

NETWORKS ASSOCIATES INC/

Form 424B3

September 12, 2002

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Filed Pursuant to Rule 424(b)(3)

Registration No. 333-91746

**Networks Associates, Inc.**

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**Offer to Exchange**

**0.675 of a Share of Common Stock**

**of**

**Networks Associates, Inc. plus**

**\$8.00 in Cash**

**for**

**Each Outstanding Share of Class A Common Stock**

**of**

**McAfee.com Corporation**

**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT**

**12:00 MIDNIGHT, EASTERN TIME, ON SEPTEMBER 12, 2002, UNLESS EXTENDED.**

This prospectus relates to the offer by Networks Associates, Inc. to exchange shares of its common stock and cash for each outstanding share of Class A common stock of McAfee.com Corporation that is validly tendered and not properly withdrawn on or prior to the expiration of the offer, upon the terms and subject to the conditions specified in this prospectus. Network Associates is offering to exchange 0.675 of a share of Network Associates common stock plus \$8.00 in cash, without interest, for each share of McAfee.com Class A common stock. Our revised offer represents a 20% premium over the closing price of McAfee.com common stock on August 12, 2002, based upon the respective closing prices of McAfee.com and our common stock on that date, the last trading day prior to the announcement of our revised offer. The offer will remain open until 12:00 midnight, Eastern Time, September 12, 2002, unless extended.

The offer is being made directly to McAfee.com stockholders and conditioned on the tender of a sufficient number of shares of McAfee.com Class A common stock such that, after consummation of the offer, we would own at least 90% of the outstanding common stock of McAfee.com. We have the right to waive or reduce the number of McAfee.com Class A common stock required to be tendered in the offer. In no event, however, will we exchange McAfee.com shares in the offer if less than a majority of the outstanding McAfee.com shares, excluding shares beneficially owned by Network Associates, are tendered in the offer. Our offer is also subject to other conditions described herein in Conditions of the Offer.

**A special committee of outside and independent directors of McAfee.com's board of directors has determined that our offer is fair. Based on that determination, the special committee and the board of directors of McAfee.com, with both special committee directors voting in favor, and the McAfee.com directors affiliated with Network Associates abstaining, have recommended that McAfee.com stockholders accept our offer and exchange their shares in the offer.**

If the conditions to the offer are met and the offer is completed, Network Associates will effect a short-form merger of McAfee.com into Network Associates, unless it is not lawful to do so. If you have not validly tendered your McAfee.com shares in the offer, your shares will be exchanged in the merger for the same number of shares of Network Associates common stock and cash that you would have received if you had tendered your shares in the offer (unless you perfect your appraisal rights under Delaware law). See The Offer Purpose of the Offer; The Merger; Appraisal Rights. If the offer is completed, no further McAfee.com stockholder or board action is required for us to complete the

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merger. As a result of the offer and the merger, McAfee.com will no longer exist as a separate company, the former stockholders of McAfee.com will receive shares of Network Associates common stock and cash, and McAfee.com shares will no longer trade publicly.

This prospectus amends and supercedes information included in the prospectus, as supplemented, originally filed with the Securities and Exchange Commission on July 2, 2002. Stockholders who wish to tender should follow the instructions included in this prospectus and the letter of transmittal previously mailed to them.

**See Risk Factors beginning on page 16 for a discussion of issues that you should consider with respect to the offer and the merger.**

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or this exchange offer, passed on the merits or fairness of this transaction, or determined if the prospectus is accurate or complete. Any representation to the contrary is a criminal offense. Investors should not infer that the SEC's pending investigation of Network Associates has been completed or is near completion as a result of the registration statement of which this prospectus is a part being declared effective.

The date of this prospectus is September 10, 2002.

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THIS DOCUMENT INCORPORATES IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT NETWORK ASSOCIATES AND McAfee.COM FROM DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION THAT HAVE NOT BEEN INCLUDED IN OR DELIVERED WITH THIS DOCUMENT. THIS INFORMATION IS AVAILABLE AT A WEB SITE MAINTAINED BY THE SEC AT WWW.SEC.GOV, AS WELL AS FROM OTHER SOURCES. SEE WHERE YOU CAN FIND MORE INFORMATION BEGINNING ON PAGE 14.

YOU MAY ALSO REQUEST COPIES OF THESE DOCUMENTS FROM US, WITHOUT CHARGE, UPON WRITTEN OR ORAL REQUEST TO OUR INFORMATION AGENT D.F. KING & CO., INC., 77 WATER STREET, NEW YORK, NEW YORK 10005, 1-800-549-6746. TO ENSURE TIMELY DELIVERY OF THESE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY SEPTEMBER 5, 2002. IF YOU REQUEST ANY SUCH DOCUMENTS FROM US, WE WILL MAIL THEM TO YOU BY FIRST CLASS MAIL, OR ANOTHER EQUALLY PROMPT MEANS, WITHIN ONE BUSINESS DAY AFTER WE RECEIVE YOUR REQUEST.

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### **SUMMARY**

*This summary highlights selected information from this prospectus and may not contain all of the information that is important to you. To better understand the proposed offer and merger, you should read this entire document carefully, as well as those additional documents to which we refer you. See *Where You Can Find More Information*.*

#### **Introduction**

We are offering to exchange 0.675 of a share of Network Associates common stock plus \$8.00 in cash, without interest, for each share of McAfee.com Class A common stock validly tendered and not properly withdrawn in the offer. As a Network Associates stockholder, you will continue to participate in the ownership of McAfee.com's business and also have an ownership interest in Network Associates' other businesses. The cash component of our offer also offers you immediate liquidity.

The purpose of the offer and the merger is to acquire all of the McAfee.com Class A common stock. We currently own all 36,000,000 outstanding shares of McAfee.com Class B common stock, or approximately 75% of the outstanding common stock of McAfee.com. Our offer is conditioned on the tender of a sufficient number of shares of McAfee.com Class A common stock such that, after the offer is completed, we would own at least 90% of the outstanding shares of McAfee.com common stock. We have the right to waive or reduce the number of McAfee.com Class A common stock required to be tendered in the offer. In no event, however, will we exchange McAfee.com shares in the offer if less than a majority of the outstanding McAfee.com shares, excluding shares beneficially owned by Network Associates, are tendered in the offer.

If the conditions to the offer are met and the offer is completed, we will own at least 90% of the outstanding common stock of McAfee.com. As soon as practicable after the completion of the offer, we will effect a short-form merger of McAfee.com into Network Associates, unless it is not lawful to do so. If you have not validly tendered your McAfee.com shares in the offer, your shares will be exchanged in the merger for the same number of shares of Network Associates common stock and cash that you would have received if you had tendered your shares in the offer (unless you properly perfect your appraisal rights under Delaware law). See *The Offer Purpose of the Offer; The Merger; Appraisal Rights*. If the offer is completed, no further McAfee.com stockholder or board action is required for us to complete the merger. As a result of the offer and the merger, McAfee.com will cease to exist as a separate company and the former public stockholders of McAfee.com will receive shares of Network Associates common stock and cash. McAfee.com shares will no longer trade publicly.

#### **The Companies**

Networks Associates, Inc.

3965 Freedom Circle  
Santa Clara, California 95054  
(408) 988-3832

Network Associates is a leading supplier of network security and network management solutions. We operate through two businesses consisting of our infrastructure business and McAfee.com. Our infrastructure business is operated in six geographic regions: the United States, Europe, Japan, Canada, Asia-Pacific and Latin America.

To more effectively market our infrastructure products in our various geographic regions, we have combined complementary products into separate product groups, as follows:

McAfee, which delivers world-class anti-virus and security products and services;

Sniffer Technologies, which is a leader in network availability and system security products; and

Magic Solutions, which is a leading provider of web-based service desk solutions.

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In the fourth quarter of 2001, we substantially completed integrating the activities of our PGP product group into our McAfee and Sniffer product groups. Earlier in 2001, we integrated the activities of myCIO.com into our McAfee product group. Recently, we completed the sale of our firewall and PGP desktop encryption businesses.

Network Associates owns 100% of McAfee.com's Class B common stock. The Class B common stock currently represents approximately 75% of the economic interest in, and approximately 90% of the total voting power of, McAfee.com. McAfee.com's Class B common stock is identical to its Class A common stock, except that the Class A common stock has one vote per share and the Class B common stock has three votes per share and the Class B common stock is convertible at any time into shares of Class A common stock. We do not currently own any shares of McAfee.com's Class A common stock. Immediately prior to the closing of the merger of McAfee.com into Network Associates, we will convert our shares of McAfee.com Class B common stock into shares of McAfee.com Class A common stock.

McAfee.com Corporation

535 Oakmead Parkway  
Sunnyvale, California 94085  
(408) 992-8100

McAfee.com is a security application service provider, or ASP, delivering security applications software and related services through an Internet browser. The McAfee.com applications allow users to detect and eliminate viruses on their PCs, repair their PCs from damage caused by viruses, optimize their hard drives and update their PCs' virus protection system with current software patches and upgrades. McAfee.com also offers customers access to McAfee.com Personal Firewall, McAfee.com Wireless Security Center and McAfee.com Internet Privacy Service.

