

NEWS FOR COMPUERVE ASSOCIATES WORLDWIDE

the associate

Inside,
meet our newest
executives

April • May 1996

On our own IPO launches new era for CompuServe

When H&R Block purchased CompuServe in 1980, some analysts wondered what the tax-services giant wanted with a small firm in an unproven industry. Sixteen years later, with CompuServe clearly a leader in the burgeoning online- and network-services markets, the logical question now is: Why is Block spinning off its fastest-growing and most profitable division?

CompuServe management cites two factors driving Block's decision. The first directly relates to CompuServe's remarkable success and its prospects for future growth. When Block purchased CompuServe, it was a small part of the parent company in terms of revenue and profit. "Our needs for investment capital were relatively modest, and we were generally able to generate the funds we needed from our own revenue," says CompuServe CEO Bob Massey. But that business model no longer fits. In fiscal year 1995, the subsidiary accounted for more than half of Block's profits, and in order to compete successfully with other online-service and Internet-access providers, the company now needs ready access to large amounts of capital, he says. "This [spin-off] will allow us to move quickly to make strategic acquisitions and forge partnerships when the right opportunities present themselves," he explains.

Plus, CompuServe may now negotiate acquisition deals more easily, because as a public company, it can offer shares in exchange for a position in another company. America Online has used this tactic quite successfully, and CompuServe believes its shares will be very attractive to potential business partners, says Massey.

The second key reason Block moved to separate CompuServe is the investment community's preference for "pure play" stocks—stocks that represent companies dedicated to one type of business. Analysts have said it is difficult to properly value H&R Block with the tax business and the online-services business coexisting side by side, Massey says. Now, investors will be able to buy shares in a technology company or a tax-services company, and each company's share price will reflect its own performance.

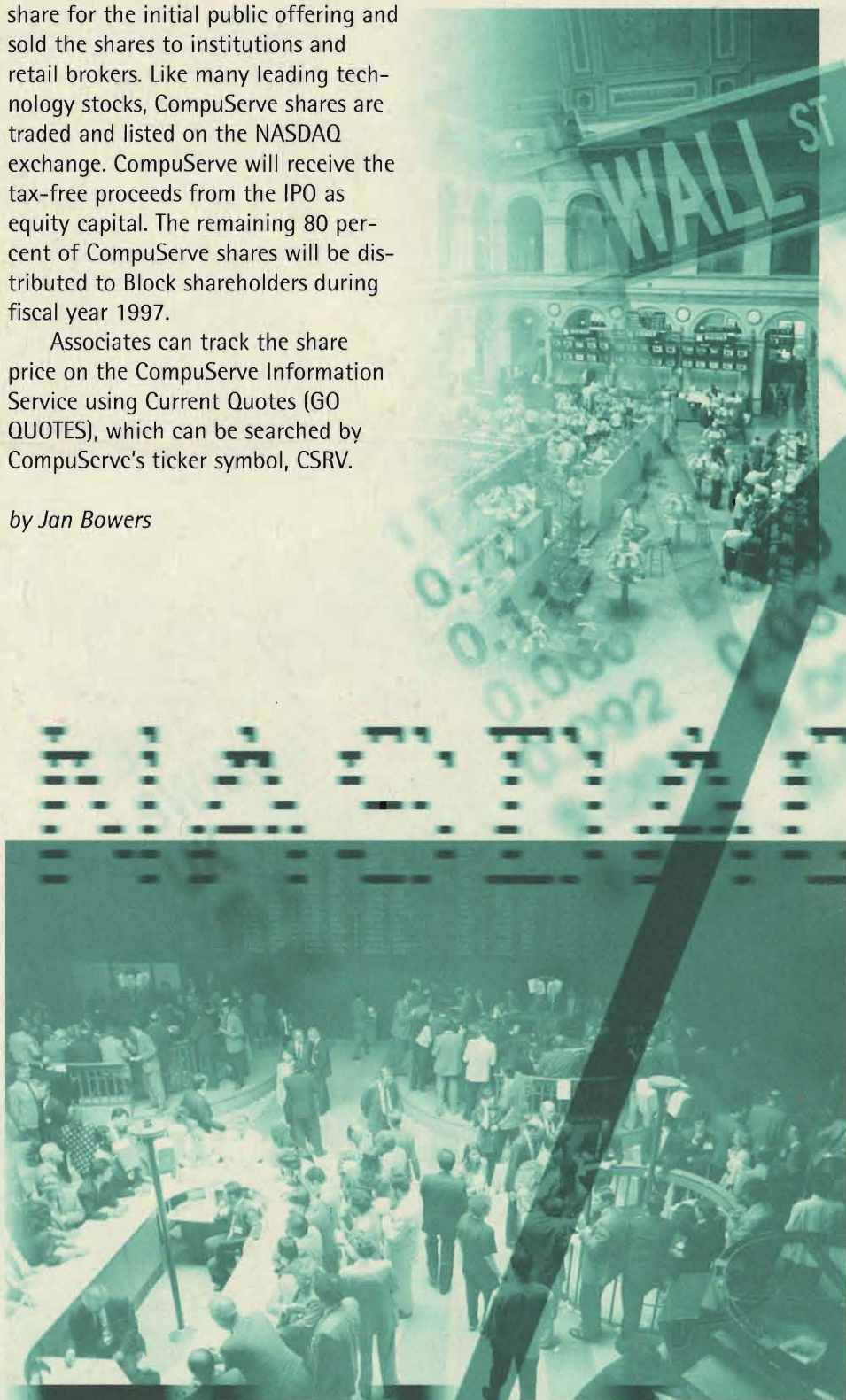
While public-company status brings exciting opportunities, it also brings demands because the company's performance will directly affect its share price. "Most of us want to be measured by our own efforts, and now we will be," says Massey. "We will no longer have a parent with deep pockets. We're on our own, and we'll sink or swim according to our own abilities. I have always been proud of our associates' teamwork, talent, and dedication, and I'm looking forward to showing what we can do."

