

Novell, Inc.
122 East 1700 South
Provo, UT 84606

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February 24, 2000

Novell[®]

Dear Shareholder:

It is my pleasure to invite you to attend the Annual Meeting of Shareholders. The meeting will be held on Tuesday, April 11, 2000, at 2 p.m. at our Corporate Headquarters, 122 East 1700 South, Provo, Utah 84606.

At the meeting we will elect nine directors, approve the Novell, Inc. 2000 Stock Plan, ratify the appointment of our auditors, review our performance during fiscal 1999, and answer your questions.

The vote of every shareholder is important. Please vote your proxy by the Internet, telephone or mail your proxy card. Your cooperation will be greatly appreciated.

On behalf of Novell's Board of Directors and management team, I look forward to greeting you and our other valued shareholders that are able to attend.

Sincerely,



Eric E. Schmidt
Chairman of the Board and
Chief Executive Officer
Novell, Inc.

NOVELL, INC.

Notice of the 2000 Annual Meeting of Shareholders

The 2000 Annual Meeting of Shareholders of Novell Inc. will be held on Tuesday, April 11, 2000 at 2:00 p.m. at our Corporate Headquarters, 122 East 1700 South, Provo, Utah 84606, for the following purposes:

1. To elect nine directors;
2. To approve the Novell, Inc. 2000 Stock Plan;
3. To ratify the selection of Ernst & Young LLP as independent auditors for Novell, Inc. for fiscal 2000; and to transact such other business as may properly come before the meeting.

Shareholders owning Company shares at the close of business on February 14, 2000 are entitled to attend and vote at the meeting. A complete list of these shareholders will be available at the Company's Corporate Headquarters, 122 East 1700 South, Provo, Utah 84606, for at least ten days prior to the meeting.

By Order of the Board of Directors,

A handwritten signature in black ink that reads "David R. Bradford". The signature is written in a cursive style with a large, prominent initial "D".

David R. Bradford
Senior Vice President, General Counsel and
Corporate Secretary

February 24, 2000

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**SHAREHOLDERS OWNING NOVELL, INC. SHARES OF RECORD
AT THE CLOSE OF BUSINESS ON FEBRUARY 14, 2000
ARE ENTITLED TO ATTEND
AND VOTE AT THE MEETING**

The Board of Directors of Novell, Inc. is soliciting proxies for the 2000 Annual Meeting of Shareholders. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

The Board of Directors of Novell, Inc. set February 14, 2000 as the record date for the meeting. Shareholders who owned the Company's Common Stock of record at the close of business on that date are entitled to vote at and attend the meeting, with each share entitled to one vote. There were 328,896,689 shares of the Company's Common Stock outstanding on the record date. On the record date, the closing price of the Company's Common Stock on the Nasdaq National Stock Market was \$38.875 per share.

This Proxy Statement is being mailed on or about February 24, 2000 to shareholders entitled to vote at the meeting.

In this Proxy Statement:

- "We" and "Company" mean Novell, Inc.
- Holding shares in "street name" means your Company shares are held in an account at a brokerage firm and the stock certificates and record ownership are not in your name.
- "SEC" means the Securities and Exchange Commission.
- "Beneficial ownership" of stock is defined under various SEC rules in different ways for different purposes, but generally means that, although you (or the person or entity in question) don't hold the shares of record in your name, you do have investment or voting control (and/or an economic or "pecuniary" interest) in the shares through an agreement, relationship or the like.

QUESTIONS AND ANSWERS

Q: When and where is the shareholder meeting?

A: Novell's Annual Meeting of Shareholders is being held on Tuesday, April 11, 2000 at 2:00 p.m. at the Company's Corporate Headquarters, 122 East 1700 South, Provo, Utah 84606.

Q: Do I need a ticket to attend the shareholder meeting?

A: No, you will not need a ticket to attend the meeting.

Q: Why am I receiving this Proxy Statement and proxy card?

A: You are receiving a Proxy Statement and proxy card from us because you owned shares of common stock in Novell, Inc. on the record date. This Proxy Statement describes issues on which we would like you, as a shareholder, to vote. It also gives you information on these issues so that you can make an informed decision. The proxy card is used for voting.

Q: What is the effect of signing and returning my proxy card?

A: When you sign and return the proxy card, you appoint Eric E. Schmidt and Dennis R. Raney as your representatives at the meeting. Dr. Schmidt and Mr. Raney will vote your shares, as you have instructed them on the proxy card, at the meeting. This way, your shares will be voted whether or not you attend the Annual Meeting. Even if you plan to attend the meeting, it is a good idea to complete, sign and return your proxy card or vote via the Internet or telephone in advance of the meeting, just in case your plans change. You can always vote in person at the meeting, even if you have already sent in your proxy card.

If an issue comes up for a vote at the meeting that is not described in this proxy statement, Dr. Schmidt and Mr. Raney will vote your shares, under your proxy, in their discretion.

If you do not indicate on the proxy card how you want your votes cast, the proxies (as your representatives) will vote your shares **FOR** all of management's nominees for director, **FOR** approval of the Novell, Inc. 2000 Stock Plan, and **FOR** ratification of the appointment of auditors.

Q: What am I voting on?

A: You are being asked to vote on:

- the election of nine nominees to serve on the Novell Board of Directors;
- the approval of the Novell, Inc. 2000 Stock Plan; and
- the ratification of the appointment of our independent auditors for fiscal year 2000.

Q: How do I vote?

A: There are four ways you may vote. (Please see detailed instructions on your proxy card.)

- Place your vote via the Internet.

Please follow the instructions that came with your Proxy Statement. If you vote on the Internet, you do not need to mail in your proxy card.

OR

- Place your vote by telephone.

Please follow the instructions that came with your Proxy Statement. If you vote by telephone, you do not need to mail in your proxy card. Shareholders with rotary service will not be able to vote by telephone.

OR

- Mail in your completed, signed and dated proxy card.

If you return a signed card but do not provide voting instructions, your shares will be voted: **FOR** the nine named nominees, **FOR** approval of the Novell, Inc. 2000 Stock Plan and **FOR** ratification of the auditors.

OR

- Vote in person by attending our Annual Meeting.

We will pass out written ballots to any shareholder who wants to vote in person at the meeting. If you hold your shares in street name, you must request a legal proxy from your stock broker in order to vote at the meeting.

Q: What does it mean if I receive more than one proxy card?

A: It means that you have multiple accounts at the transfer agent and/or with stock brokers. Please sign and return all proxy cards to ensure that all your shares are voted.

Q: What if I change my mind after I return my proxy card?

A: You may revoke your proxy (that is, cancel it) and change your vote at any time prior to the voting at the Annual Meeting by written notice to the Corporate Secretary.

You may also do this by:

- Signing another proxy card with a later date,
- Voting in person at the meeting, or
- Voting via the Internet or by telephone on a date after the date on your proxy card (your latest proxy is counted.)

Q: Will my shares be voted if I do not sign and return my proxy card?

A: If your shares are held in street name, your brokerage firm may either vote your shares on “routine matters” (such as election of directors) or leave your shares un-voted. Your brokerage firm may not vote on “non-routine matters.” The Company believes that all matters presented for consideration in this Proxy Statement are routine.

Q: How many shares can vote at the meeting?

A: As of the record date, 328,896,689 shares of Common Stock were outstanding. Each outstanding share of Common Stock entitles the holder to one vote on all matters covered in this proxy statement. Therefore, there are a maximum of 328,896,689 votes that may be cast at the meeting.

Q: What is a “quorum”?

A: A “quorum” is the number of shares that must be present, in person or by proxy, in order for business to be transacted at the meeting. The required quorum for the Annual Meeting is a majority of the shares outstanding on the record date. There must be a quorum present for the meeting to be held. All completed and signed proxy cards, Internet votes, telephone votes, whether representing a vote for, against, withheld, abstained or a broker non-vote, will be counted toward the quorum.

Q: How are abstentions counted?

A: Abstentions are counted for the purposes of determining both (1) the presence or absence of a quorum and (2) the total number of votes cast with respect to a proposal. Abstentions thus have the same effect as a vote “Against” on the proposals that are being presented at this meeting.

Q: What is a “broker non-vote?”

A: Under the rules that govern brokers who have record ownership of shares that are held in “street name” for their clients, who are the beneficial owners of the shares, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Thus, if the proposals to be acted upon at the meeting include both routine and non-routine matters, the broker may turn in a proxy card for uninstructed shares that votes “FOR” routine matters, but expressly states that the broker is NOT voting on the non-routine matters. The vote with respect to the non-routine matter in this case is referred to as a “broker non-vote.”

Q: How are broker non-votes counted?

A: Broker non-votes are counted for the purpose of determining the presence or absence of a quorum, but are not counted for determining the number of votes cast. A broker non-vote will not affect the outcome on any proposal in the Proxy Statement.

Q: What is the required vote for a proposal to pass?