Under the terms of our technology cross licensing agreement with McAfee.com, McAfee.com's business has historically been targeted at consumers. In March 2001, we entered into a reseller agreement with McAfee.com allowing it to expand its product offerings to businesses. McAfee.com for Business is a website serving the security needs for small and medium-sized businesses delivering managed applications services that allow businesses to provide anti-virus and firewall security for their desktop PCs.

## **Summary of the Offer**

We are offering, upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal previously mailed to stockholders, to exchange 0.675 of a share of Network Associates common stock plus \$8.00 in cash, without interest, for each outstanding share of Class A common stock of McAfee.com that is validly tendered on or prior to the expiration date and not properly withdrawn. See "The Offer."

The term "expiration date" means 12:00 midnight, Eastern Time, on September 12, 2002, unless we extend the period of time for which this offer is open, in which case the term "expiration date" means the latest time and date on which the offer, as so extended, expires.

## **Rule 13e-3 Network Associates' Position Regarding Fairness**

Because Network Associates is an affiliate of McAfee.com and the revised offer includes a cash component, the transactions contemplated herein constitute a "going private" transaction under Rule 13e-3 of the Securities Exchange Act of 1934, or the Exchange Act. Rule 13e-3 requires, among other things, that certain financial information concerning McAfee.com and certain information relating to the fairness of the offer and the merger and the consideration offered to stockholders of McAfee.com that are not affiliated with Network Associates be filed with the SEC and disclosed to you prior to consummation of the offer and merger. That information is provided in or incorporated by reference into this prospectus.

Network Associates believes that the offer and the merger are financially and procedurally fair to the unaffiliated McAfee.com stockholders within the meaning of Rule 13e-3. See "Special Factors and Background Network Associates' Position Regarding the Fairness of the Offer and Merger" on 43.

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**Conditions to the Completion of the Offer**

Our obligation to exchange shares of our common stock and cash for McAfee.com shares pursuant to the offer is subject to a number of conditions described more fully under Conditions of the Offer, including the following:

the tender of a sufficient number of shares in the offer such that, after the offer is completed, we would own at least 90% of the outstanding Class A common stock of McAfee.com (assuming conversion of the McAfee.com Class B common stock we currently own into McAfee.com Class A common stock), provided that we have the right to waive or reduce the number of McAfee.com Class A common stock shares required to be tendered in the offer. In no event, however, will we exchange McAfee.com shares in the offer if less than a majority of the outstanding McAfee.com shares, excluding shares beneficially owned by Network Associates, are tendered in the offer;

the shares of Network Associates common stock to be issued in the offer and the merger having been approved for listing on the New York Stock Exchange, subject to official notice of issuance;

the registration statement of which this prospectus is a part having been declared effective by the SEC;

the absence of any threatened or pending litigation or other legal action relating to the offer or the merger, or any litigation or other legal action threatened or brought by McAfee.com, its board of directors or any special committee thereof against Network Associates;

there not having occurred any material adverse change in the financial markets, any disruption in the banking system or any commencement of a war involving the United States;

no offer to acquire Network Associates or McAfee.com (other than this offer) shall have been proposed;

there not having occurred any event that, in our good faith reasonable judgment, resulted in an actual or threatened material adverse change in the business or condition of Network Associates or McAfee.com;

the board of directors of McAfee.com or any committee thereof shall not have adopted or implemented any structural defense or entered into any transaction or arrangement outside the ordinary course of business which would or might restrain, prohibit or otherwise adversely affect the offer or the merger or materially impair the contemplated benefits of the offer or the merger;

the McAfee.com board or the McAfee.com special committee shall not have changed or modified its recommendation with respect to the offer;

the McAfee.com board of directors shall not have formed or authorized the formation of any executive or special committee, other than any special committee of outside and independent directors of McAfee.com's board of directors that may be formed in connection with the recommendation or consideration of this offer and the filing of any documents required under the U.S. tender offer rules; and

the absence of any event which would prevent us from effecting the offer or the merger after the completion of the offer.

We will not waive the New York Stock Exchange listing condition or the registration statement effectiveness condition of the offer, and our ability to waive the minimum tender condition is restricted as set forth above. If the conditions of the offer are satisfied, or, to the extent permitted, waived prior to the expiration of the offer, we will complete the offer and, unless it is unlawful to do so, we will effect the merger as soon as practicable thereafter. All conditions, other than those related to any required governmental or regulatory conditions, will be satisfied or waived before the expiration of the offer.

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### **Timing of the Offer**

Our offer is currently scheduled to expire on September 12, 2002; however, we may extend our offer from time to time as necessary until all the conditions to the offer have been satisfied or, where permissible, waived. We may also provide for a subsequent offer period after the scheduled expiration date of the offer. See [The Offer](#) Extension, Termination and Amendment.

### **Extension, Termination and Amendment**

We expressly reserve the right, in our sole discretion, at any time or from time to time, to extend the period of time during which our offer remains open if any condition to the offer has not been satisfied, and we can do so by giving oral notice followed by written notice of such extension to the exchange agent. If we decide to extend our offer, we will make an announcement to that effect no later than 9:00 a.m., Eastern Time, on the next business day after the previously scheduled expiration date, and advise stockholders at such time of the approximate number of shares that have been tendered to date as required by Rule 14e-1(d) under the Exchange Act. We are not making any assurances that we will exercise our right to extend our offer, although we may do so until all conditions have been satisfied, or where permissible, waived. During any such extension, all McAfee.com shares previously tendered and not properly withdrawn will remain subject to the offer and subject to your right to withdraw your McAfee.com shares.

Subject to the SEC's applicable rules and regulations, we also reserve the right, in our sole discretion, at any time or from time to time, (1) to delay our acceptance for exchange or our exchange of any McAfee.com shares pursuant to the offer, regardless of whether we previously accepted McAfee.com shares for exchange, or to terminate our offer and not accept for exchange or exchange any McAfee.com shares not previously accepted for exchange or exchanged, upon the failure of any of the conditions of the offer to be satisfied and (2) to waive any condition (subject to the limits on waiver described under [Conditions to the Completion of the Offer](#)) or otherwise to amend the offer in any respect, by giving oral followed by written notice of such delay, termination or amendment to the exchange agent and by making a public announcement. We will follow any extension, termination, amendment or delay, as promptly as practicable, with a public announcement. In the case of an extension, any such announcement will be issued no later than 9:00 a.m., Eastern Time, on the next business day after the previously scheduled expiration date, and such announcement shall indicate the approximate number of shares of McAfee.com Class A common stock tendered as of the previously scheduled expiration date. Subject to applicable law (including Rules 14d-4(d) and 14d-6(c) under the Exchange Act, which require that any material change in the information published, sent or given to the stockholders in connection with the offer be promptly sent to stockholders in a manner reasonably designed to inform stockholders of such change) and without limiting the manner in which we may choose to make any public announcement, we assume no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the public news services.

### **Subsequent Offering Period**

We may provide for a subsequent offering period after the completion of the initial offer period in accordance with Rule 14d-11 under the Exchange Act.

### **Exchange of Shares; Delivery of Network Associates Common Stock**

Upon the terms and subject to the conditions of our offer, we will accept for exchange, and will exchange, 0.675 of a share of Network Associates common stock plus \$8.00 in cash, without interest, for each share of McAfee.com Class A common stock validly tendered and not properly withdrawn as promptly as practicable after the expiration date and promptly after they are tendered during any subsequent offering period.

### **Withdrawal Rights**

McAfee.com shares tendered pursuant to the offer may be withdrawn at any time prior to the expiration date. See [The Offer](#) Withdrawal Rights.

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### **Procedure for Tendering Shares**

To validly tender your McAfee.com shares pursuant to the offer, (1) you must complete, execute and transmit a letter of transmittal, along with any required signature guarantees, or an agent's message, in connection with a book-entry transfer, and any other required documents, to the exchange agent at one of the addresses set forth on the back cover of this prospectus and certificates for tendered McAfee.com shares must be received by the exchange agent at such address, or those McAfee.com shares must be tendered pursuant to the procedures for book-entry tender set forth in *The Offer* (and a confirmation of receipt of such tender received), in each case before the expiration date, or (2) you must comply with the guaranteed delivery procedures set forth in *The Offer* *Guaranteed Delivery*.

### **The Merger**

If the conditions to the offer are met and the offer is completed, we will own at least 90% of the outstanding common stock of McAfee.com. As soon as practicable after the completion of the offer, we will effect a short-form merger of McAfee.com into Network Associates, unless it is not lawful to do so. If you have not validly tendered your McAfee.com shares in the offer, your shares will be exchanged in the merger for the same number of shares of Network Associates common stock and cash that you would have received if you had tendered your shares in the offer (unless you perfect your appraisal rights under Delaware law). See *The Offer* *Purpose of the Offer*; *The Merger*; *Appraisal Rights*. If the offer is completed, no further McAfee.com stockholder or board action is required for us to complete the merger.