The first step in the separation occurred in April, when Block offered just under 20 percent of CompuServe's shares to investors through a syndicate of underwriters. The syndicate recommended the share price of \$30-per-

share for the initial public offering and sold the shares to institutions and retail brokers. Like many leading technology stocks, CompuServe shares are traded and listed on the NASDAQ exchange. CompuServe will receive the tax-free proceeds from the IPO as equity capital. The remaining 80 percent of CompuServe shares will be distributed to Block shareholders during fiscal year 1997.

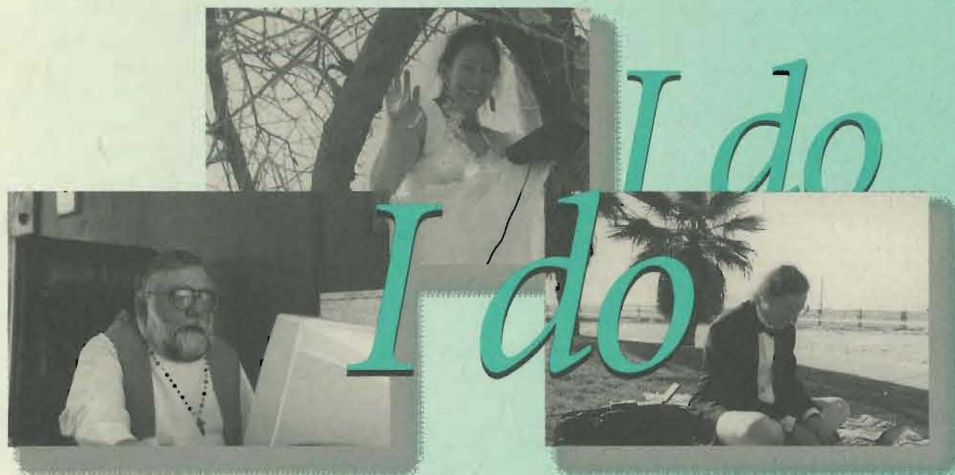
Associates can track the share price on the CompuServe Information Service using Current Quotes (GO QUOTES), which can be searched by CompuServe's ticker symbol, CSRV.


