

**Defendant's  
Exhibit  
379**

**Novell. NOVELL INC** (NOVL)

1800 SOUTH NOVELL PLACE  
PROVO, UT 84606  
801.861.7000  
<http://www.novell.com/home/>

**S-4/A**

FORM S-4 AMENDMENT NO. 3 DATED 6/23/94  
Filed on 06/23/1994  
File Number 033-53215

**DEPOSITION  
EXHIBIT 5**  
*Warren Boulton*  
*8/13/09 Lem*



1

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 23, 1994

REGISTRATION NO. 33-53215

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 3

TO

S-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

NOVELL, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 7372 87-0393339  
(STATE OR OTHER JURISDICTION (PRIMARY STANDARD INDUSTRIAL (I.R.S. EMPLOYER  
OF INCORPORATION OR CLASSIFICATION CODE NUMBER) IDENTIFICATION NO.)  
ORGANIZATION)

122 EAST 1700 SOUTH  
PROVO, UTAH 84606  
TELEPHONE: (801) 429-7000  
(ADDRESS, INCLUDING ZIP CODE AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF  
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

DAVID R. BRADFORD, ESQ.  
SENIOR VICE PRESIDENT, GENERAL COUNSEL AND CORPORATE SECRETARY  
NOVELL, INC.  
122 EAST 1700 SOUTH  
PROVO, UTAH 84606  
TELEPHONE: (801) 429-7000  
(NAME, ADDRESS, INCLUDING ZIP CODE AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF  
AGENT FOR SERVICE)

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R. DUFF THOMPSON, ESQ.  
EXECUTIVE VICE PRESIDENT  
AND GENERAL COUNSEL  
WORDPERFECT CORPORATION  
1555 NORTH TECHNOLOGY WAY  
OREM, UTAH 84057

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:  
As promptly as practicable after this Registration Statement becomes  
effective and the effective time of the proposed merger of WordPerfect with and  
into the Registrant, as described in the Agreement and Plan of Reorganization,  
dated as of March 21, 1994, as amended, attached as Appendix A to the  
Prospectus/Proxy Statement forming a part of this Registration Statement.

If the securities being registered on this Form are being offered in  
connection with the formation of a holding Company and there is compliance with  
General Instruction G, check the following box. / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR  
DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL  
FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION  
STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF  
THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME  
EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A),  
MAY DETERMINE.

NOVELL, INC.

CROSS-REFERENCE SHEET SHOWING LOCATION IN PROSPECTUS  
OF INFORMATION REQUIRED BY ITEMS OF FORM S-4

FORM S-4 REGISTRATION STATEMENT ITEM AND HEADING	LOCATION IN PROSPECTUS
(Information about the Transaction)	
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.....	Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front and Outside Back Cover Pages
3. Risk Factors, Ratio of Earnings to Fixed Charges and Other Information.....	Summary; Risk Factors; Selected Unaudited Historical Consolidated Financial Data; The Merger and Related Transactions; Terms of the Merger; Information Concerning Novell; Information Concerning WordPerfect; WordPerfect Management's Discussion and Analysis of Financial Condition and Results of Operations
4. Terms of the Transaction.....	Summary; Introduction; The Merger and Related Transactions; Terms of the Merger; Description of Novell Capital Stock; Comparison of Rights of Holders of Novell Common Stock and Holders of Common Stock of WordPerfect
5. Pro Forma Financial Information.....	Unaudited Pro Forma Condensed Combined Financial Statements
6. Material Contacts with the Company Being Acquired.....	The Merger and Related Transactions
7. Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters.....	*
8. Interests of Named Experts and Counsel.....	Experts; Legal Matters
9. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	*
(Information about the Registrant)	
10. Information with Respect to S-3 Registrants.....	Summary; Risk Factors; Introduction; The Merger and Related Transactions; Terms of the Merger; Information Concerning Novell; Description of Novell Capital Stock; Comparison of Rights of Novell Common Stock and Holders of Common Stock of WordPerfect
11. Incorporation of Certain Information by Reference.....	*
12. Information with Respect to S-2 or S-3 Registrants.....	*
13. Incorporation of Certain Information by Reference.....	Incorporation of Certain Information by Reference

3

FORM S-4 REGISTRATION STATEMENT ITEM AND HEADING	LOCATION IN PROSPECTUS
14. Information with Respect to Registrants Other Than S-2 or S-3 Registrants..... (Information about the Company being Acquired)	*
15. Information with Respect to S-3 Companies....	*
16. Information with Respect to S-2 or S-3 Companies.....	*
17. Information with Respect to Companies Other Than S-2 or S-3 Companies.....	Summary; Risk Factors; Introduction; Voting and Proxies; The Merger and Related Transactions; Terms of the Merger; Information Concerning WordPerfect; WordPerfect Management's Discussion and Analysis of Financial Condition and Results of Operations; Management of WordPerfect; Certain Transactions of WordPerfect; Principal Shareholders of WordPerfect; Comparison of Rights of Holders of Novell Common Stock and Holders of Common Stock of WordPerfect; Index to WordPerfect Financial Statements
(Voting and Management Information)	
18. Information if Proxies, Consents Authorizations are to be Solicited.....	Summary; Introduction; Voting and Proxies; Information Concerning Novell; Information Concerning WordPerfect
19. Information if Proxies, Consents or Authorizations are not to be Solicited or in an Exchange Offer.....	*

\* Not Applicable.

4

WORDPERFECT CORPORATION  
1555 NORTH TECHNOLOGY WAY  
OREM, UTAH 84057

May 25, 1994

Dear Shareholder:

A Special Meeting of Shareholders of WordPerfect Corporation ("WordPerfect") will be held on Friday, June 24, 1994, at 9:00 a.m., local time, at the principal executive offices of WordPerfect located at 1555 North Technology Way, Orem, Utah 84057. Accompanying this letter is a Notice of Special Meeting of Shareholders.

At this Special Meeting, you will be asked to consider and vote upon the approval and adoption of the Agreement and Plan of Reorganization dated as of March 21, 1994 (the "Merger Agreement"), providing for the merger (the "Merger") of WordPerfect with a wholly owned subsidiary of Novell, Inc. ("Novell"), as described in the preliminary Prospectus/Proxy Statement previously delivered to you on April 29, 1994.

Pursuant to the Merger, WordPerfect will become a wholly owned subsidiary of Novell, and each share of WordPerfect Common Stock outstanding immediately prior to the time of the closing of the Merger (other than dissenters' shares) will be converted into and exchanged for one share of Novell Common Stock. Each outstanding option to acquire shares of WordPerfect Common Stock will be assumed by Novell and will become exercisable for an equivalent number of shares of Novell Common Stock. The vesting of such options will accelerate immediately upon consummation of the Merger, based on existing contractual commitments to holders of such options. The Merger is expected to be consummated promptly after approval thereof by the WordPerfect shareholders. For more information regarding the consideration to be received by WordPerfect shareholders in the Merger, please refer to the preliminary Prospectus/Proxy Statement under "Terms of the Merger -- Manner and Basis of Converting Shares" and "-- Employee Benefit Plans."

The WordPerfect Board of Directors has unanimously approved the Merger Agreement described in the attached materials and the transactions contemplated thereby and has determined that the Merger is in the best interests of WordPerfect and its shareholders. After careful consideration, the WordPerfect Board of Directors unanimously recommends that the shareholders of WordPerfect vote in favor of the Merger. Holders of approximately 89% of the outstanding shares of WordPerfect Common Stock have signed an agreement pursuant to which they have agreed to vote all shares held by them in favor of approval of the Merger Agreement. Therefore, approval of the Merger Agreement and the transactions contemplated thereby is assured.

All shareholders are cordially invited to attend the Special Meeting in person. However, whether or not you plan to attend the Special Meeting, please complete, sign and return the proxy which is expected to be provided to you, along with the final Prospectus/Proxy Statement, within the next few weeks. If you attend the Special Meeting, you may vote in person if you wish, even though you have previously returned your proxy. It is important that your shares be represented and voted at the Special Meeting.

Sincerely,

ADRIAAN RIETVELD  
President and Chief Executive Officer

5

WORDPERFECT CORPORATION  
1555 NORTH TECHNOLOGY WAY  
OREM, UTAH 84057

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 24, 1994

TO THE SHAREHOLDERS OF WORDPERFECT CORPORATION:

A Special Meeting of Shareholders of WordPerfect Corporation, a Utah corporation ("WordPerfect"), will be held on Friday, June 24, 1994, at 9:00 a.m., local time, at the principal executive offices of WordPerfect located at 1555 North Technology Way, Orem, Utah 84057, to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Reorganization dated as of March 21, 1994 (the "Merger Agreement"), entered into by and among Novell, Inc., a Delaware corporation ("Novell"), Novell Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Novell ("Sub"), WordPerfect, Alan C. Ashton, Bruce W. Bastian and Melanie L. Bastian. The Merger Agreement provides that (i) Sub will be merged with and into WordPerfect, with WordPerfect remaining as the surviving corporation and becoming a wholly owned subsidiary of Novell (the "Merger"); (ii) each outstanding share of WordPerfect Common Stock (other than shares dissenting from the Merger) will be converted into and exchanged for one share of Novell Common Stock; and (iii) each outstanding option to acquire shares of WordPerfect Common Stock will be assumed by Novell and following the Merger will become exercisable for an equivalent number of shares of Novell Common Stock. The Merger is more fully described in the Merger Agreement attached as Appendix A to the preliminary Prospectus/Proxy Statement delivered to you on April 29, 1994.

Only shareholders of record at the close of business on May 20, 1994 are entitled to notice of, and to vote at, the Special Meeting, or at any continuance(s) or adjournment(s) thereof. APPROVAL AND ADOPTION OF THE MERGER AGREEMENT REQUIRES THE AFFIRMATIVE VOTE OF HOLDERS OF AT LEAST A MAJORITY OF THE OUTSTANDING SHARES OF WORDPERFECT'S COMMON STOCK.

By Order of the Board of Directors,  
  
ADRIAAN RIETVELD  
President and Chief Executive Officer

Orem, Utah  
May 25, 1994

[NOVELL LOGO]

[WORDPERFECT LOGO]

WORDPERFECT CORPORATION

PROXY STATEMENT

-----  
NOVELL, INC.

PROSPECTUS  
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Novell, Inc., a Delaware corporation ("Novell"), has filed a Registration Statement on Form S-4 with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Act of 1933, as amended, covering an aggregate of 51,380,100 shares of its Common Stock, \$.10 par value, to be issued in connection with the proposed merger (the "Merger") of WordPerfect Corporation, a Utah corporation ("WordPerfect"), with and into Novell. Originally, the combination of Novell and WordPerfect was to be effected by the merger of Novell Acquisition Corp., a wholly owned subsidiary of Novell ("Sub"), with and into WordPerfect, with WordPerfect becoming a wholly owned subsidiary of Novell, pursuant to the terms of the Agreement and Plan of Reorganization, dated as of March 21, 1994 (the "Merger Agreement"), entered into by and among Novell, Sub, WordPerfect, Alan C. Ashton, Bruce W. Bastian and Melanie L. Bastian. As of May 31, 1994, the Merger Agreement was amended by the parties thereto to provide for the merger of WordPerfect directly into Novell. All references herein to the Merger Agreement are to the Merger Agreement as amended.

Pursuant to the Merger Agreement, upon consummation of the Merger, Novell will be the surviving corporation and holders of the issued and outstanding shares of WordPerfect Common Stock will receive an aggregate of 51,380,100 shares of Novell Common Stock, less such number of shares as are otherwise issuable to persons exercising dissenters' rights. Each shareholder of WordPerfect will receive one share of Novell Common Stock for each share of WordPerfect Common Stock owned by such shareholder. Each outstanding option to acquire shares of WordPerfect Common Stock will be assumed by Novell and will become exercisable for an equivalent number of shares of Novell Common Stock. The vesting of such options will accelerate immediately upon consummation of the Merger, based on existing contractual commitments to holders of such options. See "The Merger and Related Transactions" and "Terms of the Merger."

This Prospectus/Proxy Statement constitutes (a) the Proxy Statement of WordPerfect relating to the solicitation of proxies by WordPerfect for use at the Special Meeting of Shareholders of WordPerfect scheduled to be held on June 24, 1994 and (b) the Prospectus of Novell filed as part of the Registration Statement on Form S-4. All information herein with respect to WordPerfect has been furnished by WordPerfect, and all information herein with respect to Novell and Sub has been furnished by Novell.

See "Risk Factors" for a discussion of certain factors which should be considered by WordPerfect shareholders before voting on the Merger Agreement.

This Prospectus/Proxy Statement and the accompanying form of proxy are first being mailed to shareholders of WordPerfect on or about June 23, 1994.

THE SHARES OF NOVELL COMMON STOCK TO BE ISSUED IN THE MERGER HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS/PROXY STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus/Proxy Statement is June 23, 1994.

TABLE OF CONTENTS

	PAGE
	----
AVAILABLE INFORMATION.....	1
INCORPORATION OF CERTAIN INFORMATION BY REFERENCE.....	1
TRADEMARKS.....	2
SUMMARY.....	3
The Companies.....	3
Special Meeting of Shareholders of WordPerfect Corporation.....	4
The Merger.....	4
SELECTED UNAUDITED HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL DATA.....	9
RISK FACTORS.....	14
INTRODUCTION.....	18
VOTING AND PROXIES.....	19
Date, Time, Place and Purpose of Special Meeting.....	19
Record Date and Outstanding Shares.....	19
Voting of Proxies.....	19
Vote Required.....	19
Expenses; Solicitation of Proxies.....	19
Dissenters' Rights.....	20
THE MERGER AND RELATED TRANSACTIONS.....	21
Joint Reasons for the Merger.....	21
Additional Reasons for the Merger -- Novell.....	22
Additional Reasons for the Merger -- WordPerfect.....	22
WordPerfect Board Recommendation of the Merger.....	23
Material Contacts.....	23
TERMS OF THE MERGER.....	26
Effective Time of the Merger.....	26
Manner and Basis of Converting Shares.....	26
Employee Benefit Plans.....	27
Conduct of Business of WordPerfect and Novell Prior to the Merger.....	27
Conduct of Business of the Combined Company Following the Merger.....	29
Conditions to the Merger.....	29
Termination or Amendment of Merger Agreement.....	30
Indemnification.....	31
Certain Federal Income Tax Considerations.....	31
Affiliates Agreements.....	33
Shareholder Agreements.....	33
Tax Matters Agreement.....	33
Governmental and Regulatory Approvals.....	34
Accounting Treatment.....	34
Dissenters' Rights.....	34
Acquisition of Quattro Pro Product Line.....	36
License to Borland's Paradox Relational Database Products.....	37
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS.....	38
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS.....	40



TABLE OF CONTENTS  
(CONTINUED)

	PAGE ----
INFORMATION CONCERNING NOVELL.....	42
The Company.....	42
Business Strategy.....	43
Products.....	45
Product Development.....	51
Sales and Marketing.....	51
Service, Support and Education.....	52
Manufacturing Suppliers.....	52
Backlog.....	52
Competition.....	53
Licenses, Patents and Trademarks.....	53
Employees.....	54
Factors Affecting Earnings and Stock Price.....	54
INFORMATION CONCERNING WORDPERFECT.....	56
Introduction.....	56
Industry Background.....	56
The WordPerfect Strategy.....	57
Products.....	59
Customer Support.....	64
Sales and Distribution.....	65
Marketing.....	66
Product Development.....	66
Competition.....	67
Intellectual Property; Proprietary Rights.....	68
Production.....	69
Employees.....	69
Facilities.....	69
WORDPERFECT MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	70
Overview.....	70
Results of Operations.....	71
Liquidity and Capital Resources.....	75
MANAGEMENT OF WORDPERFECT.....	77
Executive Officers, Senior Management and Directors.....	77
Summary of Cash and Other Compensation.....	77
Option Grants.....	78
Option Exercises and Holdings.....	78
Employment Contracts, Termination of Employment and Change in Control Arrangements.....	79
CERTAIN TRANSACTIONS OF WORDPERFECT.....	80
PRINCIPAL SHAREHOLDERS OF WORDPERFECT.....	82
DESCRIPTION OF NOVELL CAPITAL STOCK.....	83
Novell Common Stock.....	83
Shareholder Rights Plan and Preferred Stock.....	83

TABLE OF CONTENTS  
(CONTINUED)

	PAGE
	----
COMPARISON OF RIGHTS OF HOLDERS OF NOVELL COMMON STOCK AND HOLDERS OF COMMON STOCK OF WORDPERFECT.....	83
Preemptive Rights.....	84
Dividends and Other Distributions.....	84
Amendment of Certificate or Articles of Incorporation; Amendment of Bylaws.....	84
Action by Written Consent.....	85
Special Meetings of Shareholders.....	85
Voting in the Election of Directors.....	85
Number and Qualification of Directors.....	86
Classification of Board.....	86
Removal of Directors.....	86
Filling Vacancies on the Board of Directors.....	87
Transactions Involving Officers or Directors.....	87
Indemnification and Limitation of Liability.....	87
Mergers and Sales of Substantially All Corporate Assets.....	88
Creation of Indebtedness.....	89
Appraisal Rights.....	89
Shareholder Approval of Certain Business Combinations.....	89
Inspection of Shareholder List, Books and Records.....	91
Shareholder Derivative Suits.....	91
Duration of Proxies.....	92
Dissolution.....	92
EXPERTS.....	92
LEGAL MATTERS.....	92
WORDPERFECT FINANCIAL STATEMENTS.....	F-1

- APPENDIX A: Agreement and Plan of Reorganization
- APPENDIX B: Utah Revised Business Corporation Act Part 13 -- Dissenters' Rights
- APPENDIX C: Novell's Quarterly Report on Form 10-Q for the Fiscal Quarter Ended April 30, 1994

AVAILABLE INFORMATION

Novell is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices located at 7 World Trade Center, 13th Floor, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may be obtained by mail from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

Novell has filed with the SEC a registration statement on Form S-4 (herein, together with all amendments and exhibits, referred to as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus/Proxy Statement does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information, reference is hereby made to the Registration Statement.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents filed with the SEC pursuant to the Exchange Act are incorporated herein by reference:

1. Novell's Annual Report on Form 10-K for the fiscal year ended October 30, 1993, filed with the SEC on January 27, 1994;
2. Novell's Quarterly Report on Form 10-Q for the fiscal quarter ended January 29, 1994, filed with the SEC on March 14, 1994;
3. Novell's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1994, filed with the SEC on June 10, 1994;
4. The description of Novell's Common Stock contained in the Registration Statement on Form 8-A filed with the SEC on April 3, 1985;
5. The description of Novell's Preferred Shares Rights Plan and the Series A Junior Participating Preferred Shares issuable thereunder contained in the Registration Statement on Form 8-A filed with the SEC on December 7, 1988; and
6. Novell's Proxy Statement for the Annual Meeting of Shareholders held on March 9, 1994, filed with the SEC on January 21, 1994.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus/Proxy Statement to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed to constitute a part of this Prospectus/Proxy Statement, except as so modified or superseded.

This Prospectus/Proxy Statement incorporates documents by reference which are not presented herein or delivered herewith. These documents (not including exhibits thereto) are available upon request from David R. Bradford, Esq., Corporate Secretary, Novell, Inc., 122 East 1700 South, Provo, Utah 84606; (801) 429-7000. In order to ensure timely delivery of the documents, such requests should be made by June 22, 1994.

No person has been authorized to give any information or to make any representation other than as contained herein in connection with these matters, and, if given or made, such information or representation must not be relied upon as having been authorized by Novell or WordPerfect. Neither the delivery hereof nor any distribution of securities made hereunder shall, under any circumstances, create an implication that there has been no change in the facts herein set forth since the date hereof. This Prospectus/Proxy Statement does not constitute an offer to sell or a solicitation of an offer to buy the securities offered by this Prospectus/Proxy Statement or a solicitation of a proxy in any jurisdiction where, or to any person to whom, it is unlawful to make such an offer or solicitation.

TRADEMARKS

The following trademarks, service marks and collective marks are mentioned in this Prospectus/Proxy Statement:

Novell, NetWare, DR DOS, FlexOS are registered trademarks and AppWare, AppWare Bus, AppWare Foundation, AppWare Loadable Module, ALM, NetWare 3, NetWare 4, NetWare Directory Services, NDS, NetWare Distributed Management Services, NDMS, NetWare FLeX/IP, NetWare Loadable Module, NLM, NetWare MHS, NetWare SNA Links, Novell DOS, Novell Labs and Visual AppBuilder are trademarks of Novell. Certified NetWare Engineer, CNE, Independent Manufacturer Support Program and IMSP are service marks of Novell. Novell Authorized Education Center, NAEC, Technical Support Alliance and TSA are collective marks of Novell. Tuxedo and UNIX are registered trademarks and System V, UnixWare, UnixWare Application Server, UnixWare Online Data Manager are trademarks of Unix System Laboratories, Inc., a wholly owned subsidiary of Novell.

WordPerfect, WPCorp, DataPerfect, LetterPerfect, DrawPerfect, PlanPerfect, ConvertPerfect, and Grammatik are registered trademarks of WordPerfect in the United States and certain foreign countries, and WordPerfect Works, WordPerfect Office, WordPerfect InForms, WordPerfect Presentations, WordPerfect Intellitag, InfoCentral, ExpressDocs, Quickfinder, WordPerfect Clip Art, ExpressFax, Button Bar, Kap'n Karaoke, WordPerfect Gateways, SpeedSearch, WordPerfect Envoy, SoftSolutions, Main Street, iConnect, WordPerfect Language Modules, Coaches, and the WordPerfect logo are trademarks of WordPerfect.

This Prospectus/Proxy Statement also contains trademarks and registered trademarks of persons other than Novell and WordPerfect.

## SUMMARY

The following contains a brief summary of certain information contained elsewhere in this Prospectus/ Proxy Statement. This summary contains a description of the material features of the proposal to be voted on but is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus/Proxy Statement and in the information and documents incorporated by reference herein. Unless otherwise defined herein, capitalized terms used in this Summary have the respective meanings assigned to them elsewhere in this Prospectus/Proxy Statement. As used in this Proxy Statement/Prospectus, the terms "Novell" and "WordPerfect" refer to Novell, Inc. and WordPerfect Corporation, respectively, and where the context so requires, to their respective subsidiaries. Unless otherwise stated, all references to the "Combined Company" mean Novell after consummation of the Merger and include WordPerfect and the Combined Company's other directly or indirectly owned subsidiaries after such time. Shareholders are urged to read carefully the entire Prospectus/Proxy Statement, including the information and documents incorporated by reference herein.

## THE COMPANIES

## Novell, Inc.

Novell, Inc., a Delaware corporation ("Novell"), is the leading provider of network server operating system software that integrates desktop computers, servers, and mini-computer and mainframe hosts for business-wide information sharing. Novell's NetWare network computing products manage and control the sharing of data, applications and services among personal computer work groups and departmental networks, and across business-wide information systems. Novell's products support standards to integrate DOS, IBM's OS/2, Microsoft Windows, Apple/Macintosh and UNIX System desktop computers with each other and with IBM, Digital Equipment Corporation ("DEC"), Hewlett-Packard Company ("HP") and UNIX System hosts, among others.

The Company was incorporated in Delaware in 1983. Novell's executive offices are located at 122 East 1700 South, Provo, Utah 84606. Its telephone number at that address is (801) 429-7000.

## WordPerfect Corporation

WordPerfect Corporation, a Utah corporation ("WordPerfect"), is a leading provider of software applications that enable users to create and process complex documents. WordPerfect also produces a broad range of software in the areas of workgroup automation, general business, electronic publishing and consumer products. WordPerfect's products provide individuals, small businesses and large, global organizations with information processing solutions that operate across complex networked computing environments. WordPerfect was one of the original developers of word processing applications for personal computers, and its flagship product, WordPerfect, is one of the best-selling PC software applications ever introduced, having been sold to over 15 million users worldwide. WordPerfect is now available in 23 languages and on all of the most widely used computing platforms and operating systems, including DOS, MS Windows, UNIX, Apple/Macintosh and DEC's VAX/VMS. In 1993, WordPerfect introduced new workgroup automation products designed to capitalize on WordPerfect's expertise in developing multi-platform, multi-lingual applications. WordPerfect Office 4.0 and WordPerfect InForms 1.0 are designed to meet an organization's needs for effectively sharing information in a complex, networked computing environment. These products, which provide such features as electronic mail, calendaring, scheduling and electronic forms filing and routing, improve users' productivity by automating the communication process within workgroups. In April 1994, WordPerfect announced its Main Street line of consumer products that offer low-cost, easy-to-use products designed for personal productivity, entertainment and home education.

