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Emerging Product Opportunities

Consistent with its strategy to help the world communicate, WordPerfect believes there are significant market opportunities in the areas of electronic publishing and consumer products. By providing electronic publishing content and tools, WordPerfect promotes a natural extension to workgroup automation by allowing users to mark-up, exchange, distribute and consume information electronically. By pursuing partnerships with publishers worldwide, WordPerfect will bring into electronic form the reference content that people traditionally access while using a computer. WordPerfect's Main Street consumer product line focuses on offering personal productivity, entertainment and home education products that may eventually provide important access points to the information highway from the home or small office. In April 1994, WordPerfect announced 19 Main Street products including a personal organizer, reference guides and education and entertainment products. The consumer products market is estimated to be a \$1.5 billion market by 1996, up from \$430 million in 1991.

World-Class Customer Support

WordPerfect is recognized as a world leader in the computer industry in providing post-sales customer support. WordPerfect plans to continue to invest significant resources in its customer support offerings, believing that the software user's productivity may depend on the availability of high quality technical assistance. As support demands change with changing customer needs and product lines, WordPerfect plans to implement offerings and programs which efficiently meet the customers' needs. In addition to its standard support policies, WordPerfect recently announced the introduction of Silver, Gold and Platinum support offerings, which are fee-based programs designed to meet the ongoing support needs of small to large businesses. WordPerfect believes that its expertise in providing support to individual end users will better enable it to service and support the information systems professionals that are increasingly responsible for purchasing and supporting software applications within an organization.

PRODUCTS

WordPerfect has always focused on developing products which address the needs of individual users. During the early 1980s, WordPerfect established itself as the leading provider of word processing software on multiple platforms and in multiple languages in a largely stand alone environment. As the needs of users began to center more on network operating systems, WordPerfect's software took on additional functionality to meet those evolving needs. At the same time, WordPerfect began work on specific workgroup automation applications that allowed users to share and coordinate information effectively within workgroups. In a continued drive for electronic sharing of information across broad networks, WordPerfect has begun to offer electronic publishing solutions which provide online content and tools for viewing, manipulating, annotating and printing information. Users are also increasingly demanding low-priced, easy-to-use products appropriate for home and small office use, and WordPerfect intends to meet these needs with its Main Street line of consumer products.

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The table below lists WordPerfect's major products that are currently being sold or will be commercially available during 1994.

PRODUCT	OPERATING ENVIRONMENT	CURRENT VERSION	CURRENT VERSION RELEASE DATE+	NUMBER OF LANGUAGES
DOCUMENT PROCESSING				
WordPerfect	MS Windows	6.0a	4/94	14
	DOS	6.0b	2/94	13
	DOS	5.1+	4/94	13
	UNIX	6.0	6/94	11
	Macintosh	3.0	10/93	10
	Macintosh for PowerPC	3.0	3/94	9
	VAX/VMS	5.1	6/91	10
RELATED BUSINESS APPLICATIONS				
Borland Office	MS Windows	2.0	12/93	4
WordPerfect Presentations	DOS	2.0	11/92	11
	MS Windows	2.0	7/93	12
WORKGROUP AUTCMATION				
WordPerfect Office	DOS	4.0a	10/93	13
	MS Windows	4.0a	10/93	13
	Macintosh	4.0a	10/93	6
	UNIX	4.0a	12/93	8
	VAX/VMS	3.1	4/92	4
	MS Windows	1.0b	4/94	12
WordPerfect InForms	(Designer/Filler)			
	DOS (Filler-only)	1.0b	6/94	3
SoftSolutions	DOS	4.0	1/94	7
	MS Windows	4.0	1/94	7
	UNIX	4.0	1/94	7
	Macintosh	4.0	10/94 *	7
WordPerfect Gateways	Multiple	4.0	8/93	NA
ELECTRONIC PUBLISHING				
WordPerfect Envoy	MS Windows	1.0	6/94	1
WordPerfect Intellitag	Macintosh	1.0	6/94	1
	DOS	1.2	4/94	1
	UNIX	1.2	4/94	1
SELECTED MAIN STREET CONSUMER PRODUCTS				
WordPerfect Works	MS Windows	1.0	10/94 *	1
	DOS	1.0	3/92	5
	Macintosh	1.2.1	12/92	1
	MS Windows	1.0	3/94	1
InfoCentral	DOS	1.0	7/90	10
LetterPerfect	Macintosh	2.1	7/92	4
	DOS	6.0b	4/94	19
Language Modules	MS Windows	6.0a	5/94	19
	Macintosh	3.0	3/94	15
	MS Windows	6.0	5/94	2
Grammatik	DOS	5.1	12/93	2
	Macintosh	1.1	7/93	1

+ All dates are for the U.S. English version of the product. In certain cases, other language versions are planned for release shortly after the release of the U.S. English version.

* Dates reflect WordPerfect's current estimates for commercial shipment of these products.

Document Processing

WordPerfect. WordPerfect is one of the best-selling PC application software products ever introduced. Since its introduction in 1980, this powerful word processing program has been purchased by over 15 million customers worldwide and is now available in 23 languages. Versions of WordPerfect are currently available for the following platforms: MS Windows, DOS, Macintosh, UNIX and VAX/VMS. WordPerfect continues to

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set the standard for word processing applications and has won numerous awards. WordPerfect for MS Windows, introduced in 1991, received the 1992 Reader's Choice Award from BYTE, the Most Valuable Product ("MVP") award from PC/Computing in both 1992 and 1993 and the 1994 Win 100 Award from Windows Magazine. PC World has honored WordPerfect for DOS with its World Class Award for eight years in a row. In 1993, sales of WordPerfect for DOS accounted for 82% of worldwide sales of all DOS word processing applications. All versions of WordPerfect include spell-checking and thesaurus capabilities, multi-column formatting, merge and macro support, tables, outline mode, automatic hyphenation, extensive character sets, footnotes, end notes, styles and on-line help. The DOS and MS Windows versions of WordPerfect accounted for 75% of WordPerfect's net sales during 1993. The PC-based versions of WordPerfect currently carry a suggested retail list price of \$495.

WordPerfect for MS Windows. WordPerfect 6.0 for MS Windows is the world's first document processor integrating text, data and graphics in one easy-to-use program. It provides powerful text editing features, drawing and charting capabilities, advanced spreadsheet functionality, direct import of database and spreadsheet data and the QuickFinder indexing and text retrieval tools. This version is mail-enabled, providing the ability to send mail messages from within WordPerfect and includes Coaches that walk the user step by step through common tasks, more than 70 ExpressDocs templates for creating professional-looking documents and the Grammatik 5 grammar checker. Version 6.0a is a significant interim release that was released in May 1994.

WordPerfect for DOS. WordPerfect 6.0 for DOS was released in June 1993, with such features as a WYSIWYG ("what you see is what you get") graphical user interface ("GUI"), customizable button bars, "drag and drop" editing, full mouse support, integrated spreadsheet capability, extensive font capability (including Adobe ATM, TrueType and Bitstream Speedo support), context-sensitive help, direct fax transmission, Grammatik 5 grammar checker, rapid text indexing and retrieval, color printing, sound, simultaneous display and editing of up to nine documents, new macro capabilities and an interface to WordPerfect's e-mail products. WordPerfect 5.1+ was released in April 1994, permitting those still using WordPerfect 5.1 to be able to open and use WordPerfect 6.0 level files. It comes bundled with Stairway Software's ScreenExtender and Facelift from Bitstream Corporation. In addition, WordPerfect 5.1 offers direct fax transmission, e-mail enabling and enhanced file management, and is tailored to the user who is limited by lower capacity and performance hardware, such as 286-based PCs.

WordPerfect for UNIX. WordPerfect 6.0 for UNIX integrates text, data and graphics in one easy-to-use program that offers a true WYSIWYG environment and provides the only GUI and character-based solution for UNIX. It gives the user the ability to create appealing documents with powerful text-editing features, drawing and charting capabilities, advanced spreadsheet functionality and direct import of spreadsheet data. WordPerfect 6.0 for UNIX includes more than 70 ExpressDocs pre-formatted document templates for fax forms, memos, letters, invoices and more. It also includes a user-customizable interface with features such as pull-down menus and mouse support, a ruler bar, a power bar, status bars, button bars, zoom editing and support for X-Windows.

WordPerfect for Macintosh. WordPerfect 3.0 for Macintosh and Power Macintosh is a powerful and easy-to-use word processor with an innovative, Mac-savvy interface. Its features include tables, an equation editor, a built-in graphics editor with comprehensive drawing tools, integrated grammar checker, styles, columns, macros, and "drag and drop" editing. WordPerfect 3.0 was also the first word processor to support Apple Computer's System 7 Pro which combines PowerTalk, AppleScript, WorldScript and QuickTime.

Related Business Applications

Borland Office. Borland Office 2.0 for MS Windows is an integrated office suite which includes WordPerfect 6.0 plus Borland's Quattro Pro spreadsheet and Paradox database programs, each a winner of the 1993 MVP Award from PC/Computing. 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

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provides easy access to common applications and common tasks from a single location. Borland Office 2.0 is workgroup-enabled via The Workgroup Desktop, which allows for the sharing of information from any application among worldwide workgroup participants. The suggested retail list price for Borland Office 2.0 is \$595.

WordPerfect Presentations. WordPerfect Presentations 2.0 is a presentation graphics package that is currently available for the MS Windows and DOS platforms. This product offers a powerful GUI and provides users with the ability to create professional-looking presentations in a variety of formats, including handouts, transparencies, 35mm slides and electronic slide shows. Features include a master gallery and ready-made slide templates, an outliner that creates slides from outline format, speaker notes and handouts, drawing, editing, clip art, support for 16 million colors, slide sorter, two-and three-dimensional charts, paint tools, automatic bitmap tracing, customizable button bars and multimedia capability. WordPerfect Presentations 2.0 for MS Windows was runner-up for the 1993 PC/Computing MVP award for Presentation Graphics. The suggested retail list price for WordPerfect Presentations 2.0 is \$495.

Workgroup Automation

WordPerfect believes that workgroup computing is best accomplished by providing users with the basic tools and front-end applications for communication. These essential "building blocks" each provide a specific, well-defined function and can be combined to build additional services and functions. For example, WordPerfect recently introduced WordPerfect InForms, which is used to create and fill electronic forms and capitalizes on the workflow capabilities within WordPerfect Office to route forms among members of an organization. WordPerfect Office is built on a powerful distributed messaging architecture, enabling rich functionality in its workgroup-computing applications across multiple languages and multiple computing environments. This messaging system was designed to support multiple message types, including e-mail messages, meeting requests, task assignments and electronic forms. WordPerfect Office offers extensive systems-administration capabilities that make it easy to manage users across diverse networks and platforms. The SoftSolutions document management system allows workgroups to manage documents created by any widely used application, in all popular operating environments and on all types of network operating systems. Both WordPerfect Office and SoftSolutions were honored with LAN Times' Readers Choice Award in 1994, one for GroupWare and Scheduling and the other for Document Management.

WordPerfect Office. WordPerfect Office 4.0 was released for MS Windows, Macintosh and DOS operating system clients in June 1993. An additional version for the UNIX operating system client was introduced in October 1993. This powerful workgroup application combines e-mail, calendaring, group scheduling and task management software in a single application. WordPerfect Office 4.0 includes rules-based message management, workflow automation, ordered distribution, task management, global calendaring, directory synchronization, central and distributed administration, custom mail views, voice messaging, mouse support and windowing capabilities. Administration tools for the product provide a full naming system, diagnostic and management information and software maintenance for single-location installation for the entire enterprise. WordPerfect also offers interfaces and tool kits that allow third parties to develop message-enabled applications and information sharing services that work with WordPerfect Office 4.0. WordPerfect Office 4.0 is sold as two components -- a Client/Admin pack which contains the software and documentation for network users and administrators, and a Message Server pack which contains the tools to connect multiple electronic post offices in a WordPerfect Office system. For a five-user license, the WordPerfect Office 4.0 Client/Admin pack has a suggested retail list price of \$495. A WordPerfect Office 4.0 Message Server pack has a suggested retail list price of \$295.

WordPerfect InForms. WordPerfect InForms 1.0 is available as two separate packages: a Designer package for those involved in the creation of forms, and a Filler package for those that need to fill in forms created with the Designer. The Designer package provides a tool palette to simplify the creation of professional-looking forms. WordPerfect InForms provides electronic distribution capabilities, electronic fill-in, routing, security, tracking and approval. Its features also include an object library for form objects, an easy-to-use query tool and direct access to a number of popular desktop and SQL databases. WordPerfect InForms also permits users to customize forms or "views" to help them process, present and share information. The

WordPerfect InForms Designer and Filler packages were released for MS Windows in July 1993. Filler packages for DOS and Macintosh are scheduled for release later in 1994. WordPerfect InForms for MS Windows is available in a Designer/Filler package for a suggested retail list price of \$495 and in a five-license, Filler-only package for a suggested retail list price of \$475.

SoftSolutions. SoftSolutions 4.0 is a document management system ("DMS") which allows users to quickly locate files and objects, to assist in network maintenance and to provide tight integration among applications and platforms. It has a fast, powerful searching engine called SpeedSearch at its core, making it the most streamlined and efficient DMS design available. It includes advanced features like wide area network searching, intelligent search, portable mode, image management, OLE functionality and client/server architecture for profile access, full-text access and document access. The price is \$295 per workstation for the basic product and \$395 for a "suite" which includes the Document Desktop interface and an integrated image management module.

WordPerfect's workgroup products are capable of operating in multiple platform client/server environments. In these environments, powerful file or application servers are networked with workstations or PCs that act as clients. For example, a Macintosh client using WordPerfect Office or WordPerfect InForms can communicate with an MS Windows client using WordPerfect Office through a DOS, MS Windows or Macintosh server. A number of WordPerfect Gateways are available to provide communication bridges among multiple networking environments. With SoftSolutions, users of both DOS and MS Windows can simultaneously retrieve and manage documents generated from any application on any network platform.

Electronic Publishing

WordPerfect Envoy. WordPerfect Envoy is the code name for a new product scheduled for release in June 1994 that will allow MS Windows and Macintosh users to electronically exchange, distribute and consume portable compound documents across different computers and different operating systems. This solution is a second-generation product that provides new and innovative methods of viewing, manipulating, annotating and printing documents. WordPerfect Envoy is fast, provides an impressive set of options for file creation, offers exceptional compression of both text and graphics and contains a rich feature set, including live thumbnails, four types of annotation, zoom, page navigation, searching, text/graphics selection and export, page-level editing, data export and OLE capability. WordPerfect Envoy is expected to have a suggested retail list price of \$189.

WordPerfect Intellitag. WordPerfect Intellitag 1.2 is available for DOS and UNIX platforms. It is a simple, affordable way to convert documents into Standard Generalized Mark-up Language ("SGML") format. WordPerfect Intellitag provides a unique two-way direction in converting WordPerfect documents to SGML and back again. ConvertPerfect is included with the product so that non-WordPerfect documents may be converted to a format WordPerfect Intellitag can accept. It supports any standard or user-defined Document Type Definition, provides special tagging features (including pre-tagging and auto-table tagging), text editing features, special validation features and the ability to save documents in both WordPerfect 5.1 and SGML format. The suggested retail list price for WordPerfect Intellitag is \$495.

Main Street Consumer Products

WordPerfect's Main Street line of consumer products was launched in April 1994 and offers low-cost, easy-to-use products designed for personal productivity, entertainment and home education. The Main Street product line includes the following products:

WordPerfect Works. WordPerfect Works is an integrated software package that includes a word processor, a spreadsheet application, a flat-file database, separate draw and paint modules and communication support. In addition, an MS Windows version of WordPerfect Works is under development and is expected to be released later in 1994. The suggested retail list price for WordPerfect Works for MS Windows, DOS and Macintosh is \$109.

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InfoCentral. InfoCentral 1.0 for MS Windows is a new personal information manager that takes a different approach to organizing information by putting intelligence into the connections between information. This intelligence comes in the form of iConnect technology, an associative database engine that gives the product a unique way to find, organize, and process information by treating each piece of information in the database as an object. InfoCentral comes with four pre-built information bases. The suggested retail list price is \$139.

LetterPerfect. LetterPerfect is an entry-level word processor which provides upward file compatibility with WordPerfect and is available on the DOS and Macintosh platforms. Its features include a speller, an on-screen thesaurus, on-line help, pull-down menus, "fast key" access to features, graphics and merge capabilities. The suggested retail list price for LetterPerfect for DOS and Macintosh is \$49.95.

WordPerfect Language Modules. WordPerfect Language Modules for MS Windows, DOS and Macintosh allow users of WordPerfect to access language-specific speller, thesaurus, hyphenation and keyboard files for foreign languages that appear in text. The suggested retail list price for most language modules is \$99.

Grammatik 5. Grammatik 5 proofreads documents for errors in grammar, style, usage, punctuation and spelling, explains errors and suggests alternatives. The suggested retail list price for Grammatik 5 for MS Windows, DOS and Macintosh is \$49.95.

In addition to the offerings described above, WordPerfect Main Street includes a number of other products such as WordPerfect Clip Art, ExpressFax Plus fax and data communications software, Random House Webster's electronic dictionary and thesaurus, electronic medical and legal dictionaries, Wallobee Jack interactive cartoon adventures and Kap'n Karaoke sing-along tunes for kids.

CUSTOMER SUPPORT

WordPerfect is recognized as a world leader in the computer industry in providing post-sales customer support. In each of the last four years, WordPerfect has received the "World Class" award from PC World for its end-user support. WordPerfect believes that its willingness to listen and respond to customer needs distinguishes it from other application software companies. WordPerfect has committed substantial resources to providing personalized customer support in all of its worldwide offices. More than 1,250 of WordPerfect's employees are dedicated to customer support, including more than 900 technicians in Utah and more than 350 technicians in various other locations around the world, responding to users' questions about WordPerfect's software, including all aspects of installing and using its products. WordPerfect believes that this commitment to support has resulted in a high degree of loyalty among its customers. WordPerfect also believes that its expertise in providing support to individual end users will better enable it to service and support the information systems professionals that are increasingly responsible for purchasing and supporting software applications within an organization.

WordPerfect's worldwide direct telephone support representatives handle approximately 16,000 customer calls each business day, plus additional calls at night and on weekends. A typical call includes listening to the customer's problem, duplicating the problem on the representative's computer, and guiding the customer to a solution. If a representative cannot answer the question within a reasonable amount of time, he or she will research the problem and call the customer back with a solution, usually within the same day. WordPerfect was the first to introduce live "hold jockeys" who administer the flow of incoming calls, inform customers of their estimated waiting time, discuss other product offerings and upgrades and play music in the interim.

The direct sale of software products as part of customer support is a new service WordPerfect has recently made available. Many customers are pleased that they can now order software products directly from WordPerfect through its technicians. In addition to greater convenience, the customers are assured that the products they are ordering will fit their needs and their systems.

In May 1993, WordPerfect established an Account Management Team to provide vertically aligned account management and on-site diagnostics for key accounts. Each account is assigned an account

coordinator. These coordinators are experienced technicians and have access to all corporate resources. Their focus is on managing all service and support needs of a few accounts within the same vertical market. WordPerfect believes this program helps to further solidify its leadership position in offering appropriate forms of support to the marketplace.

WordPerfect has also established other methods of providing support, including written response letters, e-mail, electronic bulletin boards, CompuServe, America On-line and Spaceworks forums, automated fax response systems and on-site assistance through Strategic WordPerfect Assistance Teams. WordPerfect also provides its customer support database on CDs, floppy disks and via commercial publishers (e.g., Ziff-Davis Publishing Co.). WordPerfect believes that its investment in customer support generates improved customer satisfaction and that customer satisfaction leads to favorable recommendations of WordPerfect's products to others.

WordPerfect also integrates its customer support operations with its product development efforts. Customer support generates high-quality input from existing customers which is used to identify areas of improvement in existing programs and to assist in developing new and enhanced products. Each customer support operator has access to a number of online databases that are used to assemble the product data collected through customer contacts, including bug files, enhancement requests and software trouble reports. WordPerfect believes that its ability to collect and assimilate customer feedback and suggestions contributes significantly to the quality and usability of its products as well as to the effectiveness of its marketing efforts.

SALES AND DISTRIBUTION

WordPerfect's products are used by a broad base of customers, from individual and small business users to large organizations installing enterprise-wide workgroup solutions. WordPerfect has structured its sales and distribution strategy to meet the varying needs of this diverse customer base.

WordPerfect sells its products primarily to distributors, including Ingram Micro, Inc. and Merisel, Inc., large volume resellers, and directly to certain large accounts. The distributors resell WordPerfect's products to retail software outlets, computer superstores and general mass merchandisers. WordPerfect's large volume resellers, such as Egghead, Inc., often operate their own software specialty stores. Ingram Micro, Inc. and Merisel, Inc. accounted for approximately 18% and 19%, respectively, of net sales of WordPerfect in 1993.

WordPerfect pursues direct arrangements with selected large customers. These customers often require flexible pricing, licensing and maintenance arrangements. Through WordPerfect's Customer Advantage Program, qualified customers receive: tiered pricing discounts, which encourage volume purchases of WordPerfect's products; multiple licensing options, providing for enterprise-wide, multi-platform and multi-lingual licenses; and enhanced maintenance and support services. WordPerfect believes that its direct relationships with these large organizations are key to the successful adoption of WordPerfect's software applications throughout the enterprise.

