

As filed with the Securities and Exchange Commission on April 22, 1994
 Registration No.

SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

S-4
REGISTRATION STATEMENT
 Under
THE SECURITIES ACT OF 1933

NOVELL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
 (State or Other Jurisdiction
 of Incorporation or Organization)

7372
 (Primary Standard Industrial
 Classification Code Number)

87-0393339
 (I.R.S. Employer
 Identification No.)

122 East 1700 South
Provo, Utah 84606

Telephone: (801) 429-7000

(Address, Including Zip Code and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

DAVID R. BRADFORD, ESQ.

Senior Vice President, General Counsel and Corporate Secretary
 Novell, Inc.

122 East 1700 South
Provo, Utah 84606

Telephone: (801) 429-7000

(Name, Address, Including Zip Code and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

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R. DUFF THOMPSON, ESQ.
 Executive Vice President
 and General Counsel
 WordPerfect Corporation
 1555 North Technology Way
 Orem, Utah 84057

Approximate date of commencement of proposed sale to the public:

As promptly as practicable after this Registration Statement becomes effective and the effective time of the proposed merger of a subsidiary of the Registrant with and into WordPerfect Corporation, as described in the Agreement and Plan of Reorganization, dated as of March 21, 1994, attached as *Appendix A* to the Prospectus/Proxy Statement forming a part of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding Company and there is compliance with General Instruction G, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value \$.10 per share ...	51,380,100	\$2.56(2)	\$131,606,000(2)	\$45,381

(1) Based upon the maximum number of shares that may be issued in the merger described herein.

(2) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(f)(2) under the Securities Act of 1933, as amended, on the basis of the book value at January 31, 1994, of the shares of Common Stock of WordPerfect Corporation to be received by the Registrant in exchange for the Common Stock of Registrant pursuant to the merger described herein.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

NOVELL, INC.

**Cross-Reference Sheet Showing Location in Prospectus
of Information Required by Items of Form S-4**

<u>Form S-4 Registration Statement Item and Heading</u>	<u>Location in Prospectus</u>
(Information about the Transaction)	
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus	Inside Front and Outside Back Cover Pages
3. Risk Factors, Ratio of Earnings to Fixed Charges and Other Information	Summary; Risk Factors; Selected Unaudited Historical Consolidated Financial Data; The Merger and Related Transactions; Terms of the Merger; Information Concerning Novell; Information Concerning WordPerfect; WordPerfect Management's Discussion and Analysis of Financial Condition and Results of Operations
4. Terms of the Transaction	Summary; Introduction; The Merger and Related Transactions; Terms of the Merger; Description of Novell Capital Stock; Comparison of Rights of Holders of Novell Common Stock and Holders of Common Stock of WordPerfect
5. Pro Forma Financial Information	Unaudited Pro Forma Condensed Combined Financial Statements
6. Material Contacts with the Company Being Acquired	The Merger and Related Transactions
7. Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters	*
8. Interests of Named Experts and Counsel	Experts; Legal Matters
9. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	*
(Information about the Registrant)	
10. Information with Respect to S-3 Registrants	Summary; Risk Factors; Introduction; The Merger and Related Transactions; Terms of the Merger; Information Concerning Novell; Description of Novell Capital Stock; Comparison of Rights of Novell Common Stock and Holders of Common Stock of WordPerfect
11. Incorporation of Certain Information by Reference	*
12. Information with Respect to S-2 or S-3 Registrants	*
13. Incorporation of Certain Information by Reference	Incorporation of Certain Information by Reference

<u>Form S-4 Registration Statement Item and Heading</u>	<u>Location in Prospectus</u>
14. Information with Respect to Registrants Other Than S-2 or S-3 Registrants	*
(Information about the Company being Acquired)	
15. Information with Respect to S-3 Companies	*
16. Information with Respect to S-2 or S-3 Companies	*
17. Information with Respect to Companies Other Than S-2 or S-3 Companies	Summary; Risk Factors; Introduction; Voting and Proxies; The Merger and Related Transactions; Terms of the Merger; Information Concerning WordPerfect; WordPerfect Management's Discussion and Analysis of Financial Condition and Results of Operations; Management of WordPerfect; Certain Transactions of WordPerfect; Principal Shareholders of WordPerfect; Comparison of Rights of Holders of Novell Common Stock and Holders of Common Stock of WordPerfect; Index to WordPerfect Financial Statements
(Voting and Management Information)	
18. Information if Proxies, Consents Authorizations are to be Solicited	Summary; Introduction; Voting and Proxies; Information Concerning Novell; Information Concerning WordPerfect
19. Information if Proxies, Consents or Authorizations are not to be Solicited or in an Exchange Offer ..	*

* Not Applicable.

WORDPERFECT CORPORATION
1555 North Technology Way
Orem, Utah 84057

May , 1994

Dear Shareholder:

A Special Meeting of Shareholders of WordPerfect Corporation ("WordPerfect") will be held on , June , 1994, at 9:00 a.m., local time, at the principal executive offices of WordPerfect located at 1555 North Technology Way, Orem, Utah 84057.

At this Special Meeting, you will be asked to consider and vote upon the approval and adoption of the Agreement and Plan of Reorganization dated as of March 21, 1994 (the "Merger Agreement"), providing for the merger (the "Merger") of WordPerfect with a wholly owned subsidiary of Novell, Inc. ("Novell"), as described in the accompanying Prospectus/Proxy Statement.

Pursuant to the Merger, WordPerfect will become a wholly owned subsidiary of Novell, and each share of WordPerfect Common Stock outstanding immediately prior to the time of the closing of the Merger (other than dissenters' shares) will be converted into and exchanged for one share of Novell Common Stock. Each outstanding option to acquire shares of WordPerfect Common Stock will be assumed by Novell and will become exercisable for an equivalent number of shares of Novell Common Stock. The vesting of such options will accelerate immediately upon consummation of the Merger, based on existing contractual commitments to holders of such options. The Merger is expected to be consummated promptly after approval thereof by the WordPerfect shareholders. For more information regarding the consideration to be received by WordPerfect shareholders in the Merger, please refer to the accompanying Prospectus/Proxy Statement under "Terms of the Merger — Manner and Basis of Converting Shares" and "— Employee Benefit Plans."

The WordPerfect Board of Directors has unanimously approved the Merger Agreement described in the attached materials and the transactions contemplated thereby and has determined that the Merger is in the best interests of WordPerfect and its shareholders. After careful consideration, the WordPerfect Board of Directors unanimously recommends that the shareholders of WordPerfect vote in favor of the Merger. Holders of approximately 89% of the outstanding shares of WordPerfect Common Stock have signed agreements pursuant to which they have agreed to vote all shares held by them in favor of approval of the Merger Agreement. Therefore, approval of the Merger Agreement and the transactions contemplated thereby is assured.

In the material accompanying this letter, you will find a Notice of Special Meeting of Shareholders, a Prospectus/Proxy Statement relating to the actions to be taken by WordPerfect shareholders at the Special Meeting and a proxy, as well as certain materials regarding Novell's business, including Novell's Annual Report on Form 10-K for the fiscal year ending October 30, 1993, Quarterly Report on Form 10-Q for the fiscal quarter ending January 29, 1994 and Proxy Statement for the Annual Meeting of Shareholders of Novell held on March 9, 1994. The Prospectus/Proxy Statement more fully describes the proposed Merger and includes information about Novell and WordPerfect.

All shareholders are cordially invited to attend the Special Meeting in person. However, whether or not you plan to attend the Special Meeting, please complete, sign, date and return your proxy in the enclosed postage paid envelope. If you attend the Special Meeting, you may vote in person if you wish, even though you have previously returned your proxy. It is important that your shares be represented and voted at the Special Meeting.

Sincerely,

ADRIAAN RIETVELD
President and Chief Executive Officer

WORDPERFECT CORPORATION
1555 North Technology Way
Orem, Utah 84057

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To be held on June , 1994

TO THE SHAREHOLDERS OF WORDPERFECT CORPORATION:

A Special Meeting of Shareholders of WordPerfect Corporation, a Utah corporation ("WordPerfect"), will be held on , June , 1994, at 9:00 a.m., local time, at the principal executive offices of WordPerfect located at 1555 North Technology Way, Orem, Utah 84057, to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Reorganization dated as of March 21, 1994 (the "Merger Agreement"), entered into by and among Novell, Inc., a Delaware corporation ("Novell"), Novell Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Novell ("Sub"), WordPerfect, Alan C. Ashton, Bruce W. Bastian and Melanie L. Bastian. The Merger Agreement provides that (i) Sub will be merged with and into WordPerfect, with WordPerfect remaining as the surviving corporation and becoming a wholly owned subsidiary of Novell (the "Merger"); (ii) each outstanding share of WordPerfect Common Stock (other than shares dissenting from the Merger) will be converted into and exchanged for one share of Novell Common Stock; and (iii) each outstanding option to acquire shares of WordPerfect Common Stock will be assumed by Novell and following the Merger will become exercisable for an equivalent number of shares of Novell Common Stock. The Merger is more fully described in the Merger Agreement attached as *Appendix A* to the accompanying Prospectus/Proxy Statement.

Only shareholders of record at the close of business on May , 1994 are entitled to notice of, and to vote at, the Special Meeting, or at any continuance(s) or adjournment(s) thereof. APPROVAL AND ADOPTION OF THE MERGER AGREEMENT REQUIRES THE AFFIRMATIVE VOTE OF HOLDERS OF AT LEAST A MAJORITY OF THE OUTSTANDING SHARES OF WORDPERFECT'S COMMON STOCK.

By Order of the Board of Directors,

ADRIAAN RIETVELD
President and Chief Executive Officer

Orem, Utah
May , 1994

IMPORTANT: Even if you plan to be present at the meeting, please complete, date, sign and promptly mail the enclosed proxy in the postage paid envelope provided to ensure that your shares are represented at the meeting. If you attend the meeting, you may vote in person if you wish to do so even if you have previously sent in your proxy.

SUBJECT TO COMPLETION, DATED APRIL 22, 1994



WORDPERFECT CORPORATION

PROXY STATEMENT

NOVELL, INC.

PROSPECTUS

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

Novell, Inc., a Delaware corporation ("Novell"), has filed a Registration Statement on Form S-4 with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Act of 1933, as amended, covering an aggregate of 51,380,100 shares of its Common Stock, \$.10 par value, to be issued in connection with the proposed merger (the "Merger") of Novell Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Novell ("Sub"), with and into WordPerfect Corporation, a Utah corporation ("WordPerfect"), pursuant to the terms of the Agreement and Plan of Reorganization, dated as of March 21, 1994 (the "Merger Agreement"), entered into by and among Novell, Sub, WordPerfect, Alan C. Ashton, Bruce W. Bastian and Melanie L. Bastian.

Pursuant to the Merger Agreement, upon consummation of the Merger, WordPerfect will become a wholly owned subsidiary of Novell, and holders of the issued and outstanding shares of WordPerfect Common Stock will receive an aggregate of 51,380,100 shares of Novell Common Stock, less such number of shares as are otherwise issuable to persons exercising dissenters' rights. Each shareholder of WordPerfect will receive one share of Novell Common Stock for each share of WordPerfect Common Stock owned by such shareholder. Each outstanding option to acquire shares of WordPerfect Common Stock will be assumed by Novell and will become exercisable for an equivalent number of shares of Novell Common Stock. The vesting of such options will accelerate immediately upon consummation of the Merger, based on existing contractual commitments to holders of such options. See "The Merger and Related Transactions" and "Terms of the Merger."

This Prospectus/Proxy Statement constitutes (a) the Proxy Statement of WordPerfect relating to the solicitation of proxies by WordPerfect for use at the Special Meeting of Shareholders of WordPerfect scheduled to be held on June , 1994 and (b) the Prospectus of Novell filed as part of the Registration Statement on Form S-4. All information herein with respect to WordPerfect has been furnished by WordPerfect, and all information herein with respect to Novell and Sub has been furnished by Novell.

See "Risk Factors" for a discussion of certain factors which should be considered by WordPerfect shareholders before voting on the Merger Agreement.

This Prospectus/Proxy Statement and the accompanying form of proxy are first being mailed to shareholders of WordPerfect on or about May , 1994.

THE SHARES OF NOVELL COMMON STOCK TO BE ISSUED IN THE MERGER HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS/PROXY STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus/Proxy Statement is May , 1994.

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AVAILABLE INFORMATION

Novell is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices located at 7 World Trade Center, 13th Floor, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may be obtained by mail from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

Novell has filed with the SEC a registration statement on Form S-4 (herein, together with all amendments and exhibits, referred to as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus/Proxy Statement does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information, reference is hereby made to the Registration Statement.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents filed with the SEC pursuant to the Exchange Act are incorporated herein by reference:

1. Novell's Annual Report on Form 10-K for the fiscal year ended October 30, 1993, filed with the SEC on January 27, 1994;
2. Novell's Quarterly Report on Form 10-Q for the fiscal quarter ended January 29, 1994, filed with the SEC on March 14, 1994;
3. The description of Novell's Common Stock contained in the Registration Statement on Form 8-A filed with the SEC on April 3, 1985;
4. The description of Novell's Preferred Shares Rights Plan and the Series A Junior Participating Preferred Shares issuable thereunder contained in the Registration Statement on Form 8-A filed with the SEC on December 7, 1988; and
5. Novell's Proxy Statement for the Annual Meeting of Shareholders held on March 9, 1994, filed with the SEC on January 21, 1994.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus/Proxy Statement to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed to constitute a part of this Prospectus/Proxy Statement, except as so modified or superseded.