WordPerfect was incorporated as Satellite Software International in Utah in 1979. Satellite Software International changed its name to WordPerfect Corporation in 1986. WordPerfect's principal executive offices are located at 1555 North Technology Way, Orem, Utah 84057. Its telephone number at that address is (801) 225-5000.

13

## SPECIAL MEETING OF SHAREHOLDERS OF WORDPERFECT CORPORATION

Time, Date, Place and Purpose. A Special Meeting of Shareholders of WordPerfect will be held at the principal executive offices of WordPerfect located at 1555 North Technology Way, Orem, Utah 84057 on Friday, June 24, 1994, at 9:00 a.m. local time (the "Special Meeting"). The purpose of the Special Meeting is to vote upon a proposal to approve and adopt the Merger Agreement providing for the merger of WordPerfect with and into Novell.

Record Date and Vote Required. Only WordPerfect shareholders of record at the close of business on Friday, May 20, 1994 (the "Record Date"), are entitled to notice of, and to vote at, the Special Meeting. Under the Utah Revised Business Corporation Act (the "URBCA"), approval and adoption of the Merger Agreement require the affirmative vote of the holders of a majority of the outstanding shares of WordPerfect's Common Stock. The presence, either in person or by properly executed proxy, of the holders of a majority of the outstanding shares of WordPerfect Common Stock is necessary to constitute a quorum at the Special Meeting. Because the Merger Agreement must be approved by at least a majority of the outstanding shares entitled to vote on such matter, abstentions will have the effect of a negative vote.

Shares Held by Directors, Executive Officers and Affiliates. As of the Record Date, the directors, officers and affiliates of WordPerfect, together with persons and entities related to or affiliated with them, held an aggregate of 51,380,100 shares of WordPerfect Common Stock, representing 100% of the outstanding WordPerfect Common Stock. Shareholders of WordPerfect, who, directly or indirectly, collectively own approximately 89% of the outstanding capital stock of WordPerfect have agreed to vote in favor of approval of the Merger Agreement and have granted the Novell Board of Directors proxies to vote their shares in favor of approval of the Merger Agreement and any matter that could reasonably be expected to facilitate the Merger. Therefore, assuming that the proxies granted to Novell by such shareholders are voted in favor of the Merger Agreement, the Merger Agreement and the transactions contemplated thereby will be approved at the Special Meeting.

## THE MERGER

Terms of the Merger. At the effective time of the Merger, WordPerfect will merge with and into Novell and each outstanding share of WordPerfect Common Stock (other than shares, if any, held by WordPerfect shareholders who have exercised dissenters' rights under Part 13 of the URBCA) will be converted into one share of Novell Common Stock. Based upon the number of shares of WordPerfect Common Stock outstanding as of May 27, 1994, 362,229,164 shares of Novell Common Stock will be outstanding immediately after the effective time of the Merger, of which approximately 14.18% will be held by the former holders of WordPerfect Common Stock. On June 8, 1994, the last sale price of Novell Common Stock as reported on the Nasdaq National Market was \$17 1/4 per share.

Acquisition of Borland's Quattro Pro Spreadsheet Product Line. On March 20, 1994, Novell entered into a Purchase and License Agreement (the "Borland Agreement") with Borland International, Inc. ("Borland"), pursuant to which Novell, subject to regulatory approval and other conditions to closing, will acquire Borland's Quattro Pro spreadsheet product line for approximately \$110 million of cash. Novell will also acquire, for approximately \$35 million, a three-year license to reproduce and distribute up to one million copies of current and future versions of Borland's Paradox relational database products as part of a suite of products including WordPerfect and any Quattro Pro product. See "Terms of the Merger -- Acquisition of Quattro Pro Product Line" and "-- License to Borland's Paradox Relational Database Products."

WordPerfect Options. Pursuant to the Merger Agreement, all outstanding options to acquire WordPerfect Common Stock ("WordPerfect Options") will be assumed by Novell at the effective time of the Merger and converted into options to acquire an equivalent number of shares of Novell Common Stock. As of March 31, 1994, WordPerfect Options to acquire an aggregate of 7,820,000 shares of WordPerfect Common Stock were issued and outstanding at exercise prices ranging from \$8.50 to \$13.50. Notice to holders of WordPerfect Options as to the terms of such assumption and conversion will be sent by Novell upon consummation of the Merger. Each WordPerfect Option so assumed by Novell will continue to have, and be subject to, the same terms and conditions set forth in the original WordPerfect Option prior to the Merger,

14

including the existing provisions that provide that the vesting of such options will automatically accelerate immediately upon consummation of the Merger. See "Terms of the Merger -- Employee Benefit Plans -- WordPerfect Options."

Market Price Data. The Common Stock of Novell has been traded in the over-the-counter market under the Nasdaq National Market symbol "NOVL" since Novell's Common Stock began public trading in January 1985. The following table sets forth the range of high and low trading prices for Novell Common Stock as reported by the Nasdaq National Market for the periods indicated and gives retroactive effect to the two-for-one stock split effective August 1992.

	OCTOBER 31 FISCAL YEAR(1)	
	HIGH	LOW
Fiscal 1992		
First quarter.....	32 1/2	21 3/8
Second quarter.....	32	23 7/8
Third quarter.....	28 1/2	24 5/16
Fourth quarter.....	32 1/8	22 1/2
Fiscal 1993		
First quarter.....	33 1/2	25 3/4
Second quarter.....	35 1/4	25 3/4
Third quarter.....	33 1/2	17 5/8
Fourth quarter.....	23 1/4	17
Fiscal 1994		
First quarter.....	25 3/8	19 1/4
Second quarter.....	26 1/4	15
Third quarter (through June 8, 1992).....	19 3/8	16 7/8

(1) Novell reports its annual financial results on a 52-week/53-week basis with the last day of the fiscal year being on the last Saturday of October.

On March 18, 1994, the last trading day prior to the signing of the Merger Agreement, the closing price of Novell Common Stock as reported on the Nasdaq National Market was \$24.00 per share. Following the Merger, Novell Common Stock will continue to be traded on the Nasdaq National Market under the symbol "NOVL."

No established public trading market exists for WordPerfect Common Stock. WordPerfect most recently issued options to acquire shares of its Common Stock in January 1994 at an exercise price of \$13.50 per share. WordPerfect has in the past granted options at exercise prices ranging from \$8.50 to \$13.50 per share.

Novell has never paid cash dividends on its shares of Common Stock. WordPerfect, which from 1985 until September 30, 1993, was treated for U.S. federal and state income tax purposes as an S corporation under Subchapter S of the Internal Revenue Code of 1986, as amended (the "Code"), has previously made distributions to its shareholders to fund the payment of their individual tax liabilities attributable to their allocation of WordPerfect's income and as a return of capital. Such distributions totaled \$20.3 million in 1993, \$178.2 million in 1992 and \$121.9 million in 1991. The distribution amount for 1993 excludes amounts attributable to the transfer to WordPerfect Corporation of certain shareholders' interests in a limited liability company which owns the land and buildings used by WordPerfect for its operating activities in North America. For financial statement purposes, the transfer of the limited liability company has been treated as a distribution to such shareholders during 1993 and resulted in a concurrent reduction in shareholders' equity of \$79.3 million.

Separate Operating Unit. Upon consummation of the Merger, Novell will establish and maintain WordPerfect as a separate operating unit constituting the Novell Applications Product Group. The Quattro Pro spreadsheet product line to be acquired from Borland will be placed under the control of the Novell Applications Product Group. Mr. Adriaan Rietveld, the current President and Chief Executive Officer of WordPerfect, will be appointed President of the Novell Applications Product Group and will report directly to



15

the President and Chief Executive Officer of Novell. The remaining executive officers of the Novell Applications Product Group will report directly to the Applications Product Group President. The Novell Applications Product Group will be operated in accordance with a plan to be developed by the Applications Product Group and approved by Novell.

Reasons for the Merger. In the discussions which led to the signing of the Merger Agreement, the respective managements of Novell and WordPerfect identified a number of potential joint benefits resulting from the Merger, including expanded marketing and distribution opportunities and capabilities, strengthened and diversified research and development capabilities, a more diversified intellectual property base, and a broadened pool of experienced management. In addition, the WordPerfect Board of Directors believes that the Merger will provide a significant increase in financial, marketing, distribution and development resources for WordPerfect. The WordPerfect Board believes that given the established trading market for Novell Common Stock, the Merger will provide WordPerfect shareholders with increased liquidity. See "The Merger and Related Transactions -- Joint Reasons for the Merger."

Recommendation of the WordPerfect Board of Directors. The Board of Directors of WordPerfect has unanimously approved the Merger Agreement and believes that the Merger is fair and in the best interests of WordPerfect and its shareholders. The WordPerfect Board of Directors recommends that the shareholders vote FOR the approval and adoption of the Merger Agreement and the transactions contemplated thereby. See "The Merger and Related Transactions -- Joint Reasons for the Merger" and "-- WordPerfect Board Recommendation of the Merger."

Effective Time of Merger. The Merger will become effective upon the filing of the Articles of Merger contemplated by the Merger Agreement with the Utah Division of Corporations and Commercial Code (the date and time of such filing being referred to herein respectively as the "Effective Date" and the "Effective Time"). Assuming all conditions to the Merger are met or waived prior thereto, it is anticipated that the Effective Time will occur on the date of the Special Meeting. See "Terms of the Merger -- Effective Time of the Merger."

Exchange of WordPerfect Stock Certificates. As soon as practicable after the Effective Time, an exchange agent appointed by Novell (the "Exchange Agent") will mail a letter of transmittal with instructions to all holders of record of WordPerfect Common Stock for use in exchanging their certificates representing shares of Common Stock of WordPerfect for certificates representing shares of Novell Common Stock. CERTIFICATES SHOULD NOT BE SURRENDERED BY THE HOLDERS OF WORDPERFECT COMMON STOCK UNTIL SUCH HOLDERS RECEIVE THE LETTER OF TRANSMITTAL FROM THE EXCHANGE AGENT. See "Terms of the Merger -- Manner and Basis of Converting Shares."

Conditions to the Merger; Termination and Amendment. Consummation of the Merger is subject to the satisfaction of various conditions which, if not fulfilled or waived, permit termination of the Merger Agreement. The Merger Agreement may also be terminated under certain other circumstances, including termination by mutual consent of Novell and WordPerfect and termination by either Novell or WordPerfect if the Merger is not consummated on or before July 31, 1994. See "Terms of the Merger -- Conditions to the Merger."

The Merger Agreement may be amended by the parties thereto, provided such amendment is in writing, at any time before or after the approval and adoption of the Merger Agreement by the WordPerfect shareholders; but, after any such shareholder approval has been obtained, no amendment of any of the agreements executed in connection with the Merger may be made which by law requires the further approval of the WordPerfect shareholders, without obtaining such further approval. Under applicable law, any amendment subsequent to the adoption of the Merger Agreement by the WordPerfect shareholders that alters any contractual rights of the WordPerfect shareholders in connection with the Merger, such as a change in the amount or kind of securities to be received in exchange for WordPerfect Common Stock in the Merger, or that otherwise adversely affects the WordPerfect shareholders would require the further approval of the WordPerfect shareholders. In the event of any resolicitation of the WordPerfect shareholders in connection with any such amendment, such resolicitation will be conducted with an updated prospectus filed as part of a post-effective amendment to the Registration Statement on Form S-4 that has been declared effective by the SEC. See "Terms of the Merger -- Termination or Amendment of Merger Agreement."



Representation on Novell's Board of Directors. The Merger Agreement provides that it will be a condition to WordPerfect's obligation to consummate the Merger that Dr. Ashton and Mr. Bastian (or designees of each of them) be elected to the Novell Board of Directors. It is anticipated that this condition will be waived by WordPerfect in return for Novell's agreement that following the Merger, the Novell Board of Directors will, promptly following the request of Dr. Ashton and Mr. Bastian, cause the number of directors comprising the full Board of Directors of Novell to be increased by two persons, from seven to nine, and at such time cause Dr. Ashton and Mr. Bastian (or their designees) to be elected to the Novell Board of Directors. Dr. Ashton and Mr. Bastian are expected to make a request to join the Novell Board of Directors in the latter part of 1994. In addition to the foregoing, the Novell Board of Directors has agreed to take all necessary action to cause Dr. Ashton and Mr. Bastian (or their designees) to be nominated for election at the Novell annual meeting of stockholders for fiscal 1995.

Shareholder Agreements. Pursuant to Shareholder Agreements entered into between Novell and shareholders of WordPerfect holding in aggregate approximately 89% of the outstanding WordPerfect Common Stock, such shareholders of WordPerfect have agreed to vote in favor of the Merger Agreement and have granted the Novell Board of Directors proxies to vote their shares of capital stock of WordPerfect in favor of the Merger Agreement. See "Terms of the Merger -- Shareholder Agreements."

Resale of Novell Common Stock; Affiliates Agreements. Certain "affiliates" (as that term is defined for purposes of Rule 145 of the Securities Act) of WordPerfect have entered or will enter into agreements restricting the sale or disposition of their shares of WordPerfect Common Stock prior to the Merger and the resale or other disposition of shares of Novell Common Stock received by them in the Merger (including shares of Novell Common Stock issued upon the exercise of Options) so as to comply with the requirements of securities laws, tax laws and pooling of interests accounting. See "Terms of the Merger -- Conditions to the Merger" and "-- Affiliates Agreements."

Certain Federal Income Tax Considerations. The Merger is intended to qualify as a reorganization (a "Reorganization") under Section 368 of the Code, in which case no gain or loss would generally be recognized by the shareholders of WordPerfect on the exchange of their shares of WordPerfect Common Stock for shares of Novell Common Stock. If the Merger were not to qualify, the exchange of shares would be taxable. It is a condition to the obligation of each of Novell and WordPerfect to consummate the Merger that they receive an opinion of their respective counsel to the effect that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. ALL WORDPERFECT SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS. See "Terms of the Merger -- Certain Federal Income Tax Considerations."

Tax Matters Agreement. Certain WordPerfect shareholders will enter into a Tax Matters Agreement that will provide that such shareholders, subject to certain limitations, will severally and not jointly indemnify WordPerfect and Novell with respect to U.S. federal and Utah and New Mexico state income tax liability (including interest and penalties) arising out of a failure of WordPerfect or its affiliates to have been S corporations (as defined in Section 1361 of the Code) during any taxable year (or that portion of any taxable year) for which such corporations reported for federal and Utah state income tax purposes that they were S corporations. See "Terms of the Merger -- Tax Matters Agreement."

Accounting Treatment. The Merger is to be treated as a pooling of interests for financial reporting purposes. Consummation of the Merger is conditioned upon (i) receipt by Novell of a letter from its independent auditors indicating their opinion that such accounting treatment is appropriate and (ii) receipt by WordPerfect of a letter from its independent accountants that such independent accountants are not aware of any condition that would preclude WordPerfect from participating in a merger transaction to be accounted for as a pooling of interests. See "Terms of the Merger -- Conditions to the Merger" and "-- Accounting Treatment."

Governmental and Regulatory Approvals. The notification and waiting period imposed upon Novell and WordPerfect under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") expired on May 4, 1994. See "Terms of the Merger -- Governmental and Regulatory Approvals."

17

Novell and WordPerfect are aware of no other governmental or regulatory approvals required for consummation of the Merger, other than compliance with applicable "blue sky" laws of the various states.

Dissenters' Rights. Shareholders of WordPerfect who do not vote in favor of the Merger may, under certain circumstances and by following procedures prescribed by Part 13 of the URBCA, exercise dissenters' rights and receive cash for their shares of WordPerfect Common Stock. The failure of a dissenting shareholder of WordPerfect to follow the appropriate procedures may result in the termination or waiver of such rights. A copy of Part 13 of the URBCA is attached to this Prospectus/Proxy Statement as Appendix B. Shareholders of WordPerfect are urged to read Part 13 of the URBCA carefully. See "Terms of the Merger -- Dissenters' Rights."

8

18

SELECTED UNAUDITED HISTORICAL AND  
PRO FORMA CONSOLIDATED FINANCIAL DATA

The following selected unaudited historical and pro forma consolidated financial data of Novell and WordPerfect have been derived from their respective historical consolidated financial statements and should be read in conjunction with such consolidated financial statements and notes thereto, certain of which are incorporated by reference or included elsewhere in this Prospectus/Proxy Statement. In the opinion of management of Novell and WordPerfect, respectively, the interim data presented include all adjustments necessary for a fair statement of the results of operations for such periods. Novell's Common Stock was split two-for-one in August 1992, August 1991 and July 1990. All stock splits have been reflected retroactively herein.

NOVELL, INC.  
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	SIX MONTHS ENDED		FISCAL YEAR ENDED(1)				
	APRIL 30, 1994 (2)	MAY 1, 1993	OCTOBER 30, 1993 (3)	OCTOBER 31, 1992	OCTOBER 26, 1991	OCTOBER 27, 1990	OCTOBER 28, 1989
HISTORICAL CONSOLIDATED STATEMENT OF OPERATIONS DATA:							
Net sales.....	\$717,975	\$540,894	\$1,122,896	\$ 933,370	\$ 640,079	\$ 497,512	\$ 421,877
Income from operations.....	248,790	215,144	74,225	356,862	226,138	134,220	71,541
Income before taxes.....	267,257	229,300	104,048	377,318	248,074	145,106	77,058
Net income (loss).....	177,726	151,338	(35,160 )	249,030	162,488	94,319	48,547
Net income (loss) per share.....	.57	.49	(.11 )	.81	.55	.34	.18
Weighted average shares outstanding.....	314,154	311,399	314,409	308,104	295,968	276,468	266,872

HISTORICAL CONSOLIDATED BALANCE SHEET DATA:

	APRIL 30, 1994	OCTOBER 30, 1993	OCTOBER 31, 1992	OCTOBER 26, 1991	OCTOBER 27, 1990	OCTOBER 28, 1989
Cash and short-term investments.....	\$ 929,554	\$ 664,070	\$ 545,260	\$ 346,765	\$ 254,776	\$ 129,803
Working capital.....	1,052,139	821,771	716,033	434,854	308,342	216,400
Total assets.....	1,579,229	1,343,855	1,096,696	726,250	494,438	346,620
Long-term debt.....	--	--	--	1,208	2,366	56,972
Shareholders' equity.....	1,314,087	996,499	937,806	598,585	398,283	235,808

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- (1) Novell reports its annual financial results on a 52-week/53-week basis with the last day of the fiscal year being the last Saturday of October.
  - (2) The first six months of fiscal 1994 includes a Sun Microsystems purchase of a one time fully paid license for UNIX technology for \$80.5 million and associated expenses of \$35 million. Net of income taxes, net income was increased by \$30.3 million or \$.10 per share.
  - (3) During fiscal 1993, Novell wrote off \$311.5 million of non-tax deductible purchased research and development in connection with acquisitions. An additional \$9.0 million tax deductible charge was incurred related to restructuring of operations. Net of income taxes, net income was reduced by \$317.5 million or \$1.01 per share.

19

WORDPERFECT CORPORATION  
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	SIX MONTHS ENDED		YEAR ENDED DECEMBER 31,				
	APRIL 30, 1994(1) (2)	JUNE 30, 1993	1993(3)	1992(4)	1991	1990	1989
HISTORICAL CONSOLIDATED STATEMENT OF INCOME DATA:							
Net sales	\$ 305,233	\$346,428	\$707,515	\$579,118	\$621,994	\$505,932	\$316,386
Income from operations	4,543	47,653	33,873	71,284	202,535	196,989	101,715
Income before taxes	\$ 3,998	\$ 48,850	\$ 34,109	\$ 84,489	\$213,138	\$206,734	\$106,631
Provision (benefit) for income taxes(5)	(9,100)	4,830	(41,771)	11,541	12,310	8,085	4,844
Net income	\$ 13,098	\$ 44,020	\$ 75,880	\$ 72,948	\$200,828	\$198,649	\$101,787
Net income per share(6)	\$ .24	\$ .83	\$ 1.42	\$ 1.42	\$ 4.02	\$ 3.97	\$ 2.04
Shares used in per share calculations(6)	54,125	52,795	53,491	51,380	50,000	50,000	50,000
UNAUDITED PRO FORMA DATA(7):							
Income before taxes	\$ 3,998	\$ 48,850	\$ 34,109	\$ 84,489	\$213,138	\$206,734	\$106,631
Pro forma income taxes	6,448	15,632	11,918	32,252	75,080	73,512	37,172
Pro forma net income	\$ (2,450)	\$ 33,218	\$ 22,191	\$ 52,237	\$138,058	\$133,222	\$ 69,459
Pro forma net income per share(6)	\$ (.05)	\$ .63	\$ .41	\$ 1.02	\$ 2.76	\$ 2.65	\$ 1.39

	APRIL 30,	DECEMBER 31,				
	1994	1993	1992	1991	1990	1989
HISTORICAL CONSOLIDATED BALANCE SHEET DATA:						
Cash and short-term investments	\$ 51,194	\$ 55,127	\$ 86,569	\$166,348	\$107,333	\$ 53,468
Working capital	27,105	37,537	11,035	128,799	88,824	30,164
Total assets	369,164	401,482	339,779	467,250	294,630	154,658
Long-term debt	91,763	84,289	12,288	1,263	8,450	580
Shareholders' equity	124,698	149,527	177,241	285,697	205,155	91,267

- (1) The historical consolidated statement of income data and unaudited pro forma data for the six months ended April 30, 1994 include two months (November and December 1993) which are also included in the historical consolidated statement of income data and unaudited pro forma data for the year ended December 31, 1993. Results of operations for the two months ended December 31, 1993 consist of net sales of \$136.6 million and net income of \$39.9 million.
- (2) The six months ended April 30, 1994 includes a \$15.0 million write-off of non-tax deductible purchased research and development in connection with an acquisition. Net income was reduced accordingly by \$15.0 million, or \$.28 per share.
- (3) During 1993, WordPerfect wrote off \$3.0 million of non-tax deductible purchased research and development in connection with an acquisition. A \$33.0 million tax deductible restructuring charge was also incurred. Net of income taxes, pro forma net income was reduced by \$24.5 million, or \$.46 per share.
- (4) During 1992, WordPerfect wrote off \$20.4 million of non-tax deductible purchased research and development in connection with an acquisition. Net income was reduced accordingly by \$20.4 million, or \$.40 per share.
- (5) WordPerfect and most of its subsidiaries have historically been exempt from the payment of U.S. federal and certain state income taxes as a result of being taxed as either S corporations or partnerships. The actual provision for income taxes, for 1989 through 1992, reflects a provision for income taxes in foreign countries. On September 30, 1993, WordPerfect Corporation terminated its S corporation election, resulting in the recognition of an income tax benefit of \$44.5 million. On December 31, 1993, WordPerfect's other entities terminated their S corporation elections and were reorganized as a single, consolidated entity, resulting in the recognition of an income tax benefit of \$14.1 million.
- (6) See Note 2 of Notes to Consolidated Financial Statements for an explanation of the determination of shares used in computing net income per share.
- (7) The unaudited pro forma data are based upon historical income before taxes, adjusted to reflect a provision for income taxes as if WordPerfect and its S corporation subsidiaries had never been S corporations. See "WordPerfect Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Pro Forma Provision for Income Taxes," "Certain Transactions of WordPerfect" and Notes 2 and 16 of Notes to Consolidated Financial Statements.

## SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA

The unaudited pro forma combined financial data are calculated after giving effect to the Merger at the exchange ratio of one share of Novell Common Stock for each share of WordPerfect Common Stock using the pooling of interests method of accounting. The unaudited pro forma combined financial data are not necessarily indicative of future operations or the actual results that would have occurred had the Merger been consummated at the beginning of the periods presented. The selected unaudited pro forma combined financial data of Novell and WordPerfect are derived from the unaudited pro forma condensed combined financial statements and should be read in conjunction with such unaudited pro forma condensed combined financial statements and notes thereto, certain of which are incorporated by reference or included elsewhere in this Prospectus/Proxy Statement. For a description of the various periods combined for pro forma purposes and for other information regarding the pro forma data, see "Unaudited Pro Forma Condensed Combined Financial Statements."

