

MEMORANDUM

Date: April 25, 1996

To: Hank Vigil
Sanjay Parthasarathy
Rick Johnson
Dick Lonergan
Ellen Dudley

From: Steve Herz

Re: Microsoft visit: April 22, Redmond

P-0559

Thank you for your time on April 22. Each time that we get together, we appear to improve our understanding of each other's goals and objectives.

My observation is that we have somewhat different objectives but that we also have opportunity for complimenting each other and creating a win-win result. For example;

- Microsoft's Primary Objective: Delivery of a full-function competitively-superior Merchant Internet Commerce Server, according to a focused and aggressive, but calculated market-ready beta schedule (e.g., Nov. 1996)
- Visa's Primary Objective: Introduce and nurture the adoption of S.E.T. as the open network bankcard standard, as soon as possible. (e.g. Summer, 1996)

Mutual Opportunities:

- Demonstrate leadership in building consumer and merchant confidence for growth in Electronic Commerce.
- Facilitate and support open standards.
- Preempt present and growing, but inferior security alternatives.
- Dispel vapor-ware claims and distractions of competitors with tangible results.
- Leverage our respective market dominance for accelerated distribution of electronic commerce solutions.
- Take advantage of our contractual relationship and investments in S.E.T. to differentiate our opportunities from a normal market-based business relationship.

We can potentially optimize our individual objectives as well as our mutual opportunities if we can;

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- 1) Identify merchant(s) that will be part of Microsoft's merchant beta program, who could also participate in Visa's S.E.T. "alpha/beta" programs ("trials"). This could provide synergies in our development, coordination, and scheduling.

Actions:

- A) Rick Johnson will provide a list of Microsoft beta merchant's (e.g., Starwave)
- B) Ellen Dudley will investigate, with Visa US Region, who are the acquirers of these merchants and how they may fit into Visa's test plans.

- 2) Identify opportunities to provide S.E.T. Payment Gateway DLLs to Visa much earlier than beta availability. These early DLLs will enable Visa to integrate the payment gateway in parallel with Microsoft's work on their merchant server, thereby optimizing calendar time.

Actions:

Rick Johnson investigate and optimize opportunities for early delivery of PGW DLLs to Visa.

- 3) Identify opportunities to use early versions of Internet Explorer Rel. 3.0 and early versions (e.g., alpha, pre-beta) of Microsoft's merchant server. Visa needs these to conduct early controlled proof-of-concept S.E.T. beta "trials/tests". This will demonstrate S.E.T. reality and feasibility to the market. Plus, it will enable Microsoft to incorporate S.E.T. (and fixes) in the Microsoft merchant beta.

Action: Sanjay Parthasarathy, Rick Johnson, and Ellen Dudley will investigate and pursue any opportunities in this area.

- 4) Utilize present S.E.T. specifications, rather than wait for the published version on the Web. We should be able to take advantage of our mutual "insider" information to differentiate our progress from the market in general.

Action: Steve Herz will get Mastercard's commitment to freeze S.E.T. changes to start the testing phase.

Rick Johnson will confirm the stability of S.E.T. protocol with Brian Beckman.

Additional Opportunities

In addition to progress on S.E.T., we will pursue two additional opportunities:

- 1) Develop a P/R plan to promote consumer and merchant confidence through our efforts to solve security concerns with Internet commerce.

Action: Steve Herz will follow-up with David Melancon for status on a P/R plan.

- 2) Educate Visa senior management about Microsoft's Internet strategy. Microsoft's merchant presentation and demo will be a great tool in this regard.

Action: Dick Lonergan and Steve Herz will outline a Visa session including both International and U.S. Region management. Hank Vigil and Sanjay Parthasarathy will determine the appropriate Microsoft presenter.

- 3) Educate a French consortium about Internet trends and Microsoft's Internet strategy. The objective is to encourage major French banks, telephone company and hardware manufacturers to realize the Internet's potential and Microsoft's capabilities.

Action: Steve Herz will outline dates and agendas. Hank Vigil will then determine the appropriate Microsoft support.

Next Meeting

Rick and Ellen will schedule our next management review meeting for late May in Foster City, California.