GOVERNMENT EXHIBIT 2660

From: Don Bradford
Sent: Friday, December 05, 1997 12:25 PM
To: Brad Chase; Yusuf Mehdi; David Cole; John Ludwig; Bill Gates; Cameron Myhrvold
Subject: Mac IE Bundles:Office/Apple

Overview

We are working closely with Apple on many strategic, technical, and marketing fronts. Each opportunity is moving at a slightly different pace. Apple is seriously considering stronger relationships around IE and Java -- both exclusive. Our next major public initiative with Apple is to be at MacWorld San Francisco where we will be launching new versions of IE, OE, and Office for the Mac. The main message we (Apple/MS) hope to convey at the show is:

> *We signed an strategic agreement just 6 months ago at August MacWorld, and here are the first fruits of our renewed relationship.*

Bundling IE with MacOffice

IE 4.0 will be bundled with the next release of MacOffice but the major focus for Office was OE. MacOffice is reducing it's OLE support and does not support ActiveX, so integration opportunities were limited. This release of MacOffice does use ISL and other lower level libraries from MacIE. There was initial concern because MacOffice's feature freeze/code freeze dates were ahead of MacIE; the decision on include IE4 rather than 3.1 occurred in October. The only viable missed opportunity is visual differences -- this is clearly a trade off between corporate MacOffice users and Mac users at large.

Bundling IE with MacOS 8.1

Internet Explorer 3.01 is being bundled with MacOS 8.1. This is the first release with IE as the default browser, and is a transitional release to the full benefits Apple will give us as the default browser. Due to the "point" nature of this release, Apple was unable/unwilling to make significant engineering changes (this is consistent with Apple's past point release strategy). This fact results in dual installation of IE and Nav and delays the switch from Netscape's Referral server until MacOS9. Usage of the referral server has declined significantly and IE remains the default browser (after Apple's ICW completes). To encourage upgrades to IE 4.0, a prepopulated favorite linking to the IE4 Mac home page is included. We are also working on getting a link from their default start page. OE is not included in this release. MacOS 8.1 is scheduled for release in January, originally it was targeted for 10/97. Apple's marketing collateral features MacIE as the defualt browser but includes Navigator.

Bundling IE with MacOS 9.0 (Allegro)

Allegro is the post 8.1 release of MacOS scheduled for release in the summer of 1998. IE4 (or 4.x depending on the timing), OE 4.x, MS ICW/Referral server, HTML Control, COM and the new Java implementation are all included in this release. Navigator will be available on companion media but users must use "Custom Install" to get it. Additionally, all of Apple's Allegro marketing collateral will be updated by then to use only IE.

Specifically, OE and the ICW for the MS Referral Server support are part of the Allegro default bundle. Our ISP Referral server will replace the Netscape referral server for Allegro and will be deployed worldwide with localized versions of IE and ICW. OE will replace E-mailer as the default e-mail client. We are also planning on having our Java implementation be the default VM with this release of the OS.

Apple UI team is in the process of making a proposal for customized UI for the ICW so that it has the AppleGuide look and feel like their current Internet Setup Assistant from NS. The UI proposal was supposed to come in last week and they are running behind on it. So the plan is that we will rev the UI for the ICW in the 4.x time frame. ICW for IE 4.0 will have our current UI. ICW will also need modification to work with new Open Transport changes for Allegro. We are waiting on the specifications for that also.

The Alpha drop date for IE 4.0 and the new ICW are scheduled for end of January with change drops possible up until March. LaurenA is driving the schedule for OE customization and I think they are also tracking the same dates for Allegro.

Java

We met with Steve Naroff, Avie Tevanian, and a couple of members of the Java marketing team. We are pursuing two concurrent efforts in relation to Java:

- In the short term we are working with them to get in sync on our J/Direct, Security, and Debugging APIs. We are actively trying to engage with their team to get these issues settled so we can do a press release for MacWorld San Francisco emphasizing how we have worked together on Java since our agreement in August. We'd also like to announce in that release that we have exchanged test suites to insure compatibility (this has already happened).
- In the longer term, we are convincing Apple to align with MS on runtime support; adopting our new native Macintosh Java VM and moving out of the pure Java camp. This looks more likely every day, but there remain many details to be worked out to get this to happen, and Apple has yet to complete allt heir due dilligence needed to make the call.

