

Exhibit A

TERM SHEET

Outline

Note: November 1, 1995 is used through out this document as the start of the relationship and the beginning of the transition period. The parties still expect to sign a Comprehensive Agreement prior to September 18, 1995.

The Parties also have agreed for planning purposes to use a Transition Period of no more than 3 months.

I. Purpose of Relationship

To be supplied by SCO

II. General Relationship Overview

To be supplied by Novell

State SCO's commitment to NetWare and NetWare services

III. Shared Objectives of Relationship

- Handwritten: "Facilitate" in a circle, and "Rider" with an arrow pointing to the list.*
- a. Seamless UnixWare and Open Server customer migration*
 - b. Migration to P7 64-bit Unix* *Facilitate*
 - c. Consolidation of Intel Unix*
 - d. SCO and Novell customer industry endorsement and support*
 - e. Endorsement of NetWare and NetWare services*
 - f. World class application server offering*

IV. Proposed Relationship Contacts

A. Executive Contacts:

Novell - Richard King, EVP Novell Systems Group
SCO - Alok Mohan, President and CEO

B. Relationship Contacts:

Novell - Ty Mattingly, VP Strategic Relations
SCO - Geoff Seabrook, VP Strategic Planning

C. Technical/Products Contacts:

Novell - Lisa Ozimek, Director UNIX System Development
SCO - Gary Daniels, VP, UNIX System Development

D. Business Contacts:

Novell - Ed Chatlos, Sr. Director, Corporate Development
SCO - Jim Wilt, VP, Business Development

E. Marketing Contacts:

Novell - Biff Traber, Director Industry Relations
SCO - Mike Shelton, Director Product Business Management

F. Legal Contacts:

Novell - David Bradford, SVP & General Counsel & Tor Braham, Wilson Soasini
SCO - Steve Sabbath, VP & General Counsel & Ed Leonard, Brobeck

Equity Investment - To be addressed by Novell and SCO legal and Bankers. Discussion will begin on Monday, Sept. 11, 1995.

A. Concept :

The parties will discuss and agree to a Terms Sheet by the 8 September. This Terms Sheet will be used as a basis for a Comprehensive Agreement which the parties intend to create and execute prior to September 18, 1995. In the event that the parties can not execute a Comprehensive Agreement by this date the Terms Sheet will be attached to an MOU and executed at that time. This MOU will include binding terms including Novell's equity investment in SCO, including the per share price.

B. Valuation of technology and business contributed to SCO - Currently being valued by Novell.

Methodology - The SVRx business is being removed from the valuation analysis. A DCF is being done on the UnixWare business. The UnixWare revenue was forecasted based on the assumption that there will be cannibalization of the SVRx business.

- C. Difference in valuation and 19% equity investment [How do you handle this?]
[SCO doesn't agree with the value being greater than 19%; SCO also is saying that there should be a premium on the stock price because of the 19% level]

Several alternatives exist for Novell getting credit for the difference between the valuation of the UNIX System Business and the equity percentage in SCO. They are as follows:

- i. Cash payment by SCO to Novell
- ii. The difference is covered by a Note
- iii. SCO pays a royalty to Novell until the difference is used.

- D. Registration Rights of Novell shares of SCO stock (Demand rights and piggy back rights) - TBD.

- E. Change of control provisions - *Certain licensing rights granted to SCO by Novell may terminate or significantly reduce in scope if SCO significantly changes its current control structure.*

- F. Period between announced MOU and comprehensive Agreement - Potential takeover by third party

- i. SCO will not seek *[or entertain?]* offers for change of ownership prior to the completion of a Comprehensive Agreement between the parties or abandonment of negotiations for a Comprehensive Agreement.
- ii. In the case of a sale of SCO shares that would lead to a change of control of the company, Novell would like a ROFR to purchase the shares.

VI. Scope of Product Relationship

A. Product Objectives

SCO and Novell desire the creation of a consolidated Intel UNIX product that will provide:

- i. World class applications services;
- ii. Tight integration with NetWare and NetWare services;
- iii. Seamless SCO Open Server and Novell UnixWare customer migration;
- iv. A rationalization and unification of Intel-based UNIX systems that is endorsed by SCO and Novell customers and the industry; and
- v. A migration path for customers to a P7 based 64-bit UNIX system product.