NOVELL AND WORDPERFECT COMBINED  
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

## UNAUDITED PRO FORMA STATEMENT OF INCOME DATA:

	SIX MONTHS ENDED(1)		FISCAL YEAR ENDED(2)				
	APRIL 30, 1994 (3)	MAY 1, 1993	OCTOBER 30, 1993 (4)	OCTOBER 31, 1992 (5)	OCTOBER 26, 1991	OCTOBER 27, 1990	OCTOBER 28, 1989
Net sales.....	\$1,023,208	\$887,322	\$1,830,411	\$1,512,488	\$1,262,073	\$1,003,444	\$ 738,263
Income from operations.....	253,333	262,757	108,098	428,146	428,673	331,209	173,256
Income before taxes.....	271,255	278,150	138,157	461,807	461,212	351,840	183,689
Net income.....	190,824	195,358	40,720	321,978	363,316	292,968	150,334
Net income per share.....	.52	.54	.11	.90	1.05	.90	.47
Weighted average shares outstanding.....	368,279	364,154	367,900	359,484	345,968	326,468	316,872
ADDITIONAL UNAUDITED PRO FORMA DATA (6):							
Income before taxes.....	\$ 271,255	\$278,150	\$ 138,157	\$ 461,807	\$ 461,212	\$ 351,840	\$ 183,689
Pro forma income taxes.....	95,879	93,594	151,126	160,940	160,666	124,299	65,683
Pro forma net income (loss).....	\$ 175,276	\$184,556	\$ (12,969)	\$ 301,267	\$ 300,546	\$227,541...	\$ 118,006
Pro forma net income (loss) per share.....	\$ .48	\$ .51	\$ (.04)	\$ .84	\$ .87	\$ .70	\$ .37

## UNAUDITED PRO FORMA BALANCE SHEET DATA(7):

	APRIL 30, 1994	OCTOBER 30, 1993	OCTOBER 31, 1992	OCTOBER 26, 1991	OCTOBER 27, 1990	OCTOBER 28, 1989
Cash and short-term investments.....	\$ 980,748	\$ 719,197	\$ 631,829	\$ 513,113	\$ 362,109	\$ 183,211
Working capital.....	1,079,244	859,308	727,068	561,653	397,166	246,564
Total assets.....	1,969,393	1,745,337	1,430,475	1,133,500	789,068	501,173
Long-term debt.....	91,763	84,289	12,256	2,471	10,816	57,552
Shareholders' equity.....	1,438,775	1,146,026	1,115,047	884,282	603,438	327,095

(1) WordPerfect has a calendar year end and, accordingly, the WordPerfect statement of income for the year ended December 31, 1993 has been combined with the Novell statement of operations for the fiscal year ended October 30, 1993. Furthermore, the unaudited pro forma combined financial data for the six months ended April 30, 1994 include two months (November and December 1993) for WordPerfect, which are also included in the unaudited pro forma combined statement of income for the fiscal year ended October 30, 1993. Results of operations of WordPerfect for the two months ended December 31, 1993 consist of net sales of \$136.6 million and net income of \$39.9 million. The unaudited pro forma condensed combined financial data for the six months ended May 1, 1993 combines Novell's unaudited historical and pro forma consolidated financial data for the six months ended May 1, 1993 with

21

WordPerfect's unaudited historical and pro forma consolidated financial data for the six months ended June 30, 1993.

- (2) Novell reports its annual financial results on a 52-week/53-week basis with the last day of the fiscal year being the last Saturday of October.
- (3) Nonrecurring items resulted in an increase in pro forma net income of \$15.3 million, or \$.04 per share. See footnote 2 on page 9 and footnote 2 on page 10.
- (4) Nonrecurring items resulted in a decrease in pro forma net income of \$342.0 million, or \$.93 per share. See footnote 3 on page 9 and footnote 3 on page 10.
- (5) Nonrecurring items resulted in a decrease in pro forma net income of \$20.4 million, or \$.06 per share. See footnote 4 on page 10.
- (6) The additional unaudited pro forma condensed combined financial data are based upon historical combined income before taxes, adjusted to reflect a provision for income taxes as if WordPerfect and its S corporation subsidiaries had never been S corporations. See "WordPerfect Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Pro Forma Provision for Income Taxes," "Certain Transactions of WordPerfect" and Notes 2 and 16 of Notes to WordPerfect Consolidated Financial Statements. See Note 2 of Notes to WordPerfect Consolidated Financial Statements for an explanation of the determination of shares used in computing net income per share.
- (7) Excludes the impact of accelerating the repayment of \$76.9 million of long-term notes payable to shareholders, including accrued interest at April 30, 1994, within 30 days after the closing of the Merger.

## UNAUDITED COMPARATIVE PER SHARE DATA

The following table sets forth (1) the historical net income (loss) per common share and the historical book value per share data of Novell Common Stock; (2) the pro forma net income per common share and the historical book value per share data of WordPerfect Common Stock; (3) the pro forma net income per share of common stock and the pro forma book value per share data after giving effect to the proposed Merger on a pooling of interests basis; and (4) the pro forma net income per share of common stock and the unaudited pro forma book value per share, assuming solely for the purpose of this calculation an exchange ratio of one share of Novell Common Stock for each share of WordPerfect Common Stock. The information presented in the table should be read in conjunction with the separate historical consolidated financial statements, the unaudited pro forma condensed combined financial statements of Novell and WordPerfect, and the interim unaudited consolidated condensed financial statements of Novell and WordPerfect and the notes thereto incorporated herein by reference or included elsewhere in this Prospectus/Proxy Statement. All stock splits have been reflected retroactively herein.

	HISTORICAL NOVELL	PRO FORMA WORDPERFECT	PRO FORMA COMBINED	PRO FORMA EQUIVALENT FOR ONE WORDPERFECT SHARE
	-----	-----	-----	-----
Net income (loss) per share:				
First six months of fiscal 1994.....	\$ .57	\$ (.05)	\$ .48	\$ .48
Fiscal 1993.....	(.11)	.41	(.04)	(.04)
Fiscal 1992.....	.81	1.02	.84	.84
Fiscal 1991.....	.55	2.76	.87	.87
Book value per share:				
End of first six months of fiscal				
1994.....	4.23	2.43	3.97	3.97
Fiscal year end 1993.....	3.23	2.91	3.19	3.19

## RISK FACTORS

UNCERTAINTIES RELATED TO THE MERGER AND THE QUATTRO PRO ACQUISITION. While Novell has acquired a number of companies in recent years, the acquisition of WordPerfect and the Quattro Pro spreadsheet product line from Borland is the largest acquisition ever undertaken by Novell. The successful combination of companies and product lines in the high technology industry may be more difficult and require a greater period of time to accomplish than in other industries. Novell has historically not had any presence in the software applications market and accordingly may lack the management and marketing experience that will be necessary to successfully operate the WordPerfect business following the Merger. The successful expansion of the Combined Company's software applications business will require communication and cooperation in product development and marketing among the senior executives and key technical personnel of Novell, WordPerfect and Borland. Given the inherent difficulties involved in completing a major business combination, there can be no assurance that such cooperation will occur or that the integration of the respective businesses will be successful and will not result in disruptions in one or more sectors of the Combined Company's business. In addition, there can be no assurance that the Combined Company will retain its key technical and management personnel, that the market will favorably view Novell's proposed entry into the software applications field or that Novell will realize any of the other anticipated benefits of the Merger and the Quattro Pro acquisition.

Novell has historically been viewed as an independent provider of operating system software and one that treated all software application vendors in a neutral fashion. The proposed Merger with WordPerfect may be perceived by the market as a deviation from this operating strategy and as a result may lead to a certain amount of confusion in the market.

COMPETITION IN MARKETS FOR OPERATING SYSTEM SOFTWARE. The market for operating systems software, including network operating systems and client operating systems, has become increasingly problematic due to Microsoft's growing dominance in all sectors of the software business. The Combined Company will not have the product breadth and market power of Microsoft. Microsoft's dominant position provides it with enormous competitive advantages, including the ability to unilaterally determine the direction of future operating systems and to leverage its strength in one or more product areas to achieve a dominant position in new markets. This position may enable Microsoft to increase its market position even if the Combined Company succeeds in introducing products with performance and features superior to those offered by Microsoft.

Microsoft's ability to offer networking functionality in future versions of MS Windows and MS Windows NT and in any other Microsoft operating systems, or to provide incentives to customers to purchase certain products in order to obtain favorable sales terms or necessary compatibility or information with respect to other products, may significantly inhibit the Combined Company's ability to maintain its business. Moreover, Microsoft's ability to offer products on a bundled basis can be expected to impair the Combined Company's competitive position with respect to particular products. In addition, as Microsoft creates new operating systems and applications, there can be no assurance that Novell will be able to ensure that its products will be compatible with those of Microsoft.

Both Novell and WordPerfect are aware of several new operating systems currently under development and scheduled for introduction within the next year and beyond. If any of these operating systems achieves market acceptance for use with the types of applications sold by WordPerfect and WordPerfect does not introduce application programs for them in a timely manner, WordPerfect's business and results of operations could be materially adversely affected.

COMPETITION IN MARKETS FOR APPLICATIONS. In the market for MS Windows word processing applications, WordPerfect for MS Windows competes with, among others, Microsoft's Word and Lotus Development Corporation's ("Lotus") Ami Pro. Novell believes that the Combined Company's share of the Windows word processing market will be a critical factor in its future success. Although WordPerfect has significantly increased its share of this market during the past year, it remains second to Microsoft. The market for MS Windows applications is currently characterized by severe competitive pressure, and attempts by major participants to maintain or increase market share may lead to rapid reductions in product prices. In addition, some software vendors are combining a number of application programs in a "bundle" or "suite" for sale as one unit or arranging with hardware manufacturers to preload application programs on new computers. The



price for a bundle or suite is typically significantly less than the price for separately purchased applications, and many end users are likely to prefer the bundle or suite over a more expensive combination of other individually purchased applications, even if the latter applications offer superior performance or features. Microsoft and Lotus offer bundles or suites of their respective products at prices significantly discounted from the prices of stand alone products. To the extent that bundling, suites and preloading arrangements by competitors are more successful than those of the Combined Company, the Combined Company's business and results of operations could be materially adversely affected.

**SALES OF QUATTRO PRO SPREADSHEET.** In August 1993, a federal district court in Boston, Massachusetts, issued an injunction with respect to Borland's sale of versions of the Quattro Pro spreadsheet incorporating certain functions which were found to infringe copyrights held by Lotus. These functions enabled users of Quattro Pro to use macros developed for the Lotus 1-2-3 spreadsheets, as well as other features designed to enable a level of compatibility between Quattro Pro and Lotus 1-2-3. The issuance of the injunction, the procedures implemented by Borland to comply with the injunction, as well as publicity and marketing efforts by Lotus following the issuance of the injunction, have disrupted sales of the Quattro Pro products in a variety of different ways, and may continue to do so. Although Novell will not assume any direct liability for this lawsuit, should the decision of the district court be upheld on appeal, the continued existence of the injunction could have a significant continuing adverse effect on Novell's ability to sustain or increase sales of the Quattro Pro spreadsheet, either on a stand alone basis or in conjunction with other application products. Moreover, the market for spreadsheet applications products is maturing and becoming increasingly competitive, particularly on the basis of price. To maintain or increase its share of the spreadsheet software market, Borland has significantly discounted the price of its Quattro Pro product, thereby substantially decreasing any profits that could potentially be earned on the sale of the products. Moreover, Novell believes that disruptions associated with the Merger and the acquisition of Quattro Pro have resulted in a decline in sales of Quattro Pro in recent periods. Due to these factors, there can be no assurance that the level of sales of Quattro Pro will be maintained or increased or that the Combined Company will derive significant profits from its existing or future Quattro Pro products.

**LICENSES, PATENTS AND TRADEMARKS.** The Combined Company will rely on copyright, patent, trade secret and trademark law, as well as provisions in its license, distribution and other agreements in order to protect its intellectual property rights. Additionally, Novell and WordPerfect have numerous patents pending in foreign countries. No assurance can be given that such patents pending will be issued or, if issued, will provide protection for the Combined Company's competitive position. Although Novell intends to protect its patent rights vigorously, there can be no assurance that these measures will be successful. Additionally, no assurance can be given that the claims on any patents held by the Combined Company will be sufficiently broad to protect the Combined Company's technology. In addition, no assurance can be given that any patents issued to the Combined Company will not be challenged, invalidated or circumvented or that the rights granted thereunder will provide competitive advantages to the Combined Company. The loss of patent protection on the Combined Company's technology or the circumvention of its patent protection by competitors could have a material adverse effect on the Combined Company's ability to compete successfully in its products business.

The software industry is characterized by frequent litigation regarding copyright, patent and other intellectual property rights. Both Novell and WordPerfect have from time to time had infringement claims asserted by third parties against them and their respective products. While there are no known or pending threatened claims against the Company, WordPerfect or any of its subsidiaries, the unsatisfactory resolution of which would have a material adverse effect on the Combined Company's results of operations and financial condition, there can be no assurance that such third party claims will not be asserted, or if asserted, will be resolved in a satisfactory manner. In addition, there can be no assurance that third parties will not assert other claims against the Combined Company with respect to existing or future products or that licenses will be available on reasonable terms, or at all, with respect to any third-party technology. In the event of litigation to determine the validity of any third-party claims, such litigation could result in significant expense to the Combined Company and divert the efforts of the Combined Company's technical and management personnel, whether or not such litigation is determined in favor of the Combined Company.

25

In the event of an adverse result in any such litigation, the Combined Company could be required to expend significant resources to develop non-infringing technology or to obtain licenses to the technology which is the subject of the litigation. There can be no assurance that the Combined Company would be successful in such development or that any such licenses would be available. In addition, the laws of certain countries in which Novell's or WordPerfect's products are or may be developed, manufactured or sold may not protect the Combined Company's products and intellectual property rights to the same extent as the laws of the United States.

**ATTRACTION AND RETENTION OF KEY EMPLOYEES.** The ability of the Combined Company to maintain its competitive technological position will depend, in large part, on its ability to attract and retain highly qualified development and managerial personnel. Competition for such personnel is intense. While the Merger and the agreement to acquire the Quattro Pro product line from Borland will increase the Combined Company's human resources in these areas, there is a risk of departure of key employees due to the combination process. The announcement of the proposed Merger and Quattro Pro product line acquisition may impede the Combined Company's ability to attract and retain personnel prior to and after these transactions. The loss of a significant group of key personnel would adversely affect the Combined Company's product development efforts.

**WORDPERFECT PRODUCT CONCENTRATION.** Approximately 80% and 86% of WordPerfect's revenues during 1993 and 1992, respectively, were derived from sales of various versions of WordPerfect's flagship document processing product, WordPerfect. Although additional products are currently being sold or developed, Novell believes that WordPerfect in its various forms will continue to be the Combined Company's primary application product for the foreseeable future. See "WordPerfect Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Information Concerning WordPerfect -- Products."

**POSSIBLE NEW PRODUCT DELAYS.** As is common in the computer software industry, both Novell and WordPerfect have experienced delays in their product development and "debugging" efforts, and the Combined Company may experience similar delays from time to time in the future. Significant delays in developing, completing or shipping new or enhanced products would adversely affect the Combined Company. There can be no assurance that the Combined Company will be able to respond effectively to technological changes or new product announcements by others, or that the Combined Company's research and development efforts will be successful. For example, in the spring of 1993, Novell introduced its NetWare 4.x operating system family of products. Initial shipment of the 4.0 version of NetWare occurred in May 1993, and Novell has new product releases scheduled for the second half of fiscal 1994 and the first quarter of fiscal 1995. While the Company does not presently anticipate delays in such new product releases, given the complexity of network operating system software, there can be no assurance that these releases or any future product releases will not be delayed beyond their anticipated release dates. In the past, Novell has experienced delays in the introduction of new products, due to the complexity of network operating systems, the need for extensive testing of such software to ensure compatibility of new releases with a wide variety of application software and hardware devices and the need to "debug" products prior to extensive distribution. Moreover, the Company may experience delays in market acceptance of new releases of the Netware operating system as the Company engages in marketing and education of the user base regarding the advantages and system requirements for the new products and as customers evaluate the advantages and disadvantages of upgrading. The Company has encountered these issues on each major new release of its operating system software, and expects that it will encounter such issues in the future. Novell's ability to achieve desired levels of sales growth depends at least in part on the successful completion, introduction and sale of new versions of its NetWare 4.x operating system. Should Novell experience material delays or sales shortfalls with respect to these product releases, the Combined Company's sales and net income could be adversely affected.

**MARKET ACCEPTANCE OF EXPANDED BUSINESS STRATEGY.** A fundamental goal of the Combined Company will be the delivery of workgroup application solutions combining the networking services of Novell and the workgroup applications of WordPerfect. The future success of this strategy will depend in part on the Combined Company's ability to develop and market new competitive products for the workgroup productivity and information processing areas. Development of these products, which include Novell's AppWare, WordPerfect Office, WordPerfect InForms and SoftSolutions, has already required and will continue to require

a substantial investment in research and development, particularly as a result of WordPerfect's decision to offer products across multiple operating environments. Although Novell's existing network of distributors should assist in this transition, marketing and distribution of these products may also require developing new marketing and sales strategies and will entail significant expense. WordPerfect has had only limited experience in the market for these products, and there can be no assurance that the Combined Company will be successful in developing and marketing these new products. See "Information Concerning WordPerfect -- The WordPerfect Strategy," "-- Products" and "-- Product Development."

**FLUCTUATIONS IN QUARTERLY RESULTS; VOLATILITY OF STOCK PRICE.** The Combined Company's future earnings and stock price could be subject to significant volatility, particularly on a quarterly basis. The Combined Company's revenues and earnings may be unpredictable due to its anticipated shipment patterns. As is typical in the software industry, a high percentage of the Combined Company's revenues are expected to be earned in the third month of each fiscal quarter and will tend to be concentrated in the latter half of that month. Accordingly, quarterly financial results will be difficult to predict and quarterly financial results may fall short of anticipated levels. Because the Combined Company's backlog early in a quarter will not generally be large enough to assure that it will meet its revenue targets for any particular quarter, quarterly results may be difficult to predict until the end of the quarter. A shortfall in shipments at the end of any particular quarter may cause the results of that quarter to fall significantly short of anticipated levels. Due to analysts' expectations of continued growth and the historically high price/earnings ratio at which Novell's Common Stock trades, any such shortfall in earnings could have an immediate and very significant adverse effect on the trading price of Novell's Common Stock in any given period. WordPerfect's past pattern of new product introductions has caused WordPerfect's sales revenues to fluctuate, sometimes significantly, on a quarter-by-quarter basis, with sales being relatively higher in quarters in which new versions are introduced. Such revenue fluctuations may contribute to the volatility of the trading price of Novell Common Stock in any given period following the Merger.

In addition, the market prices for securities of software companies have generally been volatile in recent years. The market price of Novell Common Stock, in particular, has been subject to wide fluctuations in the past. As a result of the foregoing factors and other factors that may arise in the future, the market price of Novell's Common Stock may be subject to significant fluctuations over a short period of time. These fluctuations may be due to factors specific to the Combined Company, to changes in analysts' earnings estimates, or to factors affecting the computer industry or the securities markets in general.

The Merger will result in greater involvement by Novell in the market for applications software. To compete successfully in the applications market, Novell anticipates incurring significantly higher expenditures in sales, marketing and customer support as a percent of net sales than is typically incurred in the sale of network operating systems. Accordingly, the Combined Company can be expected to incur greater operating expenses, both in aggregate dollars and as a percentage of total net sales, than Novell has incurred in the past. Although the Combined Company will seek to offset such higher operating costs through the higher sales levels derived from a broader product offering and continued cost control, there can be no assurance that the Combined Company will be successful in such efforts.

INTRODUCTION

This Prospectus/Proxy Statement is furnished in connection with the solicitation by WordPerfect Corporation, a Utah corporation ("WordPerfect"), of proxies to be voted at the special meeting of its shareholders (the "Special Meeting"), which will be held on June 24, 1994, at 9:00 a.m., local time, at the principal executive offices of WordPerfect located at 1555 North Technology Way, Orem, Utah.

The purpose of the Special Meeting is to approve and adopt the Merger Agreement (as defined below), as amended, providing for the merger of WordPerfect with and into Novell, Inc., a Delaware corporation ("Novell"). Originally, the combination of Novell and WordPerfect was to be effected by the merger of Novell Acquisition Corp., a wholly owned subsidiary of Novell ("Sub"), with and into WordPerfect, with WordPerfect becoming a wholly owned subsidiary of Novell, pursuant to the terms of the Agreement and Plan of Reorganization, dated as of March 21, 1994 (the "Merger Agreement"), entered into by and among Novell, Sub, WordPerfect, Alan C. Ashton, Bruce W. Bastian and Melanie L. Bastian. As of May 31, 1994, the Merger Agreement was amended by the parties thereto to provide for the merger of WordPerfect directly into Novell. All references herein to the Merger Agreement are to the Merger Agreement as amended.

The Merger will become effective upon the filing of the Articles of Merger contemplated by the Merger Agreement with the Utah Division of Corporations and Commercial Code (the date and time of such filing being referred to herein respectively as the "Effective Date" and the "Effective Time"). At the Effective Time, WordPerfect will merge with and into Novell and each share of WordPerfect Common Stock (other than shares, if any, held by shareholders who have exercised dissenters' rights under Part 13 of the Utah Revised Business Corporation Act ("URBCA")) will be converted into and exchanged for one share of Novell Common Stock.

The Board of Directors of WordPerfect has unanimously approved the Merger Agreement and determined that the Merger is in the best interests of WordPerfect and its shareholders and recommends that the shareholders of WordPerfect vote in favor of the Merger Agreement.

The information set forth herein concerning Novell has been furnished by Novell, and the information set forth herein concerning WordPerfect has been furnished by WordPerfect.

This Prospectus/Proxy Statement contains certain information set forth more fully in the Merger Agreement attached hereto as Appendix A and is qualified in its entirety by reference to the Merger Agreement, which is hereby incorporated herein by reference. In formulating his or her voting decision with respect to the proposed Merger, each WordPerfect shareholder should carefully read the Merger Agreement.

VOTING AND PROXIES

DATE, TIME, PLACE AND PURPOSE OF SPECIAL MEETING

The Special Meeting of Shareholders of WordPerfect will be held at the principal executive offices of WordPerfect located at 1555 North Technology Way, Crem, Utah on June 24, 1994, at 9:00 a.m., local time. The purpose of the Special Meeting is to vote upon a proposal to approve and adopt the Merger Agreement, providing for the merger of WordPerfect with and into Novell.

RECORD DATE AND OUTSTANDING SHARES

Only WordPerfect shareholders at the close of business on May 20, 1994 (the "Record Date"), are entitled to notice of, and to vote at, the Special Meeting. On the Record Date, there were 19 holders of Common Stock with 51,380,100 shares of Common Stock of WordPerfect issued and outstanding. Except for the shareholders identified herein under "Principal Shareholders of WordPerfect," on the Record Date there were no other persons known to the management of WordPerfect to be the beneficial owners of more than 5% of the outstanding capital stock of WordPerfect.

VOTING OF PROXIES

All properly executed proxies that are not revoked will be voted at the Special Meeting in accordance with the instructions contained therein. Proxies returned and containing no instructions regarding the Merger proposal will be voted "for" approval of the Merger Agreement in accordance with the recommendation of the WordPerfect Board of Directors. A shareholder who has executed and returned a proxy may revoke it at any time before it is voted at the Special Meeting by executing and returning a proxy bearing a later date, by filing written notice of such revocation with the Secretary of WordPerfect stating that the proxy is revoked or by attending the Special Meeting and voting in person.

VOTE REQUIRED

Under the URBCA, approval and adoption of the Merger Agreement requires the affirmative vote of the holders of a majority of the outstanding shares of WordPerfect's Common Stock. Because the Merger Agreement must be approved by at least a majority of outstanding shares entitled to vote on such matter, abstentions will have the effect of a negative vote.

As of the Record Date, the directors, officers and affiliates of WordPerfect, together with persons and entities related to or affiliated with them, held an aggregate of 51,380,100 shares of WordPerfect Common Stock, representing 100% of the outstanding WordPerfect Common Stock. Shareholders of WordPerfect holding approximately 89% of the outstanding WordPerfect Common Stock have agreed to vote in favor of the Merger Agreement and have granted the Novell Board of Directors proxies to vote their shares in favor of approval of the Merger, the Merger Agreement and any matter that could reasonably be expected to facilitate the Merger. Therefore, assuming that the proxies granted to Novell by such shareholders are voted in favor of the Merger Agreement, approval of the Merger Agreement is assured.

EXPENSES; SOLICITATION OF PROXIES

Each party to the Merger Agreement will pay its own costs and expenses incurred incident to the Merger Agreement and incurred in preparation therefor and in carrying out the transactions contemplated thereby, except that if the Merger is not consummated, expenses incurred in connection with printing this Prospectus/ Proxy Statement will be shared equally by Novell and WordPerfect. No proxy solicitation expenses are expected to be incurred in connection with the approval of the Merger.