by Jan Bowers




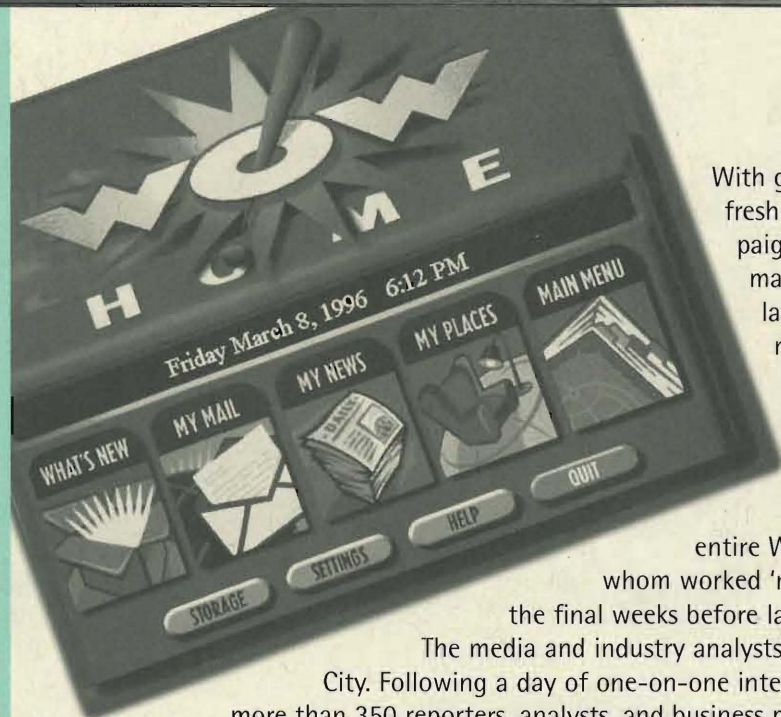
News bits -n- pieces

The words "I do" made a worldwide media splash when CompuServe and Fujitsu Cultural Technologies coordinated the first-ever WorldsAway wedding on Valentine's Day. Held in CIS's virtual-chat area, WorldsAway, the ceremony legally bonded bride Victoria Vaughn (below center), logged on while perched in a tree behind her Hollywood, California, home, and groom Joseph Perling (right), typing his vows from a beachfront in Venice Beach, California. The ceremony was performed by the groom's father, Reverend R. John Perling (left), who cyber-ordinated from his Beverly Hills church. The event spawned approximately \$30 million in free publicity for CompuServe, including media coverage in 33 countries outside the U.S. 



CompuServe joined forces with the Interactive Services Association, the U.S. National Consumers League, and other leading online and Internet companies such as America Online and Microsoft to form Project OPEN (Online Public Education Network). Project OPEN's goal is to educate the public about cyberspace, promoting safe and responsible use of the online medium as it becomes a more integral part of mainstream America. Using the theme "Making the NETwork For You," Project OPEN is the first industry-wide U.S. consumer-education program and offers a consumer brochure, a toll-free information number, and a national public-service-announcement campaign. Initial efforts are targeting four key issues: child safety/parental empowerment, intellectual property rights, consumer protection, and user privacy. To access Project OPEN on the World Wide Web, visit <http://www.isa.net/project-open>. 

Beginning this summer, CompuServe Magazine, CompuServeCD, and the compuserve.com Web site will function as a family internally dubbed a "cyberzine," containing related editorial and possessing a similar "look and feel." "The idea is to combine the rich media experience the CD can deliver with the immediacy of the Web and the relevance of the magazine. The value for our members is that the sum is greater than the parts and it allows us to cross-promote in all three," says Sandy Flynn, director of Member Communications, the department under which the three staffs now operate. 



With gala celebrations, a fresh advertising campaign, and a touch of magic, CompuServe launched WOW!, its new online service for home use, to widespread critical acclaim. Thanks to the unflinching dedication of the

entire WOW! team, many of whom worked 'round the clock in the final weeks before launch, the service made the media and industry analysts get an advance look at City. Following a day of one-on-one interviews with CompuServe more than 350 reporters, analysts, and business partners and their family magicians/comedians Penn and Teller. In a departure from the conventional new presentation was interspersed with more bits of magic to the delight of the audience included CompuServe CEO Bob Massey, CompuServe Chairman Dick Brown, and two H&R Block board members on the CompuServe board of directors).

As a result of WOW! Wednesday and follow-up broadcast interviews with Kauffman and Brown the next day, media coverage reached an estimated 75 million people. *Journal*, *New York Times*, *New York Post*, *USA Today*, *Chicago Tribune*, *Boston Globe*, and *Columbus Dispatch* all ran WOW! stories, as did Cable News Network, CNBC, and WCBS radio in New York.