Work on

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goal is that
it should
be subordinate

B. Product Definition and Migration Strategy

In order to achieve the objectives stated in Section VI.A, SCO and Novell agree to the following goals and definition for the Merged Product.

- i. Major subsystems of the Merged Product should be based primarily on one existing product (i.e., UnixWare or OpenServer) in order to minimize costs to produce the product.
- ii. UnixWare 2.1 (Eiger) and OpenServer Release 5.1 (Comet) will be used as the basis of the Merged Product.
- iii. Enhancements to existing products should be minimized after 2Q96 to allow staff to be focused on creation of the Merged Product offering.
- iv. Both OpenServer Release 5 and UnixWare Release 2.1 must both be viable migration paths to the Merged Product offering.
- v. The Merged Product must provide functionality above that of UnixWare 2.1 and OpenServer Release 5, appropriate to the time frame of its release.
- vi. The Merged Product will be offered in source form. *Issue: I forgot to confirm this with SCO & LCO*
- vii. Maintenance releases on existing OpenServer and UnixWare products will continue as long as there is customer demand.
- viii. The target release date of the Merged Product should be 1Q97. *He first quarter of 1997.*

Ryder

SCO and Novell agree to the following high-level definition of the Merged Product:

Product Area	Technology Source
Application Interfaces	OpenServer and UnixWare i.e., OpenServer and UnixWare applications will be supported
End User Interface/Sysadm Functionality	OpenServer GUI and framework with functionality for Sysadm being a superset of the Sysadm capabilities of OpenServer and UnixWare
NetWare Services	UnixWare based, updated, as appropriate, to most current version of NetWare
Base Operating System	UnixWare 2.1 base Operating System with the addition of OpenServer compatibility and functionality

Ryder

SCO and Novell agree to the detailed definition of the Merged Product contained in Attachment XX.

SCO and Novell will put an expanded technical team in place by October 1, 1995 to finalize the Merged Product definition included in Attachment XX, specifically in those areas where the base component is not yet identified. SCO and Novell will provide a plan for which areas are to be addressed by the technical team by September 16, 1995. SCO and Novell agree to

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will have the following attributes

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use best efforts to achieve resolution in the areas identified in the plan no later than October 18, 1995. In the event that consensus, for areas not yet agreed upon, cannot be achieved by the team, the SCO Technical Contact will act as the final arbiter for technical decisions. *Not change by ESE in previous sentence.*

In order to achieve the objectives stated in Section VI.A, SCO and Novell agree to the Merged Product Road Map included in Attachment YY.

SCO will review Novell's Products Under Development and UnixWare activities by October 3, 1995.

By October 18, 1995, SCO will provide Novell with a list of projects and activities that Novell should continue beyond November 1, 1995. This list will also identify any modifications needed to UnixWare 2.1 to increase compatibility with OpenServer Release 5 and support shipment of UnixWare Release 2.1 through SCO.

Effective November 1, 1995, Novell will stop all UnixWare work except for products and activities SCO has indicated Novell should continue.

Identified technology contribution: (asset transfer or license):

The intent is to contribute all the technology associated with Novell's UNIX System V and UnixWare product family (excluding NetWare OS technology and NetWare services which have been integrated into UnixWare) business. The following is an initial list of technology.

By October 18, 1995, Novell and SCO will produce the first draft of the Transition Plan covering the transition of the Technology identified below. SCO and Novell will finalize the transition plan by November 1, 1995.

i. UNIX Source Code Products (SCP):

- a. UnixWare 2.0 as described in the UnixWare 2.0 Licensing Schedule and those products listed as "prior" products in this schedule (includes source code updates where appropriate - i.e. UnixWare product family).
- b. UNIX SVR4.1 ES as described in the UNIX SVR4.1 ES Licensing Schedule and those products listed as "prior" products in this schedule.
- c. UNIX SVR4.0MP as described in the UNIX SVR4.0 MP Licensing Schedule and those products listed as "prior" products in this schedule.
- d. Ancillary SVRx Products (i.e. DWB, MLS, etc.)

ii. Binary Product Releases:

- a. UnixWare 2.01 Product Family as described by the Novell UnixWare 2.01 Part/Price List
- b. UnixWare 2.0.x update releases