This Prospectus/Proxy Statement incorporates documents by reference which are not presented herein or delivered herewith. These documents (not including exhibits thereto) are available upon request from David R. Bradford, Esq., Corporate Secretary, Novell, Inc., 122 East 1700 South, Provo, Utah 84606; (801) 429-7000. In order to ensure timely delivery of the documents, such requests should be made by June , 1994.

No person has been authorized to give any information or to make any representation other than as contained herein in connection with these matters, and, if given or made, such information or representation must not be relied upon as having been authorized by Novell or WordPerfect. Neither the delivery hereof nor any distribution of securities made hereunder shall, under any circumstances, create an implication that there has been no change in the facts herein set forth since the date hereof. This Prospectus/Proxy Statement does not constitute an offer to sell or a solicitation of an offer to buy the securities offered by this Prospectus/Proxy Statement or a solicitation of a proxy in any jurisdiction where, or to any person to whom, it is unlawful to make such an offer or solicitation.

TRADEMARKS

The following trademarks, service marks and collective marks are mentioned in this Prospectus/Proxy Statement:

Novell, NetWare, DR DOS, FlexOS are registered trademarks and AppWare, AppWare Bus, AppWare Foundation, AppWare Loadable Module, ALM, NetWare 3, NetWare 4, NetWare Directory Services, NDS, NetWare Distributed Management Services, NDMS, NetWare FLeX/IP, NetWare Loadable Module, NLM, NetWare MHS, NetWare SNA Links, Novell DOS, Novell Labs and Visual AppBuilder are trademarks of Novell. Certified NetWare Engineer, CNE, Independent Manufacturer Support Program and IMSP are service marks of Novell. Novell Authorized Education Center, NAEC, Technical Support Alliance and TSA are collective marks of Novell. Tuxedo and UNIX are registered trademarks and System V, UnixWare, UnixWare Application Server, UnixWare Online Data Manager are trademarks of Unix System Laboratories, Inc., a wholly owned subsidiary of Novell.

WordPerfect, WPCorp, DataPerfect, LetterPerfect, DrawPerfect, PlanPerfect, ConvertPerfect, and Grammatik are registered trademarks of WordPerfect in the United States and certain foreign countries, and WordPerfect Works, WordPerfect Office, WordPerfect InForms, WordPerfect Presentations, WordPerfect Intellitag, InfoCentral, ExpressDocs, Quickfinder, WordPerfect Clip Art, ExpressFax, Button Bar, Kap'n Karaoke, WordPerfect Gateways, SpeedSearch, WordPerfect Envoy, SoftSolutions, Main Street, iConnect, WordPerfect Language Modules, Coaches, and the WordPerfect logo are trademarks of WordPerfect.

This Prospectus/Proxy Statement also contains trademarks and registered trademarks of persons other than Novell and WordPerfect.

SUMMARY

The following contains a brief summary of certain information contained elsewhere in this Prospectus/Proxy Statement. This summary does not contain a complete statement of all material features of the proposal to be voted on and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus/Proxy Statement and in the information and documents incorporated by reference herein. Unless otherwise defined herein, capitalized terms used in this Summary have the respective meanings assigned to them elsewhere in this Prospectus/Proxy Statement. As used in this Proxy Statement/Prospectus, the terms "Novell" and "WordPerfect" refer to Novell, Inc. and WordPerfect Corporation, respectively, and where the context so requires, to their respective subsidiaries. Unless otherwise stated, all references to the "Combined Company" mean Novell after consummation of the Merger and include WordPerfect and the Combined Company's other directly or indirectly owned subsidiaries after such time. Shareholders are urged to read carefully the entire Prospectus/Proxy Statement, including the information and documents incorporated by reference herein.

The Companies

Novell, Inc.

Novell, Inc., a Delaware corporation ("Novell"), is the leading provider of network server operating system software that integrates desktop computers, servers, and mini-computer and mainframe hosts for business-wide information sharing. Novell's NetWare network computing products manage and control the sharing of data, applications and services among personal computer work groups and departmental networks, and across business-wide information systems. Novell's products support standards to integrate DOS, IBM's OS/2, Microsoft Windows, Apple/Macintosh and UNIX System desktop computers with each other and with IBM, Digital Equipment Corporation ("DEC"), Hewlett-Packard Company ("HP") and UNIX System hosts, among others.

The Company was incorporated in Delaware in 1983. Novell's executive offices are located at 122 East 1700 South, Provo, Utah 84606. Its telephone number at that address is (801) 429-7000.

WordPerfect Corporation

WordPerfect Corporation, a Utah corporation ("WordPerfect"), is a leading provider of software applications that enable users to create and process complex documents. WordPerfect also produces a broad range of software in the areas of workgroup automation, general business, electronic publishing and consumer products. WordPerfect's products provide individuals, small businesses and large, global organizations with information processing solutions that operate across complex networked computing environments. WordPerfect was one of the original developers of word processing applications for personal computers, and its flagship product, *WordPerfect*, is one of the best-selling PC software applications ever introduced, having been sold to over 15 million users worldwide. *WordPerfect* is now available in 23 languages and on all of the most widely used computing platforms and operating systems, including DOS, MS Windows, UNIX, Apple/Macintosh and DEC's VAX/VMS. In 1993, WordPerfect introduced new workgroup automation products designed to capitalize on WordPerfect's expertise in developing multi-platform, multi-lingual applications. *WordPerfect Office 4.0* and *WordPerfect InForms 1.0* are designed to meet an organization's needs for effectively sharing information in a complex, networked computing environment. These products, which provide such features as electronic mail, calendaring, scheduling and electronic forms filing and routing, improve users' productivity by automating the communication process within workgroups. In April 1994, WordPerfect announced its Main Street line of consumer products that offer low-cost, easy-to-use products designed for personal productivity, entertainment and home education.

WordPerfect was incorporated as Satellite Software International in Utah in 1979. Satellite Software International changed its name to WordPerfect Corporation in 1986. WordPerfect's principal executive offices are located at 1555 North Technology Way, Orem, Utah 84057. Its telephone number at that address is (801) 225-5000.

Novell Acquisition Corp.

Novell Acquisition Corp., a Delaware corporation ("Sub"), is a corporation recently organized by Novell for the purpose of effecting the acquisition of WordPerfect. It has no material assets and has not engaged in any activities except in connection with such proposed acquisition. Sub's executive offices are located at 122 East 1700 South, Provo, Utah 84606. Its telephone number at that address is (801) 429-7000.

Special Meeting of Shareholders of WordPerfect Corporation

Time, Date, Place and Purpose. A Special Meeting of Shareholders of WordPerfect will be held at the principal executive offices of WordPerfect located at 1555 North Technology Way, Orem, Utah 84057 on , June , 1994, at 9:00 a.m. local time (the "Special Meeting"). The purpose of the Special Meeting is to vote upon a proposal to approve and adopt the Agreement and Plan of Reorganization, dated as of March 21, 1994, by and among Novell, Sub, WordPerfect, Alan C. Ashton, Bruce W. Bastian and Melanie L. Bastian (the "Merger Agreement"), providing for the merger of Sub with and into WordPerfect, with WordPerfect becoming a wholly owned subsidiary of Novell.

Record Date and Vote Required. Only WordPerfect shareholders of record at the close of business on , May , 1994 (the "Record Date"), are entitled to notice of, and to vote at, the Special Meeting. Under the Utah Revised Business Corporation Act (the "URBCA"), approval and adoption of the Merger Agreement require the affirmative vote of the holders of a majority of the outstanding shares of WordPerfect's Common Stock. The presence, either in person or by properly executed proxy, of the holders of a majority of the outstanding shares of WordPerfect Common Stock is necessary to constitute a quorum at the Special Meeting. Because the Merger Agreement must be approved by at least a majority of the outstanding shares entitled to vote on such matter, abstentions will have the effect of a negative vote.

Shares Held by Directors, Executive Officers and Affiliates. As of the Record Date, the directors, officers and affiliates of WordPerfect, together with persons and entities related to or affiliated with them, held an aggregate of 51,380,100 shares of WordPerfect Common Stock, representing 100% of the outstanding WordPerfect Common Stock. Shareholders of WordPerfect, who, directly or indirectly, collectively own approximately 89% of the outstanding capital stock of WordPerfect have agreed to vote in favor of approval of the Merger Agreement and have granted the Novell Board of Directors proxies to vote their shares in favor of approval of the Merger Agreement and any matter that could reasonably be expected to facilitate the Merger. Therefore, assuming that the proxies granted to Novell by such shareholders are voted in favor of the Merger Agreement, the Merger Agreement and the transactions contemplated thereby will be approved at the Special Meeting.

The Merger

Terms of the Merger. At the effective time of the Merger, Sub will merge with and into WordPerfect and each outstanding share of WordPerfect Common Stock (other than shares, if any, held by WordPerfect shareholders who have exercised dissenters' rights under Part 13 of the URBCA) will be converted into one share of Novell Common Stock. Based upon the number of shares of WordPerfect Common Stock outstanding as of March 26, 1994, 361,326,379 shares of Novell Common Stock will be outstanding immediately after the effective time of the Merger, of which approximately 14.22% will be held by the former holders of WordPerfect Common Stock. On April 20, 1994, the last sale price of Novell Common Stock as reported on the Nasdaq National Market was \$15.50 per share.

Acquisition of Borland's Quattro Pro Spreadsheet Product Line. On March 20, 1994, Novell entered into a Purchase and License Agreement (the "Borland Agreement") with Borland International, Inc. ("Borland"), pursuant to which Novell, subject to regulatory approval and other conditions to closing, will acquire Borland's Quattro Pro spreadsheet product line for approximately \$110 million of cash. Novell will also acquire, for approximately \$35 million, a three-year license to reproduce and distribute up to one million copies of current and future versions of Borland's Paradox relational database products as part of a suite of products including *WordPerfect* and any Quattro Pro product. See "Terms of the Merger — Acquisition of Quattro Pro Product Line" and "— License to Borland's Paradox Relational Database Products."

WordPerfect Options. Pursuant to the Merger Agreement, all outstanding options to acquire WordPerfect Common Stock ("WordPerfect Options") will be assumed by Novell at the effective time of the Merger and converted into options to acquire an equivalent number of shares of Novell Common Stock. As of March 31, 1994, WordPerfect Options to acquire an aggregate of 7,820,000 shares of WordPerfect Common Stock were issued and outstanding at exercise prices ranging from \$8.50 to \$13.50. Notice to holders of WordPerfect Options as to the terms of such assumption and conversion will be sent by Novell upon consummation of the Merger. Each WordPerfect Option so assumed by Novell will continue to have, and be subject to, the same terms and conditions set forth in the original WordPerfect Option prior to the Merger, including the existing provisions that provide that the vesting of such options will automatically accelerate immediately upon consummation of the Merger. See "Terms of the Merger — Employee Benefit Plans — WordPerfect Options."

Market Price Data. The Common Stock of Novell has been traded in the over-the-counter market under the Nasdaq National Market symbol "NOVL" since Novell's Common Stock began public trading in January 1985. The following table sets forth the range of high and low trading prices for Novell Common Stock as reported by the Nasdaq National Market for the periods indicated and gives retroactive effect to the two-for-one stock split effective August 1992.

	October 31 Fiscal Year (1)	
	High	Low
Fiscal 1992		
First quarter	32½	21¾
Second quarter	32	23¾
Third quarter	28½	24 ⁵ / ₁₆
Fourth quarter	32½	22½
Fiscal 1993		
First quarter	33½	25¾
Second quarter	35¼	25¾
Third quarter	33½	17¾
Fourth quarter	23¼	17
Fiscal 1994		
First quarter	25¾	19¼
Second quarter (through April 20, 1994)	26¼	15½

(1) Novell reports its annual financial results on a 52-week/53-week basis with the last day of the fiscal year being on the last Saturday of October.

On March 18, 1994, the last trading day prior to the signing of the Merger Agreement, the closing price of Novell Common Stock as reported on the Nasdaq National Market was \$24.00 per share. Following the Merger, Novell Common Stock will continue to be traded on the Nasdaq National Market under the symbol "NOVL."

No established public trading market exists for WordPerfect Common Stock. WordPerfect most recently issued options to acquire shares of its Common Stock in January 1994 at an exercise price of \$13.50 per share. WordPerfect has in the past granted options at exercise prices ranging from \$8.50 to \$13.50 per share.