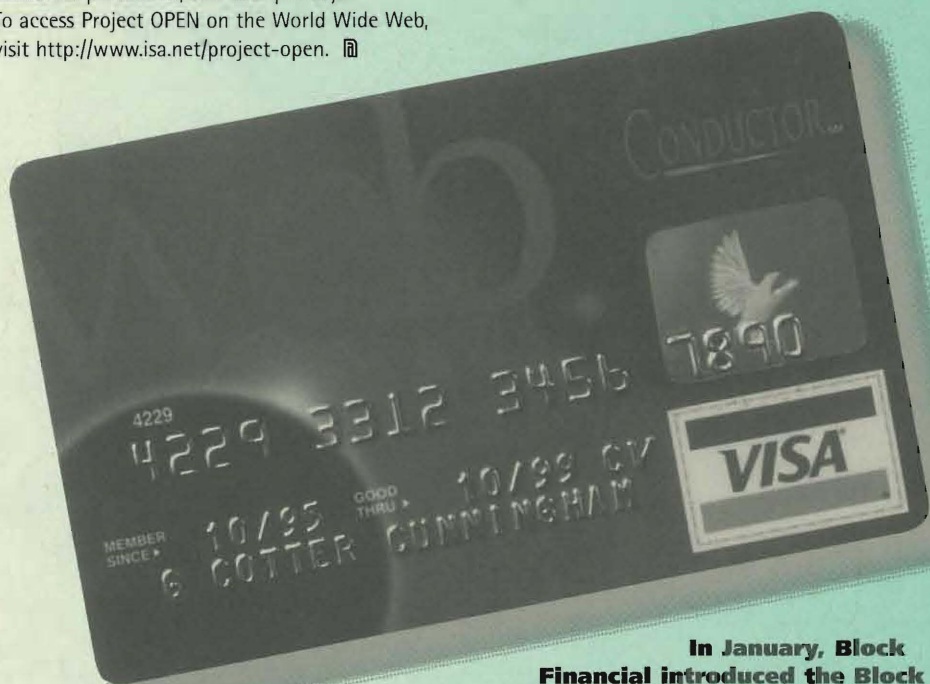
To a large extent, the stories singled out WOW!'s attractive pricing structure and its focus on child safety, the family, and home use. "Clearly, the news

WOW! the


media and industry analysts understand the key benefits we're communicating in our marketing messages," Kauffman says. "Parents want a safe, friendly online environment for kids. They want easy, fast access to the Internet, and they want to be able to chat, shop, send e-mail, get news, and pursue hobbies and interests without fear of getting lost. And they want to explore at their leisure without worrying about running up a large bill."

The launch was supported by an aggressive consumer advertising campaign that included cable and broadcast television spots, 16-page inserts in *Time* and *People* magazines, and full-page ads in U.S. national newspapers. A special four-page advertorial appeared in *USA Today* and 37 major-market newspapers. The commercials and print ads reinforce WOW!'s family-friendly image by showing kids and grown-ups engaged in everyday activities. As a result of the launch publicity and ad campaign, more than 100,000 orders for WOW! were received in the two weeks following launch.


by Jan Bowers



In January, Block Financial introduced the Block Financial WebCard Visa (above)—the equivalent of the CompuServe Visa credit card for Internet users.

WebCard holders can check their account information on the Net, updated to reflect charges made as recently as two days ago, and download transaction information for use in financial software such as Quicken, according to Bill Anderson, president of Block Financial. The card, available to U.S.-based Net surfers, is being marketed via direct mail, a link from YAHOO!'s Web site, and a SPRYNET area where members can sign up online. An upcoming print campaign will also spread the word. For more information, visit <http://www.conductor.com>. 

SPRYNET recently launched SPRY Society, allowing its members to publish personal home pages on the World Wide Web up to 5MB in size. Members can build their sites with tools such as Microsoft Assistant, HotMetal Pro, and CompuServe's own Home Page Wizard, all of which SPRYNET makes available via its service. Plus, the <http://www.sprynet.com> customer-support site on the Web has just been enhanced to further meet customer needs. Also, Macintosh users can now access the service with SPRYNET software for Macs released in late April. 

CompuServe's European base of information-service, Internet, and business-networking customers will soon enjoy greater 28.8 Kbps access to the CompuServe network, thanks to an agreement with France Telecom Network Services (FTNS). The FTNS network consists of more than 1,000 nodes spanning 17 European countries. Over the next several months, FTNS will turn on 28.8 Kbps access throughout its infrastructure, augmenting CompuServe's own aggressive 28.8 Kbps expansion across Europe and the rest of the world. 