### **Appraisal Rights**

You are not entitled to appraisal rights in connection with the offer. However, at the time of the merger, McAfee.com stockholders who did not tender their shares in the offer will have the right under Delaware law to dissent and demand appraisal rights with respect to their McAfee.com shares, if they comply with certain statutory requirements. We will send such stockholders information regarding these requirements. See *The Offer* *Purpose of the Offer*; *The Merger*; *Appraisal Rights*.

### **Certain United States Federal Income Tax Consequences**

Assuming that the merger of McAfee.com into Network Associates occurs following the completion of the offer, you will be required to recognize gain for United States federal income tax purposes on the exchange of your McAfee.com shares for Network Associates common stock and cash, but only to the extent of the cash received. You will not be permitted to recognize any loss on the exchange. You will, however, recognize gain or loss upon the receipt of any cash instead of fractional shares of Network Associates common stock and for cash received if you perfect appraisal rights. See *Material United States Federal Income Tax Consequences*.

### **Accounting Treatment**

Network Associates' acquisition of the McAfee.com minority interest shares through the offer and the merger will be accounted for using the purchase method of accounting, as prescribed by Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*. Accordingly, the purchase price will be allocated to the minority interest portion of the estimated fair value of identifiable net assets acquired. Any excess purchase price remaining after this allocation will be accounted for as goodwill, which will not be amortized.

The acquisition of the McAfee.com Class A common stock would not be considered material to Network Associates and, accordingly, we are not required to include pro forma financial information in this prospectus, except as provided in *Comparative Per Share Data* on page 28.

The assumption of options to purchase Class A common stock of McAfee.com by Network Associates in the merger will be accounted for under the guidance in Emerging Issues Task Force Issue Number 00-23 *Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25* and Interpretation

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No. 44, Accounting for Certain Transactions Involving Stock Compensation an Interpretation of APB Opinion No. 25. Accordingly, these options will be subject to variable accounting treatment, which means that a compensation charge will be measured initially at the date of the closing of the merger and then remeasured on an ongoing basis at the end of each reporting period. The initial charge will be based on the excess of the closing price of our stock over the exercise price of the options plus the \$8.00 per share in cash, which will be paid upon exercise of the option. The charge is remeasured, using the same methodology, until the earlier of the date of exercise, forfeiture or cancellation without replacement. This compensation charge will be recorded as an expense over the remaining vesting period of the options, using the accelerated method of amortization under FASB Interpretation No. 28 Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans. To the extent that the options issued are fully vested, we will record a compensation expense immediately.

**Risk Factors**

In deciding whether to tender your shares pursuant to the offer, you should carefully read this prospectus, including the risk factors, as well as the documents incorporated by reference into this prospectus. See Risk Factors beginning on page 16 for a more complete discussion of these and other factors to consider in connection with the offer and the merger.

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**QUESTIONS AND ANSWERS ABOUT THE OFFER**

The following are some of the questions that you may have as a McAfee.com stockholder and the answers to those questions. We urge you to read carefully the remainder of this prospectus and the related letter of transmittal because the information in this section is not complete. Additional important information is contained in the remainder of this prospectus and the letter of transmittal.

Q: Why is Network Associates making the offer?

A: We currently own 36,000,000 shares of McAfee.com Class B common stock. These shares represent approximately 75% of all the outstanding McAfee.com common stock. We are making this offer for the purpose of acquiring all the outstanding shares of McAfee.com's Class A common stock, none of which we own, in order to recombine Network Associates and McAfee.com.

Our offer is conditioned on the tender of a sufficient number of shares of McAfee.com Class A common stock such that, after the offer is completed, we would own at least 90% of all the outstanding shares of McAfee.com common stock. We may waive or modify this condition. However, we will not complete the offer if less than a majority of the shares held by McAfee.com stockholders, other than Network Associates are tendered in the offer.

If the conditions to the offer are met and the offer is completed, as soon as practicable thereafter, we will effect a short-form merger of McAfee.com into Network Associates, unless it is not lawful to do so. If you have not validly tendered your McAfee.com shares in the offer, your shares will be exchanged in the merger for the same number of shares of Network Associates common stock and cash that you would have received if you had tendered your shares in the offer (unless you perfect your appraisal rights under Delaware law). See The Offer Purpose of the Offer; The Merger; Appraisal Rights on page 61. If the offer is completed, no further McAfee.com stockholder or board action is required for us to complete the merger. As a result of the offer and the merger, McAfee.com will cease to exist as a separate company and the former public stockholders of McAfee.com will receive Network Associates common shares and cash. McAfee.com shares will no longer trade publicly.

Q: Why did Network Associates revise its offer?

A: We revised the offer to increase its overall value to \$15.43 (based on the closing price for Network Associates and McAfee.com's common stock on August 12, 2002).

Q: What will I receive in exchange for my McAfee.com shares?

A: For each outstanding share of McAfee.com Class A common stock that you validly tender and do not properly withdraw, you will receive 0.675 of a share of Network Associates common stock plus \$8.00 in cash, without interest. In lieu of any fractional share of Network Associates common stock, you will receive cash.

Q: Why did Network Associates change the offer consideration to include both stock and cash?

A: Based on a number of factors, including the decline in the value of our common stock since we commenced our offer, we determined that a mix of stock and cash would be attractive to McAfee.com stockholders while avoiding additional dilution to the Network Associates stockholders through the issuance of additional shares of Network Associates common stock.

Q: Has Network Associates determined that the offer is fair to McAfee.com stockholders that are not affiliated with Network Associates?

A: We believe that the offer and merger are fair to the unaffiliated McAfee.com stockholders. Because our revised offer now contains a cash component, the offer and merger now constitute a going private transaction under Rule 13e-3, which requires that we state whether we believe the transaction is fair to unaffiliated stockholders.

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Q: What factors were relied upon in arriving at our conclusion that the offer is fair to unaffiliated McAfee.com stockholders?

A: Among other factors, the following factors support our belief that the offer and merger are fair to the unaffiliated McAfee.com stockholders:

as of August 12, 2002, the \$15.43 value of our revised offer represented a premium of approximately 20% over the \$12.84 closing market price for McAfee.com common stock on that day;

the cash portion of the offer consideration provides immediate liquidity to McAfee.com stockholders and will not be impacted by any fluctuations in our stock price;

McAfee.com's stockholders, through ownership of Network Associates common stock, will continue to participate in McAfee.com's business and Network Associates' other businesses and will participate in any future upside potential in our common stock, which as described elsewhere in this prospectus, we believe has recently been adversely affected by a number of events;

the Network Associates shares received in the offer and merger will be received on a tax-free basis, assuming the merger of McAfee.com into Network Associates occurs;

the Network Associates shares received in the offer and merger are more liquid compared to McAfee.com shares;

we will not complete the offer if less than a majority of the shares held by McAfee.com stockholders, other than Network Associates, are tendered in the offer;

the McAfee.com board has appointed a special committee of independent outside directors to consider the offer and make a recommendation; and

the McAfee.com special committee has retained financial and legal advisors to assist the special committee in its review of the offer.

See "Special Factors and Background - Network Associates' Position Regarding the Fairness of the Offer and Merger" on page 43.

Q: Has Network Associates received an opinion that the offer consideration is fair to the unaffiliated McAfee.com stockholders?

A: No. Our board of directors received a fairness opinion from JPMorgan relating to the fairness to Network Associates, from a financial point of view, of the consideration in our offer. JPMorgan was not retained to render, and did not render, an opinion as to the fairness of the offer to the unaffiliated McAfee.com stockholders. See "Special Factors and Background - JPMorgan Opinion" on pages 46 through 52 for a complete description of, and qualifications to, the JPMorgan opinion.

Q: How does the revised offer differ from the previous offer that was withdrawn in April?

A: Except for the change to the offer consideration from an exchange ratio of 0.78 of a share of Network Associates common stock to a combination of 0.675 of a share of Network Associates common stock plus \$8.00 in cash, without interest, the other terms of the offer are the same as those previously recommended in April 2002 by a special committee of the outside and independent directors of the McAfee.com board of directors with minor modifications to the conditions. We modified the conditions generally to ensure that (1) McAfee.com is operated in the ordinary course consistent with past practices during the pendency of our offer and (2) you, as a McAfee.com stockholder, are provided an opportunity to consider our offer without the McAfee.com board implementing structural impediments to the offer. The McAfee.com board currently has five members only two of whom, George Samenuk and Stephen Richards, are currently officers and/or directors of Network Associates.

Q: Why was Network Associates' first offer withdrawn in April?

A: We discovered accounting inaccuracies in our 1998, 1999 and 2000 financial statements requiring the restatement of the financial statements covering those periods. In light of this anticipated restatement, we



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withdrew the pending exchange offer on April 25, 2002. On May 17, 2002, we announced that our audit committee had completed the internal investigation and on June 28, 2002 we filed restated financial statements with the SEC.

Q: Did the prior inaccuracies affect recent operating results?

A: No. Although previously reported operating results for fiscal years 1998, 1999 and 2000 were affected, the inaccuracies did not impact operating results for 2001 or the six months ended June 30, 2002. For more information on the restatement, please see Note 3 of the Notes to our Consolidated Financial Statements contained in our Forms 10-K/ A for fiscal years 2001 and 2000 filed with the SEC on June 28, 2002.

Q: What are Network Associates' reasons for making the offer?

