From:	Brad Chase
Sent:	Thursday, March 14, 1996 9:47 AM
To:	Executive Staff
Cc:	Brad Silverberg's Direct Reports; Brad Chase's Direct Reports; WPG Division Marketing Managers; Brad Chase; Russell Siegelman
Subject:	Summary of AOL deal

I thought I would send out a brief summary of this since there has been such a whirlwind of press and announcements over the last few days and people are confused. Please forward as appropriate

HIGHLIGHTS/MESSAGES

- Microsoft and AOL have entered into far reaching major strategic and technology partnership
- AOL is committing to using MS technology--using Internet Explorer as its standard customer browser now and in the future, for win95/nt (win32), win 3.1 and the macintosh. AOL will integrate Internet Explorer into its clients starting with our Internet Explorer 3.0 release this summer for its 5M customers.
- This partnership significantly expands the IE customer base for third party developers and shows how serious we are about getting browser share. In fact, as the data below indicates AOL is a leading ISP today and their client is one of the primary ways people browse the web.
- AOL is committing to be a leading platform to take advantage of Microsoft extensions and our ActiveX technologies on the Web.
- Microsoft will be shipping the AOL client with Windows 95 and be giving it a prominent position in Windows. It will be in a folder on the desktop.
- Microsoft is supporting AOL's ART compression format and will integrate it into its browser. ART is a single compression scheme that works well on a variety of formats (photos, graphics, etc.) and is designed to produce highly compressed files with low bandwidth

KEY Q@A

Why is MS doing this?
AOL is the leading way that customers get online products and services, reaching more than 5 million customers today. Having them use Internet Explorer gives us a much larger base of users thus encouraging web site developers and other third parties to develop for our recently announced ActiveX technologies. Their commitment to use Microsoft's Internet Explorer and ActiveX technologies is a significant statement about the momentum behind these technologies and the momentum behind Internet Explorer.

Let me reinforce this with some data. As you can see in the data below from our most recent (end of Feb.) random digit dial projectable call down, having AOL users in our camp gives our Internet technologies and platform a powerful market presence.

US Market Share - Projectable Data:

I. **Weekly Call Downs:**

Browser Used (all platforms)	
Netscape Navigator	43%
America Online Browser	30%
Microsoft Internet Explorer	8%
Mosaic	9%
Lynx	3%
IBM Web Explorer	1%
Prodigy	1%
Unsure	2%
Other	3%

Internet Service Provider	
America Online	31%
Independent ISP	29%
Corporate Network	17%
Compuserve	7%
Prodigy	7%
Unsure	5%
Microsoft Network (msn)	4%

GOVERNMENT EXHIBIT 180

What about this AOL deal with Netscape that was just announced on Monday?
There should be no confusion, Internet Explorer is the preeminent and standard browser for AOL. Their client platform is the Internet Explorer platform. AOL will move its 5M customers to a new AOL client that is integrated with the Internet Explorer starting this summer/fall.

Monday's AOL/Netscape announcement allows AOL to offer Navigtor to AOL customers that want it. Netscape Navigator

will be the default customer choice on AOL's small (100K) internet access service called GNN. Internet Explorer will be available for download to these customers

I find it hard to believe that AOL is using Internet Explorer as its browser. Are there exceptions?
Yes they are some but they are pretty remote. An AOL customer could choose to use Navigator and it will be available to be downloaded from the AOL site, though not in a prominent way. There are some circumstances with 3rd party distribution deals where AOL has some limited flexibility. On its GNN service, AOL can do what it wants. But for all intents and purposes it is true, AOL will be moving its 5M customers to a new client integrated with Internet Explorer 3 starting this summer/fall.

Does this lessen our commitment to MSN?
Absolutely not. Far from it. We are fully committed to MSN. It is growing in users and content and it will continue to do so. MSN will compete with AOL in the content space. Both online services--and their customers--will benefit from aggressive work in the systems technology space which is now integrated in the MS Internet Platform and Tools Division.

Are you going to do this deal with others?
We have flexibility to do so. We expect to have many partnerships in the internet arena. This one is a big important one and we expect both companies to have others. We have no other deals like this today.

What about Microsoft's deal with Compuserve? Are you expecting Netscape and Compuserve to be close partners now?
Microsoft is completely committed to its partnership with Compuserve and in fact is the primary browser for the Compuserve service. In addition, Compuserve has integrated Internet Explorer into its client for its newly launched WOW service.

Will users be faced with an either/or choice (either IE or Navigator) when accessing the Internet via AOL?
No, AOL is integrating Internet Explorer into its client software and that will be the standard choice for customers

How long is this deal?
We are not commenting on the length of the partnership but it likely extend into the next millennium (the year 2000)

How does it work outside the US?
This is a worldwide deal. Where AOL has a local service and where it is willing to make the same level of commitment the terms above will apply.

Tell me about ActiveX and Internet Explorer 3? Why are people so excited about them?
I enclose the press releases put on the wire this week below. They provide a good summary:

ACTIVXPR.DOC IE30PR.DOC