29

DISSENTERS' RIGHTS

Holders of WordPerfect capital stock who do not vote in favor of the Merger may, under certain circumstances and by following procedures prescribed by the URBCA, exercise dissenters' rights and receive cash for their shares of stock of WordPerfect. The failure of a dissenting WordPerfect shareholder to follow the appropriate procedures may result in the termination or waiver of such rights. See "Terms of the Merger -- Dissenters' Rights."

20



THE MERGER AND RELATED TRANSACTIONS

JOINT REASONS FOR THE MERGER

Novell and WordPerfect have identified several potential mutual benefits of the Merger that they believe will contribute to the success of the Combined Company. These reasons are outlined below.

- Changing Nature of Network Computing. Novell and WordPerfect believe the era of stand alone computing is rapidly transitioning to the era of network computing, and the network is becoming the natural platform for applications within companies of all sizes. The combination of Novell and WordPerfect will provide the infrastructure, networking services, tools and applications to pioneer a new era of network applications, as well as the marketing expertise to be an effective participant in this emerging market. The term "network applications" refers to desktop applications which are specifically designed to take advantage of network operating system services. Additionally, offerings such as AppWare by Novell and OpenDoc, an industry standard being developed by WordPerfect and other software vendors, will enable software developers to substantially increase user productivity and ease of use in networked environments. In the future, Novell and WordPerfect expect that these applications will increasingly rely upon more advanced network operating system services such as support for multimedia and document imaging, as well as traditional existing services such as directories, network management services and security functions. WordPerfect's expertise in workgroup automation is expected to provide the Combined Company with a significant opportunity in developing and offering network applications.
- Emerging Market For Groupware Products. An emerging and rapidly growing segment of the PC software market is the area of electronic mail and groupware products which allow PC users to communicate and collaborate over networks. Novell believes that this market will expand to include enhanced networking services and that leadership in networking software will be critical in providing an infrastructure and environment conducive to the development of new application software. Currently, Novell provides the tools which many software developers use to effectively integrate products and services with the NetWare environment. Novell believes that, to compete most effectively in the future, a software company must become more than simply a vendor of a narrow range of networking software or application software products. The strategy of the Combined Company will be to complement existing standards and continue Novell's longstanding commitment to support openness with other software vendors.
- Increased Customer Base and Channels of Distribution. The Combined Company will benefit from a larger customer base, which will present greater opportunities for marketing the products of the Combined Company. In addition, Novell and WordPerfect each bring major distributors and reseller organizations to the Combined Company.
- Cost Efficiencies and Synergies. With a broader, complementary product line, the Combined Company should be better positioned to achieve efficiencies in sales, administrative functions, development, support, marketing and distribution, enabling it to compete more effectively.
- Deliver New Products and Services to Exploit the "Information Highway." Together, WordPerfect and Novell will provide the interface, the infrastructure and the tools to help customers exploit the information highway. As the networks within organizations are tied into national and international networks, the Combined Company will be well-positioned to provide solutions to electronically connect its customers worldwide. This global networking capability will also provide an important new electronic channel for software purchasing, distribution and maintenance.

31

ADDITIONAL REASONS FOR THE MERGER -- NOVELL

The Board of Directors of Novell believes that the following are additional benefits of the Merger and the related purchase of Borland's Quattro Pro product line:

- Acquisition of a Worldwide Application Software Franchise. WordPerfect's brand name provides strong name recognition to buyers of personal computer ("PC") applications products. Combining Novell's and WordPerfect's capabilities and resources will:
  - Give Novell greater visibility to the end-user customer through association with WordPerfect's strong presence and brand awareness in the market for software applications.
  - Increase Novell's ability to compete more effectively in the software and networking market by having a broader product line including applications software and groupware software solutions.
- Provide Broad Array of Technological Solutions to Customers. Novell will also be able to offer a suite of productivity applications, including word processing, spreadsheet and presentations graphics products, which should enhance Novell's network applications strategy.
- Build on WordPerfect Marketing Expertise. Novell will be able to take advantage of WordPerfect's strong distribution channels for application software products, and its extensive sales and marketing infrastructure worldwide.
- An Expanded Base of Experienced Management and Employees. The acquisition of WordPerfect will provide Novell with experienced development personnel who have extensive expertise in the development of multi-platform, multi-language application software products. Furthermore, Novell will have access to WordPerfect management's expertise in marketing application software which will enhance Novell's ability to compete in the emerging network application software market.

ADDITIONAL REASONS FOR THE MERGER -- WORDPERFECT

The Board of Directors of WordPerfect believes that the following are additional benefits of the Merger and the related purchase of Borland's Quattro Pro product line:

- Access to Novell's Established Customer Base. The Merger will permit WordPerfect to access the installed base of more than 40 million users of Novell's products. WordPerfect believes that this access is increasingly critical in the competitive marketplace for applications software.
- Availability of Novell's Distribution Network. As WordPerfect continues to place increased importance on its workgroup application products, it needs to develop different distribution channels and selling methods. Novell's existing distribution and certification capabilities are highly complementary to those which are being developed by WordPerfect. These channels are especially important for such products as WordPerfect Office and WordPerfect InForms which are designed to operate in a network environment. WordPerfect believes that the Merger will provide a significant advantage in more rapidly developing these capabilities.
- Increased Resources to Compete in Applications Market. WordPerfect believes that the market for application software is becoming increasingly competitive, and expects such competition to increase in the future. As a result, WordPerfect believes that its alliance with the leading company in the field of networking software will significantly assist WordPerfect in this environment.
- Positioning for Broader Product Solutions. WordPerfect believes that the software market is rapidly moving from stand alone applications to suite offerings and that the purchase of the Quattro Pro product line by Novell will complete WordPerfect's suite offering by including a strong spreadsheet application. In addition, as WordPerfect's workgroup products become increasingly important to its overall strategy, the opportunity to be part of Novell, the leading networking company, will provide an excellent platform to realize the potential of these products.
- Integration of a Comprehensive Suite of Software Products. WordPerfect believes that a suite offering which combines important applications, such as a word processor and spreadsheet, is essential to be



competitive in today's marketplace. Therefore, as a condition precedent to the Merger, Novell will acquire Borland's Quattro Pro product line, one of the most popular spreadsheet programs on the market today. This purchase will allow the Combined Company to compete more effectively in one of the most rapidly growing areas of PC application software -- suites -- by fully combining and integrating WordPerfect's products, Novell's network operating systems and application development tools and the Quattro Pro spreadsheet product.

- Provide Liquidity to WordPerfect Shareholders. The Merger will be a means by which WordPerfect shareholders and optionholders will be able to obtain liquidity for their equity interests. The Merger was considered in view of available alternatives, and the Board of Directors of WordPerfect concluded that no other company had the strategic fit or could offer the benefits available from Novell. In addition, the Merger is expected to be accomplished as a tax-free exchange of WordPerfect shares for Novell shares under Section 368(a) of the Internal Revenue Code.

#### WORDPERFECT BOARD RECOMMENDATION OF THE MERGER

WordPerfect's Board of Directors (the "WordPerfect Board") believes that the Merger is fair to and in the best interests of WordPerfect and its shareholders and therefore unanimously recommends that WordPerfect shareholders vote in favor of the Merger.

The WordPerfect Board believes that the shares of Novell Common Stock to be received by the shareholders of WordPerfect in the Merger will enable WordPerfect shareholders to realize an attractive return on their investment. The WordPerfect Board also views the Merger as a method by which the shareholders of WordPerfect would be permitted to participate in any post-Merger appreciation in the price of Novell Common Stock, if any. In this regard, the WordPerfect Board recognized that no assurance can be given that the value of the Novell Common Stock will be maintained before or after the Merger at any particular level, and may be subject to significant fluctuations over short periods of time.

In evaluating the proposed Merger, the WordPerfect Board discussed and considered a wide variety of factors in order to make a determination of what is in the best interests of WordPerfect and its shareholders. Specifically, the WordPerfect Board reviewed the history of merger discussions with Novell (see "-- Material Contacts" below), and also considered the advantages and disadvantages that the Merger would present to WordPerfect's ability to achieve its strategic objectives. The advantages considered by the Board are summarized in "Joint Reasons for the Merger" and "Additional Reasons for the Merger -- WordPerfect" above. Among the disadvantages considered were the possible perception that the Combined Company would become too focused on its own products which could adversely affect its relationships with other industry participants and that, as a result of the Merger, there would be a loss of focus on innovative applications products. In addition, the WordPerfect Board reviewed the status of the preliminary discussions that were taking place at that time with Lotus Development Corporation ("Lotus"), a company that had expressed an interest in acquiring WordPerfect. As part of this review, the WordPerfect Board, together with legal counsel, engaged in a discussion regarding possible antitrust concerns that might arise in connection with a business combination with Lotus and the steps that the two companies might be required to take to reduce these concerns. At the conclusion of this consideration, it was determined that WordPerfect should terminate its discussions with Lotus and engage in a transaction with Novell.

After considering the foregoing factors, the WordPerfect Board unanimously adopted and approved the Merger Agreement and the transactions contemplated thereby and recommended that the shareholders of WordPerfect vote to approve the Merger.

#### MATERIAL CONTACTS

In early 1993, Novell and WordPerfect entered into a broad-based cross licensing agreement under which each party was granted rights to utilize a number of the other company's products on an internal basis. Several meetings were held in 1993, the intent of which was to strengthen the strategic alliances between the companies. In late 1993, Novell began consideration of a possible acquisition of WordPerfect. At the time, the Novell Board of Directors was considering a variety of strategic actions and did not actively pursue merger

discussions with WordPerfect. On or about January 21, 1994, Mr. Alan C. Ashton, Co-Founder and Co-Chairman of the WordPerfect Board, contacted Mr. Raymond J. Noorda, Chairman of the Board and then Chief Executive Officer of Novell, to discuss whether Novell would consider an acquisition of WordPerfect. There was a general discussion between Mr. Noorda and Mr. Ashton related to possible price and strategic synergies, but Novell did not at the time pursue a transaction.

In March 1994, Novell decided to revisit the prospect of an acquisition of WordPerfect. On Friday, March 4, 1994, legal, financial, and operational due diligence teams from Novell met with their counterparts at WordPerfect. An extensive review of WordPerfect's business operations was conducted. The meetings continued on Monday, March 7, 1994, and into Tuesday, March 8, 1994. On March 7, 1994, Mr. Larry W. Sonsini, a member of the Novell Board of Directors and a partner in the law firm of Wilson, Sonsini, Goodrich & Rosati, legal counsel to Novell, tendered his resignation from the WordPerfect Board to WordPerfect. On Tuesday evening, March 8, 1994, Mr. Noorda convened a meeting of Novell's Board of Directors. A discussion ensued regarding the advantages and disadvantages associated with pursuing a merger or a corporate combination with WordPerfect.

On Wednesday, March 9, 1994, another meeting of the Novell Board of Directors was held. This meeting included members of the Novell Office of the President together with Mr. David R. Bradford, Senior Vice President and General Counsel. An extensive discussion was held, following which the Board of Directors directed Novell senior management to explore Novell's acquisition of WordPerfect.

Later that same day, Mr. Noorda, Ty Mattingly of Novell and Mr. Bradford met at the offices of WordPerfect with Mr. Ashton, Mr. Adriaan Rietveld, President and Chief Executive Officer of WordPerfect, Mr. R. Duff Thompson, Executive Vice President and General Counsel of WordPerfect. Mr. Bruce Bastian, a senior executive and Co-Founder and Co-Chairman of the WordPerfect Board, took part in the meeting from Australia via telephone. A number of issues were discussed regarding a possible combination of Novell and WordPerfect. Following the meeting, Mr. Thompson and Mr. Bradford met at the offices of Novell where they drafted a preliminary Letter of Intent regarding a possible combination of the companies. Copies of the draft Letter of Intent were circulated to the Novell Board of Directors and to its financial and legal advisors.

On Thursday March 10, 1994, the Novell Board of Directors again met. They reviewed the terms contained in the draft Letter of Intent and the strategic reasons for the transaction and authorized management of Novell to continue to explore a possible merger of the companies.

During the course of the March 9, 1994 meeting, WordPerfect articulated its position that any transaction with Novell would have to include the acquisition of a strong spreadsheet product for the MS Windows and DOS markets. The parties agreed to mutually explore the acquisition of the Quattro Pro spreadsheet business from Borland. To do so, the parties met at the offices of Borland on Friday March 11, 1994. Present at that meeting were Mr. Bradford, Mr. Mattingly, and Mr. Noorda from Novell and Mr. Rietveld and Mr. Thompson of WordPerfect. Also present were Mr. Philippe Kahn, Chief Executive Officer of Borland, Mr. Peter Astiz of the law firm of Baker & McKenzie, legal counsel to Borland, and Michael Price of Lazard Freres, financial advisor to Borland. The parties discussed a possible purchase of the Quattro Pro spreadsheet business during the course of that meeting.

In order to determine the feasibility of a potential transaction with Borland, representatives of WordPerfect and Borland met on both Saturday and Sunday, March 12 and 13, 1994, in Palo Alto, California to discuss potential terms of an acquisition of the Quattro Pro product line.

A meeting between representatives of Novell and WordPerfect was then held on Wednesday, March 16, 1994 at Mr. Ashton's home in Utah. Novell was given the opportunity to present to WordPerfect's management team Novell's view of a Novell-WordPerfect combination. Present at that meeting representing Novell were Mr. Bradford, Mr. Noorda, Mr. John Edwards, Novell's Executive Vice President, AppWare Systems Group, Mr. Mattingly, Mr. James Tolonen, Office of the President and Chief Financial Officer of Novell, Mr. Darcy Mott, Corporate Treasurer of Novell, Mr. Steve Wise, Senior Vice President of Finance of Novell and Mr. Clifford Simpson, Director of Tax at Novell. Representing WordPerfect were Mr. David Moon, Senior Vice President and Chief Technical Officer of WordPerfect, Mr. Thompson, Mr. Ashton,

34

Mr. Bastian, Mr. Rietveld, Mr. John Lewis, Executive Vice President of WordPerfect, and Mr. Daniel Campbell, Senior Vice President and Chief Financial Officer of WordPerfect. Acting in the interests of Novell from the investment banking firm of Morgan Stanley & Co. Inc. were Mr. Frank Quattrone and Mr. George Boutros. Present from Wilson, Sonsini, Goodrich & Rosati were Mr. Sonsini and Mr. Tor R. Braham. Mr. Joshua L. Green and Mr. Steven J. Tonsfeldt from Brobeck, Phleger & Harrison, legal counsel to WordPerfect, were also present at the meeting.

At the meeting, the parties discussed the potential of network-based applications, the strength of AppWare and WordPerfect Office, and the importance of a comprehensive software suite incorporating both networking and application products. Mr. Sonsini outlined a series of key points which comprised a plan for the combination of Novell and WordPerfect, including Novell's purchase of the Quattro Pro spreadsheet product from Borland. It was stated that Novell would form an Applications Division comprised of the WordPerfect business and new management of WordPerfect that would manage the software applications business. Mr. Sonsini also summarized the proposed financial terms of the transaction, including the exchange ratio.

The Novell representatives then left the meeting and the WordPerfect shareholders, executive officers and legal counsel reviewed the Novell proposal. Novell was told by WordPerfect that it would be making a decision whether or not to pursue the Novell proposal that evening.

Later that night, representatives of WordPerfect contacted Novell and informed Novell that the WordPerfect Board, including the major shareholders of WordPerfect, had determined to proceed along the lines proposed by Novell, subject to the preparation of a mutually satisfactory definitive agreement and subject also to the execution by Novell of an agreement to acquire the Quattro Pro spreadsheet business from Borland.

A meeting of the Board of Directors of Novell was held on Thursday March 17, 1994. An extensive discussion was held following which the Novell Board of Directors resolved to authorize the officers of Novell to proceed and negotiate a definitive agreement for both the WordPerfect and Quattro Pro transactions, subject to final review by the Board of Directors of Novell.

Beginning on Friday, March 18, 1994, and continuing through Sunday, March 20, meetings, discussions, and negotiations were held at the law offices of Wilson, Sonsini, Goodrich & Rosati among representatives of Novell, WordPerfect and Borland.

On Sunday evening, March 20, 1994 commencing at 5:00 p.m. Pacific time, another Novell Board of Directors' meeting was held. A WordPerfect Board meeting was convened at the same time to consider the transaction.

The Board of Directors of Novell authorized the execution of the Merger Agreement as well as a Purchase and License Agreement with Borland relating to the acquisition of the QuattroPro spreadsheet business. At its meeting, the WordPerfect Board authorized the execution of the Merger Agreement and certain related matters. Thereafter, the definitive agreements for both transactions were executed.

## TERMS OF THE MERGER

## EFFECTIVE TIME OF THE MERGER

The Merger Agreement provides that the separate existence of WordPerfect shall cease and WordPerfect shall be merged with and into Novell, with Novell as the surviving corporation. The Merger will become effective upon the filing of the Articles of Merger contemplated by the Merger Agreement with the Division of Corporations and Commercial Code of the State of Utah in accordance with the URBCA. See "Terms of the Merger -- Conditions to the Merger." It is anticipated that if the Merger is approved and adopted at the Special Meeting and all other conditions of the Merger have been fulfilled or waived, the Effective Date will be the date of the Special Meeting, or as soon as practicable thereafter. The Merger Agreement also provides that (i) the Articles of Incorporation of Novell shall be the Articles of Incorporation of the surviving corporation, (ii) the Bylaws of Novell shall be the Bylaws of the surviving corporation, (iii) the directors of Novell shall be the directors of the surviving corporation, (iv) the officers of Novell shall be the officers of the surviving corporation; and (v) the Merger shall, from and after the Effective Time, have all the effects provided by applicable law, the Merger Agreement and the Articles of Merger.

## MANNER AND BASIS OF CONVERTING SHARES

Terms of the Merger. Each issued and outstanding share of WordPerfect Common Stock (other than shares held by WordPerfect, Novell or their respective subsidiaries and shares, if any, held by persons exercising dissenters' rights in accordance with the URBCA ("Dissenting Shares")), including shares issuable upon the exercise of any WordPerfect Option (as defined below) prior to the Effective Time, that are issued and outstanding immediately prior to the Effective Time (other than Dissenting Shares) shall automatically be canceled and extinguished and converted, without any action on the part of the holder thereof, into the right to receive one share of Novell Common Stock. On June 8, 1994, the last sale price of Novell Common Stock as reported on the Nasdaq National Market was \$17 1/4 per share.

Based upon the number of shares of Novell Common Stock outstanding as of May 27, 1994, 362,229,164 shares of Novell Common Stock will be outstanding immediately after the Effective Time, of which approximately 14.18% will be held by the former holders of WordPerfect Common Stock.

Exchange of Certificates. As soon as practicable after the Effective Time, an exchange agent appointed by Novell (the "Exchange Agent") will mail to each holder of record of a certificate or certificates that immediately prior to the Effective Time represented outstanding shares of capital stock of WordPerfect (the "Certificates") whose shares are being converted into Novell Common Stock pursuant to the Merger Agreement, a letter of transmittal with instructions for use in effecting the surrender of the Certificates in exchange for Novell Common Stock. After the Effective Time, there will be no further registration of transfers on the stock transfer books of WordPerfect, as the surviving corporation, of shares of WordPerfect Common Stock that were outstanding immediately prior to the Effective Time. CERTIFICATES SHOULD NOT BE SURRENDERED BY THE HOLDERS OF WORDPERFECT COMMON STOCK UNTIL SUCH HOLDERS RECEIVE THE LETTER OF TRANSMITTAL FROM THE EXCHANGE AGENT.

Upon the surrender of a Certificate representing shares of WordPerfect Common Stock to the Exchange Agent together with a duly executed letter of transmittal, the holder of such certificate will be entitled to receive in exchange therefor the number of shares of Novell Common Stock equal to the number of shares of WordPerfect Common Stock held by such holder. In the event of a transfer of ownership of shares of WordPerfect Common Stock which is not registered on the transfer records of WordPerfect, the appropriate number of shares of Novell Common Stock may be delivered to a transferee if the Certificate representing such shares of WordPerfect Common Stock is presented to the Exchange Agent, together with the related letter of transmittal, and accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid.

Until a Certificate representing shares of WordPerfect Common Stock has been surrendered to the Exchange Agent, each such Certificate will be deemed at any time after the Effective Time to represent the right to receive upon such surrender the number of shares of Novell Common Stock to which the shareholder is entitled under the Merger Agreement.

#### EMPLOYEE BENEFIT PLANS

Representatives of Novell's and WordPerfect's respective human resources departments have met and will continue to meet to coordinate the manner of transition of the insurance and other benefit plans of WordPerfect after the Merger. Novell and WordPerfect intend that the continuing employees of WordPerfect will be entitled to receive employee benefits from Novell that will be at least comparable to those being received by the employees of Novell, taken as a whole, who occupy comparable positions and have comparable responsibilities.

**WordPerfect Options.** Pursuant to the Merger Agreement, all stock options to acquire shares of WordPerfect Common Stock outstanding immediately prior to the Effective Time ("WordPerfect Options") will be assumed by Novell and converted into options to acquire an equivalent number of shares of Novell Common Stock. As of March 31, 1994, WordPerfect Options to acquire an aggregate of 7,820,000 shares of WordPerfect Common Stock were issued and outstanding. Notice to the holders of WordPerfect Options as to the terms of such assumption and conversion will be sent by Novell upon consummation of the Merger. Each WordPerfect Option so assumed by Novell shall continue to have, and be subject to, the same terms and conditions set forth in the option agreement relating to such WordPerfect Option, including the existing provisions that provide that the vesting of such options will automatically accelerate immediately upon consummation of the Merger.

Novell will take all corporate and other actions necessary to reserve and make available sufficient shares of Novell Common Stock for issuance upon exercise of the WordPerfect Options assumed by Novell and to prepare and file with the SEC a registration statement on Form S-8 (or any successor form) with respect to the underlying shares of Novell Common Stock issuable upon exercise of such WordPerfect Options. Novell will use its reasonable efforts to have such registration statement declared effective as soon as practicable following the Effective Time and to maintain the effectiveness of such registration statement.

**Section 401(k) Plan.** WordPerfect has established a tax-deferred savings plan (the "WordPerfect Plan") qualified under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"). Under the WordPerfect Plan, eligible employees may authorize voluntary payroll deductions of up to 10% of their base salaries to be invested in certain independently managed, employee-elected investment funds. WordPerfect also makes contributions which match up to 100% for the first 2% of salary contributions by the employee, 75% for the next 2% and 50% for the next 2%. There is no matching for employee contributions over 6%. Following the Merger, WordPerfect employees will be eligible to participate in the Novell 401(k) Plan (the "Novell Plan") by making new contributions to the Novell Plan. It is presently intended that WordPerfect will file for authorization to terminate the WordPerfect Plan with the appropriate governmental authorities, and the assets of the WordPerfect Plan will be transferred to the Novell Plan.