Not sure whether you need an online service or the Internet? Don't worry, we'll give you both.

Introducing the first online service with a child-proof cap.

Truly "interactive": Scott Kauffman chats with associates' kids at a WOW! launch celebration held at the Incredible Universe store in Hilliard, Ohio.



its debut on schedule, becoming available to the public on March 25. WOW! on March 13—dubbed "WOW! Wednesday"—at a gala preview in New York. Vice President, Consumer Markets, and WOW! General Manager Scott Kauffman, attended an evening party at the New York Supper Club featuring product introduction, Kauffman allowed Penn and Teller to "saw" him in half. His wife (which also was one of the three

ffman, Massey, The Wall Street



From left, Bob Massey, Scott Kauffman, and Dick Brown are all smiles on WOW! Wednesday.

CompuServe WWS critics



Welcome, new executives!

As CompuServe faces independence, newly named Chief Financial Officer

Lawrence A. Gyenes will focus on the immediate requirements of taking CompuServe public in addition to developing and implementing key financial strategies. His financial skills finely match the needs

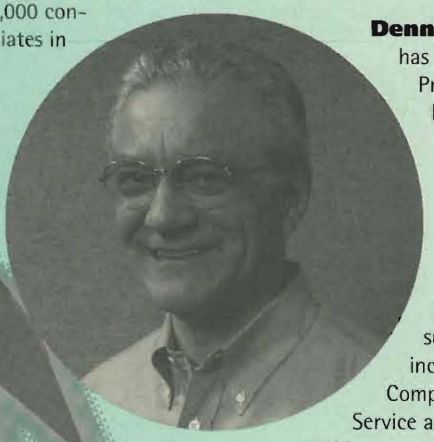
CompuServe has in this transitional time: international expertise, acquisition and joint-venture evaluation, and experience in positioning a company to maximize shareholder return. Gyenes, who is also a certified public accountant, is based at Arlington Centre. ☐



To leverage CompuServe's current leadership position throughout Europe and direct an aggressive global expansion campaign, CompuServe recently appointed **Steven P. Stanbrook** to President, International. Based initially in the Reading, U.K., office, with the intention of establishing an international headquarters in London, Stanbrook will provide strategic direction and general management to all international offices, including affiliate relationships worldwide. Meanwhile, the Information Service's international membership continues to thrive with nearly 700,000 members in Europe, 135,000 in Canada, and 260,000 connected via CompuServe affiliates in countries such as South Africa and Mexico. ☐



Dennis D. Matteucci has become CompuServe's President, Online Services, to lead aggressive growth in the consumer online market. Matteucci will be a key in helping drive CompuServe's customer-focused growth strategy, and will lead the direction for the company's suite of online brands including the flagship CompuServe Information Service and WOW!. "Our ultimate goal is to transform and lead the online services industry," says Matteucci, who is based at Arlington Centre. He brings to CompuServe more than 36 years of strategic-marketing, sales, and information-technology expertise. ☐

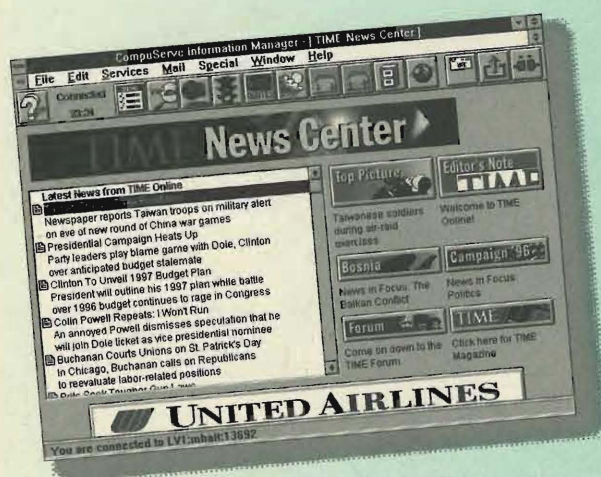


Cynthia A. Vahlkamp, who recently joined CompuServe as Senior Vice President of Marketing, Online Services, is leading the development of a worldwide branding and marketing strategy for all business units, including the CompuServe Information Service, SPRY, WOW!, and Network Services. Her primary responsibility is overseeing strategic marketing, marketing communication, and CompuServe's transition to a consumer- and customer-driven organization. Key areas of short-term focus include global vision, the online portfolio strategy and brand positionings, and overall marketing objectives and strategies. Vahlkamp's office is located at Arlington Centre. ☐



