

DX 2

Defendant's
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Patti Solomon

From: Mike Maples
To: Doug Henrich
Subject: RE: 10/21/94 First Wave Status Report & Issues
Date: Tuesday, October 25, 1994 5:27PM

could you add me to distribution. thanks

From: Doug Henrich
To: billg; mikemap; steveb
Subject: FW: 10/21/94 First Wave Status Report & Issues
Date: Saturday, October 22, 1994 7:18PM

We do this report every month. Firstwave is targeted at the top Windows applications that can sim-ship within 90 days of win95.

From: Brad Struss
To: Bob Muglia; Brad Chase; Brad Silverberg; Cameron Ferroni; Cameron Myhrvold; David Williams (POSD); David Cole; Dennis Adler; Doug Henrich; Developer Relations Staff; George Moore; Janine A Harrison; Jim Allchin; Paul Maritz; Richard Freedman; Roger Heinen; Rogers Weed; Teri Schiele
Cc: Adam Waalkes; Christopher Lye; Dan Fay; Darby Williams; Dave Berry; Denise Shephard; Dhiren Fonseca; Jerry Drain; Marshall Goldberg; Mark Brown; Sara Williams; Scott Henson; Stan Murawski; Tammy Steele; Tim McCaffrey
Subject: 10/21/94 First Wave Status Report & Issues
Date: Friday, October 21, 1994 10:44AM

>> Thanks to those on the cc: line for all their efforts with the First Wave ISVs
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I. Issues

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ISV ISSUES

- 1. Unified Win32 documentation. Status: still going nowhere fast. This is on critical path since MSDN level 2 includes win95 sdk in January. (Owners: Bradsi/Jimall working to resolve)
- 2. Dialogs/controls for NT/32s. Status: Beta Controls minus rich text will be in M7 sdk for Win32s and Windows NT (good news!). Dialogs (print/page setup) and rich text (dependent on capone team) betas still to be delivered. Owner: Janineh

KEY ISV ISSUES RESOLVED

- 1. Setup toolkit contract signed and will be in M7!

II. ISV Status

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In September & 1st half of October we completed two successful First Wave porting lab weeks (10+ ISVs at each, great support from Win95, NT & VC product teams), both dealing with general Windows 95 issues.

Selected Top ISV/App Status:

Adobe - Pagemaker

Still on track to ship within 90 days. Biggest issue for them is finishing resolving Win95/NT platform thunking issues so they can support large number of 3rd party filters & plug-ins. The Pagemaker team demo'd of their 32-bit product running on NT for us. It was surprisingly solid (and FAST) but they have had problems getting it to

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run on Windows 95. We expect that this to be worked out within the next couple of weeks. UI work is still mainly in prototype stage.

Lotus - Lotus is very secretive as always, but it is beginning to look like they're doing a fair amount of work (many more detailed questions and requests). They plan to show several of their 32-bit products running on Win95 at Comdex in their booth. The Approach group attended porting lab in early October and left with their core product up and running in 32-bits. 32-bit Freelance just about to go into beta.

Powersoft

In good position to ship on time. Powersoft is still on track to ship a Windows NT version in Q4 94. Since they are adopting most of the FirstWave/Logo requirements in the NT version, their Windows 95 work will primarily be UI work once their Windows NT product has shipped.

Symantec (utilities)

Working aggressively to ship NU (Norton Utilities) and NAV (Norton Anti-Virus). Currently working them through the effects of the namespace browser decision since they used these interfaces extensively. This will change their development schedules, but should still be there very shortly after Windows 95 ships.

Wordperfect - Due to focus on 16-bit product revision this fall, there are limited resources working on next years 32-bit release. Given this and the fact that they'd rather deliver a great product later than a mediocre one sooner, they currently expect to ship Sept 95 or around 120 days of Windows 95 ship. Working with their sr. management to see about getting more focus on their 32-bit release.

Looking at the updated data from this months report (below), ISVs have really begun to dive into development. Given that, there are fewer "highly likely" ratings, but no significant change in folks likely or better to ship within 90 day window. Here's the rough breakdown:

Highly Likely to Ship:	18 (was 22)
Likely to Ship:	17 (was 15)
Risky but Possible or Neutral:	7 (was 6)
Unlikely or Worse:	1 (was 1)
Dropped	1 (Symantec Timeline couldn't come close to meeting dates)

FirstWave ISV State of the Nation:

<<File Attachment: OCT.DOC>>

You can find latest meeting report details for most of the First Wave ISVs on: \\drg\firstwave

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From: Brad Struss
To: Doug Henrich
Subject: FW: Namespace Extension Decision
Date: Wednesday, October 12, 1994 12:27PM
Priority: Low

fyi

From: Brad Struss
To: Brad Chase; Richard Freedman; Rogers Weed
Cc: Dhiren Fonseca; David Williams (POSD)
Subject: FW: Namespace Extension Decision
Date: Wednesday, October 12, 1994 12:03PM

Per Paulma we're now in the process of proactively notifying ISVs about the namespace api changes (will not document them and they'll go away/change). So far Stac, Lotus, WP, Oracle, SCC appear to be OK with this. Still talking w/ Symantec, but as of just a few minutes ago it seems like this will be manageable as well. ^

We are also working on a list of ISVs for press references if/when the press gets wind of this.

Annesc has made this an agenda item for Friday's pr meeting so we can discuss more then.

This is mainly a heads up since there is a slight chance it could hit the press before then, although we are stressing to ISVs the confidentiality of this.

From: Scott Henson
To: Adam Waalkes; Brad Struss; Christopher Lye; Dan Fay; Darby Williams; Dave Berry; Denise Shephard; Jerry Drain; James Plamondon; Marshall Goldberg; Mark Brown; Sara Williams; Scott Henson; Stan Murawski; Tim McCaffrey
Cc: Doug Henrich
Subject: Namespace Extension Decision
Date: Wednesday, October 12, 1994 1:41AM
Priority: High

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THIS IS IMPORTANT! PLEASE READ THIS ENTIRE DOCUMENT CAREFULLY BEFORE YOU DO ANYTHING ELSE!

As we covered at our meeting last Friday, we are faced with the challenge of going to our ISVs and telling them about BillG's recent decision to return the namespace extension API's to their original system-level status (notice the wording - Let's try not to use the word *undocumented* or private API's. This has a negative connotation to most ISVs) . This e-mail will hopefully provide you with the necessary information you will need to communicate the changes and the justifications to the technical contacts at our FirstWave (and eventually all) companies. The objective is to call ALL of the ISV's by the end of the day today (yes this is ambitious but let's try!). After you have called please send me a one paragraph summary of the conversation with the ISV. We would like to build a press reference list - so if you feel the conversation went well ask the ISV if they would be willing to be used as a press reference. In addition, it is very important that we are able to summarize the impact of this decision for upper management. One last point is that if there is anything we have missed in this document we want to make sure and cover it in subsequent phone calls.

<<< OVERVIEW OF WHAT HAS CHANGED >>>

We have changed the status of the API's which allow objects to be represented in the explorer as if they were a part of the Windows 95 namespace. You have most likely seen this kind of functionality demonstrated with the InfoCenter and with Marvel (PLEASE DO NOT MENTION MARVEL IN ANY OF YOUR CONVERSATIONS). These API's return to their original status of becoming programmatic access for

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system-level objects such as the Printers Folder, Fonts Folder, Control Panel, Wastebasket, Briefcase, and Remote Access to the Windows 95 namespace. Applications that have architected themselves to achieve this functionality need to remove themselves from the system and if they wish to implement similar views, to do it using the common controls without the explicit use of these system-only APIs.

<<< THE COOL STUFF THEY CAN STILL DO >>>

The position to take with your ISVs is that we are being proactive with informatipn and keeping them from going down a dead-end development path. In addition we want to emphasize the really *hot* and *cool* things you can still do with Windows 95 shell extensions!

The interfaces that remain for use by the ISV's:

- IContextMenu (Adds menu items to the drop down menu - context menu - that the shell displays when a user clicks the right mouse button)
- IExtractIcon (Allows for the use of custom icons on a per document (My Presentation.ppt) or document type (*.ppt) basis.
- IPropSheetExt (allows for the use of custom property sheets on a per document or document type basis)
- IShellExtInit (Used as an initialization interface for context menu handlers, drag drop handlers, and property sheet handlers)
- IShellLink (Ability to create and use shortcuts in the shell)
- IShellFolder (Emphasize that this method in effect becomes only callable. ISV's can not implement this interface to present their own views - it will allow people to enumerate/browse through the Windows 95 namespace)

<<< THE CONVERSATION >>>

// For your use

This is to provide you with the language that we have experienced to be common amongst the calls we have done thus far.

If you would feel more comfortable conference calling one or so of your ISVs with either Brad Struss or myself please feel free to do so (please let us know ASAP).

// To tell the ISVs - comments in {}

"This conversation is obviously covered by the mutual non-disclosure agreement between Microsoft and _____"

"There is a set of APIs which allows you to extend the explorer visually in a manner that makes an application look as though it were a system-level hierarchical component (i.e. like the control panel, fonts folder, printers folder, etc.). We have taken a hard look at these APIs and because it makes it very difficult for us to support our long-term objectives with the Windows shell we have decided to return these interfaces back to their system-only status. This means that if you are using these API's you should stop. The API's affected are: IShellBrowser, IShellView, ICommDlgBrowser, and IPersistFolder. These allowed for the CREATING (rather than browsing) of the shell's namespace (file system, net, control panel...) and for extending the namespace in general."

{
At this point you should tell them what interfaces are going to stay and emphasize all the great things they can still do.
}

"This decision not only affects people outside of Microsoft but inside the company as well. All applications within Microsoft which were originally implementing these interfaces have been required to stop. As a consequence the InfoCenter will no longer be integrated into the explorer. What they have decided to do is to provide their own views by using the common controls (listview, treeview, and the column header). This way they are independent of the shell and still provide the same visual consistency and functionality that the Explorer does. The good thing about this strategy is that it is compatible with NT as well (as the common controls will be made available for NT)"

{
Body of the conversation where they ask questions, etc. Remember the number one question will be: 'Why have you decided to do this?' The answer is: Because they (the APIs) make it very difficult to support long-term. We don't want to send ISVs down a dead-end path.
}

If this is starting to sound redundant it's because I want to emphasize this point very strongly.
}

"Please keep this information close to your chest. We have proactively gone and told our KEY accounts first and will continue to send out the message over the next couple of weeks those who will be affected. Please do not post any questions about this on Compuserve!"

{
If they do not seem to offer much in the way of information about how they feel then that's good. This means that this will simply be a minor note for them to make so that they can avoid doing this work.
}

<<< Q&A DOCUMENT - PLEASE READ ALL OF THIS COMPLETELY BEFORE YOU CALL! >>>
Please DO NOT deliver this document outside of Microsoft. It is intended as an aid to provide you with the necessary information to answer any questions that may come up in your conversations.
<<File Attachment: SHELLQA.DOC>>

Below is a list of all of the FirstWave ISV's and their respective owners (this is the list we want to tackle today). Once you have spoken with each of these companies, please send me that update paragraph.

Thanks for your help with this! I will send more mail on this talking about our next phase of attack (i.e. notifying the next tier accounts) on this issue very soon.

- Scott

+ + +

FirstWave ISVs

- Adobe Systems [Pagemaker/Photostyler = scotthe/Photoshop = darbyw]
- America Online [chrislye]
- Attachmate [geraldld]
- Autodesk [darbyw]
- Borland International [adamwa]
- Claris Corp. [Jamespl]
- CompuServe [chrislye]
- Computer Associates [marshalg]
- Corel Corp. [scotthe]
- DataStorm Technologies [geraldld]
- DCA [geraldld]
- Delrina [timmcc]
- Legent [daveber]
- Lotus [bradstr]
- Macromedia [darbyw]
- Micro Focus [adamwa]
- Micrografx [scotthe]
- Oracle [mbrown]
- Powersoft [adamwa]
- Prodigy [chrislye]
- Saber [daveber]
- SAS [danf]
- Shapeware [saraw]
- Softkey International [scotthe]
- Software Publishing Corporation [darbyw]
- SPSS [danf]
- Stac Electronics [geraldld]
- Symantec Corp. (All Divisions) [geraldld]
- WordPerfect [bradstr]

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Q&A

Q: [Background] What were the namespace extension interfaces used for?

A: These are the system-level building blocks (interfaces) of the Windows 95 explorer which allows the representation of heirarchical data in a folder-like metaphor. It was initially thought that ISVs could use these interfaces to allow users to use the explorer to view their heirarchical data. The idea was that Windows 95 users would know how to use the explorer, and developers would not have to reproduce a similar look and feel themselves.

Q: Why has Microsoft decided not to publish the NameSpace extension interfaces?

A: There are a number of reasons:

- Compatability. We have determined that it will be very difficult to support these API's for applications as we move forward with our operating systems. We did not want to encourage ISV's to support interfaces that would go away in the future.
- System Robustness. Names space extensions were design to part of the system. As such they run in the explorer's process space. Badly written name space extension could cause the reliability of Windows 95 to be less then what it should.
 - Ship Schedule. We have determined the amount of development and testing time it would take to support these API's through the entire development cycle adds a tremendous amount of overhead to our very rigid dealines.
- Equivalent Visual functionality. We will provide common controls (listview, treeview, column heading , etc.) that will allow ISVs to create their own views in the same manner that the explorer does. This allows ISV's to write applications with the same look and feel of the Windows 95 explorer that run on Windows NT 3.5 and Windows 3.11.

Q: Microsoft has talked about having it's Cairo based shell use OLE. Is this still the plan?

A: The Windows 95 shell is a 32-bit shell which uses OLE (see next Q&A). Microsoft will provide the same UI and the same shell API for both platforms. Cairo shell might provide more OLE features, but it will not be a different shell.

Q: Why don't you just use OLE for extending the Windows 95 shell?

A: The Windows 95 shell uses OLE in many places. For example:

- The desktop. Folders and explorers accept a drag&drop from OLE applications which let the user create a scrap file (embedding), a shortcut file (link) or other application specific files.
- When the user opens the property sheet of a docfile, the shell adds additional pages that shows OLE standard properties, such as summary information.

All the shell extensions are written as OLE In-Proc servers. The shell is an OLE server as well.

Application can create some shell objects (such as a shell link object, or a desktop object) by calling CoCreateInstance with shell CLSIDs.

Q: What other functionality/API's are you planning on changing or removing?

A: At this point in time we do not forsee any other APIs being removed. Of course since this is beta software there may continue to be minor changes to interfaces. Our goals is to keep these to a minimum.

Q: Will Info Center, Marvel, and MS apps still continue use these interfaces? Seems like this would be an unfair advantage?

A: Info Center, Marvel, and MS apps will no longer use these interfaces. [DO NOT MENTION MARVEL UNLESS ASKED DIRECTLY]

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Q: Microsoft has encouraged ISVs to use shell extensibility, can I still do that?

A: Yes, there are still lots of exciting things ISVs can do with the shell. For example, you may customize the behavior of your application files under the shell by adding extra menu items (context menu extension), adding property sheet pages (property sheet extention) and/or providing per-instance icons (icon extention). For more details, see Kyle Marsh's MSDN article (.....)

Q: When will there be final documentation on what I can use?

A: The Windows 95 user education team is working on the official documentation now. In addition there will be a new version of Kyle's MS Developer Network on the January Development Library with all the the final updates to the shell extensions. We will post this article to CIS and our ftp server as soon as possible.

Q: [press] What is the impact (development time and engineering dollars) for ISV's that have already started development?

A: There are very few ISVs who had even started development on these interfaces (and very few that have received the documentation), so the impact is minimal. We are working with those ISVs who have started using these interfaces to help minimize any potential impact on them. For ISVs who want to maintain the Explorer's look, we provide controls (tree view, list view, toolbar, etc.) necessary to do this.
[INSERT ISV PRESS REFERENCES HERE]

Q: What if I decide to use some of the undocumented API's (i.e. I am a developer that has received some of the preliminary documents on the topic)? What will the penalty be? Will you change the interfaces that had been defined?

A: We will not arbitrarily change these interfaces, but because of how tightly these interfaces are tied to internals of the shell, we cannot guarantee ISVs that try to call into them will work in future releases of Windows 95 (or even between interim beta builds). There will be no support for ISVs who use this. It will be completely at their own risk.

Q: Can I still roll-my-own common dialogs and enumerate the namespace?

A: Yes, the IShellFolder interface will still be published to allow ISVs to enumate the namespace.

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MEMORANDUM

to: Jim Tolonen, John Lewis
cc: Paul Rasband, Ken Duncan, Mark Calkins, Jeff Mallett
from: Maile K. Patterson
re: Novell/WP/QP Integration Plan
date: August 3, 1994

Attached is the Integration Plan submitted by Ad.

from the desk of...

Maile K. Patterson
Executive Director
1555 N. Technology Way, A-331
Orem, UT 84057

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Fax: (801)222-4477

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Novell/WordPerfect/Quattro Pro Unification Plan

To: Jim Tolonen, John Lewis

Submitted by: Ad Rietveld

Recommendations for the Novell Applications Group

This plan is defined after the business review with Bob Frankenberg. It is important to recognize that there are two organizational changes occurring at the same time. The Novell/WordPerfect merger and the move from one big WordPerfect organization to a better structured Business Unit organization where we can really deal with P&L responsibilities. This makes the number exercise more difficult to compare.

We are moving to three business units where we are focussing on development, testing, documenting and marketing the products. The three business units are Business Applications, Consumer Products, and Workgroup products. We will rely upon the Corporate Novell organization for the following services that you don't find in the headcount of this BU: Operations, Corp Marketing, Education & Training, Services & support, Sales, Legal, Finance & accounting, Human resources, Strategic relations, facilities, CIS/MIS, Research, Localization.

Some key points:

- We are making new investments in Chicago development.
- Expanding our development resources in SGML to deliver sooner the solution for the companies internal needs in documentation.
- Filling the holes that were left with the acquisition of the Quattro Pro business. The positions of the development and marketing people that did not make the transfer were never filled.
- Expanding the International product marketing functions in the business units to accommodate the new Sales Organization. (7 people per business unit, 21 total for the group).
- Continuing our growth plan for consumer products according to the business forecasts.

August 3, 1994

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Novell/WordPerfect/Quattro Pro Unification Plan

To: Jim Tolonen, John Lewis

Submitted by: Ad Rietveld

Recommendations from the Business Units

Business Applications:

- Eliminate resources on WordPerfect for VMS. Reassign resources to PerfectOffice, Chicago and Tapestry.
- Reduce resources on WordPerfect for Macintosh and WordPerfect for Unix.
- After Windows 3.1 (16-bit) products are released this year, move large percentage of Windows resources over to Chicago (32-bit).
- Add new resources to develop network integration for all business applications.
- Substantial increase in resources on Tapestry, to target fiscal fourth quarter 1996 release.
- Increase resources on internationalizing Quattro Pro, for faster time to market support for localized versions of PerfectOffice.
- Increasing development resources on electronic publishing to bring products to market faster.
- Adding business development and sales support functions in marketing. Focus for two groups is to increase sales.
- When appropriate, move Quattro Pro technical support to Novell technical support.
- No headcount planned to move Quattro Pro to non-Windows platforms.

Consumer Products:

- Keep development teams as small as possible and ensure simultaneous releases on Mac and Windows
- Share at least 80% of the works code between platforms and OS's
- Cross platform team with the responsibility to deliver to the Mac and Windows teams code that is developed to run on either Mac or Windows (16 or 32 bit).
- Cross platform team will also have the responsibility to ensure that international concerns are dealt with early on in the design phase so we can

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Novell/WordPerfect/Quattro Pro Unification Plan

To: Jim Tolonen, John Lewis

Submitted by: Ad Rietveld

- ship internationally versions simultaneously with domestic release.
- A good portion of this code will also be shared with the InfoCentral and Express Fax development teams.
- All products must be updated to 32 bit. We will work with the WordPerfect 32 bit development team to gather all information they have accumulated on this process.
- Our goal will be to have all personal productivity products updated by Q3 of 1995.
- Careful project planning will be essential if we are to deliver products in the spring and fall.
- To stretch development time from 6 to 9 months; we will do parallel development. As we reach a redefined point in the development cycle of a product, work will get started on the next version. This will help us cut down the time between releases.
- Process will play a very important role in Consumer Products development. Not only will a project planner be used for all projects, but the SEPG's software development process will be used to help us track progress and help eliminate defects in our design and code early in the process when we have the time to fix them. We must do everything we can to shorten the development cycle on products.

Workgroup Applications:

- Doing More with less. We are not projecting an increased headcount until we begin to meet FY 1995 revenue budgets. Yet, we are continuing to develop each of the products and also integrate them with each other (Musketeer Project, Q1 of 1995).
- Repositioning Products. We have projects to produce a version of SoftSolutions that will sell more product through the channels; to position the ad hoc (administrative) WorkFlow functionality of InForms 2.0; and to split GroupWise into a low-end seed email product and a high-end messaging GroupWare product.
- Leveraging WP and Novell User Bases. We have marketing

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Novell/WordPerfect/Quattro Pro Unification Plan

To: Jim Tolonen, John Lewis

Submitted by: Ad Rietveld

plans to target the WP CAP user base and the NetWare base to deploy GroupWare products (e.g. low-end email client bundled with NetWare and/or GroupWare products bundled with NetWare for non-networked WP CAP users.

- Leverage Novell Education Facilities/Programs. We have plans to exploit seminar selling and educating both the Novell sales force and channel partners.

Immediate Organizational Impact

An organization chart for the Group level is enclosed. Major issue will be how the corporate functions that we are now relying upon (like sales, finance etc.) will communicate with this group.

We are working on closing the Albuquerque development site.

Other organizational issues discussed by BU:

Business Applications:

- The organization is divided up into three groups - development, marketing and Quattro Pro division.
- Development includes PerfectOffice, WordPerfect for Windows, DOS, Macintosh and Unix, Presentations, Electronic Publishing tools, the PerfectOffice engine group and Tapestry. It also includes testing, operations and publications.
- Marketing includes product marketing, marketing services, business development and sales support. Product marketing consists of teams focused on Tapestry, Windows Product Management (including PerfectOffice, WordPerfect for Windows and Presentations), Windows Market Development, WordPerfect for Macintosh, WordPerfect for Unix and Electronic Publishing tools. Marketing services will focus on advertising, PR (headcount not included, reports to corporate communications), technical writing and design. Business development will manage all licensing arrangements for business unit, third party joint marketing and new business opportunities. Sales support

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Novell/WordPerfect/Quattro Pro Unification Plan

To: Jim Tolonen, John Lewis

Submitted by: Ad Rietveld

will drive the relationship with major account and channel sales.