A: For the proposals in this Proxy Statement, the required vote is the affirmative (i.e. “FOR”) vote of a majority of the votes cast. The votes cast on a particular proposal includes votes FOR, AGAINST, WITHHELD, and ABSTAINED, but does not include broker non-votes.

Q: Who is soliciting my vote?

A: This proxy solicitation is being made and paid for by Novell, Inc. In addition to this solicitation by mail, proxies may be solicited by our directors, officers and other employees by telephone, Internet, or fax, in person or otherwise. Such person will not receive any additional compensation for assisting in the solicitation. We will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners. We will reimburse such persons and the Company’s transfer agent for their reasonable out-of-pocket expenses in forwarding such material. We have also retained the services of Corporate Investor Communications, Inc. (CIC) to perform the broker nominee search and to distribute proxy materials to banks, brokers, nominees and intermediaries. CIC will also solicit voted proxies from shareholders for the Annual Meeting. We will pay approximately \$6,000, plus out-of-pocket expenses, for these services.

**SHARE OWNERSHIP BY
PRINCIPAL SHAREHOLDERS AND MANAGEMENT**

This table shows how much Company Common Stock is beneficially owned by directors and certain executive officers, as of January 31, 2000. The Company is not aware of any person that beneficially owns more than 5% of the outstanding shares.

AMOUNT AND NATURE OF SHARES BENEFICIALLY OWNED

<u>Name</u>	<u>Number of Outstanding Shares Owned(1)</u>	<u>Right to Acquire(2)</u>	<u>Restricted Stock(3)</u>	<u>Total Shares Beneficially Owned</u>	<u>Percent of Outstanding Shares</u>
Eric E. Schmidt	421,240	1,775,000	405,000	2,601,240	*
John A. Young	10,000	150,750	—	160,750	*
Elaine R. Bond	5,000	132,000	—	137,000	*
Hans-Werner Hector	99,500	7,500	—	107,000	*
Reed E. Hundt	9,500	22,500	—	32,000	*
William N. Joy	20,000	22,500	—	42,250	*
Jack L. Messman	240,000	100,000	—	340,000	*
Richard L. Nolan	10,000	12,500	—	22,500	*
Larry W. Sonsini(4)	14,321	100,000	—	114,321	*
Dennis R. Raney	4,520	193,750	—	198,270	*
Ronald E. Heinz, Jr.	5,993	135,390	—	141,383	*
Stewart G. Nelson	—	354,062	—	354,062	*
Richard A. Nortz	16,476	241,250	—	257,726	*
John F. Slitz, Jr.(5)	—	—	—	—	*
Christopher M. Stone(5)	—	—	—	—	*
All current directors and executive officers as a group (13 persons)	856,550	3,247,202	405,000	4,508,752	1.36

* less than one percent

(1) Includes shares for which the named person:

- has sole voting and investment power, or
- has shared voting and investment power with his or her spouse, unless otherwise indicated in the footnotes.

Excludes shares that:

- may be acquired through stock option exercises, or
- are restricted stock holdings.

(2) Shares that can be acquired through stock option exercises through March 31, 2000. These shares cannot be voted unless the option is actually exercised.

(3) These shares can be voted, but are subject to a vesting schedule, forfeiture risk and other restrictions.

(4) Includes 7,721 shares held by WS Investments of which Mr. Sonsini is a general partner. Mr. Sonsini disclaims beneficial ownership of all such shares except with respect to those shares in which he has a pecuniary interest.

(5) Former executive officer.

PROPOSAL ONE
ELECTION OF DIRECTORS

A Board of nine directors is to be elected at the Annual Meeting. Directors elected at the Annual Meeting will hold office until the next annual meeting of shareholders, and until their successors are elected and qualified, except in the event of their earlier death, resignation or removal. All of the nominees have indicated that they are able and willing to serve if elected. If any nominee should become unavailable prior to the election, the Board of Directors may recommend another person and Dr. Schmidt and Mr. Raney, as your representative, will vote for such person.

Biographies of the Board of Directors

Eric E. Schmidt

Director since 1997

Dr. Schmidt, age 44, has been Chairman of the Board and Chief Executive Officer of the Company since April 7, 1997. From 1983 until March 1997, Dr. Schmidt held various positions at Sun Microsystems, Inc., a supplier of network computing solutions. These positions included Chief Technology Officer from February 1994 to March 1997 and President of Sun Technology Enterprises from February 1991 until February 1994. Dr. Schmidt is also a director of Siebel Systems, Inc.

John A. Young

Director since 1995

Mr. Young, age 67, has been Vice Chairman of the Board of the Company since April 1997. Mr. Young was acting Chairman of the Novell Board of Directors from August 1996 until April 1997. Mr. Young retired in 1992 from his position as Chief Executive Officer of Hewlett-Packard Company, an international computation and measurement company, a position he held for fifteen years. He has had a long association with competitiveness issues, having chaired President Reagan's Commission on Industrial Competitiveness and founded the Council on Competitiveness in 1986. Mr. Young is also a director of Affymetrix, Chevron Corp., Lucent Technology, SmithKline Beecham plc and Wells Fargo & Co., and is a member of The Business Council.

Elaine R. Bond

Director since 1993

Ms. Bond, age 64, retired in December 1994 as a Chase Fellow and Senior Consultant for Chase Manhattan Bank, a New York based Money Center Bank, a position held since December 1991. Ms. Bond also served as Senior Vice President of Systems from 1982 to 1991.

Hans-Werner Hector

Director since 1995

Mr. Hector, age 60, is a co-founder of SAP AG, Germany, an international provider of general purpose software. Mr. Hector was a member of the Advisory Board of SAP AG from June 1995 until December 1996. Mr. Hector also served as Chief Executive Officer, President and Vice Chairman for SAP America, Inc., a wholly owned subsidiary of SAP AG, from February 1992 to January 1995. Mr. Hector was also a Member of the Board of Directors of SAP AG from 1972 to June 1995. Mr. Hector is also a director of CAMELOT IS2 International.

Reed E. Hundt

Director since 1998

Mr. Hundt, age 51, has served as senior advisor to McKinsey & Co., a consulting company, since November 1998. Mr. Hundt has also been a principal at Charles Ross Partners, LLC, a firm providing consulting and investment advise on telecommunications, since November 1997. From November 1993 to November 1997, Mr. Hundt was chairman of the Federal Communications Commission. Mr. Hundt is also a director of Allegiance Telcom, Inc., NorthPoint Communications, Inc. and Phone.com, Inc.

William N. Joy

Director since 1998

Mr. Joy, age 45, is a cofounder of Sun Microsystems, Inc., a supplier of network computing solutions. From 1982, Mr. Joy has held various positions at Sun Microsystems, including Chief Scientist from December 1998 to the present and Vice President Research from 1982 to December 1998. Mr. Joy is also a director of Sun Microsystems, Inc.

Jack L. Messman

Director since 1985

Mr. Messman, age 59, is Chief Executive Officer and Chairman of the Board of Cambridge Technology Partners, Inc., a management consulting and e-business systems integration company, since August 1999. Mr. Messman served as Chairman of the Board and Chief Executive Officer of Union Pacific Resources Group, Inc., an oil and gas company, from October 1996 until August 1999. Mr. Messman previously served as President and Chief Executive Officer of Union Pacific Resources Group, Inc. from October 1995 to October 1996. From March 1991 to October 1995, Mr. Messman served as President and Chief Executive Officer of Union Pacific Resources Company. Mr. Messman is also a director of Cambridge Technology Partners, Inc., Tandy Corporation, Safeguard Scientific, Inc. and U.S. Data, Inc.

Richard L. Nolan

Director since 1998

Mr. Nolan, age 59, has served as William Barclay Harding Professor of Management of Technology, Harvard Business School, an institution of higher education, since September 1991. Mr. Nolan served as Chairman and Chief Executive Officer of Nolan, Norton and Company, an information technology management consulting company, from 1977 until 1987 when the company was acquired by KPMG. Mr. Nolan then served as Chairman of Nolan, Norton and Company and Partner of KPMG from 1987 to 1991. Mr. Nolan is also a director of Great Atlantic and Tea Company, Zefer Corp. and Surebridge, Inc.

Larry W. Sonsini

Director since 1988

Mr. Sonsini, age 59, has been a Member and Chairman of the Executive Committee of Wilson Sonsini Goodrich & Rosati, Professional Corporation, a law firm, for more than the last five years. Mr. Sonsini is also a director of Brocade, Inc., Echelon Corporation, Lattice Semiconductor Corporation, Pixar, Inc. and Tibco Software.

Meetings and Committees of the Board of Directors

The Board of Directors held six meetings during the last fiscal year ended October 31, 1999. During the last fiscal year, all current directors attended at least 75 percent of the meetings of the Board and applicable committee meetings except Director Sonsini who only attended 67 percent of the meetings. The Corporate Governance Committee generally performs the functions of a nominating committee; however, during the last fiscal year, the full Board of Directors performed such functions.