A: In 1999, we undertook the initial public offering of a minority interest in McAfee.com to achieve a number of objectives, including establishing the viability of, and developing the related technology required to pursue, McAfee.com's application service provider, or ASP, business model targeted at consumers. Since March 2001, McAfee.com has also offered products and services to small to medium-sized businesses. We offer anti-virus and other products that compete with McAfee.com's products in these markets. In early 2001, we adopted a strategy to, among other things, reposition our business to better focus our product offerings and product development efforts and to eliminate overlapping objectives between our business units.

Our reasons for pursuing the offer and merger include:

the expectation that the recombination of McAfee.com's business with ours will enhance prospects for the combined company due to:

the reduction or elimination of customer, market and brand confusion due to the similarity in the company products, names and web addresses;

the reduction or elimination of actual and potential conflicts between the companies and their sales forces, and related senior management distraction, due to confusion over market boundaries;

the expectation that a recombined company could more effectively and cost-efficiently target the consumer market and the small to medium-sized business market for ASP products and services; and

opportunities for reduced costs;

the recombination is consistent with our strategy of better focusing our product offerings and product development efforts and eliminating overlapping business objectives of our business units; and

our belief that the objectives leading to the initial public offering of McAfee.com have been largely achieved or are no longer applicable.

See Special Factors and Background Formation of McAfee.com and Its IPO, on page 33; Network Associates' Recent Business Focus, on page 33; and Network Associates' Timing and Reasons for the Offer and Merger, on page 41.

Q: What are some of the other factors I should consider in deciding whether to tender my McAfee.com shares?

A: In addition to the factors described elsewhere in this prospectus, you should consider the following:

McAfee.com stock has traded historically at significantly higher price-to-earnings multiples than Network Associates' common stock;

As a stockholder of Network Associates, your interest in the performance and prospects of McAfee.com will be only indirect and in proportion to your share ownership in Network Associates. You therefore may not realize the same financial benefits of any future appreciation in the value of

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McAfee.com business that you may realize if the offer or merger are not completed and you remain a McAfee.com stockholder; and

Because we own approximately 75% of McAfee.com's total outstanding common stock, and approximately 90% of McAfee.com's total voting power, and we do not intend to sell our McAfee.com shares, the possibility of a third party offer to acquire McAfee.com is remote.

We describe various factors you should consider in deciding whether to tender your shares under "Risk Factors" beginning on page 16 and "Special Factors and Background - Other Factors to Consider Before Tendering Your Shares" beginning on page 45.

- Q: What percentage of Network Associates' common stock will the unaffiliated McAfee.com stockholders receive in the offer and the merger?
- A: McAfee.com stockholders (other than Network Associates) currently own approximately 25% of McAfee.com. We anticipate that McAfee.com stockholders (other than Network Associates) will own approximately 5% of Network Associates' outstanding common stock after giving effect to the offer and the merger. This assumes that approximately 147.7 million shares of Network Associates' common stock are outstanding before giving effect to the offer and the merger, approximately 8.1 million shares of Network Associates' common stock will be issued in the offer and the merger, no McAfee.com stockholders perfect appraisal rights and no stock options are exercised prior to the closing of the offer and the merger.
- Q: When does Network Associates expect to complete the offer and the merger?
- A: We expect to complete the offer on September 12, 2002, the scheduled expiration date. However, we may extend the offer if the conditions to the offer have not been satisfied at the scheduled expiration date or if we are required to extend the offer by the rules of the SEC. We expect to complete the merger as soon as practicable after we complete the offer.
- Q: What happens if Network Associates does not complete the offer?
- A: If we do not successfully complete the offer, your McAfee.com shares will remain outstanding, and we would expect to evaluate whether we should continue to pursue the acquisition of that portion of McAfee.com that we do not own. See "The Offer - Conduct of Network Associates if the Offer is Not Completed."
- Q: Has the McAfee.com board formed a special committee of independent directors to evaluate Network Associates' offer?
- A: McAfee.com did form a special committee comprised of Mr. Frank Gill and Dr. Richard Schell, the outside and independent members of McAfee.com's board, to evaluate our previous offer and the current offer. A special committee was formed because two of McAfee.com's directors, George Samenuk and Stephen Richards, are also officers and/or directors of Network Associates, and a third McAfee.com director, Srivats Sampath, also has a conflict of interest in regard to the offer.
- Q: Does the McAfee.com special committee recommend that I tender my shares in the offer?
- A: Yes, the McAfee.com special committee has determined that our offer is fair. Based on that determination, the McAfee.com special committee and the McAfee.com board of directors, with both McAfee.com special committee directors voting in favor, and the McAfee.com directors affiliated with Network Associates abstaining, have recommended that McAfee.com stockholders accept our offer and exchange their shares in the offer. See "Special Factors - Recommendations of the McAfee.com Special Committee and McAfee.com Board of Directors."

Several of the conditions to our offer are applicable to the actions of the McAfee.com board of directors:

McAfee.com shall not have commenced or threatened any litigation or other legal proceedings against us or our board of directors.

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The McAfee.com board or the McAfee.com special committee shall not have changed or modified its recommendation with respect to the offer.

The McAfee.com board of directors or any committee thereof shall not have (1) adopted or implemented any structural defense, including adoption of a stockholders rights plan or any debt, stock or other equity issuance or retention program or policy, or (2) entered into any transaction or arrangement outside the ordinary course of business consistent with past practice, including any licensing or severance arrangement, in the case of either (1) or (2) not approved in writing by Network Associates prior to such adoption, implementation, agreement or arrangement, which in the judgment of Network Associates would or might restrain, prohibit or delay consummation of, or alter or materially increase the cost of or otherwise affect, the offer or the merger.

The McAfee.com board of directors shall not have formed or authorized the formation of any executive or special committee, other than any special committee of outside and independent directors of McAfee.com's board of directors that may be formed in connection with the recommendation or consideration of this offer and the filing of any documents required under the U.S. tender offer rules.

Q: If I decide not to tender, how will the offer affect my McAfee.com shares?

A: If you decide not to tender your McAfee.com shares in the offer and we complete the offer and the merger, you will receive in the merger the same number of shares of Network Associates common stock and cash that you would have received if you had tendered your shares in the offer (unless you perfect your appraisal rights under Delaware law). We will effect the merger as soon as practicable after completion of the offer, unless it is unlawful to do so. See The Offer Purpose of the Offer; The Merger; Appraisal Rights on page 61.

Q: Do I need a new letter of transmittal to exchange my shares in the revised offer?

A: Yes. All McAfee.com stockholders who wish to tender their shares in the revised offer should follow the instructions included in this prospectus and the pink letter of transmittal previously mailed to you.

Q: How do I participate in the offer?

A: To tender your shares, you should do the following:

If you hold your shares in your own name, complete and sign the letter of transmittal previously mailed to you and return it with your share certificates to EquiServe Trust Company, N.A., the exchange agent for the offer, at the appropriate address specified on the back cover of this prospectus before the expiration date of the offer.

If you hold your shares in street name through a broker or other nominee, instruct such broker or nominee to tender your shares before the expiration date of the offer.

For more information about the procedures for tendering your shares in the offer, please refer to The Offer.

Q: Will I have to pay any fees or commissions for tendering into the offer?

A: If you are the record owner of your shares and you tender your shares directly to the exchange agent, you will not have to pay any fees or commissions. If you hold your shares through a broker, bank or other nominee, and your broker tenders the shares on your behalf, your broker may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply.

Q: Will I be taxed on the Network Associates shares I receive?

A: Assuming that the merger of McAfee.com into Network Associates occurs following the completion of the offer, you will be required to recognize gain for United States federal income tax purposes on the exchange of your McAfee.com shares for Network Associates common stock and cash, but only to the extent of the cash received. You will not be permitted to recognize any loss on the exchange. You will,

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however, recognize gain or loss upon the receipt of any cash instead of fractional shares of Network Associates common stock and for cash received if you perfect appraisal rights.

Q: What do I do if I want to withdraw my shares from your offer?

A: To withdraw your shares from the offer, send a written or facsimile transmission notice of withdrawal to the exchange agent at the appropriate address specified on the back cover of this prospectus prior to the expiration date of the offer. Your notice of withdrawal must comply as to form with the requirements set forth in this prospectus. See [The Offer](#) [Withdrawal Rights](#).

Q: Have any lawsuits been filed in connection with the offer?

A: In connection with our prior offer commenced in March 2002, several putative class actions were filed in Delaware and California against us, McAfee.com and the directors of McAfee.com. These actions generally alleged, among other things, that (i) the director defendants breached their fiduciary duties by failing to take adequate steps to protect the interests of McAfee.com stockholders, and (ii) that Network Associates aided and abetted the director defendants' breaches of fiduciary duties and breached its alleged fiduciary duties by making an inadequate offer. In connection with this offer, the plaintiffs in the Delaware action amended their complaint to challenge the new exchange offer and an additional lawsuit was filed in California. We believe that these lawsuits are without merit and intend to vigorously defend them. See further description of these matters under [Special Factors and Background](#) [Stockholder Litigation](#).

Q: How will McAfee.com employee stock options be treated in connection with the offer and merger?

