Subject: AT&T IMPORTANT
Date: Mon, 06 May 1996 10:47:09 -0500
From: Fred Giordano <fredg@netscape.com>
Organization: Netscape Communications Corporation
To: mikeh@netscape.com, roberta@netscape.com, todd@netscape.com, pcurrie@netscape.com, ram@netscape.com
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Pricing Committee Members:

The AT&T WorldNet agreement term has approximately 4 years remaining.We are competing against MS "free", as MS is offering the usual terms one would expect them to offer WorldNet (free IE, free upgrades, presence on Win'95, free advertising space on MS home site,etc.).

Our objective is simple;

Remain the AT&T WorldNet Preferred Client Technology, the default Navigator. Jim B., Marca, Todd, Mike, Eric, Rick, among others, have been involved in recent discussions with the WorldNet folks.

There are a number of business issues we are as creatively as possible responding to and certainly their SW costs are a key consideration, particularly upgrades.Their current contract has WorldNet paying $1.75 for LAN, 2.75 for PE, and upgrade costs are 50% of the Published End User Upgrade Price. They have the ability to get below that upgrade cost if they purchase upgrades in multiple millions of lots.

I believe we need to think and propose outside normal parameters. This is what we suggest as the NN and Gold Proposal to AT&T WorldNet. NN (Dial-up and LAN). Todd and I have discussed the general numbers and concepts alreday and I have had some conversations with Ram as well.

I. NN Pricing

Year 1
$5.00: includes all upgrades (basically a subscription model).
In year one we would ask for a 1 million unit commit or $5M for client SW only.
They are targeting 2M subs over the next 12 mos. therefore the commit is reasonable.
If they reach the 2M number of subs we therefore get $10M.

Year 2
$5.00: incl all upgrades (subscription)
Another $5M commit.
Assume they acquire 2M new subs they would pay 2M X $5. or $10M PLUS
Assume they acquired 1M subs in year one. In year 2 they would pay an additional subscription of 1M X $5 or $5M.

Year 3
5.00: incl all upgrades
$5M commit.
Assume they acquire another 3M subs it's 3M X $5.
They also would pay $5 X the number of subs in years 1 and 2 for subscription in year 3.

Year 4
5.00: incl all upgrades
$5M commit.
Same as above subsription fee for subs signed on in previous years

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($5).

II.NN Gold
Same as above although base price would be $7. as opposed to $5.
NO additional commit for Gold. $M commit could be spread accross both NN and Gold.

I BELIEVE WE ULTIMATELY WILL HAVE TO BECOME EVEN MORE AGGRESSIVE THAN THE ABOVE PRICES. I SUGGEST THIS AS A SOLID PLACE TO START.

We need to act on our next submission of our proposal this week. Therefore I would like to establish a teleconference with Roberta, Peter, Mike, Ram and Todd if available, either later today or tomorrow morning. We will call to set up the teleconference. Thank you.

Fred

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