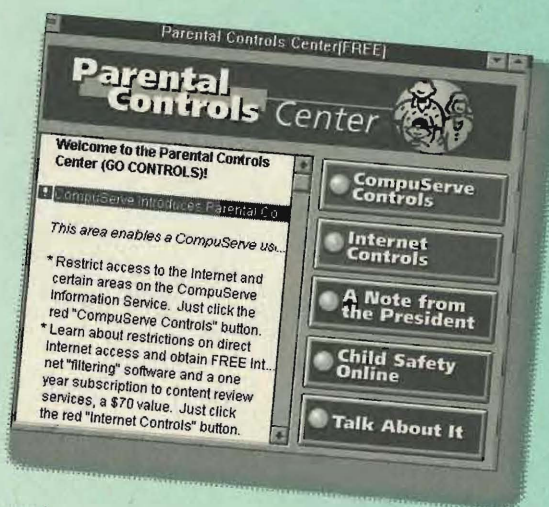
CompuServe will offer CIS access to users of AT&T WorldNet Service. AT&T's Internet-access program, starting this summer. CompuServe will be priced at a reduced rate for customers who access CIS through WorldNet. "By putting CompuServe's high-quality global content and international services in easy reach of AT&T WorldNet Service customers, AT&T is making good on its pledge to provide an innovative package of services, including local, long-distance, wireless, and online offers," says AT&T Chairman and Chief Executive Officer Robert E. Allen. More than 360,000 consumer and business customers requested dial-access software for AT&T WorldNet Service within five weeks after the company began taking orders. WorldNet began operations in mid-March. ☐

You can bank on it: Consumers will soon be able to bank from home via the CompuServe Information Service, handling checking and savings account transactions and electronic bill payment, and making use of other personal-financial-management tools. The new capability is expected to encourage many bank customers to become CompuServe members. The move is part of a plan to expand CIS's personal-financial offerings to provide the broadest range of cyberspace tools available for managing personal finances and investments. Usage of CompuServe's financial services has shown an annual compound growth rate of 90 percent over the past five years. Watch your InfoPlex mailbox for press releases announcing banks that will offer online-transaction capabilities via CIS. ☐



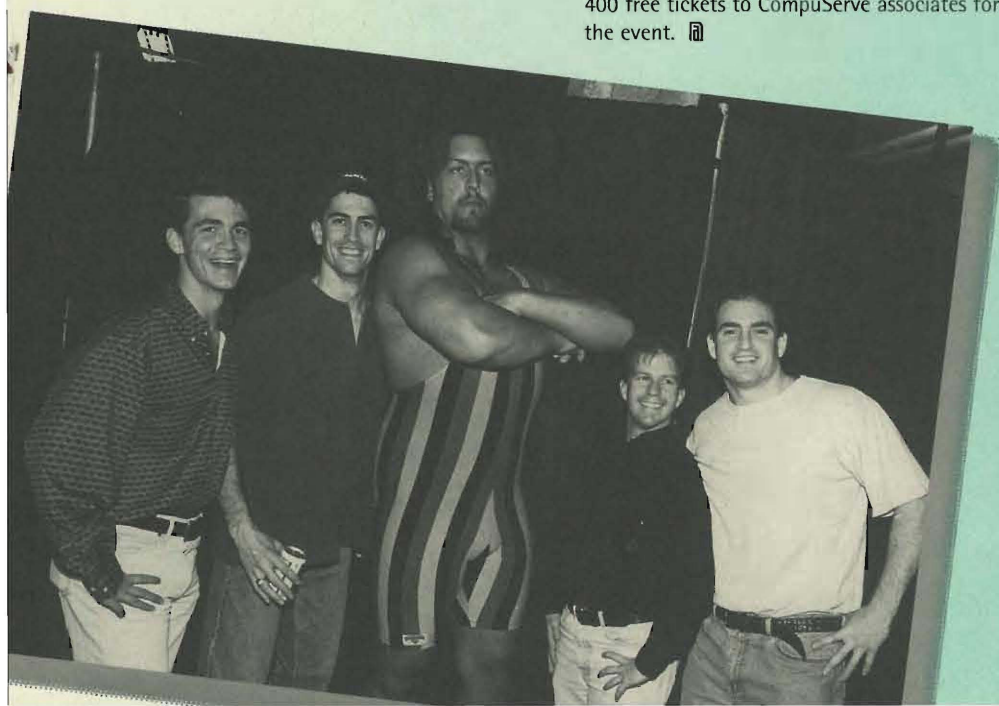
Time magazine, the first and largest weekly news magazine in the U.S., launched its 24-hour News Center on CIS in March after leaving America Online. The center contains continuously updated reports from Time's award-winning journalists