- Quattro Pro is kept as a separate division within the business unit. The Quattro Pro division includes development, QA, international development, international QA, program management, publications, marketing and technical support.
- Following headcount not included in numbers below: Finance and PR.

Key Issues

For this group it is more an issue of the reorganization to real business units in the group than bringing together Novell and WordPerfect departments.

Key issues are included by business unit:

Business Applications:

- Getting company resources focused on supporting Quattro Pro, including within our business unit. Biggest issue is that there is very little support currently for Quattro Pro within international sales.
- Chicago. There are very few resources on Chicago at this time. Even though we are phasing out WordPerfect for VMS, all resources need to be applied to Chicago (or Tapestry). We do not want to be significantly behind Microsoft, if at all, in releasing a Chicago suite.
- Tapestry. The other major new investment is in Tapestry. Business applications are carrying the cost of the development effort.

Consumer Products:

- Maximize outside third parties in product development and marketing services.

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Novell/WordPerfect/Quattro Pro Unification Plan

To: Jim Tolonen, John Lewis

Submitted by: Ad Rietveld

- Are able to develop a well-defined working relationship with the Greater Novell worldwide sales organization that ensures both groups are successful.
- Continue to be successful in key international markets for both product licensing and marketing messages.
- Establish a good working relationship with all internal services groups including customer service, trade shows, and corporate marketing.

Workgroup Products:

- Increase ASP of GroupWise.
- Increase gross revenues, without accompanying expense increases.
- Effectively leverage WordPerfect and Novell user bases.
- Gain the mindshare of Novell sales reps and channel partners.
- Compete more effectively with Lotus Notes.

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Novell/WordPerfect/Quattro Pro Unification Plan

To: Jim Tolonen, John Lewis
 Submitted by: Ad Rietveld

Headcount Targets

Because of the reorganization in business units and the move of approximately 3750 people to Corporate functions it is hard to come to real "hard" numbers on headcount targets. Below you will also find our headcount summary with our best estimate of headcount before and after the restructuring to business units and transferring functions to the greater Novell.

- The number here assumes that localization is transferred outside the Applications division.
- Does not include the 32 Quattro Pro support people
- Does not include the MHS team (43 people) that has been talked about to move to the Novell Applications Group.

Dept.	Current WP	Current QP	Greater NOVELL	New Hlrs	Total RIE	TOTAL STAFF
Applications Group	1228	53	1281	78	43	1316

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NOVELL INC
 APPLICATIONS DIVISION
 HEADCOUNT SUMMARY

	UTAH	INTL	TOTAL	CORP SERV
WORDPERFECT HEADCOUNT				
TOTAL WORDPERFECT HEADCOUNT	3,838	1,167	5,025	
OPERATIONS	(244)	(102)	(346)	346
CORP MARKETING	(148)		(148)	148
ED/TRAINING	(89)	(39)	(128)	128
SERVICES\SUPPORT	(976)	(327)	(1,303)	1,303
SALES	(512)	(491)	(1,003)	1,003
LEGAL	(12)	(3)	(15)	15
FINANCE\ACCOUNTING	(64)	(86)	(150)	150
HUMAN RESOURCES	(36)	(14)	(50)	50
STRATEGIC RELATIONS	(3)		(3)	3
FACILITIES	(197)	(5)	(202)	202
CIS\MIS	(162)	(20)	(182)	182
WP PRESS (APPS DIVISION)	(3)		(3)	3
RESEARCH (APPS DIVISION)	(11)		(11)	11
LOCALIZATION (APPS DIVISION) (1)	(121)	(86)	(207)	207
CURRENT APPS DIVISION HEADCOUNT	1,250	14	1,274	3,751
USED APPS DIVISION HEADCOUNT				
BUS APPS (2)	488		488	
CONSUMER APPS	143		143	
GROUPWARE APPS (3)	313		313	
SHARED SERVICES	356		356	
EXECUTIVE STAFF	3	13	16	
PROPOSED APPS DIVISION HEADCOUNT	1,303	13	1,316	
PPS DIVISION CHANGE IN HEADCOUNT INCREASE (DECREASE)	43	(1)	42	

) - ASSUMES THIS FUNCTION IS TRANSFERRED OUTSIDE THE APPLICATIONS DIVISION.

) - EXCLUDES HEADCOUNT OF 32 RELATED TO QUATTRO PRO TECHNICAL SUPPORT.

) - DOES NOT INCLUDE ANY HEADCOUNT FOR MHS. KEN'S CURRENT ESTIMATE IS THAT THE MHS TEAM INCLUDES 43 PEOPLE.

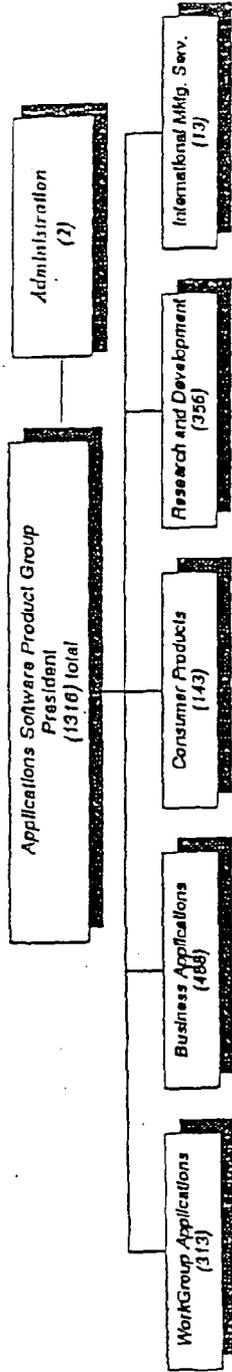
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Novell Applications Group

August 2, 1994



Dotted Line Staff from Novell:

- Human Resource
- Finance
- IS
- Legal
- Security
- Facilities
- Corporate Marketing

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Dept.	Current WP	Current QP	Current Total	New Hire	Total RIF	Total Staff
Business Apps						
Marketing	59	3	62	7		69
Development	225	25	250		(5)	245
Testing/QA	105	22	127	5		132
Documentation	39	3	42			42
Sub total	428	53	481	12	(5)	488
Consumer Prods						
Marketing	24		24	26		50
Development	27		27	22		49
Testing/QA	25		25	13		38
Documentation	6		6			6
Sub total	82	0	82	61	0	143
Workgroup						
Marketing	47		47			47
Development	144		144			144
Testing/QA	87		87			87
Documentation	35		35			35
Sub total	313	0	313	0	0	313
Core Development						
Marketing	2		2	2		4
Development	243		243	3	(35)	211
Testing/QA	90		90			90
Documentation	51		51			51
Sub total	386	0	386	5	(35)	356
Executive Staff						
President	1		1			1
Admin Support	2		2			2
Int'l Mktg. Svc.	16		16		(3)	13
Sub total	19	0	19	0	(3)	16
Sub Totals						
Executive Staff	19	0	19	0	(3)	16
Marketing	132	3	135	35	0	170
Development	639	25	664	25	(40)	649
Testing/QA	307	22	329	18	0	347
Documentation	131	3	134	0	0	134
Sub total	1,228	53	1,281	78	(43)	1,316
TOTALS	1,228	53	1,281	78	(43)	1,316

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DX 5

interoffice

MEMORANDUM

to: Bob Frankenberg

cc:

from: Ad Rietveld

re: Business Evaluations

date: July 21, 1994

Today WordPerfect the Novell Applications Group is organized in four divisions. Depending upon the division we have full functioning product marketing teams for separate products or one product marketing team for all the products. For the process of reviewing all of the businesses I have asked the different teams to answer the five questions;

- 1) What is the current profitability of their business
- 2) What is the size of your market, market growth and current market share. Try to project your market size over the next five years.
- 3) Can we become or remain number one or number two, what will it take to do so, who do we need to beat, how well entrenched are they, how will we beat them?
- 4) If we succeed is the large enough and profitable enough?
- 5) Are there able partners to take this on where the result would be good or better for Novell?

For some divisions you will find an extensive report that comes close to a complete business plan. For some other divisions they have limited their paper work to just answering the five questions.

Let me start with a short overview of the different divisions.

Business Applications

Business applications has traditionally grown from a word processing to a suite business. One of the key questions for this business unit is more to answer the multiplatform question than anything

from the desk of...

Ad Rietveld
President

WordPerfect, Novell Applications Group
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else. Some products will not be number one or number two in their individual markets but are a key element in a suite offering like presentations graphics and therefore a piece that we cannot afford to overlook. The platform questions that we need to answer are related to DOS, Macintosh, Unix, OS/2 and OpenVMS.

The suite needs to be developed in a way that we can take out components and make them part of the operating system when the market is demanding it.

As you can see in Exhibit 1, the growth for the applications business is 13% AGR from \$595m in 1994 to \$1100m in 1998 with a profit margin of 18% in 1998.

Groupware Business

Groupware products are part of one of the fastest growing segments of our market. Since more and more people get networked together WordPerfect recognized this business several years ago as an important part of future growth for the company. The merger with Novell makes this business even more strategic for the future.

Major decisions in this division are about extending the product offering to cover also the parts of groupware like conferencing, imaging etc. where we don't have a competing offer and changing the business model so the groupware products will start contributing to the growth and profitability of the company.

As you can see in Exhibit 1, the growth for the GroupWare business is 71% AGR from \$35m in 1994 to \$506m in 1998 with a profit margin of 23% in 1998.

Electronic Publishing

The electronic publishing group is separated into separate businesses; publishing tools and content publishing. This group originally started because of the link between the millions of WordPerfect documents out there and the growing need for electronic document delivery in the market place. Today the electronic publishing tools are becoming a very strategic element in the future strategy for the information highway. Giving people authoring and viewing technology will be key components that companies need to be able to deliver if they want to be a player on the information highway. WordPerfect has started in this area sooner than MicroSoft and Lotus. Although adoption of SGML has been slower than expected, MicroSoft has recently announced full support of SGML. WordPerfect has a lead and should be able to keep the lead in this particular area of our industry. The products (SGML -IntelliTag- and Envoy) should also start to play a significant role in our internal IS process.

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Content can be important in two different areas. One is to be able to enter into vertical markets, and deliver solutions for legal, medical, financial, etc. Second, content will also be an important growth opportunity for the consumer products market where information packaged in an appealing multimedia format represents fast growth opportunity.

Key questions in this part of the business are; is it a separate business unit, or do we want to move it into other existing business units? Another question is do we want to be in the business of content publishing?

As you can see in Exhibit 1, the growth for the Electronic Publishing business is 66% from \$6m in 1994 to \$75m in 1998 with a profit margin of 31% in 1998.

Consumer Business

The decision to enter into the consumer market was made at WordPerfect based on two key elements. First it is an emerging and fast growing segment of the software industry throughout the world. And secondly over one third of first time users will be introduced to software through their personal computer at home or small office. We feel it is essential that a software company like Novell build that relationship with every first time computer user so we provide logical pathways to business and groupware applications.

The consumer division is divided into three parts; personal productivity, family entertainment, and home education. Consumer products does not only bring us a relationship with the first time computer user, it will also enhance our opportunities with OEM partners. It helps us get necessary experience with multimedia products and lets Novell participate in new distribution channels that are emerging from consumer divisions but will eventually expand to business applications and other Novell products.

As you can see in Exhibit 1, the growth for the consumer business is 61% from \$17m in 1994 to \$183m in 1998 with a profit margin of 33% in 1998.

For the WordPerfect Group the growth is 23% from \$676m to \$1,866m with an operating income of 22% in 1998.

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Summary

After reviewing the four divisions in the WordPerfect group, I am coming to the following recommendations.

- ⊗ Close the VAX OpenVMS business.
- ⊗ ⊗ Evaluate Unix business based upon strategic importance to the greater Novell.
- ⊗ Close electronic publishing division.
- ⊗ Move electronic publishing *tools* to the business applications division,
- ⊗ Evaluate to move electronic publishing *content* to consumer product division or the Business Applications division.

Attached is

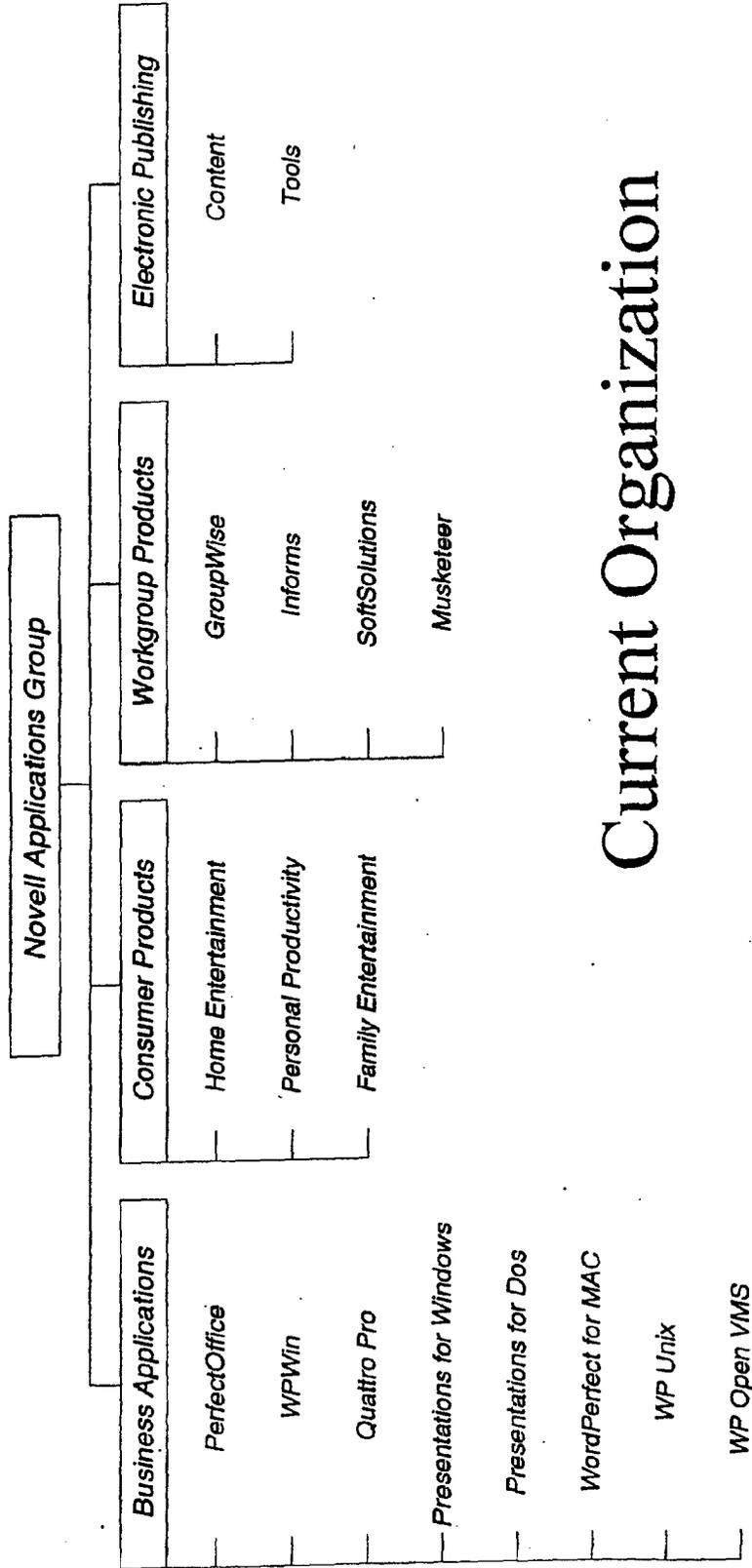
- ✓ A spreadsheet with the growth numbers for each individual business.
- ✓ Two organizational charts with the current Business Unit structure and the proposed Business Unit structure.
- ✓ Four individual division plans that answer the five questions for each division, and depending upon the division, for each product within the division.

Ad

- AppWare foundation
- Visual Appbuilder./or alternative.

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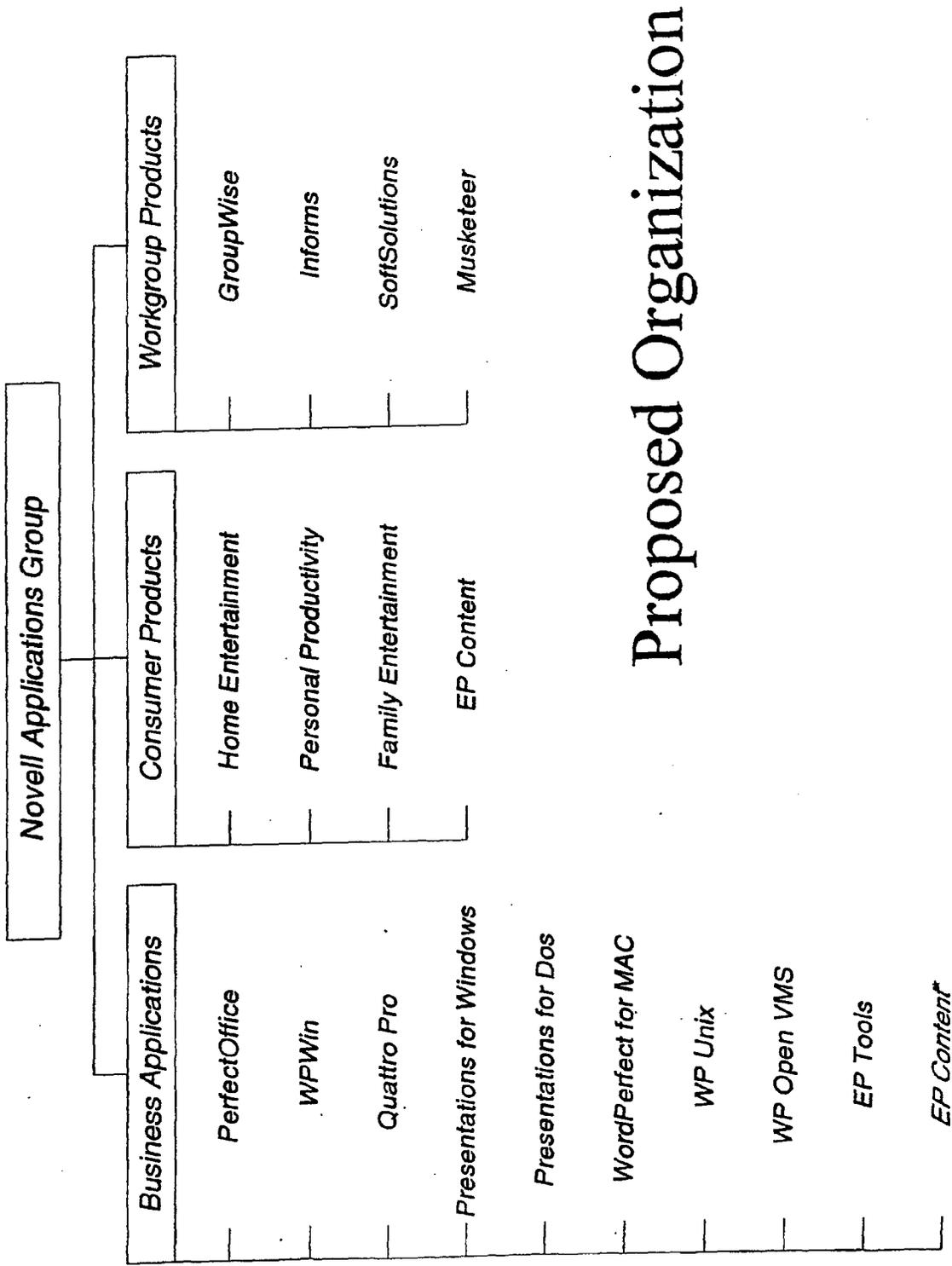
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Current Organization

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Proposed Organization

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VENUE AND OPERATING INCOME SUMMARY
 FISCAL YEARS
 MILLIONS

	1994		1995		1996		1997		1998	
	Revenue	Op. Inc.	Revenue	Op. Inc.	Revenue	Op. Inc.	Revenue	Op. Inc.	Revenue	Op. Inc.
Business Applications										
IP FUTURE	0	(13)	30	(5)	70	15	115	25	160	35
IP WIN	390	85	232	50	185	35	167	31	185	31
IP DOS	118	43	68	30	45	21	32	15	17	1
IP MAC	14	(5)	15	(2)	17	1	18	3	21	4
IP UNIX	12	(4)	13	(1)	15	2	18	4	21	5
VP VMS	1	(3)	0	0	0	0	0	0	0	0
UITES	13	0	184	33	336	61	487	88	597	107
PRESENTATIONS	11	(4)	8	(3)	6	(4)	5	(5)	4	(5)
QUATTRO	0	0	40	3	45	3	45	3	45	4
OTHER	36	5	40	13	43	13	46	14	50	15
Sub-Total	595	103	630	118	762	147	933	178	1,100	203
orkgroup										
GROUPWISE	28	(18)	44	5	77	12	130	26	239	55
IFORMS	2	(9)	2	0	2	0	0	0	0	0
SOFTSOLUTIONS	10	1	25	3	57	8	143	29	265	61
OTHER	0	0	1	0	1	0	2	0	4	1
Sub-Total	40	(26)	72	8	137	20	275	55	508	117
Electronic Applications										
ENVOY	1	1	6	2	9	3	13	5	19	7
EXCHANGE, INTELLITAG, SGML	0	(1)	6	(2)	12	0	22	4	42	12
CONTENT	5	1	7	2	9	2	11	3	15	4
Sub-Total	6	1	18	1	30	5	47	12	75	23
Consumer Applications										
PERSONAL PRODUCTIVITY	9	0	35	12	55	19	76	29	96	37
FAMILY ENT.	6	(1)	14	0	52	10	59	17	59	17
HOME EDUC.	2	(1)	8	1	14	3	18	3	28	6
Sub-Total	17	(2)	57	13	121	32	153	49	183	60
Miscellaneous	18	1	0	0	0	0	0	0	0	0
Applications Group total	676	77	777	140	1,050	204	1,408	294	1,866	403
Operating Income %	11.44%		18.06%		19.48%		20.87%		21.57%	
Revenue Growth %	15.04%		35.03%		34.11%		32.59%			

Business Applications Business Unit

WordPerfect, Novell Applications Group

Business Review Exercise Summary

Submitted by

Mark Calkins
Bruce Brereton
Glen Mella

July 19, 1994

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Business Review Exercise Summary

The Business Applications Business Unit has ten products to consider in the business review exercise. The bottom line for all of the products is given below:

PerfectOffice

- PerfectOffice is the most strategic product within the business unit. The future of business applications will be sold primarily as suites. This is the major focus of the development and marketing efforts for the next 24 months.

