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Memorandum

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Notes from Meetings in Houston and Chicago

We thought it would be useful to summarize the key points from recent MFS Datanet/Modulus meetings. These notes pertain to the following two recent meetings:

- * Meeting between Scott Yeager, Rex Shelby, David Berberian, and Larry Ciscen in Houston on October 12
- * Meetings between Steve Lee, Rodney Elder, Phil Exel, Rex Shelby, and David Berberian in Chicago on October 13 and 14.

For convenience, the points are presented in bullet-point outline format:

- 1. InterAgent™ AudioNet shakedown/tuning at MFS Datanet offices is proceeding well**
 - Two weeks estimated for final internal MFS Datanet AudioNet version
 - Modifications will be made as needed for MFS and for customers on ongoing basis
- 2. Relationship between MFS Datanet and Modulus is evolving well**
 - MFS engineers in Houston, Chicago, New York, and San Jose have given positive feedback to Modulus on the AudioNet application
 - Discussions of joint MFS/Modulus sales efforts (including pricing) have begun
 - A major goal is to achieve a joint customer success that proves that network-based applications can spur Ethernet sales for MFS Datanet (this is an important benchmark for gaining Al Fenn's support)
 - Early success is needed with the AudioNet application so that Modulus can begin to "parallelize" development efforts on other MFS/Modulus service offerings (video, voice traffic bridge, etc.)

- Success at joint product/service offerings opens up the possibility for a closer MFS/Modulus relationship in the future, such as an MFS investment or guaranteed contract arrangement with Modulus
- 3. MFS Datanet and Modulus should aggressively pursue the "hoot and holler" market**
 - Software is operational and ready to be pushed to customer
 - A better understanding of current customer costs is needed to help us better price the hoot service
 - Cross-Atlantic circuits offer especially attractive possibilities (e.g., New York to London)
 - 4. Direct "ring-down" application holds tremendous potential**
 - Number of ring-down lines is enormous
 - Best targets are high-density metropolitan areas and cross-Atlantic lines
 - Ring-down application is an easy adaptation of the AudioNet software (see attached exhibit for an overview of components)
 - Modulus is investigating specific hardware (such as serial-plug handsets) which can be used with the ring-down software to minimize "cultural change" for the user
 - 5. Total voice traffic over ATM networks holds massive economic potential (voice traffic bridge)**
 - Goal is to enable all voice traffic (PBX, IXC, POTS) over the MFS ATM network
 - Frees MFS from leasing AT&T and MCI lines
 - Enables MFS CC to approach customers as a unified provider and router of all voice traffic
 - Conceptually, any phone/PBX/key system traffic can be packetized and routed using the Modulus InterAgent software
 - Technically, the challenge centers on building a "bridge" box using the InterAgent technology, commercially available voice boards, and the TAPI/TSAPI standards to control the PBX portions of the system
 - Modulus is researching the issues and will present a summary and action plan within the next two-three weeks
 - 6. MFS Datanet/Modulus bundled services are desirable goals**
 - We will get smarter on the economics as we talk to more customers
 - Goal is to cover base costs plus desired mark-up for both MFS Datanet and Modulus and then to share additional margins
 - 7. Application Service Centers (ASCs) should be established where needed as soon as possible**
 - ASCs simplify installation and support of applications and leverage application economics

- ASCs enable MFS Datanet to work with additional third-party vendors without requiring co-location
- Timing of ASCs will depend on customer prospects

8. Multi-point video is important, but should not delay audio efforts

- Working with Invision is a good idea if they can be encouraged to move more rapidly
- Basic video distribution and MPEG compression for NBC offers good potential
- Involvement in telecommuting efforts is a promising direction
- Desktop video service in London is in big demand
- Success with the AudioNet application will enable Modulus to accelerate video efforts

9. Several next steps should be vigorously pursued

- Continue installation of AudioNet application in MFS Datanet offices with intent of establishing it as an internal MFS standard for audio communications
- Jointly pursue AudioNet hoot customers aggressively to establish successes and build momentum for additional applications (PBX bridge, video, etc.)
- Immediately develop standard direct ring-down application and jointly market it aggressively
- Barter an MFS network connection for Modulus at an on-net building in Houston against AudioNet software for MFS Datanet
- Continue development of pricing options for the AudioNet service to MFS customers
- Develop an outline for the PBX bridge effort that will provide comprehensive voice capability to MFS

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I hope you find these notes useful. Let me know if you have questions on any of this material. We appreciate the opportunity to work with MFS Datanet and look forward to moving ahead.