- c. UnixWare 1.1 Product Family as described by the Novell UnixWare 1.1 Part/Price List
- d. UnixWare 1.1.x - update releases
- iii. Products Under Development:
 - a. UnixWare 2.1 (Eiger) - contains NetWare UNIX Client and Server capabilities
 - b. UnixWare 2.1 Oracle Parallel Server (OPS)
 - c. UnixWare 2.03 - maintenance update under development
 - d. UnixWare 2.0.x/2.1 Enhanced Mode Merge
 - e. UnixWare 2 DCE via Gradient (engineering porting support)
 - f. UnixWare 2 CDE via TriTeal (engineering porting and acceptance test support)
 - g. "Amadeus" Microkernel development
 - h. UnixWare 2 Internet Server
- iv. Other Technology:
 - a. UnixWare System/HBA/etc. Test/Certification Suites Used by Novell Labs
 - b. UnixWare "OS Branding" Test Suites
 - c. UnixWare "OS Compatible" Requirements
 - d. Gaede Performance Test suite
 - e. ARTUS, Bart, Buster Internal UNIX Test suites and test harnesses
 - f. UnixWare Training/Education Courseware
 - g. Requirements, Design, and Test Specifications for UnixWare 2 (many in draft)
 - h. Technical Support Update Manager
- v. Excluded technology: (Note this is not an exhaustive list of excluded technology)
 - a. Technology licensed under section C below.
 - b. NetWare Operating System and Services
 - c. Tuxedo Transaction Processing
 - d. TBD

✓ D. Identified products to be licensed:

(Note TBD - SCO wants to ensure that the license is not just for 1 release but can be for on-going release.)

Novell will provide a detailed list of files defining the products list below by November 1, 1995.

- i. NetWare and other code contained in UnixWare 2.01 and Eiger:
 - a. NetWare and UnixWare LAN Driver Test Kit *(license ODI only; UnixWare transmigration should be transferred to SCO)*
 - b. Nprinter (for printing from NetWare to UnixWare Server)

- c. NUC (NetWare UNIX Client - for print, etc. from UnixWare to NetWare Server)
 - d. TNVT, Host Presenter (Terminal Emulation to Log into UnixWare Server from NetWare Client)
 - e. MHS Gateway (Mail Gateway)
 - f. IPX/SPX (Re-Write of Native 4.1)
 - g. ODI (Networking driver protocol; version 3.3 of assembly Spec and 1.0 of C Spec)
 - h. Xconsole (Log-in to NetWare console)
 - i. UnixWare TSA (SMS is back-up and restore, TSA is the 'agent' needed to do this)
 - j. Some NetWare Client APIs
 - k. DR-DOS
 - l. Host Presenter (Binary only)
 - m. TNVT (Binary only)
 - n. cryptor (Binary only)
 - o. NetWare NLM (Binary only)
- ii. NetWare code contained in Eiger Only:
 - a. NDS APIs
 - b. NWS (Incl. NetWare File, Print and Directory Services)
 - iii. NetWare 4.1 for UnixWare

Include

a.k.

Commitments to follow agreed to migration plan including inclusion of NetWare hooks and core technology to support Novell's NetWare services. *(for changes in NW-related royalty rates)*

Novell Proposal - Modified 9/10 (not reviewed with SCO): Novell feels that it is critical to satisfy Novell's UnixWare customer investments and therefore the above migration plan must be followed after the Comprehensive Agreement is signed. Therefore, in order to be assured that this plan is followed, Novell proposes that Novell have the option to similar rights and technology (as it existed on the effective date of this agreement) to additional third parties if the plan is not met by SCO. In addition, Novell proposes that if the Merged Product plan is not met, Novell will increase the NetWare related per copy fees (TBD).

Planned development/support activities to be contracted from Novell (including current engineering, completion of Eiger, continuation of products under development) *no IP*

In order to identify the staffing requirements on Novell, SCO will name a Project Manager who will produce a first draft of a project and resource plan for the Merged Product development no later than October 6, 1995, that identifies the work items necessary to complete the Merged Product, a refined product development schedule and identifies the final staffing needs from Novell. SCO will identify, for each staffing area, the type of experienced personnel needed from Novell, number of people and an indication of whether the position

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is for sub-contract or hire]

Novell will review the draft plan and provide comments to SCO by October 13, 1995. SCO and Novell will then finalize the project and resource plan by October 18, 1995.

U.P. On-going relationship interaction, coordination and product planning (input) with

SCO and Novell have agreed to use the following process to move forward in the area of APIs needed to ensure a tightly integrated set of Networking Services on SCO's UNIX System products.