WordPerfect's sales organization consists of approximately 165 area managers located throughout the United States and Canada, and approximately 165 area managers outside North America. These employees meet with large companies, government agencies, educational institutions and numerous user groups to promote use of WordPerfect's products. Internationally, WordPerfect maintains 24 branch offices and is represented in 33 other locations by distributors and resellers.

Although WordPerfect's software products are sold primarily as individual applications, WordPerfect has participated in creating bundled product offerings with other hardware and software manufacturers. For example, WordPerfect and Borland offer the Borland Office suite for MS Windows, which includes WordPerfect and Borland's Quattro Pro spreadsheet and Paradox database products. As part of WordPerfect's existing arrangement with Borland, WordPerfect also has the right to include Borland's Paradox and Quattro Pro products in its own suite offering. Typical arrangements with hardware manufacturers permit the inclusion of copies of WordPerfect's software products preinstalled on their personal computers. For example, Compaq Computer Corporation offers copies of WordPerfect for Windows preinstalled on several of its personal computer offerings. The prices charged by WordPerfect for products included in bundles are typically significantly lower than the prices charged for the individual products.

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MARKETING

WordPerfect has embarked upon aggressive new marketing campaigns to substantially raise consumer awareness of its products. In the past year, WordPerfect implemented the following new initiatives: expanded print advertising, which is now appearing in general publications as well as technology periodicals; television commercials, which first appeared on major networks in early 1993; international sports team sponsorships, which WordPerfect believes will increase its brand name recognition in markets outside North America; direct mail programs, which are expected to increase direct sales to WordPerfect's installed user base; and publicized competitive comparisons, which highlight the relative strengths of WordPerfect's products.

WordPerfect's product marketing efforts are organized by specific products and computer platforms and are closely tied to WordPerfect's development efforts. Product marketing managers frequently consult with developers about features and customer preferences and facilitate communications between WordPerfect's programmers and its customers. In addition, WordPerfect's large support staff records and evaluates end user requests for improved or new products which it then communicates to WordPerfect's product marketing and development teams. This focus on customer feedback is a fundamental part of WordPerfect's product development strategy.

In order to directly communicate WordPerfect's strategic vision and product directions to customers, WordPerfect operates an Executive Briefing Center in Orem, Utah. Customers are invited to attend presentations which not only allow WordPerfect to demonstrate its products, but also allow the customer to offer valuable input on WordPerfect's products. In addition, WordPerfect has invited representatives from selected corporate, government and educational accounts to participate on an advisory board, whose purpose is to offer WordPerfect suggestions on product directions.

PRODUCT DEVELOPMENT

WordPerfect's product development objective is to create software applications that appeal to a broad range of users, run on a wide range of operating systems and hardware platforms and are focused on helping the user communicate more effectively. WordPerfect developers begin each project with discussions about the new product's look, functionality and performance. Customer input and product marketing group feedback are carefully considered, and emerging technologies are reviewed in order to design software that can incorporate new hardware and related software features. WordPerfect's list of frequently requested products and features are reviewed and planned into new projects. Solicitation and tracking of customer feedback, both prior to and during the release of a new product, is an ongoing process. Cross-platform and multi-lingual issues are also considered early in the development process. Efforts to ensure ease of use include specific user interface designers trained in human factors research and development techniques, extensive testing of products in a state-of-the-art usability lab and continued solicitation of customer feedback, both prior to and during the release of a new product. Another set of developers is assigned to focus on increasing performance and optimizing the program code for the intended operating system. When developers have finished the preliminary work on a new project, testers begin using the product and experimenting with its features. This intensive testing process is continuously performed by WordPerfect employees, groups of novice, intermediate and advanced users, and at external beta testing sites.

Over 625 developers and over 280 testers work in WordPerfect's Orem, Utah facilities and at other facilities worldwide. WordPerfect believes that its team of developers is one of the most stable in the industry and that the relatively low turnover rate experienced by WordPerfect assists in creating stable product designs and efficient use of programming expertise. Most of WordPerfect's products have been developed by its internal development teams, although WordPerfect also uses outside consultants for certain projects. In some cases, WordPerfect will acquire or license key technology from third-party developers to complement its product offerings, as was the case with the acquisition of SoftSolutions Technology Corporation in January 1994.

WordPerfect's expenditures on research and development (excluding purchased in-process research and development) during 1993, 1992 and 1991 were \$125.4 million, \$106.0 million and \$83.3 million, respectively. WordPerfect expects that aggregate research and development expenses will increase in the future, and that

such expenses could increase as a percentage of net sales. Software research and development expenses have been expensed as incurred.

COMPETITION

The markets for WordPerfect's products are intensely competitive and are characterized by constant pressures to reduce prices, increase promotional activity, incorporate new features, adapt to new or enhanced operating systems and accelerate the release of new products and new versions of existing products. Several companies currently offer products that compete directly with WordPerfect's products, and certain of these competitors have significantly greater financial, technical and marketing resources and broader product lines than WordPerfect. In particular, Microsoft is increasingly dominant in many sectors of the software industry, and may be able to define or influence the direction of operating systems software. Microsoft may therefore enjoy competitive advantages with respect to the development and sale of application programs under such operating systems as a result of its access to information not documented or shared with independent software vendors or developers in a timely manner, if at all. In view of Microsoft's increasing dominance within the software industry, even if WordPerfect introduces applications with superior performance, features and capabilities, it is possible that Microsoft will be able to maintain or increase the market position of its application products competitive with those of WordPerfect.

For several years, WordPerfect has had the largest market share for DOS word processing programs, and through 1992 WordPerfect for DOS represented the largest percentage of WordPerfect's revenues. Although DOS is currently used on more personal computers than any other operating system, the overall market for DOS applications is declining, and WordPerfect believes it will decline further in the future, primarily as a result of the increased market acceptance of Windows. By introducing products such as WordPerfect 6.0 and 5.1+ for DOS, WordPerfect's objective is to extend the life of the market for its DOS applications.

In the market for MS Windows word processing applications, WordPerfect for MS Windows competes with Microsoft's Word and Lotus' Ami Pro, among others. WordPerfect believes that its share of the MS 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 MS Windows market 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 individually purchased applications, even if the latter applications have 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. WordPerfect and Borland have participated in an agreement under which the WordPerfect for MS Windows product and Borland's Quattro Pro spreadsheet and Paradox database programs may be sold in bundles or suites. As part of the merger, Novell has agreed to purchase Quattro Pro and license Paradox. In addition, while WordPerfect has a number of preloading arrangements with hardware manufacturers, Microsoft may have a significant competitive advantage in preloading products because of its broad range of software programs and its control of the DOS and MS Windows operating environments. Microsoft's extensive relationships with hardware manufacturers result in preloading of its software on many new computers, which may discourage end users from considering buying competitive applications from other vendors. To the extent that bundling, suites and preloading arrangements by competitors are successful, WordPerfect's business and results of operations could be materially adversely affected.

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,

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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.

Current competitive products in the workgroup computing market include Lotus' Notes program and Microsoft's Mail and Windows for Workgroups programs. Lotus Notes, in particular, has received considerable market interest. Although WordPerfect believes that this market has the potential to expand in the future, the market is currently relatively small, and no product has been successful in significantly expanding the market to date. WordPerfect also believes that the ability to sell effectively in this market will require it to develop new sales channels because the complexity and functionality of the products require greater support and assistance from resellers and WordPerfect. There can be no assurance that this market will expand in accordance with WordPerfect's expectations, that WordPerfect will be successful in developing the necessary sales channels in conjunction with Novell or that WordPerfect's product in this market will be successful.

To date, WordPerfect has competed against Microsoft, Lotus and other competitors on the basis of product quality, product functionality, customer support and price. WordPerfect expects competition from these competitors to increase, and that such increased competition could result in price reductions and loss of market share for WordPerfect. Accordingly, there can be no assurance that WordPerfect will not be required to lower prices in the future, which could materially adversely affect WordPerfect's operating results and financial condition. WordPerfect also competes with a variety of third parties that offer supplies and services compatible with WordPerfect's software products. A variety of potential actions by any of WordPerfect's competitors, including lower prices, increased promotion and accelerated introduction of new or enhanced products, could have a material adverse effect on WordPerfect's competitive position.

INTELLECTUAL PROPERTY; PROPRIETARY RIGHTS

WordPerfect generally has only "shrink-wrap" license agreements with the end users of its products and does not copy-protect its software. Shrink-wrap licenses are not signed by the end user and may not be enforceable in all cases. WordPerfect relies primarily on copyright laws and contract license provisions to prevent unauthorized use, duplication and distribution of its software. These laws and provisions afford only limited protection, and despite WordPerfect's active efforts, policing unauthorized use of WordPerfect's products is difficult, and software piracy is expected to be a persistent problem. Further, the laws of certain countries in which WordPerfect's products are or may be distributed do not protect WordPerfect's products and intellectual property rights to the same extent as the laws of the United States. In its efforts to combat the unauthorized use of its products and technology, WordPerfect continues to be actively involved as a member of the Business Software Alliance and other software industry associations and coalitions which are working to improve the legal environment for the sale and protection of software products, not only in the United States, but in other regions of the world.

WordPerfect also relies on a combination of trade secret, patent and trademark laws and nondisclosure agreements to protect its proprietary rights. WordPerfect has registered trademarks in the United States and in other countries, as noted on the inside front cover of this Prospectus/Proxy Statement, and has pending trademark applications for additional product names. To date, three of WordPerfect's patent applications have been allowed, and WordPerfect has a number of other patent applications pending with respect to certain innovative elements of its technology. Nevertheless, it may be possible for unauthorized third parties to duplicate WordPerfect's products or to reverse engineer or otherwise obtain and use information that WordPerfect regards as proprietary. While WordPerfect intends to police and protect its intellectual property rights, there can be no assurance that WordPerfect can prevent the unauthorized use of its intellectual property, including preventing competitors from independently developing products that are substantially similar to WordPerfect's products.

While WordPerfect's competitive position may be affected by its ability to protect its proprietary rights, WordPerfect believes that, because of the rapid pace of technological change in the computer software industry, factors such as the technical expertise, innovative skills and experience of WordPerfect's employees, frequent product enhancements, its name recognition and the timeliness and quality of its support services may be more significant in maintaining WordPerfect's competitive position.

As the number of software products in the industry increases and the functionality of these products further overlap, WordPerfect believes that software increasingly will become the subject of claims of infringement upon the rights of others. From time to time, WordPerfect has received communications from third parties asserting that features or content of certain of WordPerfect's products infringe intellectual property rights of such parties. While WordPerfect has been a party to trademark and copyright litigation in order to protect its marks and copyrighted works, the expenses and settlement costs of such litigation have not been material, and WordPerfect currently is not a defendant in any patent or copyright litigation. Nevertheless, there can be no assurance that WordPerfect will be able to resolve any further claims, if at all, without costly litigation or licensing of technology on terms that may be unfavorable to WordPerfect. In addition, there can be no assurance that licenses will be available on reasonable terms, if at all.

PRODUCTION

After development has been completed and products are ready for commercial distribution, WordPerfect prepares master software diskettes and artwork for the associated printed materials, which are then delivered to the manufacturing division for in-house production or outsourcing of production. If a given product is produced in-house, WordPerfect's manufacturing division duplicates diskettes and arranges for the outside production of all printed portions of the package, then assembles and ships the final products. Extensive quality assurance methods are employed to protect the software from any file corruption or virus infection during the duplication process. WordPerfect purchases raw materials and component parts from a number of qualified vendors. WordPerfect has entered into agreements with a few third parties to provide the fulfillment services and quality control for outsourced products. To date, WordPerfect has not experienced any material difficulties or delays in manufacturing its products, or material returns due to product defects. However, there can be no assurance that WordPerfect will not experience such difficulties or delays in the future.

EMPLOYEES

As of March 31, 1994, WordPerfect employed 5,128 employees, of which 3,932 were based in the United States and 1,196 were based internationally. Of this total, 1,366 of such employees were engaged in sales and marketing, 1,250 in customer support, 1,372 in product development, 400 in production and 740 in administration. WordPerfect believes that it currently maintains competitive compensation, benefits, equity incentive and work environment policies to assist in attracting and retaining qualified personnel. The employees of WordPerfect are not parties to any collective bargaining agreement, and WordPerfect believes that its relations with employees are good. WordPerfect also believes that the future success of its business will depend in large part on its ability to attract and retain qualified personnel. Competition for such personnel is intense, and there can be no assurance that WordPerfect will be successful in attracting and retaining such personnel.

FACILITIES

The Company's corporate headquarters are located in Orem, Utah, where it owns approximately 1,000,000 square feet of office space and 359,000 square feet of manufacturing and fulfillment facilities located on approximately 110 acres. WordPerfect also owns approximately 12,000 square feet of office space and 78,000 square feet of warehouse and manufacturing space in Rotterdam, The Netherlands. WordPerfect has entered into a letter of intent with R.R. Donnelley and Sons Documentation Services to sell the Rotterdam facility for \$3.5 million. This transaction is expected to close on or about June 1, 1994. WordPerfect leases additional office space in Orem and in major metropolitan areas of Australia, Austria, Belgium, Brazil, Chile, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, Mexico, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, the United Arab Emirates and the United Kingdom. International offices are leased for terms of from one to three years at commercially reasonable rates. WordPerfect expects that it will be able to renew its leases on satisfactory terms. WordPerfect also believes that its existing facilities are adequate to meet current needs, and that suitable additional space will be available or built by WordPerfect as needed to accommodate any further physical expansion of corporate operations and for additional sales and support offices.

WORDPERFECT MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

WordPerfect was founded in 1979 to develop, market and support word processing software and sold its first product in 1980. Through most of its history, WordPerfect has focused its efforts on developing word processing software for personal computers and, specifically, applications that operate in the DOS operating environment. Sales of the WordPerfect word processing program for all supported operating environments generated a substantial amount of WordPerfect's net sales in 1993 and 1992.

WordPerfect's results of operations in 1993 and 1992 were adversely affected by the general shift in the PC market from the DOS operating environment to the MS Windows operating environment and by the more competitive nature of the MS Windows market. In response, WordPerfect began to implement changes in its strategic direction. These changes included: an increase in the scope and aggressiveness of WordPerfect's selling and marketing activities; an increase in investment in research and development to broaden WordPerfect's product line; an increase in support for additional operating environments; development and implementation of improved financial control systems; reorganization of WordPerfect's management structure; and restructuring of WordPerfect's compensation program to industry-appropriate salaries with performance and profit-based bonuses. As part of the management reorganization and restructured compensation program, WordPerfect made severance and non-recurring payments to certain former employees and current employees aggregating \$29.0 million. These payments were charged to 1992 operations and are reflected as severance and non-recurring compensation expense in the consolidated statement of income. During 1993, WordPerfect announced plans to restructure and streamline its operations. As a result, WordPerfect recorded a \$33.0 million non-recurring restructuring expense in the third quarter of 1993 in order to provide for costs related to the restructuring plan. The expense includes provisions for employee severance costs, writedown of certain assets to estimated realizable values, outside professional fees and other costs associated with the plan.

Product life cycles in the application software industry are relatively short, with significantly upgraded or new products replacing older products frequently. Once a new product has been released, WordPerfect has generally experienced significant increases in net sales attributable to such products. Nevertheless, the success of a particular product over the long term depends on a wide variety of factors, and WordPerfect is unable to predict whether any particular product will achieve sustained market acceptance. To the extent a new product is a new version of an existing product, revenues from the new version may include substantial sales of upgrade packages to the existing product's installed base. Upgrade package sales generally have lower average selling prices and gross margins than sales of full retail packages to new users. As a product advances in its life cycle, competitive pressures may lead to a decline in its average selling price. In addition, the release or announcement of new products or upgrades by WordPerfect's competitors may have the effect of substantially shortening the life cycle of, and significantly reducing WordPerfect's revenues from, a particular product. Further, the announcement of new products or upgrades by WordPerfect itself can have a negative effect on sales of WordPerfect's existing products and can cause WordPerfect to further reduce average selling prices, establish reserves for estimated future returns or offer upgrades to the new product. WordPerfect expects these factors to continue to affect its business in the future, especially in 1994, during which period WordPerfect expects to release a number of new products and product upgrades. The pattern was exhibited with WordPerfect's May 1994 release of WordPerfect 6.0a for MS Windows. WordPerfect experienced a significant decrease in sales during April 1994 as compared to prior months as the distribution channel was prepared for the upgraded version of the product. In May, WordPerfect sales rebounded substantially in response to the marketing efforts associated with the roll-out of the upgraded product.

In general, for a significant period of time prior to the release of a new product or upgrade, WordPerfect will incur substantial research and development expenses, followed by substantial sales and marketing expenses in anticipation of the release. WordPerfect will incur these expenses before any revenues are received from the new product and even before the market acceptance of the product can be determined. In particular, WordPerfect expended substantial research and development and sales and marketing efforts during 1993 and 1992 in anticipation of the release of new or upgraded document processing products for the MS Windows, DOS and Macintosh platforms, workgroup products for the MS Windows, DOS, Macintosh and UNIX platforms, and a presentations graphics product for the MS Windows platform. Despite these investments of significant resources, there can be no assurance as to the market acceptance of, or the revenues which may result from these products in the remainder of 1994 or in future years.

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RESULTS OF OPERATIONS

The following table sets forth the percentage of net sales represented by certain items on WordPerfect's consolidated statement of income for the periods indicated. All pro forma information gives effect to the pro forma adjustments described in Note 9 of Notes to WordPerfect Consolidated Financial Statements.

	PERCENTAGE OF NET SALES		
	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
Net sales.....	100.0%	100.0%	100.0%
Cost of sales.....	25.2	24.6	23.1
Gross margin.....	74.8	75.4	76.9
Expenses:			
Selling and marketing.....	35.5	25.6	17.7
Research and development.....	17.7	17.3	13.4
General and administrative.....	11.7	11.7	13.2
Purchased in-process research and development.....	0.4	3.5	--
Restructuring.....	4.7	--	--
Severance and non-recurring compensation.....	--	5.0	--
Total expenses.....	70.0	63.1	44.3
Income from operations.....	4.8	12.3	32.6
Other income, net.....	--	2.3	1.7
Income before provision (benefit) for income taxes.....	4.8	14.6	34.3
Provision (benefit) for income taxes.....	(5.9)	2.0	2.0
Net income.....	10.7%	12.6%	32.3%
	=====	=====	=====
UNAUDITED PRO FORMA DATA:			
Income before provision for income taxes.....	4.8%	14.6%	34.3%
Provision for income taxes.....	1.7	5.6	12.1
Net income.....	3.1%	9.0%	22.2%
	=====	=====	=====

Net Sales

Net sales include revenues from software product sales less promotional discounts, deferrals and reserves for product returns. Revenue is generally recognized at the time of shipment. Historically, substantially all of WordPerfect's net sales have been derived from sales of word processing software -- specifically WordPerfect for DOS and, commencing in the fourth quarter of 1991, WordPerfect for MS Windows.

WordPerfect's net sales were \$139.4 million in the first quarter of 1994, as compared with \$200.0 million in the fourth quarter of 1993 and \$172.2 million in the first quarter of 1993. The 19.0% decrease from the first quarter of 1993 to the first quarter of 1994 was due primarily to decreased sales of WordPerfect for DOS consistent with the overall trend in the DOS applications market, and to the release of WordPerfect 5.2 for MS Windows in the first quarter of 1993. The 30.3% decrease in net sales from the fourth quarter of 1993 to the first quarter of 1994 resulted primarily from the initial release of WordPerfect 6.0 for MS Windows in the fourth quarter of 1993, and from decreased sales of WordPerfect 6.0 for MS Windows in the first quarter of 1994 as management prepared the channel for the release of the 6.0a upgrade version of this product. WordPerfect 6.0a for MS Windows was subsequently released in May of 1994. North American net sales of \$85.0 million in the first quarter of 1994 declined from \$140.7 million in the fourth quarter of 1993 and \$112.7 million in the first quarter of 1993, comparative decreases of 39.6% and 24.6%, respectively. International net sales of \$54.4 million in the first quarter of 1994 declined from \$59.3 million in the fourth quarter of 1993 and \$59.5 million in the first quarter of 1993, comparative decreases of 8.3% and 8.6%, respectively.

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WordPerfect's net sales increased from \$579.1 million in 1992 to \$707.5 million in 1993, an increase of 22.2%. The increase in net sales, all of which was in North America, resulted primarily from the release of WordPerfect 5.2 for MS Windows in late 1992, the release of WordPerfect 6.0 for DOS in June 1993 and the release of WordPerfect 6.0 for MS Windows in September 1993. This increase in net sales was partially offset by further declines in sales of WordPerfect 5.1 for DOS internationally. The increase in net sales reflected growth in North American net sales from \$352.1 million in 1992 to \$500.2 million in 1993, an increase of 42.1%, which was offset in part by a decrease in international net sales from \$227.0 million in 1992 to \$207.3 million, a decrease of 8.7%.