#### CONDUCT OF BUSINESS OF WORDPERFECT AND NOVELL PRIOR TO THE MERGER

Under the Merger Agreement, WordPerfect has agreed that until the Effective Time or the earlier termination of the Merger Agreement pursuant to the terms thereof, WordPerfect and its majority-owned subsidiaries will conduct their respective businesses in the ordinary and usual course consistent with past practice and will use reasonable efforts to maintain and preserve intact their business organizations, keep available the services of their officers and employees and maintain satisfactory relations with licensors, licensees, suppliers, contractors, distributors, customers and others having business relationships with them. Among other limitations relating to the conduct of its business, WordPerfect has agreed that it will not, without Novell's prior written consent, prior to the Effective Time, (a) declare, set aside or pay any dividends on or make any other distribution (whether in cash, stock or property) in respect of any of its capital stock; (b) split, combine or reclassify any of its capital stock, or issue any other securities in respect of, in lieu of or in



substitution for shares of its capital stock, or repurchase, redeem or otherwise acquire any shares of its capital stock; (c) issue, deliver, or sell any shares of its capital stock, or any other securities convertible into, or exchangeable or exercisable therefor; (d) except pursuant to mandatory terms under outstanding options, accelerate, amend or change the exercise period of options granted under the WordPerfect Stock Option Plan or any other options, warrants or other convertible securities; (e) authorize cash payments in exchange for any options granted under the WordPerfect Stock Option Plan or any other options; (f) authorize any change in its equity capitalization; (g) cause or permit any amendments to its Articles of Incorporation or Bylaws or other charter documents; (h) acquire or agree to acquire any business or any corporation, partnership, association or other business organization or division thereof, or assets which are material to the business condition of WordPerfect and its majority-owned subsidiaries, taken as a whole; (i) sell, lease, pledge, license or otherwise dispose of or encumber any of its assets or properties, except in the ordinary course of business consistent with past practice (including, without limitation, any indebtedness owed to it or any claims held by it); (j) transfer the stock of any majority-owned subsidiary to any other majority-owned subsidiary or any assets or liabilities to any new or, except in the ordinary course of business consistent with past practice, existing majority-owned subsidiary; (k) incur any indebtedness for borrowed money or guarantee any such indebtedness, or guarantee the obligations of others, or make loans or advances; (l) pay, discharge or satisfy any claims, liabilities or obligations, other than the payment, discharge or satisfaction of liabilities in the ordinary course of business consistent with past practice; (m) adopt or amend any employee benefit plan, or enter into or amend any employment, severance, special pay arrangement with respect to termination of employment or other similar arrangements or agreements with any of its directors, officers or employees or increase the salaries or wage rates of its employees other than pursuant to scheduled employee reviews, consistent with past practices; (n) except in the ordinary course of business consistent with past practices, transfer to any person or entity any rights to WordPerfect intellectual property rights; (o) enter into or amend any agreements pursuant to which any other party is granted exclusive marketing or other rights of any type or scope with respect to any products of WordPerfect or any of its majority-owned subsidiaries; (p) except in the ordinary course of business with prior notice to Novell, violate, amend or otherwise modify the terms of any material WordPerfect contracts; (q) commence a lawsuit other than for the routine collection of bills; (r) change the accounting methods or practices followed by WordPerfect or any of its majority-owned subsidiaries, except as may be required by changes in generally accepted accounting principles, make or change any material tax election, file any material tax return or any amendment to a material tax return, enter into any material closing agreement, settle any material tax claim or assessment, or consent to any extension or waiver of the limitation period applicable to any material tax claim or assessment, without the prior consent of Novell, which consent will not be unreasonably withheld; (s) take any action that would result in any of the representations and warranties of WordPerfect set forth in the Merger Agreement becoming untrue or in any of the conditions to the Merger set forth in the Merger Agreement not being satisfied; (t) enter into any capital commitment or long term obligation equal to or in excess of \$500,000; or (u) authorize or propose any of the foregoing, or enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

WordPerfect has also agreed, under the Merger Agreement, not, directly or indirectly, to solicit, initiate, entertain, encourage or negotiate any proposals or offers from any third party relating to the merger or acquisition of WordPerfect or a material portion of its assets or capital stock of WordPerfect, nor will WordPerfect, during the term of the Merger Agreement, participate in any negotiations regarding, or furnish to any person any information with respect to, or otherwise cooperate with, facilitate or encourage any effort or attempt by any person to do or seek any such transaction.

Under the Merger Agreement, Novell has also agreed that until the Effective Time or the earlier termination of the Merger Agreement pursuant to the terms thereof, it will not, without the prior written consent of WordPerfect, (a) amend its Certificate of Incorporation in any manner which would adversely affect the rights of holders of Novell Common Stock, or (b) issue, deliver, or sell or authorize or propose the issuance, delivery or sale of, or purchase or propose the purchase of, any shares of its capital stock or any class or securities convertible into, or subscriptions, rights, warrants or options to acquire, or other agreements or commitments of a character obligating it or any of its majority-owned subsidiaries to issue any such shares or other convertible securities, except for the issuance or proposed issuance of its capital stock or options to purchase shares of its capital stock (i) in connection with a proposed business combination, (ii) in connection

with privately negotiated sales of stock pursuant to corporate partnering arrangements or (iii) pursuant to stock option grants or exercises or other employee stock benefit plans.

Each of WordPerfect and Novell have further agreed to (a) promptly apply for and use all reasonable efforts to obtain all consents and approvals required with respect to the consummation of the Merger and (b) use all reasonable efforts to effectuate the transactions contemplated by the Merger Agreement and to fulfill the conditions to close the Merger.

#### CONDUCT OF BUSINESS OF THE COMBINED COMPANY FOLLOWING THE MERGER

Upon the consummation of the Merger, Novell will establish and maintain WordPerfect as a separate operating unit constituting the Novell Applications Product Group. The Quattro Pro spreadsheet product line to be acquired from Borland will be placed under the control of the Novell Applications Product Group. Adriaan Rietveld, the current President and Chief Executive Officer of WordPerfect, will be appointed President of the Novell Applications Product Group, to serve until his successor is duly appointed, and will report directly to the President and Chief Executive Officer of Novell. The remaining executive officers of WordPerfect will report to the Novell Applications Product Group President. The Novell Applications Product Group will be operated in accordance with a plan to be developed by the Novell Applications Product Group and approved by Novell.

#### CONDITIONS TO THE MERGER

Each party's respective obligation to effect the Merger is subject to the satisfaction prior to the closing date of the Merger (the "Closing Date") of the following conditions: (a) the Merger Agreement and the Articles of Merger shall have been approved and adopted by the affirmative vote or consent of the holders of at least a majority of the issued and outstanding shares of WordPerfect Common Stock present, in person or by proxy, at the Special Meeting; (b) the Registration Statement shall have become effective under the Securities Act and shall not be subject to any stop order, and this Prospectus/Proxy Statement shall not be subject to any proceedings commenced or threatened by the SEC; (c) the applicable waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated; (d) all material authorizations, consents, orders or approvals of, or declarations or filings with, or expiration of waiting periods imposed by, any governmental entity necessary for the consummation of the transactions contemplated by this Agreement and the Articles of Merger shall have been filed, expired or been obtained; (e) Novell and WordPerfect shall each have received favorable written opinions from their respective counsel, to the effect that the Merger will constitute a tax-free reorganization; and (f) the absence of any legal action preventing the consummation of the Merger or rendering Novell or WordPerfect unable to consummate the Merger.

The obligations of Novell to effect the Merger are subject to, among other things, the satisfaction of the following conditions, unless waived by Novell: (a) the representations and warranties of WordPerfect in the Merger Agreement shall be true and correct in all material respects (except for such representations and warranties which are qualified by their terms by a reference to materiality, which representations and warranties as so qualified shall be true in all respects) (i) as of the date of the Merger Agreement and (ii) as of the Closing Date, as though made on and as of the Closing Date (except for representations and warranties that speak of a specific date) unless any failures to be true and correct, individually or in the aggregate, do not have and could not reasonably be expected to have a material adverse effect on WordPerfect; (b) WordPerfect shall have performed in all material respects all obligations and covenants required to be performed by it under the Merger Agreement and the Articles of Merger prior to or as of the Closing Date; (c) Novell shall have received an opinion of Brobeck, Phleger & Harrison, counsel to WordPerfect, dated the Closing Date, in form and substance reasonably satisfactory to Novell and WordPerfect; (d) (i) Novell shall have received a letter from Ernst & Young to the effect that the Merger will be accounted for as a pooling of interests and (ii) WordPerfect shall have received a letter from Price Waterhouse to the effect that Price Waterhouse is not aware of any condition that would preclude WordPerfect from participating in a merger transaction to be accounted for as a pooling of interests; (e) Novell shall have received duly executed copies of all material third-party consents and approvals in form and substance reasonably satisfactory to Novell;

39

(f) certain "affiliates" (as defined below) of WordPerfect shall have executed and delivered to Novell an Affiliates Agreement (as described below); (g) certain shareholders of WordPerfect shall not have breached the Shareholder Agreements (as described below); (h) there shall have been no material adverse effect on WordPerfect or any of its majority-owned subsidiaries on or before the closing date of the Merger; and (i) certain WordPerfect shareholders shall have executed and delivered to Novell and WordPerfect a Tax Matters Agreement (as described below).

The obligation of WordPerfect to effect the Merger is subject to, among other things, the satisfaction of the following conditions, unless waived by WordPerfect: (a) the representations and warranties of Novell in the Merger Agreement shall be true and correct in all material respects (except for such representations and warranties which are qualified by their terms by a reference to materiality, which representations and warranties as so qualified shall be true in all respects) (i) as of the date of the Merger Agreement and (ii) as of the Closing Date, as though made on and as of the Closing Date (except for representations and warranties that speak of a specific date), unless any failures to be true and correct, individually or in the aggregate, do not have and could not reasonably be expected to have a material adverse effect on Novell; (b) Novell shall have performed in all material respects all obligations and covenants required to be performed by them under the Merger Agreement and the Articles of Merger prior to or as of the Closing Date; (c) WordPerfect shall have received an opinion dated the Closing Date of Wilson, Sonsini, Goodrich & Rosati, counsel for Novell, in form and substance reasonably satisfactory to WordPerfect and Novell; (d) there shall have been no material adverse effect on Novell on or before the Closing Date; (e) the Board of Directors of Novell shall have taken appropriate action to cause the number of directors comprising the full Board of Directors of Novell to be increased by two persons, from seven to nine, and Alan C. Ashton and Bruce W. Bastian (or a designee of either of such persons, which designee or designees shall be acceptable to the Board of Directors of Novell) shall have been elected to the Board of Directors of Novell and (f) either Novell or WordPerfect shall have acquired the rights to sell a spreadsheet program mutually acceptable to the parties hereto (which acquisition will close prior to or simultaneously with the consummation of the Merger).

The condition to WordPerfect's obligation to consummate the Merger described in clause (e) in the preceding paragraph concerning the appointment of Dr. Ashton and Mr. Bastian (or their designees) to the Novell Board of Directors has been waived by WordPerfect in return for Novell's agreement that following the Merger the Novell Board of Directors will, promptly following the receipt of a request from Dr. Ashton and Mr. Bastian, increase the size of the Board of Directors from seven to nine and at such time cause Dr. Ashton and Mr. Bastian (or their designees) to be elected to the Novell Board of Directors. Dr. Ashton and Mr. Bastian are expected to make such a request in the latter part of 1994. The Novell Board of Directors has agreed to take all necessary action to cause Dr. Ashton and Mr. Bastian (or their designees) to be nominated for election at the Novell annual meeting of stockholders for fiscal year 1995.

#### TERMINATION OR AMENDMENT OF MERGER AGREEMENT

The Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the Merger by the shareholders of WordPerfect: (a) by mutual written agreement of Novell and WordPerfect; (b) by Novell, if there has been a breach by WordPerfect of any representation, warranty, covenant or agreement set forth in the Merger Agreement on the part of WordPerfect or if any representation or warranty of WordPerfect shall have become untrue, but only if such breach(es) or untrue representations or warranties, individually or in the aggregate, have or could reasonably be expected to have a material adverse effect on WordPerfect and which breach or inaccuracy WordPerfect fails to cure within seven days after notice thereof is given by Novell (except that no cure period shall be provided for a breach by WordPerfect or inaccuracy which by its nature cannot be cured); (c) by WordPerfect, if there has been a breach by Novell of any representation, warranty, covenant or agreement set forth in this Agreement on the part of Novell or if any representation or warranty of Novell shall have become untrue, but only if such breach(es) or untrue representations or warranties, individually or in the aggregate, have or could reasonably be expected to have a material adverse effect on Novell and which breach or inaccuracy Novell fails to cure within seven days after notice thereof is given by WordPerfect (except that no cure period shall be provided for a breach by Novell which by its nature cannot be cured); (d) by Novell or WordPerfect, if the Merger shall not have been

30



40

consummated on or before July 31, 1994 (other than delays attributable to concluding the HSR Act waiting period or receiving an order of effectiveness from the SEC with respect to the Registration Statement, but in no event later than September 30, 1994); (e) by Novell or WordPerfect if the required approval of the shareholders of WordPerfect or, if required, the stockholders of Novell, contemplated by the Merger Agreement shall not have been obtained by reason of the failure to obtain the required vote upon a vote taken at the Shareholders' Meeting; or (f) by Novell or WordPerfect if any permanent injunction or other order of a court or other competent authority preventing the Merger shall have become final and nonappealable.

The Merger Agreement may be amended by the parties, by action taken by their respective Board of Directors, at any time before or after approval of the Merger by the shareholders of WordPerfect; provided that following approval of the Merger by the shareholders of WordPerfect, no amendment shall be made which by law requires the further approval of such shareholders without obtaining such further approval. Under applicable law, any amendment subsequent to the adoption of the Merger Agreement by the WordPerfect shareholders that alters any contractual rights of the WordPerfect shareholders in connection with the Merger, such as a change in the amount or kind of securities to be received in exchange for WordPerfect Common Stock in the Merger, or that otherwise adversely affects the WordPerfect shareholders would require the further approval of the WordPerfect shareholders. In the event of any resolicitation of the WordPerfect shareholders in connection with any such amendment, such resolicitation will be conducted with an updated prospectus filed as part of a post-effective amendment to the Registration Statement on Form S-4 that has been declared effective by the SEC.

#### INDEMNIFICATION

From and after the Effective Time, Novell shall (to the fullest extent permitted by applicable law) indemnify, defend and hold harmless each person who is now, or has been at any time prior to the date hereof or who becomes prior to the Effective Time, an officer or director of WordPerfect or any of its majority-owned subsidiaries against any and all losses, damages, costs, expenses, liabilities or judgments, or amounts that are paid in settlement of, or in connection with, any claim, action, suit, proceeding or investigation based on or arising out of the fact that such person is or was a director or officer of WordPerfect or any majority-owned subsidiary of WordPerfect, whether pertaining to any matter existing or occurring at or prior to the Effective Time.

#### CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes the material federal income tax considerations relevant to the exchange of shares of WordPerfect Common Stock for Novell Common Stock pursuant to the Merger. In particular, this discussion addresses the tax consequences of the Merger generally applicable to holders of WordPerfect Common Stock. It does not deal with all federal income tax considerations that may be relevant to particular WordPerfect shareholders in light of their particular circumstances, such as shareholders who do not hold their WordPerfect Common Stock as capital assets or persons who acquired their shares in compensatory transactions. In addition, the following discussion does not address the tax consequences of transactions effectuated prior or subsequent to, or concurrently with, the Merger (whether or not any such transactions are undertaken in connection with the Merger) including, without limitation, any transaction in which shares of WordPerfect Common Stock are acquired or any shares of Novell Common Stock are disposed of. Furthermore, no foreign, state or local tax considerations are addressed herein. ACCORDINGLY, WORDPERFECT SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER, INCLUDING THE APPLICABLE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES TO THEM OF THE MERGER.

The Merger is intended to constitute a "reorganization" within the meaning of Section 368(a) of the Code (a "Reorganization"), in which case, subject to the limitations and qualifications referred to herein, the Merger will generally result in the following federal income tax consequences:

(a) No gain or loss will be recognized by holders of WordPerfect Common Stock solely upon their receipt in the Merger of Novell Common Stock in exchange therefor.

41

(b) The aggregate tax basis of the Novell Common Stock received in the Merger will be the same as the aggregate tax basis of WordPerfect Common Stock surrendered in exchange therefor.

(c) The holding period of the Novell Common Stock received in the Merger will include the period for which the WordPerfect Common Stock surrendered in exchange therefor was held, provided that the WordPerfect Common Stock is held as a capital asset at the time of the Merger.

(d) Neither Novell nor WordPerfect will recognize material amounts of gain solely as a result of the Merger.

(e) A shareholder who exercises dissenters' rights with respect to a share of WordPerfect Common Stock and receives payment for such share in cash will generally recognize gain or loss for federal income tax purposes, measured by the difference between the holder's basis in such share and the amount of cash received, provided that the payment is neither essentially equivalent to a dividend within the meaning of Section 302 of the Code nor has the effect of a distribution of a dividend within the meaning of Section 356(a)(2) of the Code (collectively "a Dividend Equivalent Transaction"). A sale of WordPerfect Common Stock pursuant to an exercise of dissenters' rights will generally not be a Dividend Equivalent Transaction if, as a result of such exercise, the dissenter owns no shares of Novell Common Stock (either actually or constructively within the meaning of Section 318 of the Code such as through the attributing of stock ownership through family members). If, however, a shareholder's sale for cash of WordPerfect Common Stock is a Dividend Equivalent Transaction, then such Shareholder will generally recognize income for federal income tax purposes in an amount equal to the entire amount of the cash so received.

Even if the Merger qualifies as a Reorganization, a recipient of shares of Novell Common Stock could recognize gain to the extent that such shares were considered by the Internal Revenue Service (the "IRS") to be received in exchange for consideration (other than WordPerfect Common Stock). All or a portion of such gain may be taxable as ordinary income. Gain could also have to be recognized to the extent that a WordPerfect shareholder was treated by the IRS as receiving (directly or indirectly) consideration other than Novell Common Stock in exchange for his or her WordPerfect Common Stock.

The parties are not requesting and will not request a ruling from the IRS in connection with the Merger. Novell and WordPerfect, however, have each received an opinion from their respective counsel, Wilson, Sonsini, Goodrich & Rosati, Professional Corporation and Brobeck, Phleger & Harrison, to the effect that the Merger will constitute a "reorganization" within the meaning of Section 368(a) of the Code (the "Tax Opinions"). WordPerfect shareholders should be aware that the Tax Opinions do not bind the IRS and the IRS is therefore not precluded from successfully asserting a contrary opinion. The Tax Opinions are subject to certain assumptions, including but not limited to the truth and accuracy of certain representations made by Novell, WordPerfect and certain shareholders of WordPerfect. Of particular importance are certain representations relating to the Code's "continuity of interest requirement."

To satisfy the continuity of interest requirement, WordPerfect shareholders must not, pursuant to a plan or intent existing at or prior to the Merger, dispose of or transfer so much of either (i) their WordPerfect Common Stock in anticipation of the Merger or (ii) the Novell Common Stock to be received in the Merger (collectively, "Planned Dispositions"), such that WordPerfect shareholders, as a group, would no longer have a significant equity interest in the WordPerfect business being conducted by Novell after the Merger. WordPerfect shareholders will generally be regarded as having a significant equity interest as long as the number of shares of Novell Common Stock received in the Merger less the number of shares subject to Planned Dispositions (if any) represents, in the aggregate, a substantial portion of the entire consideration received by the WordPerfect shareholders in the Merger.

A successful IRS challenge to the Reorganization status of the Merger (as a result of a failure of the continuity of interest or otherwise) would result in WordPerfect shareholders recognizing taxable gain or loss with respect to each share of WordPerfect Common Stock surrendered equal to the difference between the shareholder's basis in such share and the fair market value, as of the Effective Time, of the Novell Common Stock received in exchange therefor. In such event, a shareholder's aggregate basis in the Novell Common

Stock so received would equal its fair market value and the holding period for such stock would begin the day after the Merger.

#### AFFILIATES AGREEMENTS

The shares of Novell Common Stock to be issued in the Merger have been registered under the Securities Act by a Registration Statement on Form S-4, thereby allowing such securities to be traded without restriction by all former holders of WordPerfect Common Stock not deemed to be "affiliates" (as such term is defined for purposes of Rule 145 under the Securities Act) of WordPerfect at the time the transaction is submitted for a vote to the WordPerfect shareholders. WordPerfect shareholders who may be deemed to be affiliates of WordPerfect will be so advised prior to the Effective Time.

Pursuant to the terms of the Merger Agreement, each affiliate of WordPerfect has executed or will execute an Affiliates Agreement in the form of Exhibit 5.12 to the Merger Agreement. Pursuant to the Affiliates Agreement, each WordPerfect affiliate has agreed not to make any sale of Novell Common Stock received upon consummation of the Merger in violation of the Securities Act or the rules and regulations promulgated thereunder. Generally this will require that such sales be made in accordance with Rule 145(d) under the Securities Act promulgated by the SEC, which in turn requires that, for specified periods, such sales be made in compliance with the volume limitations, manner of sale provisions and current information requirements of Rule 144 under the Securities Act also promulgated by the SEC. The volume limitations should not impose any material limitations on any WordPerfect shareholder who owns less than one percent of Novell's outstanding Common Stock after the Merger unless, pursuant to Rule 144, such shareholder's shares are required to be aggregated with those of another shareholder.

The Affiliates Agreements provide, among other things, that each affiliate of WordPerfect has agreed (i) not to sell, exchange, transfer, pledge, dispose of or otherwise reduce his risk relative to shares of WordPerfect Common Stock owned by such affiliate for 30 days prior to the Effective Time; (ii) not to transfer, sell, exchange, pledge, dispose of or otherwise reduce his risk relative to Novell Common Stock (except limited transfers to members of such affiliate's immediate family, with such transferee to be bound by the terms of the Affiliates Agreement) until such time as financial results covering at least 30 days of combined operations of Novell and WordPerfect after the Effective Time have been filed with the SEC or published by Novell; (iii) that the affiliate has no present plan or intent to engage in a sale, exchange, transfer, pledge, disposition or any other transaction which results in a reduction in the risk of ownership with respect to more than 50% of the shares of Novell Common Stock to be received by him or her in the Merger; and (iv) not to offer, sell, exchange, transfer, pledge or otherwise dispose of any Novell Common Stock except as permitted by Rule 145 promulgated under the Securities Act by the SEC or pursuant to a registration statement under, or an exemption from, the Securities Act.

#### SHAREHOLDER AGREEMENTS

Pursuant to the terms of the Merger Agreement, certain shareholders of WordPerfect, holding in the aggregate approximately 89% of the outstanding Common Stock of WordPerfect, executed Shareholder Agreements in the form of Exhibit 5.6 to the Merger Agreement. Under these Shareholder Agreements, each of such WordPerfect shareholders has agreed to vote in favor of the Merger Agreement and has executed a proxy in favor of the Board of Directors of Novell to vote their shares of WordPerfect Common Stock in favor of the Merger.

#### TAX MATTERS AGREEMENT

As a condition to the Merger, certain WordPerfect shareholders will enter into a Tax Matters Agreement that will provide that such shareholders will severally and not jointly indemnify WordPerfect and Novell with respect to U.S. federal and Utah and New Mexico state income tax liability (including interest and penalties) arising out of a failure of WordPerfect or its affiliates to have been S corporations (as defined in Section 1361 of the Code) during any taxable year (or that portion of any taxable year) for which such corporations reported for federal and Utah and New Mexico state income tax purposes that they were S corporations. Each

43

such WordPerfect shareholder's liability for purposes of such indemnification will be limited in certain respects pursuant to the terms of the Tax Matters Agreement.

#### GOVERNMENTAL AND REGULATORY APPROVALS

Transactions such as the Merger are reviewed by the Department of Justice and the Federal Trade Commission (the "FTC") to determine whether they comply with applicable antitrust laws. Under the provisions of the HSR Act, the Merger may not be consummated until such time as certain information has been furnished to the Department of Justice and the FTC and the specified waiting period requirements of the HSR Act have been satisfied. Premerger Notification and Report Forms were filed with the Department of Justice and the FTC under the HSR Act by each of Novell, Bruce W. Bastian, and Melanie L. Bastian, the ultimate parent entities of WordPerfect, on April 4, 1994. The notification and waiting period imposed under the HSR Act expired on May 4, 1994.

At any time before or after the Effective Time, the Department of Justice, the FTC, state attorneys general or a private person or entity could challenge the Merger under the antitrust laws and seek among other things, to enjoin the Merger or to cause Novell to divest itself, in whole or in part, of WordPerfect or Novell. Based on information available to them, Novell and WordPerfect believe that the Merger will not violate federal or state antitrust laws. However, there can be no assurance that a challenge to the Merger on antitrust grounds will not be made or that, if such a challenge is made, Novell and WordPerfect will prevail or would not be required to accept certain conditions, possibly including certain divestitures or hold-separate agreements, in order to consummate the Merger.

Novell and WordPerfect each conduct operations in a number of foreign countries where regulatory filings may be required as a result of the Merger. Novell and WordPerfect will make such filings as they determine are necessary or appropriate.

Novell and WordPerfect are aware of no other governmental or regulatory approvals required for consummation of the Merger, other than compliance with applicable securities and "blue sky" laws of the various states.

#### ACCOUNTING TREATMENT

The Merger is to be treated as a pooling of interests for financial reporting purposes. Novell expects to receive a letter from its independent auditors, Ernst & Young, indicating their opinion that such accounting method is appropriate. The delivery of the letter of Ernst & Young to Novell is a condition to the closing of the Merger. The delivery of a letter to WordPerfect from WordPerfect's independent public accountants, Price Waterhouse, stating that Price Waterhouse is not aware of any condition that would preclude WordPerfect from participating in a merger to be accounted for as a pooling of interests, is also a condition to the closing of the Merger. See "-- Conditions to the Merger."

Under the pooling of interests method of accounting, Novell's prior period financial statements will be restated on a combined basis with those of WordPerfect, with all significant intercompany accounts being eliminated and all expenses relating to the combination being deducted from combined income for the period when such expenses were incurred.