<u>Name of Committee and Members</u>	<u>Functions of the Committee</u>	<u>Number of Meetings in Fiscal 1999</u>
AUDIT Elaine R. Bond Hans-Werner Hector Jack L. Messman(1)	Recommends selection of independent auditors to the Board Reviews internal accounting controls Confers with independent auditors and internal accounting personnel regarding scope of auditors' examinations	5
COMPENSATION Reed E. Hundt William N. Joy Richard L. Nolan John A. Young(1)	Reviews performance of CEO and other executive officers Determines total compensation package for CEO and other executive officers Administrator of the Company's Variable Pay Plans Administrator of the Company's employee stock plans	5
CORPORATE GOVERNANCE Reed E. Hundt(1) Jack L. Messman Richard L. Nolan John A. Young	Identifies nominees and establishes qualifications for Board membership Receives and reviews shareholder suggestions for nominees for Board membership(3) Reviews procedures for CEO succession and director retirement Establishes general guidelines for the operation of the Board	0(2)

(1) Chairperson

(2) Full Board of Directors served the function of a corporate governance/nominating committee in fiscal 1999.

(3) Any suggestion for a nominee should be submitted to the Secretary of the Company at the Company's principal executive offices. Such potential nominees will be reviewed by the Corporate Governance Committee in accordance with its established procedures.

Vote Required and Board Recommendation

The nine nominees for director receiving the highest number of affirmative votes shall be elected as directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum for the transaction of business, but have no other legal effect under Delaware law. Shareholders do not have the right to cumulate their votes in the election of directors.

The Board of Directors recommends that shareholders vote FOR the slate of nominees set forth above.

PROPOSAL TWO
APPROVAL OF THE NOVELL, INC. 2000 STOCK PLAN

Novell grants stock options world wide to all employees at their time of hire, for promotions to certain levels of management and has an annual grant to reward excellent performance. The Company has also granted options to directors and some consultants. Over 98 percent of all options granted under the current plan are nonqualified stock options, granted at fair market value at time of grant. The current plan, the Novell, Inc. 1991 Stock Plan, approved by shareholders, will expire in October 2001, at which time no additional options will be allowed to be granted under the plan. The Company is presenting this new Novell, Inc. 2000 Stock Plan for your approval so they can continue to offer stock options to all employees worldwide, directors and consultants.

Adoption of the 2000 Stock Plan

On November 15, 1999, the Board of Directors adopted the Novell, Inc. 2000 Stock Plan (the "Plan") and reserved 16,000,000 shares of common stock for issuance thereunder subject to shareholder approval. As of January 31, 2000, no options or rights to purchase stock had been granted pursuant to the Plan. At the annual meeting, the shareholders are being asked to approve the Plan and the reserve of shares under the Plan.

Summary of the 2000 Plan

General. The purpose of the Plan is to attract and retain the best available personnel, to provide additional incentive to the employees, directors and consultants of the Company and to promote the success of the Company's business. Options, stock purchase rights and common stock equivalents collectively referred to as "awards" may be granted under the Plan. Options granted under the Plan may be either "incentive stock options," as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or nonstatutory stock options.

Share Reserve. A total of 16,000,000 shares of common stock are authorized for issuance under the Plan, subject to certain adjustments. Options that are cancelled or forfeited will be added back to the Plan and will be available for future issuance under the Plan. In addition, shares issued that are later forfeited to the company under the terms and conditions of an awards will also be available for reissuance. Subject to certain adjustments, no more than 10,000,000 shares of common stock may be issued upon the exercise of incentive stock options.

Administration. The Plan may generally be administered by the Board or the Committee appointed by the Board (as applicable, the "Administrator").

Eligibility. Nonstatutory stock options and stock purchase rights may be granted under the Plan to employees, directors and consultants of the Company and any parent or subsidiary of the Company. Incentive stock options may be granted only to employees. Common stock equivalents may only be granted to non-employee directors. The Administrator, in its discretion, selects the employees, directors and consultants to whom options and stock purchase rights may be granted, the time or times at which such options and stock purchase rights shall be granted, and the number of shares subject to each grant. Non-employee directors may elect to have a portion of his or her annual retainer fee applied to the award of common stock equivalents. As of January 31, 2000, approximately 5,300 employees, 8 directors and one consultant were eligible to receive options and stock purchase rights and 8 directors were eligible to receive common stock equivalents, under the Plan.

Limitations. Section 162(m) of the Code places limits on the deductibility for federal income tax purposes of compensation paid to certain executive officers of the Company. In order to preserve the Company's ability to deduct the compensation income associated with options granted to such persons, the Plan provides that no employee, director or consultant may be granted, in any fiscal year of the Company, options to purchase more than 1,500,000 shares of common stock. Notwithstanding this limit, however, in connection with such individual's initial employment with the Company, he or she may be granted options to purchase up to an additional 1,500,000 shares of common stock.

Terms and Conditions of Options. Each option is evidenced by a stock option agreement between the Company and the optionee, and is subject to the following additional terms and conditions:

- *Exercise Price.* The Administrator determines the exercise price of options at the time the options are granted. The exercise price of an option may not be less than 100% of the fair market value of the common stock on the date such option is granted. The fair market value of the common stock is generally determined with reference to the closing sale price for the common stock (or the closing bid, if no sales were reported) on the last market trading day prior to the date the option is granted.
- *Exercise of Option; Form of Consideration.* The Administrator determines when options become exercisable, and may in its discretion, accelerate the vesting of any outstanding option. Stock options granted under the Plan generally vest and become exercisable over four years. The means of payment for shares issued upon exercise of an option is specified in each option agreement. The Plan permits payment to be made by cash, check, promissory note, other shares of common stock of the Company (with some restrictions), cashless exercises, a reduction in the amount of any Company liability to the optionee, any other form of consideration permitted by applicable law, or any combination of these forms of consideration.
- *Term of Option.* The term of an incentive stock option may be no more than ten (10) years from the date of grant; provided that in the case of an incentive stock option granted to a 10% shareholder, the term of the option may be no more than five (5) years from the date of grant. No option may be exercised after the expiration of its term.
- *Termination of Employment.* If an optionee's employment, directorship or consulting relationship terminates for any reason (other than death, disability or retirement), then all options held by the optionee under the Plan expire on the earlier of (i) the date set forth in his or her stock option agreement or (ii) the expiration date of such option. To the extent the option is exercisable at the time of such termination, the optionee may exercise all or part of his or her option at any time before termination.
- *Disability.* If an optionee's employment, directorship or consulting relationship terminates as a result of the optionee's disability, then the optionee's options will generally be exercisable for a period of twelve months following such termination, however, no later than the option's expiration date.
- *Death.* In the event of an optionee's termination of employment, directorship or consulting relationship by reason of the optionee's death, the optionee's options granted under the Plan will automatically accelerate and become immediately vested and exercisable with respect to the number of shares that would have become vested and exercisable over the next twelve months as though the optionee had continued in the service of the Company. The options may be exercised by the optionee's estate or person who acquires the right to exercise the options by bequest or the laws of inheritance generally for a period of 12 months following the optionee's death, however, no later than the expiration date of such options
- *Retirement.* In the event of an optionee's termination of employment, directorship or consulting relationship by reason of the optionee's retirement, the optionee's options granted under the Plan will automatically accelerate and become immediately vested and exercisable with respect to the number of shares that would have become vested and exercisable over the next twelve months as though the optionee had continued in the service of the Company. The options may be exercised by the optionee generally for a period of 24 months following the optionee's retirement, however, no later than the expiration date of such options. For purpose of the Plan, "retirement" generally means a service provider who terminates employment with the Company at an age of 65 or older.
- *Transferability of Awards:* Unless determined otherwise by the administrator, awards granted under the Plan are not transferable other than by will or the laws of descent and distribution, and may be exercised during the optionee's lifetime only by the optionee.

- *Other Provisions:* The stock option agreement may contain other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator.

Stock Purchase Rights (SPRs). In the case of SPRs, unless the Administrator determines otherwise, the restricted stock purchase agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's service with the Company for any reason (including disability, death or retirement). The purchase price for shares repurchased pursuant to the restricted stock purchase agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at a rate determined by the Administrator.

Common Stock Equivalents. The Plan allows nonemployee directors to elect by March 1st of each year to have up to 100 percent of their annual retainer fee for the following year converted into an award of common stock equivalents. A common stock equivalent provides the director an unfunded, unsecured right to receive shares of common stock in the future. Common stock equivalents will be awarded after the director's election on the date of the annual stockholders meeting at which the director is elected. The number of shares subject to the award will be based on the fair market value of the common stock on the date of the annual meeting. Subject to stockholder approval of this Proposal, nonemployee directors may elect no later than April 10, 2000 to have up to 100 percent of the unearned portion of their retainer fee for the year applied to the award of common stock equivalents.