Net sales decreased from \$622.0 million in 1991 to \$579.1 million in 1992, a decrease of 6.9%. This decrease was substantially the result of a decline in revenues from sales of WordPerfect for DOS as a result of the general shift in the PC market from the DOS platform to the MS Windows platform, especially internationally. The decrease in net sales also reflects the effects of the overstocking by distributors which WordPerfect believes may have occurred in the fourth quarter of 1991, when WordPerfect announced an increase in its prices beginning in 1992. In addition, WordPerfect had no new product releases during 1992 until the fourth quarter, when it released WordPerfect Presentations for DOS and WordPerfect 5.2 for MS Windows. The decrease in net sales was also partially offset by a significant increase in revenues from sales of WordPerfect 5.1 for MS Windows, reflecting the availability of this product in North America for the full twelve months of 1992, as compared to two months in 1991, and the international release of this product in the first quarter of 1992. Net sales in North America declined from \$416.3 million in 1991 to \$352.1 million in 1992, a decrease of 15.4%. International net sales increased from \$205.7 million to \$227.0 million, an increase of 10.4%, reflecting increased sales of WordPerfect for MS Windows.

Gross Margin

Gross margin is the difference between net sales and cost of sales. WordPerfect includes in cost of sales all costs of manuals, diskettes and duplication, packaging materials, assembly costs, paper goods, manufacturing related shipping, appropriate manufacturing labor and overhead, royalty payments and customer support. Customer support costs include the costs of personnel, equipment and telephone charges. Customer support costs were \$65.9 million in 1993, \$54.9 million in 1992, and \$48.1 million in 1991. A significant portion of these costs are marketing related. The portion of the support costs that are non-marketing are insignificant vendor obligations. Gross margins are significantly affected by changes in average selling prices. Generally, average selling prices of existing products decline as a result of competitive pressures and product life cycles, which may cause WordPerfect to lower prices or offer other terms to increase or maintain market share. Average selling prices may also decline following WordPerfect's release of new versions of existing products, a substantial portion of which are sold as upgrade packages with lower average selling prices and lower margins than full retail packages. In addition, to the extent WordPerfect offers its products in bundles, suites or pursuant to preloading arrangements with hardware manufacturers, average selling prices may also be negatively affected.

WordPerfect's gross margin percentage decreased from 76.3% in the first quarter of 1993 to 73.4% in the first quarter of 1994. This decrease was a result of a general decline in the average selling prices of WordPerfect's products and was partially offset by improvements in manufacturing efficiencies.

WordPerfect's gross margin percentage decreased from 75.4% in 1992 to 74.8% in 1993. This decrease primarily related to continuing declines in average selling prices, as upgrade packages of WordPerfect 5.2 and 6.0 for MS Windows and WordPerfect 6.0 for DOS accounted for an increasing percentage of total sales.

WordPerfect's gross margin percentage decreased from 76.9% in 1991 to 75.4% in 1992. This decrease resulted from an increase in customer support expense and a general decline of average selling prices for WordPerfect's products, although this decline was partially offset by increased manufacturing efficiencies.

Selling and Marketing Expenses

Selling and marketing expenses include personnel and equipment costs, advertising, trade show-related expenses and promotional items. Selling and marketing expenses were \$53.8 million, or 31.3% of net sales, in

the first quarter of 1993 and \$48.1 million, or 34.5% of net sales, in the first quarter of 1994. This decrease resulted from fewer advertising and promotional activities in the first quarter of 1994 and from the effects of the January 1994 reduction-in-force.

Selling and marketing expenses increased from \$148.2 million, or 25.6% of net sales in 1992 to \$251.1 million, or 35.5% of net sales, in 1993. This increase was the result of the continuation of WordPerfect's increased focus on selling and marketing activities. During 1993, WordPerfect increased North American personnel, although the costs of this increase were partially offset by reduced compensation expense for certain employees due to the 1992 change in WordPerfect's compensation program. During 1993, WordPerfect also incurred expenses from sponsorship of international sports teams, from its television advertising campaign and from marketing efforts related to the release of WordPerfect 6.0 for DOS and WordPerfect 6.0 for MS Windows.

Selling and marketing expenses increased from \$110.0 million, or 17.7% of net sales in 1991, to \$148.2 million, or 25.6% of net sales, in 1992. The increase in selling and marketing expenses is also the result of WordPerfect's greatly increased focus on selling and marketing activities. During 1992, WordPerfect increased its sales and marketing staff, advertising efforts, trade show activities and customer support expenditures.

Research and Development Expenses

Research and development expenses consist primarily of personnel and equipment costs required to conduct WordPerfect's development efforts. These costs include internal software development costs, software testing costs, documentation costs and third-party software development costs. WordPerfect believes that significant investments in research and development for multi-operating environment products is required to remain competitive. As a result, WordPerfect has increased its expenditures on research and development each year since 1988.

WordPerfect's research and development expenses were \$29.9 million, or 17.4% of net sales, in the first quarter of 1993 and \$29.5 million, or 21.1% of net sales, in the first quarter of 1994. This decrease was primarily the result of the January 1994 reduction-in-force.

Research and development expenses increased from \$100.2 million, or 17.3% of net sales, in 1992 to \$125.4 million, or 17.7% of net sales, in 1993. The increase was due primarily to an increase in compensation-related expenses resulting from a larger number of employees in 1993 and the implementation of an incentive bonus program based on completion dates for certain products under development. The increase was partially offset by the reduced compensation expenses for certain employees as a result of the restructured compensation program.

Research and development expenses were \$100.2 million, or 17.3% of net sales, in 1992 and \$83.3 million, or 13.4% of net sales, in 1991. The increase from 1991 to 1992 was the result of increased research and development personnel and third-party development costs in support of WordPerfect's continued expansion of its product offerings, both in terms of application software products and the operating environments in which such applications operate. A substantial portion of such costs in 1992 and 1991 were directly related to products which have been or are expected to be released in 1993 and 1994.

General and Administrative Expenses

General and administrative expenses are composed primarily of the costs of WordPerfect's finance, legal, facilities, human resources, information systems and other administrative functions. General and administrative expenses increased from \$18.4 million, or 10.7% of net sales, in the first quarter of 1993 to \$19.1 million, or 13.7% of net sales, in the first quarter of 1994. This increase was primarily the result of increased fees for outside professional services.

General and administrative expenses were \$83.1 million, or 11.7% of net sales, in 1993, \$67.6 million, or 11.7% of net sales, in 1992 and \$82.2 million, or 13.2% of net sales, in 1991. The increase in general and

administrative expenses from 1992 to 1993 resulted primarily from an increase in administrative personnel. The decrease in general and administrative expenses from 1991 to 1992 resulted primarily from a decrease in compensation related expenses. During 1991, WordPerfect paid certain employees large bonuses related to WordPerfect's 1991 performance.

Purchased In-Process Research and Development Expenses

Purchased in-process research and development expenses during the first quarter of 1994 and during 1993 and 1992 were principally the result of the acquisition of SoftSolutions Technology Corporation in the first quarter of 1994, the purchase of the InfoCentral technology in the third quarter of 1993, and the acquisition of Reference Software International in the fourth quarter of 1992. A significant portion of the purchase prices for both SoftSolutions Technology Corporation and Reference Software International, as well as all of the purchase price of the InfoCentral technology, were attributable to purchased in-process research and development for future products. The technological feasibility of these products had not been achieved at the time of the acquisitions, and, as a result, the portion of each purchase price attributable to purchased in-process research and development was expensed during the quarter in which it was purchased. See Note 3 of Notes to Consolidated Financial Statements.

Severance and Non-Recurring Compensation Expense and Restructuring Expense

During 1992, in a series of transactions, WordPerfect reorganized its management and adjusted compensation levels to market-based salaries with performance and profit based bonuses. These transactions resulted in severance expense of \$12.5 million and non-recurring compensation expense of \$16.5 million. The severance payments related to former members of management and were expensed when the employees left WordPerfect and the severance arrangements were determined. The non-recurring compensation payments related to one-time payments made to certain employees when they were informed of reduced future compensation levels at industry-appropriate levels. The non-recurring compensation expense was recorded when the amount of the one-time payments were determined and the employees were informed of the restructured compensation levels.

In September 1993, WordPerfect management adopted plans to restructure and streamline WordPerfect's operations and, as a result, recorded a non-recurring restructuring expense of \$33.0 million in the third quarter of 1993. The plan was announced during the fourth quarter of 1993, and its implementation has continued throughout the first and second quarters of 1994. As a result of the plan, WordPerfect's work force has been reduced by approximately 1,100 employees to date in all areas of operations. The \$33.0 million restructuring expense included \$16.4 million for employee severance and relocation costs, \$9.7 million for the disposition of a manufacturing facility in Rotterdam, \$3.4 million for costs associated with the discontinuation of DataPerfect and WordPerfect for OS/2, \$2.5 million for the revaluation of equipment to estimated realizable value and \$1.0 million for outside professional services and other costs associated with the plan. Of the restructuring costs, approximately \$11.5 million were non-cash expenditures. Management believes that the plan has enabled WordPerfect to significantly improve its operational efficiencies and estimates that these efficiencies will save WordPerfect approximately \$30.0 million in annual operating costs. WordPerfect management does not believe that the restructuring plan will have a material adverse effect on future revenues.

Other Income

Other income consists primarily of interest income on cash and short-term investment balances and net gains on foreign currency transactions. Other income decreased from \$1.2 million in the first quarter of 1993 to a loss of \$500,000 in the first quarter of 1994. This change resulted from foreign currency fluctuations and increased interest expense associated with the notes payable to shareholders. Interest income decreased from 1992 to 1993 as a result of reduced cash and short-term investment balances primarily due to a large distribution to the shareholders in December 1992. Interest income increased from 1991 to 1992 principally because of higher cash and investment balances, offset in part by declining interest rates.

WordPerfect had a small loss from foreign currency transactions in 1993 and gains from foreign currency transactions in 1991 and 1992. WordPerfect expects gains or losses from foreign currency transactions to

fluctuate significantly from period to period, primarily as a result of fluctuating values of the U.S. dollar and the recent instability in European currency markets. WordPerfect recently initiated a program to evaluate purchases of forward foreign exchange contracts to hedge its outstanding accounts receivable exposure in certain countries, and anticipates purchasing such hedge contracts to cover a substantial portion of the outstanding exposure when appropriate. Nonetheless, a decrease in the value of foreign currencies relative to the U.S. dollar could result in future losses from foreign currency transactions.

Pro Forma Provision for Income Taxes

From January 1, 1985 through September 30, 1993, WordPerfect had elected to be taxed as an S corporation such that the income tax effects of WordPerfect's activities have accrued directly to its shareholders. Most of WordPerfect's subsidiaries had also made S corporation elections at their inceptions. Such elections were terminated on September 30, 1993 for WordPerfect and December 31, 1993 for WordPerfect's subsidiaries. The Consolidated Financial Statements contained herein include a pro forma amount for the income tax provision that would have been incurred had WordPerfect never been an S corporation, calculated under Financial Accounting Standard No. 109, "Accounting for Income Taxes."

The provision for income taxes and the pro forma provision for income taxes were approximately \$1.8 million and \$10.3 million for the first quarters of 1994 and 1993, respectively. These amounts represent effective tax rates of 37.0% (excluding the one-time expense for purchased in-process research and development) in the first quarter of 1994 and 34.0% in the first quarter of 1993. The pro forma provisions for income taxes were approximately \$11.9 million, \$32.3 million and \$75.1 million in 1993, 1992 and 1991, respectively, with effective tax rates of 34.9%, 38.2% and 35.2% for the same periods. The effective rate is determined based upon applicable federal, state and foreign statutory rates, less the pro forma effect of any research and development credits. The increase in the effective tax rate for 1992 reflects the purchased in-process research and development acquired from Reference Software International, which has been expensed for financial accounting purposes but has not been expensed for income tax purposes.

During the period of WordPerfect's S corporation status, its shareholders have been required, under applicable tax laws, to recognize and pay tax on a greater amount of income than has been accrued pursuant to applicable accounting rules. The amount of taxes paid by the shareholders in excess of the tax provisions on WordPerfect's financial statements has been recorded as an asset and an income tax benefit on September 30, 1993 and December 31, 1993. As a result, WordPerfect recognized approximately \$49.9 million as income tax benefit in 1993.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception, WordPerfect has financed its activities almost exclusively from cash generated from operations. At March 31, 1994, WordPerfect had approximately \$40.5 million of cash and cash equivalents, compared to \$55.1 million at December 31, 1993. WordPerfect has a line of credit to finance short-term needs under which it can borrow up to \$40 million of either the bank's prime lending rate or 1.125 percent over LIBOR. See Note 7 of Notes to Consolidated Financial Statements.

Prior to September 30, 1993, WordPerfect's shareholders had been liable for federal and state income taxes on Company earnings as a consequence of WordPerfect's S corporation status. WordPerfect has made periodic distributions to shareholders in amounts sufficient to pay such taxes and as a return of capital. The aggregate amount of such distributions to all shareholders was \$20.3 million in 1993, \$178.2 million in 1992 and \$121.9 million in 1991, excluding the transfer 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.

WordPerfect has historically used cash generated from operations to fund its working capital requirements and to acquire capital equipment. WordPerfect's operating activities utilized net cash of \$8.7 million in the first quarter of 1994 and provided net cash of \$39.9 million, \$155.2 million and \$246.1 million in the years

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ended December 31, 1993, 1992 and 1991, respectively. WordPerfect's capital expenditures aggregated \$3.1 million in the first quarter of 1994, and \$42.7 million, \$47.3 million and \$55.9 million for the years ended December 31, 1993, 1992 and 1991, respectively. These expenditures have historically consisted of purchases of computer equipment, furniture and fixture, and costs of new building construction. In the future, WordPerfect's available cash may decrease as a result of changes in the terms of sale to its distributors, which may extend the period that accounts receivable are outstanding. At December 31, 1993, WordPerfect had no material commitments for capital expenditures.

From time to time, WordPerfect evaluates potential acquisitions of businesses, products or technologies that complement WordPerfect's business. In January 1994, WordPerfect purchased the outstanding common stock of SoftSolutions Technology Corporation ("SoftSolutions"), a developer of network document management software, in exchange for \$5.8 million in cash and \$9.2 million in notes payable to SoftSolutions stockholders. The notes accrue interest at 6% per annum and are payable in two annual installments beginning in January 1995. WordPerfect has no present understandings, commitments or agreements with respect to any material acquisitions of other businesses, products or technologies.

WordPerfect believes that the cash generated from operations and amounts available under its line of credit, will satisfy WordPerfect's projected working capital and capital expenditure requirements for at least the next 12 months.

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MANAGEMENT OF WORDPERFECT

EXECUTIVE OFFICERS, SENIOR MANAGEMENT AND DIRECTORS

The WordPerfect executive officers and senior management who will serve or are entitled to serve as executives or as members of the Board of Directors of Novell following the Merger are as follows:

NAME	AGE	POSITION WITH NOVELL
Alan C. Ashton, Ph.D.....	51	Director
Bruce W. Bastian.....	46	Director
Adriaan Rietveld.....	39	President, Applications Product Group

Dr. Ashton co-founded WordPerfect and has served as Co-Chairman of the WordPerfect Board of Directors since January 1994. He has served as an executive officer and/or a director of WordPerfect and certain of its subsidiaries since its inception. Prior to founding WordPerfect, Dr. Ashton was a professor at Brigham Young University ("BYU"), where he taught computer science for 14 years. Dr. Ashton received a B.S. degree in mathematics and a Ph.D. degree in computer science from the University of Utah.

Mr. Bastian co-founded WordPerfect and has served as Co-Chairman of the WordPerfect Board of Directors since January 1994. He has served as an executive officer and/or a director of WordPerfect and certain of its subsidiaries since its inception. Mr. Bastian received a B.A. degree in music from BYU and an M.S. degree in computer science from BYU.

Mr. Rietveld joined WordPerfect in 1988 and was promoted to President and Chief Executive Officer in January 1994. He previously served as Senior Vice President, Sales and Marketing from November 1992 to December 1993. He has also served in various positions with WordPerfect's subsidiaries and affiliates. Prior to joining WordPerfect, Mr. Rietveld served as General Manager for DELTAware B.V., a software distribution company he co-founded. Mr. Rietveld studied mathematics and communication at Groen van Prinsterer College. See "WordPerfect Certain Transactions."

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. This condition has been 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. Aston and Mr. Bastian are expected to make a request to join the Novell Board of Directors in Novell's fiscal fourth quarter of 1994. In recognition of the foregoing, the disclosures concerning Dr. Ashton and Mr. Bastian in the "Management of WordPerfect" Section, while not required by the rules and regulations of the SEC, are being presented on a voluntary basis.

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SUMMARY OF CASH AND OTHER COMPENSATION

The following table sets forth the compensation earned for services rendered to WordPerfect in all capacities during the fiscal year ended December 31, 1993 by each person who will serve or is entitled to serve as an executive officer or director of Novell (together, the "Named Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		ALL OTHER COMPENSATION (\$) (2)
		SALARY (\$) (1)	BONUS (\$) (1)	
Adriaan Rietveld -- President and Chief Executive Officer(3).....	1993	\$313,882	\$ 87,500	\$ 330
Alan C. Ashton, Ph.D. -- Co-Chairman of the Board(4).....	1993	\$492,446	\$ 200,001	\$ 10,434
Bruce W. Bastian -- Co-Chairman of the Board(5).....	1993	\$475,000	\$ 190,000	\$ 9,828

- (1) WordPerfect granted bonuses to the Named Officers based on predefined individual performance criteria for 1993. Such performance criteria included, but were not limited to, productivity, work quality, creativity/innovation, communication and supervisory skills, and knowledge and analytical skills.
- (2) For each Named Officer, "All Other Compensation" includes (i) contributions by WordPerfect to WordPerfect's 401(k) Plan which match contributions made by such individuals to the Plan and (ii) premiums for life insurance policies on behalf of such Named Officer as follows:

NAME	PLAN CONTRIBUTION	INSURANCE PREMIUM
Adriaan Rietveld.....	--	\$ 330
Alan C. Ashton.....	\$8,994	\$ 1,140
Bruce W. Bastian.....	\$8,994	\$ 834

- (3) Mr. Rietveld served as the Senior Vice President, Sales and Marketing of WordPerfect during fiscal year 1993 and became the President and Chief Executive Officer of WordPerfect on January 1, 1994. Mr. Rietveld will serve as President of the Novell Applications Product Group upon consummation of the Merger.
- (4) Dr. Ashton served as the President and Chief Executive Officer of WordPerfect during fiscal year 1993 and is currently Co-Chairman of WordPerfect's Board of Directors effective January 1, 1994 and has a right to become a member of the Board of Directors of Novell after the consummation of the Merger.
- (5) Mr. Bastian served as Chairman of WordPerfect's Board of Directors during fiscal year 1993 and is currently Co-Chairman of WordPerfect's Board effective January 1, 1994 and has a right to become a member of the Board of Directors of Novell after the consummation of the Merger.

OPTION GRANTS

No options or stock appreciation rights were granted to any Named Officers during 1993.

OPTION EXERCISES AND HOLDINGS

The following table sets forth for each of the Named Officers certain information concerning the number of shares subject to both exercisable and unexercisable stock options as of December 31, 1993. Also reported are values for "in-the-money" options that represent the positive spread between the respective exercise prices of outstanding stock options and the fair market value of WordPerfect's Common Stock as of December 31, 1993, as determined by WordPerfect's Board of Directors. No options or stock appreciation rights were exercised during 1993, and no stock appreciation rights were outstanding as of December 31, 1993.

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AGGREGATED OPTION EXERCISES IN LAST
FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

NAME	NUMBER OF UNEXERCISED OPTIONS AT FISCAL YEAR-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END(\$)(1)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE(2)
Adriaan Rietveld.....	--	225,000	--	\$1,125,000
Alan C. Ashton.....	--	--	--	--
Bruce W. Bastian.....	--	--	--	--

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- (1) Based upon the \$13.50 per share value of the Company's Common Stock, as determined by WordPerfect's Board of Directors on December 31, 1993.
- (2) Pursuant to the Merger Agreement, all WordPerfect Options that are outstanding as of the Effective Date will be assumed by Novell, and all such options will accelerate and become immediately exercisable at that time.

EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL
ARRANGEMENTS

WordPerfect entered into an employment agreement with Mr. Rietveld on January 22, 1993 pursuant to which WordPerfect has agreed to employ Mr. Rietveld until March 12, 1996. The agreement was amended on January 1, 1994 (the "Addendum") in connection with Mr. Rietveld's promotion to President and Chief Executive Officer of WordPerfect. Pursuant to the Addendum, Mr. Rietveld was granted an option to purchase 25,000 shares of WordPerfect's Common Stock on January 8, 1994 at an exercise price of \$13.50 per share. In the event of Mr. Rietveld's involuntary termination without cause (including any termination as a result of death or permanent disability and any termination in connection with a change in control of WordPerfect), he will be entitled to a severance payment for five years as follows: 100% of base salary for the two years following termination, 75% of base salary for the third year, 50% of base salary for the fourth year and 25% of base salary for the fifth year. In addition, all options to purchase shares of WordPerfect Common Stock held by Mr. Rietveld at the time of such involuntary termination without cause will be accelerated so that all such options will become immediately exercisable for 50% of all unvested shares and the remaining 50% will become exercisable one year after the date of involuntary termination without cause. Further, all outstanding options will remain exercisable for a period of three years following the involuntary termination without cause. In the event that Mr. Rietveld voluntarily terminates his employment with WordPerfect, he will receive a severance payment equal to his base salary for a period of 180 days. As previously described, all WordPerfect stock options held by Mr. Rietveld at the Effective Date will automatically accelerate in full and become immediately exercisable at such time. See "Terms of the Merger -- Employee Benefit Plans -- WordPerfect Options."

