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Subject: MS-RN meeting 10-9
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RN Confidential

On Thursday (10-9) Jim, B and I met with Anthony Bay to discuss how we might move the MS-RN relationship forward in a positive way. The meeting was a follow-up to a meeting that took place last week.

Joining Anthony (unexpectedly) at the meeting was David Rinn. The tone of the meeting was frostier than my recent interactions with Anthony, indeed colder than expected.

Anthony began by saying that the relationship between our 2 companies is in his mind "95% competitive." At first he said he couldn't think of anything positive that had happened between our companies. I countered that we thought they would think the ASF area was positive. He backed off a bit and said he agreed that our joint ASF work had been very positive.

We (Jim and I) expressed a strong desire to have a positive relationship between our two companies where possible, recognizing that while there would be substantial areas where we would compete, we thought that there were substantial areas where we could cooperate.

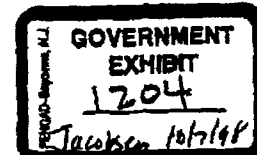
Anthony was not exactly receptive to this, although he didn't want to close the door. He and Rinn indicated that in their opinion, RN had not always behaved honorably since the MS-RN deal was done. He suggested (and Rinn said point blank) that we had not been straight with MS about our intentions on a number of fronts.

For instance Rinn said we must have had a secret plan to go public before we did our deal with them, suggesting that we did this intentionally to devalue their warrants. Jim told them the exact date of the board meeting where the topic first got serious attention, and the date of the board meeting (when I was in New Zealand) where we made the decision. Since it was outrageous statement season, Rinn again reiterated the MS finance view that at the time we did the deal, RN had "screwed MS over the warrant." I disputed this and asked him to explain why he thought this was true. He declined to do so.

Moreover, they said that they had hoped/expected that RN would not be staying in the horizontal streaming media business, and, perhaps even more outrageously, they claimed that I had privately suggested this to senior people at MS. I completely disputed this, pointing out for instance that the structure of our deal with MS (\$25 and \$35 million future options) runs directly counter to the notion of RN not doing future horizontal work. They backed off a little, and suggest I talk privately with the person who they say claims that I said this. I certainly plan to do so.

Throughout this Jim and I stayed calm (not as hard as I thought it would be, because their comments were so ridiculously off-base). After they finished venting, we tried to get the discussion back on track to focus on constructive things we could do together.

Anthony again suggested "hey why don't you guys just become like SAP, building everything on top of MS's full platforms"? We said that it was unlikely to make sense for the foreseeable future for us to just do this for a variety of reasons.



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but Adobe also has a big apps business that supports MS platforms. Anthony was not super willing to embrace the "Adobe" model, though it was not absolutely clear why.

Going from abstractions to practicalities, we said that we truly were open to supporting MS platforms in value-added ways, including where appropriate even their streaming media platforms if they provided a business model that made sense. We said we thought the right set of initiatives could move the needle from 95% adversarial to say 80% adversarial and 20% cooperative, and that there was real value in this especially if one focused on the trandline. We touched on ideas such as having Timecast list programs in ASF and/or Netshow formats, or having our player play their formats as well as our own.

We took the action item to write up a list of proposed ways to work together. I will draft up a list this week then pass it around internally for comment. The plan is to meet with Anthony in about 10-15 days to go through the list.

We also touched on a few tactical issues, including:

-- MS's warrants and decision regarding stock conversion (a subject of great emotion for Maffei and Rinn). I proposed a compromise -- that if MS agreed to take nonvoting shares, including potentially the warrant if exercised, we would agree that these shares could convert to voting upon sale. Rinn said he would check with Maffei on this and get back to us. Mark please follow-up with Rinn.

-- MS pre-paying us the full \$30 mil license fee. They "want the \$10 mil back" until we fulfill the obligations. I agreed to look into this and get back to them this week. Mark please drive this and keep me posted when we're prepared to get back to them.

-- Them saying that they had not gotten the full deliveries from us of all the bits. On Friday Anthony sent me a list of missing pieces, and Phil is in the process of formulating a response and delivery by EOD Monday.

-- On-going issues regarding branding and uninstall. The said they would get back to us whether they wanted us to just do the uninstall work as part of our 6 person-months of consulting. (Phil have you gotten an estimate on this yet? If not please do so). Re branding, Kelly ball is in your court to write a letter re: our position on what they currently have up on their site. Kelly pls let me know when you can get this letter done, hopefully by EOD Tuesday.

-- Anthony agreed to consider appointing a "mature adult" within his group, probably someone under Durkin, to work constructively with us.

Overall it's clear that Anthony is choosing to more closely identify with the hostile troops than with a more balanced view of the relationship. This is unfortunate, but we will do the best we can given this reality.