WordPerfect for Windows

- WordPerfect for Windows is the most important product in the suite.
- WordPerfect for Windows is also a major revenue generator in the stand alone Windows word processing market. A reasonable focus will be given to promote it as a stand alone product, although it will always be promoted as part of the suite.

QuattroPro for Windows

- QuattroPro for Windows is the second most important product in the suite.
- There is also a sizeable stand alone market for Windows spreadsheets and will be promoted as a stand alone product as well as a key part of the suite.

Presentations for Windows

- The main justification for continuing development and marketing of this product is for PerfectOffice. We are a distant #4 in the market and will not win trying to compete on a stand alone basis. However, presentation graphics is a key component of any suite and we will not be able to have a strong suite without a solid presentation product. We have also seen that working in a partnership with another vendor (ala Borland) does not work well with key suite components, making it difficult to partner with another company for this product.
- It is worth noting that Microsoft PowerPoint was not a popular presentation product until Microsoft Office became popular. As we work to move PerfectOffice to a #2 market share, then Presentations for Windows will potentially become the #2 presentation graphics product.

WordPerfect for DOS

- WordPerfect for DOS is the cash cow for the division. There is minimal R&D for this product. Major expenses are support and marketing. The revenues are definitely on a

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decline, but we still expect revenue from this product line for some time.

- It is also not recommended to move this to a partner because of the large install base of WordPerfect for DOS customers. There are still more than six million WordPerfect for DOS users who are potential upgrade candidates for PerfectOffice and WordPerfect for Windows.

QuattroPro for DOS

- There is a possibility of developing another release QuattroPro for DOS to fix the top bugs and add a few new features. This will only be done after an analysis shows that there is a reasonable return on investment. This analysis will be done in the next 1-2 months.

Presentations for DOS

- Presentations for DOS is a weak product from a revenue point of view that was introduced late in the DOS application market. No development is being done and it is recommended that little be done to promote the product, except in conjunction with WordPerfect for DOS. We will probably keep the product on the price list for another year and then phase it out, assuming that the costs of support do not drive it to be in the red.

WordPerfect for Macintosh

- WordPerfect for Macintosh is not a clear-cut situation. While the product is clearly the #two product in the Macintosh word processing market, it is greatly overshadowed by Microsoft Office. The Macintosh market is holding its own, and our market share has grown, but without a suite it will be difficult to be a major player here.
- The real question is do we continue in the Macintosh market, with the possibility that the full Tapestry product line will be available on the Macintosh (such as text, spreadsheet, graphics, presentation and other components), giving us a suite product somewhere in the late 1996 time frame? It is unclear how the Macintosh market will look in 18-24 months after Chicago ships. Will the Macintosh market be large enough at that point?
- One advantage to continuing a focus on Macintosh is our ability to promote OpenDoc. One of the significant benefits of OpenDoc over OLE is the cross-platform, distributed object support. Being a strong promoter and supporter of OpenDoc puts us in a good position to partner with Apple on other key technologies that we may be able to use cross-platform in our products, such as their scripting language (AppleScript). For example, there are no current or announced plans for a scripting language in any Windows OS.
- The current recommended plans are to release WordPerfect for Macintosh 3.1 in October and move Macintosh development to Tapestry, with the goal being cross-platform

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support in the Tapestry product line. We will also look at ways to reduce expenses to increase operating profit for the product.

WordPerfect for UNIX

- WordPerfect for UNIX is also not as clear cut, but more strategic because of Novell UnixWare. With UNIX being a key Novell technology, it would be a huge blow to the company to discontinue UNIX business application development.
- Again, the main competitors in the UNIX market are either integrated applications or the potential Lotus suite. This makes the full line of Tapestry components being available on UNIX important long term. WordPerfect for UNIX 6.0 is adequately suited to compete today, but long term, it will be critical to have Tapestry on UNIX as close to the release of the Chicago version as possible.

When?

was acceptable

It is recommended that we stay committed to the UNIX business application market, however, as we finish up 6.0, we recommend reducing the number of developers from 30 to approximately 10 to help increase operating profit for the product line. These developers can be moved to Chicago and Tapestry to increase resources in these areas. (We are in jeopardy of not hitting Chicago in a reasonable time frame because we have very few developers on it right now.)

WordPerfect for OpenVMS

- WordPerfect for OpenVMS is one product that needed the business review process sooner. A lot of assumptions have been made earlier to continue development that has not happened: 1) The Digital contract took much longer to sign than anticipated. 2) Digital has not done any marketing to date. 3) Digital has gone through enormous organizational changes that have impaired its ability to market, sell and support WordPerfect for OpenVMS.
- Another justification for developing WordPerfect for OpenVMS was that 65% of the code could be used to develop WordPerfect for UNIX 6.0 character mode version. However, there is a question now how well a 6.0 product will run in character mode on UNIX and OpenVMS. In fact, the experience we have seen with WordPerfect for DOS seems to be very analogous -- 6.0 sales are being surpassed by 5.1+ sales largely because of performance issues. 5.1+ provides all that is necessary and is still fast. Therefore, the argument to do a 6.0 for OpenVMS goes away if all we do is develop a 5.1+ for the character mode version of UNIX.
- The recommendation is to cancel 6.0 development immediately. This will free up developers to move to Chicago and Tapestry. While this will break the Digital contract, meaning we lose \$4.8M in revenue, the product does not make any money (see attached product review). This decision will allow us to focus more on the 32-bit Windows market, which has a much larger revenue potential.

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- There is a possibility to do a 5.1+ version of OpenVMS for large accounts who want file compatibility with 6.0 users, but we are not prepared to make that recommendation at this point. This will be determined in the next 1-2 weeks with a recommendation forthcoming.
- We will out source the sales to Digital and a third party Digital VAR, who will act as a SuperVAR (Spire Technologies) for selling this product through Digital resellers. One possibility is to have Digital bundle WordPerfect with ALL-IN-1. Both Digital and Spire can also pick up service and support over time, so we can plan a smooth migration of this product to two partners.

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Business Review Exercise Summary

PerfectOffice

- 1 Current Profitability 11/93 - 5/94: \$5.5M revenue / \$(2.9)M operating profit
- 2 Worldwide Growth 1994: 5.3M units / \$1.2B revenue
1998: 8.8M units / \$1.5B revenue
- 3 Market Share Objective Goal is to become #2 in market. Need to beat Lotus for #2 position. Requires substantial marketing resources, tremendous focus in development on application integration, strong network integration and major conversion of WordPerfect for DOS users.
- 4 Business Outlook 1994: 60K units / \$20M revenue / \$(.3)M operating profit
1998: 3.5M units / \$597M revenue / \$107M operating profit
- 5 Leverage a Partner No

WordPerfect for Windows

- 1 Current Profitability 11/93 - 5/94: \$205.5M revenue / \$47.4M operating profit
- 2 Worldwide Growth 1994: 7.8M units / \$1.3B revenue
1998: 15.3M units / \$2.2B revenue
- 3 Market Share Objective Goal is to remain #1 in market. Need to beat Microsoft. Requires strong marketing resources, reliable product, quick product entry into Chicago market and major conversion of WordPerfect for DOS users.
- 4 Business Outlook 1994: 3.0M units / \$390M revenue / \$53.4M operating profit
1998: 1.6M units / \$185M revenue / \$20.7M operating profit
- 5 Leverage a Partner No

QuattroPro for Windows

- 1 Current Profitability n/a
- 2 Worldwide Growth 1994: 11.5M units / \$1.4B revenue
1997: 14.5M units / \$1.8B revenue

- 3 Market Share Objective Goal is to become #2 in market and help PerfectOffice become #2. Need to beat Lotus for #2 position. Requires ongoing seeding of product to small business and home users, converting 1-2-3 DOS users and WordPerfect for DOS users, and fully leverage the Novell corporate image.
- 4 Business Outlook 1995: \$88.5M revenue / \$20.6M operating profit
1998: n/a
- 5 Leverage a Partner No

Presentations for Windows

- 1 Current Profitability 11/93 - 5/94: \$2.3M revenue / \$(2.0)M operating profit
- 2 Worldwide Growth 1994: 4.5M units (suite) / \$132M revenue (standalone)
1997: 5.6M units (suite) / \$228M revenue (standalone)
- 3 Market Share Objective Goal is to help PerfectOffice become #2 in market. (Cannot justify product for standalone market.) Need to beat Lotus to become #2 in market. Requires excellent integration with PerfectOffice and NetWare, strong marketing resources, reliable product, quick product entry into Chicago market and major conversion of WordPerfect for DOS users.
- 4 Business Outlook See PerfectOffice
- 5 Leverage a Partner No. We cannot win in suite market by partnering; we must control the applications in the suite.

WordPerfect for DOS

- 1 Current Profitability 11/93.- 5/94: \$66.9M revenue / \$19.8M operating profit
- 2 Worldwide Growth 1994: 1.3M units / \$267M revenue
1998: 190K units / \$30M revenue
- 3 Market Share Objective Goal is to remain #1 in market. Need to beat Microsoft. Requires some marketing. Main concern is to retain customers as they upgrade to Windows.
- 4 Business Outlook 1994: 782K units / \$118M revenue / \$43M operating profit
1998: 143K units / \$17M revenue / \$8M operating profit

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5 Leverage a Partner No. We need to carefully upgrade users to Windows.

Presentations for DOS

1 Current Profitability 11/93 - 5/94: \$1.3M revenue / \$.8M operating profit

2 Worldwide Growth 1994: 112K units / \$22M revenue
1997: 0 units / \$0 revenue

3 Market Share Objective None.

4 Business Outlook None.

5 Leverage a Partner No. Not worth the effort.

WordPerfect for Macintosh

1 Current Profitability 11/93 - 5/94: \$8.0M revenue / \$(3.6)M operating profit

2 Worldwide Growth 1994: 1.2M units / \$216M revenue
1998: 2.1M units / \$300M revenue

3 Market Share Objective Goal is to remain #2 in market. Need to beat Microsoft to become #1. Requires ongoing positioning as leader in using Apple technology, network integration, develop to OpenDoc and as many Tapestry components on Macintosh as possible.

4 Business Outlook 1994: 158K units / \$14.2M revenue / \$.8M operating profit
1998: 283K units / \$20.6M revenue / \$2.6M operating profit
(1998 numbers are for WordPerfect only)

5 Leverage a Partner No

WordPerfect for UNIX

1 Current Profitability 11/93 - 5/94: \$7.4M revenue / \$(4.0)M operating profit

2 Worldwide Growth n/a (good information is not available from market research firms)

3 Market Share Objective Goal is to remain #1 in market. Need to beat Lotus. Requires release of 6.0 across the key platforms, strong sales channel, good internal infrastructure support, dedicated field marketing specialists

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for Unix and as many Tapestry components on Unix as possible.

4 Business Outlook 1994: 101K units / \$12.0M revenue / \$(4.7)M operating profit
1998: 175K units / \$21.0M revenue / \$2.4M operating profit
(1998 numbers are for WordPerfect only)

5 Leverage a Partner No

WordPerfect for OpenVMS

- 1 Current Profitability 11/93 - 5/94: \$.9M revenue / \$(3.3)M operating profit
- 2 Worldwide Growth n/a (good information is not available from market research firms)
- 3 Market Share Objective None. Recommend terminating all future development.
- 4 Business Outlook None.
- 5 Leverage a Partner Yes. Offer 5.1 product to Digital and/or Spire Technologies to pick up all sales and support. Recommend against having either potential partner continue 6.0 development.

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PerfectOffice Suite

Business Review Exercise

Submitted by

PerfectOffice Suite Product Marketing

July 15, 1994

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PerfectOffice Product Analysis

Assumptions:

1. Current product profitability reflects financial results for a product (Borland Office) which will be phased out at the time the new product, PerfectOffice, releases. Financial experience and results of Borland Office bear no relationship to expected results of PerfectOffice and are irrelevant to future decisions concerning PerfectOffice.
2. All projections, regarding both PerfectOffice market share and potential revenues, assume an October 31 fiscal year end in the year indicated.
3. This information refers to all PCs, Windows platform.

1. Current Profitability:

Borland Office (\$000s; Nov 1, 1993 through May 31, 1994)

Net Revenue	COGS	S&M*	R&D	G&A	Oper. Profit
5,477	(1,644)	(4,623)	(1,079)	(994)	(2,863)
100%	30%	84%	20%	18%	(52%)

* Includes significant charges related to final agreement with Borland International.

2. **Size of market, growth, and current market share. Market size projection over next five years.** Unit and revenue information below refers to new unit shipments in each year, not to cumulative total market units. Market size information refers to the number of shipping units each year, and is slightly (2-5%) higher than actual installed units.

Internal analysis shows the worldwide suite market to be much larger than indicated by some external sources. This internal analysis is based on the growth of the suite market on a 1994 calendar year-to-date basis, which indicates that for the period January 1994 through April 1994, more than 2.2 million units have sold worldwide.¹ This would indicate that suite growth has exceeded many analysts' expectations, and that PerfectOffice's potential may be greater than earlier expected. Additionally, internal analysis indicates that average selling prices are much more likely to drop than maintain their stability over the next five years, as indicated by some external analysis.

Worldwide Market (Internal Analysis):

Suites	1994	1995	1996	1997	1998
Market Size (units)	5,304,000	7,094,100	8,120,050	8,688,700	8,775,400
Market Size (\$M)	1,167	1,419	1,462	1,521	1,492
Ave Selling Price (\$)	220	200	180	175	170
Market Growth (%)	77	34	14	7	1

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3. **Can we become (remain) #1 or #2? What will it take to do so? Who do we need to beat? How well entrenched are they? How will we beat them?** Definition: This section and the table information in section 4 discuss market share both in terms of yearly units sold and total (installed) market share. Yearly units sold refers to a share of total worldwide units sold in a fiscal year, and total market share refers to the cumulative share of total installed users since 1990, when Microsoft's Office was first released on the Windows platform. While share of yearly units sold is projected to increase each year, total market share will increase also, but at a slower rate due to the increasing size of the installed base of suite users.

Can we become (remain) #1 or #2? Who do we need to beat? Lotus's SmartSuite is the product for PerfectOffice to beat. Lotus occupies the #2 position currently, and commands between 13² and 17% total (installed) market share. Lotus' inability to garner significant market share for AmiPro, its word processor, despite strong trade press reviews, has weakened its suite message and slowed its penetration into the suite market. The size of Lotus' 1-2-3 installed base has helped keep many users in the Lotus camp, but Lotus is losing 1-2-3 sales to Microsoft's Excel and cannot claim the strong word processing/spreadsheet relationship in its suite as Microsoft has done.

Based on the projections below, PerfectOffice can sell more units in fiscal 1995 than Lotus, giving PerfectOffice a greater share of yearly units sold. Having sold more units worldwide in 1995, PerfectOffice would be in a position to challenge Lotus for the #2, total market share position. PerfectOffice can reach #2 during fiscal 1996, when it is projected to achieve 12% total market share, taking share away from both Lotus and Microsoft.

PerfectOffice will *not* focus on unseating Microsoft initially. Microsoft Office is currently the industry-leading suite with approximately 82% market share.³ It is very well-entrenched and commands the major portion of Microsoft's marketing and advertising budget. Its one-two punch, Word and Excel, is the strongest combination in the industry, with both products having made major inroads into the Windows word processing and spreadsheet markets as standalone products. With both applications now sold together, priced very competitively, and integrated in a suite, the majority of sales of these products, (reported to be as high as 70%), come through Microsoft Office. PerfectOffice will focus on Lotus' #2 position, while eating away at Microsoft's market share.

What will it take to do so? How well entrenched are they? How will we beat them? Despite having been in the suite market since 1992, Lotus is not nearly as well-entrenched as is Microsoft. In order to unseat Lotus and reach the #2 market share position, PerfectOffice must respond with effective positioning which focuses on its differentiable features and on Lotus' weaknesses. PerfectOffice must accomplish the following objectives:

- Capitalize on the fact that a word processor remains the most important driver in the suite decision process and continues to be the anchor product in a suite. By emphasizing the message that WordPerfect is the best-selling word processor ever, PerfectOffice can drive the stake further into Lotus, exploiting its weakness in this area.

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- Focus on WordPerfect's current installed base, providing strong incentives to move to PerfectOffice as these users move to Windows or to a suite. WordPerfect users will be offered special pricing on PerfectOffice over the months prior and subsequent to its release.
- Help reposition and effectively market Quattro Pro to new Windows users who have not yet standardized on a Windows spreadsheet. It is expected that it will be difficult to win over users of Excel and 1-2-3, in the same way Lotus has had difficulty moving current users of WordPerfect and Word to their AmiPro product; thus, new users must be targeted. Quattro Pro users can also be offered incentive pricing as they upgrade to PerfectOffice.
- Emphasize PerfectOffice's complete suite solution, providing true collaborative computing capabilities through Envoy and through OBEX. Lotus's workgroup computing solution requires Notes and significant administration.
- Focus on PerfectOffice's integration and enablement with NetWare.
- Emphasize Task Automation as one of PerfectOffice's real differentiating features. Focus on the idea of true business process automation and the ways that PerfectOffice addresses this need through QuickTasks and integration features.

4. If we succeed, will this be large enough and profitable enough to materially contribute to our growth objective?

If PerfectOffice meets its market share objectives, the following estimated earnings could be realized, based on the revenue and market size projections above:

WORLDWIDE FORECAST:

Proposed unit, revenue, profit, and market share forecast:

PerfectOffice	1994	1995	1996	1997	1998
Units (000s)	60	922	1,868	2,780	3,510
Revenues (\$M)	13	184	336	487	597
Operating Profit (\$M)	(0.3)	33	61	88	107
% Shr of Yearly Units Sold	1	13	23	32	40
% Shr of Total Installed Market	1	6	12	17	22

* 1994 profit projections reflect the results of sales of the Borland Office, which reported a net loss, and expected results of sales of PerfectOffice, whose projected results show a profit.

Given the revenue opportunities above, PerfectOffice could become a major revenue source

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for the Business Applications Unit, and by meeting its market share objectives, would materially contribute to the growth objectives over the next several years. The stated mandate from the highest levels of management is that the suite is the most important initiative in the applications side of the business. Given that mandate, the above information reinforces PerfectOffice's potential to live up to the mandate.

5. Are there any partners to take this on where the result would be as good or better for Novell?

PerfectOffice is very strategic to the Business Applications Unit. As its #1 product, PerfectOffice has high revenue and operating profit potential. Given the product's potential and its upcoming entry as a new product in the suite category, it would not make sense to look for opportunities now to spin off the product or to seek strategic partners.

Notes

1. SPA Worldwide Data Program
2. Infocorp, 1994
3. Infocorp, 1994

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WordPerfect for Windows

Business Review Exercise

Submitted by:

WordPerfect for Windows Marketing

July 15, 1994

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1. Current Profitability:

The following provides profitability information for WordPerfect for Windows from November through May, 1994.

Revenue (1994)	Cost of Goods	Sales & Marketing	Research & Development	General & Administrative	Operating Income
\$205,463 100%	\$50,179 24%	\$68,807 33%	\$10,934 5%	\$28,145 14%	\$47,397 23%

2. Market Analysis

The following information provides both worldwide and domestic research data for WordPerfect for Windows. This section contains the most recent data available on the marketplace.

A. Executive Summary:

The following is a top-line summary of the key information detailed in this section.

- In 1993, worldwide shipments of MS Windows more than doubled that of any other operating system sold. The United States accounts for only half of total Windows' units shipped in 1993.
- Windows rapid growth begins to slow, as the 5-year, CAGR forecasts 21% growth in shipments and 16% growth in revenue.
- In the stand alone market, PC Data figures for 1Q, 1994, indicate WPWin accounted for 54% of word processing units sold versus 40% for MS Word. When including suite sales for that same period, WPWin's market share decreases dramatically (Jan. 17.7%, Feb. 26.6%, March 29.4%, and April 10.2%). In April, 1994, suite sales accounted for over 72% of total Windows word processing units sold.
- In 1993, over 8,336,450 Windows' word processing licenses (defined as a legal permit to use a software package) shipped worldwide, totaling \$916 million. During this same time, units consumed (includes multiple license packages) totaled 5,648,100.
- In 1993, the United States accounted for 2,950,000 of total units consumed. This represents a total of \$497 million, or 54% of worldwide sales

B. Worldwide Market Growth & Market Size Projection

In 1993, the Windows word processing market grew by 77% (measured in shipments) compared with 193% in 1992. As the chart below indicates, the percentage of overall category growth continues to steadily decline over the next five years. Due to falling ASP, the percentage of growth of category revenues will decline even more quickly over the same period.

Worldwide Windows Word Processing Software Market Forecast													
	1993	%	1994	%	1995	%	1996	%	1997	%	1998	%	5 yr CAGR
Shipments (000s)	5,871	77 %	7,803	27 %	9,945	27 %	11,716	18 %	13,500	15 %	15,332	14 %	21%
Revenue (\$M)	1,026	61 %	1,316	22 %	1,609	22 %	1,795	12 %	1,969	10 %	2,153	9 %	16%
Inst. Base (000s)	10,321	121 %	17,900	52 %	27,175	52 %	37,597	38 %	47,742	27 %	51,188	20 %	41%

Source: InfoCorp, 1994

U.S. Market Growth

In the U.S., the 5 year CAGR for both units shipped and revenue is lower than that for worldwide shipments. Total shipments will continue with double-digit growth through 1996 in the U.S., while revenue growth will advance at a double-digit pace only through 1995 (see chart below).