CERTAIN TRANSACTIONS OF WORDPERFECT

Prior to September 30, 1993, WordPerfect was operated as a series of related entities that were owned or controlled by the shareholders who control WordPerfect (the "Related Entities"). On September 30, 1993 and December 31, 1993, certain Related Entities became wholly owned subsidiaries of WordPerfect (the "Consolidated Entities"). For purposes of the Consolidated Financial Statements included in this Prospectus/Proxy Statement, transactions among these entities have been treated as intracompany transactions of WordPerfect which are eliminated in the consolidation process. See Note 1 of Notes to Consolidated Financial Statements. The Consolidated Entities consist of the following Related Entities: WordPerfect International, WP Leasing, Inc., ABP Development Company, WordPerfect Publishing Corporation, Reference Software International, Nihon WordPerfect, WP Software GmbH, WordPerfect Denmark, WordPerfect Switzerland, WordPerfect Pacific, WordPerfect America Latina Corporation, WordPerfect Asia, SoftCopy Europe, WordPerfect Brasil Tecnologia Ltda., and WP Properties, L.C.

For purposes of this "Certain Transactions of WordPerfect" section, references to Dr. Ashton and Mr. Bastian shall refer to Alan C. Ashton and Bruce W. Bastian respectively, and may also include their respective spouses, children, and trusts. Each of Dr. Ashton and Mr. Bastian are Co-Chairmen of the Board of Directors of WordPerfect.

During 1988, Dr. Ashton and Mr. Bastian extended a line of credit for working capital to ComputerShow, a corporation substantially owned by Dr. Ashton and Mr. Bastian and included as a consolidated entity of WordPerfect through September 30, 1993. The line of credit bore interest at 9% and had a maximum outstanding balance of \$307,000 during 1991. The line of credit was repaid in full during 1992. Total interest paid was \$4,000 during 1992 and \$22,000 during 1991.

ABP Development Company provided construction and building maintenance services to and received payment from Dr. Ashton of approximately \$41,000 and \$69,000 in 1993 and 1992, respectively, from Mr. Bastian of approximately \$35,000 in 1993, and from BAT Investments, L.C., a limited liability company substantially owned by Dr. Ashton and Mr. Bastian of approximately \$108,000 in 1993. In January 1994, the activities of ABP Development Company were discontinued. Assets related to ABP Development Company, with net book value of approximately \$64,000, were distributed to Dr. Ashton and Mr. Bastian.

WordPerfect entered into agreements with Mr. Lewis Bastian, a brother of Mr. Bastian, and Bastian Enterprises, Inc., a company owned and controlled by Mr. Lewis Bastian ("BEI"), in connection with the development and sale of DataPerfect, a general purpose database software program, and TOOL, an object-oriented language used for software development. Pursuant to these agreements, WordPerfect paid Mr. Lewis Bastian and BEI aggregate consulting fees and royalty payments of \$718,000, \$474,000 and \$479,000 during 1993, 1992 and 1991, respectively. In February 1994, WordPerfect agreed to pay BEI \$2.75 million over three years in exchange for a termination of these agreements and to pay BEI fees of \$125,000 per year, for up to two years, for consulting services that BEI provides to WordPerfect.

Pursuant to agreements with Dr. Ashton and Mr. Bastian for the development and sale of WordPerfect Executive and WordPerfect Library, WordPerfect, during 1992 and 1991, made royalty payments to Dr. Ashton of \$79,000 and \$125,000, respectively, and to Mr. Bastian of \$79,000 and \$125,000, respectively. Such agreements were terminated as of August 1993.

During 1992 and 1991, WordPerfect International, formerly WordPerfect Europe, made payments pursuant to management agreements to MeRi, a Dutch company controlled by Adriaan Rietveld, who was then serving as an officer of WordPerfect Europe and SoftCopy Europe, of approximately \$6.8 million and \$2.0 million, respectively. The \$6.8 million payment in 1992 included a negotiated termination of these management agreements for a lump sum payment to MeRi. Mr. Rietveld is currently the President and Chief Executive Officer of WordPerfect. See "Management of WordPerfect -- Employment Contracts, Termination of Employment and Change in Control Arrangements."

Prior to the Merger, Novell, Sub, WordPerfect and the shareholders of WordPerfect will enter into a Tax Matters Agreement which will provide, among other things, that certain WordPerfect shareholders will severally and not jointly indemnify WordPerfect and Novell with respect to any 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 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 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. See "Terms of the Merger -- Tax Matters Agreement."

Effective September 30, 1993, all the interests of WP Properties, L.C., a limited liability company owned by Dr. Ashton (50%) and Mr. Bastian (50%), were transferred to WordPerfect in exchange for \$5 million in cash and a promissory note in the principal amount of \$74.3 million payable to Dr. Ashton and Mr. Bastian. Such note accrues interest at a rate of 6% per annum. Such note, by its terms, shall become due and payable within 30 days after a merger or change in control of WordPerfect.

In December 1992, ABP Investments, L.C., a limited partnership owned by Dr. Ashton (47.5%), Mr. Bastian (47.5%) and another individual (5%) transferred certain real property directly related to WordPerfect's business to WP Properties, L.C., a Consolidated Entity, initially owned by Dr. Ashton (50%) and Mr. Bastian (50%). The remaining assets, which consisted of certain parcels of real property not directly related to WordPerfect's business, were transferred to BAT Investments, L.C., a limited liability company owned by Dr. Ashton (44.8%), Mr. Bastian (44.8%) and another individual (10.4%). Aggregate lease payments of WordPerfect to BAT Investments, L.C. and its predecessor with respect to such properties were \$216,000, \$169,000, and \$135,000 for 1993, 1992 and 1991, respectively.

In February 1992, WordPerfect acquired by merger the stock of a company engaged in the duplication, assembly and shipping of software products which was owned by Dr. Ashton (40%), Mr. Bastian (40%) and another individual (20%). In connection with this merger, all of the outstanding stock of the old company was cancelled and 483,150, 483,150 and 413,800 shares of WordPerfect Common Stock were issued to Dr. Ashton, Mr. Bastian and another individual, respectively. In 1992, certain assets that were not directly related to the business activities of WordPerfect, having an aggregate book value of \$9.1 million, were distributed to a newly formed corporation ("SoftCopy") owned by Dr. Ashton (49.5%), Mr. Bastian (49.5%) and another individual (1.0%), respectively. For the years ended December 31, 1993 and 1992, the Consolidated Entities made payments to SoftCopy for diskette and duplication services of approximately \$906,000 and \$1.2 million, respectively.

During March 1992, WP Leasing, Inc. loaned SoftCopy \$100,000 for working capital. In May and June 1992, WP Leasing, Inc. loaned \$100,000 to BA Ltd., a limited liability company owned by Mr. Ashton (50%) and Mr. Bastian (50%). Such loans were repaid in 1993.

UPA Associates, a limited liability company substantially owned by Dr. Ashton and Mr. Bastian provides property maintenance services to WordPerfect. Since its inception in January 1994, aggregate payments from WordPerfect to UPA Associates through April 1, 1994 have been approximately \$134,000.

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PRINCIPAL SHAREHOLDERS OF WORDPERFECT

The following table sets forth, as of March 31, 1994, certain information with respect to the beneficial ownership of WordPerfect's Common Stock for: (i) each person known by WordPerfect to beneficially own more than 5% of the outstanding shares of WordPerfect Common Stock, (ii) each of WordPerfect's directors, (iii) each of WordPerfect's senior executive officers and (iv) all WordPerfect directors and officers as a group.

DIRECTORS, EXECUTIVE OFFICERS AND FIVE PERCENT SHAREHOLDERS	SHARES OF COMMON STOCK BENEFICIALLY OWNED(1)		
	NUMBER	PERCENTAGE OWNERSHIP PRE-MERGER	PERCENTAGE OWNERSHIP POST-MERGER(2)
Alan C. and Karen J. Ashton(3) c/o WordPerfect Corporation 1555 North Technology Way Orem, Utah 84057	25,345,670	49.33%	7.03%
Bruce W. Bastian(4) c/o WordPerfect Corporation 1555 North Technology Way Orem, Utah 84057	20,178,255	39.27%	5.60%
Melanie L. Bastian(5) c/o WordPerfect Corporation 1555 North Technology Way Orem, Utah 84057	5,906,655	11.50%	1.64%
Adriaan Rietveld(6)	250,000	*	*
David C. Moon(6)	275,000	*	*
R. Duff Thompson(6)(7)	275,000	*	*
John C. Lewis(6)	275,000	*	*
Daniel W. Campbell(6)	225,000	*	*
Linda Wertheimer Hart(6)	20,000	*	*
All officers and directors as a group (8 persons)(8)	46,843,925	88.89%	13.00%

* Less than 1%.

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of Common Stock subject to options currently exercisable, or exercisable within 60 days of the completion of the Merger, are deemed outstanding for computing the percentage of the person holding such option, but are not outstanding for computing the percentage of any other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned.
- (2) Calculated on the basis that each share of WordPerfect Common Stock will be exchanged for one share of Novell Common Stock upon completion of the Merger. Assumes that a total of 360,401,397 shares of Novell Common Stock will be outstanding upon consummation of the Merger.
- (3) Includes 413,256 shares held by a third party as a custodian for Alan and Karen Ashton's children who are under 18 years of age, as to which shares Alan and Karen Ashton disclaim beneficial ownership. Does not include 344,380 shares held by Alan and Karen Ashton's children who are over 18 years of age.
- (4) Includes 394,860 shares held by a third party as a custodian for Bruce Bastian's children who are under 18 years of age, as to which shares Bruce Bastian disclaims beneficial ownership. Excludes 5,511,795 shares held by Bruce Bastian's wife, Melanie L. Bastian.
- (5) Includes 394,860 shares held by a third party as a custodian for Melanie Bastian's children who are under 18 years of age, as to which shares Melanie Bastian disclaims beneficial ownership. Excludes 19,783,395 shares held by Melanie Bastian's husband, Bruce W. Bastian.
- (6) All such shares are subject to an option exercisable within 60 days after the completion of the Merger.
- (7) Excludes 808,116 shares which Mr. Thompson holds as custodian for the children of the Ashton family and Bastian family who are under 18 years of age.
- (8) Includes 1,320,000 shares subject to options held by directors and officers that are exercisable within 60 days of the completion of the Merger.

DESCRIPTION OF NOVELL CAPITAL STOCK

A brief general description of Novell's capital stock and Shareholder Rights Plan (the "Plan") is set forth below. A more complete description of Novell's capital stock and the Plan is set forth in the Company's Registration Statements on Form 8-A filed with the Securities and Exchange Commission on April 3, 1985 and December 7, 1988, respectively, which are incorporated herein by reference.

The authorized capital stock of Novell consists of 400,000,000 shares of Novell Common Stock, \$.10 par value, and 500,000 shares of Preferred Stock, \$.10 par value (the "Novell Preferred Stock"), all of which have been designated Series A Junior Participating Preferred Shares (the "Series A Preferred"). As of March 26, 1994, there were 309,946,279 shares of Novell Common Stock outstanding, 27,978,621 shares of Novell Common Stock issuable upon the exercise of outstanding stock options, and no shares of Novell Preferred Stock outstanding.

NOVELL COMMON STOCK

Holders of shares of Novell Common Stock are entitled to one vote per share on all matters to be voted upon by the shareholders and are not entitled to cumulate votes for the election of directors. Holders of shares of Novell Common Stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Novell Board of Directors out of funds legally available therefor. In the event of liquidation, dissolution or winding up of Novell, the holders of shares of Novell Common Stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of Novell Preferred Stock, if any, then outstanding. Shares of Novell Common Stock have no preemptive, conversion or other subscription rights and there are no redemption or sinking fund provisions applicable to the Novell Common Stock.

SHAREHOLDER RIGHTS PLAN AND PREFERRED STOCK

Novell's Series A Preferred was created in connection with a Shareholder Rights Plan adopted by the Board of Directors in December 1988. The plan provides for a dividend of rights (the "Rights") which can be exercised to purchase fractional shares of Series A Preferred or, in certain circumstances, Common Stock, at half of the then fair market value of such shares. If Novell were to be acquired under certain circumstances, the Rights could instead allow holders of Novell's Common Stock to buy shares of the acquiring corporation at half the then fair market value of such shares. Each shareholder of record receives one Right for each share of Common Stock that he owns. The Plan was adopted to ensure that all shareholders of Novell receive fair value for their Common Stock in the event of any proposed takeover of the Company and to guard against coercive tactics to gain control of the Company without offering fair value to the Company's shareholders. The Plan may have the effect of delaying or preventing a change in control of Novell. Each share of Novell Common Stock to be received by the WordPerfect shareholders in the Merger will automatically be accompanied by one Right, without the requirement of any action on the part of the WordPerfect shareholder.

COMPARISON OF RIGHTS OF HOLDERS OF NOVELL COMMON STOCK
AND HOLDERS OF COMMON STOCK OF WORDPERFECT

Upon consummation of the Merger, the former shareholders of WordPerfect, a Utah corporation, will become stockholders of Novell, a Delaware corporation. The rights of such stockholders will be governed by applicable Delaware law ("Delaware Law"), including the Delaware General Corporation Law (the "DGCL"), and by the Restated Certificate of Incorporation and Bylaws of Novell (the "Novell Certificate" and "Novell Bylaws," respectively). The following is a summary of the material differences between Delaware law and applicable Utah law ("Utah Law"), including the URBCA, and between the Novell Certificate and Novell Bylaws, on the one hand, and the Articles of Incorporation and Bylaws of WordPerfect (the "WordPerfect Articles" and "WordPerfect Bylaws," respectively), on the other, that may affect the rights of WordPerfect shareholders who become stockholders of Novell.

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PREEMPTIVE RIGHTS

Under both Delaware Law and Utah Law, security holders of a corporation have only such preemptive rights as may be provided in the corporation's certificate or articles of incorporation. Neither the Novell Certificate nor the WordPerfect Articles grant any preemptive rights to security holders.

DIVIDENDS AND OTHER DISTRIBUTIONS

Under Utah Law, a corporation may make distributions to shareholders so long as such action would not (a) make the corporation unable to pay its debts as they become due in the usual course of business or (b) cause the corporation's total assets to be less than the sum of its total liabilities plus (unless the articles of incorporation permit otherwise) the amount that would be needed to satisfy preferential rights of shareholders senior to those receiving the distribution. A Utah corporation may acquire its own shares, and such shares are either returned to the status of "authorized but unissued" or removed from the authorized number of shares, whichever is specified in the articles of incorporation. Limitations on payment of dividends also apply to redemptions of stock.

Delaware Law permits a corporation to declare and pay dividends out of surplus (defined as net assets minus capital) or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or for the preceding fiscal year as long as the amount of capital of the corporation following the declaration and payment of the dividend is not less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets. In addition, Delaware Law generally provides that a corporation may redeem or repurchase its shares only if such redemption or repurchase would not impair the capital of the corporation.

Neither the Novell Certificate nor the WordPerfect Articles contain any restrictions on the payment of dividends or the repurchase of shares.

AMENDMENT OF CERTIFICATE OR ARTICLES OF INCORPORATION; AMENDMENT OF BYLAWS

Under Utah Law, a corporation's articles of incorporation may be amended by resolution of the board of directors and approval by the holders of a majority of the outstanding stock entitled to vote thereon. If any particular class of stock has a right to vote on any amendment to the articles of incorporation, a majority of such shares must be voted in favor of the amendment. The holders of outstanding shares of a class of stock are entitled to vote as a class upon a proposed amendment if it would have certain specified effects, such as changing the preferential rights of such shares, altering rights regarding redemption of such shares, altering preemptive rights of such shares, altering voting rights on such shares or reducing such shares to fractional shares that may be redeemed for cash. In addition, approval of all affected shareholders is required for any amendment that would impose personal liability on such shareholders for the debts of a corporation. Supermajority voting requirements may be imposed and maintained by the articles of incorporation.

Under Utah Law, the bylaws of a corporation may be amended at any time by the corporation's board of directors, except to the extent that the articles of incorporation reserve this power exclusively to the shareholders, in whole or in part. However, the board of directors (without shareholder approval) may not change a bylaw regarding quorum or voting requirements applicable to approvals by shareholders once such a bylaw is adopted by shareholders, and may not change a bylaw regarding quorum or voting requirements applicable to approvals by directors if such a bylaw was adopted by shareholders or the prior action of the board of directors imposes a requirement of shareholder approval. Conferring power to amend the bylaws upon the directors does not divest shareholders of the power to amend the bylaws.

Under Delaware Law, an amendment to a corporation's certificate of incorporation requires the approval of the board of directors and the approval of a majority of the outstanding stock entitled to vote thereon and a majority of the outstanding stock of each class entitled to vote thereon. Under Delaware Law, the holders of the outstanding shares of a class are entitled to vote as a separate class on a proposed amendment that would increase or decrease the aggregate number of authorized shares of such class, increase or decrease the par value of the shares of such class or alter or change the powers, preferences or special rights of the shares of

such class so as to affect them adversely. If any proposed amendment would alter or change the powers, preferences or special rights of one or more series of any class so as to affect them adversely, but would not so affect the entire class, then only the shares of the series so affected by the amendment will be considered a separate class for purposes of voting by classes. Under Delaware Law, a provision in a corporation's certificate of incorporation requiring a super-majority vote of the board of directors or stockholders may be amended only by such super-majority vote.

Under Delaware Law, an amendment to a corporation's bylaws requires the approval of the stockholders, unless the certificate of incorporation confers the power to amend the bylaws upon the board of directors.

The Novell Bylaws grant the board of directors the authority to make, alter or repeal the Novell Bylaws. The WordPerfect Bylaws permit the board of directors to make, amend, alter or repeal bylaws, except that no bylaw adopted or amended by the shareholders may be altered or repealed by the board of directors and no bylaw may be adopted by the board requiring more than a majority of the voting shares for a quorum at a meeting of shareholders, or more than a majority of the votes cast to constitute action by the shareholders, except where higher percentages are required by law or by the WordPerfect Articles.

ACTION BY WRITTEN CONSENT

Under both Utah Law and Delaware Law, unless otherwise provided in a corporation's articles of incorporation or certificate of incorporation, any action that may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. However, Utah Law prohibits the election of directors by written consent of the shareholders unless the consent is unanimous.

Neither the Novell Certificate nor the WordPerfect Articles restricts the ability of the shareholders of the corporation to take action by written consent. The Novell Bylaws contain a provision concerning stockholder actions by written consent consistent with the provisions of Delaware Law. The WordPerfect Bylaws contain a provision concerning shareholder actions by written consent consistent with the provisions of Utah Law, except that all actions by written consent must be unanimously approved by the WordPerfect shareholders.

SPECIAL MEETINGS OF SHAREHOLDERS

Utah Law provides that a special meeting of shareholders may be called by the board of directors, the holders of shares entitled to cast at least 10% of the votes at such meeting or such other persons as are authorized by the bylaws. Under Delaware Law, a special meeting of stockholders may be called by the board of directors or by any other person authorized to do so in the certificate of incorporation or the bylaws.

The WordPerfect Bylaws contain provisions concerning special meetings consistent with the provisions of Utah Law described above, authorizing the chairman of the board and the president, in addition to the board of directors, to call a special meeting. The Novell Bylaws contain provisions concerning special meetings consistent with the provisions of Delaware Law described above, and also empower the chairman of the board, the president, or holders of a majority of the outstanding capital stock of Novell to call a special meeting.

VOTING IN THE ELECTION OF DIRECTORS

In an election of directors under cumulative voting, each share of stock normally having one vote is entitled to a number of votes equal to the number of directors to be elected. A shareholder may then cast all such votes for a single candidate or may allocate them among as many candidates as the shareholder may choose. Without cumulative voting, the holders of a majority of the shares voting in the election of directors would have the power to elect all the directors to be elected, and no person could be elected without the support of holders of a majority of the shares.

Under Utah Law, unless otherwise provided in the articles of incorporation, every shareholder entitled to vote at the election of directors has the right to cast, in person or by proxy, all of the votes to which the

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shareholder's shares are entitled for as many persons as there are directors to be elected and for whose election the shareholder has the right to vote. Directors are elected by a plurality of votes cast by the shares entitled to vote in the election at a meeting of shareholders at which a quorum is present. Shareholders do not have the right to cumulate their votes for the election of directors unless the articles of incorporation so provide.

Under Delaware Law, cumulative voting is not mandatory, and cumulative voting rights must be provided in a corporation's certificate of incorporation if stockholders are to be entitled to cumulative voting rights. Delaware Law requires that elections of directors be by written ballot, unless otherwise provided in a corporation's certificate of incorporation.

Neither the WordPerfect Articles nor the Novell Certificate provides for cumulative voting.

NUMBER AND QUALIFICATION OF DIRECTORS

Utah Law permits the board of directors to change the authorized number of directors by amendment to the bylaws unless the number of directors is fixed (and not allowed to be changed) by the articles of incorporation, in which case a change in the number of directors may be made only by amendment to the articles of incorporation. The minimum number of individuals on a board of directors is three unless there are only one or two shareholders. No decrease in the number of directors is permitted to shorten the term of any incumbent director.

Under Delaware Law, the minimum number of directors is one. Delaware Law permits the board of directors alone to change the authorized number, or the range, of directors by amendment to the bylaws, unless the directors are not authorized in the certificate of incorporation to amend the bylaws or the number of directors is fixed in the certificate of incorporation, in which cases a change in the number of directors may be made only upon approval of such change by the stockholders.

The Novell Bylaws provide for a variable number of directors between three and nine, with the exact number currently fixed at six. The WordPerfect Bylaws provide for a board of three members.