Apple using ISL

As they have many times before, Apple has expressed interest in using our native Mac Internet Services Library (networking/security protocols library). In the latest rendition, Mark Altenberg (Internet Evangelist) has contacted us about doing so. We have given him some documentation on the library/apis, and the next step is to have their engineers talk to our engineers. This will happen in early January after we have shipped IE4 Final.

Finder Integration of the IE ActiveX control

There is an engineer at Apple currently tasked with integrating the IE control into the Finder so they can view HTML in the Finder layer on the Macintosh. Apple has committed to make this happen in MacOS9 but we haven't worked out final details. Probably won't be announced during MacWorld SF.

Use of the IE ActiveX control in MacOS HTML Help (AppleGuide)

The Allegro feature team has told their built-in help team hat they must convert their efforts to be HTML based. They have told us they would like to use our IE3 compatible control. Right now we have our engineers working with their engineers on this project, and progress is going smoothly. This is also committed for the MacOS9/Allegro release, but not something we are planning on announcing in the MacWorld SF timeframe.

JScript and VBScript engines in the MacOS

Andrew Clinick from the Script Engine teams in Redmond is working closely with Chris Espinosa of Apple. Apple will be licensing our JScript and VBScript engines for inclusion in the MacOS. Rather than announce this with the other major announcements at MacWorld, the decision was made to announce this licensing deal at InternetWorld next week.

Co-marketing activities for MacWorld San Francisco Launch

Last week IE and Office marketing folks met w/ Apple marketing to propose how we will co-market the launch of our products. The meetings were a mixed bag but **highlights** include:

- We will be doing visuals around the Apple/MS partnership and how IE 4 & Office are tangible products of this new partnership. This will be supported in signage, giveaways and CD packaging.
- Apple has agreed to provide us access to their E-mail and Reg mail reg-bases to announce IE & Office. They will also promote on their web-site.
- We will be partnering w/ Apple & Office for the online launch promotion running Jan-Feb
- Apple has guaranteed that every use of the Web in their booth at MacWorld will be with IE.
- We may be able to obtain Jobs & Kawasaki quotes for IE 4 & Office to include in releases and online advertising
- We will also be providing 15K CDs at the show. These will use the partnership design and include IE 4, the MacOS 8.1 updater, Myth, DreamWeaver, Office E-docs and potentially some IMG Mac demos.
- Apple is loaning two of its highest end machines (G3 Speed-bumps) for us to use and promote in the booth
- They are willing to show the partnership signage, T-shirts, calendar, mousepads and CDs. However, not clear on whether they will contribute money to help boost quantities we are manufacturing.
- They will have an overview theater presentation that showcases all the cool new Mac apps on display at the show. They have offered to include 2-minute demos of IE & Office as part of this presentation.

- We may have the chance to use some of the "dead-time" between their presentations to give our own MS demos. We would need to provide the talent.
- They will have areas for Education and Design & Production. We could potentially get additional exposure in these areas for our programs.
- E-mail - Starting around 1/12 Apple has agreed to send an e-mail to their reg-base and listserv notifying customers about Office & IE, and the online promotion
- Direct Mail - Office will be dropping a direct mail piece around 3/98 to announce availability of product. IE will be featured in this piece as part of Office. The mail will go to approx 750K customers, incl 300K names from Apple's reg-base.
- Apple.com will feature the launch information of Office & IE in their "HOT NEWS" section. They are also receptive to hosting the IE bits on Apple.com. They are also working w/ Debweiss to deliver a channel in time.for MacWorld.
- Online Advertising - We will proceed w/ an initial 2-3 week campaign that leverages favorable review quotes and anything we can get from Mac pundits like Jobs, Kawasaki, Winer etc. Apple is currently planning their media for Q1 98, but there's a strong possibility that one of their messages will be "Apps are back!" for MacOS in which IE could play a prominent role. I've offered to potentially provide co-marketing dollars to assist promotion of IE via this campaign. They will have a better idea by the end of next week whether this would be workable.

Apple Channel in IE

As part of our homegrown effort to get channel content working on MacIE, we have been working very closely with Apple to produce an Apple Channel. We are planning on it being the only non-MS prepopulated channel in the browser. This is a great info distribution mechanism for Apple, and we are the only delivery vehicle.

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