it to be, we create standard interfaces for hooking Windows 95 to Internet providers. I am fine with this, that is MAPI for the Internet. But giving distribution to a branded national provider with Microsoft's marketing support makes NO sense to me. It will compete directly with MOS.

Tom, we need to get in synch. I understand that there is a tension between your mission - selling s/w to providers and infrastructure companies - and mine - building a Microsoft services business, including access provision. But we need to make sure that we have a clear deliniation of what we are trying to do so we don't constantly have to debate these issues.

RussS

From: Tom Evslin
To: John Ludwig; Brad Silverberg; Richard Tong; Russ Siegelman; Bill Gates (Xenix); David Wood; Nathan Myhrvold; Jim Allchin (jimall); Joachim Kempin (joachimk); Ken Goetsch (kengoe); Mike Maples (Xenix); Paul Maritz (paulma)
Subject: MCI as an access provider

GOVERNMENT EXHIBIT 130
PENGAD-Bayonne, N.J.

Date: Wednesday, October 12, 1994 5:08PM

After discussing with POSD, I made the proposal at the bottom of this mail to MCI. Basically, we develop together a quick way to establish an MCI account for Internet access for individuals and bundle this with whatever Windows 95 SKU ends up having all the rest of the things needed to be a great Internet client. They pay us $2m advance against 15% of first yr revenue for each new user (they have none now) with a cap of $40 per user. US Only. Nonexclusive. MFN except for MS products.

Harcharik's response is "You are definitely in the ballpark." I have a conference call with Vint Cerf tonite.

I think we can close this relatively quickly but want to make sure I know all the MS interests that are at stake and that we make this negotiation a model of how good (if expensive) it is to do business with us. Here's who I know must be involved and interestes I know of. Please feed me others and I'll put together a meeting as needed.

POSD: BradSi and JohnLu. They own the box so also own any price concessions from the offer, decision on which Windows 95 sku it goes in. Also the technical details of the standard this will establish for simple logoin and acct creation with a provider. Also the tie in to Windows 95 announcements and publicity but we should use this as overall evidence of MS Internet savvy.

OEM: JoachimK. I think I remember your saying we can't impose bundles like this on OEMs so I have disclaimed this. What should our strategy be here?

BSD: RichT. Does this go in WinNT prior to port of Chicago shell stuff? If so, when and on what terms?

MOS: RussS. What do we have to watch out for vis a vis Marvel plans in this area? There was mail from you today about taking an equity stake in an access provider. This is nonexclusive and we haven't discussed term. This also gives us a revenue stream. But it diminishes the value of nonincluded providers.

Open issues:

1. How fast will they have how much capacity deployed? (I hope to resolve tonite).

2. How much code is needed and how fast can it be done?

3. Is this Win95? frosting? CD version?

4. What should we do outside the US?

5. How should we handle with OEMs?

6. Should we look for other providers to sell a similar deal to or would this just divide the pie and weaken the focus?

****The proposal as sent to MCI

As we discussed (confidentially), Windows 95 (nee Chicago) will contain at least a TCP/IP stack, SLIP and PPP, an SMTP/POP mail client, a newgroup client, a mosaic client, an ftp client, and a gopher client. In short, almost everything needed to be up and going on the Internet except a way to open an account with an access provider. We haven't made a final packaging decision yet on whether all of this is in base Chicago or whether some of it

is in "frosting" - a windows accessory kit that we will sell separately. Windows, itself, will come in two skus - a floppy disk sku and a cd sku. Since extra content on the CD doesn't raise our cogs, there will be more on

the CD than there is on the floppies. As you know, we plan to make Marvel accessible from Windows.

Let's assume that we can define something to go behind an icon that would result in a user making a connection to the Internet thru an MCI access point. If the user already has an acct with MCI, this is just a convenient way to get connected. If the user doesn't have an account, he or she is led

thru SIMPLE acct creation. I'm assuming that you can provide an 800 number at least for initial connection that works anywhere in the US so there are very, very few questions we would ask the user. Certainly not "what is your

IP address?" or "specify your subnet mask".

We would put this icon on the disks with the rest of the Internet stuff (remember, I'm not sure which sku this is yet). MCI and MS would make a pretty big deal about this.

In consideration of being part of Windows, MCI would pay MS 15% of first year revenue from each new customer obtained through this signup process with a cap of $40 for any single customer. This is, I believe, in line with

what online services are paying for actually accounts established. There would also be a $2million advance against these payments. I believe this is

a win-win deal but I don't know your price or cost structure so I'm shooting

in the dark.

caveats:

1. I can't promise that we can achieve distribution with OEM versions of Windows 95, It's in both our interests to make this work but it may have to

be on a manufacturer by manufacturer basis.

2. This is US only. If your service will be available internationally, then

we should talk about that.

3. This is nonexclusive but we could promise that no other third party access provider will get more prominence and, if we can make a deal quickly,

I think (but am not sure) that we'd be able to do some promoting on an exclusive basis.

4. We need to work fast at any rate if we are going to catch the first wave of Windows. When will you be first providing the access service?

There's much more we can do together including providing software and connections for corporate access. But I'd like to start here because I think this is simple.