None of Utah Law, Delaware Law, the WordPerfect Articles or the WordPerfect Bylaws or the Novell Certificate or the Novell Bylaws sets forth specific qualification requirements for directors.

CLASSIFICATION OF BOARD

A classified board is one in which a certain number, but not all, of the directors are elected on a rotating basis each year. This method of electing directors makes changes in the composition of the board of directors, and thus a potential change in control of a corporation, a lengthier and more difficult process.

Both Utah Law and Delaware Law permit, but do not require, a classified board of directors, with staggered terms under which one-half or one-third of the directors are elected for terms of two or three years, respectively.

None of the WordPerfect Articles or the WordPerfect Bylaws or the Novell Certificate or the Novell Bylaws provides for a classified board of directors.

REMOVAL OF DIRECTORS

Under Utah Law, directors may generally be removed, with or without cause, by holders of a majority of the shares entitled to vote at an election of directors, unless the articles of incorporation provide otherwise. However, in the case of a corporation having cumulative voting, a director may not be removed if the number of votes sufficient to elect the director under cumulative voting is voted against removal.

Under Delaware Law, a director of a corporation, such as Novell, that does not have a classified board of directors or cumulative voting may be removed, with or without cause, with the approval of a majority of the outstanding shares entitled to vote at an election of directors. In the case of a corporation having cumulative voting, if less than the entire board is to be removed, a director may not be removed without cause unless the number of shares voted against such removal would not be sufficient to elect the director under cumulative

voting. A director of a corporation with a classified board of directors may be removed only for cause, unless the certificate of incorporation otherwise provides. Neither the WordPerfect Articles nor the Novell Certificate alters the statutory means by which directors may be removed by shareholders.

FILLING VACANCIES ON THE BOARD OF DIRECTORS

Under Utah Law, vacancies or new positions in the board of directors of a corporation may be filled by vote of the shareholders or an affirmative vote of a majority of the remaining directors (even though less than a quorum of the board of directors). Unless the articles of incorporation provide otherwise, if one or more directors are elected by a particular class of shareholders, only such shareholders or the directors elected by such shareholders may fill the vacancy. The WordPerfect Articles do not provide otherwise.

Under Delaware Law, vacancies and newly created directorships may be filled by a majority of the directors then in office, although less than a quorum, unless otherwise provided in the certificate of incorporation or bylaws. The Novell Certificate and the Novell Bylaws do not provide otherwise. However, if the certificate of incorporation directs that a particular class is to elect such director, such vacancy may be filled only by the other directors elected by such class. If, at the time of filling any vacancy or newly created directorship, the directors then in office constitute less than a majority of the whole board as constituted immediately prior to such increase, the Delaware Court of Chancery may, upon application of stockholders holding at least ten percent of the total number of shares outstanding having the right to vote for such directors, order an election to be held to fill any such vacancies or newly created directorships or to replace the directors chosen by the directors then in office.

TRANSACTIONS INVOLVING OFFICERS OR DIRECTORS

Under Utah Law, a transaction between a corporation and a party related to a director in some way may not be enjoined, set aside or create a cause of action unless the director's relationship to such party would constitute a statutory "conflicting interest transaction." "Conflicting interest transactions" have to do with beneficial financial interests of a director or persons or entities associated with the director so as to influence the director's decisions. A director's conflicting interest transaction may be protected against future challenge if approved by a majority of the disinterested directors, even if not otherwise a quorum, or if approved by disinterested shareholders holding a majority of the shares entitled to vote upon the matter, in each case after full disclosure.

Under Delaware Law, no contract or transaction between a corporation and one or more of its directors or officers, or between a corporation and any other entity in which one or more of its directors or officers are directors or officers, or have a financial interest, is void or voidable if (i) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or known to the board of directors or committee which authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors; (ii) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved by the stockholders; or (iii) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors, a committee thereof, or the stockholders. A corporation may make loans to, guarantee the obligations of or otherwise assist its officers or other employees and those of its subsidiaries, including directors who are also officers or employees, when such action, in the judgment of the directors, may reasonably be expected to benefit the corporation.

INDEMNIFICATION AND LIMITATION OF LIABILITY

Utah Law generally permits indemnification of expenses incurred in the defense or settlement of a derivative or third-party action, provided there is a determination by a disinterested quorum of the directors, by a disinterested committee of the board of directors consisting of at least two directors, by special legal counsel or by a majority vote of a quorum of the shareholders that the person seeking indemnification acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation. However, a director may not be indemnified in a derivative suit or in connection with any other proceeding in

which the director is found liable on a charge that he derived an improper personal benefit. Unless otherwise provided in the articles of incorporation, indemnification is mandatory to a director who is successful in defending an action on the merits or otherwise.

Utah Law permits a corporation to adopt a provision in its charter documents eliminating or limiting the personal liability of a director to the corporation or its shareholders for monetary damages for acts or failures to act in the director's capacity as a director, except liability for financial benefits to which the director was not entitled, intentional infliction of harm to the corporation or shareholders, unlawful distributions or intentional violation of criminal laws.

Under Delaware Law, a corporation has the power to indemnify any agent against expenses, judgments, fines and settlements incurred in a proceeding, other than an action by or in the right of the corporation, if the person acted in good faith and in a manner that the person reasonably believed to be in the best interests of the corporation or not opposed to the best interests of the corporation and, in the case of a criminal proceeding, had no reason to believe that their conduct was unlawful. In the case of an action by or in the right of the corporation, the corporation has the power to indemnify any agent against expenses incurred in defending or settling the action if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation; provided, however, that no indemnification may be made when a person is adjudged liable to the corporation, unless a court determines such person is entitled to indemnity for expenses, and then such indemnification may be made only to the extent that such court shall determine. Delaware Law requires that to the extent an officer, director, employee or agent of a corporation is successful on the merits or otherwise in defense of any third-party or derivative proceeding, or in defense of any claim, issue or matter therein, the corporation must indemnify such person against expenses incurred in connection therewith.

Under Delaware Law, a corporation may adopt a provision in its certificate of incorporation eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that such provision may not eliminate or limit director monetary liability for (i) breaches of the director's duty of loyalty to the corporation or its stockholders; (ii) acts or omissions not in good faith or involving intentional misconduct or knowing violations of law; (iii) the payment of unlawful dividends or unlawful stock repurchases or redemptions; or (iv) transactions in which the director received an improper personal benefit.

The Novell Certificate eliminates the liability of directors for monetary damages to the corporation for breach of fiduciary duty to the fullest extent permitted under Delaware Law and the Novell Bylaws contain indemnification provisions consistent with the Novell Certificate and Delaware Law. Novell has also entered into indemnification agreements with certain of its officers and directors that require Novell to indemnify such persons to the fullest extent permitted under Delaware Law.

The WordPerfect Bylaws contain provisions permitting indemnification of expenses incurred in the defense or settlement of derivative or third-party actions to the fullest extent allowed under Utah law. WordPerfect has also entered into indemnification agreements with certain of its officers and directors that require WordPerfect to indemnify such persons to the fullest extent permitted under Utah Law.

MERGERS AND SALES OF SUBSTANTIALLY ALL CORPORATE ASSETS

Utah Law generally requires that a majority of the shareholders of both the acquiring and the target corporation approve statutory mergers. However, Utah Law does not require a shareholder vote of the surviving corporation in a merger if (a) the merger occurs between a parent and its subsidiary, if the parent owns at least 90% of the total outstanding stock of the subsidiary and certain other provisions of Utah Law are met, (b) the articles of incorporation of the surviving corporation are not amended, (c) each shareholder of the surviving corporation holds the same number of identical shares immediately after the merger and (d) the number of shares issued by the surviving corporation in the merger does not represent an increase by more than 20% of (i) the voting shares of the corporation or (ii) the shares that would participate without limitation in distributions. The board of directors may sell, lease, exchange or otherwise dispose of all, or substantially all, of the corporation's assets without consent or approval of the shareholders when done in the regular course of

its business and may mortgage or pledge such property whether or not in the regular course of its business. When not done in the regular course of the corporation's business, the disposition of all or substantially all of the corporation's assets requires the approval of a majority of the outstanding shares of each class.

Under Delaware Law, the principal terms of a merger generally require the approval of the stockholders of each of the merging corporations, but do not require the approval of the stockholders of any parent corporation, even when the parent corporation's securities are to be used as consideration for the merger. Unless otherwise required in a corporation's certificate of incorporation, Delaware Law does not require a stockholder vote of the surviving corporation in a merger if (i) the merger agreement does not amend the existing certificate of incorporation, (ii) each share of the surviving corporation outstanding before the merger is an identical outstanding or treasury share after the merger and (iii) either no shares of the surviving corporation and no securities convertible into such stock are to be issued in the merger or the number of shares to be issued by the surviving corporation in the merger does not exceed 20% of the shares outstanding immediately prior to the merger. A disposition of substantially all of a corporation's assets requires the approval of the outstanding shares of the corporation.

None of the WordPerfect Articles, WordPerfect Bylaws, Novell Certificate or Novell Bylaws contain any additional provisions relating to mergers or sales of substantially all corporate assets.

CREATION OF INDEBTEDNESS

The WordPerfect Articles provide that no long-term indebtedness may be created by the corporation without the prior consent of a majority of the shareholders. No comparable provision is found in the Novell Certificate.

APPRAISAL RIGHTS

For a description of appraisal rights provided by Utah Law, see "Terms of the Merger -- Dissenters' Rights" and Part 13 of the URBCA, which is set forth in Appendix B hereto.

Under Delaware Law, the right to receive the fair market value of dissenting shares is made available to stockholders of a constituent corporation in a merger or consolidation effected under the Delaware Code. Dissenters' rights of appraisal are not available (i) with respect to the sale, lease or exchange of all or substantially all of the assets of a corporation, (ii) with respect to a merger or consolidation by a corporation the shares of which are either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or are held of record by more than 2,000 holders if such stockholders receive only shares of the surviving corporation or shares of any other corporation which are either listed on a national securities exchange or held of record by more than 2,000 holders, plus cash in lieu of fractional shares or (iii) to stockholders of a parent corporation that is not itself a constituent corporation in a merger transaction.

None of the WordPerfect Articles, WordPerfect Bylaws, Novell Certificate or Novell Bylaws contain any additional provisions relating to dissenters' rights of appraisal.

SHAREHOLDER APPROVAL OF CERTAIN BUSINESS COMBINATIONS

Under the Utah Control Shares Acquisitions Act (the "CSAA"), acquisition (on a cumulative basis) of 20% or more of the voting power of certain publicly held corporations located in Utah in a "control shares acquisition" prohibits such shares, known as "control shares," from being voted on any matter unless and until a resolution allowing such shares to be voted is approved by a majority of the outstanding shares of each class of stock, excluding "interested shares." "Interested shares" are those held by the acquiror subject to the CSAA and all officers and employee-directors of the company. A corporation may "opt out" of the CSAA in its charter documents at any time prior to a control share acquisition.

The CSAA defines "control shares" as shares of a publicly traded company that, when combined with all other shares of that company owned or controlled by one shareholder or group of shareholders acting in concert, represents 20% or more of the voting power of the company in an election of directors. The definition

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of "control shares acquisition" contains some important exceptions to the list of transactions that would trigger application of the CSAA, including (a) transactions entered into or agreed upon in writing before the CSAA's 1987 adoption, (b) pursuant to laws of descent and distribution, (c) pursuant to a pledge arrangement made in good faith and not intended to circumvent the CSAA, (d) pursuant to a merger or share exchange approved by shareholders under Utah Law and (e) in certain cases, if the shares are acquired from a shareholder that had received approval under the CSAA or whose shares would have been outside of the definition of control share acquisition under one of the exemptions mentioned.

The CSAA applies only to shares of a corporation formed under the laws of the State of Utah that has (a) 100 or more shareholders, (b) its principal office or place of business, or substantial assets, located in Utah and (c) one or more of (i) more than 10% of its shareholders resident in Utah, (ii) more than 10% of its shares owned by Utah residents or (iii) 10,000 shareholders that are Utah residents. Shares held by banks, depositories (except as trustees), brokers or nominees are disregarded for purposes of calculations. The CSAA does not state that the corporation's shares must be traded on a stock exchange or national trading system in order to be considered an "issuing public corporation."

Upon an acquiror obtaining a majority interest in a corporation subject to the CSAA, other shareholders obtain dissenter's rights to appraisal and cash payment in return for their shares, if desired, and such amount must not be less than the amount paid for the shares acquired in the control shares acquisition. The CSAA also contains provisions allowing the corporation to provide in its charter documents for the ability to redeem the acquiror's shares at fair market value under certain conditions for up to 60 days after the control share acquisition; however, the corporation may not redeem the shares if the acquiror files a notice with the corporation unless the shareholders refuse to grant full voting rights.

The CSAA is relatively new and no information about its application under case law is available. It appears that the CSAA is similar to control share acquisition statutes that have been adopted by other states. In practical effect, the CSAA causes an entity intent on an acquisition of a controlling position in a widely held, Utah-based corporation to obtain shareholder approval for such an acquisition.

Section 203 of the Delaware Code ("Section 203") prohibits a Delaware corporation from engaging in a "business combination" with an "interested stockholder" for three years following the date that such person becomes an interested stockholder. With certain exceptions, an interested stockholder is a person or group who or which owns 15% or more of the corporation's outstanding voting stock (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or is an affiliate or associate of the corporation and was the owner of 15% or more of such voting stock at any time within the previous three years.

For purposes of Section 203, the term "business combination" is defined broadly to include mergers with or caused by the interested stockholder; sales or other dispositions to the interested stockholder (except proportionately with the corporation's other stockholders) of assets of the corporation or a subsidiary equal to ten percent or more of the aggregate market value of the corporation's consolidated assets or its outstanding stock; the issuance or transfer by the corporation or a subsidiary of stock of the corporation or such subsidiary to the interested stockholder (except for transfers in a conversion or exchange or a pro rata distribution or certain other transactions, none of which increase the interested stockholder's proportionate ownership of any class or series of the corporation's or such subsidiary's stock); or receipt by the interested stockholder (except proportionately as a stockholder), directly or indirectly, of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation or a subsidiary.

The three-year moratorium imposed on business combinations by Section 203 does not apply if (i) prior to the date on which such stockholder becomes an interested stockholder the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested stockholder; (ii) the interested stockholder owns 85% of the corporation's voting stock upon consummation of the transaction which made him an interested stockholder (excluding from the 85% calculation shares owned by directors who are also officers of the target corporation and shares held by employee stock plans which do not permit employees to decide confidentially whether to accept a tender or exchange offer); or (iii) on or

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after the date such person becomes an interested stockholder, the board approves the business combination and it is also approved at a stockholder meeting by 66.67% of the voting stock not owned by the interested stockholder.

Section 203 only applies to Delaware corporations which have a class of voting stock that is listed on a national securities exchange, are quoted on an interdealer quotation system such as NASDAQ or are held of record by more than 2,000 stockholders. However, a Delaware corporation may elect not to be governed by Section 203 by a provision in its original certificate of incorporation or an amendment thereto or to the bylaws, which amendment must be approved by majority stockholder vote and may not be further amended by the board of directors.

Section 203 is currently under challenge in lawsuits arising out of ongoing takeover disputes, and it is not yet clear whether and to what extent its constitutionality will be upheld by the courts. Although the United States District Court for the District of Delaware has consistently upheld the constitutionality of Section 203, the Delaware Supreme Court has not yet considered the issue. So long as the constitutionality of Section 203 is upheld, Section 203 will encourage any potential acquiror to negotiate with the Company's board of directors. Section 203 also has the effect of limiting the ability of a potential acquiror to make a two-tiered bid for a Delaware corporation in which all stockholders would not be treated equally. Stockholders should note that the application of Section 203 to the Company will confer upon the Board the power to reject a proposed business combination, even though a potential acquiror may be offering a substantial premium for the Company's stock over the then current market price (assuming the stock is then publicly traded). Section 203 should also discourage certain potential acquirors unwilling to comply with its provisions.

None of the WordPerfect Articles, WordPerfect Bylaws, Novell Certificate or Novell Bylaws contain any additional provisions relating to transactions with interested shareholders or other takeover situations.

INSPECTION OF SHAREHOLDER LIST, BOOKS AND RECORDS

Both Utah Law and Delaware Law allow any shareholder to inspect and copy a corporation's shareholder list for a purpose reasonably related to such person's interest as a shareholder.

Utah Law allows any director or shareholder to inspect the corporation's charter documents; minutes of shareholder meetings, actions and written communications; list of officers; annual report; and financial statements for the past three years for any purpose. In addition, any director or shareholder may inspect minutes of board meetings and actions, accounting records and shareholder lists upon demand made in good faith for a purpose reasonably related to the demanding shareholder's or director's interest as a shareholder or director. Such information may not be used for other purposes.

Delaware Law allows any stockholder to inspect the stockholders' list and other books and records of the corporation for a purpose reasonably related to such person's interest as a stockholder. Directors, whether or not stockholders, have a similar right.

The WordPerfect Bylaws and the Novell Bylaws contain provisions consistent with the provisions of Utah Law and Delaware Law, respectively, regarding the inspection of the shareholder list.

SHAREHOLDER DERIVATIVE SUITS

Under Utah Law, a shareholder may only bring a derivative action on behalf of the corporation if the shareholder was a shareholder when the transaction complained of occurred or he became a shareholder through transfer by operation of law from someone who was a shareholder at that time. The suing shareholder must explain what request, if any, was made to the board of directors and that the request was refused or ignored or why the shareholder did not make such a demand. Dismissal of such a proceeding requires court approval.

Under Delaware Law, a stockholder may only bring a derivative action on behalf of the corporation if the stockholder was a stockholder of the corporation at the time of the matter in question or the stockholder's

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stock thereafter devolved upon the stockholder by operation of law. Dismissal of such a proceeding generally requires court approval.

None of the WordPerfect Articles, WordPerfect Bylaws, Novell Certificate or Novell Bylaws contain any additional provisions relating to shareholder derivative suits.

DURATION OF PROXIES

Under Utah Law, unless otherwise provided in the articles of incorporation, a proxy appointment is ordinarily valid only for 11 months. Proxies may be given by facsimile or other electronic transmission.

Delaware Law allows proxies to have a duration of three years. Proxies may be given by facsimile or other electronic transmission.

The Novell Bylaws and the WordPerfect Bylaws contain provisions consistent with the provisions of Delaware Law and Utah Law, respectively, regarding the duration of proxies.

DISSOLUTION

Under Utah Law, a majority of all votes entitled to be cast are needed to authorize a corporation's dissolution, with or without the approval of the corporation's board of directors.

Under Delaware Law, unless the board of directors approves a proposal to dissolve a corporation, the dissolution must be approved by stockholders holding 100% of the total voting power of the corporation. If the dissolution is initiated by the board of directors, it need only be approved by a majority of the corporation's stockholders.

EXPERTS

The consolidated financial statements and schedules of Novell appearing or incorporated by reference in Novell's Annual Report on Form 10-K for the fiscal year ended October 30, 1993, have been audited by Ernst & Young, independent auditors, as set forth in their reports thereon appearing or incorporated by reference therein and incorporated by reference herein. Such consolidated financial statements are incorporated by reference herein in reliance upon such reports given upon authority of such firm as experts in accounting and auditing.

The consolidated financial statements of WordPerfect as of December 31, 1993 and 1992 and for each of the three years in the period ended December 31, 1993, included in this Prospectus/Proxy Statement have been so included in reliance on the report of Price Waterhouse, independent accountants, given on the authority of said firm as experts in auditing and accounting.

LEGAL MATTERS

The validity of the Novell Common Stock issuable pursuant to the Merger and certain other legal matters relating to the Merger and the transactions contemplated thereby will be passed upon for Novell by Wilson, Sonsini, Goodrich & Rosati, Professional Corporation, Palo Alto, California. Larry W. Sonsini, a member of Wilson, Sonsini, Goodrich & Rosati, is a director of Novell. In fiscal 1993, 1992 and 1991, legal fees of approximately \$2,000,000, \$716,000 and \$510,000, respectively, were paid to Wilson, Sonsini, Goodrich & Rosati by Novell.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of WordPerfect Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, shareholders' equity and of cash flows present fairly, in all material respects, the financial position of WordPerfect Corporation and its subsidiaries at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE
Salt Lake City, Utah
March 22, 1994

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WORDPERFECT CORPORATION
 CONSOLIDATED BALANCE SHEET
 (IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31,	
	1993	1992
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 55,127	\$ 86,569
Accounts receivable less allowance for doubtful accounts of \$5,936 and \$5,098.....	63,672	39,670
Inventories.....	23,467	16,412
Deferred income taxes.....	43,587	--
Prepaid expenses and other assets.....	19,350	12,666
Total current assets.....	205,203	155,317
Property, plant and equipment, net.....	186,903	175,157
Deferred income taxes.....	6,310	--
Other assets.....	3,066	3,305
Total assets.....	\$401,482	\$333,779
=====		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 37,472	\$ 37,448
Accrued expenses.....	98,604	77,233
Deferred revenue.....	17,949	23,230
Income taxes payable.....	5,001	6,371
Notes payable.....	8,640	--
Total current liabilities.....	167,666	144,282
Notes payable to shareholders.....	75,359	--
Long-term debt and other liabilities.....	8,920	12,256
Total liabilities.....	251,955	156,538

Shareholders' equity:		
Common stock, no par value, 200,000,000 shares authorized, 51,380,100 shares issued and outstanding.....	79,327	--
Retained earnings.....	73,313	176,383
Cumulative translation adjustment.....	(3,113)	858
Total shareholders' equity.....	149,527	177,241
Total liabilities and shareholders' equity.....	\$401,482	\$333,779
=====		

See accompanying notes to consolidated financial statements.

