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**I N T E R O F F I C E   M E M O R A N D U M**

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**Date:** 13-Aug-1992 09:03am EDT  
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**TO:** See Below

**Subject:** BUDGET QUESTIONS I WOULD ASK IF I WERE A DIRECTOR

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WHY I SHOULD NOT BE A DIRECTOR

I have strong feelings as to the authority, obligations, and duties of a Director.

I believe a Director only has authority during the official Board meeting with official minutes, documented proposals, and documented votes.

I think it is wrong for a Director to claim authority and power outside of the Board room or the committee meeting. I believe it is devastating for a Board member to use secret information that he cannot make public in the Board room.

I believe the Board of Directors can have any information they specifically request. It should, however, be in written form and filed. Because of the information I have, I think it would be absolutely unfair for me to be a Director.

When a Director has information from employees that is secret from the Chief Executive Officer, the Director has undue power over the CEO. When there is any feeling that an Officer works for or is protected by a Director, the CEO loses all discipline and is impotent.

QUESTIONS I WOULD ASK IF I WERE A DIRECTOR

I. First of all, I would ask what business is Digital in? Is it Digital's goal to sell the lowest cost products with the

highest specifications to OEM's or to third parties.

This would be a very legitimate goal and could be a very profitable goal. Emerson Electric, which is quite different from Digital, could probably be the business after which Digital is modeled.

If this is not the goal of Digital, what is it, and how does the business model as represented in the budget meet those goals?

- II. Why did Digital dramatically and drastically lose market share and lose vast amounts of money in the last few years? Are the same people, the same groups, and the same strategies still driving Digital?

What new strategies are demonstrated in the budget?

- III. If the cost of products are way too high, what is being done to solve the problem, and how is it reflected in the budget?

- IV. If the cost of selling is overwhelmingly too high, what does the budget say we have done to solve the problem?

- V. If customers say minicomputers and mainframes are dead or dying, what is our strategy to solve the needs of our large customers? Where does it show up in the budget?

- VI. What is the integrating group that ties everything together? Is the Company run by Committee or Business Unit in order to make investment decisions? How is this used to make investment decisions?

The traditional method of investment decisions is to look at a Business Unit or a whole company that adds up to the profit of the Corporation or that Business Unit. Is our budgeting system a useful tool to help make rational investment decisions? Is the budget a cost cutting budget, or is it a strategic profit making budget?

KHO:pm

KO:7609

(DICTATED ON 8/10/92, BUT NOT READ)

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