A: Each outstanding option to purchase a share of McAfee.com common stock will be assumed by Network Associates and will be converted into an option to purchase 0.675 shares of Network Associates' common stock, with the same terms and conditions as the existing McAfee.com options (except that the exercise price of each option will be adjusted by dividing the former exercise price by 0.675), and cash equal to \$8.00. See [The Offer](#) [McAfee.com Stock Options](#) on page 59.

Q: Where can I find more information about Network Associates and McAfee.com?

A: You can find more information about Network Associates and McAfee.com from various sources described under [Where You Can Find More Information](#).

Q: Who do I call if I have any questions on how to tender my shares of McAfee.com common stock or any other questions relating to the exchange offer?

A: Questions and requests for assistance may be directed to D.F. King & Co., Inc., the information agent for the offer, at the address and telephone numbers set forth on the back cover of this prospectus. Requests for additional copies of this prospectus and the letter of transmittal may be directed to D.F. King & Co., Inc. or to brokers, dealers, commercial banks, trust companies or other nominees.

Q: What is the nature of the intercompany conflicts with McAfee.com?

A: McAfee.com is principally an ASP providing anti-virus protection to consumers over the Internet. Since March 2001, McAfee.com has also offered products and services to small to medium-sized businesses. We also offer anti-virus and other products that compete with McAfee.com's products in these markets. Each company has alleged violations by the other company of the intercompany arrangements. For a description of our intercompany arrangements, including the technology cross license agreement and our reseller agreements, see [Relationship Between McAfee.com and Network Associates](#) [Intercompany Arrangements](#) on page 73 of this prospectus.

Q: How have the parties sought to resolve these alleged disputes?

A: We previously agreed with McAfee.com to a business mediation of the boundaries of our relationship. McAfee.com later sought to change the scope of the mediation. In addition we agreed to audit all alleged infractions under our intercompany arrangements by both companies. Notwithstanding this understanding, McAfee.com subsequently produced an audit work plan focusing exclusively on alleged infractions of

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the intercompany arrangements by Network Associates. The general counsels of Network Associates and McAfee.com recently agreed to a mediator and recently met to discuss the timing and scope of the mediation.

- Q: What is the economic magnitude of these alleged violations by Network Associates of the technology cross license agreement and its reseller agreement?
- A: We believe that the amounts involved as a result of any alleged violations by us, if any, are immaterial to both McAfee.com and Network Associates. Our belief is based on our good faith investigation of the nature of the alleged violations, the degree of specificity of any alleged violations, the relevant facts and circumstances and our understanding and interpretation of these intercompany agreements with McAfee.com.
- Q: Will resolution of these matters affect timing of the offer and merger?
- A: We do not believe that resolution of the alleged violations by McAfee.com or Network Associates should change the timing for, or completion of, the offer and merger.

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Network Associates and McAfee.com file reports, proxy statements and other information with the SEC, in accordance with the Securities Exchange Act of 1934. You may read and copy reports, proxy statements and other information filed by Network Associates and McAfee.com at the public reference facilities of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such materials can be obtained at prescribed rates from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference rooms. These reports, proxy statements and other information filed with the SEC are available to the public over the Internet at the SEC's World Wide Web site at <http://www.sec.gov>.

You can also inspect reports, proxy statements and other information about Network Associates at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Network Associates filed a registration statement on Form S-4 to register with the SEC the Network Associates common stock to be issued pursuant to the offer and the merger. This prospectus is a part of that registration statement. The SEC allows us to incorporate by reference into this prospectus the information Network Associates and McAfee.com have filed with the SEC. This means that we can disclose important information by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus. Information that Network Associates and McAfee.com file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made by us or McAfee.com with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until the date that the offer and merger are completed (or the date that our offer is terminated):

<b>Network Associates SEC Filings (File No. 000-20558)</b>	<b>Date</b>
Definitive Proxy Statement on Schedule 14A	Filed on April 11, 2002
Annual Report on Form 10-K/A**	Filed on June 28, 2002
Quarterly Report on Form 10-Q	Filed on August 13, 2002
Current Reports on Form 8-K**	Filed on July 1, 2002 and July 3, 2002
The description of Network Associates common stock as set forth in its registration statement on Form 8-A	Filed on January 25, 2002
The description of Network Associates preferred share purchase rights as set forth in its registration statement on Form 8-A	Filed on October 22, 1998

\*\* The Current Report on Form 8-K filed on July 3, 2002 includes the same financial statements included in the Form 10-K/A except that the transitional disclosures required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, or SFAS 142, are included. SFAS 142 requires that goodwill and intangible assets with indefinite lives not be amortized as previous standards required but instead be tested for impairment at least annually. The transitional disclosures show the effect on our consolidated financial statements for the years ended December 31, 2001, 2000 and 1999, as if the adoption of SFAS 142 had occurred at the beginning of each of these respective years. Except for this additional disclosure, the consolidated financial statements in the Form 8-K are unchanged from those in the 10-K/A.

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<b>McAfee.com SEC Filings (File No. 000-28247)</b>	<b>Date</b>
Definitive Proxy Statement on Schedule 14A	Filed April 30, 2002
Annual Report on Form 10-K	Filed on March 25, 2002
Quarterly Report on Form 10-Q	Filed on August 14, 2002
Current Reports on Form 8-K	Filed on July 3, 2002, July 12, 2002 and July 17, 2002
The description of McAfee.com Class A common stock as set forth in its registration statement on Form 8-A	Filed on November 23, 1999

We also filed with the SEC a statement on Schedule TO and Schedule 13E-3 Transaction Statement on Schedule TO (collectively, our Schedule TO), pursuant to Rule 14d-3 under the Exchange Act to furnish certain information about the offer and the merger. You may obtain copies of the Form S-4 and the Schedule TO (and any amendments to those documents) in the manner described above.

McAfee.com is required to promptly file with the SEC any material changes to the Solicitation/ Recommendation Statement on Schedule 14D-9 regarding the offer and to disseminate the statement to McAfee.com stockholders. You may obtain a copy of the Schedule 14D-9 (including any amendments to that document) in the manner described above.

Network Associates has supplied all information contained or incorporated by reference in this document relating to Network Associates. We have obtained the information contained in this document relating to McAfee.com from McAfee.com or from publicly available sources.

COPIES OF DOCUMENTS INCORPORATED BY REFERENCE ARE AVAILABLE FROM US WITHOUT CHARGE UPON REQUEST TO OUR INFORMATION AGENT, D.F. KING & CO., INC., 77 WATER STREET, NEW YORK, NEW YORK 10005, 1-800-549-6746. TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY SEPTEMBER 5, 2002. IF YOU REQUEST ANY SUCH DOCUMENTS FROM US, WE WILL MAIL THEM TO YOU BY FIRST CLASS MAIL, OR ANOTHER EQUALLY PROMPT MEANS, WITHIN ONE BUSINESS DAY AFTER WE RECEIVE YOUR REQUEST.

We have not authorized anyone to give any information or make any representation about the offer or the merger that is different from, or in addition to, that contained in this prospectus or in any of the materials that we have incorporated by reference into this prospectus. Therefore, you should not rely on any other information. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this document are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document unless the information specifically indicates that another date applies.

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**RISK FACTORS**

In deciding whether to tender your McAfee.com shares pursuant to the offer, you should read this prospectus and the documents incorporated into this prospectus carefully. You should be aware of and consider carefully various risks related to the offer and merger and the various risks that we face, in each case, including those described or incorporated by reference below. The risks described below are not the only risks. If any of the following risks occur, our business, financial condition, results of operations and cash flows could be materially adversely affected. In that case, the trading price of Network Associates common stock could decline and result in a loss of all or part of your investment.

**Risks Related to the Offer and the Merger**

**Because the offer consideration includes a fixed number of Network Associates shares, the value of Network Associates shares at the time you receive the offer consideration could be less than their value at the time you tender your McAfee.com shares.**

In the offer, each outstanding McAfee.com share will be exchanged for 0.675 of a share of Network Associates common stock plus \$8.00 in cash. The offer does not provide for an adjustment in the offer consideration even if there is a decrease in the market price of Network Associates common stock between the date of this prospectus and the expiration date of the offer. The market price of Network Associates common stock will likely be different on the date of the expiration of the offer than it is today because of ordinary market fluctuations as well as changes in the business, operations or prospects of Network Associates, market reactions to this offer, possible other acquisitions or dispositions by Network Associates, issuances by Network Associates of securities, general market and economic conditions and other factors. Tendering stockholders are urged to obtain current market quotations for Network Associates common stock and McAfee.com common stock. See Comparative Per Share Prices and Dividends on page 31.

**Because the offer consideration includes a cash component, you will have a diminished participation in the business of the combined company following the offer and merger.**

The offer consideration consists of both stock and cash. Your participation in the business of the combined company will be limited by your receipt of cash in the offer and merger. In addition, the cash component reduces the ability of McAfee.com stockholders to participate in any increase in Network Associates share price.

**Network Associates owns several businesses in addition to McAfee.com.**

As a holder of Network Associates common stock, you will be subject to the risks and liabilities inherent in Network Associates other businesses, as well as the risks and liabilities inherent in McAfee.com's businesses. These risks and liabilities could cause Network Associates stock price to decline.

