

## **Non-Employee Director Stock Ownership Program Overview October 2004**

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Novell, Inc.'s ("Novell") Board of Directors (the "Board") has determined that the financial interests of the members of the Board should be closely aligned with the interests of Novell's stockholders. Consequently, the Novell, Inc. Stock Ownership Program for Directors (the "Program") was created, effective November 1, 2004. The following is an overview of the Program's features:

### **Applicability**

All non-employee members of Novell's Board (each, a "Participant") are subject to the requirements of the Program. Members of the Board who are employees are subject to the Stock Ownership Program for Executives.

### **General Provisions**

Each Participant must own an amount of Novell common stock equal to three times the cash annual board retainer that is payable to each non-employee member of the Board. The cash annual board retainer is currently \$50,000, so the Total Stock Ownership Requirement (the "Total SOR") for each participant is \$150,000.

Participants have five years to achieve the Total SOR, in accordance with the following schedule.

<u>Year</u>	<u>Incremental SOR Percentage (Percentage of the Participant's Total SOR)</u>
1	5%
2	15%
3	30%
4	60%
5	100%

The SOR percentage that must be achieved as of any given year is referred to as the "Incremental SOR." Director stock ownership will be assessed annually on November 1st of each year, commencing November 1, 2005.

### **Liquidation of Shares**

No Novell director may assign, alienate, anticipate, sell, transfer, pledge or encumber Novell shares until he or she has achieved his or her Total SOR. After the Total SOR is achieved, no Novell director may assign, alienate, anticipate, sell, transfer, pledge or encumber such number of shares as would cause that director's assessed value of qualifying Novell stock holdings to fall below his or her Total SOR. This prohibition does not apply to the sale of shares to cover the exercise price of stock options, the purchase price of restricted stock or similar awards or to satisfy statutory tax obligations arising as a result of the exercise of a stock option, vesting of restricted stock, distribution of a common stock equivalent or other similar situations as may be determined by the Compensation Committee.

### **Noncompliance**

Non-compliance with the Program will be taken into consideration during the annual performance review of each Participant and such noncompliance will be disclosed in the proxy statement for Novell's annual meeting of stockholders.