

Paul Jacques Mejean
Senior Vice President

January 25, 1984

Mr. Wayne G. English
MCI Communications Corporation
1133 Nineteenth Street, N.W.
Washington, D.C. 20036

Dear Wayne:

We at Shearson can easily understand your displeasure with the recent American Express/AT&T announcement.

The purpose of this letter is (i) to discuss very briefly why it happened and, more importantly, (ii) to explain what we are subsequently doing both to minimize, to the extent possible, the damage caused as well as to prevent a possible repetition of this type of surprise in the future.

My understanding of the situation results from discussions with a number of people both in American Express and MCI. As I understand it, both AT&T and MCI had discussions with American Express for a considerable period of time (in each case over a year) regarding the use of the Amex card in their new credit card phones. There are different points of view at American Express as to why a deal was made first with AT&T rather than MCI. One is that AT&T's plans for widespread installation of these phones were more certain than MCI's and that there was no assurance from MCI, early on, that it would proceed with a full scale program. Another is that AT&T's willingness to grant our card a one year period of exclusivity vs. MCI's unwillingness to do so was an important reason. Other technical and marketing reasons were also pointed out. My own analysis is that it was a combination of these factors together with less than perfect communication between the two firms. Importantly, it became obvious to me that none of these obstacles was incapable of being overcome.

The result of all this was the announced American Express/AT&T agreement. It is too late, of course, to disengage ourselves from this agreement. There is no question that the

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broader relationship between MCI and American Express was not discussed within our firm. We are certainly at fault in this regard in that the American Express people, knowing Shearson's relationship with MCI, should have called us some time ago in order to advise us of what anyone should have foreseen as a major forthcoming problem. I might say, however, that as early as three months ago MCI people became aware of the fact that American Express was probably considering doing business in this regard with AT&T. I would like to think that our investment banking operation is one of the principal points of contact between our two firms. I know we have been helpful in the past in solving other problems not relating to investment banking (e.g. real estate at One WUI Plaza) and would like to think that your people would come to us in the future whenever there appears to be a forthcoming problem in any aspect of the American Express/MCI relationship. We would perhaps have been able to modify the course of events in this matter.

Given where we are now, I understand that there are two events which, if they took place in the near future, would serve at least in part to strengthen our relationship.

First, we understand that MCI would like to have the American Express card usable in the MCI phones. I am pleased to say that this is also the desire of American Express and that Jim Robinson has asked Lou Gerstner, Chairman of the American Express Travel Related Services Company, to see that this happens as soon as possible. In this regard, on Monday, 16 January, I had a meeting in New York City with your Brian Thompson and William Crump of American Express. The meeting resulted in (i) a clearing up of a number of old issues and misunderstandings between the two firms on this subject and (ii) a decision to proceed as rapidly as possible to reach a written agreement covering the use of the American Express card in MCI phones. There have been two subsequent meetings between MCI and American Express and my latest understanding from the American Express side is that they are expecting to sign this agreement in the middle or latter part of February.

Secondly, we understand that MCI felt badly about all the publicity given to the American Express/AT&T agreement especially in light of the fact that, in telephone services, American Express had previously only been identified with MCI (although MCI had been identified with others as well, e.g. Sears). I am pleased to say that it is also the desire of our firm to work together with MCI in order to insure that both the announcement of this agreement and the promotion of the service it encompasses are effected in such a way so as to achieve the publicity/marketing objectives of MCI and American Express.

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Finally, none of us desires a repetition of this kind of negative surprise in the future. Accordingly, from our side Jim Robinson has assured us that a mechanism will be put into place whereby relationships which American Express might have or might be developing which might negatively impact MCI will be monitored. The purpose of this mechanism will be to insure that no part of American Express will undertake an action which may have a material negative impact on MCI without first discussing that potential action both with senior management at American Express as well as with other designated senior people at American Express who are responsible for other MCI/American Express relationships.

From your side, I would hope that you are sympathetic to the fact that in a large and diverse business it is difficult for everything to function as perfectly as we would always desire. Accordingly, whenever anyone at MCI believes that he needs assistance in any aspect of his relationship with American Express, I would like to believe that he would give me a call and I will involve myself in some appropriate fashion so as to hopefully assist in solving whatever problem might exist.

I do intend to follow up with Messrs. Thompson and Crump on the progress of the current talks between our two firms. I am sure they will result in an agreement satisfactory to MCI and American Express in the near future.

Everyone I have spoken with at American Express has asked me to mention to my friends at MCI that they value their relationships with MCI very highly, that they hope and expect to do increasing joint business with MCI in the future, and that from a personal point of view they are genuinely sorry that MCI was upset by recent events.

I know you realize how highly we value our relationship with you and how hard we will work to enhance it whenever possible.

Best regards,



CC: MCI
✓ William G. McGowan
V. Orville Wright
H. Brian Thompson
John D. Martens

American Express
James D. Robinson III
Louis V. Gerstner, Jr.
Sherman R. Lewis
James F. Calvano
William G. Crump