**Benefits of the combination may not be realized.**

If we consummate the offer and the merger, we will integrate the two companies. A successful recombination will require, among other things, integration of Network Associates and McAfee.com's work forces and infrastructure. We may also integrate our technologies. Since McAfee.com's initial public offering, Network Associates and McAfee.com have been independently developing their own technologies. If we integrate technologies, we may experience unanticipated difficulties and expense. Our various integration activities may not be completed as rapidly as we expect or achieve anticipated benefits. Also, management's attention may be diverted by the integration effort, which could adversely affect the combined company's businesses and results of operations.



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### **We may incur integration and restructuring costs and other charges.**

If the offer and the merger are consummated, we may incur significant costs and other charges as a result of restructuring and integrating operations and product offerings.

### **We may incur significant stock-based compensation charges related to McAfee.com options assumed in the merger of McAfee.com into Network Associates.**

Following the merger of McAfee.com into Network Associates, holders of McAfee.com options will receive, upon the exercise of their options, shares of Network Associates common stock (calculated based on the product of 0.675 times the number of McAfee.com shares subject to the option) plus \$8.00 in cash for each McAfee.com share subject to the option. Under Financial Accounting Standards Board Interpretation No. 44, effective July 1, 2000, we are required to record stock-based compensation on the assumed options, which will also be subject to variable accounting treatment. The stock-based compensation charge (or credit) is determined by the excess (or deficiency) of our closing stock price at the end of a reporting period over the exercise price of the options plus the cash consideration to be received upon exercise. Remeasurement of the charge continues until the earlier of the date of exercise, forfeiture or cancellation without replacement. The resulting compensation charge (or credit) to earnings will be recorded over the remaining vesting period of the options subject to variable accounting treatment or, if the options are fully vested, immediately. The amount of these charges could be significant depending on the movements in the market value of Network Associates common stock. The actual amount of stock compensation recorded will be calculated based on the stock price of Network Associates and the number of outstanding McAfee.com options on the merger date. We currently estimate that at the time of the merger we will record stock-based compensation of approximately \$35.8 million, of which approximately \$30.1 million will be expensed immediately. We also currently estimate that every \$1.00 increase in our stock price after the merger date will result in an additional stock compensation charge of approximately \$2.6 million.

### **You should be aware that there exist conflicts of interest among members of the McAfee.com board of directors.**

Not only does Network Associates own approximately 75% of the outstanding McAfee.com stock, representing approximately 90% of the total McAfee.com voting power, but two of the five members of the McAfee.com board have current direct affiliations with Network Associates. Specifically, George Samenuk, Network Associates' chief executive officer and chairman, is chairman of McAfee.com's board of directors, and Stephen Richards, Network Associates' chief operating officer and chief financial officer, is a McAfee.com director. Srivats Sampath, chief executive officer of McAfee.com, was formerly an employee of Network Associates and holds options to purchase 150,000 shares of Network Associates common stock. By virtue of his being the chief executive officer of a material Network Associates subsidiary, Network Associates has determined Mr. Sampath to be an executive officer of Network Associates. Mr. Sampath also holds a number of unvested options to acquire McAfee.com common stock, which depending on his ongoing employment status, may accelerate in full following consummation of the offer and merger. For these reasons, McAfee.com has designated a special committee of its outside and independent directors to evaluate McAfee.com's options and make recommendations to McAfee.com's board of directors. See Relationship Between McAfee.com and Network Associates' Relationship of Directors and Executive Officers of McAfee.com with Network Associates on page 72.

### **We must complete the merger of McAfee.com into Network Associates for you to receive our shares on a tax-deferred basis.**

We intend that, for United States federal income tax purposes, tendering McAfee.com stockholders will recognize gain on the exchange of their McAfee.com shares for Network Associates stock and cash only to the extent of the cash received. For this to result, the exchange must occur in a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, requiring that we complete the planned merger of McAfee.com into Network Associates. We expect to consummate the merger as soon as practicable after the completion of the offer. However, if for any reason we are unable to consummate the merger of McAfee.com

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into Network Associates, tendering McAfee.com stockholders would be required to recognize the full amount of their gain or loss on the exchange of their McAfee.com shares, based on the fair market value of the total consideration received in the exchange, including both the cash and the Network Associates common stock. We may be unable to effect the merger, for example, if after the offer is completed, we own less than 90% of the outstanding McAfee.com shares.

### **Risks Related to Our Businesses, Including McAfee.com**

Set forth below are some of the risks we face related to our business, including the business of McAfee.com. A more complete set of risk factors included in our publicly filed documents is incorporated into this prospectus by reference.

#### **Our financial results will likely fluctuate.**

We were not profitable in 2001, 2000 or 1999. In 2001, we had a net loss of \$100.7 million on net revenues of \$811.0 million, compared to a net loss of \$123.9 million on net revenues of \$697.7 million in 2000 and a net loss of \$156.9 million on net revenues of \$611.0 million in 1999. For the six months ended June 30, 2002 and 2001, we had net income of \$37.0 million on net revenues of \$453.7 million and a net loss of \$84.5 million on net revenues of \$348.7 million, respectively.

Our revenues and operating results have varied significantly in the past. We expect fluctuations in our operating results to continue. As a result, we believe that period-to-period comparisons of our financial results should not be relied on as an indicator of our future results. Our expense levels are based in part on our expectations regarding future revenues and in the short term are relatively fixed. We may be unable to adjust our expenses in time to compensate for any unexpected revenue shortfall.

#### ***Operational Factors***

Operational factors that may cause our revenues, gross margins and operating results to fluctuate significantly from quarter to quarter include:

volume, size and timing of new licenses and renewals of existing licenses;

introduction of new products, product upgrades or updates by us or our competitors;

the mix of products we sell and whether those products are sold directly by us or indirectly through distributors and whether, in the case of software licenses, the licenses are time-based subscription licenses or perpetual licenses;

costs or charges related to our acquisitions or dispositions, including our recent disposition of the Gauntlet firewall product line;

the components of our revenue, particularly that portion attributable to our ASP/ MSP subscription model, including that attributable to McAfee.com, that are deferred; and

stock-based compensation charges and costs related to extraordinary events, including litigation and any reductions in forces.

#### ***Seasonal and Macroeconomic Factors***

Our net revenue is typically higher in the fourth quarter, as many customers complete annual budgetary cycles, and lower in the summer months when many businesses experience lower sales. In recent periods, poor economic conditions in Asia, particularly Japan, and Latin America have hurt our business. Customer concerns about weakening U.S. and global economic conditions and the uncertainties following the terrorist attacks of September 11, 2001 could also harm our business.

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**We face risks related to the pending formal SEC investigation and our recent accounting restatement.**

On March 22, 2002, the Securities and Exchange Commission notified us that it has commenced a Formal Order of Private Investigation into our accounting practices. The SEC inquiry may result in a diversion of management's attention and resources and may contribute to current and future stock price volatility.

On April 25, 2002, we announced that we had discovered accounting inaccuracies in certain prior period financial statements, requiring restatement of the financial statements for these periods. We conducted an internal investigation under the direction of the audit committee of our board of directors to determine the scope and magnitude of these inaccuracies. On May 17, 2002, we announced that the audit committee had completed its internal accounting investigation and as a result we were required to restate certain of our financial statements. On June 28, 2002, we filed the restated financial statements with the SEC. The filing of these restated financial statements may lead to new litigation, may expand the claims and the class period in pending litigation, and may increase the cost of defending or resolving current litigation. We are aware that the plaintiffs in the securities class action pending against us and our former officers have announced that they intend to file an amended complaint for federal securities claims related to the accounting inaccuracies.

The filing of restated financial statements to correct the discovered accounting inaccuracies does not resolve the pending SEC inquiry into our accounting practices. The resolution of the SEC inquiry into our prior accounting practices could require the filing of additional restatements of our prior financial statements or require that we take other actions not presently contemplated.

**It is difficult for us to estimate operating results prior to the end of a quarter.**

Because we do not maintain a significant level of backlog, product revenues in any quarter are dependent on contracts entered into or orders booked and shipped in that quarter. Historically, we have experienced a trend toward more product orders, and therefore, a higher percentage of revenue shipments, in the last month of a quarter. Some customers believe they can enhance their bargaining power by waiting until the end of a quarter to place their order.

**We depend on revenue from our flagship anti-virus and Sniffer branded network management products.**

We have historically derived a majority of our net revenues from our flagship McAfee anti-virus software products and Sniffer network fault and performance management products. These products are expected to continue to account for a significant portion of our net revenues for the foreseeable future. Because of this revenue concentration, our business could be harmed by a decline in demand for, or in the prices of, these products as a result of, among other factors, any change in our pricing model, a maturation in the markets for these products or other risks described in this prospectus.

**We face a number of risks related to our product sales through distributors.**

We sell a significant amount of our products through intermediaries such as distributors. Our top ten distributors typically represent approximately 38% to 43% of our total net revenues in any quarter. Our largest distributor, Ingram Micro, accounted for approximately 25% and 27% of net revenues during the three months ended June 30, 2002 and 2001, respectively, and 26% of net revenues during the six months ended June 30, 2002 and 2001.