Novell has never paid cash dividends on its shares of Common Stock. WordPerfect, which from 1985 until September 30, 1993, was treated for U.S. federal and state income tax purposes as an S corporation under Subchapter S of the Internal Revenue Code of 1986, as amended (the "Code"), has previously made distributions to its shareholders to fund the payment of their individual tax liabilities attributable to their allocation of WordPerfect's income and as a return of capital. Such distributions totaled \$20.3 million in 1993, \$178.2 million in 1992 and \$121.9 million in 1991. The distribution amount for 1993 excludes amounts attributable to the transfer to WordPerfect Corporation of certain shareholders' interests in a limited liability

company which owns the land and buildings used by WordPerfect for its operating activities in North America. For financial statement purposes, the transfer of the limited liability company has been treated as a distribution to such shareholders during 1993 and resulted in a concurrent reduction in shareholders' equity.

Separate Operating Unit. Upon consummation of the Merger, Novell will establish and maintain WordPerfect as a separate operating unit constituting the Novell Applications Product Group. The Quattro Pro spreadsheet product line to be acquired from Borland will be placed under the control of the Novell Applications Product Group. Mr. Adriaan Rietveld, the current President and Chief Executive Officer of WordPerfect, will be appointed President of the Novell Applications Product Group and will report directly to the President and Chief Executive Officer of Novell. The remaining executive officers of the Novell Applications Product Group will report directly to the Applications Product Group President. The Novell Applications Product Group will be operated in accordance with a plan submitted by the Applications Product Group and approved by Novell.

Reasons for the Merger. In the discussions which led to the signing of the Merger Agreement, the respective managements of Novell and WordPerfect identified a number of potential joint benefits resulting from the Merger, including expanded marketing and distribution opportunities and capabilities, strengthened and diversified research and development capabilities, a more diversified intellectual property base, and a broadened pool of experienced management. In addition, the WordPerfect Board of Directors believes that the Merger will provide a significant increase in financial, marketing, distribution and development resources for WordPerfect. The WordPerfect Board believes that given the established trading market for Novell Common Stock, the Merger will provide WordPerfect shareholders with increased liquidity. See "The Merger and Related Transactions — Joint Reasons for the Merger."

Recommendation of the WordPerfect Board of Directors. The Board of Directors of WordPerfect has unanimously approved the Merger Agreement and believes that the Merger is fair and in the best interests of WordPerfect and its shareholders. The WordPerfect Board of Directors recommends that the shareholders vote FOR the approval and adoption of the Merger Agreement and the transactions contemplated thereby. See "The Merger and Related Transactions — Joint Reasons for the Merger" and "— WordPerfect Board Recommendation of the Merger."

Effective Time of Merger. The Merger will become effective upon the filing of the Articles of Merger contemplated by the Merger Agreement with the Utah Division of Corporations and Commercial Code (the date and time of such filing being referred to herein respectively as the "Effective Date" and the "Effective Time"). Assuming all conditions to the Merger are met or waived prior thereto, it is anticipated that the Effective Time will occur on the date of the Special Meeting. See "Terms of the Merger — Effective Time of the Merger."

Exchange of WordPerfect Stock Certificates. As soon as practicable after the Effective Time, an exchange agent appointed by Novell (the "Exchange Agent") will mail a letter of transmittal with instructions to all holders of record of WordPerfect Common Stock for use in exchanging their certificates representing shares of Common Stock of WordPerfect for certificates representing shares of Novell Common Stock. **CERTIFICATES SHOULD NOT BE SURRENDERED BY THE HOLDERS OF WORDPERFECT COMMON STOCK UNTIL SUCH HOLDERS RECEIVE THE LETTER OF TRANSMITTAL FROM THE EXCHANGE AGENT.** See "Terms of the Merger — Manner and Basis of Converting Shares."

Conditions to the Merger; Termination and Amendment. Consummation of the Merger is subject to the satisfaction of various conditions which, if not fulfilled or waived, permit termination of the Merger Agreement. The Merger Agreement may also be terminated under certain other circumstances, including termination by mutual consent of Novell and WordPerfect and termination by either Novell or WordPerfect if the Merger is not consummated on or before July 31, 1994. See "Terms of the Merger — Conditions to the Merger."

The Merger Agreement may be amended by the parties thereto, provided such amendment is in writing, at any time before or after the approval and adoption of the Merger Agreement by the WordPerfect shareholders; but, after any such shareholder approval has been obtained, no amendment of any of the

agreements executed in connection with the Merger may be made which by law requires the further approval of the WordPerfect shareholders, without obtaining such further approval. See "Terms of the Merger — Termination or Amendment of Merger Agreement."

Representation on Novell's Board of Directors. The Merger Agreement provides that it will be a condition to WordPerfect's obligation to consummate the Merger that Dr. Ashton and Mr. Bastian (or designees of each of them) be elected to the Novell Board of Directors. It is anticipated that this condition will be waived by WordPerfect in return for Novell's agreement that following the Merger, the Novell Board of Directors will, promptly following the request of Dr. Ashton and Mr. Bastian, cause the number of directors comprising the full Board of Directors of Novell to be increased by two persons, from seven to nine, and at such time cause Dr. Ashton and Mr. Bastian (or their designees) to be elected to the Novell Board of Directors. Dr. Ashton and Mr. Bastian are expected to make a request to join the Novell Board of Directors in the latter part of 1994. In addition to the foregoing, the Novell Board of Directors has agreed to take all necessary action to cause Dr. Ashton and Mr. Bastian (or their designees) to be nominated for election at the Novell annual meeting of stockholders for fiscal 1995.

Shareholder Agreements. Pursuant to Shareholder Agreements entered into between Novell and shareholders of WordPerfect holding in aggregate approximately 89% of the outstanding WordPerfect Common Stock, such shareholders of WordPerfect have agreed to vote in favor of the Merger Agreement and have granted the Novell Board of Directors proxies to vote their shares of capital stock of WordPerfect in favor of the Merger Agreement. See "Terms of the Merger — Shareholder Agreements."

Resale of Novell Common Stock; Affiliates Agreements. Certain "affiliates" (as that term is defined for purposes of Rule 145 of the Securities Act) of WordPerfect have entered or will enter into agreements restricting the sale or disposition of their shares of WordPerfect Common Stock prior to the Merger and the resale or other disposition of shares of Novell Common Stock received by them in the Merger (including shares of Novell Common Stock issued upon the exercise of Options) so as to comply with the requirements of securities laws, tax laws and pooling of interests accounting. See "Terms of the Merger — Conditions to the Merger" and "— Affiliates Agreements."

Certain Federal Income Tax Considerations. The Merger is intended to qualify as a reorganization (a "Reorganization") under Section 368 of the Code, in which case no gain or loss would generally be recognized by the shareholders of WordPerfect on the exchange of their shares of WordPerfect Common Stock for shares of Novell Common Stock. If the Merger were not to qualify, the exchange of shares would be taxable. It is a condition to the obligation of each of Novell and WordPerfect to consummate the Merger that they receive an opinion of their respective counsel to the effect that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. **ALL WORDPERFECT SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS.** See "Terms of the Merger — Certain Federal Income Tax Considerations."

Tax Matters Agreement. Certain WordPerfect shareholders will enter into a Tax Matters Agreement that will provide that such shareholders, subject to certain limitations, will severally and not jointly indemnify WordPerfect and Novell with respect to U.S. federal or Utah state income tax liability (including interest and penalties) arising out of a failure of WordPerfect or its affiliates to have been S corporations (as defined in Section 1361 of the Code) during any taxable year (or that portion of any taxable year) for which such corporations reported for federal and Utah state income tax purposes that they were S corporations. See "Terms of the Merger — Tax Matters Agreement."

Accounting Treatment. The Merger is to be treated as a pooling of interests for financial reporting purposes. Consummation of the Merger is conditioned upon (i) receipt by Novell of a letter from its independent auditors indicating their opinion that such accounting treatment is appropriate and (ii) receipt by WordPerfect of a letter from its independent accountants that such independent accountants are not aware of any condition that would preclude WordPerfect from participating in a merger transaction to be accounted for as a pooling of interests. See "Terms of the Merger — Conditions to the Merger" and "— Accounting Treatment."

Governmental and Regulatory Approvals. The notification and waiting period imposed upon Novell and WordPerfect under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") is set to expire on May 4, 1994. See "Terms of the Merger — Governmental and Regulatory Approvals." Novell and WordPerfect are aware of no other governmental or regulatory approvals required for consummation of the Merger, other than compliance with applicable "blue sky" laws of the various states.

Dissenters' Rights. Shareholders of WordPerfect who do not vote in favor of the Merger may, under certain circumstances and by following procedures prescribed by Part 13 of the URBCA, exercise dissenters' rights and receive cash for their shares of WordPerfect Common Stock. The failure of a dissenting shareholder of WordPerfect to follow the appropriate procedures may result in the termination or waiver of such rights. A copy of Part 13 of the URBCA is attached to this Prospectus/Proxy Statement as *Appendix B*. Shareholders of WordPerfect are urged to read Part 13 of the URBCA carefully. See "Terms of the Merger — Dissenters' Rights."

**SELECTED UNAUDITED HISTORICAL AND
PRO FORMA CONSOLIDATED FINANCIAL DATA**

The following selected unaudited historical and pro forma consolidated financial data of Novell and WordPerfect have been derived from their respective historical consolidated financial statements and should be read in conjunction with such consolidated financial statements and notes thereto, certain of which are incorporated by reference or included elsewhere in this Prospectus/Proxy Statement. In the opinion of management of Novell and WordPerfect, respectively, the interim data presented include all adjustments necessary for a fair statement of the results of operations for such periods. Novell's Common Stock was split two-for-one in August 1992, August 1991 and July 1990. All stock splits have been reflected retroactively herein.

Novell, Inc.

(Amounts in thousands, except per share data)

	Fiscal Quarter Ended		Fiscal Year Ended(1)				
	January 29, 1994	January 30, 1993	October 30, 1993	October 31, 1992	October 26, 1991	October 27, 1990	October 28, 1989
Historical consolidated statement of operations data:							
Net sales	\$311,384	\$260,174	\$1,122,896	\$933,370	\$640,079	\$497,512	\$421,877
Income from operations	98,681	100,846	74,225	356,862	226,138	134,220	71,541
Income before taxes	109,494	107,397	104,048	377,318	248,074	145,106	77,058
Net income (loss)	72,814	70,882	(35,160)	249,030	162,488	94,319	48,547
Net income (loss) per share .....	.23	.23	(.11)	.81	.55	.34	.18
Weighted average shares outstanding ..	313,937	310,858	314,409	308,104	295,968	276,468	266,872

Unaudited pro forma data(2):

Income before taxes	\$109,494	\$107,397	\$ 104,048	\$377,318	\$248,074	\$145,106	\$ 77,058
Nonrecurring charges	—	—	320,500	—	—	—	—
Pro forma income before taxes	109,494	107,397	424,548	377,318	248,074	145,106	77,058
Pro forma income taxes	36,680	36,515	142,223	128,288	85,586	50,787	28,511
Pro forma net income	<u>\$ 72,814</u>	<u>\$ 70,882</u>	<u>\$ 282,325</u>	<u>\$249,030</u>	<u>\$162,488</u>	<u>\$ 94,319</u>	<u>\$ 48,547</u>
Pro forma net income per share	<u>\$.23</u>	<u>\$.23</u>	<u>\$.90</u>	<u>\$.81</u>	<u>\$.55</u>	<u>\$.34</u>	<u>\$.18</u>

Historical consolidated balance sheet data:

	January 29, 1994	October 30, 1993	October 31, 1992	October 26, 1991	October 27, 1990	October 28, 1989
Cash and short-term investments	\$ 765,584	\$ 664,070	\$ 545,260	\$346,765	\$254,776	\$129,803
Working capital	916,755	821,771	716,033	434,854	308,342	216,400
Total assets	1,438,955	1,343,855	1,096,696	726,250	494,438	346,620
Long-term debt	—	—	—	1,208	2,366	56,972
Shareholders' equity	1,185,510	996,499	937,806	598,585	398,283	235,808

- (1) Novell reports its annual financial results on a 52-week/53-week basis with the last day of the fiscal year being the last Saturday of October.
- (2) The unaudited pro forma data eliminate the impact of nonrecurring charges of approximately \$321 million (\$317 million net of tax) in fiscal 1993 relating to acquisitions and restructuring charges.