Common stock equivalents will be credited to a bookkeeping account in the name of the director. Although the director will not have stockholder or voting rights with respect to the common stock equivalents in his or her account, the director's account will be credited in the event the Company pays a cash dividend on shares of Common Stock while the common stock equivalents are outstanding. In addition, the Company will pay the director on the dividend payment date an amount of cash equal to any fractional common stock equivalents.

Common stock equivalents will be converted into shares of common stock generally upon the earlier of the termination of the individual's service as a director or on a date specified by the director at the time he or she makes the election to receive the award of common stock equivalents

Adjustments Upon Changes in Capitalization. In the event that the stock of the Company changes by reason of any stock split, reverse stock split, stock dividend, combination, reclassification or other similar change in the capital structure of the Company effected without the receipt of consideration, appropriate adjustments shall be made in the number and class of shares of stock subject to the Plan. The appropriate adjustments will also be made to the number and class of shares of stock subject to any option or stock purchase right outstanding under the Plan, and the exercise price of any such outstanding option or stock purchase right. In addition the appropriate adjustments will also be made to any current outstanding common stock equivalents in all director's accounts.

In the event of a liquidation or dissolution of the Company, outstanding awards under the Plan may terminate to the extent they have not been previously exercised or converted. The Administrator may, however, provide that outstanding options may become fully exercisable, even for shares that would not otherwise be exercisable. Any Company repurchase option applicable to shares purchased upon exercise of an option or stock purchase right will terminate and that common stock equivalents credited to a director's account be converted into shares of common stock.

In connection with any merger, consolidation, acquisition of assets or like occurrence involving the Company, each outstanding award will be assumed or an equivalent option or right substituted by the successor corporation. If the successor corporation refuses to assume or substitute substantially equivalent awards the optionee shall have the right to exercise the option or stock purchase right as to all the optioned stock, including shares not otherwise exercisable and common stock equivalents will automatically convert to shares of common stock.

Amendment and Termination of the Plan. The Board may amend, alter, suspend or terminate the Plan, or any part thereof, at any time and for any reason. However, certain amendments may require shareholder approval. No such action by the Board or shareholders may alter or impair any option, stock purchase right or common stock equivalent previously awarded under the Plan without the written consent of the optionee. Unless terminated earlier, the Plan shall terminate ten years from the date of its adoption by the Board of the Company, whichever is earlier.

New Plan Benefits

As of January 31, 2000, no awards have been granted under the Plan. Future awards are not determinable.

Federal Income Tax Consequences

Incentive Stock Options. An optionee who is granted an incentive stock option does not recognize taxable income at the time the option is granted or upon its exercise, although the exercise may subject the optionee to the alternative minimum tax. Upon a disposition of the shares more than two years after grant of the option and one year after exercise of the option, any gain or loss is treated as long-term capital gain or loss. Net capital gains on shares held more than 12 months are currently taxed at a maximum federal rate of 20 percent. Capital losses are allowed in full against capital gains and up to \$3,000 against other income. If these holding periods are not satisfied, the optionee recognizes ordinary income at the time of disposition. The ordinary income is equal to the difference between the exercise price and the lower of (i) the fair market value of the shares at the date of the option exercise or (ii) the sale price of the shares. Any gain or loss recognized on such a premature disposition of the shares in excess of the amount treated as ordinary income is treated as long-term or short-term capital gain or loss, depending on the holding period. The Company is entitled to a deduction in the same amount as the ordinary income recognized by the optionee.

Nonstatutory Stock Options. An optionee does not recognize any taxable income at the time he or she is granted a nonstatutory stock option. Upon exercise, the optionee recognizes taxable income generally measured by the excess of the then fair market value of the shares over the exercise price. Any taxable income recognized in connection with an option exercise by an employee of the Company is subject to tax withholding by the Company. The Company is entitled to a deduction in the same amount as the ordinary income recognized by the optionee. Upon a disposition of such shares by the optionee, any difference between the sale price and the optionee's exercise price, to the extent not recognized as taxable income as provided above, is treated as long-term or short-term capital gain or loss, depending on the holding period. Net capital gains on shares held more than 12 months are currently taxed at a maximum federal rate of 20 percent. Capital losses are allowed in full against capital gains and up to \$3,000 against other income.

Stock Purchase Rights. Stock purchase rights will generally be taxed in the same manner as nonstatutory stock options. However, restricted stock is generally purchased upon the exercise of a stock purchase right. At the time of purchase, restricted stock is subject to a "substantial risk of forfeiture" within the meaning of Section 83 of the Code. As a result, the purchaser will not recognize ordinary income at the time of purchase. Instead, the purchaser will recognize ordinary income on the dates when a stock ceases to be subject to a substantial risk of forfeiture. The stock will generally cease to be subject to a substantial risk of forfeiture when it is no longer subject to the Company's right to repurchase the stock upon the purchaser's termination of employment with the Company. At such times, the purchaser will recognize ordinary income measured as the difference between the purchase price and the fair market value of the stock on the date the stock is no longer subject to a substantial risk of forfeiture. The purchaser may accelerate to the date of purchase his or her recognition of ordinary income, if any, and the beginning of any capital gain holding period by timely filing an election pursuant to Section 83(b) of the Code. In such event, the ordinary income recognized, if any, is measured as the difference between the purchase price and the fair market value of the stock on the date of purchase, and the capital gain holding period commences on such date. The ordinary income recognized by a purchaser who is an employee will be subject to tax withholding by the Company.

Common Stock Equivalents. A director who is awarded common stock equivalents in accordance with the terms of the Plan will generally not recognize any taxable income at the time he or she is granted the award. When the Company distributes the shares to the director, the director will recognize taxable income in an amount equal to then fair market value of the shares. The Company will receive a corresponding tax deduction.

The foregoing is only a summary of the effect of federal income taxation upon optionees, holders of stock purchase rights, and directors who receive common stock equivalents and the Company with respect to the grant and exercise of options, stock purchase rights and common stock equivalents under the Plan. It does not purport to be complete, and does not discuss the tax consequences of the employee's, director's or consultant's death or the provisions of the income tax laws of any municipality, state or foreign country in which the employee, director or consultant may reside.

Vote Required and Board Recommendation

At the Annual Meeting, the shareholders are being asked to approve the adoption of the Novell, Inc. 2000 Stock Plan. The affirmative vote of a majority of the shares present in person or by proxy and entitled to vote on the Plan at the Annual Meeting will be required to approve the adoption of the 2000 Stock Plan.

The Board of Directors recommends that shareholders vote "FOR" the approval of the Company's 2000 Stock Plan.

PROPOSAL THREE RATIFICATION OF ACCOUNTANTS

The Audit Committee, composed entirely of non-employee directors, recommended to the Board of Directors that Ernst & Young LLP ("Ernst & Young") be appointed as independent auditors. As our independent auditors, Ernst & Young would audit our consolidated financial statements for fiscal 2000 and perform audit-related services and consultation in connection with various accounting and financial reporting matters. Ernst & Young also performs certain non-audit services for the Company.

The Board approved the selection of Ernst & Young as independent auditors for fiscal 2000 and is asking the shareholders for ratification of their selection. The affirmative vote of a majority of the votes cast is required for ratification. If the shareholders do not approve the selection of Ernst & Young, the Audit Committee and the Board will reconsider the appointment.

Ernst & Young or its predecessors have audited the consolidated financial statements of the Company since 1987.

Ernst & Young will have a representative present at the Annual Meeting who will be available to respond to appropriate questions. The representative will also have the opportunity to make a statement if he or she desires to do so.

The Board of Directors recommends a vote "FOR" the ratification of the selection of Ernst & Young LLP as independent auditors.

EXECUTIVE COMPENSATION

Summary Compensation Table

The table below shows, for the last three fiscal years, compensation paid to the Company's Chief Executive Officer and the four most highly compensated executive officers during fiscal 1999 (based on salary and bonus) serving at fiscal year end. The table also lists two former executive officers who would have been included had they still been executive officers of the Company at fiscal 1999 year end. We refer to all of these officers and the former officers as the "Named Officers."

