Dan Steele

From: Dan Steele
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To: Brad Chase, Nancy Malm
Cc: Mike Conte
Subject: AT&T

Brad I met with Jim Daniel and his business development team yesterday at AT&T headquarters in New Jersey Here's the key takeaways in preparation for your call today with Tom

MS proposal to AT&T was a joint MSN/IE offer For MSN, AT&T was given the option of doing a bundle or an upgrade offer - both options call for the Internet Explorer to be the preferred WorldNet browser.

AT&T thought the bundle option to expensive willing to do some form of the upgrade offer but the MSN services option would not be a part of their signup Rather they'd offer it as one of many upgrade offers on their At Home web page From my perspective AT&T isn t really sold on what MSN is going to be - they kept asking for specifics re the content that motivated the pricing, and the only granularity that the MSN folks could provide was DreamWorks and MSNBC AT&T suggested we're asking for Disney pricing for Nickelodeon type content etc etc

MSN team took away an action item to provide a revamped offer to AT&T within 24 hours MSN team may even choose to pass on working with AT&T and simply stay with RBOCs who will pay extra to see AT&T excluded.

AT&T asked that the MSN and IE negotiations be separated per the earlier discussion they had with bradsi and tom evslin Seemed clear that they think they can get the best price by dealing with bradsi directly Regardless, they really want to do this deal and see the 3 key points of negotiation --

1 how we point to each other in our respective products
2 size of the bounty they pay us (they want this to be around $15 - under the combined MSN/IE proposal they received, they'd have to hit 5-10 million subscribers to get the bounty down to $15)
3 the level of exclusivity for the browser - they do have large min commits to Netscape (bradsi claims $17 million) they'd really like to be browser neutral and are strongly motivated to preserve their partnership with Netscape But bradsi has told them that to get in the box they need to give us preferred status, bradsi also told them he'd let them use our bounties to pay down the Netscape min commits if we got preferred status The preferred status issue seems pretty problematic given internal AT&T bias not to work with us Lots of pushback on why there isn t reciprocity on the exclusivity issue - we want to be the only browser but we're going to list their competitors in our access offerings.

It's very clear that they really, really want to be in the Windows box and are especially hell bent on obtaining the most favorable position in the phone book - they asked if the listing of access providers could be alphabetical -) or tied to actual performance. They're deathly afraid of the RBOCs and are running worst case internal business scenarios wherein they'd lose 30 of their current 80 million customer base to the RBOCs over the next several years.

On WorldNet forecast side, they think they'll end 96 with 2 million subscribers, growing to 10 million over the next 3 years

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