

TO: Dennis Patrick
FROM: Walter Isaacson
DATE: January 10, 1994
RE: Joint Venture

CC: Jason McManus
Paul Sagan

I have discussed your proposals of January 5 with Jason McManus and Paul Sagan, and we agree that Time Warner Telecommunications and Time Inc. News on Demand should consider a joint venture to create news and information services that would be delivered over the air to mobile customers.

BUSINESS OBJECTIVE:

The service will be designed for the personal communication network that TWT is building in conjunction with Time Warner's Full Service Network in Orlando. If successful, the product could then be marketed to other mobile services that do not compete with TWT.

This new "Mobile News Service" will draw on the television news-on-demand product that Time Inc. is creating for delivery to the home. However, the mobile service will be text based and will contain many offerings that are unique to the mobile application.

The goals of this venture include:

- > To create a mobile news service for personal communication networks, cellular phones, digital assistants, electronic notepads, and other portable devices that will be profitable.

- > To increase the market penetration of TWT's personal communication network devices.

- > To create a new market for the journalism and brand names of Time Inc.

DESCRIPTION OF SERVICE:

Before Time Inc. can begin to develop ideas for the service, TWT will have to provide more details about the type of devices the consumers will use. It is particularly important for TWT to decide the size of the screen and the availability of keyboard or other input devices.

For an information service to have robust search and personalization functions, it would be very useful to have a full alpha numeric keyboard, no matter how small.

At present, we assume that the service will be delivered to hand-held phone devices with liquid crystal display (LCD) screens capable of showing four to eight lines of text. TWT may also market, initially or at a later date, a notebook-sized device.

Given these assumptions, we believe that the service should be mainly text, rather than audio or video. Audio can be used as a navigational aid, but we assume that users will want to see their information rather than hear it. Audio, however, can be tested for certain functions to see if consumers would desire it.

The content could include the following:

- > General market averages and most active lists.
- > Specific stock quotations.
- > Headline business and corporate news in short form.
- > Headline world and national news in short form.
- > Sports scores and betting lines.
- > Weather reports and forecasts.
- > Time daily briefing paper.
- > Fortune daily market analysis.
- > Access to a searchable news archive and financial database.

In addition, the service should provide the following functions:

Personalization: A consumer should be able to program in a portfolio of stocks or list of sports teams and be able to see the latest on all of them by touching one button. Similarly, he should be able to program in a list of companies, industries or topics and be able to see at one touch any new headlines relating to them.

Searching: A consumer should be able to enter the name of a stock, company, or topic and search for the latest news, market prices, or archived material.

Alerting: A consumer should be able to instruct the device to sound an alert when certain events happen, such as: a stock in the portfolio has moved more than 3%; a story comes in about a company or topic the consumer has designated; a bulletin has moved on the business or national news wires.

TIME INC. ROLE:

Time Inc. News On Demand would have primary responsibility for the following tasks:

- > Determining the content of the service.
- > Determining the best suppliers, in house or third party, for each form of content.
- > Negotiating arrangements with content suppliers.
- > Designing the interface and navigational tools; this will probably be done through Ikon Interactive Inc., which is handling the News on Demand project for Orlando.

TIME WARNER TELECOMMUNICATIONS ROLE:

- > Marketing the service.
- > Determining how the content will be stored, delivered to the server, and transmitted from the server to the consumer.
- > Designing the user hardware.

NEXT STEPS:

If both parties decide to proceed, Time Inc. News on Demand will need to be given budget authority to contract on a six-month project basis with one person who will explore the costs and contractual issues involved in licensing outside content for the service. Additional work will be done on an ad-hoc basis by current staffers at the magazines at no incremental cost. The project will be overseen by the current staff of News on Demand.

The parties may decide to form a joint venture to pursue this project.