



**soft** [Larry of Novell]. Under the terms of the definitive agreement signed yesterday, existing shares of Digital Research common stock, convertible securities and options will be exchanged for \$1.5 million newly issued shares of Novell common stock.

Digital Research is a private company incorporated in the state of California. It is the originator of CP/M, the precursor of today's disk operating systems and OS/2. Our strategy is to provide computer users and industry partners with easier to use, more powerful, software products to support tight integration between desktop computers, computer networks and host computer systems," said Roy Bardsley, Novell's president and chief executive officer.

Digital Research is an important part of this strategy. Novell is welcoming a talented organization with technology leadership not only in DOS operating system products, but also forward looking expertise in multi-tasking and graphical user interface technology." Novell said it is responding to customer demand for tightly coupling network operating systems with desktop and host computer operating systems. Novell has already become the largest outside investor in Unix System Laboratories, the developer of Unix System V Release 4.

With the merger with Digital Research, Novell is adding DOS, multi-tasking and real-time operating system technology. The combined resources are seen as providing a dynamic technology platform for better integrating DOS, Unix and Northern operating environments.

In addition, the company has been able to develop innovative software products to support customer utilization of OS/2, Windows, Apple Macintosh and other operating system environments. Dick Williams, president and CEO of Digital Research, sold the company given Digital Research significant new market reach through several strategic alliances with leading computer vendors, its presence in the systems integration market, and for reaching distribution, marketing education and customer support resources.

Having long understood the value to customers of significantly extending the capabilities of DOS, Digital Research and DEC have already set the standard for DOS compatibility in the 1990s. Tightly integrated products from Novell and Digital Research will simplify network use and better support our mutual customers and industry

The merger agreement has been approved by the boards of directors of each company, but remains subject to the approval of Digital Research stockholders, regulatory approvals and other normal conditions to closing. Certain Digital Research stockholders, including each of its directors, have signed agreements to vote their shares in favor of the merger, which is expected to be completed in October 1991.

As part of the agreement, Digital Research will receive \$1 million in fees.

In the event the merger fails to be completed due to a vote of their shareholders, or a change in recommendation by the Digital Research board, The merger agreement is expected to be accounted for as a pooling-of-interests.

Digital Research, with 273 employees, had revenue of \$40.9 million in its fiscal year ended Sept. 30, 1990, up from \$36.2 million in fiscal 1989.

Kovell, Inc. is the leading provider of network server operating system software that integrates desktop computers, servers, and minicomputer and mainframe hosts for information sharing. Kovell's Novelline Netware network computing products manage PC and control departmental networks, data and applications among PC workgroups, departmental networks and across business-wide information systems.

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Peter Troop, 408/473-8561  
of  
Digital Research  
Joe Taglia, 408/666-6573

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re: philabs Wed Jul 17 08:59:13 1991  
of Brachl  
Subject: Re: novell  
Date: Tue Jul 16 08:17:52 1991

think we need to carefully measure our response. Totally then out will force them to compete on a wider basis and increase the disaster scenario to occur. Not to mention the thin line we would be on. On the other hand, we have an advantage which should press it in the systems area. One approach would be to make the system more enhanced made to all but real-world data customers. This would accomplish in a number of ways the single most effect to move kernel (or major component of it) into a VME and significantly up the cost of entry to running 'full' Windows. The 'side effect' of disallowing enhanced mode under a dos and not running the more advance components except in enhanced mode.

for denying them access to Windows info. I think this is something  
I should not do. Having Windows support in nature will only  
be a benefit to me.

Dear friends! I am writing to you from Brazil. I am here to study the effects of deforestation on the environment and the people who live there. I am also here to learn about the indigenous peoples of Brazil and their way of life. I am staying with a local family and attending a school in the Amazon rainforest. I am learning about the importance of preserving the environment and the need to protect the indigenous peoples of Brazil. I am also learning about the challenges faced by the indigenous peoples of Brazil, such as poverty, lack of education, and discrimination. I am grateful for the opportunity to experience this firsthand and to contribute to the preservation of the environment and the indigenous peoples of Brazil.

