MFS DATANET, INC.

InterOffice Memo

To: Rick Kozak, Mark Gershien

From: F. Scott Yeager

Date: April 01, 1993

Subject: Clarification of UUNET business opportunities for Telecom and Datanet
            (Revision of March 25, 1993 Memo)

PURPOSE

With the field sales organization beginning to focus their efforts on national backbone opportunities, issues are surfacing which need the focus and attention of senior management. As UUNET is the first national network installation that presents hubbing opportunities for Telecom services, we will use UUNET as the example throughout this memo.

BACKGROUND

There appears to be some confusion surrounding UUNET and the role of Datanet and Telecom. Some things are Datanet that need to be addressed by Datanet while some issues are perceived to be Datanet issues while they are actually Telecom issues. There appears to be some issues that are attributed to being unique to UUNET that are really policy and procedural issues. UUNET is forcing MFS to look at areas that need to be addressed for many customers, not just UUNET. The main reason for writing this memo is to attempt to clarify these areas of confusion and inform all the necessary MFS employees that UUNET is not just a Datanet account and all issues are not just Datanet issues. The issues that are surfacing for UUNET are in fact issues that will need to be resolved for many accounts as we move towards national pricing and provisioning on a regular basis.

The UUNET order for a national 10mbs network is significant for both Telecom and Datanet. UUNET will be paying for Datanet for the national backbone and Telecom for co-location of its' routers on MFS premises and for multiple DS0 and DS1 circuits in each city. This sale is an example of the synergistic effect that the Datanet products bring to the MFS family of companies. Team work on this account is critical to the success of Telecom and Datanet Sales.

The account represents a new type of "carrier" account. The Datanet Ethernet backbone is used to carry traffic all over the nation while the local loops are used to connect to the end users via the UUNET routers located in MFS premises. The co-location of the UUNET routers on net allows them to use MFS facilities to easily and inexpensively connect their end users to their network and to use MFS as a backup for maintenance of their routers. This is an example of a Datanet looking thing (a router) being treated as a Datanet issue when it is really a Telecom (Co-locations issue) agreement that is causing massive confusion at the city level. However, Telecom cannot commit Datanet resources to fix or maintain the UUNET Routers that are co-located in the Telecom POP's without the input and pricing of these services coming from Datanet. The inclusion of maintenance of routers as part of the Co-location agreement is not something that Telecom controls.

The desire for UUNET to buy all local loops from Telecom allows MFS Telecom to take advantage of the RBOC co-location decision and serve any customer site (Ubiquitously) in any MFS city. This is why UUNET represents a very large potential customer for Telecom in 1993. The Datanet Ethernet is a perfect compliment to the local loops and allows UUNET to rely on both MFS companies heavily but Datanet should not be involved in the problems associated with provisioning off net sites using the RBOC.

This brings to the forefront a much bigger issue that needs to be discussed openly to be certain that it does not go unresolved. Datanet national opportunities such as UUNET require the managing account executive to coordinate national activities such as co-location, on net and off net pricing and installation procedures for the Datanet and Telecom portions of the services. These activities detract from the time spent by the local sales person on local sales activities and places the individual city at a disadvantage in supporting both national and local city sales activities. This is complicated by two regions for Telecom because a resource for one region is spending time on orders that are not for that region and do not help that region make its' sales objectives. This is not just an issue for Datanet national orders but also for Telecom national opportunities that are driven by the city sales force.

The fact that the customer is also willing to use Telecom exclusively for local loops both on net and off net just confuses matters more. Telecom does not have any good mechanisms in place for supporting massive amounts of real time quotations for off net circuits that may or may not be provisioned using the FCC decision to obtain single channel termination last mile circuits from the RBOC. This issue is hindering Telecoms ability to support any national or regional large user that would like to buy everything from Telecom. For example, Datanet as a customer of Telecom would like to use Telecom to provide off net connectivity using the RBOC, but no good mechanism exists to price off net sites in a timely manner. There is also a major problem with keeping up with which sites are served by co-location and which sites are not and must be bought as hubs or point to point circuits from the RBOC. The Stratus system is not set up to handle these situations or track this information. It is not reasonable for all cities to contact Valerie Wolf to price off net sites all over the country. An automated solution should be found and it should be available to all cities and really to all MFS companies via the network.