Name and Principal Position	Year	Annual Compensation(1)			Long-Term Compensation Awards		All Other Compensation (\$)(6)
		Salary (\$)	Bonus (\$)(2)	Other Annual Compensation (\$)(3)	Restricted Stock Awards (\$)(4)	Securities Underlying Options #(5)	
Eric E. Schmidt (7)	1999	\$602,308	\$600,540	—	—	500,000	\$ 26,226
Chairman of the Board and	1998	\$602,308	\$619,420	—	—	—	\$ 10,425
Chief Executive Officer	1997	\$354,347	\$374,794	—	\$7,697,250	2,750,000	\$ 6,400
Dennis R. Raney (8)	1999	\$401,539	\$257,819	—	—	250,000	\$ 5,190
Senior Vice President	1998	\$150,431	\$170,500	—	—	300,000	\$ 2,984
Chief Financial Officer							
Ronald E. Heinz, Jr. (9)	1999	\$376,443	\$215,319	—	—	300,000	\$ 16,944
Senior Vice President	1998	\$351,345	\$213,051	—	—	200,000	\$ 8,910
Worldwide Sales	1997	\$299,747	\$133,870	—	—	476,160	\$ 13,500
Stewart G. Nelson (10)	1999	\$351,345	\$212,543	—	—	350,000	\$ 4,838
Senior Vice President	1998	\$230,791	\$305,687	—	—	400,000	\$ 6,400
Product Development							
Richard A. Nortz (11)	1999	\$326,250	\$201,930	—	—	275,000	\$ 15,282
Senior Vice President	1998	\$301,153	\$192,240	—	—	200,000	\$ 19,057
Customer Service	1997	\$266,834	\$103,275	—	—	344,000	\$ 10,940
John F. Slitz, Jr. (12)	1999	\$345,229	\$155,815	—	—	175,000	\$556,050
Former Senior Vice President	1998	\$333,570	\$254,464	—	—	300,000	\$ 8,809
Marketing	1997	\$ 66,718	\$ 90,625	—	\$ 681,563	500,000	—
Christopher M. Stone (13)	1999	\$386,819	\$164,810	—	—	175,000	\$ 6,400
Former Senior Vice President	1998	\$332,943	\$278,204	—	—	300,000	\$ 6,400
Strategy and Corporate	1997	\$ 54,375	\$115,625	—	—	500,000	—
Development							

- (1) Compensation deferred at the election of the executive, pursuant to the Novell, Inc. Retirement and Savings Plan and the Deferred Compensation Plan, is included in the year earned.
- (2) Cash bonuses for services rendered in fiscal years 1999, 1998 and 1997 have been listed in the year earned. Bonuses were calculated based on the operating results of the Company and performance of the individuals. Bonuses earned in 1999, 1998 and 1997 were paid quarterly with fiscal fourth quarter bonuses paid in the following fiscal year. Dr. Schmidt's bonus for fiscal 1999 and 1998 was earned based on Company performance and his individual performance. Dr. Schmidt's bonus for 1997 was calculated on a preset formula based on the terms of his employment contract. See "Report of the Compensation Committee of the Board of Directors on Executive Compensation." Mr. Stone also received a sign-on bonus of \$150,000; half was paid in fiscal 1997 and the remaining half in fiscal 1998. Mr. Slitz also received a sign-on bonus of \$100,000; half was paid in fiscal 1997 and the remaining half in fiscal 1998. Mr. Nelson also participated in a retention program prior to becoming an executive officer, \$117,500 from the program was paid in fiscal 1998.
- (3) No Named Officer received perquisites in an amount greater than the lesser of (i) \$50,000 or (ii) 10 percent of such Named Officer's total salary plus bonus.
- (4) Restricted stock awards are valued at the Company's closing price on the date of grant less the purchase price. Officers have the right to vote the shares and to receive cash dividends, if any. The dividends have the same vesting restrictions as the shares.

- On March 18, 1997, Dr. Schmidt received a restricted stock award of 900,000 shares at a price of \$0.01 per share. The shares vest 30%, 25%, 20%, 15% and 10% on grant anniversary in 1998, 1999, 2000, 2001 and 2002, respectively.
- On August 19, 1997, Mr. Slitz received a restricted stock award of 75,000 shares at a price of \$0.10 per share. The shares vest 40%, 30% and 30% on grant anniversary in 1998, 1999, and 2000, respectively. The vesting of the last 30% was accelerated at his termination date, based on the terms of his separation agreement.

As of 1999 fiscal year end, Dr. Schmidt had 405,000 unvested restricted shares with a value of \$8,125,312. All of Mr. Slitz's shares were vested as of fiscal year end 1999.

- (5) Information for fiscal 1997 includes shares subject to options granted in connection with the July 1997 option exchange program for Mr. Heinz and Mr. Nortz.
- (6) The stated amounts for all Named Officers except Mr. Slitz are Company matching contributions to the Novell, Inc. Retirement and Savings Plan and the Deferred Compensation Plan. Mr. Slitz's amount for fiscal 1999 includes (i) a payment of \$540,000 based on the terms of his separation agreement and (ii) \$16,050 of Company matching contributions.
- (7) Dr. Schmidt joined the Company in March 1997.
- (8) Mr. Raney became an executive officer in April 1998.
- (9) Mr. Heinz became an executive officer in January 1997.
- (10) Mr. Nelson became an executive officer in October 1997.
- (11) Mr. Nortz became an executive officer in February 1997.
- (12) Mr. Slitz joined the Company in August 1997 and resigned in August 1999.
- (13) Mr. Stone joined the Company in September 1997 and resigned in September 1999.

Director Compensation

Non-employee Directors of the Company receive the following compensation:

- Annual retainer
 - \$100,000 for vice chairperson
 - \$20,000 for other non-employee directors
 - Additional \$2,500 annual retainer for service as a committee chairperson
- Meeting fees
 - \$1,200 for each Board meeting attended
 - \$1,000 for each committee meeting attended
- Reimbursement for their expenses incurred in attending meetings
- Participation in the director option plan (described below)

The Company's Stock Option Plan for Non-Employee Directors allows for each non-employee Director who joins the Board to automatically receive options to purchase 30,000 shares vesting 25 percent annually over four years. In addition, each current non-employee Director, who has been on the Board for more than nine months, receives an annual grant of an option to purchase 15,000 shares vesting 50 percent annually over two years. All options are non-statutory options, have an exercise price equal to the fair market value on the date of grant and have a term of ten years. Upon a change in control, options granted under the Director Plan become exercisable in full by a non-employee Director if within one year of such change in control the non-employee Director ceases for any reason to be a member of the Board.

Upon forced retirement at age 70, options granted under the Director Plan become fully vested and the Director has one year in which to exercise.

Directors Bond, Hector, Messman, Sonsini and Young were each granted a 15,000-share option under the plan on April 12, 1999 having an exercise price of \$24.875 per share.

On October 31, 1999, fiscal 1999 year end, options to purchase 561,500 shares of the Company's Common Stock under the Director Plan were outstanding at a weighted average exercise price of \$18.85 per share.

In addition, under the Company's 1991 Stock Plan, all non-employee directors (Young, Bond, Hector, Hundt, Joy, Messman, Nolan and Sonsini) were granted options to purchase 50,000 shares on October 26, 1999. These options have an exercise price equal to the fair market value on date of grant of \$16.6875 per share and vest 25 percent on the first year anniversary date and thereafter 6.25 percent quarterly over three years. Options expire ten years from grant date.

Novell has a Directors' Charitable Award Program (the "Charitable Program") to acknowledge the service of directors to the Company and enhance indirectly the ability of the Company to attract and retain directors of the highest caliber. All members of the Board are eligible for the Charitable Program, subject to vesting requirements. The Charitable Program is funded by life insurance policies purchased by the Company, which provide for a \$1 million death benefit to participating directors. Upon the death of a participating director, the Company will donate \$1,000,000 (paid in ten equal annual installments) to non-profit organizations recommended by the director. Individual directors derive no financial benefit from the Charitable Program since all available insurance proceeds and tax deductions accrue solely to the Company. The aggregate cost to the Company of the life insurance premiums paid during fiscal 1999 to fund the Charitable Program was \$156,000.

Stock Options Grants in Fiscal Year 1999

This table shows stock option grants during fiscal 1999 to the Named Officers. No stock appreciation rights have been granted by the Company to the Named Officers.

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1)	
	Number of Securities Underlying Options Granted (#) (2)	% of Total Options Granted to Employees in Fiscal Year (3)	Exercise Price (\$/Sh)	Expiration Date	5% (\$)	10% (\$)
Eric E. Schmidt	500,000	2.3	\$24.0625	3/17/09	\$7,566,388	\$19,174,714
Dennis R. Raney	250,000	1.2	\$24.0625	3/17/09	\$3,783,194	\$ 9,587,357
Ronald E. Heinz, Jr.	200,000	0.9	\$24.0625	3/17/09	\$3,026,555	\$ 7,669,886
	100,000	0.5	\$22.1875	9/20/09	\$1,395,360	\$ 3,536,116
Stewart G. Nelson	250,000	1.2	\$24.0625	3/17/09	\$3,783,194	\$ 9,587,357
	100,000	0.5	\$22.1875	9/20/09	\$1,395,360	\$ 3,536,116
Richard A. Nortz	175,000	0.8	\$24.0625	3/17/09	\$2,648,236	\$ 6,711,150
	100,000	0.5	\$22.1875	9/20/09	\$1,395,360	\$ 3,536,116
John F. Slitz, Jr. (4)	175,000	0.8	\$24.0625	3/17/09	\$2,648,236	\$ 6,711,150
Christopher M. Stone (4)	175,000	0.8	\$24.0625	3/17/09	\$2,648,236	\$ 6,711,150

(1) Potential realizable value assumes the stock price will appreciate at the annual rates shown. These rates are compounded annually from the date of grant until the end of the 10-year term of the option. The potential realizable value is:

- the potential stock price per share at the end of the term based on the 5 percent and 10 percent assumed rates
- less the exercise price per share
- times the number of shares subject to the option

These numbers are calculated based on the requirements of the Securities and Exchange Commission and do not reflect the Company's estimate of future stock price growth.