***Loss of a Distributor***

Our distributor agreements may be terminated by either party without cause. If one of our significant distributors terminates its distribution agreement, we could experience a significant interruption in the distribution of our products.

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### ***Need for Accurate Distributor Information***

We recognize revenue on products sold by our distributors when distributors sell our products to their customers. To determine our business performance at any point in time or for any given period, we must timely and accurately gather sales information from our distributors information systems, at an increased cost to us. Our distributors information systems may be less accurate or reliable than our internal systems.

### ***Sale of Competing Products***

Our distributors may sell other vendors products that are complementary to, or compete with, our products. While we encourage our distributors to focus on our products through market and support programs, these distributors may give greater priority to products of other suppliers, including competitors.

### ***Payment Difficulties***

Some of our distributors may experience financial difficulties, which could adversely impact our collection of accounts receivable. Our allowance for doubtful accounts was approximately \$10.7 million at June 30, 2002, \$8.4 million at December 31, 2001 and \$15.3 million at December 31, 2000. In 1999, one of our large European distributors, CHS, entered bankruptcy requiring us to record a related accounts receivable write-off of approximately \$28.7 million. Also in 1999, Pinacor, a U.S. distributor, entered bankruptcy requiring us to record a related accounts receivable write-off of approximately \$6.0 million. We regularly review the collectibility and credit-worthiness of our distributors to determine an appropriate allowance for doubtful accounts. Our uncollectable accounts could exceed our current or future allowances.

### **We are subject to intense competition in the network management and security markets and we expect to face increased competition in the future.**

The markets for our products are intensely competitive and we expect competition to increase in the near-term. Some of our competitors have longer operating histories, greater name recognition, larger technical staffs, established relationships with hardware vendors and/or greater financial, technical and marketing resources.

### ***Anti-Virus Software***

Our principal competitor in the anti-virus market is the Norton Product Group of Symantec. Trend Micro remains the strongest competitor in the Asian anti-virus market, with Dr. Ahn's making recent inroads, particularly in Japan and Korea. Other anti-virus competitors include numerous smaller companies and shareware authors that may in the future develop competing software or be consolidated into larger competitors.

### ***Network Security***

Our principal competitors in the security market vary by product type. For firewalls, our principal competitors include CheckPoint, Symantec, and larger companies such as Cisco Systems and Microsoft. For intrusion detection products, we compete with Cisco Systems and Symantec. The market for virtual private network, or VPN, products is highly fragmented with numerous small and large vendors. VPN competitors include hardware and software vendors, including telecommunications companies and traditional networking suppliers.

### ***Network Management***

Our principal competitor in the network management market is Agilent. Other competitors include Acterna Corporation, Cisco Systems, Computer Associates, Compuware, Concord Communications, DeskTalk Systems, GN Nettest, Network Instruments, Radcom Technologies, Shomiti Systems and WildPackets.

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### ***Helpdesk***

Our principal competitors in the help desk market are Computer Associates, FrontRange Solutions and Peregrine Systems.

### ***Other Competitors***

We also face competition from large software companies such as Hewlett-Packard, Intel, Microsoft and Novell, which may offer network security and management products as enhancements to their operating system.

### **We face risks associated with past and future acquisitions.**

We may buy or make investments in complementary companies, products and technologies. Since 1995, we have completed a large number of significant acquisitions involving both public and private companies including the acquisition of CyberMedia and Dr. Solomon's in 1998 and Network General in 1997. We will consider additional acquisitions that make sense to us on a strategic and financial basis to address product and service needs of our customers. Recently, we acquired Traxess, Inc. to expand our Sniffer Technologies product capabilities.

Integration of an acquired company or technology involves a complex, time consuming and expensive process. The successful integration of an acquisition requires, among other things, that we:

integrate the acquired product into our product offerings both from an engineering and sales and marketing perspective;

integrate and support preexisting supplier, distribution and customer relationships;

coordinate research and development efforts; and

consolidate duplicate facilities and functions.

The geographic distance between the companies, the complexity of the technologies and operations being integrated, and the disparate corporate cultures being combined may increase the difficulties of integrating an acquired company or technology. Management's focus on the integration of operations may distract attention from our day-to-day business and may disrupt key research and development, marketing or sales efforts. In addition, it is common in the technology industry for aggressive competitors to attract customers and recruit key employees away from companies during the integration phase of an acquisition.

Our available cash and securities may be used to buy or invest in companies or products, possibly resulting in significant acquisition-related charges to earnings and dilution to our stockholders. Moreover, if we buy a company, we may have to incur or assume that company's liabilities, including liabilities that are unknown at the time of acquisition.

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**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

We are providing the following information to assist you in analyzing the financial aspects of the offer and the merger. The following selected historical financial data should be read in conjunction with the historical financial statements and related notes contained in the annual, quarterly and other reports filed by Network Associates and McAfee.com with the SEC and incorporated by reference into this prospectus. See [Where You Can Find More Information](#).

The information for Network Associates for each of the two fiscal years in the period ended December 31, 1998 was derived from the audited consolidated financial statements included in Network Associates' Annual Reports on Form 10-K and Form 10-K/A not included or incorporated by reference in this prospectus. The information for Network Associates for each of the three fiscal years in the period ended December 31, 2001 was derived from the audited consolidated financial statements included in Network Associates' Current Report on Form 8-K filed on July 3, 2002. The Network Associates information for the six months ended June 30, 2002 and 2001 was derived from the unaudited consolidated financial statements included in Network Associates' Quarterly Report on Form 10-Q for the quarter ended June 30, 2002. The annual and quarterly financial information reflects Network Associates' historical ownership interests in McAfee.com.

On April 25, 2002, Network Associates announced that it had discovered accounting inaccuracies in certain prior period financial statements, requiring restatement of the financial statements for these periods. As a result of the internal accounting investigation, Network Associates' statements of operations, cash flows and stockholders' equity for the years ended December 31, 2000, 1999 and 1998 and the balance sheets as of December 31, 2000, 1999 and 1998 were restated. In addition, to give effect to accumulated prior period adjustments and their related tax impacts, our December 31, 2001 and March 31, 2002 balance sheets were restated.

During the three months ended March 31, 2002, Network Associates adopted the Financial Accounting Standards Board's Emerging Issues Task Force Statement No. 01-09, entitled [Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products \(EITF 01-09\)](#). EITF 01-09 requires that payments to customers or reductions in their accounts receivable for certain marketing related amounts previously classified as charges to marketing expense be recorded as reductions of revenue. Upon adoption of EITF 01-09, Network Associates was required to retroactively reclassify such amounts in previously issued financial statements to comply with the income statement display requirements of the consensus.

Network Associates was unable to identify the amounts required to be reclassified under EITF 01-09 for the income statement for the year ended December 31, 1997, as this information is unavailable. Network Associates reclassified approximately \$23.5 million, \$32.7 million, \$44.5 million and \$28.4 million for the years ended December 31, 2001, 2000, 1999 and 1998, respectively.

The information for McAfee.com for each of the five fiscal years in the period ended December 31, 2001 was derived from the audited consolidated financial statements included in McAfee.com's Annual Reports on Form 10-K. The McAfee.com information for the six months ended June 30, 2002 and 2001 was derived from the unaudited consolidated financial statements included in McAfee.com's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

Please see [Where You Can Find More Information](#) on page 14 to learn where more complete financial information may be obtained.

**Table of Contents****Network Associates Selected Historical Financial Data**

	Six Months Ended June 30,		Years Ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
(in thousands, except for per share amounts)							
<b>Statement of Operations Data:</b>							
Net revenue	\$ 453,671	\$ 348,709	\$ 810,974	\$ 697,742	\$ 610,984	\$ 961,683	\$ 735,692
Income (loss) from operations	39,398	(87,825)	(81,966)	(169,192)	(167,923)	113,806	61,947
Income (loss) before provision for income taxes, minority interest and extraordinary item	44,825	(96,433)	(91,383)	(112,376)	(160,722)	132,007	82,813
Income (loss) before extraordinary item	36,984	(84,540)	(102,381)	(123,926)	(156,885)	32,434	10,639
Extraordinary item, gain (loss) on redemption of debt, net of taxes	(31)		1,731				
Net income (loss)	36,953	(84,540)	(100,650)	(123,926)	(156,885)	32,434	10,639
Net income (loss) per share, before extraordinary item, basic	0.25	(0.62)	(0.74)	(0.90)	(1.13)	0.24	0.08
Net income (loss) per share, before extraordinary item, diluted	0.24	(0.62)	(0.74)	(0.90)	(1.13)	0.23	0.08
Extraordinary item, basic			0.01				
Extraordinary item, diluted			0.01				
Net income (loss) per share, basic	0.25	(0.62)	(0.73)	(0.90)	(1.13)	0.24	0.08
Net income (loss) per share, diluted	0.24	(0.62)	(0.73)	(0.90)	(1.13)	0.23	0.08
Shares used in per share calculation basic	145,829	137,010	137,847	138,072	138,695	133,075	126,662
Shares used in per share calculation diluted	154,791	137,010	137,847	138,072	138,695	138,609	132,729