In summary, the facts about UUNET and the role of Datanet and Telecom to support this account on a national basis are as follows:

- Rick Adams, the President of UUNET, is relying on the representations made by Datanet and Telecom in numerous meetings about the capabilities of all the MFS companies to provide services to his company. Rick Adams has put his trust in those representations , and Scott, Dennis and Kathleen feel personally responsible that they are accomplished. Rick believes in people more than companies. These representations are that MFS can provide a national Ethernet backbone, that we have Metropolitan Ethernet and FDDI services available and that Telecom can provide DS0 and DS1 services both on net and off net. The off net sites could be provisioned using co-location with the RBOC or buying off the tariff as a hub until we get co-location in the C.O. that serves the site.

- The account management function resides with Telecom and must be driven out of D.C. because the decision makers for the account are in D.C. The other cities must be involved because of the national nature of the business. Datanet took the lead with the account because the National backbone and the Ethernet Metropolitan services drove the account to be uniquely interested in all of the MFS products. The sales efforts focused on Datanet early on but now the focus is on the local loop connectivity available from Telecom. The backbone is the thread that links everything together.

- Rick Adam's wants to use MFS as much as possible but it needs to be convenient, not difficult. Attached is a memo by Dennis Muse that addresses national pricing issues for off net sites.

- The initial focus has been to get UUNET to try to sell to tenants in on net buildings so each city must try to work with the UUNET sales force to sell to those users first. What will the policy be for local sales support? Will one person in each city be assigned to the account or will the sales person for the individual account that wants to connect to UUNET be the MFS sales person to work that account? The sales person that is working the end user account would have the most to gain because this would be a way to establish a relationship or to enhance the relationship. A single Telecom person in each city for UUNET would be overlapping in sales effort and possibly calling on the same end user as another Telecom sales person. However, it would make it easier for the UUNET account executive to support UUNET because only one person in each city would be the UUNET contact. This is a Telecom issue but the decision has an impact on Datanet's revenues. The more that end users connect to the national backbone will increase the growth of the utilization on the backbone. Later in 1993, usage sensitive billing for the backbone will be in effect so the revenue from UUNET for use of the 10mbs Ethernet backbone will increase if we help UUNET connect lots of customers.

- Attached is a memo from Kathleen Davis addressing account management issues, billing, and termination issues.

- We need to jointly define escalation procedures and the billing of time for a Datanet person to fix something for UUNET on the router that is co-located in the MFS POP. Ken Holcomb's people must define clearly with Rick Adam's people what is really expected of the Datanet person. There is room for misinterpretation of the responsibilities of Datanet that could create real problems. The pricing of this service is also very important. This is supposed to be covered under the terms of the Telecom co-location agreement but it might need to be a separate document.

- Procedural issues concerning how DS0 or DS1 circuits are to be connected to the router located in the Telecom space must be worked out for UUNET specifically. Telecom cannot treat this like it is the customers problem if the punchdown they need is not done according to customer requirements but UUNET must specify in writing how they need these services delivered to the Co-location space.

