From jimall Wed Jul 17 08:54:47 1991
To: billg bradsi mikemur paulma steveb
Cc: jimall
Subject: FW: Novell/Digital Research reach definitive agreement...
Date: Wed Jul 17 08:53:48 PDT 1991

I thought about it all night. Since I came here I said there were
two things that concerned me related to Novell: one Novell partnering
with IBM and two Novell coming at us at the desktop. Both fears have
now come true.

I had planned to call Novell this morning and ask them (I know lots of
people there) how they plan to position, etc. But the release below
makes it pretty clear.

Given this, I suggest (at least for Systems) that we

a) do not change our public posture

b) do not appear alarmed .. "that's interesting or curious or
something" would be a good quote.

c) we get serious about supporting our networking more than
others. This is the strategy that Novell will adopt as soon as
they have a product to do so. They will of course continue
to support "foreign" OSs like Windows and DOS, but their focus
will be on building a new generation OS for the desktop.

I understand the difficulties of working with ISVs to get them
to change their support from Windows, but we shouldn't kid
ourselves. I have been fighthing Novell for years -- we shouldn't
underestimate their technical or marketing abilities. Their
intentions are clear.

Our posture should be the same. We support our networking and
also "foreign" servers such as Novell, etc.

d) I suggest that we only include our software on the diskettes
for Windows 3.1 and future DOS versions. We can be open without doing
this. (Note that doing Netware and LM dual redirectors and
the service provider environment are still critical components of
the system.) (We ship compatibility software to other formats
-- we should do the same for networking. We don't ship parts
of 123 or other products in Excel. I never have agreed with
this strategy and still don't. Actually for the current set
of products and given where LM has been, that was probably the
right strategy, but we must change this for the future.)

e) I suggest that we include winball into 3.1 as a standard feature
as soon as its ready with minimal price change.

f) We should provide some part of LM as a standard packaged part of NT.
Support pricing must be worked out.

g) We consider changing our apps to not run unless the OS is our OS.

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h) We must leverage our networking and OS strengths together to win this battle. Not doing so already has hurt the networking business and if the release is any indication, it will hurt the OS business in the future.

jim

>From   roxannaf Wed Jul 17 08:12:40 1991
To: execnews
Cc: sharonb
Subject: Novell/Digital Research reach definitive agreement...

Date: Wed Jul 17 08:02:56 1991

NOVELL   DGTL   RESEARCH: Novell and Digital Research sign definitive merger
        agreement

July 17, 1991

    PROVO, Utah--(BUSINESS WIRE)--Novell Inc. (NASDAQ:NOVL) and Digital Research Inc., a developer of advanced operating system software, including the first DOS 5 operating system, Wednesday signed a definitive agreement to merge the two companies, making Digital Research, headquartered in Monterey, Calif., a wholly-owned subsidiary 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 DR DOS.
    "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 Ray Noorda, 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 system software 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 NetWare operating system environments.
    In addition, the company will continue to develop innovative software products to support customer utilization of OS/2, Windows,

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Apple Macintosh and other operating system environments.
Dick Williams, president and CEO of Digital Research, said the merger gives Digital Research significant new market reach through Novell's relations with leading computer vendors, its presence in the systems integration market, and far reaching distribution, marketing, education and customer support resources.

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

"With Novell, we see ourselves as suppliers of total operating system solutions for the enterprise computing environment, from banking to industrial automation real-time requirements, to advanced graphical user interface technology," Williams added.

Digital Research brings two new software engineering centers to Novell. In Monterey, Digital develops graphical user interface technology and FlexOS, a real-time, multitasking, multiuser operating system for the Intel family of microprocessors.

FlexOS combines general purpose operating system ease-of-use with real-time, transaction oriented capability necessary for point-of-sale, and industrial and process control systems. Original equipment manufacturers who deliver FlexOS with their systems include FANUC, IBM, ICL, TEC and Siemens.

In Hungerford, Berks, the United Kingdom, Digital develops its general operating system family of products, including DR DOS, DR Multiuser DOS and Concurrent DOS. DR DOS represents between 10 and 15 percent of the overall DOS market, is translated into major languages, and is sold to end-users worldwide through both software distribution channels and more than 200 OEM vendors.

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 has agreed to pay a fee 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.

Novell, Inc. is the leading provider of network server operating system software that integrates desktop computers, servers, and minicomputer and mainframe hosts for information sharing.

Novell's NetWare network computing products manage and control the sharing of services, data and applications among PC workgroups,

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departmental networks and across business-wide information systems.

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                          or
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