SCO and Novell intend the technology strategies and architectures of their relationship to be guided by the following four principles:

- i. SCO and Novell want to exploit the core competencies of each company and delegate responsibility to the developers of each component.
- ii. SCO and Novell agree there must be equitable access to information and processes utilized to specify requirements for APIs and product evolution.
- iii. SCO and Novell components must fit together into a single coherent system that delivers value to each parties' customers.
- iv. Decisions must be made in a timely manner.

d. While it is agreed that a consensus approach between Novell and SCO should be the preferred approach to evolve technology components of mutual interest, it is intended by both SCO and Novell that there be one leader and final arbiter for each component. To achieve this, leadership of each system component needs to be assigned to either SCO or Novell as follows:

- i. UNIX system APIs: SCO Leads
- ii. Networking APIs: Novell Leads

Development responsibilities for the UNIX system APIs lies with SCO; Novell owns development of the Networking APIs.

e. To support the evolution of interfaces in support of tightly integrated Networking Services in UNIX system releases, SCO and Novell agree to form an Architecture Board and appoint two Chief Architects, one each for the UNIX system and Networked Computing.

The Architecture Board is expected to be responsible for articulating and assuring the architectural integrity and system coherency of the product offering. It will consist of SCO and Novell members with co-leaders identified from each company. Membership is expected to consist of key technical team leaders (or delegates) and membership selection is expected to be made by the co-leaders.

SCO and Novell may form sub groups of the Architecture Board in order to facilitate

Robert F,
cont. →

For resolution

architectural consistency and ease of migration between SCO's UNIX system offerings and Novell's NetWare and Networking Services offerings.

The UNIX Chief Architect will be named by SCO, with the advice and consent of Novell, and the Networked Computing Chief Architect will be named by Novell, with the advice and consent of SCO. The Chief Architects are intended to be charged with assuring architectural consistency and being final arbiters for technical decisions. In the event that either SCO or Novell disagrees vehemently with the decision of the Chief Architects or that the Chief Architects disagree, issues may be escalated to named executives of SCO and Novell.

F. Given the strategic importance of a unified set of APIs between the SCO Merged Product offering and the White Box Organization 64-bit product, it is intended that SCO work with the White Box Organization to setup a process to ensure the definition of common interfaces between the Merged Product and the White Box Organization product as well as identification of compatibility interfaces required in the White Box Product.

G. SCO understands that Novell has a similar relationship with HP where HP leads the 64-bit UNIX System technology activities and Novell leads the Networking activities. It is the intent of both parties that SCO work with HP to provide a migration path from existing UNIX System to the 64-bit UNIX System technologies. *SCO would like a statement indicating that Novell will support this effort.*

Novell will work w/ SCO to establish relationship

VII. Scope of Marketing Relationship

A. General Customer Messages Content

a. Messages to Customers

The parties agree that the following key market messages content will be the basis for the messages that are conveyed from the time of announcement and beyond to all customer types (OEMs, Resellers, Small End-Users, Medium End-Users, Enterprise End-Users, Replicated Site End-Users, ISVs/HVs, and Partners) since SCO and Novell will continue to be engaged in joint marketing activities:

Novell and SCO must agree on the specific joint marketing activities and duration of these joint UNIX System activities.

Key Messages

- i. Creation of a standardized Intel UNIX Business-Critical Application Platform.
- ii. SCO committed to Novell Network Services as the standard for Next Generation distributed OS. *Add message about current NetWare endowment.*
- iii. SCO and Novell Outline Roadmap for Merging SCO OpenServer 3, UnixWare, and Novell NetWork Services.

to the Parties' respective customers

the transactions contemplated by the Proposed Agreement

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Why is this good for the customer?

- A. Facilitates a new breed of network applications.
- B. Standardized UNIX on the Intel platform consolidates ISV, IHV and VAR support.
- C. Better and faster technical and product innovation as both companies can concentrate on their core competencies (i.e. SCO as the premier high-volume UNIX provider and Novell as the premier networking services provider).

Why will it succeed:

- A. A clear and compelling migration path from the present to the future being cooperatively implemented by multiple companies.
- B. The single Unix with NetWare services will be supported by both existing and new OEMs, ISVs, IHVs and VARs.
- C. Novell is the most successful networking company and SCO is the most successful packaged UNIX company.