- UUNET highlights that there are difficulties in handling accounts that are the responsibility of a city sales person but must be managed on a national basis. The present policy appears to put an uneven burden on the city sales force and its' management. They are working on orders that do not count towards the individual cities quota's. The Datanet national products are making this problem more evident but it has been an issue for years and no policy has addressed it properly. Last week an example was pointed out to me on a pure Telecom opportunity that a city sales person was booking significant business for Telecom but not in their city so the V.P. was concerned about the travel expenses and the diversion from local city sales that this account represented. Datanet national opportunities have been seen as a drain on the time of the local sales force. The bigger issue is "How does MFS support national opportunities with people in the individual city where the major decision maker is located without creating a special sales force for national accounts in all cities?" Datanet is very happy with the concept that a local sales force in a MFS city is best suited to handle the account on a national basis because the city sales person has a personal relationship with that account. Datanet does not want to see the account be managed by the Telecom national account team. However, Telecom sends conflicting signals to the sales force by telling them to book orders in as many cities as possible but the sales management is not compensated nor does the sales force or management receive proper quota credit for orders booked by a city sales person for portions in the distant city.

  Obviously, this is having an impact on the Datanet sales effort and is a Datanet issue as long as there is not proper support for national opportunities. The management is put in a conflicting position on what their focus should be under the present policy.

The intent of this memo was to clarify some misconceptions about UUNET with respect to Datanet and Telecom and to focus attention on some underlying problems that have existed for awhile and still are not resolved. The following recommendations are made in an attempt to resolve open issues.
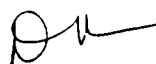
RECOMMENDED ACTION ITEMS

1. We need to meet to discuss these issues and attempt to resolve them with respect to how UUNET will be handled;

2. It is recommended that UUNET be treated as a National Account and handled as such out of D.C. The account should have national co-location deals resolved, national off net pricing automated, and the local support in each city. The local support must address the issue of multiple Telecom people in each city or a single person in each city supporting the UUNET account.

3. The function of Datanet in handling the UUNET routers that are co-located in Telecom space must be negotiated by UUNET and Ken's people for Datanet.

4. Telecom should inform the individual city sales and operations managers and the Regional V.P.'s about the significance of UUNET, the issues and the resolution of those issues to relieve the confusion in the field about all the opportunities associated with UUNET and how this applies to all National Datanet opportunities.

I will be contacting you to set a meeting.

cc: Al Fenn, Ken Holcomb, Ron Beaumont

MEMORANDUM

TO: MFS Telecom V.P. and General Managers

FROM: Dennis Muse

DATE: March 9, 1993

SUBJ: UUNET National Pricing and Provisioning

The purpose of this memo is to inform each of you on the application we are attempting to implement for UUNET and to solicit your comments on the proposed pricing strategy. Your comments or suggestions are needed by March 16th to expedite new revenue opportunities in each of your territories. In the body of this memo I will provide for you a profile of UUNET, their communications requirements and a proposed pricing scenario.

UUNET PROFILE

UUNET is an international networking corporation providing domestic and international communications and services to fortune 500 companies, manufacturers, educational institutions, financial firms, utilities, computer companies, research institutions, publishers, law firms, government agencies, the medical community, individuals and small businesses. UUNET provides their customers with a dedicated communications system via leased or dial-up lines by integrating electronic mail, news and information, global networking, archives and access to the best connected UNIX system in the world. UUNET is directly connected to more computers throughout the U.S. and abroad than any other system. UUNET provides these services as a commercial Internet exchange (CIX) access provider, to any user utilizing the standard Internet protocol suite (TCP/IP). UUNET utilizes the MFS Datanet National Backbone Network to interconnect user sites to the Internet. UUNET currently supports between 2500 and 3000 end users. A high proportion of these end users are in MFS cities.

COMMUNICATIONS REQUIREMENTS

Coupled with MFS' desire to become the "One Stop Shop Telecommunications Provider", UUNET desires MFS to provision services from UUNET customers to the MFS node under the following scenarios:

- o   on-net DS-1's
- o   off-net DS-1's
- o   on-net DS-0's
- o   off-net DS-0's
- o   fractional ethernet
- o   10 Mbs ethernet

UUNET requires that all DS-0's are concentrated in MFS Digital Cross-Connection Systems with a DS-1 hand-off to UUNET equipment. UUNET also requires the connection of their equipment to the MFS Datanet provisioned virtual 10mbs national backbone. Physical co-location of UUNET has been achieved in New York, Chicago, Dallas, Los Angeles and Washington, D.C.. Co-location will be completed in Houston, San Francisco, Boston and Atlanta in April and May.