X 552001  
CONFIDENTIAL

X552001

Subject: Novell  
Date: Thu Jul 16 23:32:44 1991

This novell thing bugs me. we need to think through what kind of relationship we can/should have with novell now for dos, windows, dos+, and windows. I'm sure jmail and steven are thinking the same for windows/lnk. send me your thoughts on novell. I'll pass along some of mine. I want to put together recommendations and present to other execs.

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From: Tom Jul 17 09:29:18 1991  
To: brads!  
Cc: tomle  
Subject: Re: novell  
Date: Wed, Jul 17 1991 09:28:03 PDT

I spent time last night since I couldn't sleep very well. Here is what I came up with:

What would Novell do that?

This seems like an odd move if they really understand the position we were placing them in, why would they make the move guaranteed to get us the most energy?

1) Their strategy. They see a marvelous opportunity to take Microsoft's position in the systems market. With IBM and MS going at it, it would be a great time for Novell to leverage their Net dominance, their current relationship with IBM and their advantage in Corporate loyalty to muscle our cash cow away from us.  
2) They are planning to use the MS-DOS threat to force MS to do what Novell wants in both dos and windows. My understanding from Karen and Terry is that Novell has a strong windows strategy so unless they are moving away from that strategy, this move somehow has to make sense in a windows strategy.

3) Both of the above.  
4) They start out offering a complete Novell solution giving them an edge in the corporate environment. You must question, an edge over what can they achieve with this knowing that windows will be everywhere?

The really scary part for me is that we are in the infancy stages of developing a relationship with Novell so we know very little.

The first question I want to try to answer is, given Novell control over dos, what would they do to let us know they plan to release dos products very early on that hit key features on the list of things we think Novell would do.

Now do we deal with novell now that this has happened.

1) windows gets another reason it's mat success. Because of that I strongly recommend the windows group NOT slice off to Novell. windows must execute on the strategy of being the best network connection environment and Novell is the key player there. I have to trust the windows folks to be in bed with my enemy while still being on my side. This is exactly what I asked of

the Lammens guys in dos 3.00 and it worked.

2) dos can't be that close yet. I am sure it was a little disconcerting for the Novell guys to start talking to the dos group but we gave them assurances and we were building trust. We need assurances from Novell that these groups are maintained separately and that their MDAs are meaningful before the dos group can continue developing its Novell relationship.

strategy for dealing with Novell on dos

I am assuming they will take over the dos market if they can and if they can't they will force some control over windows directions. dos-dos \$100 is real and is in beta. If I am right about what they are doing, they will release dos-dos 6.00 before adjusting the dos priorities to a network focus. We can't let Novell take the lead in the dos technology market. This will be a real challenge for us but one I think we have to meet.

We must convince Novell there is real value in windows and does having a close intimate relationship.

Tom

HIGHLY  
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From: brads! Tom Jul 16 23:32:28 1991  
To: brads! david@philip.pvt  
Subject: novell  
Date: Tue Jul 16 23:32:44 1991  
  
This novell thing bugs me. we need to think through what kind of relationship we can/should have with novell now  
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send me your thoughts on novell. I'll pass along  
some of mine. I want to put together recommendations  
and present to other execs.

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From: tomle Wed Jul 17 10:16:01 1991  
To: brads!  
Subject: RE: novell  
Date: Wed Jul 17 10:15:07 PDT 1991  
  
My initial thoughts on this are that:  
1) this is a strategic mistake for Novell  
2) if they change their product strategy much (ie. build net products that are proprietary to the dos) it will be to their detriment  
3) they have acquired programs that will make them more aggressive  
(and successful?) at dos work.

(4) the biggest danger for us is that they try to be very aggressive with dos pricing  
(5) that competition is not all bad. It may have some short/long term effect on our profits, but it will get us all that much more focused  
6) relationship-wise we do have to be a bit lighter with them  
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C:\WIN1000.MAI

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In a nutshell, I don't see why it will be an easier for them to enter our market (DOS) as it was for us to enter theirs (Windows). I suspect if they try a frontal assault on the DOS/desktop as big it will cost them big \$'s and they will not succeed. On the other hand if they use it as a platform for "proprietary" net products (ie. that don't run on DOS 5.0/6.0) they will be shooting themselves in the foot. And if they offer 2 versions, a "batter up" one on DOS and a "normal" one on DOS 5/6, I think the market will shrug. If they try to beat us to win at the 32 bit DOS, again, I think the market will shrug, and this might complicate their relationship with IBM. Product wise in desktop as market, if we execute, then I don't see what they gain.