#### DISSENTERS' RIGHTS

Pursuant to the terms of the Merger Agreement, if holders of capital stock of WordPerfect have exercised dissenters' rights in connection with the Merger in accordance with the provisions of Sections 1301-1331 of Part 13 of the URBCA ("Part 13"), any Dissenting Shares (as defined below) will not be converted into Novell Common Stock but will be converted into the right to receive such consideration as may be determined to be due with respect to such Dissenting Shares pursuant to the laws of the State of Utah.

While this Merger is not conditioned upon any requirements with respect to the number of WordPerfect shareholders who may exercise their right to dissent, it is a condition to closing that Novell shall receive a letter from Ernst & Young to the effect that the Merger will be accounted for as a pooling of interests, which

would presume that shareholders holding fewer than 10% of WordPerfect's shares would dissent from the Merger. See " -- Accounting Treatment."

The following summary of the provisions of Part 13 is not intended to be a complete statement of such provisions and is qualified in its entirety by reference to the full text of Part 13, a copy of which is attached to this Prospectus/Proxy Statement as Appendix B and is incorporated herein by reference.

If the Merger is approved by the required vote of WordPerfect's shareholders and is not abandoned or terminated, each holder of shares of WordPerfect Common Stock who does not vote in favor of the Merger and who follows the procedures set forth in Part 13 will be entitled to have his shares of WordPerfect Common Stock purchased by WordPerfect for cash at their Fair Value (as defined below). The "Fair Value" of shares of WordPerfect Common Stock will be determined as of the day before the first announcement of the terms of the proposed Merger, excluding any appreciation or depreciation in anticipation of the proposed Merger. The shares of WordPerfect Common Stock with respect to which holders have perfected their purchase demand in accordance with Part 13 and have not effectively withdrawn or lost such rights are referred to in this Prospectus/Proxy Statement as the "Dissenting Shares."

Prior to the vote taken to approve the proposed Merger at the Special Meeting, a shareholder who wishes to assert dissenters' rights must (a) deliver written notice to WordPerfect of his intent to demand payment for shares if the proposed Merger is approved and (b) may not vote any of his shares in favor of the proposed Merger. Within ten days after approval of the Merger by WordPerfect shareholders, WordPerfect must mail a notice of such approval (the "Approval Notice") to all shareholders who are entitled to demand payment for their shares under Part 13, together with a statement of the price determined by WordPerfect to represent the Fair Value of the applicable Dissenting Shares (determined in accordance with the immediately preceding paragraph), a brief description of the procedures to be followed in order for the shareholder to pursue his dissenters' rights, a copy of Part 13, and a form for demanding payment. The statement of price by WordPerfect constitutes an offer by WordPerfect to purchase all Dissenting Shares at the stated amount. Only a holder of record of shares of WordPerfect Common Stock as of May 20, 1994 (or his duly appointed representative) is entitled to assert a purchase demand for the shares registered in that holder's name.

A shareholder of WordPerfect electing to exercise dissenters' rights must, within 30 days after the date on which the Approval Notice is mailed to such shareholder, demand in writing from WordPerfect the purchase of his shares of WordPerfect capital stock and payment to the shareholder of their fair market value and must submit a certificate representing the Dissenting Shares to WordPerfect in accordance with the terms of the Approval Notice. A shareholder who does not demand payment and deposit share certificates as required, by the date set in the Approval Notice, is not entitled to payment for shares under Part 13. A holder who elects to exercise dissenter's rights should mail or deliver his written demand for payment to WordPerfect at 1555 North Technology Way, Drem, Utah 84057, directed to the attention of R. Duff Thompson, Esq. The demand should specify the holder's name and mailing address, the number of shares of WordPerfect Common Stock owned by such shareholder and state that such holder is demanding purchase of his shares in payment of their Fair Value. Upon the later of the Effective Time and receipt by WordPerfect of each payment demand made pursuant to Part 13, WordPerfect shall pay the amount WordPerfect estimates to be the Fair Value of the Dissenting Shares, plus interest at the legal rate of interest to each dissenter who has complied with the requirements of Part 13 and who has not yet received payment.

Any holder of Dissenting Shares who has not accepted an offer made by WordPerfect may, within 30 days after WordPerfect first offered payment for his shares, notify WordPerfect in writing of his own estimate of the Fair Value of his shares and demand payment of the estimated amount, plus interest, less any payment made under Part 13, if (i) the holder of Dissenting Shares believes that the amount offered or paid by WordPerfect under Part 13 is less than the Fair Value of the shares, (ii) WordPerfect fails to make payment within 60 days after the date set by WordPerfect as the date by which it must receive the payment demand, or (iii) WordPerfect, having failed to consummate the proposed Merger, does not return share certificates deposited by a holder as required by Part 13. If WordPerfect denies that the shares are Dissenting Shares, or if WordPerfect and the shareholder fail to agree upon the fair market value of the shares, then within 60 days after receiving the payment demand WordPerfect must petition the District Court of Utah County (the



45

"Court") to determine whether the shares are Dissenting Shares or to determine the Fair Value of such holder's shares of WordPerfect capital stock, or both. If WordPerfect does not commence the proceeding within the 60-day period, it shall pay each holder of Dissenting Shares whose demand remains unresolved the amount demanded. WordPerfect shall make all holders of Dissenting Shares whose demands remain unresolved parties to the proceeding as an action against their shares. The Court may appoint one or more persons as appraisers to receive evidence and recommend a decision on the question of Fair Value. Each holder of Dissenting Shares made a party to the proceeding is entitled to judgment for the amount, if any, by which the Court finds that the Fair Value of his shares, plus interest, exceeds the amount paid by WordPerfect.

If any holder of shares of WordPerfect Common Stock who demands the purchase of his shares under Part 13 fails to perfect, or effectively withdraws or loses his right to, such purchase, the shares of such holder will be converted into the right to receive the number of shares of Novell Common Stock equal to the number of shares of WordPerfect Common Stock held by such person, in accordance with the Merger Agreement. Dissenting Shares lose their status as Dissenting Shares if (a) the Merger is abandoned; (b) the shares are transferred prior to their submission for the required endorsement; (c) the shareholder fails to make a written demand for purchase; (d) the shareholder votes to approve and adopt the Merger Agreement; (e) the shareholder and WordPerfect do not agree on the status of the shares as Dissenting Shares or do not agree on the purchase price, but neither WordPerfect nor the shareholder files a complaint within 60 days after the mailing of the Approval Notice; or (f) with WordPerfect's consent, the shareholder delivers to WordPerfect a written withdrawal of such shareholder's demand for purchase of his shares.

#### ACQUISITION OF QUATTRO PRO PRODUCT LINE

On March 20, 1994, Novell entered into a Purchase and License Agreement with Borland (the "Borland Agreement"), pursuant to which Novell, subject to regulatory approval and other conditions to closing, will acquire Borland's Quattro Pro spreadsheet product line for approximately \$110 million in cash. Under the terms and conditions of the Borland Agreement, Novell will acquire all right, title and interest in or to (i) all versions of the Quattro Pro computer software programs (other than versions as to which a transfer thereof would violate the existing injunction issued by the federal district court in the Lotus Development Corp. v. Borland International copyright litigation), (ii) all related user, technical support and marketing documentation, (iii) the "Quattro Pro" and "Quattro" trademarks, (iv) Borland's inventory of Quattro Pro 5.0 and Quattro Pro 5.0 for Windows and (v) various equipment and other fixed assets used by Borland to develop, test and maintain the Quattro Pro product line. In addition, Novell will acquire a nonexclusive, paid-up license to certain Borland software products and source code, development tools and related technology, as well as Borland's software patents. Prior to entering into the Borland Agreement with Novell, Borland had entered into a number of agreements with WordPerfect relating to (i) a bundling arrangement for WordPerfect, Quattro Pro and Paradox (dated April 5, 1993) and (ii) the purchase, for \$9 million, of the right to sell up to 1,000,000 licenses of Quattro Pro (dated August 30, 1993, and amended December 31, 1993).

The acquisition of the Quattro Pro product line provides several important advantages for Novell. First, the acquisition enables Novell to further develop, market and sell a leading spreadsheet application package. According to some independent industry product reviews, Quattro Pro performs favorably as compared to other full-featured spreadsheet products in terms of product features and functionality. In particular, the Quattro Pro for Work Groups product has been favorably reviewed as an applications product designed specifically for use by groups of networked users. For example, in a detailed product review reported in the April 1994 edition of Windows Magazine, Quattro Pro 5.0 Workgroup Edition received the highest score in four of five categories of product features, equal to that of Microsoft Excel. In this product review, this version of Quattro Pro receives the most favorable review for workgroup features in a spreadsheet product. In addition the December 1993 edition of PC Computing awarded the Quattro pro 5.0 Workgroup Edition the MVP award among spreadsheet products. Novell seeks to increase the sales and market presence of the Quattro Pro products, both as stand alone products and as a part of integrated applications and networked software products.

36

In particular, Novell may develop and introduce integrated applications products which incorporate spreadsheet functionality with other software applications functions, including word processing functions. Moreover, Novell's access to a leading spreadsheet package is important to its participation in the growing market for software suites, which are becoming a growing segment of the software applications market. In the future, Novell also believes that a demand will emerge for spreadsheet applications products which are tightly coordinated with network functions. Novell believes that the Quattro Pro products will provide an important part of Novell's network applications product offerings.

Pursuant to the Borland Agreement, Novell will also assume certain liabilities of Borland with respect to the contracts related to the purchased assets, including obligations relating to such contracts occurring prior to the closing. Specifically, Novell will assume certain obligations relating to product support, warranty and distributors in certain geographic areas which are not financial in nature and therefore are not quantifiable. Novell will also be obligated to reimburse distributors for costs, not to exceed \$10 million, for inventory of the Quattro Pro products in the distribution channel sold by Borland which is returned to the Combined Company or Borland unsold after the closing.

In connection with its acquisition of the Quattro Pro product line, Novell will offer employment to approximately 100 Borland employees who are responsible for research and development, quality assurance, testing, maintenance or marketing of the Quattro Pro product line. In addition, Novell has agreed that in the event of the termination of the Merger Agreement as a result of (i) the failure of the HSR Act waiting period to expire without the commencement of any governmental action with respect to the HSR filing made in connection with the Merger or (ii) the failure of the Registration Statement on Form S-4 covering the Merger to be declared effective as contemplated by the Merger Agreement, Novell will make a loan to Borland in the amount of \$50 million. Such loan will be a full recourse obligation of Borland, will be secured by a first deed of trust on Borland's Scotts Valley, California corporate campus and will be subject to market terms and conditions in all respects. The maturity date of such loan will be 42 months following the advance of funds.

If the Quattro Pro acquisition does not close due to the termination of the Merger Agreement as a result of a failure of a condition precedent in the Merger Agreement (other than those described in the preceding paragraph), Novell will pay as a breakup fee of \$10 million in cash to Borland within ten days after such termination of the Merger Agreement.

In August 1993, as part of ongoing litigation between Borland and Lotus, a federal district court in Boston, Massachusetts, issued a permanent injunction with respect to Borland's sale of versions of the Quattro Pro spreadsheet incorporating certain functions which were found to infringe copyrights held by Lotus. These functions enabled users of Quattro Pro to use user-designed routines or "macros" developed by users for the Lotus 1-2-3 spreadsheets, and enable a moderate level of compatibility between Quattro Pro and Lotus 1-2-3. The issuance of the injunction, the products implemented by Borland to comply with the injunction, and publicity and marketing efforts undertaken by Lotus following the issuance of the injunction, have disrupted sales of the Quattro Pro products in a variety of different ways, and may continue to do so. Should the decision of the federal district court be upheld on appeal, the continued existence of the injunction could have a significant continuing adverse affect on Novell's ability to sustain or increase sales of the Quattro Pro spreadsheet, either on a stand alone basis or in conjunction with other application products. Moreover, the market for spreadsheet applications products is maturing and becoming increasingly competitive, particularly on the basis of price. There can be no assurance that sales of Quattro Pro will be maintained or increased or that the Combined Company will derive significant operating income from its existing or future Quattro Pro products. Pursuant to the terms of the Borland Agreement, all liabilities associated with the Lotus litigation will be retained by Borland. No claims have been brought or asserted by Lotus with respect to current versions of the Quattro Pro spreadsheet

#### LICENSE TO BORLAND'S PARADOX RELATIONAL DATABASE PRODUCTS

To enable Novell to offer a leading database product in current and future software suites, Novell will also acquire, for approximately \$35 million, a three-year worldwide, fully paid, nonexclusive license to reproduce and distribute up to one million copies of current and future versions of Borland's Paradox relational database products as part of a suite of products including WordPerfect and Quattro Pro.



## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements assume a business combination between Novell and WordPerfect accounted for as a pooling of interests. The unaudited pro forma condensed combined financial statements are based upon the respective historical financial statements and the notes thereto, certain of which are incorporated by reference or included elsewhere in this Prospectus/Proxy Statement. The unaudited pro forma condensed combined statements of income combine Novell's historical condensed consolidated statements of operations for the three fiscal years ended October 30, 1993, October 31, 1992, and October 26, 1991, and the unaudited condensed consolidated statements of operations for the six months ended April 30, 1994 and May 1, 1993 with the corresponding WordPerfect historical condensed consolidated statements of income for the three years ended December 31, 1993, 1992 and 1991, and the unaudited condensed consolidated statements of income for the six months ended April 30, 1994 and June 30, 1993, respectively. The unaudited pro forma condensed combined balance sheets combine Novell's historical condensed consolidated balance sheets as of April 30, 1994, October 30, 1993 and October 31, 1992 with WordPerfect's historical condensed consolidated balance sheets as of April 30, 1994, December 31, 1993 and December 31, 1992, respectively.

The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the Merger had been consummated as presented in the accompanying unaudited pro forma condensed combined financial statements, nor is it necessarily indicative of future operating results.

These unaudited pro forma condensed combined financial statements should be read in conjunction with the historical consolidated financial statements and the related notes thereto of Novell and WordPerfect incorporated by reference or included elsewhere herein.

NOVELL AND WORDPERFECT  
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	SIX MONTHS ENDED		FISCAL YEAR ENDED		
	APRIL 30, 1994	MAY 1, 1993	OCTOBER 30, 1993	OCTOBER 31, 1992	OCTOBER 26, 1991
Net sales.....	\$ 1,023,208	\$ 887,322	\$ 1,830,411	\$ 1,512,488	\$ 1,262,073
Cost of sales.....	249,174	183,381	402,602	326,707	267,242
Gross profit.....	774,034	703,941	1,427,809	1,185,781	994,831
Operating expenses:					
Sales and marketing.....	252,881	226,855	509,722	390,079	287,680
Product development.....	166,460	134,064	290,239	226,809	161,205
General and administrative.....	86,391	80,225	163,249	130,380	117,273
Nonrecurring charges.....	14,969	--	356,501	20,367	--
	520,701	441,144	1,319,711	757,635	566,158
Income from operations.....	253,333	262,797	108,098	428,146	428,673
Other income, net.....	17,922	15,353	30,059	33,661	32,539
Income before taxes.....	271,255	278,150	138,157	461,807	461,212
Income taxes.....	80,431	82,792	97,437	139,829	97,896
Net income.....	\$ 190,824	\$ 195,358	\$ 40,720	\$ 321,978	\$ 363,316
ADDITIONAL UNAUDITED PRO FORMA DATA (C):					
Income before taxes.....	\$ 271,255	\$ 278,150	\$ 138,157	\$ 461,807	\$ 461,212
Pro forma income taxes.....	95,979	93,594	151,126	160,540	160,666
Pro forma net income (loss).....	\$ 175,276	\$ 184,556	\$ (12,969)	\$ 301,267	\$ 300,546
Pro forma net income (loss) per share.....	\$ .48	\$ .51	\$ (.04)	\$ .84	\$ .87
Weighted average shares outstanding.....	368,279	364,194	367,900	359,484	345,968

See notes to unaudited pro forma condensed combined financial statements.

48

NOVELL AND WORDPERFECT  
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS  
(IN THOUSANDS)

	APRIL 30, 1994	OCTOBER 30, 1993	OCTOBER 31, 1992
	-----	-----	-----
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents.....	\$ 478,590	\$ 383,596	\$ 346,502
Short-term investments.....	502,158	335,601	285,327
Receivables, net.....	346,855	395,334	304,590
Other.....	166,026	142,878	84,883
	-----	-----	-----
Total current assets.....	1,493,629	1,257,409	1,021,302
Property, plant, and equipment, net.....	406,043	403,752	356,922
Other assets.....	69,721	84,176	52,251
	-----	-----	-----
Total assets.....	\$1,969,393	\$ 1,745,337	\$ 1,430,475
	=====	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Short-term debt.....	\$ 28,771	\$ 9,436	\$ 1,979
Accounts payable.....	55,651	75,470	70,646
Accrued salaries and wages.....	62,976	69,061	47,711
Accrued marketing liabilities.....	53,476	51,553	49,474
Other accrued liabilities.....	89,938	103,204	57,023
Income taxes payable.....	74,383	55,589	34,648
Deferred revenue.....	49,190	33,788	32,753
	-----	-----	-----
Total current liabilities.....	414,385	398,101	294,234
Deferred income taxes.....	11,711	--	--
Long-term debt.....	91,763	84,289	12,256
Minority interests.....	12,759	10,205	8,938
Put warrants.....	--	106,716	--
Shareholders' equity:			
Common stock.....	36,198	35,943	35,202
Additional paid-in capital.....	620,152	485,253	380,609
Retained earnings.....	786,454	635,551	698,134
Unearned stock compensation.....	(7,007)	(9,814)	--
Cumulative translation adjustment.....	2,978	(907)	1,102
	-----	-----	-----
Total shareholders' equity.....	1,438,775	1,146,026	1,115,047
	-----	-----	-----
Total liabilities and shareholders' equity...	\$1,969,393	\$ 1,745,337	\$ 1,430,475
	=====	=====	=====

See notes to unaudited pro forma condensed combined financial statements.

## NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

NOTE A. The unaudited pro forma condensed combined financial statements of Novell and WordPerfect give retroactive effect to the Merger which is being accounted for as a pooling of interests and, as a result, the unaudited pro forma condensed combined balance sheets and statements of income are presented as if the combining companies had been combined for all periods presented. The unaudited pro forma condensed combined financial statements will become the historical financial statements of Novell upon issuance of financial statements for a period that includes the date of the acquisition. The unaudited pro forma condensed combined financial statements, including the notes thereto, should be read in conjunction with the historical consolidated financial statements of Novell and WordPerfect incorporated by reference or included elsewhere in this Prospectus/Proxy Statement.

The pro forma combined net income per share is based on the combined weighted average number of common shares of Novell Common Stock and WordPerfect Common Stock for each period, based on the exchange ratio of one share of Novell Common Stock for each share of WordPerfect Common Stock. The pro forma condensed combined balance sheets reflect the issuance of 51,380,100 shares of Novell Common Stock in exchange for all shares of WordPerfect Common Stock outstanding at each balance sheet date, based on such exchange ratio. The table below sets forth the composition of the unaudited pro forma combined net sales and net income for each of the periods shown, had the Merger taken place at the beginning of the periods shown:

	SIX MONTHS ENDED		FISCAL YEAR ENDED		
	APRIL 30, 1994	MAY 1, 1993	OCTOBER 30, 1993	OCTOBER 31, 1992	OCTOBER 26, 1991
Net sales:					
Novell.....	\$ 717,975	\$540,894	\$1,122,896	\$ 933,370	\$ 640,079
WordPerfect.....	305,233	346,428	707,515	579,118	621,994
Combined companies.....	\$1,023,208	\$887,322	\$1,830,411	\$1,512,488	\$1,262,073
Net income:					
Novell.....	\$ 177,726	\$151,338	\$ (35,160 )	\$ 249,030	\$ 162,488
WordPerfect.....	13,098	44,020	75,880	72,948	200,828
Combined companies.....	\$ 190,824	\$195,358	\$ 40,720	\$ 321,978	\$ 363,316

NOTE B. WordPerfect has a calendar year end and, accordingly, the WordPerfect statements of income for the years ended December 31, 1993, 1992 and 1991 have been combined with the Novell statements of operations for the fiscal years ended October 30, 1993, October 31, 1992 and October 26, 1991, respectively. In order to conform WordPerfect's year end to Novell's fiscal year end, the unaudited pro forma condensed combined statement of income for the six months ended April 30, 1994 includes two months (November and December 1993) for WordPerfect which are also included in the unaudited pro forma condensed combined statement of income for the year ended October 30, 1993. Accordingly, an adjustment has been made in the six months ended April 30, 1994 to retained earnings for the duplication of net income of \$39.9 million for such two month period. Other results of operations for such two-month period of WordPerfect include net sales of \$136.6 million, income before taxes of \$34.6 million, and income tax benefits of \$5.2 million. The unaudited pro forma condensed combined financial data for the six months ended May 1, 1993 combines Novell's financial statements for the six months ended May 1, 1993 with WordPerfect's financial statements for the six months ended June 30, 1993.

NOTE C. The additional unaudited pro forma condensed combined financial data are based upon historical combined income before taxes, adjusted to reflect a provision for income taxes as if WordPerfect and its S corporation subsidiaries had never been S corporations. See "WordPerfect Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Pro Forma Provision for Income Taxes," "Certain Transactions of WordPerfect" and Notes 2 and 16 of Notes to WordPerfect

50

Consolidated Financial Statements. See Note 2 of Notes to WordPerfect Consolidated Financial Statements for an explanation of the determination of shares used in computing net income per share.

NOTE D. Certain reclassifications, none of which are material, have been made to the WordPerfect financial statements in the unaudited pro forma condensed combined financial statements to conform to Novell classifications. There are no other material adjustments required to the historical financial statements of Novell and WordPerfect to arrive at the unaudited pro forma condensed combined balance sheets and statements of income.

NOTE E. Total costs to be incurred by Novell and WordPerfect in connection with the Merger are estimated to be approximately \$5.5 million. These costs, relating to legal, printing, accounting, financial advisory services and other related expenses will be charged against income in the periods subsequent to the pro forma condensed combined financial statements. Accordingly, the effects of these costs have not been reflected in these pro forma condensed combined financial statements.

41

51

## INFORMATION CONCERNING NOVELL

## THE COMPANY

Novell, Inc. ("Novell" or the "Company") is an information system software company, that develops, markets and services specialized and general purpose operating system products and application programming tools. Novell's NetWare(R), UnixWare<sup>TM</sup> and AppWare<sup>TM</sup> families of products provide matched software components for distributing information resources within local, wide-area and internetworked information systems.

The Company was incorporated in Delaware on January 25, 1983. Novell's executive offices are located at 122 East 1700 South, Provo, Utah 84606. Its telephone number at that address is (801) 429-7000.

The Company sells its products domestically and internationally through 33 U.S. sales offices and 31 foreign offices. The Company sells its products primarily through distributors and national retail chains, which in turn sell the Company's products to retail dealers. The Company also sells its products through OEMs, system integrators, and value added resellers ("VARs").

The Company conducts product development activities in Cupertino, Monterey, San Jose, Sunnyvale, and Walnut Creek, California; Boulder, Colorado; Natick, Massachusetts; Summit, New Jersey; Austin, Texas; Provo, Salt Lake City, and Sandy, Utah; Toronto, Canada; and Hungerford, U.K. It also contracts out some product development activities to third-party developers.

In December 1990, the Company announced that Canon, Fujitsu, NEC, Sony, and Toshiba, five major Japanese computer companies, joined SOFTBANK Corporation and Novell as investment partners in Novell Japan, Ltd., a Tokyo-based joint venture inaugurated in April 1990. Novell has a 54% ownership interest, and accordingly, the financial statements of Novell Japan, Ltd. are consolidated in the financial statements of the Company, with the minority interest in profit or loss offset within other income and expense.

In April 1991, the Company invested \$15.0 million in UNIX System Laboratories, Inc. ("USL"), a subsidiary of AT&T that develops and licenses the UNIX(R) operating system and other standards-based software to customers worldwide. In December 1991, the Company announced the formation of Univel, a joint venture with USL, formed to accelerate the expanded use of the UNIX operating system in the personal computer and network computing marketplace. Novell and USL contributed cash and technology rights to Univel. Then in June 1993, the Company acquired the remaining portion of USL by issuing approximately 11.1 million shares of Novell Common Stock valued at \$321.8 million in exchange for all of the outstanding stock of USL not previously owned by Novell and assumed additional liabilities of \$9.4 million. The transaction was accounted for as a purchase and, on this basis, resulted in a one-time write-off of \$268.7 million for purchased research and development in the third quarter of fiscal 1993.