WordPerfect Corporation
(Amounts in thousands, except per share data)

	Fiscal Quarter Ended		Year Ended December 31,				
	January 31, 1994(1) (2)	March 31, 1993	1993	1992	1991	1990	1989
Historical consolidated statement of income data:							
Net sales	\$176,894	\$172,150	\$707,515	\$579,118	\$621,994	\$505,932	\$316,386
Income from operations	17,061	29,171	33,873	71,284	202,535	196,989	101,715
Income before taxes	\$ 16,950	\$ 30,369	\$ 34,109	\$ 84,489	\$213,138	\$206,734	\$106,631
Provision (benefit) for income taxes(3)	(4,696)	3,831	(41,771)	11,541	12,310	8,085	4,844
Net income	<u>\$ 21,646</u>	<u>\$ 26,538</u>	<u>\$ 75,880</u>	<u>\$ 72,948</u>	<u>\$200,828</u>	<u>\$198,649</u>	<u>\$101,787</u>
Unaudited pro forma data(4):							
Income before taxes	\$ 16,950	\$ 30,369	\$ 34,109	\$ 84,489	\$213,138	\$206,734	\$106,631
Nonrecurring charges	14,969	—	36,001	20,367	—	—	—
Pro forma income before taxes	31,919	30,369	70,110	104,856	213,138	206,734	106,631
Pro forma income taxes	10,852	10,174	23,487	32,252	75,080	73,512	37,172
Pro forma net income	<u>\$ 21,067</u>	<u>\$ 20,195</u>	<u>\$ 46,623</u>	<u>\$ 72,604</u>	<u>\$138,058</u>	<u>\$133,222</u>	<u>\$ 69,459</u>
Pro forma net income per share(5)	\$.39	\$.39	\$.87	\$ 1.41	\$ 2.76	\$ 2.66	\$ 1.39
Shares used in per share calculations(5)	54,139	52,036	53,491	51,380	50,000	50,000	50,000

	January 31, 1994	December 31,				
		1993	1992	1991	1990	1989
Historical consolidated balance sheet data:						
Cash and short-term investments	\$ 55,131	\$ 55,127	\$ 86,569	\$166,348	\$107,333	\$ 53,408
Working capital	25,725	37,537	11,035	126,799	88,824	30,164
Total assets	381,835	401,482	333,779	407,250	294,630	154,553
Long-term liabilities	89,419	84,289	12,256	1,263	8,450	580
Shareholders' equity	131,606	149,527	177,241	285,697	205,155	91,287

- (1) The historical consolidated statement of income data and unaudited pro forma data for the fiscal quarter ended January 31, 1994 include two months (November and December 1993) which are also included in the historical consolidated statement of income data and unaudited pro forma data for the year ended December 31, 1993. Results of operations for the two months ended December 31, 1993 consist of net sales of \$136.6 million and net income of \$39.9 million.
- (2) Pursuant to WordPerfect's restructuring plan in 1993, approximately 1,000 employees were terminated effective January 31, 1994. All costs related to this action have been previously accrued.
- (3) WordPerfect and most of its subsidiaries have historically been exempt from the payment of U.S. federal and certain state income taxes as a result of being taxed as either S corporations or partnerships. The actual provision for income taxes, for 1989 through 1992, reflects a provision for income taxes in foreign countries. On September 30, 1993, WordPerfect Corporation terminated its S corporation election, resulting in the recognition of an income tax benefit of \$44.5 million. On December 31, 1993, WordPerfect's other entities terminated their S corporation elections and were reorganized as a single, consolidated entity, resulting in the recognition of an income tax benefit of \$14.1 million.
- (4) The unaudited pro forma data are based upon historical income before taxes, adjusted first to eliminate the impact of nonrecurring charges relating to acquisitions in 1994, 1993 and 1992, and a restructuring charge in 1993 and then adjusted to reflect a provision for income taxes as if WordPerfect and its S corporation subsidiaries had never been S corporations. See "WordPerfect Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Pro Forma Provision for Income Taxes," "Certain Transactions of WordPerfect" and Notes 2 and 16 of Notes to Consolidated Financial Statements.
- (5) See Note 2 of Notes to Consolidated Financial Statements for an explanation of the determination of shares used in computing net income per share.

SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA

The unaudited pro forma combined financial data are calculated after giving effect to the Merger at the exchange ratio of one share of Novell Common Stock for each share of WordPerfect Common Stock using the pooling of interests method of accounting. The unaudited pro forma combined financial data are not necessarily indicative of future operations or the actual results that would have occurred had the Merger been consummated at the beginning of the periods presented. The selected unaudited pro forma combined financial data of Novell and WordPerfect are derived from the unaudited pro forma condensed combined financial statements and should be read in conjunction with such unaudited pro forma condensed combined financial statements and notes thereto, certain of which are incorporated by reference or included elsewhere in this Prospectus/Proxy Statement. For a description of the various periods combined for pro forma purposes and for other information regarding the pro forma data, see "Unaudited Pro Forma Condensed Combined Financial Statements."

Novell and WordPerfect Combined (Amounts in thousands, except per share data)

Unaudited pro forma statement of income data:

	Fiscal Quarter Ended (1)		Fiscal Year Ended (2)				
	January 29, 1994	January 30, 1993	October 30, 1993	October 31, 1992	October 26, 1991	October 27, 1990	October 28, 1989
Net sales	\$488,278	\$432,324	\$1,830,411	\$1,512,488	\$1,262,073	\$1,003,444	\$738,263
Income from operations	115,742	130,017	108,098	428,146	428,673	331,209	173,256
Income before taxes	126,444	137,766	138,157	461,807	461,212	351,840	183,689
Net income	94,460	97,420	40,720	321,978	363,316	292,968	150,334
Net income per share .....	.26	.27	.11	.90	1.05	.90	.47
Weighted average shares outstanding	368,076	362,894	367,900	359,484	345,968	326,468	316,872

Additional unaudited pro forma data (3):

Income before taxes	\$126,444	\$137,766	\$ 138,157	\$ 461,807	\$ 461,212	\$ 351,840	\$183,689
Nonrecurring charges	14,969	0	356,501	20,367	0	0	0
Pro forma income before taxes	141,413	137,766	494,658	482,174	461,212	351,840	183,689
Pro forma income taxes	47,532	46,689	165,710	160,540	160,666	124,299	65,683
Pro forma net income	<u>\$ 93,881</u>	<u>\$ 91,077</u>	<u>\$ 328,948</u>	<u>\$ 321,634</u>	<u>\$ 300,546</u>	<u>\$ 227,541</u>	<u>\$118,006</u>
Pro forma net income per share	\$.26	\$.25	\$.89	\$.89	\$.87	\$.70	\$.37

Unaudited pro forma balance sheet data (4):

	January 29, 1994	October 30, 1993	October 31, 1992	October 26, 1991	October 27, 1990	October 28, 1989
Cash and short-term investments	\$ 820,715	\$ 719,197	\$ 631,829	\$ 513,113	\$362,109	\$183,211
Working capital	942,480	859,308	727,068	561,653	397,166	246,564
Total assets	1,820,790	1,745,337	1,430,475	1,133,500	789,068	501,173
Long-term debt	89,419	84,289	12,256	2,471	10,816	57,552
Shareholders' equity	1,317,116	1,146,026	1,115,047	884,282	603,438	327,095

(1) WordPerfect has a calendar year end and, accordingly, the WordPerfect statement of income for the year ended December 31, 1993 has been combined with the Novell statement of operations for the fiscal year ended October 30, 1993. Furthermore, the unaudited pro forma combined financial data for the quarter ended January 29, 1994 include two months (November and December 1993) for WordPerfect, which are also included in the unaudited pro forma combined statement of income for the fiscal year ended October 30, 1993. Results of operations of WordPerfect for the two months ended December 31, 1993 consist of net sales of \$136.6 million and net income of \$39.9 million. The unaudited pro forma condensed combined financial data for the fiscal quarter ended January 30, 1993 combines Novell's

unaudited historical and pro forma consolidated financial data for the fiscal quarter ended January 30, 1993 with WordPerfect's unaudited historical and pro forma consolidated financial data for the fiscal quarter ended March 31, 1993.

- (2) Novell reports its annual financial results on a 52-week/53-week basis with the last day of the fiscal year being the last Saturday of October.
- (3) The additional unaudited pro forma condensed combined financial data are based upon historical combined income before taxes, adjusted first to eliminate the impact of nonrecurring charges relating to acquisitions in 1994, 1993 and 1992, and restructuring charges in 1993 and then adjusted to reflect a provision for income taxes as if WordPerfect and its S corporation subsidiaries had never been S corporations. See "WordPerfect Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations — Pro Forma Provision for Income Taxes," "Certain Transactions of WordPerfect" and Notes 2 and 16 of Notes to WordPerfect Consolidated Financial Statements. See Note 2 of Notes to WordPerfect Consolidated Financial Statements for an explanation of the determination of shares used in computing net income per share.
- (4) Excludes the impact of accelerating the repayment of \$75.4 million of long-term notes payable to shareholders, including accrued interest at January 31, 1994, within 30 days of a change in control.

UNAUDITED COMPARATIVE PER SHARE DATA

The following table sets forth (1) the historical net income (loss) per common share and the historical book value per share data of Novell Common Stock; (2) the historical net income per common share and the historical book value per share data of WordPerfect Common Stock; (3) the pro forma net income per share of common stock and the pro forma book value per share data after giving effect to the proposed Merger on a pooling of interests basis; and (4) the pro forma net income per share of common stock and the unaudited pro forma book value per share, assuming solely for the purpose of this calculation an exchange ratio of one share of Novell Common Stock for each share of WordPerfect Common Stock. The information presented in the table should be read in conjunction with the separate historical consolidated financial statements and the interim unaudited consolidated condensed financial statements of Novell and WordPerfect and the notes thereto incorporated herein by reference or included elsewhere in this Prospectus/Proxy Statement. All stock splits have been reflected retroactively herein.

	Historical		Pro Forma Combined	Pro Forma Equivalent For One WordPerfect Share
	Novell	WordPerfect		
Net income (loss) per share:				
First quarter of fiscal 1994	\$.23	\$.40	\$.26	\$.26
Fiscal 1993	(.11)	1.42	.11	.11
Fiscal 1992 .....	.81	1.42	.90	.90
Fiscal 1991 .....	.55	4.02	1.05	1.05
Book value per share:				
End of first quarter of fiscal 1994	3.84	2.56	3.65	3.65
Fiscal year end 1993	3.23	2.91	3.19	3.19

RISK FACTORS

Uncertainties Related to the Merger and the Quattro Pro Acquisition. While Novell has acquired a number of companies in recent years, the acquisition of WordPerfect and the Quattro Pro spreadsheet product line from Borland is the largest acquisition ever undertaken by Novell. The successful combination of companies and product lines in the high technology industry may be more difficult and require a greater period of time to accomplish than in other industries. Novell has historically not had any presence in the software applications market and accordingly may lack the management and marketing experience that will be necessary to successfully operate the WordPerfect business following the Merger. The successful expansion of the Combined Company's software applications business will require communication and cooperation in product development and marketing among the senior executives and key technical personnel of Novell, WordPerfect and Borland. Given the inherent difficulties involved in completing a major business combination, there can be no assurance that such cooperation will occur or that the integration of the respective businesses will be successful and will not result in disruptions in one or more sectors of the Combined Company's business. In addition, there can be no assurance that the Combined Company will retain its key technical and management personnel, that the market will favorably view Novell's proposed entry into the software applications field or that Novell will realize any of the other anticipated benefits of the Merger and the Quattro Pro acquisition.

Novell has historically been viewed as an independent provider of operating system software and one that treated all software application vendors in a neutral fashion. The proposed Merger with WordPerfect may be perceived by the market as a deviation from this operating strategy and as a result may lead to a certain amount of confusion in the market.

Competition in Markets for Operating System Software. The market for operating systems software, including network operating systems and client operating systems, has become increasingly problematic due to Microsoft's growing dominance in all sectors of the software business. The Combined Company will not have the product breadth and market power of Microsoft. Microsoft's dominant position provides it with enormous competitive advantages, including the ability to unilaterally determine the direction of future operating systems and to leverage its strength in one or more product areas to achieve a dominant position in new markets. This position may enable Microsoft to increase its market position even if the Combined Company succeeds in introducing products with performance and features superior to those offered by Microsoft.

Microsoft's ability to offer networking functionality in future versions of MS Windows and MS Windows NT and in any other Microsoft operating systems, or to provide incentives to customers to purchase certain products in order to obtain favorable sales terms or necessary compatibility or information with respect to other products, may significantly inhibit the Combined Company's ability to maintain its business. Moreover, Microsoft's ability to offer products on a bundled basis can be expected to impair the Combined Company's competitive position with respect to particular products. In addition, Microsoft has also threatened to create new operating systems and applications which would make it virtually impossible for Novell to ensure that its products are compatible with those of Microsoft.

Both Novell and WordPerfect are aware of several new operating systems currently under development and scheduled for introduction within the next year and beyond. If any of these operating systems achieves market acceptance for use with the types of applications sold by WordPerfect and WordPerfect does not introduce application programs for them in a timely manner, WordPerfect's business and results of operations could be materially adversely affected.

Competition in Markets for Applications. In the market for MS Windows word processing applications, *WordPerfect* for Windows competes with, among others, Microsoft's Word and Lotus Development Corporation's ("Lotus") Ami Pro. Novell believes that the Combined Company's share of the Windows word processing market will be a critical factor in its future success. Although WordPerfect has significantly increased its share of this market during the past year, it remains second to Microsoft. The market for MS Windows applications is currently characterized by severe competitive pressure, and attempts by major participants to maintain or increase market share may lead to rapid reductions in product prices. In addition, some software vendors are combining a number of application programs in a "bundle" or "suite" for sale as one unit or arranging with hardware manufacturers to preload application programs on new computers. The

price for a bundle or suite is typically significantly less than the price for separately purchased applications, and many end users are likely to prefer the bundle or suite over a more expensive combination of other individually purchased applications, even if the latter applications offer superior performance or features. Microsoft and Lotus offer bundles or suites of their respective products at prices significantly discounted from the prices of stand alone products. To the extent that bundling, suites and preloading arrangements by competitors are more successful than those of the Combined Company, the Combined Company's business and results of operations could be materially adversely affected.