U.S. Windows Word Processing Software Market Forecast													
	1993	%	1994	%	1995	%	1996	%	1997	%	1998	%	5 yr CAGR
Shipments (000s)	3,061	89 %	3,824	25 %	4,647	22 %	5,200	12 %	5,617	8 %	6,012	7 %	14%
Revenue(\$M)	497	72 %	616	24 %	713	16 %	755	6 %	779	3 %	802	3 %	10%
Inst. Base (000s)	5,142	135 %	8,863	72 %	13,209	49 %	17,848	35 %	21,844	22 %	24,813	14 %	37%

Source: InfoCorp, 1994

C. Current Worldwide Market Share

In 1993, WordPerfect overtook MS Word in worldwide Windows license shipments, with 34.1% of the market.

Company	1991	1992	1993	% Share 1993
Justsystem	0.00	0.00	120.00	1.4%
Lotus	300.00	750.00	1,256.10	15.1%
Microsoft	900.00	2,300.00	2,756.00	33.1%
Software Publ.	17.00	25.00	0.00	0.0%
Symantec	15.00	17.85	46.15	0.6%
WPCorp	375.00	1,600.00	2,840.00	34.1%
Wordstar	34.95	93.00	95.00	1.1%
Other	671.00	937.00	1,223.20	14.7%
Total	2,312.95	5,722.85	8,336.45	100.0%

Source: Dataquest, 1994

Year-to-date data represents a drastic turnaround, due to a dramatic increase in MS Office sales. MS Word's market share has risen by 21 percentage points during the most recent four months shown in the table below, mostly at the expense of WPWin. Over this same period, WPWin has fallen 22 percentage points.

Vendor/Package	Mar 93	Apr 93	May 93	Jun 93	Jul 93	Aug 93	Sep 93	Oct 93	Nov 93	Dec 93	Jan 94	Feb 94
Microsoft Word	41%	44%	41%	39%	38%	37%	31%	26%	28%	31%	45%	47%
WPCorp WP	49%	48%	54%	57%	56%	55%	63%	67%	65%	53%	48%	45%
Lotus Ami Pro	4%	4%	3%	2%	4%	5%	4%	4%	5%	5%	5%	7%
Other	6%	4%	2%	2%	2%	3%	2%	3%	2%	1%	2%	1%
Totals	100%											

Source: Computer Intelligence, 1994

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What happened here?

In North America, the latest SPA data through April of 1994 indicates how rapidly suites are overtaking the stand alone Windows word processing market.

Unit Sales	Jan '94	Feb '94	March '94	April '94
Stand alone Windows Word Processors	135,995	327,967	209,264	122,738
Windows Suites	207,848	117,284	284,589	319,677
Total Windows Word Processing Market	343,843	445,536	493,853	442,415
Suite % of Total Windows Word Processing	60.5%	26.4%	57.6%	72.3%

Current U.S. Market Share

In 1993, WordPerfect for Windows consumption grew at 134%, more than any other vendor. At the end of 1993, WPCorp had 42% market share in this segment.

Manufacturer	Model	1991	1992	1993	Share	1 year CAGR	5 year CAGR
Microsoft	WordPerfect	25.1	34.5	49.9	42%	134%	13%
Microsoft	WordPerfect	1.5	2.4	3.5	1%	100%	10%
Microsoft	WordPerfect	2.7	3.6	4.5	1%	100%	10%
Other		33.2	22.6	17.6	1%	-22%	n/a
Wordstar Int'l	Wordstar	2.8	3.4	6.8	0%	100%	n/a
Total		457.7 129%	1520.2 232%	2950 94%	100%	94%	n/a

Source: InfoCorp, 1994

3. Can we become (remain) #1 or #2 and what will it take to do so?

There is no doubt that WordPerfect for Windows can remain the number one word processor in the Windows stand alone market. PC Data figures for Q1, 1994, indicate that WPWin garnered 54% of stand alone Windows word processing units sold, while MS Word accounted for 40% of the category. For WPWin to remain the best-selling Windows word processor, WordPerfect, the Novell Applications Group, must focus on the following objectives:

1. *Successfully launch PerfectOffice*: In today's marketplace, the purchase decision to buy a stand alone word processor is muddled by suite offerings. Until PerfectOffice is released, this is not a level playing field. Releasing PerfectOffice 3.0 will go a long way towards separating the two categories; stand alone word processors and suites.

2. *Transition our WPDOS customers to Windows*: This has been WordPerfect for Windows' main objective since its initial release. Our WPDOS users represent one of the largest installed base of any application ever developed (approximately 17 million WPDOS installed customers worldwide). A lot of WPCorp's success is due to the immense brand equity and market leadership gained by WPDOS. In fact, Computer Intelligence's Consumer Technology Index, 1994, reported that WPDOS is the most popular software package in use at homes and large businesses (in both categories, DOS products represent 6 out of 10 products listed).

3. *Gain new users in the category*: According to SPA data, approximately 1 million copies of MS Windows are sold each month (the majority of these through bundled/OEM arrangements). It is critical, especially once PerfectOffice is released, that WPWin is bundled more frequently and increases its presence in the OEM community. It is also of dire importance that every sale of WPWin provides a strong up-sell message to the suite.

4. *Develop the word processor of the future (long term)*: First and foremost, this is accomplished by developing and shipping leading-edge and innovative technology. This ultimate objective will manifest itself through defining and delivering the best workgroup tools (the leading network application), support for component architecture and OpenDoc technology.

5. *Release products now that benefit end-users (short term)*: WordPerfect for Windows will continue to lead the stand alone category by delivering two new versions of WPWin.

16-bit: WPWin 6.1 will be the most up-to-date, 16-bit product on the market, given the fact that Microsoft has not announced plans to update

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their 16-bit version of Word (we feel that offering a 16-bit upgrade will help us maintain a leadership position in the stand alone word processing market). This upcoming release focuses on the idea that more work gets done in WPWin than anywhere else. WPWin 6.1 will also deliver on the promise of getting the software out of the way of work, through:

PerfectSense, Grammatik 6 with Automatic Sentence Rewrite, Morphological Search and Replace, and QuickCorrect

Task Automation, with Experts, Document Experts and Coaches

Transition and Conversion Tools, with new Coaches, QuickStart Tutorial and Upgrade Expert

Component of PerfectOffice, with PerfectFit, OLE 2, PerfectScript and macro tokens exposed as ALM's

32-bit: Both the WPWin Development and Marketing teams are currently working towards a 32-bit release of WPWin 6.1 that demonstrates the power and added functionality of Windows 4.0. Microsoft has claimed that the standard criterion of any Chicago application would include the following:

1. Must be a Win32 application
2. Must meet UI/Shell support requirements
3. Must run successfully on Windows NT "Daytona"
4. Must use long file names
5. Must support UNC path names
6. Must support OLE 2.0 functionality
7. Must support simple-mail-enable using CMC API

WPWin 6.1, 32-bit is intent on delivering on these standards and exceeding them by implementing additional workgroup functionality.

A. Who do we need to beat and how well entrenched are they?

Our main competition in the *stand alone* Windows word processing market comes from Microsoft Word and Lotus' Ami Pro. However, in 1994, the category has grown to encompass suite sales as well. Realistically, WPWin's greatest challenger is MS Office.

Microsoft Office: MS Office is the best selling suite with over 70% market share. Microsoft has had the luxury of defining the suite category and becoming its most important player in the minds of consumers. The majority of Microsoft's advertising and

marketing dollars are spent in support of MS Office. This suite contains some of the most well-known and widely accepted applications in the industry, most notably Word and Excel. The suite message always contains upgrade information for WordPerfect DOS and Windows users.

Microsoft Word: In the stand alone category, MS Word is our closest competitor. The most recent PC Data report indicates Word holds a 40% share of the category in the United States. Microsoft's greatest perceived advantages, according to a quantitative study of MIS heads and end-users, are as a leader in Windows software, a leading high-tech company, having a wide range of products, and providing innovative, state-of-the-art products. In addition, they are perceived as having products that are easier to use and solve users problems. Microsoft's image as the "Windows Company" enhances and adds credibility to its ease of use message. Most recently, Microsoft Word's positioning has centered around the new IntelliSense technology, which senses what the user wants to do and intelligently produces the desired result, making routine tasks automatic and complex tasks easier. Their advertising message always targets WordPerfect's DOS user.

Lotus Ami Pro: Ami Pro remains a distant third in the stand alone Windows word processing category, with approximately 8% market share in the U.S. and less worldwide. Over the past few months, Lotus has been very quiet in the stand alone market, while they aggressively advertise their suite. Just recently, Lotus announced Ami Pro 3.1, which has been positioned as helping people work together in teams better than any other word processor by combining Ami Pro's superior text formatting capabilities with Lotus' popular communications applications. Ami Pro's perceived strengths are that it works well with Lotus Notes and is considered the best word processor for 1-2-3 users, which has a large DOS installed base.

4. If we succeed, will this be large enough and profitable enough to contribute to our growth objectives?

Increased profitability and better performance in WPWin's Operating Income can be directly improved through better management of cost of goods sold and more focused and efficient marketing and promotional efforts. WPWin has done an excellent job of reducing overall material costs of our product (i.e., WPWin has gone from shipping four separate manuals to one User's Guide, a cost savings of \$3.52 per SKU). In the future, we can continue this success as our high volume product benefits from better economic order quantities (and associated volume discounts) under Manufacturing's new COG's guideline.

The figures below are based on projections from Financial Planning forecasts and provide projected profitability for WordPerfect for Windows through 1998 (all numbers are represented in thousands (000's)). Across this five year period, international sales account for an average of 55% of total category volume. Our goal is to keep high operating

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income as we generate revenue through stand alone sales and transition users to PerfectOffice.

WPWin	1994	1995	1996	1997	1998
Units (worldwide)	3,000	2,022	1,542	1,524	1,605
Revenues (worldwide)	390,000	232,000	185,065	167,616	184,617

5. Are there partners to take this on where the result would be as good or better for Novell? WordPerfect for Windows is the core application within WordPerfect, the Novell Applications Group. Over the next five years, profitability and operating income will remain high in the stand alone market, while WPWin drives the success of our suite. For these reasons, we do not advise that Novell partners with any outside vendor to provide a WordPerfect for Windows solution to end users.

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Quattro Pro

Business Review Exercise

Submitted by

Quattro Pro Product Marketing

July 15, 1994

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Novell Executive Review Quattro Pro Spreadsheet Business

1. Current Profitability

For Quattro Pro the current profitability is not a valid statistic based on the state of the business during the past 6 months, whereby no product was sold to the Channel, and no marketing expenses were incurred during this timeframe.

Projected profitability has been calculated very roughly with the following assumptions:

1. Cost of goods represents 23% of revenue.
2. Indirect Costs represents 6% of revenue
3. Royalties represents 3% of revenue
4. General and Administrative costs are 13% of revenue
5. Marketing Expenses are roughly 10% of revenue

Revenue projections are based on pricing at \$79.95 for the impending August release of Quattro Pro for Windows version 6.0. As a result of the pricing research study recently completed, we have found that there is dramatic price inelasticity with the sale of stand alone spreadsheet products. The highlights of this research conclude that we would erode unit sales from their current level by 50% if Quattro Pro had a street price of \$99. At a \$79.95 street price we are projection a reduction in unit sales, yet an increase in brand profitability. This reduction in unit sales in North America is balanced by a growth in International markets, where we have a substantial opportunity to be more competitive, and with a future Chicago release in FY 95 there will be an opportunity to have early adopters pay a premium price for the latest technology.

	Q4 ASO.94	Q1 NDJ.94/5	Q2 FMA.95	Q3 MJJ.95	Q4 ASO.95	FY.95 Nov.94-Oct.95
Target WW Revenue	\$16,051,368	\$19,127,377	\$30,851,251	\$26,187,495	\$12,503,483	\$88,469,807
Target US Revenue	\$12,289,027	\$11,810,098	\$18,628,533	\$15,908,238	\$7,583,307	\$53,741,174
COGs	\$2,801,898	\$2,647,102	\$4,247,308	\$3,627,306	\$1,731,274	\$12,252,988
Indirect Costs	\$737,342	\$696,605	\$1,117,712	\$954,554	\$455,598	\$3,224,470
Royalties	\$368,671	\$348,303	\$558,856	\$477,277	\$227,799	\$1,612,235
US Gross Margin	\$8,381,116	\$7,918,085	\$12,704,690	\$10,850,100	\$5,178,636	\$36,651,481
General/Administrative	\$1,597,573	\$1,509,312	\$2,421,709	\$2,069,201	\$987,130	\$6,988,353
Discretionary Marketing	\$2,984,800	\$1,162,800	\$1,928,620	\$1,535,204	\$703,772	\$5,330,396
Marketing Personnel	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$284,000
Devel. Personnel	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$3,200,000
Hardware/Software Exp	\$55,000	\$55,000	\$55,000	\$55,000	\$55,000	\$220,000
US Contribution	\$2,872,743	\$4,319,973	\$7,428,330	\$6,320,695	\$2,561,734	\$20,630,732
Contribution %	23%	37%	40%	40%	34%	38%

The above analysis does not account for revenue accrued by Perfect Office

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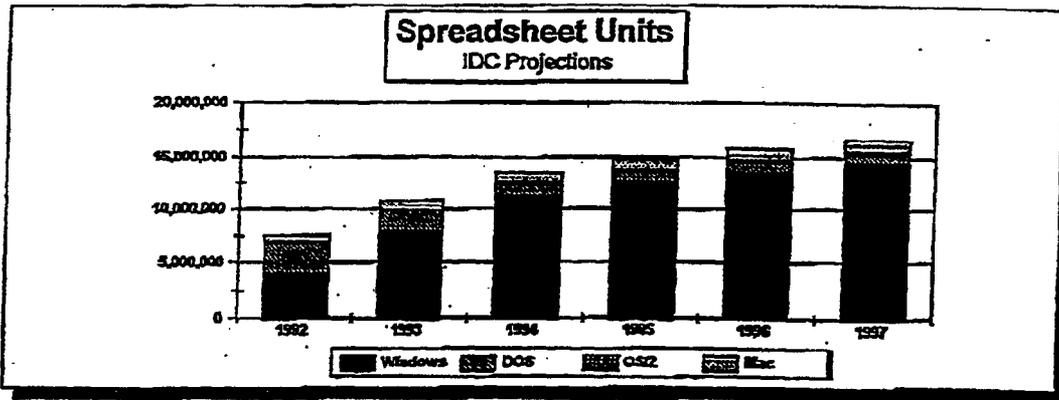
Quattro Pro Spreadsheet Business

2. Market Information

The Spreadsheet Market

Size

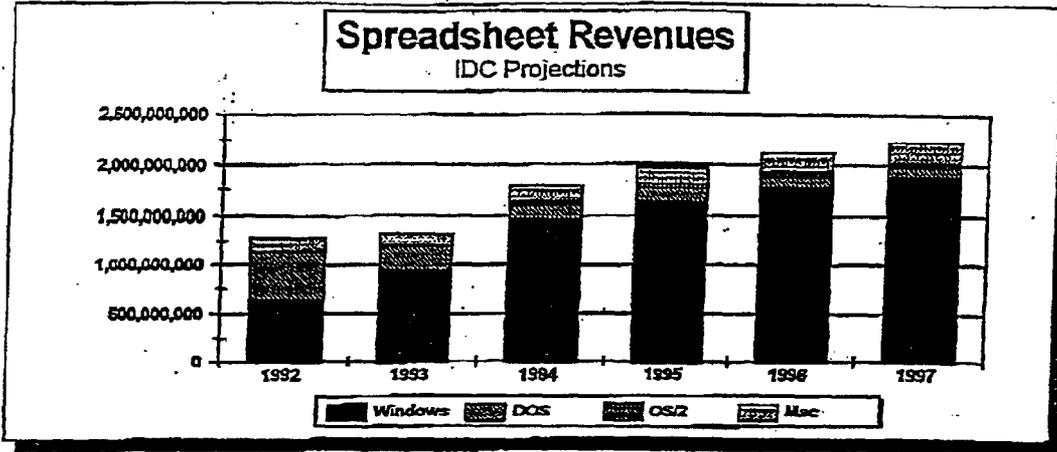
In CY93 the worldwide spreadsheet category was \$1,313 million and 10.7 million units, of which IBM-Compatible products comprised 92% and 94% of volume respectively, with Macintosh products comprising the remainder. Windows spreadsheets accounted for 73% of revenue mix and 75% of unit mix, highlighting a CY92 - CY93 growth in revenue of 45% and a 101% growth in units. DOS spreadsheets accounted for 18% of revenue mix and 18% of unit mix, highlighting a CY92 - CY93 decline in revenue of 52% and a 35% decline in units. In CY93 spreadsheet revenues accounted for 22% of the total packaged software market.



IDC projects lower category growth rates than those experienced in CY93. Specifically, IDC is forecasting annual growth rates of 37% and 26% in revenue and units, respectively for the spreadsheet category through CY94. For Windows spreadsheets this is represented with continued growth, 55% in revenue and 42% in units. For DOS spreadsheets the decline is forecast as 41% in revenue and 47% in units.

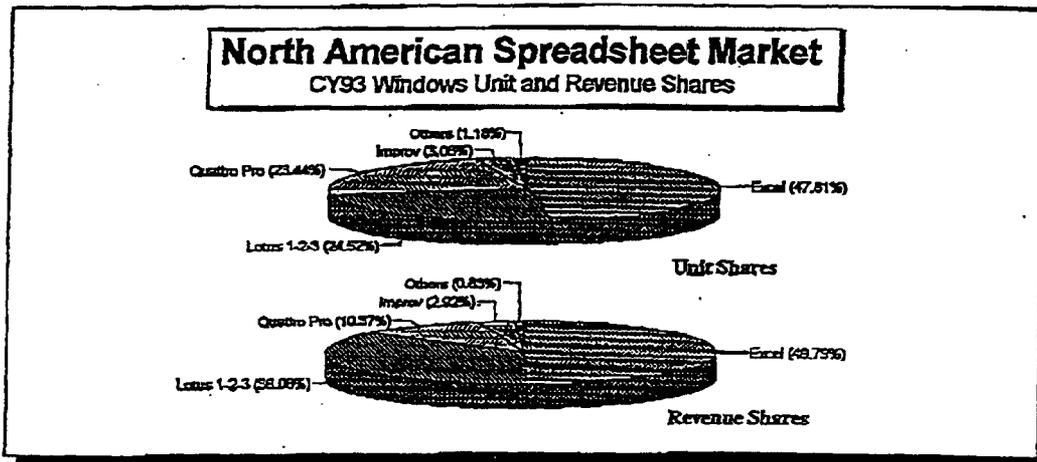
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Novell Executive Review Quattro Pro Spreadsheet Business



1.1.1 North America

In CY93 the North American spreadsheet category was \$564 million and 5.6 million units, representing 52% and 43%, respectively, of the global business. In Windows, Microsoft Excel continues to dominate the market accounting for 50% and 48% of CY93 revenue and unit sales, respectively.



Price sensitive spreadsheet purchasers have been the target of Quattro Pro's seeding strategy. Borland's spreadsheet penetration in large accounts is relatively low versus Lotus's and

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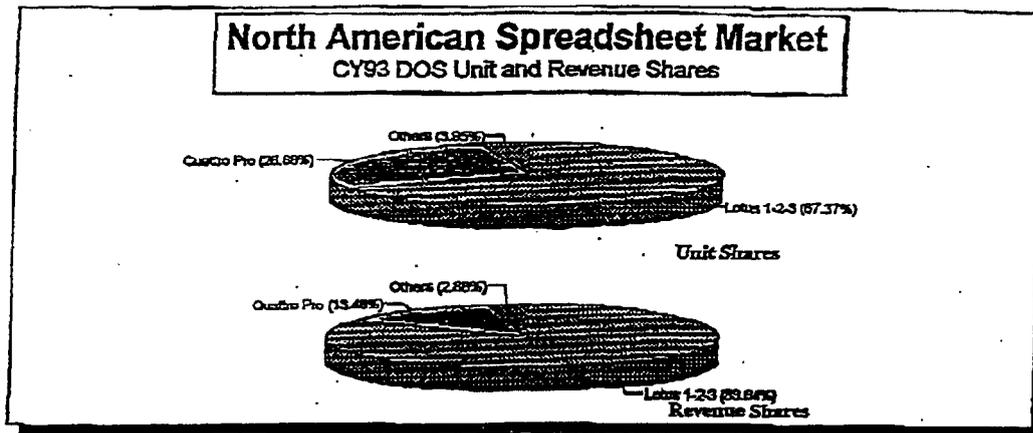
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Novell Executive Review Quattro Pro Spreadsheet Business

Microsoft's Market Monitor data for Jan. 94 indicate that Quattro Pro accounted for 12% (versus 49% and 39% for Excel and Lotus 1-2-3, respectively) of large account unit sales. We will his data throughout CY94 to help measure the success of Quattro Pro corporate account penetration, as a result of the Perfect Office and Novell's corporate programs activities.

In DOS, Lotus 1-2-3 continues to dominate the market accounting for 84% and 67% of CY93 revenue and unit sales respectively.



Quattro Pro is consistently reviewed as a superior product to Lotus 1-2-3, and the focus of our attention has been to attract high-end, competitive spreadsheet owners to switch. The seeding strategy has had a very successful impact in terms of garnering unit market share, at the expense of driving revenue share no greater than 15%. Currently the DOS market is suffering from no marketing focus, other than vendors protecting their installed bases by migrating users interested in Windows-based products to their own Windows products.

International

In CY93 the International spreadsheet category was \$749M and 5.1 million units, and for the first time revenue accounted for more than 50% of the global total with 57% share and 48% in unit shipments. The marketshare figures represent a global phenomenon, with Excel dominating in Windows, and Lotus 1-2-3 dominating in DOS. Quattro Pro overall has very poor mindshare Internationally and this is represented by 4.7% revenue and 8.1% units share in Windows, and a 6.4% revenue and 14.5% unit share in Windows.

The vast majority of Quattro Pro's International revenue is derived from English speaking countries in the United Kingdom, Canada, Australia and Rest of Asia.