	June 30,		December 31,			
	2002	2001	2000	1999	1998	1997
(in thousands)						
<b>Balance Sheet Data:</b>						
Cash and cash equivalents	\$ 733,409	\$ 612,832	\$ 275,539	\$ 316,784	\$ 418,899	\$ 157,031
Working capital	427,596	512,788	168,028	274,274	533,052	247,811
Total assets	1,749,758	1,633,904	1,391,620	1,489,797	1,536,721	805,350
Deferred revenue and taxes	293,576	294,805	186,129	163,816	205,598	129,557
Convertible debt and other long-term liabilities	565,693	579,243	396,868	379,267	374,132	2,353
Total stockholders equity	557,512	422,594	496,458	659,118	718,834	492,501





**Table of Contents****McAfee.com Selected Historical Financial Data**

The following selected financial data includes the operations of McAfee.com as a separate legal entity beginning from January 1, 1999 and as part of Network Associates, on a carved out basis discussed below, for the 1997 and 1998 periods. All significant intercompany accounts and transactions have been eliminated. The divisional financial data has been derived from the historical books and records of Network Associates. The divisional financial data includes revenue and expenses directly incurred for McAfee.com, as well as charges for shared facilities, functions and services used by McAfee.com. The amounts charged for these shared costs have been calculated based on relative headcount plus 10% of such costs. Although we believe these charges are based on reasonable assumptions, they may not necessarily be indicative of the expenses that would have been incurred had McAfee.com operated as a separate, unaffiliated entity during these periods. In particular, periods prior to fiscal 1999 do not include the expenses incurred under McAfee.com's license agreement with Network Associates.

Since January 1, 1999, Network Associates has provided various management services under a corporate management services agreement between Network Associates and McAfee.com. The statement of operations includes all revenues and expenses directly attributable to McAfee.com including charges for shared facilities, functions and services used by McAfee.com and provided by Network Associates. A number of expenses, such as research and development expenses, sales and marketing expenses and general and administrative expenses, have been allocated based on Network Associates' management's estimate of the cost of services provided by them. These allocations were generally based on either a direct cost pass-through or percentage of total expenses for the services provided, based on headcount.

	Six Months Ended June 30,		Years Ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
(in thousands, except per share data)							
<b>Statement of Operations Data:</b>							
Net revenue	\$39,461	\$27,225	\$62,024	\$46,866	\$24,497	\$6,292	\$2,530
Gross profit	29,620	16,823	41,280	31,112	8,560	2,587	428
Income (loss) from operations	11,427	(3,357)	(192)	(31,971)	(28,331)	(1,993)	(1,508)
Net income (loss)	11,947	(2,976)	(854)	(27,469)	(27,926)	(1,993)	(1,508)
Net income (loss) per share, basic	0.25	(0.07)	(0.02)	(0.62)	(0.76)		
Net income (loss) per share, diluted	0.24	(0.07)	(0.02)	(0.62)	(0.76)		
Shares used in per share calculation basic	47,837	44,811	45,548	44,066	36,554		
Shares used in per share calculation diluted	48,926	44,811	45,548	44,066	36,554		
As adjusted net income (loss)(1)	11,947	(277)	4,560	(22,599)	(27,926)	(1,993)	(1,508)
As adjusted basic net income (loss) per share(1)	0.25	(0.01)	0.10	(0.51)	(0.76)		
As adjusted diluted net income (loss) per share(1)	0.24	(0.01)	0.10	(0.51)	(0.76)		

	June 30,	December 31,				
	2002	2001	2000	1999	1998	1997
(in thousands)						
<b>Balance Sheet Data:</b>						
Cash, cash equivalents and marketable securities	\$117,386	\$102,507	\$71,419	\$86,499	\$	\$
Working capital	58,727	47,271	5,784	42,009	(5,196)	(3,268)
Total assets	142,054	124,444	98,132	95,287	2,438	21
Deferred revenue	38,326	33,206	26,679	21,280	6,388	2,976
Receivable from (payable to) Network Associates	(5,763)	(8,210)	(8,256)	(8,313)	1,286	(275)
Total stockholders' equity/ (Divisional deficit)	85,331	71,892	53,481	55,991	(5,131)	(3,247)



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- (1) As adjusted net income (loss) and net income (loss) per share amounts reflect the exclusion of amortization of goodwill and certain intangible assets of approximately \$2.7 million for the six months ended June 30, 2001 and approximately \$5.4 million and \$4.9 million for the years ended December 31, 2001 and 2000, respectively. These amounts are presented to comply with SFAS 142 as if this standard had been adopted at the beginning of the respective periods. There was no amortization of goodwill or intangible assets during each of the years ended December 31, 1999, 1998 and 1997.

**Table of Contents****FINANCIAL FORECASTS**

Each of Network Associates and McAfee.com's management regularly prepares and publicly announces financial forecasts regarding their anticipated operating results. Neither Network Associates nor McAfee.com has, to date, provided an update to their forecasts set forth below since their public dissemination. The forecasts were made on and as of the dates noted, and the inclusion of these forecasts in this prospectus should not be viewed as an update or a confirmation of those forecasts as of the date of this prospectus. Except to the extent required under applicable securities laws, neither Network Associates nor McAfee.com intends to make publicly available any update or other revisions to any of the forecasts to reflect circumstances existing after the date of prior public announcement of such forecasts.

**Network Associates**

Set forth below are Network Associates' financial estimates, excluding McAfee.com, for (i) revenue and pro forma earnings per share, or EPS, for the third quarter of 2002 and (ii) pro forma EPS for calendar 2002, each published by Network Associates in a press release on July 11, 2002 and in a publicly available conference call on the same date. Guidance for pro forma EPS excludes interest expense on Network Associates convertible debt, amortization expense, compensation charges relating to employee stock options, and one-time charges.

<b>Revenue</b>	
Third Quarter 2002	\$205 million to \$215 million
<b>Pro Forma EPS</b>	
Third Quarter 2002	\$0.11 to \$0.13
Calendar 2002.	\$0.50 to \$0.55

Network Associates did not provide guidance for the consolidated entity including McAfee.com. For calendar 2002, excluding McAfee.com, in its July 11, 2002 press release and on its publicly available conference call, Network Associates indicated that it expected revenues at the lower end of its revenue guidance made public on April 11, 2002.

**McAfee.com**

Set forth below are McAfee.com's financial estimates for the third quarter of 2002 and calendar 2002 for revenue and pro forma EPS disclosed on a conference call by McAfee.com on July 10, 2002. Guidance for pro forma EPS excludes amortization expense, compensation charges or credits relating to employee stock options, and charges relating to the exchange offer.

<b>Revenue</b>	
Third Quarter 2002	\$22 million
Calendar 2002.	\$84 million to \$85 million
<b>Pro Forma EPS</b>	
Third Quarter 2002	\$0.10
Calendar 2002.	\$0.37 to \$0.38

The above Network Associates guidance has not been adjusted to give effect to the offer or merger. If the offer and merger are completed, Network Associates expects to incur one-time charges in connection with integration and other activities and also expects to incur significant non-cash charges in connection with the assumption of vested and unvested options to acquire shares of McAfee.com common stock. See Risk Factors. We may incur integration and restructuring costs and other charges and We may incur significant stock-based charges related to McAfee.com options assumed in the merger of McAfee.com into Network Associates on page 17 of this prospectus.

The financial forecasts included in this prospectus have been prepared by, and are the responsibility of, Network Associates and McAfee.com's management, as applicable. PricewaterhouseCoopers LLP has

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neither examined nor compiled these forecasts and accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP reports incorporated by reference in this prospectus relate to the historical financial statements of Network Associates and McAfee.com. The reports do not extend to Network Associates or McAfee.com's financial forecasts set forth above and should not be read to do so.

The Network Associates and McAfee.com financial forecasts were not prepared with a view toward compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. In addition, the inclusion of the forecasts herein should not be regarded as a representation by Network Associates or McAfee.com or any other person that such forecasts are or will prove to be correct. While presented with numerical specificity, the forecasts are based on a variety of assumptions relating to the business of Network Associates and McAfee.com and are inherently subject to significant uncertainties and contingencies that are beyond the control of the management of Network Associates and McAfee.com. These include the impact of general economic and business conditions, the competitive environment in which each company operates, as well as other factors. See Risk Factors beginning on page 16. By including the forecast of McAfee.com in this document, Network Associates does not adopt that forecast.

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**COMPARATIVE PER SHARE DATA**

The following table presents the Network Associates and McAfee.com historical and pro forma combined and McAfee.com pro forma equivalent per share data as of and for the twelve months ended December 31, 2001 and the six months ended June 30, 2002. The information presented should be read in conjunction with the historical financial statements and related notes thereto of Network Associates and McAfee.com and the selected historical financial data including the notes thereto, each incorporated by reference in or included elsewhere in this prospectus. Comparative pro forma data have been included for comparative purposes only and do not purport to be indicative of (i) the results of operations or financial position which actually would have been obtained if the offer and the merger had been completed at the beginning of the period or as of the date indicated or (ii) the results of operations or financial position which may be obtained in the future.

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