Sales of Quattro Pro Spreadsheet. In August 1993, a federal district court in Boston, Massachusetts, issued an injunction with respect to Borland's sale of versions of the Quattro Pro spreadsheet incorporating certain functions which were found to infringe copyrights held by Lotus. These functions enabled users of Quattro Pro to use macros developed for the Lotus 1-2-3 spreadsheets, as well as other features designed to enable a level of compatibility between Quattro Pro and Lotus 1-2-3. The issuance of the injunction, the procedures implemented by Borland to comply with the injunction, as well as publicity and marketing efforts by Lotus following the issuance of the injunction, have disrupted sales of the Quattro Pro products in a variety of different ways, and may continue to do so. Although Novell will not assume any direct liability for this lawsuit, should the decision of the district court be upheld on appeal, the continued existence of the injunction could have a significant continuing adverse affect on Novell's ability to sustain or increase sales of the Quattro Pro spreadsheet, either on a stand alone basis or in conjunction with other application products. Moreover, the market for spreadsheet applications products is maturing and becoming increasingly competitive, particularly on the basis of price. To maintain or increase its share of the spreadsheet software market, Borland has significantly discounted the price of its Quattro Pro product, thereby substantially decreasing any profits that could potentially be earned on the sale of the products. Due to these factors, there can be no assurance that the level of sales of Quattro Pro will be maintained or increased or that the Combined Company will derive significant profits from its existing or future Quattro Pro products.

Licenses, Patents and Trademarks. The Combined Company will rely on copyright, patent, trade secret and trademark law, as well as provisions in its license, distribution and other agreements in order to protect its intellectual property rights. Additionally, Novell and WordPerfect have numerous patents pending in foreign countries. No assurance can be given that such patents pending will be issued or, if issued, will provide protection for the Combined Company's competitive position. Although Novell intends to protect its patent rights vigorously, there can be no assurance that these measures will be successful. Additionally, no assurance can be given that the claims on any patents held by the Combined Company will be sufficiently broad to protect the Combined Company's technology. In addition, no assurance can be given that any patents issued to the Combined Company will not be challenged, invalidated or circumvented or that the rights granted thereunder will provide competitive advantages to the Combined Company. The loss of patent protection on the Combined Company's technology or the circumvention of its patent protection by competitors could have a material adverse effect on the Combined Company's ability to compete successfully in its products business.

The software industry is characterized by frequent litigation regarding copyright, patent and other intellectual property rights. Both Novell and WordPerfect have from time to time had infringement claims asserted by third parties against them and their respective products. There can be no assurance that such third party claims will be resolved in a satisfactory manner, that third parties will not assert other claims against the Combined Company with respect to existing or future products or that licenses will be available on reasonable terms, or at all, with respect to any third-party technology. In the event of litigation to determine the validity of any third-party claims, such litigation could result in significant expense to the Combined Company and divert the efforts of the Combined Company's technical and management personnel, whether or not such litigation is determined in favor of the Combined Company.

In the event of an adverse result in any such litigation, the Combined Company could be required to expend significant resources to develop non-infringing technology or to obtain licenses to the technology which is the subject of the litigation. There can be no assurance that the Combined Company would be successful in such development or that any such licenses would be available. In addition, the laws of certain countries in which Novell's or WordPerfect's products are or may be developed, manufactured or sold may not protect the

Combined Company's products and intellectual property rights to the same extent as the laws of the United States.

Attraction and Retention of Key Employees. The ability of the Combined Company to maintain its competitive technological position will depend, in large part, on its ability to attract and retain highly qualified development and managerial personnel. Competition for such personnel is intense. While the Merger and the agreement to acquire the Quattro Pro product line from Borland will increase the Combined Company's human resources in these areas, there is a risk of departure of key employees due to the combination process. The announcement of the proposed Merger and Quattro Pro product line acquisition may impede the Combined Company's ability to attract and retain personnel prior to and after these transactions. The loss of a significant group of key personnel would adversely affect the Combined Company's product development efforts.

WordPerfect Product Concentration. Approximately 80% and 86% of WordPerfect's revenues during 1993 and 1992, respectively, were derived from sales of various versions of WordPerfect's flagship document processing product, *WordPerfect*. Although additional products are currently being sold or developed, Novell believes that *WordPerfect* in its various forms will continue to be the Combined Company's primary application product for the foreseeable future. See "WordPerfect Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Information Concerning WordPerfect — Products."

Possible New Product Delays. As is common in the computer software industry, both Novell and WordPerfect have experienced delays in their product development and "debugging" efforts, and the Combined Company may experience similar delays from time to time in the future. Significant delays in developing, completing or shipping new or enhanced products would adversely affect the Combined Company. There can be no assurance that the Combined Company will be able to respond effectively to technological changes or new product announcements by others, or that the Combined Company's research and development efforts will be successful. In particular, Novell's ability to achieve desired levels of sales growth depends at least in part on the successful completion, introduction and sale of new versions of its NetWare 4.x operating system, which has experienced delays to date. Should Novell experience material delays or sales shortfalls with respect to this product release, the Combined Company's sales and net income could be adversely affected.

Market Acceptance of Expanded Business Strategy. A fundamental goal of the Combined Company will be the delivery of workgroup application solutions combining the networking services of Novell and the workgroup applications of WordPerfect. The future success of this strategy will depend in part on the Combined Company's ability to develop and market new competitive products for the workgroup productivity and information processing areas. Development of these products, which include Novell's AppWare, *WordPerfect Office*, *WordPerfect InForms* and *SoftSolutions*, has already required and will continue to require a substantial investment in research and development, particularly as a result of WordPerfect's decision to offer products across multiple operating environments. Although Novell's existing network of distributors should assist in this transition, marketing and distribution of these products may also require developing new marketing and sales strategies and will entail significant expense. WordPerfect has had only limited experience in the market for these products, and there can be no assurance that the Combined Company will be successful in developing and marketing these new products. See "Information Concerning WordPerfect — The WordPerfect Strategy," "— Products" and "— Product Development."

Fluctuations in Quarterly Results; Volatility of Stock Price. The Combined Company's future earnings and stock price could be subject to significant volatility, particularly on a quarterly basis. The Combined Company's revenues and earnings may be unpredictable due to its anticipated shipment patterns. As is typical in the software industry, a high percentage of the Combined Company's revenues are expected to be earned in the third month of each fiscal quarter and will tend to be concentrated in the latter half of that month. Accordingly, quarterly financial results will be difficult to predict and quarterly financial results may fall short of anticipated levels. Because the Combined Company's backlog early in a quarter will not generally be large enough to assure that it will meet its revenue targets for any particular quarter, quarterly results may be difficult to predict until the end of the quarter. A shortfall in shipments at the end of any particular quarter

may cause the results of that quarter to fall significantly short of anticipated levels. Due to analysts' expectations of continued growth and the historically high price/earnings ratio at which Novell's Common Stock trades, any such shortfall in earnings could have an immediate and very significant adverse effect on the trading price of Novell's Common Stock in any given period. WordPerfect's past pattern of new product introductions has caused WordPerfect's sales revenues to fluctuate, sometimes significantly, on a quarter-by-quarter basis, with sales being relatively higher in quarters in which new versions are introduced. Such revenue fluctuations may contribute to the volatility of the trading price of Novell Common Stock in any given period following the Merger.

In addition, the market prices for securities of software companies have generally been volatile in recent years. The market price of Novell Common Stock, in particular, has been subject to wide fluctuations in the past. As a result of the foregoing factors and other factors that may arise in the future, the market price of Novell's Common Stock may be subject to significant fluctuations over a short period of time. These fluctuations may be due to factors specific to the Combined Company, to changes in analysts' earnings estimates, or to factors affecting the computer industry or the securities markets in general.

The Merger will result in greater involvement by Novell in the market for applications software. To compete successfully in the applications market, Novell anticipates incurring significantly higher expenditures in sales, marketing and customer support as a percent of net sales than is typically incurred in the sale of network operating systems. Accordingly, the Combined Company can be expected to incur greater operating expenses, both in aggregate dollars and as a percentage of total net sales, than Novell has incurred in the past. Although the Combined Company will seek to offset such higher operating costs through the higher sales levels derived from a broader product offering and continued cost control, there can be no assurance that the Combined Company will be successful in such efforts.

INTRODUCTION

This Prospectus/Proxy Statement is furnished in connection with the solicitation by WordPerfect Corporation, a Utah corporation ("WordPerfect"), of proxies to be voted at the special meeting of its shareholders (the "Special Meeting"), which will be held on June , 1994, at 9:00 a.m., local time, at the principal executive offices of WordPerfect located at 1555 North Technology Way, Orem, Utah.

The purpose of the Special Meeting is to approve and adopt the Agreement and Plan of Reorganization dated as of March 21, 1994, by and among Novell, Inc., a Delaware corporation ("Novell"), Novell Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Novell ("Sub"), WordPerfect, Alan C. Ashton, Bruce W. Bastian and Melanie L. Bastian (the "Merger Agreement"), providing for the merger of Sub with and into WordPerfect, with WordPerfect becoming a wholly owned subsidiary of Novell.

The Merger will become effective upon the filing of the Articles of Merger contemplated by the Merger Agreement with the Utah Division of Corporations and Commercial Code (the date and time of such filing being referred to herein respectively as the "Effective Date" and the "Effective Time"). At the Effective Time, Sub will merge with and into WordPerfect and each share of WordPerfect Common Stock (other than shares, if any, held by shareholders who have exercised dissenters' rights under Part 13 of the Utah Revised Business Corporation Act ("URBCA")) will be converted into and exchanged for one share of Novell Common Stock.

The Board of Directors of WordPerfect has unanimously approved the Merger Agreement and determined that the Merger is in the best interests of WordPerfect and its shareholders and recommends that the shareholders of WordPerfect vote in favor of the Merger Agreement.

The information set forth herein concerning Novell has been furnished by Novell, and the information set forth herein concerning WordPerfect has been furnished by WordPerfect.

This Prospectus/Proxy Statement contains certain information set forth more fully in the Merger Agreement attached hereto as *Appendix A* and is qualified in its entirety by reference to the Merger Agreement, which is hereby incorporated herein by reference. In formulating his or her voting decision with respect to the proposed Merger, each WordPerfect shareholder should carefully read the Merger Agreement.

VOTING AND PROXIES

Date, Time, Place and Purpose of Special Meeting

The Special Meeting of Shareholders of WordPerfect will be held at the principal executive offices of WordPerfect located at 1555 North Technology Way, Orem, Utah on June , 1994, at 9:00 a.m., local time. The purpose of the Special Meeting is to vote upon a proposal to approve and adopt the Merger Agreement, providing for the merger of Sub with and into WordPerfect, with WordPerfect becoming a wholly owned subsidiary of Novell.

Record Date and Outstanding Shares

Only WordPerfect shareholders at the close of business on May , 1994 (the "Record Date"), are entitled to notice of, and to vote at, the Special Meeting. On the Record Date, there were 19 holders of Common Stock with 51,380,100 shares of Common Stock of WordPerfect issued and outstanding. Except for the shareholders identified herein under "Principal Shareholders of WordPerfect," on the Record Date there were no other persons known to the management of WordPerfect to be the beneficial owners of more than 5% of the outstanding capital stock of WordPerfect.

Voting of Proxies

All properly executed proxies that are not revoked will be voted at the Special Meeting in accordance with the instructions contained therein. Proxies returned and containing no instructions regarding the Merger proposal will be voted "for" approval of the Merger Agreement in accordance with the recommendation of the WordPerfect Board of Directors. A shareholder who has executed and returned a proxy may revoke it at any time before it is voted at the Special Meeting by executing and returning a proxy bearing a later date, by filing written notice of such revocation with the Secretary of WordPerfect stating that the proxy is revoked or by attending the Special Meeting and voting in person.

Vote Required

Under the URBCA, approval and adoption of the Merger Agreement requires the affirmative vote of the holders of a majority of the outstanding shares of WordPerfect's Common Stock. Because the Merger Agreement must be approved by at least a majority of outstanding shares entitled to vote on such matter, abstentions will have the effect of a negative vote.

As of the Record Date, the directors, officers and affiliates of WordPerfect, together with persons and entities related to or affiliated with them, held an aggregate of 51,380,100 shares of WordPerfect Common Stock, representing 100% of the outstanding WordPerfect Common Stock. Shareholders of WordPerfect holding approximately 89% of the outstanding WordPerfect Common Stock have agreed to vote in favor of the Merger Agreement and have granted the Novell Board of Directors proxies to vote their shares in favor of approval of the Merger, the Merger Agreement and any matter that could reasonably be expected to facilitate the Merger. Therefore, assuming that the proxies granted to Novell by such shareholders are voted in favor of the Merger Agreement, approval of the Merger Agreement is assured.