SCOPE

UUNET's business plan estimates indicate 25 requests per week, per city, for end user connection to the UUNET co-located equipment. UUNET anticipates this volume of activity will commence within 90 days after connection to the virtual national backbone.

PRICING PLAN

Our intention is to propose to UUNET a two tiered pricing plan for provisioning of services to their co-located equipment. Tier one will include on-net services, which will be priced at the prevailing MFS Telecom feature sheet rates for the appropriate city. Tier two will include interconnected and off-net services, which will be priced at the prevailing LEC end-user interstate tariff. Provisioning of off-net services will require each city to procure a DS-1 hub from the LEC to the NODE. This will provide connectivity to off-net locations while providing MFS the opportunity to engineer and manage off-net access with the ability to generate positive margin on off-net services. As part of this plan we will be eliminating the ability of UUNET and their customers to order LEC provided access on a CPA basis.

As this is an important customer whose requirements will test MFS' ability to provision services on a nationwide basis and who also will serve a test bed for rolling out national facilities management, I am requesting your involvement and feedback on the proposed pricing and servicing of this customer.

Distribution:
Kathleen Perone-NY
Dean Rossi-ICC
Jack Callahan-CHI
Dave Wheeler-DAL
Mike Montemurno-SF
Doug Hudson-BAL

CC: Dick Davis
        Valerie Wolff
        Tim Devine
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        Scott Yeager
        Kathleen Davis
        Lisa Como
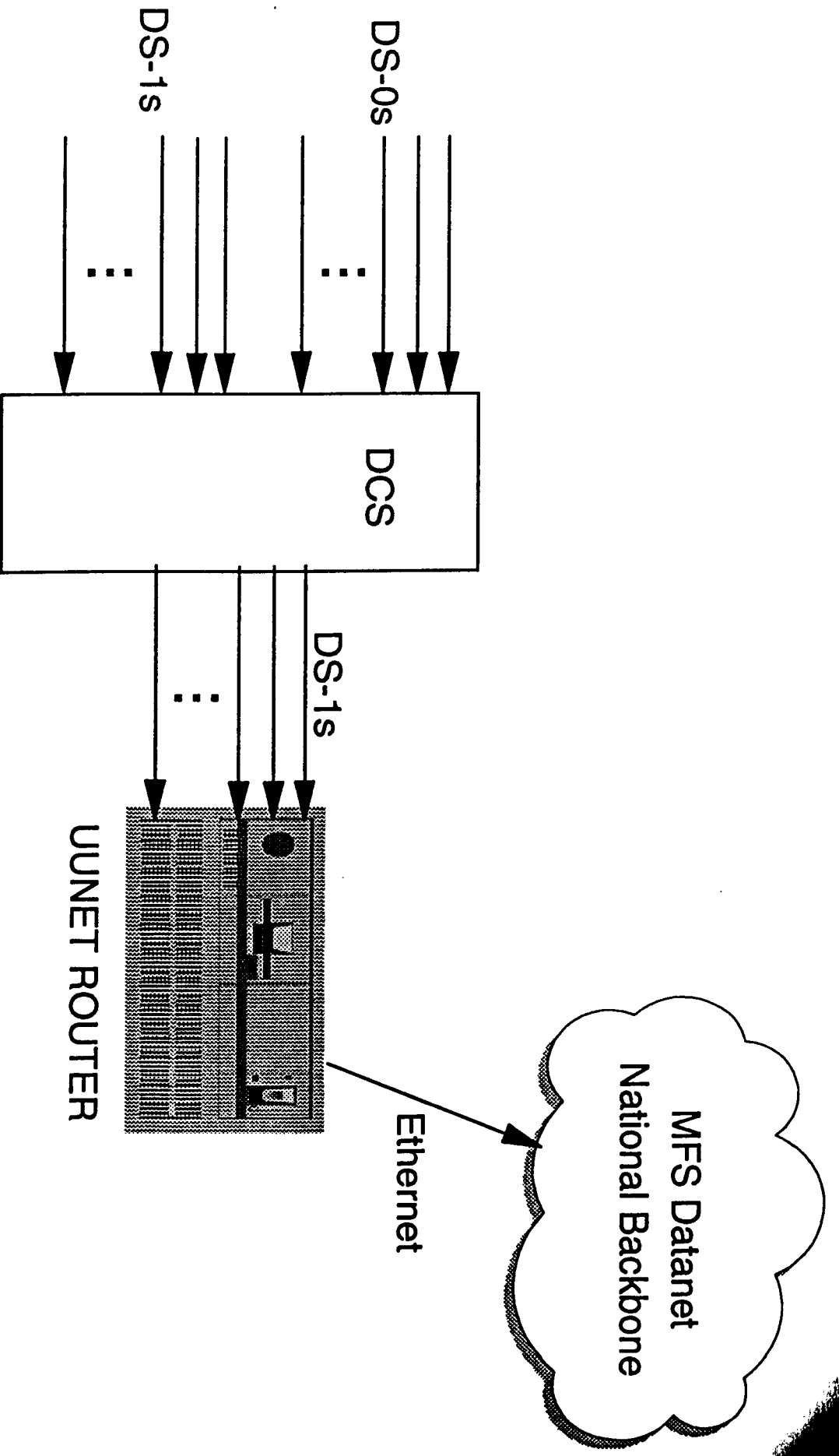
DS-1s