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WORDPERFECT CORPORATION
 CONSOLIDATED STATEMENT OF INCOME
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
Net sales.....	\$ 707,515	\$ 579,118	\$ 621,994
Cost of sales.....	178,071	142,531	143,948
Gross margin.....	529,444	436,587	478,046
Expenses:			
Selling and marketing.....	251,064	148,209	110,023
Research and development.....	125,379	100,168	83,281
General and administrative.....	83,127	67,602	82,207
Non-recurring compensation expense.....	--	28,957	--
Purchased in-process research and development.....	3,001	20,367	--
Restructuring.....	33,000	--	--
Total expenses.....	495,571	365,303	275,511
Income from operations.....	33,873	71,284	202,535
Other income, net.....	236	13,205	10,603
Income before provision for income taxes.....	34,109	84,489	213,138
Provision (benefit) for income taxes (Note 9).....	(41,771)	11,541	12,310
Net income.....	\$ 75,880	\$ 72,948	\$ 200,828
	=====	=====	=====
Unaudited pro forma data (Note 16):			
Income before provision for income taxes.....	\$ 34,109	\$ 84,489	\$ 213,138
Provision for income taxes.....	11,918	32,252	75,080
Net income.....	\$ 22,191	\$ 52,237	\$ 138,058
	=====	=====	=====
Net income per share.....	\$ 0.41	\$ 1.02	\$ 2.76
	=====	=====	=====
Weighted average number of common shares (Note 2).....	53,490,673	51,380,100	50,000,000
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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WORDPERFECT CORPORATION

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)

	COMMON STOCK	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENT	TOTAL
	-----	-----	-----	-----
Balance at December 31, 1990.....	\$ --	\$ 202,759	\$ 2,396	\$ 205,155
Distributions to shareholders.....	--	(121,947)	--	(121,947)
Foreign currency translation.....	--	--	1,661	1,661
Net income.....	--	200,828	--	200,828
	-----	-----	-----	-----
Balance at December 31, 1991.....	--	281,640	4,057	285,697
Distributions to shareholders.....	--	(178,205)	--	(178,205)
Foreign currency translation.....	--	--	(3,199)	(3,199)
Net income.....	--	72,948	--	72,948
	-----	-----	-----	-----
Balance at December 31, 1992.....	--	176,383	858	177,241
Distributions to shareholders.....	--	(99,623)	--	(99,623)
Termination of S corporation status (Note 8)....	79,327	(79,327)	--	--
Foreign currency translation.....	--	--	(3,971)	(3,971)
Net income.....	--	75,880	--	75,880
	-----	-----	-----	-----
Balance at December 31, 1993.....	\$79,327	\$ 73,313	\$ (3,113)	\$ 149,527
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

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WORDPERFECT CORPORATION
 CONSOLIDATED STATEMENT OF CASH FLOWS
 (IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 75,880	\$ 72,948	\$ 200,828
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	33,692	26,849	21,169
Provision for restructuring costs.....	33,000	--	--
Charge for purchased in-process research and development.....	3,001	20,367	--
Changes in assets and liabilities:			
Accounts receivable.....	(29,579)	4,062	(2,947)
Inventories.....	(12,488)	5,601	(3,266)
Deferred income taxes.....	(49,897)	--	--
Prepaid expenses and other assets.....	(8,350)	4,022	(5,251)
Accounts payable.....	735	4,229	9,160
Accrued expenses.....	(1,967)	6,126	20,158
Income taxes payable.....	1,074	(2,567)	4,938
Deferred revenue.....	(5,154)	13,525	1,333
Net cash provided by operating activities.....	39,947	155,162	246,122
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net purchases of short-term investments.....	--	(8,265)	(44,144)
Purchases of property, plant and equipment.....	(42,748)	(47,322)	(55,868)
Proceeds from sale of equipment.....	2,959	1,003	276
Purchases of other assets.....	(237)	(1,088)	(957)
Payment for acquisitions, net of cash acquired.....	--	(7,760)	--
Change in other liabilities.....	(931)	105	(28)
Net cash used in investment activities.....	(40,957)	(63,327)	(100,721)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long-term debt.....	(76)	(1,746)	(8,876)
Repayment of short term debt.....	(5,820)	--	--
Distributions to shareholders.....	(23,889)	(80,871)	(121,947)
Net cash used in financing activities.....	(29,785)	(82,617)	(130,823)
Effect of exchange rate changes on cash.....	(647)	72	293
Net (decrease)/increase in cash and cash equivalents.....	(31,442)	9,290	14,871
Cash and cash equivalents at beginning of period.....	86,569	77,279	62,408
Cash and cash equivalents at end of period.....	\$ 55,127	\$ 86,569	\$ 77,279

See accompanying notes to consolidated financial statements.

WORDPERFECT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- THE COMPANY

WordPerfect Corporation ("WordPerfect" or the "Company") is engaged in the development, marketing, distribution and customer support of software products throughout the world. All references to the Company in these consolidated financial statements refer to the Company and the entities that were merged into or purchased by the Company, as described below.

On February 1, 1992, SoftCopy, Inc. ("SoftCopy"), a corporation affiliated with the Company through common ownership, was merged into WordPerfect. In connection with the merger, WordPerfect issued 1,380,100 shares of common stock for all of SoftCopy's outstanding common stock. SoftCopy provided duplication, assembly and shipping services for the Company and other third-party software developers. Immediately subsequent to the merger, certain assets of SoftCopy were distributed to a newly-formed corporation ("New SoftCopy") which was organized to provide duplication and assembly service to third-party developers; results of operations of New SoftCopy are not included in the consolidated financial statements for any period presented.

Prior to September 30, 1993, the Company had been organized as numerous legal entities under common control. These entities, including WordPerfect, WP Leasing, Inc. ("Leasing"), ABP Development ("Development"), WordPerfect Publishing Corporation ("Publishing"), ComputerShow, WP Properties ("Properties"), WordPerfect International ("International") and Reference Software International ("RSI"), owned the assets and conducted the operations of the Company. On September 30, 1993, the common stock of RSI owned by the shareholders was contributed to WordPerfect. Also, the owner's interest in Properties was transferred to WordPerfect in exchange for \$5.0 million cash and notes of \$74.3 million payable to the existing shareholders of the Company, which represented Properties' net book value at the date of the transfer (see Note 11). On the same date, the common stock of ComputerShow was distributed to the shareholders of the Company at ComputerShow's net book value of \$1.4 million. The common stock of the remaining entities were contributed to WordPerfect on December 31, 1993.

Because the above transactions were among entities under common control, the Company has accounted for them in a manner similar to a pooling of interests and, accordingly, the Company's consolidated financial statements include the historical results of SoftCopy (excluding New SoftCopy), Leasing, Development, Publishing, Properties and International for all periods presented (see Note 11). Results of operations of RSI are included from date of acquisition (see Note 3); results of operations of ComputerShow are included to the date of distribution of the common stock to the shareholders.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements comprise those of the Company and its wholly owned domestic and foreign subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less at the date of purchase.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average method. Inventories include materials, direct labor and overhead.

WORDPERFECT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)
Property, plant and equipment

Property, plant and equipment is stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Buildings.....	30 years
Equipment and office furniture.....	7 years
Computer and communications equipment.....	5 years
Vehicles.....	3 years
Leasehold improvements.....	Lease term

Maintenance and repairs are expensed as incurred. The cost of assets and related accumulated depreciation are removed from the accounts upon retirement or other disposition; any resulting gain or loss is reported as other income or expense.

Revenue Recognition

Revenue from sales to distributors, other resellers and directly to users is recognized when products are shipped. Revenues are reduced for anticipated sales returns and allowances. Advance payments are recorded as deferred revenue and recognized as revenue when products are shipped. Subscription, maintenance and service revenues are billed directly to the customer. Revenue is recognized ratably over the term of the related sales contract or as services are performed. The Company is in compliance for all periods presented with the requirements set forth in the Statement of Position 91-1, "Software Revenue Recognition," issued by the American Institute of Certified Public Accountants.

Software Development Costs

Software development costs are capitalized from the date technological feasibility is obtained, if material. Such deferrable costs have not been material during the periods presented.

Noncontractual Customer Support Obligations

Provision is made at the time of sale for estimated costs of customer support for which the Company is not contractually obligated but has historically provided.

Income Taxes

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), Accounting for Income Taxes. Under SFAS 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Prior to September 30, 1993, the Company elected to be taxed as an S corporation whereby the income tax effects of the Company's activities accrue directly to its shareholders; therefore, adoption of SFAS 109 required no establishment of deferred income taxes since no material differences between financial reporting and the tax basis of assets and liabilities existed. On September 30, 1993, WordPerfect terminated its S corporation elections. On December 31, 1993, the Company's other entities terminated their S corporation elections. As a result, deferred income taxes under the provisions of SFAS 109 were established on the dates the S corporation elections were terminated.

WORDPERFECT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)
Pro forma Net Income Per Common Share

Pro forma net income per common share is computed using the weighted average number of common shares and common equivalent shares outstanding.

Foreign Currency Translation

The assets and liabilities denominated in foreign currency are translated into U.S. dollars at exchange rates existing at the balance sheet date. Revenues, costs and expenses are translated at the average exchange rates during the year. Resulting translation adjustments are reported as a separate component of shareholders' equity. Gains and (losses) resulting from foreign currency transactions of (\$598,000), \$2.9 million and \$1.9 million for the years ended December 31, 1993, 1992 and 1991, respectively, are included in other income in the consolidated financial statements.

Major Customers and Concentration of Credit Risk

The Company sells its products primarily to distributors and resellers on cash or credit terms. Net sales to a distributor were 18%, 17% and 18% of total net revenue for the years ended December 31, 1993, 1992 and 1991, respectively. Net sales to a second distributor were 19%, 21% and 13% of total net revenue for the years ended December 31, 1993, 1992 and 1991, respectively. The Company's receivables are from distributors and resellers of software products throughout the world; the Company performs ongoing credit evaluations of its customers' financial condition and provides reserves to reflect its receivables at realizable values.

NOTE 3 -- ACQUISITIONS

In July 1993, the Company acquired technology which will be used for the development of a personal information manager software product. The purchase price representing purchased in-process research and development of \$3.0 million was charged against operations in 1993.

In December 1992, the Company acquired 75 percent of the outstanding shares of RSI. Substantially all of the remaining 25 percent of the outstanding shares were acquired by February 1993. The total acquisition price of \$20.0 million consisted of \$5.0 million cash and deferred payments of \$15.0 million bearing interest at five percent. That portion of the purchase price representing purchased in-process research and development of \$16.0 million was charged against operations in 1992.

In October 1992, the Company acquired the assets of Beagle Bros., Inc., developers of software technology, for \$2.5 million in cash. The portion of the purchase price representing purchased in-process research and development of \$2.0 million was charged against operations in 1992.

In August 1992, the Company acquired the assets of MagicSoft, Inc., developers of communications software technology, for \$1.3 million in cash and \$1.3 million of deferred payments. The portion of the purchase price representing purchased in-process research and development of \$2.3 million was charged against operations in 1992.

Pro forma statements of operations as though the companies had been combined from the beginning of the year would not differ significantly from reported results.

In January 1994, the Company acquired the outstanding common stock of SoftSolutions Technology Corporation ("SoftSolutions"), a developer of network document management software, in exchange for a \$5.8 million down payment and notes payable of \$9.2 million. The notes accrue interest at 6% per annum and

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WORDPERFECT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 3 -- ACQUISITIONS -- (CONTINUED)

are payable in two annual installments beginning in January 1995. Results of operations of SoftSolutions were not material.

NOTE 4 -- INVENTORIES

Inventories are comprised of the following (in thousands):

	DECEMBER 31,	
	1993	1992
Finished goods.....	\$ 7,129	\$ 3,969
Raw materials.....	16,338	12,443
	\$ 23,467	\$ 16,412
	=====	=====

NOTE 5 -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following (in thousands):

	DECEMBER 31,	
	1993	1992
Land and improvements.....	\$ 12,592	\$ 12,379
Buildings and improvements.....	100,167	99,488
Computer and communications equipment.....	112,991	86,105
Equipment and office furniture.....	52,272	44,767
Vehicles.....	5,916	5,553
Leasehold improvements.....	3,945	3,427
	287,883	251,719
Less accumulated depreciation and amortization.....	100,980	76,562
	\$ 186,903	\$ 175,157
	=====	=====

NOTE 6 -- ACCRUED EXPENSES

Accrued expenses is comprised of the following (in thousands):

	DECEMBER 31,	
	1993	1992
Reserve for returns and exchanges.....	\$ 12,502	\$ 18,415
Noncontractual customer support obligations.....	15,147	15,495
Compensation and related liabilities.....	15,382	13,884
Marketing and advertising.....	10,935	5,807
Property, sales and other taxes.....	6,545	5,653
Restructuring costs.....	28,500	--
Other.....	9,593	17,979
	\$ 98,604	\$ 77,233
	=====	=====

NOTE 7 -- BANK LINE OF CREDIT

During May 1993, the Company entered into a bank line of credit of \$40.0 million which expires May 26, 1994. Interest on borrowings is at the bank's prime rate or at 1.125 percent over the Base LIBOR Rate, at the

WORDPERFECT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 7 -- BANK LINE OF CREDIT -- (CONTINUED)

Company's option. The agreement contains covenants that require the Company to maintain certain financial ratios and also prohibit the payment of cash dividends, the purchase or redemption of Company capital stock or the distribution of assets to the shareholders subsequent to termination of the Company's S corporation election.

NOTE 8 -- EQUITY TRANSACTIONS

Common Stock

On December 29, 1992, the Company amended its articles of incorporation to increase the number of authorized shares from 1,250,000 to 200,000,000. In addition, the Company's Board of Directors and shareholders approved a 50-for-1 split of its common stock effective December 29, 1992.

Retained Earnings and Common Stock

As a result of the Company's termination of its S corporation status (see Notes 1 and 9), the undistributed retained earnings of the S corporations at the respective dates of termination were reclassified to common stock.

Retained earnings at December 31, 1993 consists of the tax benefit from the recognition of the deferred tax assets resulting from the change in tax status included in 1993 results of operations and net income for WordPerfect and Properties for the period October 1, 1993 through December 31, 1993.

Stock Options

In December 1992, the Company adopted the WordPerfect Corporation 1992 Long-Term Incentive Plan (the "Plan"), which authorized the granting of incentive and nonstatutory stock options, stock purchase rights, stock appreciation rights and long-term performance awards to certain employees and consultants. The Company has reserved a total of 12,000,000 shares of common stock for issuance under the Plan. Incentive stock options must be granted with exercise prices at least equal to the fair market value of the common stock on the grant date, as determined by the Board of Directors. The options vest and become exercisable in full on the fifth anniversary of the date of the grant. However, in the event of a registration statement covering an initial public offering of the Company's common stock, the options become vested at a rate of 20 percent immediately prior to the closing of the offering and 20 percent for each of the four years following the closing date until fully vested. The options expire ten years from date of grant. In the event of a change in control, all options become fully vested.

During December 1992, the Company granted 6,364,000 options at \$8.50 per share. During 1993, the Company granted 1,162,500 options, 60,000 options and 41,000 options at \$8.50 per share, \$10.50 per share and \$13.50 per share, respectively. At December 31, 1993, no options have been exercised or have expired; however, 134,500 options have been cancelled. At December 31, 1993, options for 4,507,000 shares were available for future grants.

In May 1993, the Company adopted the 1993 Director Option Plan (the "Director Plan"), which authorized the granting of nonstatutory stock options to nonemployee directors of the Company. The Company has reserved a total of 250,000 shares of common stock for issuance under the Director Plan. During June 1993, the Company granted 40,000 options at an exercise price of \$13.50 per share. No options have been exercised, canceled or have expired.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 8 -- EQUITY TRANSACTIONS -- (CONTINUED)

Employee Stock Purchase Plan

During May 1993, the Company adopted the 1993 Employee Stock Purchase Plan (the "Purchase Plan"). The Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code. The Company has reserved 3,000,000 shares of common stock for issuance under the Purchase Plan. An eligible employee may purchase shares of common stock from the Company through payroll deductions of up to ten percent of their compensation at a price per share equal to 85 percent of the fair market value of the common stock at the beginning of each offering period. Offering periods will commence on or after July 1 and January 1. No shares have been sold under the Purchase Plan.

NOTE 9 -- INCOME TAXES

Consolidated pretax income for the year ended December 31, 1993 consists of the following (in thousands):

U.S. Operations.....	\$ 34,032
International Operations.....	77

	\$ 34,109
	=====

The provision/(benefit) for current and deferred income taxes for the year ended December 31, 1993 consists of the following (in thousands):

Current	
Federal.....	\$ 902
State.....	174
Foreign.....	7,050

	8,126

Deferred	
Federal.....	7,139
State.....	1,557
Foreign.....	--
Change in tax status.....	(58,593)

Benefit for income taxes.....	\$ (41,771)
	=====

As a result of the Company's reorganization as described in Note 1, the Company will no longer be treated as an S corporation. Accordingly, the benefit for income taxes for the year ended December 31, 1993 consists of the cumulative income tax effect from recognition of the deferred tax assets at the respective dates of S corporation termination, the provision for income taxes for the period October 1, 1993 through December 31, 1993 for WordPerfect and Properties and the income taxes paid in foreign countries for all entities during the year.

The provision for income taxes for 1992 and 1991 primarily represents income taxes paid in foreign countries not recognizing an S corporation status.

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WORDPERFECT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 9 -- INCOME TAXES -- (CONTINUED)

Significant components of the Company's deferred tax assets as of December 31, 1993, were as follows (in thousands):

Deferred tax assets:	
Restructuring reserve.....	\$12,837
Non-contractual customer support reserve.....	5,603
Reserve for sales returns.....	5,134
Capitalized documentation costs.....	4,841
Unearned revenue.....	5,388
Inventory reserve.....	2,617
Allowance for doubtful accounts receivable.....	2,309
Other.....	11,168

Total deferred tax assets.....	\$49,897
	=====

The Company has determined that a valuation allowance for the deferred tax assets is not necessary.

The reconciliation of the 1993 effective income tax rate excluding the effect of the change in tax status is as follows:

Federal statutory tax rate.....	35.0%
State income taxes, net of federal benefit...	3.3
Research and development credit.....	(2.8)
Foreign taxes.....	20.7
S corporation earnings prior to change in tax status.....	(7.0)
Other.....	0.1

	49.3%
	=====

The Company adopted SFAS 109, effective January 1, 1993. SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Deferred tax liabilities and assets are determined based upon temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Differences between financial reporting and tax basis arise most frequently from differences in timing of income and expense recognition.

Since the Company was treated as an S corporation for income tax purposes at January 1, 1993, adoption required no establishment of deferred income taxes. However, as a result of the Company's change in tax status as described in Note 1, the Company under the provisions of SFAS 109 established deferred tax assets which represent the cumulative difference in recognition of income and expenses for financial and income tax reporting purposes for depreciation, allowance for doubtful accounts, various accrued expenses and other items at the respective dates of change in tax status.

NOTE 10 -- SUPPLEMENTAL CASH FLOW INFORMATION

Income taxes paid for the years ended December 31, 1993, 1992 and 1991 amounted to \$10.4 million, \$15.0 million and \$7.8 million, respectively.

During 1992, the Company distributed \$97.3 million of short-term investments to the shareholders of the Company.

WORDPERFECT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 10 -- SUPPLEMENTAL CASH FLOW INFORMATION -- (CONTINUED)

During 1992, the Company acquired MagicSoft, Inc. and Reference Software International. The acquisition price included deferred payments of \$16.4 million of which \$10.9 million representing the long-term portion and \$5.5 million representing the current portion are included in other long-term liabilities and accrued expenses, respectively, in the financial statements.

During 1993, the Company included in distributions to shareholders \$79.3 million for the transfer of Properties and \$1.4 million for the distribution of ComputerShow (see Note 1).

NOTE 11 -- RELATED PARTY TRANSACTIONS

Effective September 30, 1993, the owner's interests in Properties was transferred to the Company by existing shareholders in exchange for \$5.0 million cash and notes payable of \$74.3 million. The notes accrue interest at 6% per annum.

The Company provided construction and building maintenance services for the shareholders and a company owned by these shareholders and an executive officer of the Company and received payments for the services rendered of \$184,000, \$162,000 and \$1.2 million in 1993, 1992 and 1991, respectively.

WordPerfect entered into agreements with Mr. Lewis Bastian, a brother of Mr. Bastian, in connection with the development and sale of DataPerfect, a general purpose database software program, and TOOL, an object-oriented language used for software development. Pursuant to these agreements, WordPerfect paid Mr. Lewis Bastian consulting fees and royalty payments of \$718,000, \$474,000 and \$479,000 during 1993, 1992 and 1991, respectively. In February 1994, WordPerfect agreed to pay Mr. Lewis Bastian \$3.0 million over four years in exchange for a termination of these agreements.

Pursuant to agreements with Dr. Ashton and Mr. Bastian for the development and sale of WordPerfect Executive and WordPerfect Library, WordPerfect, during 1992 and 1991, made royalty payments to Dr. Ashton of \$79,000 and \$125,000, respectively, and to Mr. Bastian of \$79,000 and \$125,000, respectively.