Expenses; Solicitation of Proxies

Each party to the Merger Agreement will pay its own costs and expenses incurred incident to the Merger Agreement and incurred in preparation therefor and in carrying out the transactions contemplated thereby, except that if the Merger is not consummated, expenses incurred in connection with printing this Prospectus/ Proxy Statement will be shared equally by Novell and WordPerfect. No proxy solicitation expenses are expected to be incurred in connection with the approval of the Merger.

Dissenters' Rights

Holders of WordPerfect capital stock who do not vote in favor of the Merger may, under certain circumstances and by following procedures prescribed by the URBCA, exercise dissenters' rights and receive cash for their shares of stock of WordPerfect. The failure of a dissenting WordPerfect shareholder to follow the appropriate procedures may result in the termination or waiver of such rights. See "Terms of the Merger — Dissenters' Rights."

THE MERGER AND RELATED TRANSACTIONS

Joint Reasons for the Merger

Novell and WordPerfect have identified several potential mutual benefits of the Merger that they believe will contribute to the success of the Combined Company. These reasons are outlined below.

- *Changing Nature of Network Computing.* Novell and WordPerfect believe the era of stand alone computing is rapidly transitioning to the era of network computing, and the network is becoming the natural platform for applications within companies of all sizes. The combination of Novell and WordPerfect will provide the infrastructure, networking services, tools and applications to pioneer a new era of network applications, as well as the marketing expertise to be an effective participant in this emerging market. The term "network applications" refers to desktop applications which are specifically designed to take advantage of network operating system services. Additionally, offerings such as AppWare by Novell and OpenDoc, an industry standard being developed by WordPerfect and other software vendors, will enable software developers to substantially increase user productivity and ease of use in networked environments. In the future, Novell and WordPerfect expect that these applications will increasingly rely upon more advanced network operating system services such as support for multimedia and document imaging, as well as traditional existing services such as directories, network management services and security functions. WordPerfect's expertise in workgroup automation is expected to provide the Combined Company with a significant opportunity in developing and offering network applications.
- *Emerging Market For Groupware Products.* An emerging and rapidly growing segment of the PC software market is the area of electronic mail and groupware products which allow PC users to communicate and collaborate over networks. Novell believes that this market will expand to include enhanced networking services and that leadership in networking software will be critical in providing an infrastructure and environment conducive to the development of new application software. Currently, Novell provides the tools which many software developers use to effectively integrate products and services with the NetWare environment. Novell believes that, to compete most effectively in the future, a software company must become more than simply a vendor of a narrow range of networking software or application software products. The strategy of the Combined Company will be to complement existing standards and continue Novell's longstanding commitment to support openness with other software vendors.
- *Increased Customer Base and Channels of Distribution.* The Combined Company will benefit from a larger customer base, which will present greater opportunities for marketing the products of the Combined Company. In addition, Novell and WordPerfect each bring major distributors and reseller organizations to the Combined Company.
- *Cost Efficiencies and Synergies.* With a broader, complementary product line, the Combined Company should be better positioned to achieve efficiencies in sales, administrative functions, development, support, marketing and distribution, enabling it to compete more effectively.
- *Deliver New Products and Services to Exploit the "Information Highway."* Together, WordPerfect and Novell will provide the interface, the infrastructure and the tools to help customers exploit the information highway. As the networks within organizations are tied into national and international networks, the Combined Company will be well-positioned to provide solutions to electronically connect its customers worldwide. This global networking capability will also provide an important new electronic channel for software purchasing, distribution and maintenance.

Additional Reasons for the Merger — Novell

The Board of Directors of Novell believes that the following are additional benefits of the Merger and the related purchase of Borland's Quattro Pro product line:

- *Acquisition of a Worldwide Application Software Franchise.* WordPerfect's brand name provides strong name recognition to buyers of personal computer ("PC") applications products. Combining Novell's and WordPerfect's capabilities and resources will:
 - Give Novell greater visibility to the end-user customer through association with WordPerfect's strong presence and brand awareness in the market for software applications.
 - Increase Novell's ability to compete more effectively in the software and networking market by having a broader product line including applications software and groupware software solutions.
- *Provide Broad Array of Technological Solutions to Customers.* Novell will also be able to offer a suite of productivity applications, including word processing, spreadsheet and presentations graphics products, which should enhance Novell's network applications strategy.
- *Build on WordPerfect Marketing Expertise.* Novell will be able to take advantage of WordPerfect's strong distribution channels for application software products, and its extensive sales and marketing infrastructure worldwide.
- *An Expanded Base of Experienced Management and Employees.* The acquisition of WordPerfect will provide Novell with experienced development personnel who have extensive expertise in the development of multi-platform, multi-language application software products. Furthermore, Novell will have access to WordPerfect management's expertise in marketing application software which will enhance Novell's ability to compete in the emerging network application software market.

Additional Reasons for the Merger — WordPerfect

The Board of Directors of WordPerfect believes that the following are additional benefits of the Merger and the related purchase of Borland's Quattro Pro product line:

- *Access to Novell's Established Customer Base.* The Merger will permit WordPerfect to access the installed base of more than 40 million users of Novell's products. WordPerfect believes that this access is increasingly critical in the competitive marketplace for applications software.
- *Availability of Novell's Distribution Network.* As WordPerfect continues to place increased importance on its workgroup application products, it needs to develop different distribution channels and selling methods. Novell's existing distribution and certification capabilities are highly complementary to those which are being developed by WordPerfect. These channels are especially important for such products as *WordPerfect Office* and *WordPerfect InForms* which are designed to operate in a network environment. WordPerfect believes that the Merger will provide a significant advantage in more rapidly developing these capabilities.
- *Increased Resources to Compete in Applications Market.* WordPerfect believes that the market for application software is becoming increasingly competitive, and expects such competition to increase in the future. As a result, WordPerfect believes that its alliance with the leading company in the field of networking software will significantly assist WordPerfect in this environment.
- *Positioning for Broader Product Solutions.* WordPerfect believes that the software market is rapidly moving from stand alone applications to suite offerings and that the purchase of the Quattro Pro product line by Novell will complete WordPerfect's suite offering by including a strong spreadsheet application. In addition, as WordPerfect's workgroup products become increasingly important to its overall strategy, the opportunity to be part of Novell, the leading networking company, will provide an excellent platform to realize the potential of these products.
- *Integration of a Comprehensive Suite of Software Products.* WordPerfect believes that a suite offering which combines important applications, such as a word processor and spreadsheet, is essential to be

competitive in today's marketplace. Therefore, as a condition precedent to the Merger, Novell will acquire Borland's Quattro Pro product line, one of the most popular spreadsheet programs on the market today. This purchase will allow the Combined Company to compete more effectively in one of the most rapidly growing areas of PC application software — suites — by fully combining and integrating WordPerfect's products, Novell's network operating systems and application development tools and the Quattro Pro spreadsheet product.

- *Provide Liquidity to WordPerfect Shareholders.* The Merger will be a means by which WordPerfect shareholders and optionholders will be able to obtain liquidity for their equity interests. The Merger was considered in view of available alternatives, and the Board of Directors of WordPerfect concluded that no other company had the strategic fit or could offer the benefits available from Novell. In addition, the Merger is expected to be accomplished as a tax-free exchange of WordPerfect shares for Novell shares under Section 368(a) of the Internal Revenue Code.

WordPerfect Board Recommendation of the Merger

WordPerfect's Board of Directors (the "WordPerfect Board") believes that the Merger is fair to and in the best interests of WordPerfect and its shareholders and therefore unanimously recommends that WordPerfect shareholders vote in favor of the Merger.

The WordPerfect Board believes that the shares of Novell Common Stock to be received by the shareholders of WordPerfect in the Merger will enable WordPerfect shareholders to realize an attractive return on their investment. The WordPerfect Board also views the Merger as a method by which the shareholders of WordPerfect would be permitted to participate in any post-Merger appreciation in the price of Novell Common Stock, if any. In this regard, the WordPerfect Board recognized that no assurance can be given that the value of the Novell Common Stock will be maintained before or after the Merger at any particular level, and may be subject to significant fluctuations over short periods of time.

In evaluating the proposed Merger, the WordPerfect Board of Directors discussed and considered a wide variety of factors in order to make a determination of what is in the best interests of WordPerfect and its shareholders. The WordPerfect Board reviewed the history of merger discussions with Novell, as well as the status of discussions with other potential acquirors as well as the potential regulatory obstacles associated with each. The WordPerfect Board also considered the advantages and disadvantages that the Merger would present to WordPerfect's ability to achieve its strategic objectives.

After considering the foregoing factors, the WordPerfect Board unanimously adopted and approved the Merger Agreement and the transactions contemplated thereby and recommended that the shareholders of WordPerfect vote to approve the Merger.

Material Contacts

In early 1993, Novell and WordPerfect entered into a broad-based cross licensing agreement under which each party was granted rights to utilize a number of the other company's products on an internal basis. Several meetings were held in 1993, the intent of which was to strengthen the strategic alliances between the companies. In late 1993, Novell began consideration of a possible acquisition of WordPerfect. At the time, the Novell Board of Directors was considering a variety of strategic actions and did not actively pursue merger discussions with WordPerfect. On or about January 21, 1994, Mr. Alan C. Ashton, Co-Founder and Co-Chairman of the Board of WordPerfect, contacted Mr. Raymond J. Noorda, Chairman of the Board and then Chief Executive Officer of Novell, to discuss whether Novell would consider an acquisition of WordPerfect. There was a general discussion between Mr. Noorda and Mr. Ashton related to possible price and strategic synergies, but Novell did not at the time pursue a transaction.

In March 1994, Novell decided to revisit the prospect of an acquisition of WordPerfect. On Friday, March 4, 1994, legal, financial, and operational due diligence teams from Novell met with their counterparts at WordPerfect. An extensive review of WordPerfect's business operations was conducted. The meetings continued on Monday, March 7, 1994, and into Tuesday, March 8, 1994. On March 7, 1994, Mr. Larry W.

Sonsini, a member of the Novell Board of Directors and a partner in the law firm of Wilson, Sonsini, Goodrich & Rosati, legal counsel to Novell, tendered his resignation from the WordPerfect Board of Directors to WordPerfect. On Tuesday evening, March 8, 1994, Mr. Noorda convened a meeting of Novell's Board of Directors. A discussion ensued regarding the advantages and disadvantages associated with pursuing a merger or a corporate combination with WordPerfect.

On Wednesday, March 9, 1994, another meeting of the Novell Board of Directors was held. This included members of the Novell Office of the President together with Mr. David R. Bradford, Senior Vice President and General Counsel. An extensive discussion was held, following which the Board of Directors directed Novell senior management to explore Novell's acquisition of WordPerfect.

Later that same day, Mr. Noorda, Ty Mattingly of Novell and Mr. Bradford met at the offices of WordPerfect with Mr. Ashton, Mr. Adriaan Rietveld, President and Chief Executive Officer of WordPerfect, Mr. R. Duff Thompson, Executive Vice President and General Counsel of WordPerfect. Mr. Bruce Bastian, a senior executive and Co-Founder and Co-Chairman of the Board of WordPerfect, took part in the meeting from Australia via telephone. A number of issues were discussed regarding a possible combination of Novell and WordPerfect. Following the meeting, Mr. Thompson and Mr. Bradford met at the offices of Novell where they drafted a preliminary Letter of Intent regarding a possible combination of the companies. Copies of the draft Letter of Intent were circulated to the Novell Board of Directors and to its financial and legal advisors.

On Thursday March 10, 1994, the Novell Board of Directors again met. They reviewed the terms contained in the draft Letter of Intent and the strategic reasons for the transaction and authorized management of Novell to continue to explore a possible merger of the companies.

During the course of the March 9, 1994 meeting, WordPerfect articulated its position that any transaction with Novell would have to include the acquisition of a strong spreadsheet product for the MS Windows and DOS markets. The parties agreed to mutually explore the acquisition of the Quattro Pro spreadsheet business from Borland. To do so, the parties met at the offices of Borland on Friday March 11, 1994. Present at that meeting were Mr. Bradford, Mr. Mattingly, and Mr. Noorda from Novell and Mr. Rietveld and Mr. Thompson of WordPerfect. Also present were Mr. Philippe Kahn, Chief Executive Officer of Borland, Peter Astiz, Esq. of the law firm of Baker & McKenzie, legal counsel to Borland, and Michael Price of Lazard Freres, financial advisor to Borland. The parties discussed a possible purchase of the Quattro Pro spreadsheet business during the course of that meeting.

In order to determine the feasibility of a potential transaction with Borland, representatives of WordPerfect and Borland met on both Saturday and Sunday, March 12 and 13, 1994, in Palo Alto, California to discuss potential terms of an acquisition of the Quattro Pro product line.