(2) A committee of the Board of Directors administrators the Novell option plans. The committee determines the eligibility of employees, directors and consultants, the number of shares to be subject to the options granted and the terms of such grants. All options shown in the table have exercise prices equal to the fair market value on date of grant, vest over four years and have a term of ten years. In the event of a change in control, except as otherwise determined by the Board prior to the occurrence of such change in control, all options shall be fully exercisable and vested and shall be terminated in exchange for a net cash payment. In the event of a merger of the Company or the sale of substantially all of the assets of the Company that does not constitute a change in control, the acquiring company shall assume the unvested options.

The Board of Directors can accelerate unvested options if the acquiring company does not assume the options. The plans provide for various methods of exercise. The Company currently allows for cash, cashier's check or cashless exercise.

(3) Options to purchase a total of 21,649,874 shares were granted to employees and directors in fiscal 1999.

(4) Former executive officer.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

This table shows information regarding stock option exercises during fiscal 1999 and the number and value of options held at 1999 fiscal year end by the Named Officers.

Name	Shares Acquired on Exercise (#)	Value Realized (\$) (2)	Number of Securities Underlying Unexercised Options at Fiscal Year End (#)		Value of Unexercised In-the-Money Options at Fiscal Year End (1) (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Eric E. Schmidt	—	—	1,420,833	1,829,167	\$16,339,579	\$15,285,420
Dennis R. Raney	—	—	93,750	456,250	\$ 902,343	\$ 1,985,156
Ronald E. Heinz, Jr.	143,500	2,081,638	21,140	584,750	\$ 230,486	\$ 3,081,009
Stewart G. Nelson	136,320	1,923,624	234,500	632,500	\$ 2,733,773	\$ 3,059,414
Richard A. Nortz	145,000	2,530,852	139,500	534,500	\$ 1,524,031	\$ 2,784,750
John F. Slitz, Jr. (3)	387,300	5,794,069	262,387	—	\$ 778,875	—
Christopher M. Stone(3)	320,000	3,094,747	30,000	—	\$ 39,375	—

(1) Value of unexercised in-the-money options is

- the fair market value of the Company's Common Stock at fiscal 1999 year end (\$20.0625 per share)
- less the option exercise price per share of in-the-money options
- times the number of shares subject to the options.

(2) Value realized upon exercise is:

- the fair market value of the Company's Common Stock on the date of exercise
- less the option exercise price per share
- times the number of shares exercised.

(3) Former Executive Officer.

Employment Contract, Termination of Employment and Change-in-Control Arrangements

On March 18, 1997, the Company entered into an employment contract with Dr. Eric E. Schmidt whereby Dr. Schmidt agreed to become Chief Executive Officer and Chairman of the Board of Novell on April 7, 1997. During the interim period from March 18, 1997 until April 7, 1997, Dr. Schmidt agreed to work as an employee of Novell on a part-time basis.

Pursuant to the employment contract, Dr. Schmidt's annual base salary was set at \$600,000 and he received a guaranteed bonus payment on October 31, 1997, of \$374,796. Starting in fiscal 1998, Dr. Schmidt was to participate in the Incentive Bonus Plan, where, based upon the accomplishment of certain performance goals, Dr. Schmidt is eligible to earn a bonus of 100 percent of his base salary plus additional bonus compensation if such goals are exceeded.

Upon entering into the employment contract, Dr. Schmidt was granted, at fair market value, a non-qualified stock option to purchase 2,750,000 shares of Novell Common Stock at an exercise price of \$8.5625 per share. The options vested 20 percent on the first year anniversary and thereafter have continued vesting monthly at a rate of 1/48 per month over the next four years. The vesting is conditioned upon his continued employment or consulting relationship with Novell. Dr. Schmidt was also granted the right to purchase 900,000 shares of restricted stock at a purchase price of \$9,000. The shares vest annually, in accordance with the following schedule: 30 percent on the first anniversary, 25 percent on the second anniversary, 20 percent on the third anniversary, 15 percent on the fourth anniversary and 10 percent on the fifth anniversary of the grant date. The vesting is conditioned upon Dr. Schmidt's continued employment or consulting relationship with Novell as of the vesting dates. This restricted stock grant was provided by Novell due in part to Dr. Schmidt's forfeiture of in-the-money unvested stock options held by him at his prior employment.

If Novell terminates Dr. Schmidt without cause or if a constructive termination should occur, he shall be entitled to receive the following: (i) an amount equal to his annual base salary and target bonus at time of termination; (ii) an amount equal to the cost of employee benefits for one year; (iii) accelerated vesting of one year for all stock options; and (iv) waiving of repurchase rights on any remaining unvested restricted stock.

In the event of termination without cause due to a change in control or constructive termination within two months before or one year after a change in control, Dr. Schmidt will receive the following: (i) an amount equal to twice his annual base salary and target bonus at time of termination; (ii) an amount equal to the cost of employee benefits for 18 months; (iii) accelerated vesting of one year for all stock options; and (iv) waiving of repurchase rights on restricted stock as to vesting of the greater of (a) the number of shares that would have vested within one year after Dr. Schmidt's termination date, or (b) one-half of the number of shares not vested on his termination date.

In January 1998, all executive officers, including the Named Officers but excluding Dr. Schmidt and Mr. Raney, who were under employment contracts, signed a Senior Management Severance Plan (the "Severance Plan") agreement. Under the terms of the Severance Plan, their prior contract was terminated. Mr. Raney entered into a Severance Plan with the Company in June 1998 at his time of employment. The Severance Plan provides each participant, in the event of involuntary termination by the Company, benefits of (i) 150 percent of their base annual salary, (ii) payments to cover 18 months of employee benefits, (iii) accelerated vesting of the portion of their stock options, if any, that would have vested within one year, and (iv) waiving of repurchase rights as to the number of shares, if any, of Restricted Stock that would vest on the next anniversary of the Restricted Stock grant date.

In the event of a change in control, the Board may amend the Severance Plan but participants will not receive less benefits than stated above. "Change in control" is defined in the contract as: (i) the Company sells or otherwise disposes of all or substantially all of its assets, (ii) the Company merges or consolidates with another company where the shareholders of Novell immediately after the transaction do not hold at least 50 percent of the voting power of the surviving entity or (iii) any person or entity including any "person" as defined by Section 13(d)(3) of Securities Exchange Act, as amended, becomes the beneficial owner of Common Stock of Novell represented by 50 percent or more of the combined voting power (excluding any persons who are now officers of Novell).

Upon Mr. Slitz's termination in August 1999, he was paid benefits in accordance with the Senior Management Severance Plan. See Summary Compensation Table.

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION

Membership of the Committee

The Compensation Committee of the Board of Directors (the "Committee") is composed of four non-employee directors: Mr. Young (Chairman), Mr. Hundt, Mr. Joy and Mr. Nolan. No member of the Compensation Committee has a relationship that would constitute an interlocking relationship with executive officers or directors of another entity. From time to time, Dr. Schmidt, Chairman and Chief Executive Officer (the "CEO"), certain officers of the Company and outside consultants attend meetings of the Committee. No officer of the Company is present during discussions or deliberations regarding his or her own compensation.

Responsibilities of the Committee

Acting on behalf of the Board of Directors, the Committee's responsibilities include the following:

- Reviewing the performance of the CEO and other executive officers.
- Determining the total compensation package for the CEO and other executive officers.
- Reviewing the general Company compensation philosophy for all employees, including the CEO and other executive officers.
- Administering the Company's Variable Pay Plans by establishing Company performance objectives, approving target bonuses and actual bonus payments for the CEO and other executive officers.
- Administering the Company's employee stock option and stock purchase plans (the "Stock Plans"), including determining eligibility, the number and type of options to be granted and the terms of such grants.

Executive Officer Compensation Program

The Company's executive compensation program is designed to support the achievement of Company performance objectives, to ensure that executive officers' interests are aligned with the success of the Company and to provide compensation opportunities that will attract, retain and motivate superior executive personnel. Consistent with these objectives, the Committee believes that the compensation of executive officers should be significantly influenced by performance. Accordingly, 33% of the cash compensation of each executive officer and 50% of the cash compensation of the CEO is contingent upon Company performance and adjusted as appropriate for team and individual performance.