The flip side of this is, I don't see why we would change our product strategy to dominate market share, which would be suicide from a net market perspective. I don't think it changes our Northern Plans. We still have to co-exist with installed Northern Link, and if we can get them to sign up for licensing us the media/report, we'd still like to make it easier for the Northern customer to install Windows/Windows on an Northern Link. This is good for them, but good for us.

As far as our relationship with them, I think there are some open issues that we need to talk through carefully. We obviously need them to continue to support Friends (including Mirabilis), so if they come to us and ask to help them or if you're ever, I think we have to help. On the other hand, what they came and went helping their new peer to peer product to co-exist with Mirabilis? It's Windows, but it's a directly competitive product. This is the sticky territory where I think we are bound to have to work with them, but it will be difficult for both companies. One way to look at it is, for the first time we are looking out at a company that is in 2 businesses and the cause conflict for us because we compete with them with the same name. Of course this is something that we have been faced with in dealing with MS specifically that companies like Novell have been faced with in dealing with MS for so long. We'll just have to continue to tread the fine line. Both

The 2 biggest residual effects of the deal are that they can cut the price of oil to \$10 if they choose to, which might cause us some short term price pressure, and they have apparently acquired some good oil programmes. This will probably make them more aggressive about graphical interface throughout the product line, which will be good for them.

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**Subject:** IEEE Digital Research

Between you and me, I don't see what has changed that would make us reconsider our file. I hope no one at R&B, including myself, gets defocused on this transaction just because Adrien is at Artsoft now. We are entitled on a dry premise that makes sense (or we should be) if we're entitled in pursuing it. The decision to do all 32 bits of work is a looking better everyday. I bet that's why Adrien wants to re-ignite this merger (Because he knows that Artsoft probably can't do it on their own), and it will also give us an advantage against whatever peer product several comes up with (I assume they are not doing YAC work since they have not come to us for help).

X 55203  
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To: russ  
Subject: Novel/Digital Research  
Date: Wed, 17 Jul 91 11:06:49 PDT  
  
Syl but not for forwarding or dis-  
tribution  
From: alkenar last Jul 17 09:20:  
To: billy.stevens  
Cc: brad.linn,paulus  
Subject: Novel/Digital Research  
Date: Wed Jul 17 08:20:44 PDT 1991

Adrian King called this morning from his new office at Artsoft. He said that Jack Scherf is very interested in re-opening discussions with us regarding his acquiring Artsoft. Jack believes that Kroll is planning for us. While he understands our decision to do Kroc (inbound) ourselves, he thinks we're at risk on the (lateral and DDI) partner factoring market. He feels that Artsoft can plug that hole instantly for us and can then share with us their sound and wireless knowledge.

They (Jack and Adrian) would like us to take this as a real offer to re-open discussions.

From Russ Wed Jul 17 12:08:14 1991  
To: brad!  
Subject: Re: New political research  
Date: Wed Jul 17 12:07:04 PDT 1991

What I want of you is to get me a real product. I am not satisfied with the new target only a DOG real made product. I am talking about with proposition from Artie's that the first thing Adrien talked about with Jack was how do we get a better Windows product, ie. better integrated with Win95, prot support etc. And the same answer of course is, have it buy us. I think a big piece of this decision, if I was Adrien, would be the market critical and know it will be hard to get it known it is

I am also reading into the Novell picture. Given that there plans to do a peer product are serious, they are most likely going to follow the Lantastic model (the CII article even said something like they were out to get Antisoft), i.e. a bog real mode product that runs under Windows with the UI before an API.

So where we have an advantage is Windows - we will have a significantly better Windows product. Meanwhile, Novell, Artisoft, and the rest will fight it out for the DCE role, running under Unix market - good solution since run in Win great made 12 better memory since we can hook on file and print.

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