A meeting between representatives of Novell and WordPerfect was then held on Wednesday, March 16, 1994 at Mr. Ashton's home in Utah. Novell was given the opportunity to present to WordPerfect's management team Novell's view of a Novell-WordPerfect combination. Present at that meeting representing Novell were Mr. Bradford, Mr. Noorda, Mr. John Edwards, Novell's Executive Vice President, AppWare Systems Group, Mr. Mattingly, Mr. James Tolonen, Office of the President and Chief Financial Officer of Novell, Mr. Darcy Mott, Corporate Treasurer of Novell, Mr. Steve Wise, Senior Vice President of Finance of Novell and Mr. Clifford Simpson, Director of Tax at Novell. Representing WordPerfect were Mr. David Moon, Senior Vice President and Chief Technical Officer of WordPerfect, Mr. Thompson, Mr. Ashton, Mr. Bastian, Mr. Rietveld, Mr. John Lewis, Executive Vice President of WordPerfect, and Mr. Daniel Campbell, Senior Vice President and Chief Financial Officer of WordPerfect. Acting in the interests of Novell from the investment banking firm of Morgan Stanley & Co. Inc. were Mr. Frank Quattrone and Mr. George Boutros. Present from Wilson, Sonsini, Goodrich & Rosati were Mr. Sonsini and Mr. Tor R. Braham. Mr. Joshua L. Green and Mr. Steven J. Tonsfeldt from Brobeck, Phleger & Harrison, legal counsel to WordPerfect, were also present at the meeting.

At the meeting, the parties discussed the potential of network-based applications, the strength of AppWare and WordPerfect Office, and the importance of a comprehensive software suite incorporating both networking and application products. Mr. Sonsini outlined a series of key points which comprised a plan for

the combination of Novell and WordPerfect, including Novell's purchase of the Quattro Pro spreadsheet product from Borland. It was stated that Novell would form an Applications Division comprised of the WordPerfect business and new management of WordPerfect that would manage the software applications business. Mr. Sonsini also summarized the proposed financial terms of the transaction, including the exchange ratio.

The Novell representatives then left the meeting and the WordPerfect shareholders, executive officers and legal counsel reviewed the Novell proposal. Novell was told by WordPerfect that it would be making a decision whether or not to pursue the Novell proposal that evening.

Later that night, representatives of WordPerfect contacted Novell and informed Novell that the WordPerfect Board of Directors, including the major shareholders of WordPerfect, had determined to proceed along the lines proposed by Novell, subject to the preparation of a mutually satisfactory definitive agreement and subject also to the execution by Novell of an agreement to acquire the Quattro Pro spreadsheet business from Borland.

A meeting of the Board of Directors of Novell was held on Thursday March 17, 1994. An extensive discussion was held following which the Novell Board of Directors resolved to authorize the officers of Novell to proceed and negotiate a definitive agreement for both the WordPerfect and Quattro Pro transactions, subject to final review by the Board.

Beginning on Friday, March 18, 1994, and continuing through Sunday, March 20, meetings, discussions, and negotiations were held at the law offices of Wilson, Sonsini, Goodrich & Rosati among representatives of Novell, WordPerfect and Borland.

On Sunday evening, March 20, 1994 commencing at 5:00 p.m. Pacific time, another Novell Board Meeting was held. A WordPerfect Board meeting was convened at the same time to consider the transaction.

The Board of Directors of Novell authorized the execution of the Merger Agreement as well as a Purchase and License Agreement with Borland relating to the acquisition of the QuattroPro spreadsheet business. At its meeting, the WordPerfect Board of Directors authorized the execution of the Merger Agreement and certain related matters. Thereafter, the definitive agreements for both transactions were executed.

TERMS OF THE MERGER

Effective Time of the Merger

The Merger Agreement provides that the separate existence of Sub shall cease and Sub shall be merged with and into WordPerfect, which will be the surviving corporation and will become a wholly owned subsidiary of Novell. The Merger will become effective upon the filing of the Articles of Merger contemplated by the Merger Agreement with the Division of Corporations and Commercial Code of the State of Utah in accordance with the URBCA. See "Terms of the Merger — Conditions to the Merger." It is anticipated that if the Merger is approved and adopted at the Special Meeting and all other conditions of the Merger have been fulfilled or waived, the Effective Date will be the date of the Special Meeting, or as soon as practicable thereafter. The Merger Agreement also provides that (i) the Articles of Incorporation of WordPerfect shall be the Articles of Incorporation of the surviving corporation, except that such Articles of Incorporation shall be amended to provide that the authorized capital stock of the surviving corporation shall be 1,000,000 shares of Common Stock, (ii) the Bylaws of WordPerfect shall be the Bylaws of the surviving corporation, (iii) the directors of Sub shall be the directors of the surviving corporation, (iv) the officers of WordPerfect shall be the officers of the surviving corporation; and (v) the Merger shall, from and after the Effective Time, have all the effects provided by applicable law, the Merger Agreement and the Articles of Merger.

Manner and Basis of Converting Shares

Terms of the Merger. Each issued and outstanding share of WordPerfect Common Stock (other than shares held by WordPerfect, Novell or their respective subsidiaries and shares, if any, held by persons exercising dissenters' rights in accordance with the URBCA ("Dissenting Shares")), including shares issuable upon the exercise of any WordPerfect Option (as defined below) prior to the Effective Time, that are issued and outstanding immediately prior to the Effective Time (other than Dissenting Shares) shall automatically be canceled and extinguished and converted, without any action on the part of the holder thereof, into the right to receive one share of Novell Common Stock. On April 20, 1994, the last sale price of Novell Common Stock as reported on the Nasdaq National Market was \$15.50 per share.

Based upon the number of shares of Novell Common Stock outstanding as of March 26, 1994, 361,326,379 shares of Novell Common Stock will be outstanding immediately after the Effective Time, of which approximately 14.22% will be held by the former holders of WordPerfect Common Stock.

Exchange of Certificates. As soon as practicable after the Effective Time, an exchange agent appointed by Novell (the "Exchange Agent") will mail to each holder of record of a certificate or certificates that immediately prior to the Effective Time represented outstanding shares of capital stock of WordPerfect (the "Certificates") whose shares are being converted into Novell Common Stock pursuant to the Merger Agreement, a letter of transmittal with instructions for use in effecting the surrender of the Certificates in exchange for Novell Common Stock. After the Effective Time, there will be no further registration of transfers on the stock transfer books of WordPerfect, as the surviving corporation, of shares of WordPerfect Common Stock that were outstanding immediately prior to the Effective Time. **CERTIFICATES SHOULD NOT BE SURRENDERED BY THE HOLDERS OF WORDPERFECT COMMON STOCK UNTIL SUCH HOLDERS RECEIVE THE LETTER OF TRANSMITTAL FROM THE EXCHANGE AGENT.**

Upon the surrender of a Certificate representing shares of WordPerfect Common Stock to the Exchange Agent together with a duly executed letter of transmittal, the holder of such certificate will be entitled to receive in exchange therefor the number of shares of Novell Common Stock equal to the number of shares of WordPerfect Common Stock held by such holder. In the event of a transfer of ownership of shares of WordPerfect Common Stock which is not registered on the transfer records of WordPerfect, the appropriate number of shares of Novell Common Stock may be delivered to a transferee if the Certificate representing such shares of WordPerfect Common Stock is presented to the Exchange Agent, together with the related letter of transmittal, and accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid.

Until a Certificate representing shares of WordPerfect Common Stock has been surrendered to the Exchange Agent, each such Certificate will be deemed at any time after the Effective Time to represent the right to receive upon such surrender the number of shares of Novell Common Stock to which the shareholder is entitled under the Merger Agreement.

Employee Benefit Plans

Representatives of Novell's and WordPerfect's respective human resources departments have met and will continue to meet to coordinate the manner of transition of the insurance and other benefit plans of WordPerfect after the Merger. Novell and WordPerfect intend that the continuing employees of WordPerfect will be entitled to receive employee benefits from Novell that will be at least comparable to those being received by the employees of Novell, taken as a whole, who occupy comparable positions and have comparable responsibilities.

WordPerfect Options. Pursuant to the Merger Agreement, all stock options to acquire shares of WordPerfect Common Stock outstanding immediately prior to the Effective Time ("WordPerfect Options") will be assumed by Novell and converted into options to acquire an equivalent number of shares of Novell Common Stock. As of March 31, 1994, WordPerfect Options to acquire an aggregate of 7,820,000 shares of WordPerfect Common Stock were issued and outstanding. Notice to the holders of WordPerfect Options as to the terms of such assumption and conversion will be sent by Novell upon consummation of the Merger. Each WordPerfect Option so assumed by Novell shall continue to have, and be subject to, the same terms and conditions set forth in the option agreement relating to such WordPerfect Option, including the existing provisions that provide that the vesting of such options will automatically accelerate immediately upon consummation of the Merger.

Novell will take all corporate and other actions necessary to reserve and make available sufficient shares of Novell Common Stock for issuance upon exercise of the WordPerfect Options assumed by Novell and to prepare and file with the SEC a registration statement on Form S-8 (or any successor form) with respect to the underlying shares of Novell Common Stock issuable upon exercise of such WordPerfect Options. Novell will use its reasonable efforts to have such registration statement declared effective as soon as practicable following the Effective Time and to maintain the effectiveness of such registration statement.

Section 401(k) Plan. WordPerfect has established a tax-deferred savings plan (the "WordPerfect Plan") qualified under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"). Under the WordPerfect Plan, eligible employees may authorize voluntary payroll deductions of up to 10% of their base salaries to be invested in certain independently managed, employee-elected investment funds. WordPerfect also makes contributions which match up to 100% for the first 2% of salary contributions by the employee, 75% for the next 2% and 50% for the next 2%. There is no matching for employee contributions over 6%. Following the Merger, WordPerfect employees will be eligible to participate in the Novell 401(k) Plan (the "Novell Plan") by making new contributions to the Novell Plan. It is presently intended that WordPerfect will file for authorization to terminate the WordPerfect Plan with the appropriate governmental authorities, and the assets of the WordPerfect Plan will be transferred to the Novell Plan.

Conduct of Business of WordPerfect and Novell Prior to the Merger

Under the Merger Agreement, WordPerfect has agreed that until the Effective Time or the earlier termination of the Merger Agreement pursuant to the terms thereof, WordPerfect and its majority-owned subsidiaries will conduct their respective businesses in the ordinary and usual course consistent with past practice and will use reasonable efforts to maintain and preserve intact their business organizations, keep available the services of their officers and employees and maintain satisfactory relations with licensors, licensees, suppliers, contractors, distributors, customers and others having business relationships with them. Among other limitations relating to the conduct of its business, WordPerfect has agreed that it will not, without Novell's prior written consent, prior to the Effective Time, (a) declare, set aside or pay any dividends on or make any other distribution (whether in cash, stock or property) in respect of any of its capital stock; (b) split, combine or reclassify any of its capital stock, or issue any other securities in respect of, in lieu of or in

substitution for shares of its capital stock, or repurchase, redeem or otherwise acquire any shares of its capital stock; (c) issue, deliver, or sell any shares of its capital stock, or any other securities convertible into, or exchangeable or exercisable therefor; (d) except pursuant to mandatory terms under outstanding options, accelerate, amend or change the exercise period of options granted under the WordPerfect Stock Option Plan or any other options, warrants or other convertible securities; (e) authorize cash payments in exchange for any options granted under the WordPerfect Stock Option Plan or any other options; (f) authorize any change in its equity capitalization; (g) cause or permit any amendments to its Articles of Incorporation or Bylaws or other charter documents; (h) acquire or agree to acquire any business or any corporation, partnership, association or other business organization or division thereof, or assets which are material to the business condition of WordPerfect and its majority-owned subsidiaries, taken as a whole; (i) sell, lease, pledge, license or otherwise dispose of or encumber any of its assets or properties, except in the ordinary course of business consistent with past practice (including, without limitation, any indebtedness owed to it or any claims held by it); (j) transfer the stock of any majority-owned subsidiary to any other majority-owned subsidiary or any assets or liabilities to any new or, except in the ordinary course of business consistent with past practice, existing majority-owned subsidiary; (k) incur any indebtedness for borrowed money or guarantee any such indebtedness, or guarantee the obligations of others, or make loans or advances; (l) pay, discharge or satisfy any claims, liabilities or obligations, other than the payment, discharge or satisfaction of liabilities in the ordinary course of business consistent with past practice; (m) adopt or amend any employee benefit plan, or enter into or amend any employment, severance, special pay arrangement with respect to termination of employment or other similar arrangements or agreements with any of its directors, officers or employees or increase the salaries or wage rates of its employees other than pursuant to scheduled employee reviews, consistent with past practices; (n) except in the ordinary course of business consistent with past practices, transfer to any person or entity any rights to WordPerfect intellectual property rights; (o) enter into or amend any agreements pursuant to which any other party is granted exclusive marketing or other rights of any type or scope with respect to any products of WordPerfect or any of its majority-owned subsidiaries; (p) except in the ordinary course of business with prior notice to Novell, violate, amend or otherwise modify the terms of any material WordPerfect contracts; (q) commence a lawsuit other than for the routine collection of bills; (r) change the accounting methods or practices followed by WordPerfect or any of its majority-owned subsidiaries, except as may be required by changes in generally accepted accounting principles, make or change any material tax election, file any material tax return or any amendment to a material tax return, enter into any material closing agreement, settle any material tax claim or assessment, or consent to any extension or waiver of the limitation period applicable to any material tax claim or assessment, without the prior consent of Novell, which consent will not be unreasonably withheld; (s) take any action that would result in any of the representations and warranties of WordPerfect set forth in the Merger Agreement becoming untrue or in any of the conditions to the Merger set forth in the Merger Agreement not being satisfied; (t) enter into any capital commitment or long term obligation equal to or in excess of \$500,000; or (u) authorize or propose any of the foregoing, or enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

WordPerfect has also agreed, under the Merger Agreement, not, directly or indirectly, to solicit, initiate, entertain, encourage or negotiate any proposals or offers from any third party relating to the merger or acquisition of WordPerfect or a material portion of its assets or capital stock of WordPerfect, nor will WordPerfect, during the term of the Merger Agreement, participate in any negotiations regarding, or furnish to any person any information with respect to, or otherwise cooperate with, facilitate or encourage any effort or attempt by any person to do or seek any such transaction.