and, as AP Online's new home, wire stories from the Associated Press. Members can also use the area to read content from European and Asian editions of the magazine (to reach it, GO TIME, click the Time button, and then select Other Editions). With this addition, CompuServe maintains exclusive relationships with five Time Warner publications, including *People*, *Money*, *Sports Illustrated*, and *Fortune*. ☐



The Parental Controls Center (GO CONTROLS) debuted on the Information Service in February, giving parents the power to restrict CompuServe and Internet content they deem inappropriate for their children. "We've received very positive feedback from our members for providing this solution," says Senior Manager Kathy Gerber. The CompuServe controls allow restriction of CompuServe-hosted content that appears on an adult-oriented content list or is available via Internet newsgroups, File Transfer Protocol, and Telnet. The Internet controls, made possible with the use of Microsystems Software's Cyber Patrol program, restricts access to content available via the World Wide Web, File Transfer Protocol, Gopher, Internet Relay Chat, and newsgroups. Currently, English- and German-language versions of the Parental Controls Center and the Cyber Patrol software are available; French and Spanish renditions are under development. ☐

A giant undertaking (below): From left, CompuServe fitness-center associates Chris Kemock, Bill Thomas, Mike Herron, and Jeremy Rycus stand tall next to "The Giant" (center) at a late-March World Championship Wrestling event in Columbus, Ohio. WCW is expected to open an area on CIS to cater to wrestling fans. In anticipation of the signed agreement, WCW offered 400 free tickets to CompuServe associates for the event. ☐



Congrats:

Crystal Club

The following associates celebrate their 10-, 15-, or 20-year CompuServe employment anniversaries in March, April, or May.

15
Years

Carol Davis
Systems Programmer/Analyst,
Information Technology

Doug Longstreth
Regional Manager,
Network Technical Support

Timothy Nolan
Process Engineer,
Manufacturing/Engineering

Jay Yamada
Technology Support Manager,
San Francisco

10
Years

Gene Allen
Lead Collector, Credit & Collections

Joseph Baker
Lead Field Service Engineer,
Network Field Services

Emmanuel Beatty
Lead Custodian, Custodial Services

Mike Davis
Building Maintenance Coordinator,
Building Maintenance

Kim Dickson
Product Support Assistant 1,
WOW! Management

John Eshem
Network Planning Analyst 1,
Network Planning & Projects

Jeff Garren
Network Technology Manager,
Network Product Support

Diane Goubeaux
Payroll Administrator, Accounting

Mike Hernly
Software Tech 1, Network Operations

Georgy Huffman
Travel Specialist, Associate Relations

Sandi Karnes
Executive Assistant, Eastern Region

Rose Karr
Associate Product Marketing Specialist,
Professional/Personal Services

Lynn Nafziger
Supervisor, Network Technical Specialist,
Network Services

John Olmstead
Vice President, Regional Sales, Columbus

Gene Pugnetti
Account Executive II, Seattle

Russell Ranshaw
Principal Software Engineer,
Product Development

Denise Robinette
Systems Analyst 1, Large Software Systems

Theresa Shearer
Network Product Tech,
Network Product Support

Elizabeth Sibbring
Director, CIS Marketing

Craig Twiss
Branch Manager, Florida

Larry Wode
Manager, Network Testing,
Network Product Support

20
Years

Stephen Berube
Account Representative, Connecticut

Rand Kennedy
Director, Network Planning & Projects

Donna Zimmerman
Human Resources Manager, Legal

the associate

Dave Johnson
Editorial Director

Tracy Mygrant Miller
Editor

Matthew Chinn
Timothy Kurz
Assistant Editors

Christa McDonald
Art Director

Alan Jazak
Designer
The Chute Gerdeman Group

Jody Myers
Production Assistant

CompuServe

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