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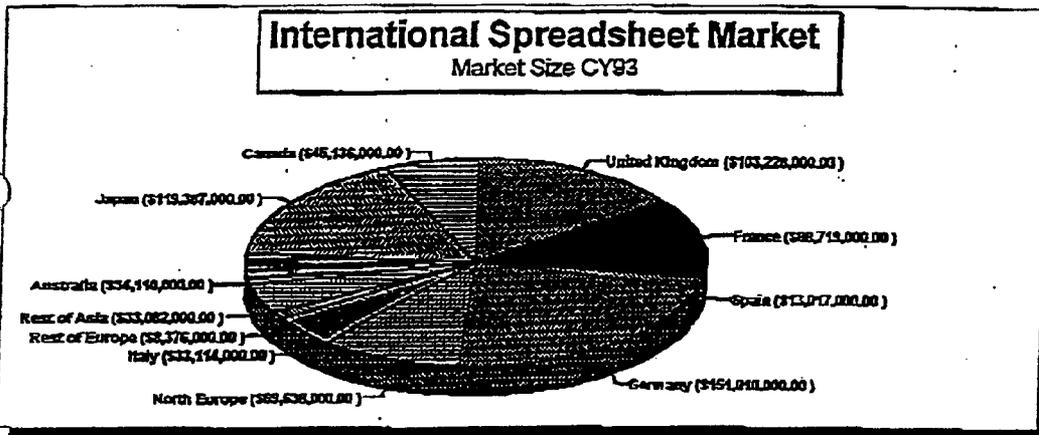
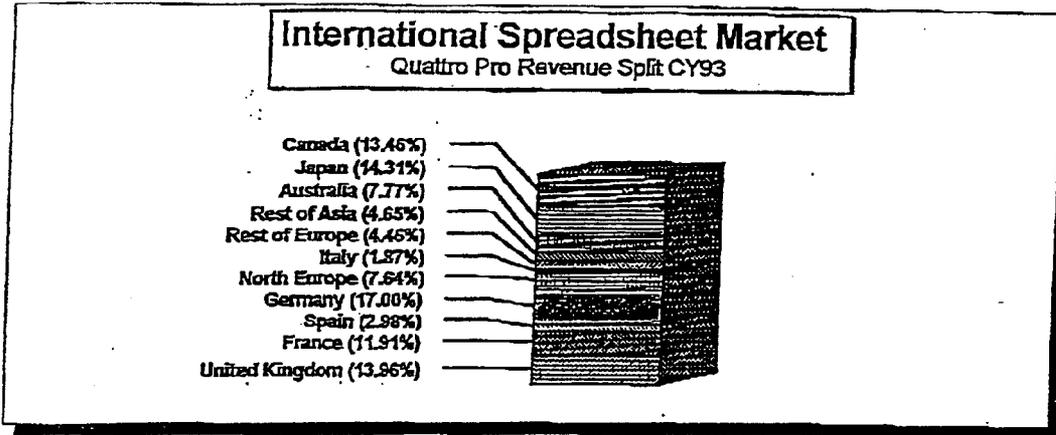
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Novell Executive Review Quattro Pro Spreadsheet Business



The International market is very regionally fragmented, and with the added requirement for localised software, this has presented a barrier to entry, which must be overcome if Quattro Pro is to compete. The relative size of each market indicates clearly the opportunity for Quattro Pro to penetrate these markets.

Quattro Pro History

Quattro Pro for DOS and Quattro Pro for Windows have respectively made a huge impact in the Spreadsheet market, since the brand was launched in 1989. Quattro Pro for DOS was a \$17m business in 1989, growing to \$79m in 1991, and declining to \$19m in 1993. From January to December 1994 that business will further decline to \$11m. Over the lifespan of Quattro Pro for DOS the installed base has grown to 2.5m users worldwide, with an additional 72K users

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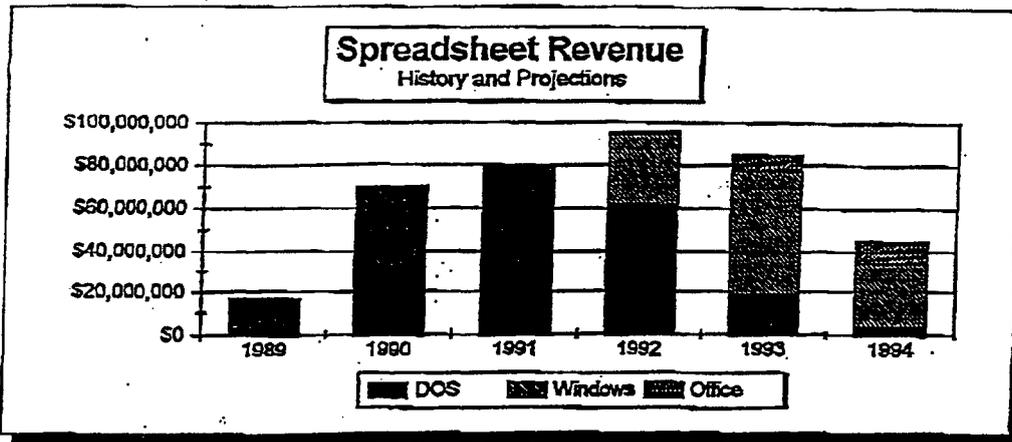
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Novell Executive Review Quattro Pro Spreadsheet Business

anticipated in 1994.

Quattro Pro for Windows was launched in September 1992, and in that year was a \$33m business. In 1993 that number grew to \$59m, and due to the high penetration of suite products in the marketplace, the Quattro Pro for Windows business from January to December 1994 will decline to \$30m. Over the lifespan of Quattro Pro for Windows the installed base has grown to 1.5m users, with an additional 300K users anticipated in 1994.



3. Market Position

Quattro Pro will not lead the spreadsheet market in either unit share or revenue share, in the foreseeable future, and it would take a massive paradigm shift in the software marketplace if it is to happen long term. Today there is no room for a 3rd place player, and we are confident that we can successfully grow from a 'nearly' second unit share position into a secure 2nd place within the next fiscal year, with a similar footing for revenue share by the close of Novell's FY 96.

Who do we need to beat.

Microsoft Corporation

Microsoft is the largest software company in the world, with revenues of \$4.2 billion in 1993. It's

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Novell Executive Review

Quattro Pro Spreadsheet Business

core businesses are operating systems and applications. Microsoft's corporate strategy is to be everywhere and dominate everywhere, and are now leading the spreadsheet market and the business application suite market with products that have achieved a best of breed status as stand alone applications and the tightest integration.

Microsoft Excel dominates the spreadsheet market on both Windows and Macintosh. Typically Excel is either rated equal to or superior than Quattro Pro, and with the release of Excel 5.0. Microsoft is winning all reviews, based on it's powerful new positioning, and acceptance amongst the Journalist throng at large. Excel has Spreadsheet Notebooks, well received Database functionality with Autofilters for table queries, and for external queries it uses Access code in the application called Microsoft Query. It is shipping with a malleable cross-tabulating report generator called the PivotTable Wizard, with the same functionality as the Data Modelling Desktop in Quattro Pro. The most important strategic feature is their support for OLE 2.0, allowing for in place editing of embedded objects, and making t's own features programmable via other applications that support OLE 2.0. Excel is the first application to ship with the Visual Basic Application Edition which allows inter-application scripting and gives users access to a very rich set of programmable objects. From an ease of use standpoint Excel is relying heavily on touting Intellisense, which is being positioned as making routine tasks automatic, and complex tasks easy. An example is the Tip Wizard, which watches the way you work, and a bulb flashes if the program works out a way that would be shorter for you, in future. The final key selling point is how similar it looks, and ow well it works together with other business applications in the Microsoft Office. Microsofts cross platform strategy with Mac and Windows seems to have as much leverage as having a DOS counterpart, and is a definite advantage over Borland and Lotus who have no strength in Mac. The Microsoft messaging machine is relying heavily on a corporate message " A whole new way to work" and more specifically Excel is focussing on " Built-in Intelligence makes everyday tasks easier. "

We should expect Microsoft to be very aggressive in shipping a Chicago release in early 1995, and it is anticipated that this product will be componentized.

Lotus Development Corporation

The company's revenue (\$981 million in 1993) is still largely derived from spreadsheet sales. It's core businesses are spreadsheets, of course, along with word processing, presentation graphics, and Workgroup servers and clients. Lotus' corporate strategy is centered around Lotus Notes, which is the integrating platform for the company's SmartSuite, consisting of 1-2-3/Win, Ami Pro, the Approach database, Freelance, and an optional mail license.

Lotus 1-2-3 Release 4.01 definitely wins the honours for the most improvement in a spreadsheet revision, and therefore gives Lotus hops a credible reason for migrating to 1-2-3W, and a worthy

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suite mate for Freelance and Ami Pro. It also now features Notebooks, and allows you to rearrange data with Drag and Drop. In-cell editing is an easier way to edit data, and is part of a common theme, which allows you to work in a single context. Charts, for example, exist only as a drawing layer, and as they are selected, the menu bar activates chart appropriate commands. Query files also appear on the same worksheet with the Data Query Assistant, which is highly usable, and have been vastly improved in ease of use through the mediation of Datalens. 123/W's scenario manager is called the "Version Manager," has been well received, as it allows multiple users to contribute multiple scenarios to a worksheet, via the network, and has superb tracking capabilities. 123/W's Notes integration is, unsurprisingly, the best of any application product, with 123/W seamlessly exchanging data with Notes and other Notes-aware applications. On the surface 1-2-3W now shares a common user interface with other Lotus applications. The main messaging theme concentrates on "The world's most popular Spreadsheet" and "It's not just a new version, it's a new vision". There is also a very strong corporate theme, which concentrates on "Working Together".

There will be a 16-bit Lotus release in the summer of 1994, which will be OLE 2.0 enabled.

Lotus Improv is being touted as the spreadsheet that provides dynamic views of data and English-language formulas. It seems to be positioned as a companion product to 1-2-3W with the caveat of instructing the user to use the right product for the right job. Users are as confused as Lotus is, and with poor comparability to existing Lotus spreadsheets, both Quattro Pro and Excel are poised to steal some of the Improv thunder by having similar functionality built into the Spreadsheet. Improv cannot be discounted though and is winning Spreadsheet Awards such as PC Magazine Technical Excellence

What will it take to become #2.

The process of building a sustainable second place in the spreadsheet market will depend on 3 elements:

1. Our ability to continue seeding Quattro Pro to end users, thus dominating stand alone sales to the largest growing segment of the user base, consumers for small business and personal use.
2. Our ability to persuade existing Lotus 1-2-3 for DOS, and WordPerfect for DOS users, to adopt Quattro Pro as their primary Windows Spreadsheet, as they transition to Windows.
3. Our ability to build a stable and consistent corporate business, with Quattro Pro as a forceful reason for large customers to standardize on the Perfect Office.

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Novell Executive Review Quattro Pro Spreadsheet Business

How will we beat them.

Quattro Pro must continue to have a large price advantage over the competition in order to offer the most attractive value proposition to stand alone spreadsheet consumers. We must compliment this with Quattro Pro continuing to win or share all major industry reviews, head to head comparisons, and industry awards. We must broaden our reach in distribution to be perceived as a viable alternative, and must immediately position the brand as offering more solutions which match customers needs than either Microsoft Excel, or Lotus 1-2-3.

Through product comparison we must highlight the strength of Quattro Pro versus competitive offerings.

We must target DOS users who are still in the process of transitioning to Windows, to ensure that Quattro Pro is a leading purchase consideration. This can be achieved through co-operation in all WordPerfect for DOS marketing efforts, and continuing to test direct marketing prospecting to WordPerfect and Lotus DOS users.

The Perfect Office will be the primary factor in building a corporate franchise for Quattro Pro. All efforts in Sales, Seminars, corporate reseller distribution and corporate advertising should focus on the Perfect Office, rather than Quattro Pro as a stand alone spreadsheet.

4.Meeting Growth objectives

From the revenue projections displayed in item 1, it is clear that the spreadsheet market offers Novell a great opportunity for unit shipment and revenue growth.

The spreadsheet market accounts for 23% of all business applications sold, and with our increasing success, offers growth in excess of 20% per fiscal year.

5. Able Partners

No partner other than Lotus Corporation would be able to achieve any significant level of penetration in the spreadsheet market.

WP Presentations for Windows

Business Review Exercise

Submitted by

WP Presentations Product Marketing

July 13, 1994

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b. What will it take to do so?

To become #2 we will need to:

- Work closely with the suite marketing team to deliver a strong PerfectOffice product.
- Be first to market with a set of strong presentation graphics components.
- Conduct extensive market research to better understand customers' needs.
- Carve out our niche with unique networking capabilities such as collaborative computing solutions.
- Invest in programs which make it easy for a user to transition from competing products to ours. Ensure that our product has features which make the transition easy. Deliver a support program which assists users with making the transition. Deliver training materials which teach users on how to make the transition.

c. Who do we need to beat?

The top three competitors are:

- SPC Harvard Graphics
- Lotus Freelance
- Microsoft PowerPoint

d. How well entrenched are they?

These competitors are very well entrenched. PowerPoint and Freelance were able to significantly increase their installed base figures by including it as part of their suite offering. However, Harvard Graphics' sales are suffering because they are not part of a suite.

Worldwide Windows Installed Base

	1993 (InfoCorp)	1994 (InfoCorp)
Microsoft PowerPoint*	3,272,906	7,229,906
Lotus Freelance*	1,029,348	2,140,907
SPC Harvard Graphics	569,194	884,644
WordPerfect Presentations**	52,150***	104,000***

* The 1993 figures may be low because InfoCorp underestimated 1993 suite sales.

** WP Presentations did not ship until mid-July. PowerPoint has been shipping since 1990. Freelance shipped in 1991. Harvard Graphics shipped 1992.

*** Internal figures.

e. How will we beat them?

Our strategy is to be a strong member of PerfectOffice and deliver a product which will compete well against Lotus Freelance.

- *Deliver strong suite product.* Continue to develop a solid product which will be favorably reviewed by the press and analysts. Primary areas of focus are ease of use and groupware/networking.
- *Eliminate common graphics features.* Work closely with WPWin and QP marketing groups to eliminate common presentation graphics features within PerfectOffice. For example, the WPWin version of PerfectOffice 3.0 will launch PRWin 3.0 and not it's graphics component, mini-Draw.
- *Deliver strong components.* Work closely with the Tapestry group to design and develop presentation graphics components.

1. Current Profitability (as per Paul Rasband's report)

Net Revenue	COGS	S&M	R&D	GLA	Operating Profit
2,312	(1,292)	(1,028)	(1,843)	(130)	(1,982)
100%	56%	44%	80%	6%	86%

2. Market Analysis

a. Market Growth & Market Size Projection

Worldwide Windows Presentation Graphics Software Market Forecast (IDC, 1994)
(all numbers in 000's)

	1993	1994	1995	1996	1997	CAGR
Shipments Stand-alone	1,081	1,176	1,740	1,8760	2,030	17%
Shipments Suite	3,1540	4,4890	5,229	5,4333	5,577	78%
Revenue Stand-alone	\$132,306	\$132,208	\$196,800	\$215,800	\$228,400	15%
Installed Base	6,2476	8,757	9,780	11,063	12,491	59%

* Suite revenue is not reported in this table because each firm calculates revenues from presentation graphics differently. Therefore, it is not a useful number.

The international shipments were 47% or total in 1993 (SPA), and will increase to about 55% by 1997 (IDC). As a percent of total sales, 1993 suite shipments were higher internationally than domestically, but that will not continue throughout 1997. From 1994 to 1997 the percent of both international and domestic suite shipments will remain right around 79% (IDC)

b. Current Market Share

Worldwide 1993 Windows Presentation Graphics Market Share (IDC, 1994)

	WIP Presentations	Lotus Presentation	Microsoft PowerPoint	SPC Graphics Software	Others
Stand-alone Shipments	69,500	321,762	287,000	316,000	86,400
Suite Shipments		600,000	2,554,000		
New Sales Market Share (Stand-alone, Suite)	6% (2%)	30% (22%)	27% (67%)	29% (7%)	8%
Installed Base	52,150	1,029,348	3,272,906	569,194	

*Source: InfoCorp, 1993.

3. Product Strategy

a. Can we become #1 or #2?

Our short term goal is to become the #2 selling presentation graphics product by delivering a solid product for PerfectOffice. In the long term, our goal is to be a leader of presentation graphics components.

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July 13, 1994

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4. If we succeed, will this be large enough and profitable enough to materially contribute to our growth objective?

Yes. According to several market research studies, presentation graphics is one of the key products that is included in the suite. Therefore, we would be contributing to the success of PerfectOffice by delivering a solid presentation graphics product.

5. Are there partners to take this on where the result would be as good or better for Novell?

We have two options. The first option is to continue in-house development of the product. The second option is to purchase or partner with SPC's Harvard Graphics.

We recommend the first option, continue in-house development. The primary reason is because we are in the best position to provide tight integration with PerfectOffice. In the past, we have tried to partner with Quattro Pro and it was not very successful. Also, all the suite products need to be tightly integrated. It would be very difficult to provide this tight integration when the development groups are from two different companies.

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July 13, 1994

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WordPerfect for DOS

Business Review Exercise

Submitted by

WordPerfect DOS Product Marketing

July 15, 1994

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Current Profitability:

November 1, 1993 - April 30, 1994

Net Revenue	COGS	S & M	R & D	G & A	Operating Profit
66,926	(19038)	(17,467)	(2,672)	(7,969)	19,781
100%	28%	26%	4%	12%	30%

Market Growth (DOS Word Processing)

Worldwide DOS Word Processing Software Market Forecast (InfoCorp, 1994)

	1994	1995	1996	1997	1998	5 YR CAGR
Shipments	1,332,000	703,000	464,000	343,000	190,000	-37%
Revenue	\$267 million	\$133 million	\$82 million	\$57 million	\$30 million	-40%
Installed Base	13,287,000	10,352,000	6,811,000	4,694,000	2,969,000	-28%

U.S. DOS Word Processing Software Market Forecast (InfoCorp, 1994)

	1994	1995	1996	1997	1998	5 YR CAGR
Shipments	653,000	323,000	204,000	144,000	76,000	-41%
Revenue	\$125 million	\$58 million	\$35 million	\$23 million	\$12 million	-44%
Installed Base	7,349,000	5,501,000	3,551,000	2,374,000	1,371,000	-31%

Current WordPerfect Market Share (DOS Word Processing)

Worldwide 1993 DOS Word Processing Market Shares (InfoCorp, 1994)

	WordPerfect	Microsoft	IBM	Others
Units Shipped	1,002,000	157,400	130,000	622,300
% of Total	52%	8%	7%	33%
Installed Base	6,009,400	1,971,300	1,009,000	6,128,000
% of Total	40%	13%	7%	40%

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US 1993 DOS Word Processing Market Shares (InfoCorp, 1994)

	WordPerfect	Software Publ. Corp.	IBM	Others
Units Shipped	651,300	98,300	97,500	230,100
% of Total	60%	9%	9%	22%
Installed Base	4,153,800	852,600	756,800	2,834,700
% of Total	48%	10%	9%	33%

Can we become (remain) #1 or #2?

In North America, WP DOS is the clear leader in both sales and installed user base. Worldwide, WP DOS is the overall sales and installed base leader, with the exception of a few countries where other DOS word processors are dominant. WP DOS is a classic cash cow, with overwhelming market share in a mature, shrinking market. WP DOS's leadership position is not expected to change in the foreseeable future.

What will it take to do so?

Most of the current success of WP DOS is due to the immense brand equity and market leadership gained by WP DOS during the late 1980s and very early 1990s. Many companies have standardized on WP DOS and made a considerable investment in WP DOS macros, training, and documents. Therefore, it is difficult for these people to switch to anything else. Because of these factors, there is no significant DOS word processor competition for WP DOS.

However, to retain WP DOS users as they migrate to Windows (with WP Win or the WP Suite), Novell cannot afford to stop marketing or communicating to current WP DOS users. Research has shown that current WP DOS users have a high likelihood of switching to competition when migrating to Windows, despite heavy WP Win "pull" advertising. Therefore, Novell must continue to make a concerted effort to "lead" users from the WP DOS side of the transition--mostly through effective user base communication.

The main challenge of communicating to users is that WordPerfect products have only about a 15% customer registration rate. However, the WordPerfect Direct Response group (responsible for direct marketing to users) is working on ways to identify WP users for this purpose.

Who do we need to beat?

The biggest antagonist in the effort to retain WP DOS users as they migrate to Windows is Microsoft. Microsoft identifies WP DOS users as a primary target market for its

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Windows-based word processor and suite. Microsoft's recent tactics include:

- Providing excellent Windows applications (both stand-alone and suite-integrated)
- Providing excellent tools and methods for users to transition from WP DOS to Microsoft WinWord
- Heavily marketing the per-application value of the MS Office suite against the stand-alone WP Win (many products for a low price)
- Attacking WordPerfect Corporation (via direct sales and advertising) as being backward, technologically inept, financially unsafe, and abandoning its user base (through cutting products and services)

How well entrenched are they?

(How well is Microsoft entrenched in their effort to win WP DOS users migrating to Windows?)

In attracting new Windows users to its applications, Microsoft has nearly every advantage over Novell--with one notable exception. Microsoft's advantages primarily revolve around the fact that Microsoft supplies and controls the Windows OS, and all the mindshare, revenue, and power that come with it.

Novell's biggest sustainable competitive advantage over Microsoft in this effort is that WordPerfect has a large, relatively loyal DOS user base--who are already familiar with and sympathetic to WordPerfect--from which to draw new customers. Microsoft has converted most of their DOS application user base to Windows applications already.

How will we beat them?

(What will it take to keep Microsoft from winning WP DOS users migrating to Windows?)

Novell must draw on its key strength in this area--current WP DOS users--to win the Windows transition battle with Microsoft. Novell must prepare WP DOS users for their transition to Windows, by communicating information to them about Novell's safety, vision, leadership, broad product line, and continued customer support innovation--using WordPerfect name recognition as a calling card, and emphasizing how these qualities are enriched with the merger.

This communication must be started as soon as possible, to allow WP DOS users maximum exposure to this information before they move to Windows applications. By doing so, Novell will ensure a greater mindshare and customer retention when WP DOS users choose a Windows-based word processing solution.