DS-0s

DCS

DS-1s

UUNET ROUTER

Ethernet

MFS Datanet
National Backbone

KD follow up comments -
** Account Management, Escalation Procedures, Billing for remote support/maintenance, Termination Issues

A) ACCOUNT MANAGEMENT ISSUES (related to circuit implementation)

As single point of contact for UUNET, I am required to be informed of all circuit activity. I currently do not receive information for either UUNET backbone orders or UUNET customer orders in remote cities in a timely fashion such as: Firm Order Committment Dates; Iorder numbers; Circuit numbers; Test & Acceptance Dates; or descrepancies on circuit delivery or problems at installation. I also need accountability in each city for circuit problems that occur prior to or during installations with a higher level of response than is currently given. Every time we miss UUNET's install date that in turn impacts the delivery date that they have committed to their customer. MFS/UUNET can't afford this exposure.

B) BILLING FOR REMOTE SUPPORT/MAINTENANCE

The criteria needs to be established for remote maintenance and determinations made on how charges will be applied (against the colocation agreement) for the following types of trouble or reqested assistance:

1) Telecom - Dial Up, Analog DS-0, Digital DS-0, DS-1
2) Telecom & Datanet - Fractional & Full Speed Ethernet/Local
3) Datanet - Full Speed Ethernet/Backbone
4) Datanet - UUNET Equipment/Routers (as requested by UUNET)

UUNET has requested a real-time reporting of actual hours charged
and how those charges apply to the minimum hours included in the monthly recurring charges as specified in each colocation agreement.

C) TERMINATION ISSUES

There is some confusion over the type of terminations UUNET requires for the following services:

     A)   Dial up lines 1-36 lines projected*
           1)   IP traffic using the slip IP over asynchronous
           2)   Bulk files transfer over asynchronous
     B)   Voice Grade Lines 9.6 (3002)*
     C)   DS-0's Digital 56K's
     D)   DS-1's

*   A&B - Copper into 66 Block to modem racks

*   C - (56k) to the NI card/per ckt
Demarc varies based on how far (distance) MFS is to the LEC
UUNET's preference is, "If there is a need for NI, UUNET would prefer NI to be on Teleco side of Demarc before handed off to MFS or UUNET"

UUNET will supply us with a diagram to show the nonstandard 66 block terminations required.

cc: Scott Yeager