

Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

Microsoft Corporation
Telex 160520
Fax 206 883 8101

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Microsoft®

April 3, 1991

Mr. Ray Noorda
Novell, Incorporated
122 East 1700 South
Provo, Utah 84606

Dear Ray:

I wanted to write you and try to clear up the tension between our companies. I sense the tension stems from two sources our merger discussions a year and a half ago and the outstanding contract dispute between Microsoft and Excelan/Novell. I will address these. A friendly relationship between our firms will let us cooperate better where it benefits our mutual customers and will make our competition more fun.

First, let me apologize for any ill feelings that we may have caused in our merger discussions. We approached them sincerely and with great interest. We may not have been as crisp, prompt, and clear about ending those discussions as we should have been. You have built an incredible company. We appreciated that then and now. The reasons we decided not to pursue our discussions were threefold:

- 1) Complexity of putting the businesses together and running them successfully;
- 2) Risks of US Government disapproval of the transaction; and
- 3) Most importantly, a bias to "build" new businesses rather than "buy" them.

The LAN Manager contract has been an issue between us since you bought Excelan. I think we both tried to work the issue in a productive way in our meeting in Seattle with Jon Shirley. Our conversations on the phone earlier this year made it clear to me that you sincerely feel as wronged as we do. In that context, and in the spirit of moving forward, I recommend that we call this episode "over" as you suggested. We would keep the monies you have paid us. Neither firm would owe the other anything else and we would terminate the contracts. If you agree, the lawyers can do the rest.

I hope you take this letter constructively. I really would like to discuss technical cooperation with Novell in areas where it would benefit our customers. I will call you next week to discuss this letter and see if we can grab a meal at Spring Comdex or rendezvous in Provo or San Jose. We do not need to quarrel publicly. It does not serve our customers. Competition and appropriate cooperation do.

Sincerely,

Steven A. Ballmer
Senior Vice President

SAB.dgh

cc: Bill Gates

Possible Responses

- None
- Respond since we will have to in time
- Take direct action w/ FTC
- Respond to Gates directly

Their Reasons for the Letter

- FTC Issues
- Increasing pressure to cooperate technically
- Desire to get out of LAN BUSINESS & focus on Windows, DOS, NT, Excelan

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**Plaintiffs' Exhibit
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Comes v. Microsoft