

Memo 14

To: Pricing Manager, Midwest Region
From: Vice President, Marketing
Re: Pricing New Program Tiers

In response to increased requests for a la carte pricing, we have decided to start a trial offering of smaller program tiers. As the first step of the trial, two small program packages will be offered to those using our basic package. The first is a sports package which includes NBA TV and the Soccer Channel. The second is a music package that includes MTV2 and GAC.

The trial offering will be limited to our Region 1 and Region 2 markets only. We estimate that our relevant incremental costs for the sports package are \$1.45 per subscriber and the incremental costs for the music package are \$1.20 per subscriber.

I am attaching a preliminary survey conducted by our marketing team that indicates anticipated sales at various pricing points. I would appreciate your recommendations regarding the pricing of these new program tiers. Thanks.

Attachment: Sports&Music.xls