Under the Merger Agreement, Novell has also agreed that until the Effective Time or the earlier termination of the Merger Agreement pursuant to the terms thereof, it will not, without the prior written consent of WordPerfect, (a) amend its Certificate of Incorporation in any manner which would adversely affect the rights of holders of Novell Common Stock, or (b) issue, deliver, or sell or authorize or propose the issuance, delivery or sale of, or purchase or propose the purchase of, any shares of its capital stock or any class or securities convertible into, or subscriptions, rights, warrants or options to acquire, or other agreements or commitments of a character obligating it or any of its majority-owned subsidiaries to issue any such shares or other convertible securities, except for the issuance or proposed issuance of its capital stock or options to purchase shares of its capital stock (i) in connection with a proposed business combination, (ii) in connection

with privately negotiated sales of stock pursuant to corporate partnering arrangements or (iii) pursuant to stock option grants or exercises or other employee stock benefit plans.

Each of WordPerfect and Novell have further agreed to (a) promptly apply for and use all reasonable efforts to obtain all consents and approvals required with respect to the consummation of the Merger and (b) use all reasonable efforts to effectuate the transactions contemplated by the Merger Agreement and to fulfill the conditions to close the Merger.

Conduct of Business of the Combined Company Following the Merger

Upon the consummation of the Merger, Novell will establish and maintain WordPerfect as a separate operating unit constituting the Novell Applications Product Group. The Quattro Pro spreadsheet product line to be acquired from Borland will be placed under the control of the Novell Applications Product Group. Adriaan Rietveld, the current President and Chief Executive Officer of WordPerfect, will be appointed President of the Novell Applications Product Group, to serve until his successor is duly appointed, and will report directly to the President and Chief Executive Officer of Novell. The remaining executive officers of WordPerfect will report to the Novell Applications Product Group President. The Novell Applications Product Group will be operated in accordance with a plan submitted by the Novell Applications Product Group and approved by Novell.

Conditions to the Merger

Each party's respective obligation to effect the Merger is subject to the satisfaction prior to the closing date of the Merger (the "Closing Date") of the following conditions: (a) the Merger Agreement and the Articles of Merger shall have been approved and adopted by the affirmative vote or consent of the holders of at least a majority of the issued and outstanding shares of WordPerfect Common Stock present, in person or by proxy, at the Special Meeting; (b) the Registration Statement shall have become effective under the Securities Act and shall not be subject to any stop order, and this Prospectus/Proxy Statement shall not be subject to any proceedings commenced or threatened by the SEC; (c) the applicable waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated; (d) all material authorizations, consents, orders or approvals of, or declarations or filings with, or expiration of waiting periods imposed by, any governmental entity necessary for the consummation of the transactions contemplated by this Agreement and the Articles of Merger shall have been filed, expired or been obtained; (e) Novell and WordPerfect shall each have received favorable written opinions from their respective counsel, to the effect that the Merger will constitute a tax-free reorganization; and (f) the absence of any legal action preventing the consummation of the Merger or rendering Novell or WordPerfect unable to consummate the Merger.

The obligations of Novell and Sub to effect the Merger are subject to, among other things, the satisfaction of the following conditions, unless waived by Novell and Sub: (a) the representations and warranties of WordPerfect in the Merger Agreement shall be true and correct in all material respects (except for such representations and warranties which are qualified by their terms by a reference to materiality, which representations and warranties as so qualified shall be true in all respects) (i) as of the date of the Merger Agreement and (ii) as of the Closing Date, as though made on and as of the Closing Date (except for representations and warranties that speak of a specific date) unless any failures to be true and correct, individually or in the aggregate, do not have and could not reasonably be expected to have a material adverse effect on WordPerfect; (b) WordPerfect shall have performed in all material respects all obligations and covenants required to be performed by it under the Merger Agreement and the Articles of Merger prior to or as of the Closing Date; (c) Novell shall have received an opinion of Brobeck, Phleger & Harrison, counsel to WordPerfect, dated the Closing Date, in form and substance reasonably satisfactory to Novell and WordPerfect; (d) (i) Novell shall have received a letter from Ernst & Young to the effect that the Merger will be accounted for as a pooling of interests and (ii) WordPerfect shall have received a letter from Price Waterhouse to the effect that Price Waterhouse is not aware of any condition that would preclude WordPerfect from participating in a merger transaction to be accounted for as a pooling of interests; (e) Novell and Sub shall have received duly executed copies of all material third-party consents and approvals

in form and substance reasonably satisfactory to Novell and Sub; (f) certain "affiliates" (as defined below) of WordPerfect shall have executed and delivered to Novell an Affiliates Agreement (as described below); (g) certain shareholders of WordPerfect shall not have breached the Shareholder Agreements (as described below); (h) there shall have been no material adverse effect on WordPerfect or any of its majority-owned subsidiaries on or before the closing date of the Merger; and (i) certain WordPerfect shareholders shall have executed and delivered to Novell and WordPerfect a Tax Matters Agreement (as described below).

The obligation of WordPerfect to effect the Merger is subject to, among other things, the satisfaction of the following conditions, unless waived by WordPerfect: (a) the representations and warranties of Novell and Sub in the Merger Agreement shall be true and correct in all material respects (except for such representations and warranties which are qualified by their terms by a reference to materiality, which representations and warranties as so qualified shall be true in all respects) (i) as of the date of this Agreement and (ii) as of the Closing Date, as though made on and as of the Closing Date (except for representations and warranties that speak of a specific date), unless any failures to be true and correct, individually or in the aggregate, do not have and could not reasonably be expected to have a material adverse effect on Novell; (b) Novell and Sub shall have performed in all material respects all obligations and covenants required to be performed by them under the Merger Agreement and the Articles of Merger prior to or as of the Closing Date; (c) WordPerfect shall have received an opinion dated the Closing Date of Wilson, Sonsini, Goodrich & Rosati, counsel for Novell and Sub, in form and substance reasonably satisfactory to WordPerfect and Novell; (d) there shall have been no material adverse effect on Novell on or before the Closing Date; (e) the Board of Directors of Novell shall have taken appropriate action to cause the number of directors comprising the full Board of Directors of Novell to be increased by two persons, from seven to nine, and Alan C. Ashton and Bruce W. Bastian (or a designee of either of such persons, which designee or designees shall be acceptable to the Board of Directors of Novell) shall have been elected to the Board of Directors of Novell and (f) either Novell or WordPerfect shall have acquired the rights to sell a spreadsheet program mutually acceptable to the parties hereto (which acquisition will close prior to or simultaneously with the consummation of the Merger contemplated by this Agreement).

It is anticipated that the condition to WordPerfect's obligation to consummate the Merger described in clause (e) in the preceding paragraph concerning the appointment of Dr. Ashton and Mr. Bastian (or their designees) to the Novell Board of Directors will be waived by WordPerfect prior to the Closing in return for Novell's agreement that following the Merger the Novell Board of Directors will, promptly following the receipt of a request from Dr. Ashton and Mr. Bastian, increase the size of the Board of Directors from seven to nine and at such time cause Dr. Ashton and Mr. Bastian (or their designees) to be elected to the Novell Board of Directors. Dr. Ashton and Mr. Bastian are expected to make such a request in the latter part of 1994. The Novell Board of Directors has agreed to take all necessary action to cause Dr. Ashton and Mr. Bastian (or their designees) to be nominated for election at the Novell annual meeting of stockholders for fiscal year 1995.

Termination or Amendment of Merger Agreement

The Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the Merger by the shareholders of WordPerfect: (a) by mutual written agreement of Novell, Sub and WordPerfect; (b) by Novell, if there has been a breach by WordPerfect of any representation, warranty, covenant or agreement set forth in the Merger Agreement on the part of WordPerfect or if any representation or warranty of WordPerfect shall have become untrue, but only if such breach(es) or untrue representations or warranties, individually or in the aggregate, have or could reasonably be expected to have a material adverse effect on WordPerfect and which breach or inaccuracy WordPerfect fails to cure within seven days after notice thereof is given by Novell (except that no cure period shall be provided for a breach by WordPerfect or inaccuracy which by its nature cannot be cured); (c) by WordPerfect, if there has been a breach by Novell or Sub of any representation, warranty, covenant or agreement set forth in this Agreement on the part of Novell or Sub or if any representation or warranty of Novell or Sub shall have become untrue, but only if such breach(es) or untrue representations or warranties, individually or in the aggregate, have or could reasonably be expected to have a material adverse effect on Novell and which breach or inaccuracy Novell or Sub, as the case may be, fails to cure within seven days after notice thereof is given by WordPerfect

(except that no cure period shall be provided for a breach by Novell or Sub which by its nature cannot be cured); (d) by Novell or WordPerfect, if the Merger shall not have been consummated on or before July 31, 1994 (other than delays attributable to concluding the HSR Act waiting period or receiving an order of effectiveness from the SEC with respect to the Registration Statement, but in no event later than September 30, 1994); (e) by Novell or WordPerfect if the required approval of the shareholders of WordPerfect or, if required, the stockholders of Novell, contemplated by the Merger Agreement shall not have been obtained by reason of the failure to obtain the required vote upon a vote taken at the Shareholders' Meeting; or (f) by Novell or WordPerfect if any permanent injunction or other order of a court or other competent authority preventing the Merger shall have become final and nonappealable.

The Merger Agreement may be amended by the parties, by action taken by their respective Board of Directors, at any time before or after approval of the Merger by the shareholders of WordPerfect; provided that following approval of the Merger by the shareholders of WordPerfect, no amendment shall be made which by law requires the further approval of such shareholders without obtaining such further approval.

Indemnification

From and after the Effective Time, Novell and WordPerfect, as the surviving corporation in the Merger, shall (to the fullest extent permitted by applicable law) indemnify, defend and hold harmless each person who is now, or has been at any time prior to the date hereof or who becomes prior to the Effective Time, an officer or director of WordPerfect or any of its majority-owned subsidiaries against any and all losses, damages, costs, expenses, liabilities or judgments, or amounts that are paid in settlement of, or in connection with, any claim, action, suit, proceeding or investigation based on or arising out of the fact that such person is or was a director or officer of WordPerfect or any majority-owned subsidiary of WordPerfect, whether pertaining to any matter existing or occurring at or prior to the Effective Time.

Certain Federal Income Tax Considerations

The following discussion summarizes the material federal income tax considerations relevant to the exchange of shares of WordPerfect Common Stock for Novell Common Stock pursuant to the Merger. In particular, this discussion addresses the tax consequences of the Merger generally applicable to holders of WordPerfect Common Stock. It does not deal with all federal income tax considerations that may be relevant to particular WordPerfect shareholders in light of their particular circumstances, such as shareholders who do not hold their WordPerfect Common Stock as capital assets or persons who acquired their shares in compensatory transactions. In addition, the following discussion does not address the tax consequences of transactions effectuated prior or subsequent to, or concurrently with, the Merger (whether or not any such transactions are undertaken in connection with the Merger) including, without limitation, any transaction in which shares of WordPerfect Common Stock are acquired or any shares of Novell Common Stock are disposed of. Furthermore, no foreign, state or local tax considerations are addressed herein. **ACCORDINGLY, WORDPERFECT SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER, INCLUDING THE APPLICABLE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES TO THEM OF THE MERGER.**

The Merger is intended to constitute a "reorganization" within the meaning of Section 368(a) of the Code (a "Reorganization"), in which case, subject to the limitations and qualifications referred to herein, the Merger will generally result in the following federal income tax consequences:

(a) No gain or loss will be recognized by holders of WordPerfect Common Stock solely upon their receipt in the Merger of Novell Common Stock in exchange therefor.

(b) The aggregate tax basis of the Novell Common Stock received in the Merger will be the same as the aggregate tax basis of WordPerfect Common Stock surrendered in exchange therefor.