The Company's compensation program for executive officers is structured to be competitive within the high technology industry. The Company's Human Resources Department, working with independent outside consulting firms, has developed executive compensation data from nationally recognized surveys from a group of comparable companies selected on the basis of similarity in revenue level, industry segment and competitive employment market to the Company. Most of the companies included in this group for the 1999 executive compensation analysis are also included in the Nasdaq Computer and Data Processing Services index used to compare the Company's stock price performance on the Performance Graph on page 22.

The Company's executive level positions, including the CEO, are matched to comparable survey positions and competitive levels are determined for base salary and target bonus incentives. The target incentive is the amount that would be paid after each fiscal quarter if both the Company and the executive officer achieve the performance objectives established for that quarter. Factors considered in determining actual incentive bonus for each executive officer include Company, team and individual performance, and the scope of each executive officer's responsibilities. The relative weight given to such factors varies between executive officers, based upon their respective responsibilities and capacity to affect Company performance. Executive level positions were also eligible for an additional bonus plan, which was set up to incent executives for over-achievement of revenue goals on a quarterly basis.

Market practices with respect to stock option grants are also reviewed based on survey data. Grants under the Company's Stock Plans are designed to further strengthen the linkage between executive compensation and shareholder return, to provide additional incentives to executive officers tied to growth of stock price over time and encourage continued employment with the Company. Stock option grants are based upon industry survey data and individual executive performance. Stock options generally become exercisable over a four-year period and are granted at a price that is equal to the fair market value of the Company's stock on the date of grant. Restricted stock purchase grants, which allow an officer to purchase shares at a nominal cost, are generally subject to a two-year to five-year vesting schedule.

1999 Executive Officer Compensation

The Committee reviewed and approved the Novell Variable Pay Plans for fiscal 1999, to be used for all employees including the Named Officers. The Committee established the Company revenue and expense objectives and performance targets to be used for incentive determination.

In March 1999, stock options were reviewed in conjunction with the annual stock option grants and were based on survey data. All current Named Officers and the CEO, were granted a stock option. In addition, three named officers were granted stock option in September 1999, based on competitive market data. In August 1999, the Committee reviewed industry compensation survey data and current executive responsibility. The Committee felt that executive base salaries were generally in-line with the market and did not need merit increases, except for one Named Officer. However, bonus targets were increased for Named Officers from 50 percent to 60 percent of base salary for fiscal 2000. This change in target bonus further strengthens Novell's philosophy for increased pay at risk.

1999 CEO Compensation

The Committee also reviewed Dr. Schmidt's employment contract, which stated that his base salary is subject to a normal review for potential performance adjustments. After reviewing both the market data and his employment contract, the Committee did not increase Dr. Schmidt's base pay.

Qualifying Compensation

The Committee has considered the potential impact of Section 162(m) of the Internal Revenue Code ("Section 162(m)") adopted under the Federal Revenue Reconciliation Act of 1993. Section 162(m) disallows a tax deduction for any publicly held corporation for certain executive officers' compensation exceeding \$1 million per person in any taxable year unless it is "performance based" within the meaning of Section 162(m). Prior to fiscal 1998, the cash compensation plus restricted stock vesting of each of the Company's executive officers was below the \$1 million threshold and options granted under the Company's option plan were designed to meet the requirement of being performance-based under the provisions of Section 162(m). Therefore, Section 162(m) did not reduce the tax deduction available to the Company for fiscal 1997 or prior years. However, non-option compensation of the Chief Executive Officer exceeded \$1 million in fiscal 1998 and 1999 and is expected to exceed \$1 million in 2000. Accordingly, a portion of the CEO's compensation was not deductible by the Company. The Company's policy is, to the extent reasonable, to qualify its executive officers' compensation for deductibility under the applicable tax laws.

Respectfully submitted,

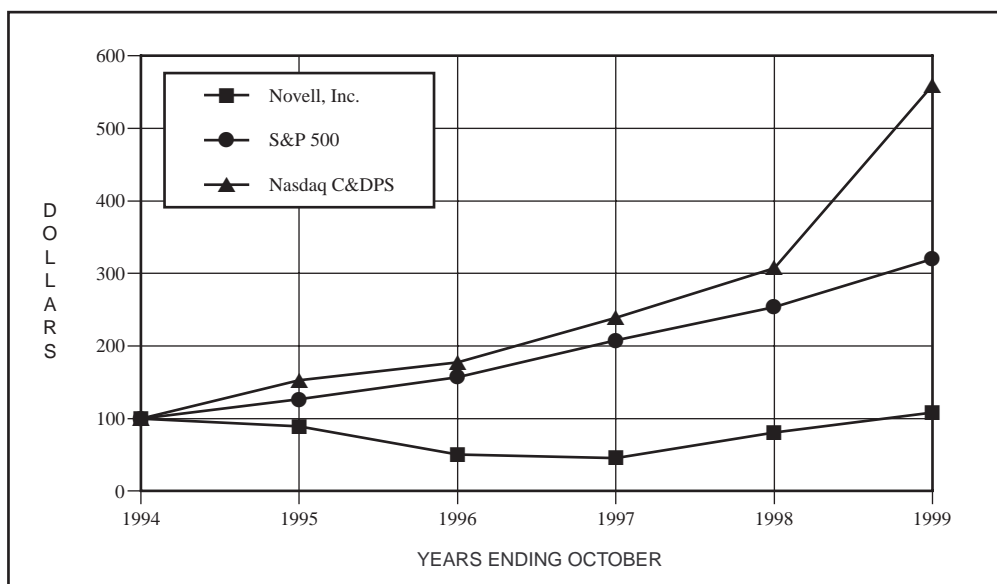
John A. Young, Chairman
Reed E. Hundt
William N. Joy
Richard L. Nolan

PERFORMANCE GRAPH

The following two graphs compare the performance of the Company's Common Stock with the performance of the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500 Index") and an industry index over the past five fiscal years and the past ten fiscal years starting from November 1, 1994 and November 1, 1989, respectively. The graphs assume that \$100 was invested on November 1, 1994 and November 1, 1989 in the Company's Common Stock, the S&P 500 Index and the industry index, and that all dividends were reinvested.

The Company's industry index is The Nasdaq Computer & Data Processing Services Index, which is composed of all Nasdaq companies with an SIC Code of # 737. A list of the companies included in this index will be furnished by the Company to any shareholder upon written request of the Corporate Secretary.

PERFORMANCE GRAPH
COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN
Among Novell, Inc., S&P 500 and Nasdaq C&DPS

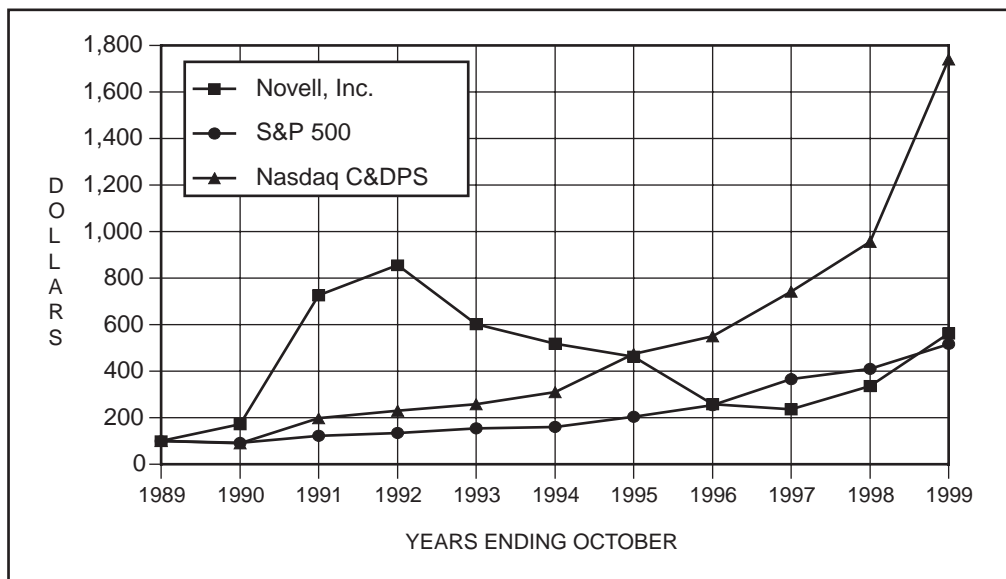


Company/Index Name	Base Period 1994	Indexed/Cumulative Returns				
		1995	1996	1997	1998	1999
Novell, Inc.	100	89.19	50.00	45.61	80.41	108.45
S&P 500 Index	100	126.63	157.08	207.94	253.86	320.19
Nasdaq Computer & Data Processing Services	100	152.62	176.99	238.80	307.47	559.53

Past five year average Compounded Annual Return

Novell, Inc.	-29.55%
S&P 500 Index	113.14%
Nasdaq Computer & Data Processing Services	187.28%

PERFORMANCE GRAPH
COMPARISON OF TEN-YEAR CUMULATIVE TOTAL RETURN
Among Novell, Inc., S&P 500 and Nasdaq C&DPS



Company/Index Name	Base Period 1989	Indexed/Cumulative Returns									
		Fiscal Year									
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Novell, Inc.	100	173.68	726.32	856.14	603.51	519.30	463.16	259.65	236.84	417.54	563.16
S&P 500 Index	100	92.28	123.43	135.64	155.50	161.69	204.76	253.99	366.23	410.49	517.73
Nasdaq C&DPS	100	90.53	198.18	231.19	258.34	311.02	474.68	550.43	742.70	956.30	1740.24

Past ten year average Compounded Annual Return

Novell, Inc.	389.76%
S&P 500 Index	139.18%
Nasdaq Computer & Data Processing Services	455.81%

CERTAIN TRANSACTIONS

In fiscal 1999, Wilson Sonsini Goodrich & Rosati, Professional Corporation, a law firm in which Larry W. Sonsini, a director of the Company, is a senior partner, performed legal services for the Company. The Company proposes to continue to retain such law firm in fiscal 2000 for advice on legal matters.