If we succeed, will this be large enough and profitable enough to materially contribute to our growth objectives?

Continued WP DOS Sales

The overall DOS word processing market is shrinking, not growing. WP DOS has an overwhelmingly dominant market share in most countries, making WP DOS a classic cash cow. In the first six months of 1994, WP DOS contributed 18% of WordPerfect Corp's total North American gross revenue, with very little maintenance cost and effort.

While WP DOS may not contribute to growth directly, its revenue stream is needed for other products that need investment now.

Retaining WP DOS Users through their Windows transition

The installed base of WP DOS users is a great asset to Novell. It represents high-margin future income (because of the low marketing investment required to keep them loyal). In the short term, the installed base needs investment (negative cash flow), to communicate key messages that will keep them loyal in the future. However, analysis and many other companies' experience indicates the investment will pay for itself many times over in the future, as these users buy from Novell again.

Are there partners to take this on where the result would be as good or better for Novell?

Retaining WP DOS Users through their Windows Transition

Because the WP DOS user base is such an important asset to Novell, it would be foolish to jeopardize their continued loyalty by subcontracting the retention effort to a third party. In the wake of outsourcing WP51 DOS support and rumors that WordPerfect was abandoning all DOS development (and the user uproar that resulted), subcontracting WP DOS marketing, fulfillment, or other services would infuriate current WP DOS users. This would hurt Novell at a time when Novell is seeking to transfer brand equity from WordPerfect to itself.

Continued WP DOS Marketing and Support

Customer support for WP51 DOS (and previous versions) has already been outsourced, reducing support costs for these products by approximately 30%. The WP DOS product marketing team has been approached by a third party with an offer to market WP5X DOS. The offer was rejected for the following reasons:

- WP DOS is a cash cow. Outsourcing would jeopardize that revenue stream-- affecting other products that require investment now.
- Net revenue (total revenue less costs) would decrease under the proposal compared to the status quo, due to splitting the profit margin with the subcontractor and to small savings expected in expenses (the offer did not include taking over WP60 marketing efforts).

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- The aggressive marketing methods described in the proposal seemed likely to cannibalize the sales of other, more profitable WordPerfect products (especially WP Win and WP60 DOS).

A possible alternative to outsourcing the marketing of WP DOS would be delegating it to the Direct Response group, responsible for direct-user marketing. This may provide a cost-effective way to continue to milk sales from WP DOS, without putting customer retention and brand equity in jeopardy.

Sales, Development, and other services have already been trimmed (for example, there will be no developers or testers assigned to WP DOS after 1994). There is no obvious additional benefit to outsourcing any of these services.

C Division Management Team Lead	New-Start																						
	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	
Average Selling Price	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	3,171	
Total Revenue	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	531,177	
Cost of Sales:																							
Material	2,201	11,528	4,852	13,528	3,519	13,528	2,278	13,528	2,278	13,528	2,278	13,528	2,278	13,528	2,278	13,528	2,278	13,528	2,278	13,528	2,278	13,528	
Royalty	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Product Cost, Including Ops	188	0.6%	354	0.6%	171	0.6%	116	0.6%	116	0.6%	116	0.6%	116	0.6%	116	0.6%	116	0.6%	116	0.6%	116	0.6%	
Education	1,131	3.8%	6,238	11.8%	4,857	9.1%	5,131	9.7%	5,131	9.7%	5,131	9.7%	5,131	9.7%	5,131	9.7%	5,131	9.7%	5,131	9.7%	5,131	9.7%	
Service																							
Total Cost of Sales	3,514	11.2%	11,452	21.7%	8,359	15.6%	7,622	14.4%	7,622	14.4%	7,622	14.4%	7,622	14.4%	7,622	14.4%	7,622	14.4%	7,622	14.4%	7,622	14.4%	
Gross Profit	32,663	10.5%	41,725	7.8%	44,818	8.4%	45,905	8.6%	45,905	8.6%	45,905	8.6%	45,905	8.6%	45,905	8.6%	45,905	8.6%	45,905	8.6%	45,905	8.6%	45,905
Operating Expenses:																							
Product Marketing	3,378	10.9%	5,819	11.0%	3,555	6.7%	3,274	6.2%	3,274	6.2%	3,274	6.2%	3,274	6.2%	3,274	6.2%	3,274	6.2%	3,274	6.2%	3,274	6.2%	
Sales Marketing	2,107	6.8%	5,561	10.5%	3,000	5.7%	2,800	5.3%	2,800	5.3%	2,800	5.3%	2,800	5.3%	2,800	5.3%	2,800	5.3%	2,800	5.3%	2,800	5.3%	
Product Development	2,138	6.9%	834	1.6%	38	0.1%	39	0.1%	39	0.1%	39	0.1%	39	0.1%	39	0.1%	39	0.1%	39	0.1%	39	0.1%	
General & Administrative	2,187	7.1%	5,131	9.7%	3,133	5.9%	3,133	5.9%	3,133	5.9%	3,133	5.9%	3,133	5.9%	3,133	5.9%	3,133	5.9%	3,133	5.9%	3,133	5.9%	
Total Operating Expense	12,810	40.7%	18,796	35.4%	10,766	20.2%	10,286	19.3%	10,286	19.3%	10,286	19.3%	10,286	19.3%	10,286	19.3%	10,286	19.3%	10,286	19.3%	10,286	19.3%	
Operating Profit	30,153	9.6%	23,229	4.4%	37,462	7.0%	35,619	6.7%	35,619	6.7%	35,619	6.7%	35,619	6.7%	35,619	6.7%	35,619	6.7%	35,619	6.7%	35,619	6.7%	35,619
Product Type: Channel																							
A-Distribution																							
B-OEM Channel																							
C-Channel of A and B																							
Product Type: Support																							
1-Low volume, low complexity																							
2-Mid volume, mid complexity																							
3-High volume, high complexity																							
4-Trip/High volume, high complexity																							
Average number of developers /																							
average unit, including contractor																							

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18-JUL-04

WordPerfect for Macintosh

Business Review Exercise

Submitted by

WordPerfect Macintosh Product Marketing

July 15, 1994

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Current Profitability:

- The following chart is a summary of financials for WordPerfect Macintosh as of July 13, 1994 (in \$000s):

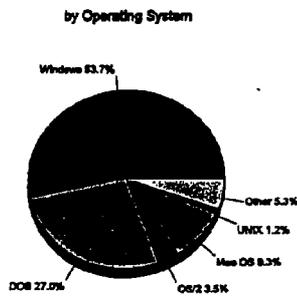
Net Revenue	COGS	S&M	R&D	Gr. A	Operating Profit
8,044	2,986	4,944	2,583	1,158	(3,627)
100%	37%	61%	32%	14%	(45%)

Size of Macintosh Word Processing Market (Source: Dataquest, 1994)

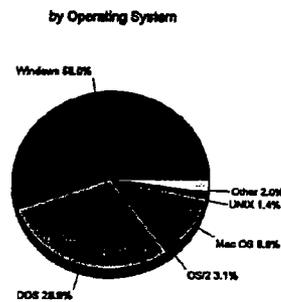
- Worldwide market
 - The number of word processing licenses shipped in 1993 was 1,433,040 (defined as a legal permit to use a software package).
 - The number of word processing units consumed (off the shelf package that can have multiple licenses) in 1993 was 1,096,200.
 - 1993 word processing revenue (in U.S. dollars) was \$140,520,000.

Dataquest segments word processing into Windows, DOS, Mac, OS/2, UNIX, and Other PC operating systems. License shipments and revenue from these operating systems were distributed as follows:

Worldwide Word Processing Licenses



Worldwide Word Processing Revenue



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- In 1993, Macintosh owned 9.3% of the worldwide word processing market in license shipments.

- U.S. market

- The number of units consumed in 1993 was 546,400 (50% of worldwide total).
- 1993 revenue was \$91,000,000 (65% of worldwide total).

Market Growth (Source: InfoCorp, 1994)

- Worldwide market

- In 1993, growth in the number of units shipped was 6%.
- In 1994, the number of units shipped is forecast to grow by 11%.
- Over the next five years, the Compounded Annual Growth Rate (CAGR) of units shipped is forecast at 14%.

- The following tables indicate growth rates for each of the next five years in shipments, revenue, and installed base.

	1993	%	1994	%	1995	%	1996	%	1997	%	1998	%	5 yr CAGR
Shipments (000s)	1,121	6%	1,246	11%	1,452	17%	1,672	15%	1,899	14%	2,130	12%	14%
Revenue(\$M)	198	-2%	216	9%	238	10%	258	9%	278	8%	300	8%	9%
Inst. Base (000s)	4,119	18%	4,794	16%	5,595	17%	6,401	14%	7,243	13%	8,245	14%	15%

Source: InfoCorp, 1994 (Numbers include word processors shipped in bundles/suites)

- U.S. market

- In 1993, growth in the number of units shipped was 7%.
- In 1994, the number of units shipped is forecast to grow by 9%.
- Over the next five years, the GAGR of units shipped is forecast at 8%.
- 5 year CAGRs for the U.S. are lower than those for worldwide, indicating strong international potential.

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	1993	%	1994	%	1995	%	1996	%	1997	%	1998	%	5 yr CAGR
Shipments (000s)	558	7%	610	9%	677	11%	740	9%	792	7%	838	6%	8%
Revenue(\$M)	91	0%	101	11%	105	4%	108	3%	110	2%	112	2%	4%
Inst. Base (000s)	2,109	14%	2,400	14%	2,727	14%	3,039	11%	3,311	9%	3,590	8%	11%

Source: InfoCorp, 1994 (Numbers include word processors shipped in bundles/suites)

- International (Data is not published for international exclusively; however, using derived figures, the following data was created)
 - In 1994, the number of units shipped is forecast to grow by 13%.
 - Over the next five years, the CAGR of units shipped is forecast at 18%.
 - Data indicates that those vendors able to exploit the international growth will gain the most market share.

	1993	%	1994	%	1995	%	1996	%	1997	%	1998	%	5 yr CAGR
Shipments (000s)	563		636	13%	775	22%	932	20%	1,107	19%	1,292	17%	18%
Revenue(\$M)	107		115	7%	133	16%	150	13%	168	12%	188	12%	12%
Inst. Base (000s)	2,010		2,394	19%	2,868	19%	3,362	18%	3,932	17%	4,655	18%	18%

Source: InfoCorp, 1994 (Numbers include word processors shipped in bundles/suites)

Current WordPerfect Macintosh Market Share (Source: InfoCorp, 1994)

- Worldwide market share—unit shipments
 - In 1993, WordPerfect was second in units shipped with 17% market share. Microsoft was first with 63%.
 - From 1992 to 1993, WordPerfect had a 22% CAGR. Microsoft was second with only a 7% CAGR.
 - By InfoCorp's definition, WordPerfect's five year CAGR dominates all competition with 42%. Microsoft is second with a five year CAGR of 23%.

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U.S. Market Share of Word Processing Units (Ranked by Product) (000s)							
Manufacturer	Model	1991	1992	1993	Share	'92-'93 CAGR	5 year CAGR
Microsoft	Word 7.0	514.0	657.0	655.0	57%	7%	25%
WordPerfect	WordPerfect 6.0	172.0	150.0	187.5	17%	22%	19%
Claris	MacWrite	111.4	105.7	108.9	10%	3%	9%
Other		119.3	117.1	108.8	10%	-7%	7%
Total		834.5 35%	1025.6 23%	1096.2 7%	100%	7%	20%

Source: InfoCorp, 1994 (Numbers include word processors shipped in bundles/suites)

- U.S. market share—unit shipments
 - In 1993, WordPerfect was second with 22%. Microsoft was first with 57%.
 - From 1992 to 1993, WordPerfect had a 22% CAGR. Microsoft was again second with a 7% CAGR.
 - WordPerfect's five year CAGR is more than twice as high as Microsoft, suggesting a great opportunity for growth.

U.S. Market Share of Word Processing Units (Ranked by Product) (000s)							
Manufacturer	Model	1991	1992	1993	Share	'92-'93 CAGR	5 year CAGR
Microsoft	Word 7.0	314.0	367.0	355.0	57%	7%	25%
WordPerfect	WordPerfect 6.0	102.4	89.1	113.5	17%	22%	19%
Claris	MacWrite	72.4	68.7	70.8	13%	3%	5%
Other		47.7	46.9	43.6	8%	-7%	4%
Total		414.0 23%	507.0 22%	546.4 8%	100%	8%	15%

Source: InfoCorp, 1994 (Numbers include word processors shipped in bundles/suites)

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Can we become (remain) #1 or #2?

WordPerfect for Macintosh is currently #2 in the Word Processing market. Microsoft dominates the market with well over 50% market share. However, from 1992 to 1993, WordPerfect experienced a 22% Compounded Annual Growth Rate (CAGR), while Microsoft's CAGR was only 7%. While currently at 17% market share, all sources indicate that WordPerfect has the greatest momentum. WordPerfect's five year CAGR is forecast at 42%, compared with Microsoft at 23% and Claris at 9%. These figures become even more impressive when considering WordPerfect is a stand alone product competing with the Microsoft Office suite.

WordPerfect should continue to strengthen its #1 position. However, without a fully integrated suite on the Macintosh, it will be difficult to penetrate Microsoft's dominance.

What will it take to do so?

In order to remain #2 and make progress towards becoming #1, we must concentrate on the following:

- Continue to build on the momentum we have created in positioning WordPerfect as the industries technological leader. WordPerfect became the first product to support System 7 Pro and to be native on the Power Macintosh. By releasing Version 3.1 on October 1, 1994, we will again become one of the first applications to support System 7.5. Presently, WordPerfect is the number one native application sold for the Power Macintosh (source: Apple Computer, Inc.)
- Provide bundled solutions targeted at key vertical market segments. Do this by leveraging in-house products and third-party products. (ie, Student and Business Essentials bundles). By providing solutions that are better targeted towards specific needs of the customer, we can begin to penetrate the market share possessed by Microsoft Office at the high end and ClarisWorks at the low end.
- Establish pervasive networking on the Macintosh by leading the industry in providing the tools and frame work for collaborative computing.
- Move quickly to component software (OpenDoc) and establish a leadership position on this new platform.
- Increase our presence in the channel and continue to grow mindshare among industry influencers.
- Continue our focus on international markets where we have established a strong presence and can continue to grow market share. Target new and growing international markets where we can establish WordPerfect as a leader in Macintosh word processing and as a solution provider.
- Add vertical text functionality to WordPerfect in order to become more successful and better accepted in Japan and other Asian countries. We have been hurt in Japan where local products have less functionality overall, but provide vertical text support. We have also been hurt by the presence of MacWrite and its strong branding in association with Apple Computer, Inc.

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With the recent release of WPMac 3.0J, we are very optimistic about our sales number in Japan. Initially, the Japan office projected shipping 4,000 units during the first three months following the release of 3.0J. The office has since increased that number to 15,000 units. Our potential in Japan is very high.

- Continue to focus on providing quality information and training to worldwide sales.
- As we continue our effort to become the first in adopting Apple's latest technologies, we will improve our ability to gain the attention of Apple's sales force. WordPerfect is increasing in popularity among the Apple sales force as the product that best demonstrates their technologies.

Who do we need to beat?

In North America and Europe, Microsoft Word is the obvious antagonist. In Japan, the current market leader is MacWrite.

How well entrenched are they?

Microsoft Word was the first high-end word processor available for the Macintosh. WordPerfect did not release on the Macintosh until Word had been on the Market for well over three years. MacWrite was able to obtain a high marketshare because it was initially bundled on all early versions of the Macintosh. Once Apple discontinued bundling MacWrite on every Macintosh, Microsoft Word soon became the dominant market leader. MacWrite has since ensued the number three position behind WordPerfect due to Claris' inability to keep the product competitive with releases of Word and WordPerfect. Claris has clearly turned its focus to ClarisWorks which has become the dominate leader in Works packages for the Macintosh.

Microsoft's leadership role on the Macintosh was strengthened as Excel obtained dominance in the spreadsheet market. Excel is currently the only spreadsheet available for the Macintosh. Microsoft is the only vendor providing a fully integrated suite for the Macintosh. Microsoft Office was available on the Macintosh eighteen months before it released on Windows.

Because of Microsoft's ability to provide a fully integrated suite, they have made it very difficult for a single or limited applications vendor to compete in this market. The bottom line is, Microsoft is very well entrenched.

How will we beat them?

Having a fully-integrated suite for the Macintosh would be nice, but at this point it would take at least 2 to 3 years to develop a competitive suite solution. The only way we can compete with Microsoft in this market is to change the rules. OpenDoc gives us that opportunity.

After WordPerfect 3.1 ships, we should quickly transfer the majority of the Macintosh development talent over to Tapestry. By transferring top talent from Macintosh and possibly UNIX, Tapestry could become a reality much quicker. By getting Tapestry out quickly, in an OpenDoc arena, the Applications Group can better establish itself as the industry leader in providing quality customer solutions.

WordPerfect 3.1 (due to ship 10/1/94) will take advantage of Apple's latest System software to once again enhance its position as a technology leader. A smaller development team (not more than 5 people) could maintain the product and possibly develop a version 3.2 that would implement Grammatik 6 and provide minor enhancements to answer issues relating to Microsoft 6.0 due to ship 9/94. Vertical text is the only "major" item that needs to be addressed before the Tapestry timeframe. If Tapestry slips into late 1996, then this plan would need to be reconsidered.

If we succeed, will this be large enough and profitable enough to materially contribute to our growth objectives?

By greatly reducing our resources in development, testing and possibly marketing, we can become a profitable division within the company. It is not being suggested that we limit our exposure in the Macintosh market, but that we quickly become a profitable division within the Greater Novell and that we better position ourselves for the future. If anything, we should strive to increase our exposure. Our success on the Macintosh platform is important to the long term success of the company. The data included in this document indicates the Macintosh platform and WordPerfect software will continue to be a strong option and need for Novell customers.

Are there partners to take this on where the result would be as good or better for Novell?

No.

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WordPerfect for Unix

Business Review Exercise

Submitted by

WordPerfect for Unix Product Marketing

July 15, 1994

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Market Review: WordPerfect 6.0 UNIX

1) Current Profitability:

November, 1993 - May, 1994

Net Revenue	COGS	S&M	R&D	G&A	Operating Profit
7,445	2,540	2,915	4,996	999	(4,005)
100%	34%	39%	67%	13%	(54%)

2) Size of Market, Market Growth, Current Market Share, Market Size Projection for Next 5 Years.

There are many facets of the UNIX market that should be considered when determining the viability of the UNIX personal productivity applications market and the potential sales opportunities into this market.

UNIX, unlike the DOS/Win market, has a very diverse set of uses and functionality, of which only a small part include productivity applications. Market size and growth figures may be very misleading due to the high percentage of UNIX Systems used exclusively in server environments. Confusing the issue further is the distinction (or lack thereof) between word processors, publishing packages, and integrated productivity solutions. The research companies have a difficult time dividing these categories and providing accurate figures for potential market opportunities. In fact, percentages fluctuate as much as 30% between research organizations depending on their definition of the categories. For example, IDC reported in 1992 that WordPerfect for UNIX held 64% of the UNIX word processing market while SPA reported for the same time period a 93% market share. These numbers can be easily affected by the inclusion of the simple text processors that ship with many of the UNIX Systems.

In the past year we have seen many companies begin offering emulators and software products that allow the use of MS Windows applications software or Macintosh applications software to run on various UNIX machines. To date, these have met with marginal success due to problems and the immaturity of the products. If these emulators become successful, it would add a wave of new competition to the environment. In section #3 of this report I explain how the future development of WordPerfect for UNIX can render these emulation solutions a non-issue. We will however, keep an open mind to these emulation solutions, follow their progress and evaluate the appropriateness of using this type of technology for a UNIX solution if the products should progress to that level. At this point, this is not a consideration and we are skeptical that they will progress sufficiently to provide a viable alternative to a native product.

As a word of warning, I encourage the reader to take the figures in this report with a grain of salt as, in my opinion, sufficient time and effort has not been devoted by the research firms to concisely define the personal productivity applications market. In other words, these figures provide little more than a base for educated speculation.

The market for Unix-based word processors reached \$70 million in 1992, up 12.5% over the previous year. IDC states "WordPerfect was the clear leader, generating more than three times the revenue of any other vendor (24%). WordMarc holds the number-two slot in terms of revenue with a 7% share."

In 1992, the UNIX systems market grew by 8.3% to just less than \$19.5 billion. Unix hardware sales continued to outpace the overall market and are expected by IDC to grow at a 14% five-year compound annual rate to total more

than \$36 billion in 1997 as compared with a 3% growth rate for the overall computer hardware industry for the same period. Unix will increase its share of computer hardware revenues from 13% in 1992 to 21% in 1997 or \$36 billion.

UNIX PCs and workstations continued to drive the overall UNIX system market, accounting for 79% of the 1992 shipments worldwide. IDC forecasts that desktop systems will total 87% of total shipments by 1997.

IDC Forecasts:

- Between 1992 and 1997, the U.S. market for UNIX systems will grow at a compound annual rate of 20.5% in terms of shipments and at just less than 10% in value. In 1997, 1.1 million units will be shipped at a value of just less than \$12 billion.
- UNIX shipments and value outside the United States will grow at CAGRs of 27.5% and 15.5% respectively, over the same period. More than 1.8 million UNIX-based systems will ship in 1997 for a value of \$24.7 billion.
- Worldwide shipments will total more than 3 million in 1997, after a five-year CAGR of 24.6%. The value of shipments worldwide will grow at a 13.5% CAGR to \$36.6 billion in 1997.

3) Can we remain #1? What will it take to do so? Who do we need to beat? How well entrenched are they? How will we beat them?

The latest information available to me for this report shows that WordPerfect is the 7th largest UNIX Commercial Applications Vendor at \$17 million for 1992. The second place word processor is WordMarc at \$4.5 million.

The main word processing threat in 1994 and beyond is Lotus Ami Pro. Although they have had a difficult time over the past three years getting this product out, it is now available on HP and soon to be on SUN and IBM. AmiPro is only offered as a GUI product and ignores the other 40-50% of the market--the character-based market. Lotus does not now have the offering needed to take over the #1 position, however, they are uniquely in a position to offer a UNIX suite with Notes, 123, and AmiPro.