Product and Channel Migration Strategy.

- (i) Both parties agree that Novell will continue to sell and support UnixWare 2 until a definitive agreement becomes effective, at which time SCO will begin to sell UnixWare at least through UnixWare's existing distributor and reseller channels, and potentially in the future through SCO's existing reseller channels at UnixWare's current list pricing. Novell will cease selling all UnixWare product through its indirect channel at this time, and will begin a migration of its OEM and MLA/VLA/CLA UnixWare contracts to SCO to be completed during the Transition Period.

Why is SCO not agreeing to offer UnixWare through its own reseller channels?

Issue: Novell needs to determine the appropriate way to handle the MLAs.

Issue: For Federal contracts, the transition time might have to be longer since there may be contracts for specified periods of time with Novell.

- (ii) For any UnixWare stock in the channel that is desired to be returned to Novell, Novell agrees to accept the return and credit the channel.

For the duration of the Transition Period, Novell agrees to allow SCO to use the Novell trade dress (i.e., sharks teeth) until the products can be transferred to appropriate SCO trade dress.

- (iii) SCO will continue to offer SCO OpenServer 5 in conjunction with UnixWare 2.0 after the definitive agreement is signed. Additionally, SCO will begin offering UnixWare 2.1 binary and source offerings when it becomes available. SCO will also offer a binary and

Closing Date.

Folder G, cont.

(c) Comments

1995

shall have discretion to

source offering of the Merged OpenServer and UnixWare 2.1 product sometime within the first half of 1997. SCO is free to name and market this product as SCO sees appropriate.

c. e.

Product Packaging Migration

On November 1, 1995, SCO plans to sell the UnixWare product using existing Novell inventory with a SCO sticker on it. Once this stock is exhausted, SCO will be responsible for manufacturing the UnixWare 2 product family. At this time, when SCO sells the UnixWare 2 product, the SCO UnixWare 2 product packaging will use the term "UnixWare" prominently on its product packaging, with a potential product naming scheme of "SCO UnixWare". At this time, it would also be desirable to change the Novell installation screen GIF file to a SCO file.

The Parties intend

As the Parties may agree

(ii) When SCO sells the UnixWare 2.1 product, the SCO UnixWare 2.1 product packaging will use the term "UnixWare" prominently on its product packaging, but since it is solely a SCO product, will cease using the Novell name or logo in conjunction with marketing this product after the transition period.

When SCO sells the Merged product, this is solely a SCO product and SCO is free to market this product as it best sees fit.

shall have sole discretion as to setting marketing

Issue: For Novell KK and Onward Novell, the product migration strategy above may not be appropriate since they price and market the UnixWare products independent of Novell Corporate.

d. Product Positioning

The parties agree that general product positioning for SCO OpenServer 5, UnixWare 2.x, and NetWare is essential to reduce market confusion and ensure success of the SCO and Novell respective products.

The parties agree that the UNIX and NetWare product positioning is as described in existing Novell UnixWare and NetWare sales tools such as the UnixWare 2 Sales Kit.

e. Customer Support Migration Plan

a primary

Novell and SCO agree that the objective is to provide UnixWare customer support at the same level as is presently provided by Novell. On November 1, 1995, UnixWare Tier 1/2/3 and 4 customer support will be provided by SCO (and be staffed by the current worldwide (Provo, Dusseldorf, Sydney) UnixWare support personnel on loan to SCO during the Transition Period). On November 1, the UnixWare support phone lines will be answered as if the support is provided by SCO. After 6 months from November 1, SCO will fully provide its own UnixWare support.

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Comments on

Comments May 1, 1996

Page 6, cont.

Issue: Novell needs to engage its Support group with SCO to confirm this migration plan and work out the details.