Effective with the merger of SoftCopy into the Company as described in Note 1, a 20 percent shareholder in SoftCopy (which interest represented 51 percent of the voting shares of SoftCopy) exchanged such shares for shares of the Company, thereby increasing his ownership of the Company from 0.2 percent to one percent. The one percent interest in the Company was acquired on December 24, 1992 by its controlling shareholders for \$4.5 million.

Effective March 31, 1992, the controlling owners of the Company and ABP Investments ("Investments"), predecessor to Properties, acquired the nine percent interest in Investments held by another member of the ownership group for \$3.9 million. Subsequent thereto, assets held by Investments were split into Properties (owner and lessor of real property utilized by the Company) and another corporation (investments in non-Company related real properties); the latter corporation is not a member of the consolidated group presented herein (see Note 1).

On March 31, 1992, Development, Leasing, International and Publishing purchased and retired the common stock held by a shareholder of each of these companies at an aggregate cost of \$600,000. In addition, on March 31, 1993, Publishing acquired the remaining shares not held by the controlling shareholders of the Company for \$1.3 million.

The Company entered into management agreements with a distribution company controlled by an existing officer of the Company. Payments of approximately \$6.8 million and \$2.0 million were made pursuant to these management agreements for the years 1992 and 1991, respectively. The payments of \$6.8 million in 1992 included a negotiated termination of these management agreements.

WORDPERFECT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 11 -- RELATED PARTY TRANSACTIONS -- (CONTINUED)

The accompanying consolidated financial statements include the operating results of each of the entities involved in the related party transactions outlined above (exclusive of operations attributable to the corporation holding investments in non-Company related real properties) for all periods presented either as a result of (a) the transactions being between companies under common control or (b) the transactions being at amounts which approximate book value. Further, the results of operations attributable to the ownership interests acquired were not significant in any period in relation to the consolidated operating results of the Company. Shares issued in connection with the SoftCopy transaction are included in the consolidated financial statements for all periods presented.

NOTE 12 -- SAVINGS PLAN

The Company has a defined contribution savings plan which qualifies under Section 401(k) of the Internal Revenue Code for employees meeting certain service requirements. Participants may contribute certain amounts of their gross wages each calendar year. The plan provides for discretionary matching contributions by the Company which amounted to \$4.8 million, \$4.2 million and \$3.7 million for the years ended December 31, 1993, 1992 and 1991, respectively.

NOTE 13 -- COMMITMENTS AND CONTINGENCIES

Minimum annual rental payments for existing operating leases at December 31, 1993 are as follows (in thousands):

1994.....	\$ 5,460
1995.....	4,254
1996.....	2,561
1997.....	1,964
1998.....	1,587

	\$15,826
	=====

Rent expense under operating leases was \$4.9 million, \$3.7 million, and \$3.2 million for the years ended December 31, 1993, 1992 and 1991, respectively.

The Company has entered into a commitment to sponsor certain sporting teams. The Company's remaining commitment aggregates to \$5.8 million per year for 1994 and 1995.

At December 31, 1993, the Company had irrevocable standby letters of credit of approximately \$12.7 million outstanding which guarantee the deferred payments due to the former shareholders of RSI relating to the purchase of their stock. The Company pays a commitment fee of 0.5 percent on the outstanding portion of the letters of credit.

Effective January 1, 1994, the Company entered into employment agreements with certain of its key executives in connection with changes in the executive management structure of the Company announced in November 1993. Under such agreements, severance payments and benefits would become payable in the event of specified terminations of employment.

The Company is involved in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the financial position or results of operations of the Company.

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WORDPERFECT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 14 -- SEGMENT INFORMATION

The Company operates exclusively within the software industry. The following summarizes the Company's operations by geographic segment (in thousands):

	NORTH AMERICAN OPERATIONS	EUROPEAN OPERATIONS	OTHER INTERNATIONAL OPERATIONS	ELIMINATIONS	CONSOLIDATED
1993					
Net revenues:					
Customers.....	\$ 500,192	\$ 158,896	\$48,427	\$ --	\$707,515
Intercompany.....	76,577	28,075	--	(104,652)	--
Total.....	\$ 576,769	\$ 186,971	\$48,427	\$ (104,652)	\$707,515
Operating income.....	\$ 52,758	\$ (12,671)	\$ (6,214)	\$ --	\$ 33,873
Identifiable assets.....	\$ 359,826	\$ 101,840	\$15,307	\$ (75,491)	\$401,482
1992					
Net revenues:					
Customers.....	\$ 352,092	\$ 184,460	\$42,566	\$ --	\$579,118
Intercompany.....	98,150	22,022	2,931	(123,103)	--
Total.....	\$ 450,242	\$ 206,482	\$45,497	\$ (123,103)	\$579,118
Operating income.....	\$ 35,599	\$ 25,409	\$10,276	\$ --	\$ 71,284
Identifiable assets.....	\$ 351,304	\$ 102,452	\$11,216	\$ (131,193)	\$333,779
1991					
Net revenues:					
Customers.....	\$ 416,262	\$ 170,149	\$35,583	\$ --	\$621,994
Intercompany.....	90,937	9,555	738	(101,230)	--
Total.....	\$ 507,199	\$ 179,704	\$36,321	\$ (101,230)	\$621,994
Operating income.....	\$ 133,181	\$ 57,109	\$12,245	\$ --	\$202,535
Identifiable assets.....	\$ 342,251	\$ 113,581	\$ 8,868	\$ (57,450)	\$407,250

Intercompany sales between geographic areas are accounted for at cost. "Other International Operations" primarily include affiliates in Australia, Japan, Singapore, South Africa, Brazil and Chile. The majority of U.S. export revenues of \$36.1 million, \$32.5 million and \$40.3 million for the years ended December 31, 1993, 1992 and 1991, respectively, result from sales to Canada.

NOTE 15 -- RESTRUCTURING AND NON-RECURRING COMPENSATION EXPENSES

In the third quarter of 1993, the Company recorded a \$33.0 million non-recurring charge to restructure and streamline its operations. The provision includes employee severance costs, the write-down of assets to estimated realizable values, outside professional fees and other expenses associated with the restructuring plan.

As part of the management reorganization compensation program, the Company incurred non-recurring compensation expenses and made payments in 1992 to certain employees aggregating \$29.0 million.

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WORDPERFECT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 16 -- UNAUDITED PRO FORMA DATA

Pro Forma Provision for Income Taxes

Consolidated pretax income consists of the following (in thousands):

	FOR THE YEAR ENDED DECEMBER 31,		
	1993	1992	1991
U.S. Operations.....	\$34,032	\$59,118	\$177,413
International Operations.....	77	25,371	35,725
	-----	-----	-----
	\$34,109	\$84,489	\$213,138
	=====	=====	=====

The consolidated income statement includes a pro forma presentation for income taxes which would have been recorded if the Company had not been an S corporation based upon the tax laws in effect during those periods utilizing accounting standards required by SFAS 109. The unaudited pro forma income tax provisions are as follows (in thousands):

	FOR THE YEAR ENDED DECEMBER 31,		
	1993	1992	1991
Current:			
Federal.....	\$ 6,263	\$21,271	\$57,215
State.....	3,383	6,874	13,178
Foreign.....	7,050	11,593	14,626
Deferred.....	(4,778)	(7,486)	(9,939)
	-----	-----	-----
	\$11,918	\$32,252	\$75,080
	=====	=====	=====

The differences between pro forma income taxes at the statutory federal income tax rate of 34 and 35 percent and pro forma income taxes reported in the consolidated statement of income are as follows:

	FOR THE YEAR ENDED DECEMBER 31,		
	1993	1992	1991
Federal statutory tax rate.....	35.0%	34.0%	34.0%
State income taxes, net of federal benefit....	4.8	4.0	3.6
Purchased in-process research and development.....	2.7	5.6	--
Research and development credit.....	(9.3)	(2.8)	(2.0)
Other.....	1.7	(2.6)	(0.4)
	-----	-----	-----
	34.9%	38.2%	35.2%
	====	====	====

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WORDPERFECT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 16 -- UNAUDITED PRO FORMA DATA -- (CONTINUED)
Supplemental Pro Forma Data:

As discussed in Notes 1 and 11, on September 30, 1993, the owners' interest in Properties was transferred to the Company in exchange for 6% notes payable aggregating \$74.3 million and cash of \$5.0 million; results of operations of Properties are included in the accompanying financial statements for all periods presented. The following supplemental pro forma data presents the results of operations after adjustment to reflect additional interest expense assuming such notes payable had been issued on January 1, 1993.

Income before income taxes.....	\$34,109
Interest expense.....	3,341

Income before provision for income taxes.....	30,768
Provision for income taxes.....	9,992

Net income.....	\$20,776

Net income per share.....	\$0.39

Weighted-average number of shares.....	53,490,673

NOTE 17 -- SUBSEQUENT EVENT

On March 21, 1994, the Company signed a definitive agreement to merge with Novell, Inc. ("Novell"). Novell is a leading provider of network server operating system software that integrates desktop computers, servers, and mini-computer and mainframe hosts for business-wide information sharing. Its sales for the fiscal year ended October 30, 1993 were approximately \$1.1 billion. The transaction, which will be accounted for as a pooling of interests, will be effected through the exchange of 51,380,100 shares of Novell's common stock for all of the issued and outstanding shares of the Company's common stock. The Company will become a wholly-owned subsidiary of Novell. The transaction is subject to certain conditions including approval from the United States Justice Department and the effective filing of a registration statement with the Securities and Exchange Commission. Completion of the transaction is expected in June 1994.

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WORDPERFECT CORPORATION
 CONSOLIDATED CONDENSED BALANCE SHEET
 (UNAUDITED)
 (IN THOUSANDS, EXCEPT SHARE INFORMATION)

	MARCH 31, 1994	DECEMBER 31, 1993
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 40,484	\$ 55,127
Accounts receivable less allowance for doubtful accounts of \$6,539 and \$5,936.....	60,679	63,672
Inventories.....	20,926	23,467
Deferred income taxes.....	44,310	43,587
Prepaid expenses and other assets.....	20,067	19,350
	-----	-----
Total Current Assets.....	186,466	205,203
Property, plant and equipment, net.....	182,861	186,903
Deferred income taxes.....	6,310	6,310
Other assets.....	3,163	3,066
	-----	-----
	\$ 378,800	\$401,482
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 21,329	\$ 37,472
Accrued expenses.....	84,909	98,604
Deferred revenue.....	20,870	17,949
Income taxes payable.....	6,939	5,001
Notes payable.....	13,489	8,640
	-----	-----
Total Current Liabilities.....	147,536	167,666
Notes payable to shareholders.....	76,506	75,369
Long term debt and other liabilities.....	15,409	8,920
	-----	-----
	239,451	251,955
	-----	-----
Shareholders' equity:		
Common stock, no par, 200,000,000 shares authorized, 51,380,100 shares issued and outstanding.....	79,327	79,327
Retained earnings.....	61,739	73,313
Cumulative translation adjustment.....	(1,717)	(3,113)
	-----	-----
	139,349	149,527
	-----	-----
	\$ 378,800	\$401,482
	=====	=====

See notes to consolidated condensed financial statements.

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WORDPERFECT CORPORATION
 CONSOLIDATED CONDENSED STATEMENT OF INCOME
 (UNAUDITED)
 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED MARCH 31,	
	1994	1993
Net sales.....	\$ 139,436	\$ 172,150
Cost of sales.....	37,070	40,877
Gross margin.....	102,366	131,273
Expenses:		
Selling and marketing.....	48,060	53,839
Research and development.....	29,479	29,912
General and administrative.....	19,115	18,351
Purchased in process research and development.....	14,969	--
Total expenses.....	111,623	102,102
Income/(loss) from operations.....	(9,257)	29,171
Other income, net.....	(470)	1,198
Income/(loss) before provision for income taxes.....	(9,727)	30,369
Provision for income taxes.....	1,782	3,831
Net income/(loss).....	\$ (11,509)	\$ 26,538
Net income/(loss) per share.....	\$ (.22)	\$ 26,538
Weighted average number of common shares.....	51,380,100	51,380,100
Unaudited pro forma data:		
Income before provision for income taxes.....		\$ 30,369
Provision for income taxes.....		10,325
Net income/(loss).....		\$ 20,044
Net income/(loss) per share.....		\$.39
Weighted average number of common shares.....		52,035,582

See notes to consolidated condensed financial statements.

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WORDPERFECT CORPORATION
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER-SHARE AMOUNTS)

	THREE MONTHS ENDED MARCH 31,	
	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss).....	\$(11,509)	\$ 26,538
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:		
Depreciation and amortization.....	7,871	8,584
Charge for purchased in-process research and development.....	14,969	--
Changes in assets and liabilities:		
Accounts receivable.....	3,819	(10,917)
Inventories.....	3,034	(3,345)
Prepaid expenses and other assets.....	(459)	(656)
Accounts payable.....	(16,334)	(746)
Accrued expenses.....	(14,202)	14,152
Income taxes payable.....	1,956	(147)
Deferred taxes.....	(723)	--
Deferred revenue.....	2,825	(790)
Net cash provided/(used) by operating activities.....	(8,753)	32,673
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment.....	(3,125)	(10,975)
Change in other liabilities.....	(34)	257
Purchases of other assets.....	(97)	(177)
Payment for acquisitions, net of cash acquired.....	(5,665)	--
Proceeds from sale of equipment.....	53	--
Net cash used in investment activities.....	(8,868)	(10,895)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayment of) long-term debt.....	3,100	(5,938)
Distributions to shareholders.....	--	(1,821)
Net cash provided/(used) by financing activities.....	3,100	(7,759)
Effect of exchange rate changes on cash.....	(122)	(9)
Net increase/(decrease) in cash and cash equivalents.....	(14,643)	14,010
Cash and cash equivalents at beginning of period.....	55,127	86,569
Cash and cash equivalents at end of period.....	\$ 40,484	\$100,579
	=====	=====

See notes to consolidated condensed financial statements.

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WORDPERFECT CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 -- BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instructions to Form-100 and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The consolidated condensed financial statements include the accounts of WordPerfect Corporation and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

In the opinion of management all adjustments, consisting of normal recurring adjustments, which are necessary for a fair presentation of the results for the interim periods have been made. The interim financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 1993 appearing elsewhere herein.

NOTE 2 -- MERGER WITH NOVELL, INC.

On March 21, 1994, the Company signed a definitive agreement to merge with Novell, Inc. ("Novell"). Novell is a leading provider of network server operating system software that integrates desktop computers, servers, and mini-computer mainframe hosts for business-wide information sharing. Its sales for the fiscal year ended October 31, 1993 were approximately \$1.1 billion. The transaction, which will be accounted for as a pooling of interests, will be effected through the exchange of 51,380,100 shares of Novell's common stock for all of the issued and outstanding shares of the Company's common stock. The Company will become a wholly-owned subsidiary of Novell. The transaction is subject to certain conditions including approval from the United States Justice Department and the effective filing of a registration statement with the Securities and Exchange Commission. Completion of the transaction is expected in June 1994.

NOTE 3 -- UNAUDITED PRO FORMA DATA

For the three months ended March 31, 1993, the consolidated statement of income includes a pro forma presentation for income taxes which would have been recorded if the Company had not been an S corporation based upon the tax laws in effect during that period utilizing accounting standards required by SFAS 109. Pro forma net income per share is computed using the weighted average number of common shares and common equivalent shares outstanding.

NOTE 4 -- INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average method. Inventories include materials, direct labor and overhead and consist of the following (in thousands):

	MARCH 31, 1994	DECEMBER 31, 1993
Finished goods.....	\$ 8,620	\$ 7,129
Raw materials.....	12,306	16,338
Total.....	\$20,926	\$ 23,467

NOTE 5 -- ACQUISITION

In January 1994, the Company acquired the outstanding common stock of SoftSolutions Technology Corporation ("SoftSolutions"), a developer of network document management software, in exchange for cash of \$5.8 million and notes payable of \$9.2 million. The notes accrue interest at 6% per annum and are payable in two annual installments beginning in January 1995. That portion of the purchase price representing purchased in-process research and development of \$14.4 million was charged against operations during the quarter.

AGREEMENT AND PLAN OF REORGANIZATION

AMONG

NOVELL, INC.

NOVELL ACQUISITION CORP.

WORDPERFECT CORPORATION

ALAN C. ASHTON

BRUCE W. BASTIAN

AND

MELANIE L. BASTIAN

MARCH 21, 1994

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Exhibit	1.1	Articles of Merger
Exhibit	5.6	Form of Shareholder Agreement
Exhibit	5.12	Form of Affiliates Agreement
Exhibit	6.2(j)	Form of Tax Matters Agreement

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (the "Agreement"), dated as of March 21, 1994, is 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"), and WORDPERFECT CORPORATION., a Utah corporation ("WordPerfect"). Alan C. Ashton ("Ashton"), Bruce W. Bastian ("Mr. Bastian"), and Melanie L. Bastian ("Ms. Bastian") shareholders of WordPerfect, are parties to this Agreement only for purposes of Section 5.3. Novell and WordPerfect are sometimes referred to as a "Company" or the "Companies."

INTENDING TO BE LEGALLY BOUND, and in consideration of the premises and mutual covenants and agreements contained herein, Novell, Sub and WordPerfect hereby agree as follows:

ARTICLE I

THE MERGER

1.1 Merger; Effective Time. Subject to the terms and conditions of this Agreement and of the Articles of Merger attached as Exhibit 1.1 (the "Articles of Merger"), Sub will be merged into WordPerfect (the "Merger") in accordance with the Utah Revised Business Corporation Act (the "URBCA"). The Articles of Merger provide, among other things, the mode of effecting the Merger and the manner and basis of converting each issued and outstanding share of capital stock of WordPerfect into shares of Common Stock of Novell ("Novell Common Stock").

Subject to the provisions of this Agreement and the Articles of Merger, the Articles of Merger, together with required officers' certificates, shall be filed in accordance with the URBCA on the Closing Date (as defined in Section 1.2). The Merger shall become effective upon confirmation of such filing of the Articles of Merger and such officers' certificates (the date of confirmation of such filing is referred to as the "Effective Date" and the time of confirmation of such filing is referred to as the "Effective Time").

1.2 Closing. The closing of the Merger (the "Closing") will take place as soon as practicable on the later of (x) the date of the Shareholders' Meeting referred to in Section 5.6 or (y) the first business day after satisfaction or waiver of the latest to occur of the conditions set forth in Article VI (the "Closing Date"), at the offices of Wilson, Sonsini, Goodrich & Rosati, Two Palo Alto Square, Palo Alto, California 94306, unless a different date or place is agreed to in writing by the parties hereto.

1.3 Effects of the Merger. At the Effective Time, (i) the separate existence of Sub shall cease and Sub shall be merged with and into WordPerfect (Sub and WordPerfect are sometimes referred to as the "Constituent Corporations" and WordPerfect after the Merger is sometimes referred to as the "Surviving Corporation"), (ii) the Articles of Incorporation of WordPerfect shall be the Articles of Incorporation of the Surviving Corporation, except that such Articles of Incorporation shall be amended to provide that the authorized capital stock of the Surviving Corporation shall be 1,000,000 shares of Common Stock, (iii) the Bylaws of WordPerfect shall be the Bylaws of the Surviving Corporation, (iv) the directors of Sub shall be the directors of the Surviving Corporation, (v) the officers of WordPerfect shall be the officers of the Surviving Corporation; and (vi) the Merger shall, from and after the Effective Time, have all the effects provided by applicable law, this Agreement and the Articles of Merger.

1.4 Tax-Free Reorganization; Pooling of Interests. The Merger is intended to be a reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended (the "Code"), and to be accounted for as a pooling of interests pursuant to Opinion No. 16 of the Accounting Principles Board.

ARTICLE II

EFFECT OF THE MERGER ON THE CAPITAL STOCK OF THE
CONSTITUENT CORPORATIONS; EXCHANGE OF CERTIFICATES

2.1 Effect on Capital Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of capital stock of WordPerfect:

(a) Capital Stock of Sub. Each issued and outstanding share of capital stock of Sub shall continue to be issued and outstanding and shall be converted into one share of validly issued, fully paid and non-assessable Common Stock of the Surviving Corporation. Each stock certificate of Sub evidencing ownership of any such shares shall continue to evidence ownership of such shares of capital stock of the Surviving Corporation.

(b) Cancellation of Certain Shares of Capital Stock of WordPerfect. All shares of capital stock of WordPerfect that are owned directly or indirectly by WordPerfect or by any Subsidiary (as defined below) of WordPerfect and any shares of capital stock of WordPerfect owned by Novell, Sub or any other Subsidiary of Novell shall be cancelled and no stock of Novell or other consideration shall be delivered in exchange therefor. In this Agreement, a "Subsidiary" means a corporation or other entity whose voting securities are owned or are otherwise controlled directly or indirectly by a parent corporation or other intermediary entity in an amount sufficient to elect at least a majority of the Board of Directors or other managers of such corporation or other entity.

(c) Conversion of Capital Stock of WordPerfect. Each issued and outstanding share of WordPerfect Common Stock (other than shares to be canceled pursuant to Section 2.1(b) 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 in Section 3.2 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. The ratio pursuant to which each share of capital stock of WordPerfect will be exchanged for one share of Novell Common Stock, determined in accordance with the foregoing provisions, is referred to as the "Exchange Ratio."