Named Officer Slitz obtained a loan for \$125,666 from the Company in August 1998 for the payment of tax withholding due to vesting of restricted stock. The loan was secured by shares of Company stock and had an interest rate of 5.42%. The loan has a term of two years and is due on August 19, 2000. Mr. Slitz also obtained an additional loan for \$900,000 from the Company to assist in his relocation to Utah while his home in San Jose was for sale. The loan was secured by Mr. Slitz's home and had an interest rate of 6.75%. The loan has a term of three years and is due March 31, 2001. The largest principal amount outstanding under these loans during fiscal 1999 was \$1,025,666. Neither of the loans were outstanding at fiscal 1999 year end. The loan for \$125,666 plus interest was paid-in-full on January 5, 1999 and the loan for \$900,000 plus interest was paid-in-full in June 1999.

Named Officer Nortz has two loans (\$37,231 and \$38,539) from the Company for the payment of tax withholding due to vesting of restricted stock. The loans are secured by shares of Company stock, were obtained on March 3, 1997 and March 3, 1998 and have interest rates of 5.83% and 5.39%, respectively. The loans have a term of two years and are due on March 3, 1999 and March 3, 2000, respectively. The largest principal amount outstanding under these loans during fiscal 1999 was \$75,770. The loan for \$37,231 plus interest was paid-in-full in February 1999. The loan for \$38,539 remained outstanding at fiscal 1999 year end.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company believes that all Forms 3, 4 and 5 required to be filed by its directors, officers and greater than 10% shareholders were filed on time during fiscal 1999, except for one Form 4 reporting one transaction by Mr. Raney, which was filed two days late.

DEADLINE FOR FUTURE PROPOSALS OF SHAREHOLDERS

Proposals that shareholders desire to have included in the Company's proxy materials for the 2001 Annual Meeting of Shareholders of the Company must be received by the Secretary of the Company at its principal office (122 East 1700 South, Provo, UT 84606, Attention Corporate Secretary) no later than October 26, 2000 in order to be considered for possible inclusion in such proxy materials.

The Company's bylaws contain an advance notice provision regarding shareholder proposals, which provides that, to be timely, a stockholder's notice of intention to bring business before a meeting must be given either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation and received by the Secretary not later than sixty (60) days prior to the first anniversary of the date on which notice of the prior year's annual meeting was first mailed to stockholders.

For a shareholder proposal that is not intended to be included in the Company's proxy materials but is intended to be raised by the shareholder from the floor at the 2001 Annual Meeting of Shareholders, the shareholder must provide timely advance notice in accordance with the bylaw provision described above. Advance notice must be received by the Secretary of the Company at its principal offices no later than December 25, 2000 in order to be timely. Any proposal received after that date will not be permitted to be raised at the meeting.

ADDITIONAL INFORMATION

Annual Report

The Company's Annual Report to Shareholders for the fiscal year ended October 31, 1999, including the consolidated financial statements and related notes thereto, together with the report of the independent auditors and other information with respect to the Company, accompanies this Proxy Statement.

Annual Meeting Summary

The Company will provide a summary of the activities at the Annual Meeting to Shareholders, including the final vote on all proposals. The summary will be available on the Novell Investor Relations web site at www.novell.com/ir approximately one week after the meeting. Shareholders may also obtain a copy by calling (800) 317-3195.

OTHER MATTERS

The Company is not aware of any other business to be presented by management at the Annual Meeting.

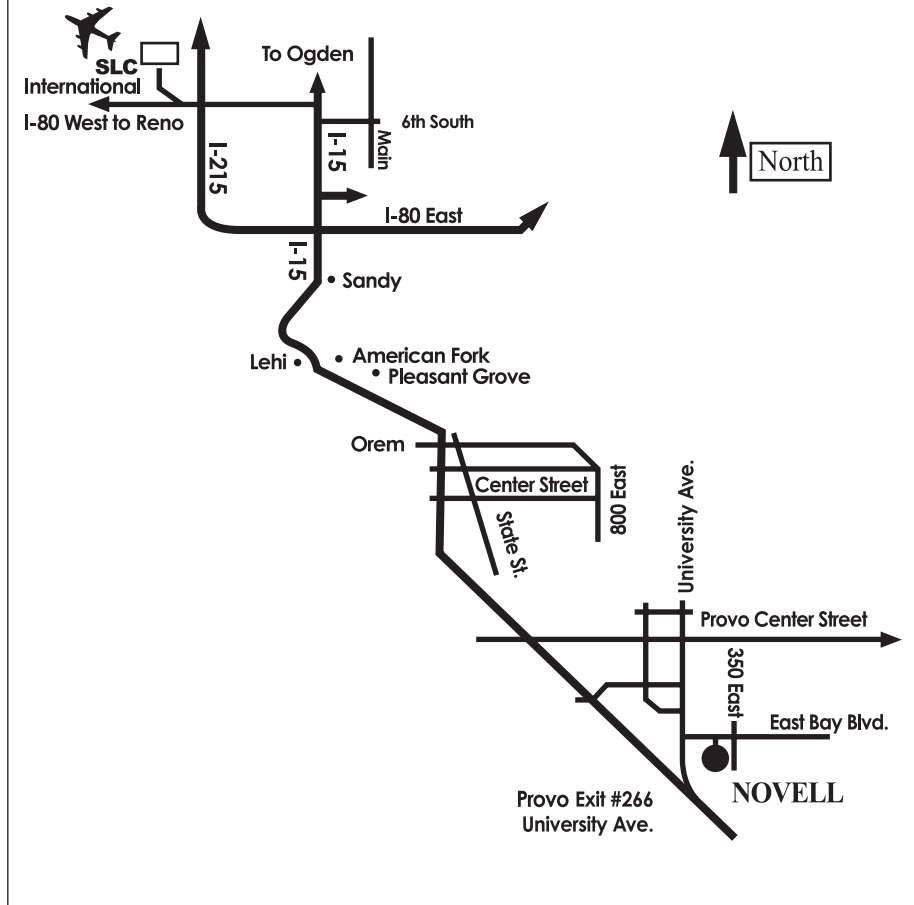
If matters other than those described herein should properly arise at the meeting, the proxies will vote on such matters in accordance with their best judgment.

However, the Company has been informed that Martin Glotzer, 7061 N. Kedzie Avenue, Suite 301, Chicago, Illinois 60645, intends to make two proposals from the floor at the Annual Meeting.

The first proposal from Mr. Glotzer is to request that the Company hire an investment banking firm to arrange for the sale of all or parts of the Company. The Board of Directors and Management does not believe this proposal is in the best interests of the Company and its shareholders. The Company is, from time to time, in contact with investment banking firms to discuss various strategic alternatives. The Company does not believe that it is necessary at this time to engage a specific investment banking firm to explore strategic alternatives because the Company believes that its current operating plan is generating value for its shareholders. The Company expects to continue operating under that plan for the foreseeable future. The Company will continue to explore and consider other strategic alternatives, to the extent that it is determined appropriate by its Board of Directors. The Company intends to use its discretionary voting authority to vote AGAINST this proposal.

The second proposal from Mr. Glotzer is to request that the Board of Directors redeem the Company's shareholder rights plan. The Board of Directors and Management do not believe this proposal is in the best interests of the Company and its shareholders. The Board of Directors believes that the shareholder rights plan maximizes the flexibility for dealing with unfair, coercive and/or abusive tactics while not limiting or prohibiting the Board's ability to enter into value maximizing transactions. The Company intends to use its discretionary voting authority to vote AGAINST this proposal.

Novell Provo
122 East 1700 South
Provo, Utah 84606



● Site of Annual Shareholders Meeting, Lobby B

Salt Lake City to Provo is approximately 50 miles