F. F.

Marketing Transition Plan

i. By November 1, Novell agrees to train SCO Marketing and Systems Engineering in Santa Cruz, California on the current UnixWare products (including, if desired by SCO, the UnixWare CNE classes) and provide "Train the Trainer" materials to SCO marketing and systems engineering.

ii. By October 1, Novell agrees to provide best efforts to transfer all UnixWare related electronic collateral (in Quark Express format if available), customer lists from product registration, advertising response, direct mail response or tradeshow leads, and WWW pages (in HTML format) to SCO.

iii. Novell agrees to administer the UnixWare 2.1 beta program as currently planned (OCTOBER THROUGH DECEMBER 1995), with the expectation that SCO will become increasingly involved throughout the beta period. Beta support will be supplied through the standard UnixWare support channel used by SCO. Beta sites will be jointly provided by both SCO and Novell. (ISSUE-LIMITED EXPECTATIONS DUE TO NOVELL RUNNING BETA PROGRAM) e.

iv. During 1996, Novell agrees to provide "train the trainer" sessions to SCO Marketing and Systems Engineering and Technical Support for any features in UnixWare 2.1 that are not part of UnixWare 2, including but not limited to new NetWare Networking Technologies.

Novell agrees to transfer all active UnixWare fulfillment contracts as of November 1 to SCO by November 1, and SCO agrees to keep the phone numbers "active" for at least one year. This is required since the current UnixWare fulfillment phone numbers present in advertisements and placed in the product package will be in boxes and on ads-for-a-while and will continue to generate customer interest in the UnixWare product.

Joint Marketing Programs During and After Transition, as it relates to NetWare Networking Services that are provided as part of UnixWare and/or OpenServer.

i. Both parties agree to continue on-going joint and cooperative marketing/technical support, including but not limited to training of sales force, technical support, systems engineering.

ii. Both parties agree to joint ISV recruiting activities as appropriate.

iii. Both parties agree to joint tradeshow activities as applicable.

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With respect to joint marketing programs as they

Robert G, cont.

- iv. Both parties agree to investigate cooperative marketing with other Novell UNIX-based products (i.e. GroupWise, TUXEDO, NetWare Connect Services, etc.) that may be provided as layered products for UnixWare and/or OpenServer.
- v. Both parties agree to cooperate on joint launch events for UnixWare 2.1 and the Merged UNIX product.

Issue: We must bound the above obligations of Novell. How much effort and for how long?

25016;
6 mos.

Announcement Objectives and Plan

- (i) The parties intend to publicly announce their relationship upon signature of this Agreement or September 18th, whichever is later.

(ii) The parties understand that Novell is establishing a relationship with Hewlett Packard Company for a 64-bit UNIX System on the HPLA. This announcement event is intended to occur coincident with this announcement during the UNIX Expo timeframe to ensure effective worldwide exposure and resulting news coverage. The parties intend that this relationship will be announced at the same time and will work together to develop a comprehensive communications plan to outline all the activities leading up to the public announcement, event details, as well as related post-announcement communications plans and programs. The communications plan will include, but will not be restricted to, world-wide employee briefings, world-wide sales force briefings, channel briefings, market analyst briefings, partner briefings, customer briefings, press conference, and collateral.

and the AT&T Purchase Agreement

- (iii) To ensure announcement success, SCO and Novell intend to work jointly to:

A. Engage all three companies (Novell, SCO and HP) in the announcement planning and event coordination.

B. Engage the following high profile customers and partners to publicly support this relationship at time of announcement (Intel, AT&T, IBM, Compaq, Oracle, and The Gartner Group).

C. Engage the following high profile partners to be able to publicly support this relationship within days of the announcement:

Analysts	- IDC
OEMs	- AT&T, GIS, ICL, Fujitsu, SNI, UNISYS, Olivetti, DEC
ISVs	- Sybase, Informix, Lotus, CA, SAP

D. Fully brief and engage Novell/SCO employees.

B. Fully brief and engage Novell/SCO analyst community.

customer key

prolog, cont.

F. *Y* Fully brief and engage Novell/SCO channel and ISVs.

i. *H* Industry Group Representations *(will)*

The parties agree that SCO would assume the participation on UNIX System related activities instead of Novell. Novell will continue its membership and representation in the various industry groups relating to networking activities.

j. *X* UnixWare Technology Group (UTG) *Partnership* *(1995)*

The parties currently agreed SCO will determine, by November 1, if UTG should continue its current charter, if its charter should be refocused, or if UTG should ~~not continue~~.

k. *X* Account Executive / Sales Transition *(be discontinued...)*

The parties agree to investigate if there is a need to enable Novell sales teams to complete any sales transactions of UnixWare or OpenServer product from SCO to sell to their customers and to determine appropriate compensation for these sales.