On October 28, 1991, the Company completed a merger with Digital Research Inc. ("DRI"), a producer of personal computer operating software, whereby DRI became a wholly owned subsidiary of Novell. There were 6.0 million shares of Novell Common Stock exchanged for all of the outstanding stock of DRI. This transaction was accounted for as a pooling of interests; however, prior year financial statements have not been restated due to immateriality.

In April 1992, the Company purchased all of the outstanding stock of International Business Software, Ltd. ("IBS"), a developer of distributed computing technology for Apple Macintosh computers, for \$5.2 million cash, whereby IBS became a wholly owned subsidiary of Novell.

In June 1992, the Company purchased all of the outstanding stock of American International Communications Corporation, doing business as Annatek Systems, Inc. ("Annatek"), a developer of software distribution products, for \$10.0 million cash, whereby Annatek became a wholly owned subsidiary of Novell.

In June 1993, the Company purchased all of the outstanding stock not previously owned by Novell of Serius Corporation ("Serius"), a developer of object-based application tools, for \$17.0 million cash and assumed liabilities of \$5.0 million, whereby Serius became a wholly owned subsidiary of Novell. Novell previously had invested cash of \$1.1 million in Serius. This transaction was accounted for as a purchase and,

52

on this basis, resulted in a one-time write-off of \$22.1 million for purchased research and development in the third quarter of fiscal 1993.

In June 1993, the Company acquired all of the outstanding stock of Software Transformation, Inc. ("STI"), a developer of software development tools, by issuing approximately 800,000 shares of Novell Common Stock in exchange for all of the outstanding stock of STI. The transaction was accounted for as a pooling of interests; however, prior periods were not restated due to immateriality.

In July 1993, the Company acquired all of the outstanding stock of Fluent, Inc. ("Fluent"), a developer of multimedia software for personal computers, for \$18.5 million cash and assumed liabilities of \$3.0 million, whereby Fluent became a wholly owned subsidiary of Novell. The transaction was accounted for as a purchase and, on this basis, resulted in a one-time write-off of \$20.7 million for purchased research and development in the third quarter of fiscal 1993.

The Company will continue to look for similar acquisitions, investments or strategic alliances that it believes complement its overall business strategy.

#### BUSINESS STRATEGY

Novell's business strategy is to be a leading supplier of software products for the network computing industry. Over the past several years the Company has issued Common Stock or paid cash to acquire technology companies, invested cash in other technology companies, and formed strategic alliances with still other technology companies. Novell undertook all of these transactions to promote the growth of the network computing industry, and in many cases to also broaden the Company's business as a system software supplier.

Novell believes that companies implement technologies to meet business needs. People use technology to help them to be more productive in their jobs. As a result of these motivations, customers have made the NetWare operating system the most popular network solution in the industry. This is a direct result of Novell's delivery of a networking environment that contributes to the success of individuals and companies.

To meet the needs of its customers, over the past year Novell has embarked on a strategy to combine the industry's most proven network operating system with the industry's most proven application platform, UNIX. This "matched pair" combines the best network services with the best application services to deliver to customers the best computing platform on which to run their businesses. These strong operating systems combine with Novell's innovative client/server application platform to deliver a total system software solution.

Novell's mission is to accelerate the growth of the network computing industry through responsible leadership. The Company accomplishes this by delivering an overall networking environment that includes industry leading product technology, programs and partnerships. The key elements of the Company's overall business strategy are:

#### Technological Leadership

Integration Platform. Novell's NetWare network operating system provides a platform for the integration of multiple technologies. This includes the seamless integration of multiple desktop systems and host environments. Novell believes that the customer environments are inherently heterogeneous and therefore require an information system that integrates dissimilar technologies. The goal of Novell's strategy of integrating various desktop systems is to allow IBM and IBM-compatible, Apple Macintosh, and UNIX-based PCs and workstations to access and share simultaneously a common set of network resources and information. This gives customers the freedom to choose the desktop and application server systems that best fit their application requirements. In addition to the integration of desktops, host environments from vendors such as IBM, HP, DEC and Olivetti are integrated into the NetWare network so that users can access host-based resources and information from their desktops across the network. Novell continues to extend this hardware and infrastructure integration to other communication devices such as PBXs and imbedded systems such as cash registers and process control devices. The overall objective is to seamlessly connect users by shielding them from the underlying network technology used to share resources and information across heterogeneous systems.

43

53

Network Services. Novell delivers advanced network services on top of the integration platform. These services enhance the functionality available to users on the network. In the first release of the NetWare operating system, those services were file and print only. While Novell has continued to enhance NetWare file and print services, the services provided by Novell and third parties have expanded significantly to include communications, network and systems management, messaging, directory, software licensing and distribution, imaging and document management and telephony services. Novell continues to add network services through internal development efforts, partnerships and acquisitions.

Application Framework; AppWare. In addition to the programming interfaces that Novell provides for application developers, Novell has begun delivering AppWare, a set of development tools that significantly eases the development of true client/server applications. AppWare allows application developers and internal IS development teams to deliver distributed applications that integrate and take advantage of all of the network services available in NetWare and UnixWare.

Directory Services. With the introduction of NetWare 4 in March 1993, Novell began to deliver an industry-leading distributed naming service, NetWare Directory Services™ ("NDSTM"). NDS allows administrators and users to view the information and resources on the network in a simple and integrated way. It provides for one common view of the network rather than having to track resources by knowing on which server the resource resides. NDS allows the user to log in once to the network and access information and resources independent of physical location. While this simplifies both the administration and use of the network, NDS also improves the security of network information with the use of encryption technology. NDS will continue to become the centerpiece of network services and client/server applications for the next several years.

#### Programs

Certified NetWare Engineer™ Program. Through the Certified NetWare Engineer ("CNESM") program, Novell is strengthening the networking industry's Level I support self-sufficiency. CNES are individuals who receive high-level training, information and advanced technical telephone support (Level II) from Novell. CNES may be employed by resellers, independent support organizations or Novell Support Organizations ("NSOs"). The NSO program pools the capabilities of the industry's best support providers. NSOs have contractual agreements with Novell that are designed to ensure quality service on a national or global level.

National Authorized Education Centers™. Novell offers education to end users through more than 1,200 established Novell Authorized Education Centers ("NAECs™") worldwide, which use Novell-developed courses to instruct more than 30,000 students per month in the use and maintenance of Novell products. Novell also offers self-paced training products.

Novell Labs™. Through its Independent Manufacturer Support Program™ ("IMSPSM"), Novell works with third-party manufacturers to test and certify hardware components designed to interoperate with the NetWare operating system. Novell distributes these tests results to inform NetWare customers about products that have formally demonstrated NetWare compatibility. In effect, IMSP certification programs help vendors to market their products through Novell's distribution channels. The primary goal of IMSP is to foster working relationships between Novell and strategic third-party hardware manufacturers. Secondary goals include promoting certified hardware to industry resellers, anticipating industry hardware directions through co-marketing efforts and working with vendors to co-develop critical network hardware components.

Technical Support Alliance™. In May 1991 Novell announced the formation of the Technical Support Alliance ("TSACL™"), with 37 current members including Apple, Compaq, HP, Intel, IBM, Lotus, Microsoft, Oracle and WordPerfect. The TSA was organized to provide one-stop multivendor support.

Client-Server NetWare Loadable Module™ Testing Program. Novell is committed to ensuring the highest quality customer solutions by raising the level of importance that quality assurance and testing



54

hold in the software development cycle. The NetWare Loadable Module ("NLM(TM)") testing program is a result of that commitment; it allows developers to submit client-server NLM applications for testing and certification.

#### Partnerships

**Development Partners.** When customers request a new network service be added to the NetWare operating system, Novell investigates the most effective way to deliver that functionality to the user. Very often the best way is for Novell to partner with a company that has expertise in that specific area. By partnering, the combination of Novell's expertise in networks and the partner's expertise in the given product area combine to deliver a better solution faster than if Novell would have attempted to develop it alone.

**Systems Partners.** Novell partners with companies who have complementary software and hardware. The resulting solution is a powerful combination of products that deliver enterprise-wide connectivity solutions. These partners include system suppliers like IBM, HP and DEC, as well as system integration experts like Memorex Telex, Andersen Consulting, EDS, etc.

**Application Partners.** Novell works very closely with application developers to provide integrated software support for end users.

**Multiple Channel Distribution Network.** The Company markets a broad line of the NetWare operating system and the UnixWare operating system through distributors, dealers, value added resellers, systems integrators and OEMs, as well as to major end users.

**Worldwide Service and Support.** The Company is committed to providing service and support on a worldwide basis to its resellers and to their end-user customers. The Company has established agreements with third-party service vendors to expand and complement the service provided directly by the Company's service personnel and the Company's resellers.

#### PRODUCTS

The Company's products fall within three operating groups: NetWare Systems Group ("NSG"), UNIX Systems Group ("USG"), and AppWare Systems Group ("ASG").

**NETWARE SYSTEMS GROUP.** NSG develops operating systems products to meet customer demands that include the following features:

**Open Architecture.** Novell maintains an open architecture in all of its networking products. Application interfaces to all of the NetWare services have been developed to allow developers to take advantage of NetWare functionality. NetWare applications interfaces provide access to all NetWare services, including file and print, database, communications, and messaging services.

**NDS** is the foundation for network services and client/server applications for the next several years. Besides enhanced NetWare file and print services, the services provided by Novell and third parties will also include communications, network and systems management, messaging, directory, software licensing and distribution, imaging and document management and telephony services.

**Ease of Use.** NetWare 4 reduces administrative costs by allowing network supervisors to manage and administer their networks easily. A new graphical utility called the NetWare Administrator consolidates all network administration tools into a single console, giving intuitive control of the entire network.

**Reliability.** NetWare contains a wide variety of features that ensure system reliability and data integrity. These features protect everything from the storage medium to critical application files, allowing Novell to provide the highest levels of network reliability in the industry.

55

Novell pioneered system fault tolerance in PC-based networks and continues to lead the industry in this area. Novell's introduction of mirrored server technology in 1992 provides the highest level of fault tolerance for PC-based networks.

**Manageability.** Through NetWare Distributed Management Services ("NDMSTM"), Novell delivers industry leading products that provide network and systems management capabilities. NetWare manages all of a customer's critical assets -- information, infrastructure, hardware and software -- through delivery of storage management, device and software licensing and distribution services.

**Security.** Throughout its history, the NetWare product line has provided the tightest security features in the industry. Novell introduced the concept of user names, passwords and user profiles to the network market in NetWare as early as 1983. These user profiles list the resources to which a user has access and the rights he or she has while using that resource. With version 2.15 of the NetWare operating system, network managers have been able to specify the date, time and location from which a user can log in to the network. Intruder detection and lockout features notify supervisors of any unauthorized access attempt. NetWare 3TM incorporates additional security features including encrypted passwords over the wire. NetWare 4 adds new security auditing capabilities required in many security conscious network environments.

**Workstation Independence.** NetWare currently supports DOS, MS Windows, OS/2, Macintosh and UNIX workstations. By providing a network operating system that can integrate all the standard workstation operating systems, Novell gives users the freedom to choose their workstation environment while ensuring them full network participation.

**Hardware Independence.** NetWare is hardware-independent and the Company has close working relationships with more than 350 strategic third-party hardware manufacturers. This independence and these relationships provide the Company with a broad market for its networking software and the ability to support new hardware as it is developed.

**High Performance.** When Novell introduced the Advanced NetWare network operating system to the market in 1985, it represented a major improvement in network operating system performance, and NetWare network operating systems still lead the market in performance today. The NetWare 3 network operating system extends Novell's performance leadership by providing end users the potential for up to three times the performance of the NetWare 2 network computing products. The NetWare 4 network operating system allows users and applications to gain access to network-wide information and services transparently through technologies such as NDS, new security capabilities, wide-area networking improvements and enhanced administration and management tools.

**NETWARE OPERATING SYSTEMS PRODUCT LINE.** The NetWare family of network operating systems provides solutions to a wide variety of needs ranging from small, simple networks to enterprise-wide networks and include the following products.

**NetWare 4.** In March 1993, Novell introduced the NetWare 4 operating system. An elaborate demonstration showed the ability of how one network server can support 1,000 clients or how one client can access 1,000 servers.

Novell sees itself and NetWare at the center of the converging market forces reshaping business computing on to downsized, or rightsized information systems. Cohesively managed computer networks are taking on computing responsibilities held by mainframe computers over the last three decades.

NetWare has increasingly defined a system services environment that supports this worldwide shift away from mainframe and mid-range computing solutions to computer networks.

Novell's NetWare 4 operating system is designed to deliver the power and technology to meet downsizing requirements.

56

All Encompassing Environment. Delivering a manageable, global directory framework that provides connectivity to other computing platforms enables users to access applications and system services regardless of their physical location on the network.

System Fault Tolerance. Providing robust business-critical reliability to a network using the concept of server mirroring allows the workflow of the business to be uninterrupted even in the event of a hardware failure.

Large Scale Configurations. NetWare 4 supports single-server configurations of up to 1,000 concurrent users, or clients, on each server.

NetWare 3. NetWare 3 is a proven, sophisticated connectivity tool for businesses, departments and workgroups of various sizes. NetWare 3 is a full-featured, 32-bit network operating system that supports all key desktop operating systems -- DOS, MS Windows, OS/2, UNIX, and Macintosh -- as well as the IBM SNA environment. NetWare 3 provides a high-performance integration platform for businesses requiring a sophisticated network computing solution in a multivendor environment. NetWare 3 offers centralized network management and is available in 5-, 10-, 20-, 50-, 100- and 250-user versions, allowing organizations to standardize on a high-performance networking solution regardless of their size.

NetWare Clients. As new desktop operating systems have become available, Novell has continued its Open Desktop Strategy. It has offered NetWare clients and redirectors for connection into the NetWare operating system through fulfillment and 1-800 numbers. This allows existing users of NetWare to update client network components while maintaining their investment in NetWare servers. In 1992 Novell released Workstation kits for MS DOS, DR DOS(R), MS Windows 3.1 and OS/2 2.0. These kits provide users and administrators with the ability to get the latest desktop client support available and allows Novell the flexibility to enhance the desktop support independently of NetWare Operating System releases.

Messaging Services. Messaging technology provides communications capabilities that allow messages to be sent between people, between processes, or between a person and a process without using real-time links. Novell also provides products with these capabilities.

NetWare MHS is a "store-and-forward" message handling service for the Novell distributed computing platform. NetWare MHS platform supports a wide range of services including electronic mail ("e-mail"), workflow automation, calendar and scheduling, and fax services.

Applications from more than 900 developers (including more than 150 commercial applications) operate on this foundation and support the NetWare MHS platform.

For example, Indisy provides connectivity between mainframe, minicomputer and PC-based network users. In addition to electronic mail, Indisy also provides software for the exchange of single mail parcels containing spreadsheets, graphics and text, batch report distribution, remote job submission, document translation, and other functions.

NetWare for Macintosh. When used in conjunction with a NetWare environment, NetWare for Macintosh brings the comprehensive networking features of NetWare, such as enhanced security, resource accounting and fault tolerance, to the Apple Macintosh environment. NetWare for Macintosh allows Macintosh, DOS, and OS/2 workstations to share data and resources in a high-performance, secure network environment. This product is of special interest to large- and medium-sized companies that have heterogeneous computing environments.

NetWare for Macintosh comes in two versions: NetWare for Macintosh 4.01 and NetWare for Macintosh 3.12.

NetWare for Macintosh 4.01 is the premier solution for integrating Macintosh computers into the NetWare environment. It provides file services, print services, administrative utilities and AppleTalk routing for Macintosh users on a NetWare 4 network. NetWare for Macintosh 4.01 also allows fast and secure CD-ROM access and DOS-to-Macintosh application mapping.

57

NetWare for Macintosh 3.12 provides NetWare file, print, routing, and administrative utilities to Macintosh users and integrates them into the NetWare 3 environment.

Personal NetWare. As the networking industry continues to grow, new users are interested in simple and inexpensive entry-level networking solutions to connect small groups of users together in workgroups. In September 1991 Novell introduced a new peer-to-peer desktop networking product aimed at this market called NetWare Lite 1.0. In July 1992 Novell released an updated NetWare Lite 1.1 that improved the performance of NetWare Lite 1.0 by adding a full network caching and also improved the reliability and Windows support.

Novell continued to enhance its desktop networking solutions with the release of Personal NetWare in 1993. Personal NetWare is the ideal solution for small businesses and for workgroups in larger businesses and enterprise-wide NetWare networks. Personal NetWare allows users to connect as many as 50 PCs running DOS or MS Windows so they can share hard disks, printers, CD-ROM drives and other resources. In addition to tighter integration with NetWare, Personal NetWare will include support for mobile users and network management at the desktop.

Other features of Personal NetWare include a single-network view, single login, full compatibility with other versions of the NetWare network operating system, easy management and administration, security, autoreconnect and a flexible configuration to maximize memory use.

Novell DOSTM . In September 1991, the Company introduced DR DOS 6.0, a major upgrade of its advanced DR DOS operating system. DR DOS 6.0 represents a significant advance over DR DOS 5.0 and other competing products with respect to features such as memory management, disk caching and task-switching. The latest addition to Novell's desktop operating system products is Novell DOS 7.

Novell DOS 7 is the first DOS that fully integrates advanced DOS technology with networking. Novell DOS 7 advances the DOS standard by providing state-of-the-art network and client management utilities, workstation security, disk compression and NetWare with all inherent peer-to-peer networking capabilities. Fully integrated networking makes Novell DOS 7 the best DOS client operating system for the NetWare network operating system. It is also fully compatible with the installed base of DOS and MS Windows applications.

COMMUNICATIONS AND CONNECTIVITY PRODUCTS. As the leader in local area network technology, the Company has made a significant commitment to implementing communications and connectivity services within the NetWare environment.

Remote PC Access to Networks. The company provides two types of dial-in services for remote PCs:

NetWare for SAA. NetWare for SAA 1.3E, which runs on both NetWare 3 and NetWare 4 platforms, integrates the NetWare network operating system with traditional IBM SNA mainframe and AS/400 environments. With NetWare for SAA, NetWare clients can access host data and applications while simultaneously accessing files and data on NetWare servers. Built as a set of NLMs, NetWare for SAA capitalizes on the high performance, security, name services and administration features on the NetWare operating system.

NetWare SNA LinksTM . NetWare SNA Links 2.0 is an NLM that works with NetWare for SAA to provide LAN-to-LAN communications over existing SNA networks. With NetWare SNA Links, users in geographically dispersed branch offices can access remote LAN and host resources over SDLC and Token-Ring backbones without requiring specialized software on the host. Network supervisors can administer branch office servers from a central location using standard NetWare utilities and management products.

When installed on a NetWare 3 server or a NetWare MultiProtocol Router 2.0, NetWare SNA Links can route IPX, IP, AppleTalk, and OSI over leased lines using the Point-to-Point Protocol or using x.25 private or public data networks.

58

INTERNETWORKING PRODUCTS. Novell's internetworking products connect NetWare services at headquarters with services at branch offices, providing access to information and NetWare resources.

NetWare MultiProtocol Router. The NetWare MultiProtocol Router v2.11 and NetWare MultiProtocol Router Plus v2.11 are software-based bridge/routers that run on 80386, 80486, and Pentium PCs. These bridge/routers enable users to connect to remote offices using familiar NetWare and PC technology. NetWare MultiProtocol Router is ideal for connecting local area networks by routing the IPX, IP, AppleTalk, and OSI protocols over a wide range of LAN types, and source-route bridging over Token-Ring. NetWare MultiProtocol Router Plus provides remote routing and source-bridge routing over leased lines, Frame Relay, and x.25.

UNIX SYSTEMS GROUP. USG provides a full suite of UNIX operating system and UNIX connectivity products. Key products include:

Operating System Products. Novell's UnixWare operating system provides a powerful application server and client for today's distributed computing environments. The current product offerings are the UnixWare Application Server™ 1.1 and the UnixWare Personal Edition 1.1. UnixWare uses the network services available from Novell's NetWare operating system and the cross-platform development tools available from AppWare to make applications available throughout the entire enterprise. UnixWare is easy to use, enabling users to be productive right away. Its fully graphical user interface gives users access to all the enterprise-wide information and services available in the corporate computing environment with simple point-and-click mouse functions. UnixWare also supports a variety of international languages.

Optional products for the Application Server systems include: UnixWare Server Merge for Windows, which provides UnixWare users with multiuser DOS access and limited multiuser MS Windows access; UnixWare Online Data Manager™ 1.1, a UNIX System V™, industry-standard, robust file system designed to maximize system and data availability and improve I/O performance; and OracleWare System-UnixWare Edition, a powerful applications data server platform which integrates the UnixWare Application Server 1.1 operating system with Oracle 7 cooperative database server on a single CD-ROM disk.

Optional add-on products for UnixWare Personal Edition include UnixWare NFS, which enables resource-sharing with other UNIX systems; UnixWare C2 Auditing, which records security-related events to help detect attempts to breach security; and UnixWare Encryption Utilities, which provide support for DES encryption and decryption.

Novell also supplies the UNIX operating system source code to other UNIX system vendors. The latest version, UNIX System V Release 4.2 ("SVR4.2"), unifies several earlier versions and offers greatly enhanced ease of use and ease of administration features.

UNIX Connectivity Products. Novell provides several product families designed to integrate NetWare into the UNIX and TCP/IP environments.

NetWare NFS provides UNIX workstations with transparent access to the NetWare 3 and NetWare 4 file systems. Once NetWare NFS is installed, workstations with NFS client services can share files with other NetWare clients—such as DOS, Macintosh and OS/2 workstations. NetWare NFS enables UNIX and NetWare clients to share all network printing devices. It also provides an X Window System application that enables UNIX network supervisors to remotely manage NetWare servers. NetWare FLeX/IPTM provides all the services delivered in the NetWare NFS product except the transparent access to the NFS distributed file system.

The NetWare NFS Gateway enables DOS and MS Windows users on NetWare to transparently access files on NFS servers. It extends the users' reach into the UNIX world yet preserves the familiar NetWare look and feel. The NetWare NFS Gateway provides easy-to-use, server-based installation, administration and management.

Novell's popular LAN WorkPlace family of products provides users with fast, direct access to enterprise-wide TCP/IP resources, including the Internet, from a variety of desktop workstations. LAN

59

WorkPlace for DOS offers unsurpassed flexibility by including both DOS and MS Windows TCP/IP applications, as well as new native language versions in French, German, Spanish, Portuguese and Japanese. LAN WorkGroup provides the same versatile connectivity to DOS and MS Windows users of large NetWare networks; its server-based installation, maintenance and management greatly reduce administration time and costs. LAN WorkPlace products are also available for such users of Macintosh and OS/2 systems. Mobile WorkPlace is the newest member of the family, enabling users to access TCP/IP resources when they're on the road just as if they were in the office.

NetWare/IP is another way for customers to tightly integrate NetWare services into their TCP/IP environments. By installing NetWare/IP on existing NetWare 3 and NetWare 4 servers, customers can create an environment that supports both the TCP/IP and IPX transport protocols, or one that uses TCP/IP only.

Novell also offers a solution for integrating Open Systems Interconnection ("OSI") with NetWare. NetWare FTAM from Firefox is a fully FOSIP-compliant FTAM server that enables a variety of FTAM clients to access the NetWare 3 file system. This standard protocol-based product provides a key to enabling multivendor interoperability with NetWare systems.

APPWARE SYSTEMS GROUP. ASG provides tools and technologies for the development of network-aware applications. Four key elements are the focus of ASG's product line: (1) object-based tools and systems for use by corporate and consulting developers for rapid network application development; (2) libraries for use by commercial software vendors for writing portable source code, covering dominant desktop and network system services; (3) transaction processing monitor technology for the creation and management of mission-critical corporate transaction applications; and (4) operating systems and network access technologies for office, commercial, and industrial devices to connect into local area networks.

AppWare Bus™ and AppWare Loadable Modules™ . The AppWare Bus and AppWare Loadable Modules ("ALMTM") provide a model for software components from separate vendors to work together in custom applications. The AppWare Bus is a sophisticated engine for managing the interactions between the ALM components. Novell and many third parties provide high-level, easy-to-use ALMs covering network, DBMS, communications, multimedia, and other application fields. When accessed by a development tool such as Novell's Visual AppBuilder™ , the AppWare Bus allows all ALMs to be used rapidly in any combination to create powerful applications. The AppWare Bus and ALMs are usually bundled with other Novell products, and several OEM agreements are in place for building within other vendors' development tools.