(d) Adjustment of Exchange Ratio. If, between the date of this Agreement and the Effective Time, the outstanding shares of Novell Common Stock shall have been changed into a different number of shares or a different class by reason of any reclassification, split-up, stock dividend, stock combination, then the Exchange Ratio shall be correspondingly adjusted.

(e) Dissenters' Rights. If holders of capital stock of WordPerfect are entitled to dissenters' rights in connection with the Merger under Part 13 of the URBCA, any Dissenting Shares shall not be converted into Novell Common Stock but shall 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 law of the State of Utah. WordPerfect shall give Novell prompt notice of any demand received by WordPerfect to require WordPerfect to purchase shares of capital stock of WordPerfect, and Novell shall have the right to participate in all negotiations and proceedings with respect to such demand. WordPerfect agrees that, except with the prior written consent of Novell, or as required under the URBCA, it will not voluntarily make any payment with respect to, or settle or offer to settle, any such purchase demand. Each holder of Dissenting Shares ("Dissenting Shareholder") who, pursuant to the provisions of the URBCA, becomes entitled to payment of the value of shares of capital stock of WordPerfect shall receive payment therefor (but only after the value therefor shall have been agreed upon or finally determined pursuant to such provisions). In the event of legal obligation, after the Effective Time, to deliver shares of Novell Common Stock to any holder of shares of capital stock of WordPerfect who shall have failed to make an effective purchase demand or shall have lost its status as a Dissenting Shareholder, Novell shall issue and deliver, upon surrender by such Dissenting Shareholder of such holder's certificate or certificates representing

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shares of capital stock of WordPerfect, the shares of Novell Common Stock to which such Dissenting Shareholder is then entitled under this Section 2.1 and the Articles of Merger.

(f) Fractional Shares. No fractional shares of Novell Common Stock shall be issued, but in lieu thereof each holder of shares of capital stock of WordPerfect who would otherwise be entitled to receive a fraction of a share of Novell Common Stock shall receive from Novell an amount of cash equal to the per share market value of Novell Common Stock (based on the last sales price of Novell Common Stock as reported on the National Market System of the National Association of Securities Dealers' Automated Quotation System on the Effective Date of the Merger) multiplied by the fraction of a share of Novell Common Stock to which such holder would otherwise be entitled. The fractional share interests of each WordPerfect shareholder shall be aggregated, so that no WordPerfect shareholder shall receive cash in an amount greater than the value of one full share of Novell Common Stock.

2.2 Exchange of Certificates.

(a) Exchange Agent. Prior to the Closing Date, Novell shall appoint Mellon Bank, N.A. to act as exchange agent (the "Exchange Agent") in the Merger.

(b) Novell to Provide Common Stock. Promptly after the Effective Time, Novell shall make available for exchange in accordance with this Article II and the Articles of Merger, through such reasonable procedures as Novell may adopt, the shares of Novell Common Stock issuable pursuant to Section 2.1 and the Articles of Merger in exchange for outstanding shares of capital stock of WordPerfect.

(c) Exchange Procedures. As soon as practicable after the Effective Time, the Exchange Agent shall mail to each holder of record of a certificate or certificates which 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 Section 2.1 and the Articles of Merger, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as Novell may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for Novell Common Stock. Upon surrender of a Certificate for cancellation to the Exchange Agent or to such other agent or agents as may be appointed by Novell, together with such letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor the number of shares of Novell Common Stock to which the holder of capital stock of WordPerfect is entitled pursuant to Section 2.1 hereof. The Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of capital stock of WordPerfect 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 capital stock of WordPerfect is presented to the Exchange Agent 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 surrendered as contemplated by this Section 2.2, each Certificate shall 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 as provided by this Article II and the provisions of the URBCA.

(d) No Further Ownership Rights in Capital Stock of WordPerfect. All Novell Common Stock delivered upon the surrender for exchange of shares of capital stock of WordPerfect in accordance with the terms hereof shall be deemed to have been delivered in full satisfaction of all rights pertaining to such shares of capital stock of WordPerfect. There shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of capital stock of WordPerfect which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be cancelled and exchanged as provided in this Article II.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF WORDPERFECT

Except as disclosed in a document referring specifically to the representations and warranties in this Agreement which identifies the section and subsection to which such disclosure relates and which is delivered by WordPerfect to Novell prior to the execution of this Agreement (the "WordPerfect Disclosure Schedule"), WordPerfect represents and warrants to Novell and Sub as set forth below:

3.1 Organization, Standing and Power. Each of WordPerfect and its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, and has all requisite power and authority to own, operate and lease its properties and to carry on its business as now being conducted. A true and complete list of such Subsidiaries is set out in Schedule 3.1 hereto together with the jurisdiction of incorporation of each Subsidiary. Each of WordPerfect and its Subsidiaries is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect (as defined below). WordPerfect has no direct or indirect equity interest in or loans to any partnership, corporation, joint venture, business association or other entity other than WordPerfect's Subsidiaries and loans to entities affiliated with employees of WordPerfect which in the aggregate do not exceed \$1,000,000. WordPerfect has delivered to Novell, or will deliver to Novell within twenty one (21) days of the date hereof, complete and correct copies of the Articles of Incorporation and Bylaws (or other organizational or charter document) of WordPerfect and each of WordPerfect's Subsidiaries, in each case as amended to the date hereof.

As used in this Agreement, the term "Material Adverse Effect" used in connection with a party or any of such party's subsidiaries means any event, change or effect that is materially adverse to the condition (financial or otherwise), properties, assets, liabilities, businesses, operations, results of operations or prospects of such party and its subsidiaries taken as a whole; provided, however, that a change or deterioration in the financial condition, assets, liabilities or results of operations of WordPerfect and its Subsidiaries which is reflected in the financial projections delivered by WordPerfect to Novell on March 17, 1994 (the "WordPerfect Financial Projections") will not be deemed to constitute a Material Adverse Effect with respect to WordPerfect for any purpose under this Agreement.

3.2 Capital Structure. The authorized capital stock of WordPerfect consists of 200,000,000 shares of Common Stock, no par value ("WordPerfect Common Stock"). At the close of business on March 18, 1994, there were 51,380,100 shares of WordPerfect Common Stock outstanding and 7,857,500 shares of WordPerfect Common Stock were reserved for issuance upon the exercise of outstanding employee stock options ("WordPerfect Options"), pursuant to the WordPerfect Corporation 1992 Long-Term Incentive Plan ("WordPerfect Option Plan"). All outstanding shares of WordPerfect Common Stock are, and any shares of WordPerfect Common Stock issued upon exercise of any WordPerfect Option will be, validly issued, fully paid and nonassessable and not subject to preemptive rights created by statute, WordPerfect's Articles of Incorporation or Bylaws or any agreement to which WordPerfect or any of its Subsidiaries is a party or by which WordPerfect or any of its Subsidiaries may be bound. Except for the shares listed above issuable pursuant to WordPerfect Options, there are no options, warrants, calls, conversion rights, commitments or agreements of any character to which WordPerfect or any Subsidiary of WordPerfect is a party or by which any of them may be bound that do or may obligate WordPerfect or any Subsidiary of WordPerfect to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of the capital stock of WordPerfect or of any Subsidiary of WordPerfect or that do or may obligate WordPerfect or any Subsidiary of WordPerfect to grant, extend or enter into any such option, warrant, call, conversion right, commitment or agreement. WordPerfect is, or will be prior to the Closing, the owner of all outstanding shares of capital stock of each of its Subsidiaries and all such shares are duly authorized, validly issued, fully paid and nonassessable. WordPerfect is not under any obligation to register under the Securities Act of 1993, as amended (the "Securities Act") any of its presently outstanding securities or any securities that may subsequently be issued.

3.3 Authority. WordPerfect has all requisite corporate power and authority to enter into this Agreement and the Articles of Merger and, subject to approval of this Agreement and the Articles of Merger by the shareholders of WordPerfect, to perform its obligations hereunder, and to consummate the transactions

contemplated hereby. The execution and delivery of this Agreement and the Articles of Merger, the performance by WordPerfect of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of WordPerfect, and have been unanimously approved by the Board of Directors of WordPerfect. No other corporate proceeding on the part of WordPerfect is necessary to authorize this Agreement or the Articles of Merger or the performance of WordPerfect's obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, other than the approval of the Merger by WordPerfect's shareholders. This Agreement and the Articles of Merger have been duly executed and delivered by WordPerfect and constitute legal, valid and binding obligations of WordPerfect enforceable against WordPerfect in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies is subject to the discretion of the court before which any proceeding therefor may be brought. Subject to satisfaction of the conditions set forth in Article VI, the execution and delivery of this Agreement and the Articles of Merger do not, and the consummation of the transactions contemplated hereby and thereby will not conflict with or result in any violation of any material statute, law, rule, regulation, judgment, order, decree, or ordinance applicable to WordPerfect or any Subsidiary of WordPerfect or their respective properties or assets, or conflict with or result in any breach or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of a material lien or encumbrance on any of the properties or assets of WordPerfect or any of its Subsidiaries pursuant to (i) any provision of the Articles of Incorporation or Bylaws of WordPerfect or any Subsidiary of WordPerfect or (ii) any material agreement, contract, note, mortgage, indenture, lease, instrument, permit, concession, franchise or license to which WordPerfect or any of its Subsidiaries is a party or by which WordPerfect or any of its Subsidiaries or any of their properties or assets may be bound or affected. No consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency, commission, regulatory authority or other governmental authority or instrumentality, domestic or foreign (a "Governmental Entity"), is required by or with respect to WordPerfect or any of its Subsidiaries in connection with the execution and delivery of this Agreement or the Articles of Merger by WordPerfect or the consummation by WordPerfect of the transactions contemplated hereby or thereby, except for (i) the filing of a premerger notification report by WordPerfect under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (ii) the distribution of a proxy statement relating to the Shareholders' Meeting (the "Proxy Statement") and the obtaining of the approval of the Merger by WordPerfect's shareholders, (iii) the filing of the Articles of Merger with the Utah Division of Corporations and Commercial Code and the Secretary of the State of the State of Delaware and appropriate documents with the relevant authorities of other states in which WordPerfect is qualified to do business, (iv) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under the laws of any foreign country, which if not obtained or made would not have a Material Adverse Effect on WordPerfect and (v) such other consents, authorizations, filings, approvals and registrations which if not obtained or made would not have a Material Adverse Effect on WordPerfect.

3.4 Financial Statements. WordPerfect has furnished Novell with its financial statements for each of the fiscal years ended December 31, 1991, 1992 and 1993, including a consolidated balance sheet of WordPerfect and its consolidated Subsidiaries as at each of the fiscal years ended December 31, 1991, 1992 and 1993 (collectively, the "WordPerfect Financial Statements"). The WordPerfect Financial Statements have been prepared in accordance with generally accepted accounting principles consistently applied (except as may be indicated in the notes thereto), and fairly present the consolidated financial position of WordPerfect and its consolidated Subsidiaries as at the dates thereof and the consolidated results of their operations and changes in financial position for the periods then ended. WordPerfect will provide in a timely manner audited WordPerfect Financial Statements and any interim financial statements required in connection with the filing of any registration statement relating to the transactions contemplated hereby. All reserves established by WordPerfect with respect to assets of WordPerfect are adequate. There has been no change in WordPerfect's accounting policies, except as described in the notes to the WordPerfect Financial Statements.

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3.5 Compliance with Law. Each of WordPerfect and its Subsidiaries is in compliance and has conducted its business so as to comply with all laws, rules and regulations, judgments, decrees or orders of any Governmental Entity applicable to its operations or with respect to which compliance is a condition of engaging in the business thereof, except to the extent that failure to comply would, individually or in the aggregate, not have had and is reasonably expected not to have a Material Adverse Effect on WordPerfect. There are no material judgments or orders, injunctions, decrees, stipulations or awards (whether rendered by a court or administrative agency or by arbitration) against WordPerfect or any Subsidiary of WordPerfect or against any of their respective properties or businesses.

3.6 No Defaults. Neither WordPerfect nor any Subsidiary of WordPerfect is, or has received notice that it would be with the passage of time, (i) in violation of any provision of the Articles of Incorporation or Bylaws (or other organizational or charter document) of WordPerfect or any Subsidiary of WordPerfect or (ii) in default or violation of any term, condition or provision of (A) any material judgment, decree, order, injunction or stipulation applicable to WordPerfect or any Subsidiary of WordPerfect or (B) any material agreement, note, mortgage, indenture, contract, lease or instrument, permit, concession, franchise or license to which WordPerfect or any Subsidiary of WordPerfect is a party or by which WordPerfect or any of its Subsidiaries or their properties or assets may be bound.

3.7 Litigation. There is no action, suit, proceeding, claim or investigation pending or, to the best knowledge of WordPerfect, threatened, against WordPerfect or any of its Subsidiaries which could, individually or in the aggregate, have a Material Adverse Effect or which in any manner challenges or seeks to prevent, enjoin, alter or delay any of the transactions contemplated hereby. The WordPerfect Disclosure Schedule sets forth with respect to each pending action, suit, proceeding, claim or investigation to which WordPerfect or any of its Subsidiaries is a party to the extent that the aggregate damages claimed for all such complaints exceed \$10,000,000, the forum, the parties thereto, a brief description of the subject matter thereof and the amount of damages claimed. WordPerfect has delivered to, or will deliver within twenty one (21) days of the date hereof to Novell correct and complete copies of all correspondence prepared by its counsel for WordPerfect's independent public accountants in connection with the last three completed audits of WordPerfect's financial statements and any such correspondence since the date of the last such audit.

3.8 No Material Adverse Effect. Since December 31, 1993, WordPerfect and its Subsidiaries have conducted their respective businesses in the ordinary course and there has not occurred:

- (a) Any Material Adverse Effect with respect to WordPerfect;
- (b) Any amendments or changes in the Articles of Incorporation or Bylaws of WordPerfect or any of its Subsidiaries other than in connection with a consolidation of its business units prior to the date of this Agreement in the manner previously disclosed to Novell;
- (c) Any damage, destruction or loss, whether covered by insurance or not, that could reasonably constitute a Material Adverse Effect;
- (d) Any redemption, repurchase or other acquisition of shares of capital stock of WordPerfect or its Subsidiaries by WordPerfect or its Subsidiaries (other than pursuant to arrangements with terminated employees or consultants), or any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to the capital stock of WordPerfect or its Subsidiaries;
- (e) Any increase in or modification of the compensation or benefits payable or to become payable by WordPerfect or any Subsidiary to any of their directors or employees, except in the ordinary course of business consistent with past practice;
- (f) Any increase in or modification of any bonus, pension, insurance or other employee benefit plan, payment or arrangement (including, but not limited to, the granting of stock options, restricted stock awards or stock appreciation rights) made to, for or with any of its employees, except in the ordinary course of business consistent with WordPerfect's past practice;

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(g) Any acquisition or sale of a material amount of property or assets of WordPerfect or any of its Subsidiaries;

(h) Any alteration in any term of any outstanding security of WordPerfect or any of its Subsidiaries;

(i) Any (A) incurrence, assumption or guarantee by WordPerfect or any of its Subsidiaries of any debt for borrowed money; (B) issuance or sale of any securities convertible into or exchangeable for debt securities of WordPerfect or any of its Subsidiaries; or (C) issuance or sale of options or other rights to acquire from WordPerfect or any of its Subsidiaries, directly or indirectly, debt securities of WordPerfect or any of its Subsidiaries or any securities convertible into or exchangeable for any such debt securities;

(j) Any creation or assumption by WordPerfect or any of its Subsidiaries of any mortgage, pledge, security interest or lien or other encumbrance on any asset (other than liens arising under existing lease financing arrangements or liens arising in the ordinary course of WordPerfect's business which in the aggregate are not material and liens for taxes not yet due and payable);

(k) Any making of any loan, advance or capital contribution to or investment in any person other than (A) loans, advances or capital contributions to or investments in wholly-owned Subsidiaries of WordPerfect, (B) travel loans or advances made in the ordinary course of business of WordPerfect and its Subsidiaries and (C) loans to entities affiliated with its employees prior to the date of this Agreement which do not exceed \$1,000,000 in the aggregate;

(l) Any entry into, amendment of, relinquishment, termination or non-renewal by WordPerfect or any of its Subsidiaries of any contract, lease transaction, commitment or other right or obligation requiring aggregate payments by WordPerfect in excess of \$10,000,000 other than in the ordinary course of business;

(m) Any transfer or grant of a right under the WordPerfect Intellectual Property Rights (as defined in Section 3.16), other than those transferred or granted in the ordinary course of business consistent with past practice;

(n) Any labor dispute, other than routine individual grievances, or any activity or proceeding by a labor union or representative thereof to organize any employees of WordPerfect or any of its Subsidiaries; or

(c) Any agreement or arrangement made by WordPerfect or any of its Subsidiaries to take any action which, if taken prior to the date hereof, would have made any representation or warranty set forth in this Section 3.8 untrue or incorrect as of the date when made.

3.9 Absence of Undisclosed Liabilities. WordPerfect and its Subsidiaries have no liabilities or obligations (whether absolute, accrued or contingent, and whether or not determined or determinable), of a character which, under generally accepted accounting principles, should be accrued, shown or disclosed on a balance sheet of WordPerfect (including the footnotes thereto) except liabilities (i) adequately provided for in the WordPerfect Balance Sheet, (ii) incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected on the WordPerfect Balance Sheet or (iii) incurred since the date of the WordPerfect Balance Sheet which are not, individually or in the aggregate, material.

3.10 Information Supplied. None of the information supplied or to be supplied by WordPerfect for inclusion in the Registration Statement on Form S-4 to be filed with the Securities and Exchange Commission (the "SEC") by Novell in connection with the issuance of the Novell Common Stock in or as a result of the Merger (the "S-4"), including the Proxy Statement included therein, at the date such information is supplied and at the time of the Shareholders' Meeting, contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or will, in the case of the S-4 at the time the S-4 becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

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3.11 Certain Agreements. Neither the execution and delivery of this Agreement or the Articles of Merger nor the consummation of the transactions contemplated hereby or thereby will (i) result in any payment (including, without limitation, severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due to any director or employee of WordPerfect or its Subsidiaries from WordPerfect or its Subsidiaries, under any Plan (as defined in Section 3.12) or otherwise, (ii) materially increase any benefits otherwise payable under any Plan, or (iii) result in the acceleration of the time of payment or vesting of any such benefits, other than the acceleration of the WordPerfect Options.

3.12 ERISA. All material employee benefit plans, programs, policies or arrangements covering any active, former or retired employee of WordPerfect or its Subsidiaries are listed in the WordPerfect Disclosure Schedule (the "Plans"). To the extent applicable, the Plans comply with the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code, and any Plan intended to be qualified under Section 401(a) of the Code has either obtained a favorable determination letter as to its qualified status from the Internal Revenue Service or still has a remaining period of time under applicable Treasury Regulations or Internal Revenue Service pronouncements in which to apply for such determination letter and to make any amendments necessary to obtain a favorable determination. To the extent any Plan with an existing determination letter from the Internal Revenue Service must be amended to comply with the applicable requirements of the Tax Reform Act of 1986 and subsequent legislation, the time period for effecting such amendments will not expire prior to the Merger. WordPerfect has furnished or will furnish within twenty one (21) days of the date hereof, Novell with copies of the most recent Internal Revenue Service letters and Forms 5500 with respect to any such Plan. No Plan is covered by Title IV of ERISA or Section 412 of the Code. Neither WordPerfect, its Subsidiaries nor any officer or director of WordPerfect or any of its Subsidiaries has incurred any liability or penalty under Sections 4975 through 4980 of the Code or Title I of ERISA. Each Plan has been maintained and administered in all material respects in compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations, including but not limited to ERISA and the Code, which are applicable to such Plans. No suit, action or other litigation (excluding claims for benefits incurred in the ordinary course of Plan activities) has been brought, or to the best knowledge of WordPerfect is threatened, against or with respect to any such Plan. All material contributions, reserves or premium payments required to be made or accrued as of the date hereof to the Plans have been made or accrued.

3.13 Major Contracts. Neither WordPerfect nor any of its Subsidiaries is a party to or subject to:

(a) Any union contract or any employment contract or arrangement providing for future compensation, written or oral, with any officer, consultant, director or employee which is not terminable by it or its Subsidiary on 30 days' notice or less without penalty or obligation to make payments related to such termination, other than (A) (in the case of employees other than executive officers) such agreements as are not materially different from standard arrangements offered to employees generally in the ordinary course of business consistent with WordPerfect's past practices, copies of which have been provided, or will be provided within twenty one (21) days of the date hereof to Novell and (B) such agreements as may be imposed or implied by law;

(b) Any plans, contracts or arrangements which collectively require aggregate payments by WordPerfect in excess of \$500,000, written or oral, providing for bonuses, pensions, deferred compensation, severance pay or benefits, retirement payments, profit-sharing, or the like;

(c) Any joint venture contract or arrangement or any other agreement which has involved or is expected to involve a sharing of profits with other persons;

(d) Any existing OEM agreement, distribution agreement, volume purchase agreement, or other similar agreement in which the annual amount involved in 1993 exceeded or is expected to exceed in fiscal 1994 \$10,000,000 in aggregate amount or pursuant to which WordPerfect has granted or received exclusive marketing rights related to any product, group of products or territory;

(e) Any lease for real or personal property in which the amount of payments which WordPerfect is required to make on an annual basis exceeds \$1,000,000.