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VIII. Scope of Business Relationship

ABT
A Revenue Flow:

SVRX revenue - Re-occurring revenue associated with per copy fees paid for binary shipments of pre-UnixWare units by other OEMs and customers. As per the discussion on agency agreements below, it is the intent that this revenue will flow through SCO and back to Novell.

The SCO portion of this revenue stream will be separated and considered as part of the contribution that Novell provides SCO.

Note: we need to determine the impact of SCO not paying Microsoft the standard UNIX System per copy fees directly versus the \$15.00 Xenix payment.

ii. UnixWare revenue - Per copy fee revenue associated with binary shipments by OEMs, indirect channel, or direct channel for UnixWare 1.0 and beyond releases. This includes UnixWare source code revenue from initial fees, binary shipments derived from source code modified by OEMs, and binary shipments copied from a Golden Master license.

iii. Conversion of SVRX revenue to UnixWare-based revenue - This is the reduction in the SVRX revenue as a result of an increase in the UnixWare revenue due to a

conversion of these customers.

- a. Both parties acknowledge that there may be a decline in SVRX revenue as a result of the SVRX customers adopting the UnixWare based product from SCO.
- b. Both parties agree that this conversion is positive for the success of the Merged Product and (i) it creates a bigger market for Novell's NetWare services, (ii) has a more positive effect on a competitive position with NT (iii) directly effects SCO success which Novell takes part in via their equity investment.
- c. Novell will include the projections of this decline (via UnixWare projections) in the valuation of the UnixWare business.

There may need to be a threshold on at what point the SVRX customer uses UnixWare. See section D.

~~Issue: Novell needs to establish a mechanism on when a conversion will take place.~~

✓ B. Licensing Rights

- ✓ i. Novell's (rights Novell will retain) - Novell will retain the rights (fully paid-up license) to use the technology as it exists (including UnixWare 2.1) when transferred to SCO, in other Novell products. The intent by Novell is not to compete in the applications services business of SCO by developing a competing UNDX System applications server product. This should not preclude Novell selling an applications service licensed from SCO or another third party.

Issue: During the transition period, novell sales of UnixWare will result in Novell paying SCO for any third party royalties for each unit.

ii. SCO's (rights SCO will get):

- a. UnixWare and SVRX - The intent is to provide all rights to SCO including the following rights:
 1. Rights to modify the source code
 2. Rights to sublicense binary copies of unmodified/modified source code
 3. Rights to distribute source code and grant further re-distribution rights of source code
 4. Grant source code modification rights and sublicensing binary code.

- ✓ b. Certain NetWare Core OS technology - Per individual license agreement. The intent is to license this technology to SCO under most favored customer terms. To be determined after technical discussions. Will SCO

have the rights to re-license source of this NetWare based technology (including NDS)? Novell should explore allowing this, but only as it is bundled with UnixWare and the merged product and as long as Novell's intellectual Property.

- ✓ c. NetWare Services - Per individual license agreement. The intent is to license this technology to SCO under most favored customer terms.
- ✓ d. SCO will not have the right to transfer any of the rights Novell grants to SCO for the UNIX System (including UnixWare) and NetWare technology to Microsoft without the prior written consent of Novell. Legal may need to re-word this to be legal. SCO would like to limit this to a five-year period.
- iii. Novell's rights to future SCO products:
 - a. SCO agrees to license Novell technology and/or products under terms (and fees) which are just as favorable as those granted to SCO's best customers). Novell has the right to include the UNIX System products in future versions of NetWare.

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APA

C. Intellectual property:

- i. Patent Licenses (i.e., Pike and others associated with the UNIX System)
- ii. Copyrights, trademarks - How do we handle the name UnixWare with respect to UNIX System, TM and X/Open.

already
reduced...

D. Agency process for SVRx license agreements and revenue collection

- i. The objective is to allow SCO to handle the customer relationships for Novell's UNIX System (SVR4.2 and prior releases) customers.
- ii. If SCO manages these agreements, they would receive an agency fee (TBD) to cover reasonable costs.
- iii. SCO would pass through the revenue, less agency fee to Novell.
- iv. Agreement would include an auditing right of Novell to periodically determine appropriateness of any conversions of SVRx customers to UnixWare.

Issue: Novell needs to address this internally.