IDC claims that the \$70 million potential market for UNIX word processors will not grow significantly due to the various emulation technologies that are emerging. If the UNIX WP product continued to be a UNIX conversion of the Windows product, then perhaps we would be going head to head with these emulators and not able to grow our market. However, this is not the direction for future versions of WordPerfect for UNIX. WordPerfect needs to be a Document Processor that also has the ability to access the functionality of the other UNIX tools such as database information, and integrate tightly into the native UNIX services offered through the OS. These include, but are not limited to UNIX printing functionality, Unix mail, etc. While these emulators offer a patchwork solution to run products from other environments, WordPerfect will tightly integrate Unix conversion formats, database information access, native printing capabilities and other functionality not offered by the emulators. We will also be able to offer better performance in a native product, as emulators by nature suffer performance problems.

Direct word processor competition is not the battle that we need to win. Our stiff competition comes from the integrated office solutions (IOS) like Uniplex and Applix. Unix systems have been sold almost from the beginning with integrated systems, including database and spreadsheet functionality as well as word processing. Some offerings also include charting and drawing modules. To this point we have not been able to replace these integrated products with only word processing functionality. 6.0 now offers many new features that allow us to compete with much of the functionality in these integrated packages. Future releases of WordPerfect will further integrate with third party spreadsheets and databases in order to offer a replacement solution for these low-end integrated packages.

In order to succeed and maintain the #1 position, we first need to determine the importance of a UNIX product to the company. Once we have established this as a priority, we need to have the internal support structures in place to carry out the respective responsibilities for Channel, Sales, Corp. Communications, etc. and leave these dedicated resources in place in order to build momentum without interruption. The most difficult thing that the UNIX division has faced for the past few years, has been fighting the internal organization for mindshare. Had we received the buy-in that some of the other application groups at WPCorp enjoy, early in our history, we would be well on our way to being an extremely profitable and successful division and product. UNIX products need the same commitment from the support organizations in the company as the first-tier products enjoy, i.e. timely completion of support materials, follow-up on projects, accurate deadlines rather than being "bumped" by higher priority projects. It is extremely difficult to be held accountable for a product's success when we are so dependent upon the sales and channel organizations to move the product. Many times these organizations focus on "higher priority" products and give remaining time to UNIX. A certain amount of investment in the future in terms of channel development and Unix sales development are clearly precursors to financial success of the UNIX WordPerfect product.

If through consolidation we share resources and give these resources a UNIX time and attention allocation, it is my opinion that these people will not be successful. UNIX is a very specialized environment that requires the sales and marketing people to live in the environment in order to understand the environment and issues well enough to be effective. 10% of a persons time will be ineffective to achieve success with UNIX products. We have seen these problems in the UNIX group since the last reorganization to the international organization. In effect, the attention to UNIX marketing and sales has ceased, and there are no resources with an understanding of the UNIX marketplace. International sales as a percentage of total UNIX sales will continue to drop if resources aren't dedicated to developing this market.

- 4) If we succeed, will this be large enough and profitable enough to materially contribute to our growth objective? (target growth of 20%)

We have a great UNIX potential if we can:

- establish a strong channel
- educate VARs and Resellers
- educate the sales force to sell cross platform solutions
- continue looking for innovative UNIX-specific features to integrate into WordPerfect for UNIX
- tightly integrate with UNIX databases and offer UNIX-specific file conversion

We clearly have the potential for a 20% annual growth rate. As we better position ourselves to sell competitive upgrades into the integrated solution market, we move into a market that has a huge potential. As we progress, we need to look closely and quickly at the possibility of a suite offering in the UNIX environment. With strong components in this market, we could be the market owners.

- 5) Are there able partners to take this on where the result would be as good or better for Novell? No.

WordPerfect for VMS

Business Review Exercise

Submitted by

WordPerfect for VMS Product Marketing

July 15, 1994

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Market & Product Review: WordPerfect 6.0 OpenVMS

Due to the special circumstances surrounding the OpenVMS 6.0 product and pending decisions, this review will briefly outline the OpenVMS market as it applies to the WPS+ / WP6.0 migration outlined in the WP/Digital agreement. We will also point out the issues surrounding the completion of the 6.0 product, their impact on the UNIX character product release, development resources, and possible options and alternatives to the current completion schedule for the product.

In a series of meetings, the last of which was held on 7-8-94, research was presented showing a negligible market for a the planned Motif version of 6.0 OpenVMS. This product was not included in the DEC contract. After careful consideration it has been determined that the resources that would have been devoted to this project, will be better applied elsewhere. There will be no future development on this project. I have however, included market research for Motif OpenVMS shipments due to the fact that a 6.0 character product for OpenVMS will run on either the VAX machines or the new Alpha AXP.

The variables to consider in the market are:

- VAX OpenVMS (Character & GUI)
- Alpha AXP OpenVMS (Character & GUI)

The original objectives for producing an OpenVMS product were:

- This product could be easily recompiled to run either on VAX OpenVMS or Alpha AXP OpenVMS covering both installations.
- This product would be used by the UNIX division and recompiled for use as the character UNIX product for the 7 supported platforms.
- This product would be marketed as a migration to the existing WPS+ word processor that originally shipped with each copy of ALL-IN-1 from Digital. Digital would be the distributor and reseller for this product as outlined in the WP/DEC contract. New sales would be incremental on VAX, but the new user-base would come from Alpha as accounts migrated from VAX to Alpha.

OpenVMS Word Processing Market (IDC Research)

ALPHA:

According to IDC's Worldwide Commercial Systems Research, June 9, 1994:

- 60% of all Alpha systems ship with OpenVMS (OSF/1 UNIX or NT on others).
- 90% of all Alpha systems shipped are Workstations.
- The percentage of these systems that use word processing is not known.
- IDC states "A key application on Alpha will be desktop publishing. However, straight word processing will remain largely a PC application." (May 27, 1993)

Hardware:

Projections for total installed base of DEC's Alpha AXP Multiuser systems are as follows:
(Hardware only)

	1993	1994	1995	1996
Total Alpha installed base (all OSs.)	9671	23189	44190	72046
Source: IDC, 1994				

Operating System:

Currently 60% of all Alpha systems are shipping with OpenVMS. This means that the projected installed base of Alpha OpenVMS systems is as follows.

	1993	1994	1995	1996
Total Alpha OpenVMS installed base	5803	13913	26514	43228
Source: IDC, 1994				

Currently 90% of all Alpha OpenVMS systems shipping are workstations. Nearly 100% of these workstations are shipping with Motif. This means that the number of Alpha OpenVMS Motif and Non-Motif systems installed will be as follows:

	1993	1994	1995	1996
Total Alpha OpenVMS Motif installed base.	5222	12522	23863	38905

Total Alpha OpenVMS Non- Motif installed base.	580	1391	2651	4323
Source: IDC, 1994				

Word Processing Market:

	1993	1994	1995	1996
Total Alpha OpenVMS Motif word processing market.	1306	3131	5966	9726
Total Alpha OpenVMS Non- Motif word processing market.	145	348	663	1081
Source: IDC, 1994				

Information from Computer Intelligence using large samples and felt to be statistically valid show type of processors on site:

- Federal Government: 7,135 Sites as of 01/11/94 show a 0% installation for Alpha.
- State Government: 8,253 Sites as of 01/11/94 show a 0% installation for Alpha.
- Local Government: 5,773 Sites as of 01/11/94 show a 0% installation for Alpha.

Industry vertical for the same time period show a 0% installation of Alpha. Included were: Business, EDP, Financial, Health, Legal, Accounting, Manufacturing, Transportation, Communication, Retail, Wholesale.

The same Industry vertical listed above report a 0% "planned purchase" of Alpha.

WPCorp info from May, 1993 projected shipments of Alpha as follows:

- 1992: 4,000 Alpha units shipped, 80% - 90% workstations.
- DEC shipping 2000 units/month.

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- Installed base as of 05/93 was 12,000 units including other OS's than OpenVMS (7200 OpenVMS).
- Shipments as of 05/93 were primarily shipping to ISVs, Internal Users, and sent as loaners to various entities.

VAX/OpenVMS MARKET:

Summary of DEC's word processing and OA markets:

INSTALLED BASE OF DEC ALL-IN-1: DEC claims that the OpenVMS market has 10 million total users including 5 million DEC ALL-IN-1 users. This figure is based on an estimated installed base of 500,000 systems worldwide. IDC believes that these figures are inflated. **IDC analysts believe that due to retirement of some VAX/OpenVMS systems, the number of DEC ALL-IN-1 users is closer to 2-3 million.** This is based on IDC's estimate of 300,000 active VAX/OpenVMS systems with about 6 million users. ALL-IN-1 revenues declined 20% in 1992.

DEC ALL-IN-1 LICENSES: DEC claims that the number of installed licenses of ALL-IN-1 is over 400,000. IDC believes that a significant portion of these licenses are no longer in use. An IDC analyst estimates that a total of 15 - 20% of all installed systems have DEC ALL-IN-1 installed and in use. This means that the total number of licenses installed and in use is between 75,000 and 100,000. It does not specify the average number of users per license.

WP AND OA SOLUTIONS: According to IDC, less than 5% of the VAX/OpenVMS installed base need word processing solutions, after excluding the current base of ALL-IN-1 users. The ALL-IN-1 users represent the majority of the WP and OA solutions market in the VAX arena. IDC estimates that 20-30% of the VAX/OpenVMS installed base has a text processor of some kind (excluding simple text editors). VAX/OpenVMS users are rapidly moving word processing off host environments to PCs. IDC further stated that there is a growing concern in the marketplace that DEC will give away the ALL-IN-1 installed base to Microsoft.

The numbers used by the prior marketing team in the 1994 OpenVMS business plan were much higher than the current research from IDC indicates-- Much smaller installed base of VAX/OpenVMS and ALL-IN-1 (thus smaller migration market for WP) due to migration off of host systems.

OPTIONS:

- 1) Continue on present schedule for November 1994 release of 6.0 OpenVMS character.

ISSUES:

- Too much on the plate to achieve November release. This product must be tested thoroughly in order to prevent the need for a major interim release shortly after the initial product ship. Most resources will be reassigned and not available for interim work. May slip into December or end of the year. Do we cut features in order to make the release date or extend it?
- The OpenVMS team is essentially writing the UNIX character product. What affect would feature cuts have on the outcome and marketability of the UNIX character product if it is missing key features and differing in feature set from the UNIX GUI product on the same platforms.
- It is possible to reassign a few UNIX developers to work with the OpenVMS team and speed up the process. How much? Unknown at this point.

PROS:

- Product must be finished for UNIX anyway. Developers know code and have hardware to finish project. Code will take very little work to move to UNIX after completion.
- Revenues from OpenVMS new product sales, WPS+ to WP migration and 5.1 upgrades. \$4.8 million from DEC at end of contract (May, 1995).
- Send message to DEC users that we are not abandoning them. Buy time in order to implement transition for those DEC customers moving from VAX to PCs.
- Majority of those who would have purchased the Motif (GUI) version for Alpha AXP workstations and X-terminals will still choose WP 6.0 character as a solution.
- If Digital doesn't fulfill agreement or isn't successful in marketing product, development effort was not wasted--UNIX character product will go to market. (See 5.1+ discussion in option #3)

CONS:

- 20 developers tied up for 4-5 months. Needed in other areas (Chicago).
- Writing a product for a market that we most likely will not support in the future.
- Very slow sales of AXP platform. We should only count on limited new sales.
- Very slow ramp-up at Digital to push migration from WPS+. Very unstable and unknown marketing plans -- Totally relying on Digital and possibly Spire to make this product successful.
- Few funds for any marketing from WordPerfect if Digital and Spire don't succeed in successfully marketing the product.
- Currently 12 languages are on line to be localized at a cost of close to \$100,000 each. Looking at the figures for the 7 languages we have killed, they came nowhere near \$100,000 and in many cases didn't reach \$10,000. I have not seen any kind of business plan from DEC as to how they will market and sell international versions. We will be asking for this within the week.

2) Abandon the OpenVMS character project and develop directly to UNIX.

ISSUES:

- Failure to release an OpenVMS product negates one of the key reasons for the DEC contract -- Providing a innovative product that will keep customers with WordPerfect until such time as they migrate to PCs, or to the new Alpha platform. Gain the user-base and loyalty before they migrate to other platforms and evaluate other word processors.
- Are there any on-going talks with Digital for future strategic direction or partnerships, and if so, how would this relationship be affected by any decisions made regarding the 6.0 OpenVMS project or DEC contract?

PROS:

- 6.0 feature set will remain intact. No cutting features to make OpenVMS dates. Same product and feature set on UNIX GUI and UNIX character.
- By developing directly to UNIX, we implement the UNIX market needs immediately rather than putting these features in an interim after the initial release. These features include, but are not limited to: UNIX-specific file and spreadsheet conversions, Database integration--two extremely important features to the UNIX market.

CONS:

- Majority of developers still tied-up on the project. OpenVMS team might be able to free-up 7-8 resources.
- No UNIX hardware for OpenVMS developers. No funding to purchase these machines.
- No migration path for users moving from VAX environment to PCs in the future.
- Message of abandonment to the end-user community. Many commitments have been made and we will replay the NEXT customer base abandonment, only to a much larger corporate user-base. Good possibility these users will go to Word when they covert to PCs. Will there be law suits over promises?
- Loss of \$4.8 Million DEC commitment in May, 1995.
- Growing concern in the marketplace that DEC will give up the ALL-IN-1 installed base to Microsoft (NT & Word).

3) Discontinue work for 6.0 and produce a 5.1 plus for OpenVMS and UNIX.

ISSUES:

- Development feels this is a viable solution for UNIX, but not for the OpenVMS group.
- The OpenVMS and UNIX groups are concerned about the speed and size of the

6.0 character product. The 5.1 OpenVMS product requires 1 Meg of memory and 6.0 will now require 2 Meg. 6.0 will be much slower and larger than 5.1, decreasing market opportunities. This will be a big issue for the text based users.

- The UNIX group has the same concerns with regards to the size/speed of the 6.0 Unix character product. Ken L. mentioned it would be much easier to take the current 5.1 product, add Grammatik, QuickFinder and the 6.0 conversion code and then call it 5.1+.
- How will stopped development for a 6.0 level product affect the GroupWise group. Will the VMS or UNIX group end up maintaining a 6.0 level dialog manager?

PROS:

- Customer base is accustomed to 5.1 size and speed. (Much smaller disk space and memory requirements).
- 5.1 is very reliable at this point. Testing cycle will be greatly reduced.
- Development time reduced. Eliminates much of the work on PRS and terminal drivers. Less resources to produce.

CONS:

- We would be killing the DEC contract and not receive the \$4.8 million.
- No 6.0 for users expecting a next generation product on both OpenVMS and UNIX. We have release information about the release of a 6.0 level character product.
- Wasted investment of time on 6.0 product development and 5.1+ may take just as long to ship. An OpenVMS 5.1+ would not have additional features due to low need by the market for these particular features.
- 5.1+ strips out functions and functionality in document limiting document compatibility with 6.0.
- Upset user-base, counting on 6.0 and given 5.1+

(Note:) Much more research and discussion needs to go forward on this last option. This issue suddenly came up within the past couple of days. All of the issues are not represented in this paper.

MARKETING ISSUES:

- Very few marketing funds available to market this migration from WPS+ to WP. We are relying on DEC to make this product and migration successful. Continue working with channel to sign up Spire Technologies as a Master VAR and distributor. Spire will be given same discount as Digital for the migration product (\$60) and in turn, contractually commit to promote migration program to its end-users and resellers. Spire is also in a

position to take over complete marketing, support, and development of the OpenVMS in the future if we decided to discontinue the OpenVMS product and continue collecting royalties. They have a similar arrangement with Lotus and 123.

- Possibility of renegotiating with DEC to include 6.0 WP on each new shipment of OpenVMS and ALL-IN-1.

CONCLUSION & OPINION:

The numbers listed above represent a very small user-base, and slow growth. Since the Alpha machine is the primary GUI workstation environment, this information was key to the decision to discontinue a GUI OpenVMS product. Alpha is also a multi-user character environment, but judging from the low number of installed units as of 5/94 and the slow sales, we could expect a very small opportunity for selling WordPerfect into this new market at this time.

The real opportunities are:

- 250,000 current 5.1 users on VAX to upgrade.
- 2-3 million ALL-IN-1 Users. Dependent on:
 - Decision to stay on, or move away from VAX environment.
 - Decision not to upgrade to 6.0.
 - Decisions to move word processing to PCs. (IDC)
 - DEC's ability or inability to market the product.

There are many variables that will influence the success or failure of the 6.0 character OpenVMS product, many of which WPCorp has no control over with DEC responsible for the majority of the marketing. If the funds and resources were available, and we knew that DEC would push the migration to the 2-3 million users, we would have a viable upgrade market. We don't know this.

The options are:

- Continue development for 6.0 on OpenVMS and UNIX.
- Discontinue development for OpenVMS and move resources to 6.0 UNIX.
- ✓ Discontinue 6.0 for OpenVMS and UNIX and provide a 5.1+ for both.
- Discontinue 6.0 for OpenVMS and UNIX and provide a 5.1+ for UNIX.

Profit and Loss Statement

(all numbers in Thousands)

Expense		Resources UNIX must allocate if VMS does not develop 6.0
Development	2600 ¹	1700 ²
Maintenance	1200 ³	0
Marketing	600	0
Support	600 ⁴	
Revenues		
Sales	4800	0
Deprecation	<120> ⁵	0
Net Sales	4680	0
Net Income	<500>	??

Conclusion: The completion of WordPerfect VMS 6.0 will produce net income of <\$500,000>. If WordPerfect VMS 6.0 is discontinued UNIX will need to allocate an additional \$1,700,000 to complete the UNIX 6.0 but 9 developers and 6 testers will be made available to work on Chicago or Tapestry. If UNIX does WP 5.1+ nearly 20 developers could be re-allocated to another project and UNIX could maintain their current developers to complete the 5.1+ for UNIX.

The UNIX group feels that a 5.1+ for UNIX (called something else like "WordPerfect Character") may be a viable solution for the marketplace. Adding a few features to a 5.1 along with database integration, 6.0 file compatibility and UNIX file conversions, will satisfy the markets need for an enhanced product. This will also produce a much smaller and somewhat faster product than a 6.0 level product would be in this character environment. Therefore, the UNIX development and marketing teams are not dependent on a 6.0 level product from the OpenVMS group to offer a successful character solution for the UNIX environment.

¹ 1.3 million a quarter for Q3, Q4 1994.

² 65 % of WordPerfect VMS 6.0 is transferable to UNIX.

³ Maintenance is estimated at 25% of development resource. 1 year.

⁴ Support @ \$300,000 each 5 months through end of 1995.

⁵ Depreciate 4.8 million at 20% over 1.5 years.

5

WordPerfect Confidential

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WP Presentations for DOS

Business Review Exercise

Submitted by

WP Presentations Product Marketing

July 13, 1994

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1. Current Profitability (as per Paul Rasband's report)

Net Revenue	COGS	S&M	R&D	G&A	Operating Profit
\$504	\$168	\$46	\$20	\$22	\$249
100%	33%	9%	4%	4%	49%

2. Market Analysis

a. Market Growth & Market Size Projection

WorldWide DOS Presentation Graphics Software Market Forecast (IDC, 1994)

	1993	1994	1995	1996	1997	5 YR CAGR
Shipments	298,620	112,350	67,410	35,050	0	-36%
Revenue	\$58,571,000	\$22,158,900	\$11,122,550	\$5,257,930	\$0	-56%
Installed Base	2,627,320	2,301,650	1,977,710	1,598,350	1,230,730	-10%

In 1993, 70% of total worldwide sales were domestic (SPA). That number will remain right around 65% from 1994 to 1996 (IDC).

b. Current Market Share

Worldwide 1993 DOS Presentation Graphics Market Share (IDC, 1993)

	WP Presentations	Harvard Graphics	SPC Harvard Graphics	Others
Standalone Shipments	86,000	57,017	158,600	0
New Sales Market Share Standalone	28.80%	18.1%	53.1%	
Installed Base	284,658*	471,120	1,877,070	211,660

* This number is including DrawPerfect. Without DrawPerfect our installed base is 85,512

3. Product Strategy

a. Can we become (remain) #1 or #2?

Currently, WP Presentations is the #2 selling product in the DOS market. To maintain this market position, we must maintain greater than 25% market share. We are assuming that Harvard Graphics retains a 50% market share throughout 1995.

To retain #2 position in 1994:

	Units	Revenue
Total 1994 Market	112,349	\$22,158,900
Total PRDOS (to retain 26%)	29,211	\$ 4,019,908
Total PRDOS Thru 4-31-94	6,138	\$ 844,696

If we accrue sales at the same rate as the first 1/3 of 1994, we will only achieve 18,414 units, which would yield, at the IDC figure, only 16.39% of the total market. We are expecting to increase sales in the last quarter of 1994, however, because of increased exposure from the suite.

To retain the #2 position in 1995:

	Units	Revenue
Total 1995 Market	67,410	\$11,122,550
Total PRDOS	17,500	\$ 1,752,660

b. What will it take to do so?

To remain #2 we will need to:

- Reprint existing marketing materials such as brochures, test drive kits, etc.
- Provide a transition path for DOS users looking to move to Windows.

c. Who do we need to beat?

Since the DOS market is a dying market, it would be best to maintain our current #2 position.

d. How well entrenched are they?

SPC's Harvard Graphics product has been in the marketplace for a long time. They have a very loyal and large installed base. In fact Harvard Graphics owns 71% of the total installed base. It is interesting to note that InfoCorp reports that according to CTI (their end user profile, formerly called MUTAP), Harvard Graphics has around 3 million users. This number is lower than the installed base because it counts pirated copies and because it counts multiple users of a single copy.

e. How will we beat them?

We need to meet the needs of two different set of customers.

(1) Customers who will remain on DOS. With our current version, we meet most of the customer's needs. The DOS product has received excellent reviews and numerous awards. Few customers have asked for a new version of the product.

(2) DOS customers planning on a move to Windows. One of our key marketing messages was the seamless transition from our DOS to Windows product. With the release of PRWin 3.0, the file formats will not be compatible with PRDOS 2.0. This will require a fair amount of development time. At this point, we feel that the resources are better spent on future versions of Windows product.