Visual AppBuilder. Visual AppBuilder is Novell's rapid development tool for corporate and consulting developers. It provides an intuitive, visual interface to application construction, empowering developers who need not necessarily be fluent with traditional languages such as C and C++. Visual AppBuilder accesses the AppWare Bus and ALMs to provide the component engine and component set for developers to visually assemble into custom applications. Visual AppBuilder, when combined with network ALMs, is one of the most effective tools for building network-aware applications. Visual AppBuilder is targeted for sale through a variety of distribution channels, and will be bundled with several other Novell products.

ALM SDK. The ALM SDK is a tool for C and C++ programmers to use to create new ALMs. The interface to the AppWare Bus is provided, allowing any third party programmer or vendor to create ALMs that interoperate with Novell's ALMs. The ALM SDK is bundled with Visual AppBuilder.

AppWare Foundation™ . AppWare Foundation is a set of libraries that provide an application programming interface ("API") for C and C++ developers to write portable source code. The problem of portability that is addressed by the AppWare Foundation is perhaps one of the most important issues facing software vendors today. Using the AppWare Foundation, a programmer may write code once for a new application or software component, and simply recompile the code to run on any of the dominant desktop computing systems, including MS Windows, Macintosh, UnixWare and other versions of UNIX, and soon OS/2 and MS Windows NT. The Foundation offers such portable APIs covering graphical



60

interfaces, operating systems, network systems, and network services. AppWare Foundation is targeted for sale through a variety of distribution channels, and several OEM relationships have been formed to distribute the Foundation libraries as a part of third-party development tools.

Tuxedo(R). Derived from Novell's 1993 acquisition of USL, Tuxedo is a sophisticated transaction processing manager for mission-critical transaction-oriented applications. Tuxedo provides both client and server software for connecting client applications and server services together with a highly reliable, high-performance, secure, managed transaction connection. In use today for mission-critical applications, Tuxedo is well recognized as a leading offering in its field. Its integration with NetWare, via NLMs, and AppWare, via ALMs, provides those key Novell products with effective transaction processing facilities. Tuxedo is sold largely through OEM agreements with major system software vendors, and directly to large corporate customers.

#### PRODUCT DEVELOPMENT

Due to the rapid pace of technological change in its industry, the Company believes that its future success will depend, in part, on its ability to enhance and develop its network, communications and system software products to satisfactorily meet specific market needs.

The Company's current product development activities include the enhancement of existing products and the development of products that will support (1) further integration of NetWare and UNIX environments and the establishment of UnixWare as an industry-leading UNIX platform; (2) network management services; (3) global naming services; (4) international networking standards; (5) integrated peer services in NetWare clients; (6) integration of current and future desktop operating systems into the overall networking environment; (7) host-based versions of NetWare, such as NetWare for UNIX and NetWare for OS/2; (8) processor-independent versions of NetWare; (9) additional network services; (10) technologies for distributed applications development and operation; (11) AppWare ALMs for a broad range of Novell and UNIX services; and (12) multiplatform and multivendor APIs for major network services.

During fiscal 1993, 1992 and 1991, product development expenses were approximately \$164.9 million, \$120.8 million, and \$77.9 million, respectively. The Company's product development effort consists primarily of work performed by employees; however, the Company also utilizes third-party technology partners to assist with product development.

#### SALES AND MARKETING

Novell markets its NetWare family of network products and the UnixWare operating system through distributors, dealers, vertical market resellers, systems integrators and OEMs who meet the Company's criteria, as well as to major end users. In addition, the Company provides technical support, training, and field service to its customers from its field offices and corporate headquarters. The Company also conducts sales and marketing activities from its offices in Cupertino, Monterey, San Jose, and Sunnyvale, California; Summit, New Jersey; Austin, Texas; Provo and Sandy, Utah; and from its 33 U.S. domestic and 31 foreign field offices.

Distributors. Novell has established a network of independent distributors, which resell the Company's products to dealers, smaller VARs, and computer retail outlets. As of December 31, 1993, there were approximately 21 domestic distributors and approximately 113 foreign distributors.

Dealers. The Company also markets its products to large-volume dealers and regional and national computer retail chains.

VARs and Systems Integrators. Novell also sells directly to VARs and systems integrators who market data processing systems to vertical markets, and whose volume of purchases warrants buying directly from the Company.

OEMs. The Company licenses its network software to domestic and international OEMs for integration with their products. With the acquisitions of USL and DRI, the number of OEM agreements the Company



61

has increased significantly as USL and DRI have marketed their products quite extensively through OEMs, both domestically and internationally.

**End Users.** Generally, the Company refers prospective end-user customers to its resellers. However, the Company has the internal resources to work directly with major end users and has developed master license agreements with approximately 150 of them to date. Additionally, some upgrade products are sold directly to end users.

**Export Sales.** In fiscal 1993, 1992, and 1991, approximately 48%, 47%, and 44%, respectively, of the Company's net sales were to customers outside the U.S., primarily distributors. To date, substantially all international sales except Japanese sales have been invoiced by the Company in U.S. dollars, and in fiscal 1994 the Company anticipates that substantially all foreign revenues except Japanese sales, will continue to be invoiced in U.S. dollars. Except for Germany, which accounted for 11% of revenue in fiscal 1993, 13% of revenue in fiscal 1992 and 10% of revenue in fiscal 1991, no one foreign country accounted for more than 10% of net sales in any period. Except for Ingram Micro, Inc., a multi-national distributor that accounted for 12% of revenue in fiscal 1993, no customer accounted for more than 10% of revenue in any period.

**Marketing.** The Company's marketing activities include distribution of sales literature and press releases, advertising, periodic product announcements, support of NetWare user groups, publication of technical and other articles in the trade press and participation in industry seminars, conferences and trade shows. The marketing departments of the Company employ many technical laboratories of networked computer equipment and individual device testing and evaluation. The knowledge derived from these laboratories is the basis for the technical publications published by the Company. These activities are designed to educate the market about local area networks in general, as well as to promote the Company's products. Through the Professional Developers Program, the Company strongly supports independent software and hardware vendors in developing products that work on NetWare networks. Thousands of multiuser application software packages are now compatible with the NetWare operating system. In March 1994, the tenth annual BrainShare Conference (formerly Developers' Conference) was held to inform and educate developers about NetWare product strategy, NetWare open architecture programming interfaces and NetWare third-party product certification programs.

#### SERVICE, SUPPORT AND EDUCATION

The purpose of any service program is to help users get the most out of the products they buy. Novell offers a variety of support alternatives and encourages users to select the services that meet their own needs. These include the worldwide service and support organization, the TSA, the CNE program, NAECS, IMSP and the ClientServer NLM Testing Program.

#### MANUFACTURING SUPPLIERS

The Company's products, which consist primarily of software diskettes and manuals, are duplicated by outside vendors. This allows the Company to minimize the need for expensive capital equipment in an industry in which multiple high-volume manufacturers are available. The Company believes that there are multiple sources of the materials necessary to produce its products and that such materials are widely available. Furthermore, the Company has not, to date, experienced any material shortages in materials necessary to manufacture and distribute its products.

#### BACKLOG

Lead times for the Company's products are typically short. Consequently, the Company does not believe that backlog is a reliable indicator of future sales or earnings. The absence of significant backlog may contribute to unpredictability in the Company's net income and to fluctuations in the Company's stock price. See "Factors Affecting Earnings and Stock Price." The Company's backlog of orders at January 21, 1994, was approximately \$35.3 million, compared with \$35.7 million at January 22, 1993. All such orders are expected to be filled within the current fiscal year.

## COMPETITION

Novell competes in the highly competitive market for computer software, including in particular, network operating systems, desktop operating systems and related systems software. In the market for network operating systems, Novell believes that the principal competitive factors are hardware independence and compatibility, availability of application software, marketing strength in desktop operating systems, system/ performance, customer service and support, reliability, ease of use, price/performance, and connectivity with minicomputer and mainframe hosts.

The market for operating systems software, including network operating systems and client operating systems, has become increasingly problematic due to Microsoft's growing dominance in all sectors of the software business. The Company does not have the product breadth and market power of Microsoft. Microsoft's dominant position provides it with enormous competitive advantages, including the ability to unilaterally determine the direction of future operating systems and to leverage its strength in one or more product areas to achieve a dominant position in new markets. This position may enable Microsoft to increase its dominance even if the Company succeeds in continuing to introduce products with superior performance and features to those offered by Microsoft.

Microsoft's ability to offer networking functionality in future versions of MS Windows, MS Windows NT and other system software, or to provide incentives to customers to purchase certain products in order to obtain favorable sales terms or necessary compatibility or information with respect to other products, may significantly inhibit the Company's ability to maintain its business. Moreover, Microsoft's ability to offer products on a bundled basis can be expected to impair the Company's competitive position with respect to particular products. Novell may be unable to maintain compatibility with Microsoft's key products, although Novell will continue to seek to do so.

The Company has not succeeded in establishing significant sales from Novell DOS. The Company believes that it will continue to be at a substantial competitive disadvantage in selling its client operating systems (including both Novell DOS and UnixWare) due in part to Microsoft's dominance and certain of Microsoft's pricing and licensing practices. Such competitive position and practices may prevent the Company from successfully offering products to a broad variety of customers or from maintaining demand for these products.

The application software development tools market in which Novell now operates is also highly competitive. There can be no assurance that Novell will be successful in competing in this market or any other market in the future.

## LICENSES, PATENTS AND TRADEMARKS

The Company currently relies on copyright, patent, trade secret and trademark law, as well as provisions in its license, distribution and other agreements in order to protect its intellectual property rights. The Company currently holds a number of United States patents and has numerous United States patents pending. All such Company patents expire in excess of ten years from the date hereof. Additionally, the Company has a number of patents pending in foreign jurisdictions. No assurance can be given that such patents pending will be issued or, if issued, will provide protection for the Company's competitive position. Although the company intends to protect its patent rights vigorously, there can be no assurance that these measures will be successful. Additionally, no assurance can be given that the claims on any patents held by the Company will be sufficiently broad to protect the Company's technology. In addition, no assurance can be given that any patents issued to the Company will not be challenged, invalidated or circumvented or that the rights granted thereunder will provide competitive advantages to the Company. The loss of patent protection on the Company's technology or the circumvention of its patent protection by competitors could have a material adverse effect on the Company's ability to compete successfully in its products business.

The software industry is characterized by frequent litigation regarding copyright, patent and other intellectual property rights. There can be no assurance that third parties will not assert claims against the Company with respect to existing or future products or that licenses will be available on reasonable terms, or

63

at all, with respect to any third party technology. In the event of litigation to determine the validity of any third party claims, such litigation could result in significant expense to the Company and divert the efforts of the Company's technical and management personnel, whether or not such litigation is determined in favor of the Company.

In the event of an adverse result in any such litigation, the Company could be required to expend significant resources to develop non-infringing technology or to obtain licenses to the technology which is the subject of the litigation. There can be no assurance that the Company would be successful in such development or that any such licenses would be available. In addition, the laws of certain countries in which the Company's products are or may be developed, manufactured or sold may not protect the Company's products and intellectual property rights to the same extent as the laws of the United States.

#### EMPLOYEES

As of December 31, 1993, the Company had 4,335 employees. The functional distribution of its employees was: sales and marketing -- 939; product development and marketing -- 1,817; general and administrative -- 487; service, support and education -- 807; operations -- 146; and joint ventures -- 139. Of these, 349 employees are located in U.S. field offices, and 755 employees are in offices outside the U.S. All other Company personnel are based at the Company's facilities in Utah, California, Colorado, Massachusetts, New Jersey or Texas. None of the employees is represented by a labor union, and the Company considers its employee relations to be excellent.

Competition for qualified personnel in the computer industry is intense. To make a long-term relationship with the Company rewarding, Novell endeavors to give its employees and consultants challenging work, educational opportunities, competitive wages, and, through sales commission plans, bonuses and stock option and purchase plans, opportunities to participate financially in the Company.

#### FACTORS AFFECTING EARNINGS AND STOCK PRICE

In addition to factors described above under "Competition" which may adversely affect the Company's earnings and stock price, other factors may also adversely affect the Company's earnings and stock price. The successful combination of companies in the high technology industry may be more difficult to accomplish than in other industries. There can be no assurance that Novell will be successful in integrating acquired businesses into its own, that it will retain their key technical and management personnel or that Novell will realize any of the other anticipated benefits of the acquisitions.

The computer software industry has experienced delays in its product development and "debugging" efforts, and the Company could experience such delays in the future. Significant delays in developing, completing or shipping new or enhanced products would adversely affect the Company. Furthermore, it can be expected that as products become more complex, development cycles will become longer and more expensive. There can be no assurance that Novell will be able to respond effectively to technological changes or new product announcements by others, or that Novell's research and development efforts will be successful.

The Company's industry is characterized by rapid technological change, resulting in continuing pressure for price/performance improvements in response to advances in computer software and hardware technology. The Company believes that its future success will depend on its ability to continue to enhance its current products and to develop and introduce new products that maintain its technological leadership and achieve market acceptance.

In particular, the Company introduced the NetWare 4 operating system in 1993. This new version of the NetWare operating system provides increased functionality as compared to prior releases of the NetWare product, including the ability to support a substantial increase in the number of clients connected on a single network. As with the introduction of any major new product or upgrade, the introduction of the product may cause a deferral in orders or reduction in demand for prior versions of the NetWare operating system, as customers and value-added resellers evaluate the functionality of the new product. Moreover, because the new product addresses new market segments and is offered at a higher price than prior NetWare product releases,

the Company is unable to predict the level of demand for the NetWare 4 operating system which will actually occur. Should orders and sales for either the NetWare 4 operating system or prior versions of the NetWare product fall short of the Company's objectives, the Company could experience excess inventories and unexpected costs. As a result, the Company's future sales and earnings may be subject to substantial fluctuations, particularly in the near term.

The introduction of new products also involves material marketing risks due to the possibility of errors or shortfalls in product performance. Should any new product experience a high rate of bugs or performance difficulties, the Company could experience product returns, unexpected warranty expenses and lower than expected sales. No assurance can be given as to the Company's financial results during such periods. In the past, the Company has not experienced product returns or warranty costs associated with product errors or difficulties which were higher than expected or material to the Company. However, as is common in the software industry, initial releases of new software products and major product upgrades have experienced product errors or "bugs." Such bugs have been present in both new releases in the Netware 3. operating system and the new Netware 4. operating system. See "Risk Factors -- Possible New Product Delays."

The Company's future earnings and stock price could be subject to significant volatility, particularly on a quarterly basis. The Company's revenues and earnings may be unpredictable due to the Company's shipment patterns. As is typical in the software industry, a high percentage of Novell's revenues are earned in the third month of each fiscal quarter and tend to be concentrated in the latter half of that month. Accordingly, quarterly financial results are difficult to predict and quarterly financial results may fall short of anticipated levels. Because the Company's backlog early in a quarter is not generally large enough to assure that it will meet its revenue targets for any particular quarter, quarterly results may be difficult to predict until the end of the quarter. A shortfall in shipments at the end of any particular quarter may cause the results of that quarter to fall significantly short of anticipated levels. Due to analysts' expectations of continued growth and the high price/earnings ratio at which the Company's common stock trades, any such shortfall in earnings could have an immediate and very significant adverse effect on the trading price of the Company's common stock in any given period.

As a result of the foregoing factors and other factors that may arise in the future, the market price of the Company's common stock may be subject to significant fluctuations over a short period of time. These fluctuations may be due to factors specific to the Company, to changes in analysts' earnings estimates, or to factors affecting the computer industry or the securities markets in general.

## INFORMATION CONCERNING WORDPERFECT

## INTRODUCTION

WordPerfect is a leading provider of software applications which enable users to create and process documents. In addition to providing document processing software, WordPerfect also produces a broad range of workgroup automation, general business, electronic publishing and consumer products. WordPerfect's products are easy to use, offer superior functionality and provide individuals, small businesses and large, global organizations with software solutions that operate across complex, networked computing environments. WordPerfect's strategy is to be the leading provider of productivity applications for individuals and organizations by focusing on innovations in usability, performance, reliability and functionality.

WordPerfect was one of the original developers of word processing applications for personal computers, and WordPerfect's flagship product, WordPerfect, is one of the best-selling personal computer ("PC") software applications ever introduced, having been sold to over 15 million users worldwide. WordPerfect is now available in 23 languages and on all of the most widely used computing platforms and operating systems, including MS Windows, DOS, UNIX, Apple/Macintosh, and DEC's VAX/VMS. WordPerfect released WordPerfect 6.0 for DOS in June 1993 and WordPerfect 6.0 for MS Windows in October 1993. In 1993 and early 1994, WordPerfect also introduced new workgroup automation products which capitalize on WordPerfect's expertise in developing multi-platform, multi-lingual applications. WordPerfect Office 4.0, WordPerfect InForms 1.0 and SoftSolutions 4.0 are designed to meet an organization's needs for effectively sharing information in a complex, networked computing environment. WordPerfect's Main Street line of consumer products was announced in April 1994 and offers low-cost, easy-to-use products designed for personal productivity, entertainment and home education.

After completion of the Merger, WordPerfect and the Quattro Pro business unit from Borland will become the Novell Applications Product Group. See "The Merger and Related Transactions."

## INDUSTRY BACKGROUND

Communication -- the processing, sharing and presentation of information -- is crucial to the productivity of individuals and organizations. Documents are a primary method of communication, ranging from simple messages, forms, letters and memoranda to complex multimedia presentations that incorporate spreadsheets, database reports, graphics, video and sound. Once a document is created, a significant challenge for the user is to easily share and collaborate on the information with others. Within a home or small business, a document may simply be printed and distributed, while the multinational corporation needs methods to share this information electronically. Regardless of the complexity of the document or method of distribution, there is increasing demand for more efficient means to process, share and present documents and the information contained within them.

## Document Processing

Data processing has evolved from centralized mainframe systems, to more distributed minicomputers, and now to workstations and PCs. Document processing has followed a similar evolution. Documents were historically created on typewriters, and the integration of any media other than text required manual cutting and pasting. The automation of document creation began in the late 1970s with the introduction of simple text-editing systems on mainframe computers, minicomputers and dedicated word processing systems. These systems were typically used only by specialized information processing professionals. The proliferation of workstations and personal computers in the 1980s and 1990s has provided users with more affordable and accessible general purpose computing power and has enabled users to create and manipulate documents more easily using word processing software. Well-designed word processing software has significantly improved user productivity and become the standard tool for document processing and the most popular software application category on personal computers.

The most successful word processing software applications offer features which specifically address the particular needs of individuals. In the early 1980s, word processing software programs provided only simple

character manipulation and were difficult to use. In subsequent years, innovative features were developed including easy on-screen editing, the capability to merge data files into a document, macro functions that allowed non-technical users to create simple programs and the ability to support a wide variety of printers and other peripheral devices. In recent years, features such as graphical user interfaces, context-sensitive tools, "fast key" access and "drag and drop" editing have been developed to allow more rapid and efficient composition of complex documents. Thus, current word processing applications provide a comprehensive, enterprise-wide solution to any organization's document needs.

#### Workgroup Automation

Although the proliferation of workstations and PCs enabled the emergence of desktop document processing, these systems were typically isolated and could not communicate with other computing resources within an organization. This isolation limited the productivity benefits derived from desktop computing to the individual PC or workstation user. Information systems professionals sought to integrate these desktop systems into their enterprise computing environments in order to provide the same productivity benefits to workgroups across the organization and to improve communication throughout the enterprise. As a solution, computer networking technology, including the requisite network operating system software, evolved from allowing small workgroups to share peripherals, such as printers and data storage devices, to enabling the interconnection of computer users and their information throughout a global enterprise. These local and wide area networking technologies allowed the creation of complex, computing environments which may consist of mainframe computers, minicomputers, workstations, PCs and emerging portable computing devices. Until recently, however, relatively few applications were available to take advantage of the network operating system to improve workgroup productivity.

Increasingly, workgroups within organizations are demanding applications which enable them to take advantage of the productivity made possible by the network infrastructure. These applications range from word processors and spreadsheets which include features designed specifically for a networked environment, to applications which are specifically developed to automate more complicated workgroup tasks extending across the enterprise, such as calendaring, scheduling and enterprise-wide document management. The workgroup automation needs common to most organizations include "e-mail," the creation and routing of electronic forms, scheduling of meetings, document storage and retrieval systems, and the staging, sequencing, routing and tracking of work throughout a multi-platform, multi-language enterprise. Unfortunately, early workgroup applications failed to provide comprehensive solutions for the processing, sharing and presentation of information and were also difficult for information systems professionals to administer. These products were either designed to accomplish discrete tasks, such as e-mail or scheduling, or were dependent upon proprietary database architectures, messaging technologies, hardware platforms or operating systems.

#### THE WORDPERFECT STRATEGY

WordPerfect was founded in 1979 to automate document processing by offering high quality, easy-to-use word processing software and comprehensive customer support. WordPerfect's first product, WordPerfect, was introduced in 1980 and became the word processing market share leader by providing superior functionality when compared to earlier word processing products. WordPerfect continues its focus on providing innovative document processing applications that meet the needs of its customers. In December 1993, WordPerfect began offering its newest version of an integrated product suite for MS Windows that includes Borland's award-winning Quattro Pro spreadsheet and Paradox database products. WordPerfect is leveraging its leadership position in providing document processing solutions in multi-platform, multi-lingual computing environments by offering workgroup automation solutions which address the more complex computing environments found in many organizations today. In addition, WordPerfect is beginning to offer products in the emerging product categories of electronic publishing and consumer products. WordPerfect also plans to utilize its traditionally strong customer support capabilities to service this increasingly diverse customer base.



67

#### Document Processing Solutions

WordPerfect believes that the document and document processing software will continue to be central to the way people communicate. WordPerfect is a leader in the continuing evolution of word processing from simple text manipulation to complex document processing that offers support for such features as graphics, sound, tables with spreadsheet functionality, equations, spreadsheet and database access, integrated writing tools such as spelling and grammar checkers, contextual help and numerous other desktop publishing features. WordPerfect's objective is to maintain its leadership position in document processing by focusing on advances in usability, performance, reliability and functionality across all strategic platforms. WordPerfect's current products include such advanced features as cross-platform file compatibility, specialized features for vertical markets such as legal and accounting, a powerful document indexing and retrieval system, extensive language support, customizable tool bars and powerful table functionality.

#### Desktop Application Suite

WordPerfect believes that today's customers are interested in purchasing desktop application suites that provide not only a purchase-price advantage, but also a set of best-of-class applications that demonstrate increasing levels of integration between the products themselves and the data generated within them. To date, WordPerfect has cooperated with Borland to produce Borland Office 2.0 for MS Windows, a product suite which includes the WordPerfect word processor and Borland's Quattro Pro spreadsheet and Paradox database programs. The product achieves a high level of product integration by using PerfectFit technology to provide a single installation, common icons, button bars and cross-application macros, as well as shared resources like spell-checking. The customizable Desktop Application Director provides easy access to common applications and common tasks from a single location. Borland Office 2.0 for MS Windows is workgroup-enabled and allows for the convenient sharing of information among individual users' suite components and between workgroup participants. With Novell's acquisition of Borland's Quattro Pro spreadsheet business unit, WordPerfect will take control of developing, marketing, selling and supporting future versions of the suite.

#### Workgroup Automation Solutions

WordPerfect believes that one of the most significant needs of any organization is the ability to share and coordinate information effectively within workgroups. With the advent of networks, network software and applications that run on a network, organizations are increasingly utilizing these technologies to automate the communication process and to become more productive in operations and administrative processes. The multi-platform, multi-lingual approach which has been central to WordPerfect's document processing strategy since its inception has provided valuable technological expertise for the development of powerful workgroup automation applications. WordPerfect Office 4.0 integrates workgroup communication tools such as e-mail, personal calendar, group scheduler and task management into a cohesive, easy-to-use application for networked computing environments. Its growth has been impressive, with over 2 million licenses sold to date. In addition to its rich client functionality, WordPerfect Office 4.0 offers extensive systems administration capabilities that make it easier to manage users across diverse networking and hardware platforms. WordPerfect InForms is a comprehensive package providing tools for users to create electronic forms, access multiple databases and automate their business workflow processes. With the acquisition of SoftSolutions Technology Corporation in January 1994, WordPerfect's workgroup solutions are further enhanced by the immediate, enterprise-wide information access provided by SoftSolutions -- a market leader in LAN-based document management software. SoftSolutions includes advanced network automation capabilities such as automated enterprise document sharing, archiving and deletion, version control, cost recovery, activity tracking and integrated image management. WordPerfect believes that the growing success of WordPerfect Office and its innovative distributed messaging architecture, the introduction of WordPerfect InForms in the emerging electronic form and workflow categories and the established presence of SoftSolution's powerful document management functionality has already added to WordPerfect's presence as a significant force in this critical application category.

58