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4. If we succeed, will this be large enough and profitable enough to materially contribute to our growth objective?

Since the market is growing at a negative rate, we do not expect a huge return on investment. However, we are currently doing very minimal marketing and are realizing a positive return. The real goal of the DOS product is to keep our DOS customers using WordPerfect products until they move to Windows. They are more likely to upgrade to WordPerfect products if they are currently using them.

5. Are there partners to take this on where the result would be as good or better for Novell?

Eventually, it may make sense to outsource the support for WP Presentations for DOS.

DX 7

Defendant's
Exhibit

7

PerfectOffice Suite

Business Review Exercise

Submitted by

PerfectOffice Suite Product Marketing

July 15, 1994

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PerfectOffice Product Analysis

Assumptions:

1. Current product profitability reflects financial results for a product (Borland Office) which will be phased out at the time the new product, PerfectOffice, releases. Financial experience and results of Borland Office bear no relationship to expected results of PerfectOffice and are irrelevant to future decisions concerning PerfectOffice.
2. All projections, regarding both PerfectOffice market share and potential revenues, assume an October 31 fiscal year end in the year indicated.
3. This information refers to all PCs, Windows platform.

1. Current Profitability:

Borland Office (\$000s; Nov 1, 1993 through May 31, 1994)

Net Revenue	COGS	S&M*	R&D	G&A	Oper. Profit
5,477	(1,644)	(4,623)	(1,079)	(994)	(2,863)
100%	30%	84%	20%	18%	(52%)

* Includes significant charges related to final agreement with Borland International.

2. **Size of market, growth, and current market share. Market size projection over next five years.** Unit and revenue information below refers to new unit shipments in each year, not to cumulative total market units. Market size information refers to the number of shipping units each year, and is slightly (2-5%) higher than actual installed units.

Internal analysis shows the worldwide suite market to be much larger than indicated by some external sources. This internal analysis is based on the growth of the suite market on a 1994 calendar year-to-date basis, which indicates that for the period January 1994 through April 1994, more than 2.2 million units have sold worldwide.¹ This would indicate that suite growth has exceeded many analysts' expectations, and that PerfectOffice's potential may be greater than earlier expected. Additionally, internal analysis indicates that average selling prices are much more likely to drop than maintain their stability over the next five years, as indicated by some external analysis.

Worldwide Market (Internal Analysis):

Suites	1994	1995	1996	1997	1998
Market Size (units)	5,304,000	7,094,100	8,120,050	8,688,700	8,775,400
Market Size (\$M)	1,167	1,419	1,462	1,521	1,492
Ave Selling Price (\$)	220	200	180	175	170
Market Growth (%)	77	34	14	7	1

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3. **Can we become (remain) #1 or #2? What will it take to do so? Who do we need to beat? How well entrenched are they? How will we beat them?** Definition: This section and the table information in section 4 discuss market share both in terms of yearly units sold *and* total (installed) market share. Yearly units sold refers to a share of total worldwide units sold in a fiscal year, and total market share refers to the cumulative share of total installed users since 1990, when Microsoft's Office was first released on the Windows platform. While share of yearly units sold is projected to increase each year, total market share will increase also, but at a slower rate due to the increasing size of the installed base of suite users.

Can we become (remain) #1 or #2? Who do we need to beat? Lotus's SmartSuite is the product for PerfectOffice to beat. Lotus occupies the #2 position currently, and commands between 13² and 17% total (installed) market share. Lotus' inability to garner significant market share for AmiPro, its word processor, despite strong trade press reviews, has weakened its suite message and slowed its penetration into the suite market. The size of Lotus' 1-2-3 installed base has helped keep many users in the Lotus camp, but Lotus is losing 1-2-3 sales to Microsoft's Excel and cannot claim the strong word processing/spreadsheet relationship in its suite as Microsoft has done.

Based on the projections below, PerfectOffice can sell more units in fiscal 1995 than Lotus, giving PerfectOffice a greater share of yearly units sold. Having sold more units worldwide in 1995, PerfectOffice would be in a position to challenge Lotus for the #2 , total market share position. PerfectOffice can reach #2 during fiscal 1996, when it is projected to achieve 12% total market share, taking share away from both Lotus and Microsoft.

PerfectOffice will *not* focus on unseating Microsoft initially. Microsoft Office is currently the industry-leading suite with approximately 82% market share.³ It is very well-entrenched and commands the major portion of Microsoft's marketing and advertising budget. Its one-two punch, Word and Excel, is the strongest combination in the industry, with both products having made major inroads into the Windows word processing and spreadsheet markets as standalone products. With both applications now sold together, priced very competitively, and integrated in a suite, the majority of sales of these products, (reported to be as high as 70%), come through Microsoft Office. PerfectOffice will focus on Lotus' #2 position, while eating away at Microsoft's market share.

What will it take to do so? How well entrenched are they? How will we beat them?

Despite having been in the suite market since 1992, Lotus is not nearly as well-entrenched as is Microsoft. In order to unseat Lotus and reach the #2 market share position, PerfectOffice must respond with effective positioning which focuses on its differentiable features and on Lotus' weaknesses. PerfectOffice must accomplish the following objectives:

- Capitalize on the fact that a word processor remains the most important driver in the suite decision process and continues to be the anchor product in a suite. By emphasizing the message that WordPerfect is the best-selling word processor ever, PerfectOffice can drive the stake further into Lotus, exploiting its weakness in this area.

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- Focus on WordPerfect's current installed base, providing strong incentives to move to PerfectOffice as these users move to Windows or to a suite. WordPerfect users will be offered special pricing on PerfectOffice over the months prior and subsequent to its release.
 - Help reposition and effectively market Quattro Pro to new Windows users who have not yet standardized on a Windows spreadsheet. It is expected that it will be difficult to win over users of Excel and 1-2-3, in the same way Lotus has had difficulty moving current users of WordPerfect and Word to their AmiPro product; thus, new users must be targeted. Quattro Pro users can also be offered incentive pricing as they upgrade to PerfectOffice.
 - Emphasize PerfectOffice's complete suite solution, providing true collaborative computing capabilities through Envoy and through OBEX. Lotus's workgroup computing solution requires Notes and significant administration.
 - Focus on PerfectOffice's integration and enablement with NetWare.
 - Emphasize Task Automation as one of PerfectOffice's real differentiating features. Focus on the idea of true business process automation and the ways that PerfectOffice addresses this need through QuickTasks and integration features.
4. If we succeed, will this be large enough and profitable enough to materially contribute to our growth objective?

If PerfectOffice meets its market share objectives, the following estimated earnings could be realized, based on the revenue and market size projections above:

WORLDWIDE FORECAST:

Proposed unit, revenue, profit, and market share forecast:

PerfectOffice	1994	1995	1996	1997	1998
Units (000s)	60	922	1,868	2,780	3,510
Revenues (\$M)	13	184	336	487	597
Operating Profit (\$M)*	(0.3)	33	61	88	107
% Shr of Yearly Units Sold	1	13	23	32	40
% Shr of Total Installed Market	1	6	12	17	22

* 1994 profit projections reflect the results of sales of the Borland Office, which reported a net loss, and expected results of sales of PerfectOffice, whose projected results show a profit.

Given the revenue opportunities above, PerfectOffice could become a major revenue source

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for the Business Applications Unit, and by meeting its market share objectives, would materially contribute to the growth objectives over the next several years. The stated mandate from the highest levels of management is that the suite is the most important initiative in the applications side of the business. Given that mandate, the above information reinforces PerfectOffice's potential to live up to the mandate.

5. Are there any partners to take this on where the result would be as good or better for Novell?

PerfectOffice is very strategic to the Business Applications Unit. As its #1 product, PerfectOffice has high revenue and operating profit potential. Given the product's potential and its upcoming entry as a new product in the suite category, it would not make sense to look for opportunities now to spin off the product or to seek strategic partners.

Notes

1. SPA Worldwide Data Program
2. Infocorp, 1994
3. Infocorp, 1994

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DX 9

WordPerfect for Windows

Business Review Exercise

Submitted by:

WordPerfect for Windows Marketing

July 15, 1994

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1. Current Profitability:

The following provides profitability information for WordPerfect for Windows from January through May, 1994.

Revenue (1994)	Cost of Goods	Sales & Marketing	Research & Development	General & Administrative	Operating Income
\$112,968 (100%)	\$30,750 (27%)	\$40,602 (36%)	\$7,688 (7%)	\$16,199 (14%)	\$17,730 (16%)

Statistically, these numbers indicate:

Worldwide WPWin Cost of Goods sold accounted for 27% of expenses. This compares to an average of 35% for the Business Applications Unit. Cost of goods can be highly variable depending on the mix and distribution of product. WPWin's cost of goods was below corporate average.

Worldwide WPWin Sales and Marketing accounted for 36% of total expenses. This compares to an average of 46% for the Business Applications Unit.

Worldwide WPWin Research and Development costs accounted for 7% of product expenses. This compares to an average of over 74% for the Business Applications Unit. WPWin R&D costs were well below, by an average of almost 67 percent.

Worldwide WPWin General and Administrative costs accounted for 14% of expenses. This compares to an average of 13% for the Business Applications Unit.

Worldwide WPWin Operating Income accounted for 16% of total revenues. This represents the 4th highest percentage in the company behind Other, PRDOS, and WPDOS. Although the overall dollar volume of WPWin far exceeds these other products, lower performance can be attributed to several factors. WPDOS did not have significant R&D expenses in 1994, while PRDOS had no real expenses except COG's. As indicated above, the Sales and Marketing category accounted for the largest percentage of expenses for WPWin in 1994. This is due to the many promotional, advertising, and marketing efforts spent behind the release of 6.0a.

2. Market Research:

The following information provides both worldwide and domestic research data for WordPerfect for Windows. This section contains the most recent data available on the marketplace.

A. Executive Summary:

The following is a top-line summary of the key information detailed in this section.

- In 1993, worldwide shipments of MS Windows more than doubled that of any other operating system sold. The United States accounts for only half of total Windows' units shipped in 1993.
- Windows rapid growth begins to slow, as the 5-year, CAGR forecasts 21% growth in shipments and 16% growth in revenue.
- In the stand alone market, PC Data figures for 1Q, 1994, indicate WPWin accounted for 54% of word processing units sold versus 40% for MS Word. When including suite sales for that same period, WPWin's market share decreases dramatically (Jan. 17.7%, Feb. 26.6%, March 29.4%, and April 10.2%). In April, 1994, suite sales accounted for over 72% of total Windows word processing units sold.
- In 1993, over 8,336,450 Windows' word processing licenses (defined as a legal permit to use a software package) shipped worldwide, totaling \$916 million. During this same time, units consumed (includes multiple license packages) totaled 5,648,100.
- In 1993, the United States accounted for 2,950,000 of total units consumed. This represents a total of \$497 million, or 54% of worldwide sales

B. Worldwide Market Growth

In 1993, the Windows word processing market grew by 77% (measured in shipments) compared with 193% in 1992. As the chart below indicates, the percentage of overall category growth continues to steadily decline over the next five years. Due to falling ASP, the percentage of growth of category revenues will decline even more quickly over the same period.

Worldwide Windows Word Processing Software Market Forecast													
	1993	%	1994	%	1995	%	1996	%	1997	%	1998	%	5 yr CAGR
Shipments (000s)	5,871	77%	7,803	27%	9,945	27%	11,716	18%	13,500	15%	15,332	14%	21%
Revenue (\$M)	1,026	61%	1,316	22%	1,609	22%	1,795	12%	1,969	10%	2,153	9%	16%
Inst. Base (000s)	10,321	121%	17,900	52%	27,175	52%	37,597	38%	47,742	27%	51,188	20%	41%
Source: InfoCorp, 1994													

C. U.S. Market Growth

In the U.S., the 5 year CAGR for both units shipped and revenue is lower than that for worldwide shipments. Total shipments will continue with double-digit growth through 1996 in the U.S., while revenue growth will advance at a double-digit pace only through 1995 (see chart below).

U.S. Windows Word Processing Software Market Forecast													
	1993	%	1994	%	1995	%	1996	%	1997	%	1998	%	5 yr CAGR
Shipments (000s)	3,061	89%	3,824	25%	4,647	22%	5,200	12%	5,617	8%	6,012	7%	14%
Revenue(\$M)	497	72%	616	24%	713	16%	755	6%	779	3%	802	3%	10%
Inst. Base (000s)	5,142	135%	8,863	72%	13,209	49%	17,848	35%	21,844	22%	24,813	14%	37%
Source: InfoCorp, 1994													

D. Current Worldwide Market Share

In 1993, WordPerfect overtook MS Word in worldwide Windows license shipments, with 34.1% of the market.

Windows Worldwide Word Processing Software User License Shipments by Company (000s)				
Company	1991	1992	1993	% Share 1993
Justsystem	0.00	0.00	120.00	1.4%
Lotus	300.00	750.00	1,256.10	15.1%
Microsoft	900.00	2,300.00	2,756.00	33.1%
Software Publ.	17.00	25.00	0.00	0.0%
Symantec	15.00	17.85	46.15	0.6%
WPCorp	375.00	1,600.00	2,840.00	34.1%
Wordstar	34.95	93.00	95.00	1.1%
Other	671.00	937.00	1,223.20	14.7%
Total	2,312.95	5,722.85	8,336.45	100.0%

Source: Dataquest, 1994

Year-to-date data represents a drastic turnaround, due to a dramatic increase in MS Office sales. MS Word's market share has risen by 21 percentage points during the most recent four months shown in the table below, mostly at the expense of WPWin. Over this same period, WPWin has fallen 22 percentage points.

Word Processing Software Purchase Trends (includes all platforms)												
Vendor/Package	Mar 93	Apr 93	May 93	Jun 93	Jul 93	Aug 93	Sep 93	Oct 93	Nov 93	Dec 93	Jan 94	Feb 94
Microsoft Word	41%	44%	41%	39%	38%	37%	31%	26%	28%	41%	45%	47%
WPCorp WP	49%	48%	54%	57%	56%	55%	63%	67%	65%	53%	48%	45%
Lotus Ami Pro	4%	4%	3%	2%	4%	5%	4%	4%	5%	5%	5%	7%
Other	6%	4%	2%	2%	2%	3%	2%	3%	2%	1%	2%	1%

Totals	100 %	100%											
Source: Computer Intelligence, 1994													

In North America, the latest SPA data through April of 1994 indicates how rapidly suites are overtaking the stand alone Windows word processing market.

Unit Sales	Jan 94	Feb 94	March 94	April 94
Stand alone Windows Word Processors	135,995	327,967	209,264	122,738
Windows Suites	207,848	117,284	284,589	319,677
Total Windows Word Processing Market	343,843	445,536	493,853	442,415
Suite % of Total Windows Word Processing	60.5%	26.4%	57.6%	72.3%

E. Current U.S. Market Share

In 1993, WordPerfect for Windows consumption grew at 134%, more than any other vendor. At the end of 1993, WPCorp had 42% market share in this segment.

Windows U.S. Word Processing Units Consumed by Product (000s)							
Manufacturer	Model	1991	1992	1993	Share	1 year CAGR	5 year CAGR
Microsoft	Word all	251.1	847.3	1429.4	48%	69%	n/a
WPCorp	WordPerfect all	115.7	526.4	1233.6	42%	134%	n/a
Lotus Development	Ami all	54.7	120	262.6	9%	118%	n/a
Other		33.2	22.6	17.6	1%	-22%	n/a
Wordstar Int'l	Wordstar	2.8	3.4	6.8	0%	100%	n/a
Total		457.7 129%	1520.2 232%	2950 94%	100%	94%	n/a
Source: InfoCorp, 1994							

3. Can we become (remain) #1 or #2 and what will it take to do so?

There is no doubt that WordPerfect for Windows can remain the number one word processor in the Windows stand alone market. PC Data figures for Q1, 1994, indicate that WPWin garnered 54% of stand alone Windows word processing units sold, while MS Word accounted for 40% of the category. For WPWin to remain the best-selling Windows word processor, WordPerfect, the Novell Applications Group, must focus on the following objectives:

1. *Successfully launch PerfectOffice*: In today's marketplace, the purchase decision to buy a stand alone word processor is muddled by suite offerings. Until PerfectOffice is released, this is not a level playing field. Releasing PerfectOffice 3.0 will go a long way towards separating the two categories; stand alone word processors and suites.
2. *Transition our WPDOS customers to Windows*: This has been WordPerfect for Windows' main objective since its initial release. Our WPDOS users represent one of the largest installed base of any application ever developed (approximately 17 million worldwide). A lot of WPCorp's success is due to the immense brand equity and market leadership gained by WPDOS. In fact, CII's Consumer Technology Index, 1994, reported that WPDOS is the most popular software package in use at homes and large businesses (in both categories, DOS products represent 6 out of 10 products listed).
3. *Gain new users in the category*: According to SPA data, approximately 1 million copies of MS Windows are sold each month (the majority of these through bundled/OEM arrangements). It is critical, especially once PerfectOffice is released, that WPWin is bundled more frequently and increases its presence in the OEM community. It is also of dire importance that every sale of WPWin provides a strong up-sell message to the suite.
4. *Develop the word processor of the future (long term)*: First and foremost, this is accomplished by developing and shipping leading-edge and innovative technology. This ultimate objective will manifest itself through defining and delivering the best workgroup tools (the leading network application), support for component architecture and OpenDoc technology.

5. *Release products now that benefit end-users (short term)*: WordPerfect for Windows will continue to lead the stand alone category by delivering two new versions of WPWin.

16-bit: WPWin 6.1 will be the most up-to-date, 16-bit product on the market, given the fact that Microsoft has not announced plans to update their 16-bit version of Word (we feel that offering a 16-bit upgrade will help us maintain a leadership position in the stand alone word processing market). This upcoming release focuses on the idea that more work gets done in WPWin than anywhere else. WPWin 6.1 will also deliver on the promise of getting the software out of the way of work, through:

PerfectSense, Grammatik 6 with Automatic Sentence Rewrite, Morphological Search and Replace, and QuickCorrect

Task Automation, with Experts, Document Experts and Coaches

Transition and Conversion Tools, with new Coaches, QuickStart Tutorial and Upgrade Expert

Component of PerfectOffice, with PerfectFit, OLE 2, PerfectScript and macro tokens exposed as ALM's

32-bit: Both the WPWin Development and Marketing teams are currently working towards a 32-bit release of WPWin 6.1 that demonstrates the power and added functionality of Windows 4.0. Microsoft has claimed that the standard criterion of any Chicago application would include the following:

1. Must be a Win32 application
2. Must meet UI/Shell support requirements
3. Must run successfully on Windows NT "Daytona"
4. Must use long file names
5. Must support UNC path names
6. Must support OLE 2.0 functionality
7. Must support simple-mail-enable using CMC API

WPWin 6.1, 32-bit is intent on delivering on these standards and exceeding them by implementing additional workgroup functionality.

A. Who do we need to beat and how well entrenched are they?

Our main competition in the *stand alone* Windows word processing market comes from Microsoft Word and Lotus' Ami Pro. However, in 1994, the category has grown to encompass suite sales as well. Realistically, WPWin's greatest challenger is MS Office.

Microsoft Office: MS Office is the best selling suite with over 70% market share. Microsoft has had the luxury of defining the suite category and becoming its most important player in the minds of consumers. The majority of Microsoft's advertising and marketing dollars are spent in support of MS Office. This suite contains some of the most well-known and widely accepted applications in the industry, most notably Word and Excel. The suite message always contains upgrade information for WordPerfect DOS and Windows users.

Microsoft Word: In the stand alone category, MS Word is our closest competitor. The most recent PC Data report indicates Word holds a 40% share of the category in the United States. Microsoft's greatest perceived advantages, according to a quantitative study of MIS heads and end-users, are as a leader in Windows software, a leading high-tech company, having a wide range of products, and providing innovative, state-of-the-art products. In addition, they are perceived as having products that are easier to use and solve users problems. Microsoft's image as the "Windows Company" enhances and adds credibility to its ease of use message. Most recently, Microsoft Word's positioning has centered around the new IntelliSense technology, which senses what the user wants to do and intelligently produces the desired result, making routine tasks automatic and complex tasks easier. Their advertising message always targets WordPerfect's DOS user.

Lotus Ami Pro: Ami Pro remains a distant third in the stand alone Windows word processing category, with approximately 8% market share in the U.S. and less worldwide. Over the past few months, Lotus has been very quiet in the stand alone market, while they aggressively advertise their suite. Just recently, Lotus announced Ami Pro 3.1, which has been positioned as helping people work together in teams better than any other word processor by combining Ami Pro's superior text formatting capabilities with Lotus' popular communications applications. Ami Pro's perceived strengths are that it works well with Lotus Notes and is considered the best word processor for 1-2-3 users, which has a large DOS installed base.

4. If we succeed, will this be large enough and profitable enough to contribute to our growth objectives?

Increased profitability and better performance in WPWin's Operating Income can be directly improved through better management of cost of goods sold and more focused and efficient marketing and promotional efforts. WPWin has done an excellent job of reducing overall material costs of our product (i.e., WPWin has gone from shipping four separate manuals to one User's Guide, a cost savings of \$3.52 per SKU). In the future, we can continue this success as our high volume product benefits from better economic order quantities (and associated volume discounts) under Manufacturing's new COG's guideline.

The figures below are based on projections from Financial Planning forecasts and provide projected profitability for WordPerfect for Windows through 1998 (all numbers are represented in thousands (000's)). Across this five year period, international sales account for an average of 55% of total category volume. Our goal is to keep high operating income as we generate revenue through stand alone sales and transition users to PerfectOffice.

WPWin	1994	1995	1996	1997	1998
Units (worldwide)	3,000	2,022	1,542	1,524,	1,605
Revenues (worldwide)	390,000	232,000	185,065	167,616	184,617

5. Are there partners to take this on where the result would be as good or better for Novell?

WordPerfect for Windows is the core application within WordPerfect, the Novell Applications Group. Over the next five years, profitability and operating income will remain high in the stand alone market, while WPWin drives the success of our suite. For these reasons, we do not advise that Novell partners with any outside vendor to provide a WordPerfect for Windows solution to end users.