E. Related Unix business agreements

The intent is to transfer the agreements and associated benefits and obligations to SCO which relate to Novell's UNIX System business. Each agreement needs to be checked to see if the agreement is transferable. In the event they are not transferable, Novell will assist SCO in attempting to get the agreement transferred to SCO or assist in finding

to SCO

if to
Parties

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if not
transferable

use
commercially
reasonable
efforts
to

7. TRANSFER OF CONTRACTS AND BUSINESS RELATIONSHIPS.

Robert H, cont.

alternative solutions. Agreement categories are as follows (with appropriate descriptions):

Joint Development with third parties:

1. In-Process development agreements
2. Fast development agreements with on-going pricing discounts
3. Joint development agreements in which Novell didn't get full rights to the code developed.
- ii. Third party per copy fee obligations - Those agreements in which Novell pays per copy fees for technology/products which are shipped with or to be used with UNIX System and/or UnixWare.
- iii. Joint marketing agreements - Marketing programs with customers. In some cases these have funding commitments or are MDF based. How does Novell handle the existing pots of accrued MDF liability? Are any funds bundled with NetWare?
- iv. End user MLA agreements - Agreements to allow end users to copy binary products for internal use only. Associated with these agreements are support requirements.
- v. Unix-only VAR agreements - UNIX Masters VARs
- vi. Support agreements - End user support agreements (i.e., TMAC, NALCOMIS)
- vii. Microsoft agreement (Xenix Agreement) - Xenix compatibility and per copy fee agreement. Novell will agree to discuss with SCO Novell's interpretation of this agreement. Novell needs to determine if this transferable.
- viii. Microsoft Agreement (Extra-Ordinary Discount) - Microsoft's additional discount beyond 80%
- ix. Strategic Relationship Agreements (i.e. MTA, ECPA, MBA, etc.) - How do we separate NetWare and UnixWare activities.
- x. Out-sourced development (i.e., India) - Development agreements with third parties (Wipro and HCL) and India Development Center. IDC is a Novell subsidiary.
- xi. Out-sourced Support Agreements -
- xii. Software and Sublicensing Agreements - This includes the source code and sublicensing agreements that Novell has with its OEM, End User and Educational customers. The total number of these agreements is approximately 30,000.

Robert H, cont.

- xiii. OEM Binary Licensing Agreements - OEM distribution of UnixWare with Novell's agreement to include some OEM added value into future releases of UnixWare.

2. Channel structure and relationship

It is the intent that Novell will transfer the business relationships for UNIX System and UnixWare to SCO. In the cases where a channel partner relationship is integrated with NetWare, only the UNIX System aspect of these relationships will be transferred. These channels include:

- i. OEMs
- ii. Distributors
- iii. VARs

b. Human resource and staff transition issues including facilities

Both parties agree that the staff associated with the UNIX System and UnixWare business are a very valuable part of the UNIX System business. It is also agreed that there will be a need for SCO to have access to the UNIX System staff for some period of time during the transition and beyond.

It is recognized that the options for the staff are as follows:

- i. Transfer permanently to SCO
- ii. Remain with Novell on other projects
- iii. On-loan to SCO under contract for a finite period of time.

A process will be established for SCO to evaluate their staffing (including facilities in New Jersey and Utah) needs prior to a Comprehensive Agreement being effective. This process should include:

- i. SCO evaluation period of Novell staff
- ii. SCO offer period for Novell staff

There will be no commitment from Novell on the permanent transfer of staff to SCO.

Subsidiary and JV Relationships Novell and SCO needs to analyze this further.

- i. UST-China (Although the product relationship is intended to be transferred, the company may not be due to it being a partnership with the Chinese)
- ii. Novell-KK

the closing date

d. A

Chorus relationship and equity investment The parties will discuss the possibility of transferring the Operating System relationship to SCO prior to finalizing the Comprehensive Agreement. *Novell needs to determine what it wants to do with the equity investment*

e. F

Contract services from Novell to SCO, and vice versa Both companies acknowledge that either company may contract development, marketing, support, administration, information services, etc. during the transition period.

f. X

Transition of Functions - SCO and Novell will jointly evaluate the transfer of the functions listed below.

- i. Support and service
- ii. Education/training development
- iii. Licensing administration
- iv. Certification
- v. International Products division
- vi. Legal Support

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IX. Future Areas of Cooperation

over I

To be supplied

X. Transition Team

The parties agree to establish a Transition Team to transition the UnixWare business to SCO. It is expected that this transition will take less than six months (Transition Period). During the time between the effective date of the Comprehensive Agreement and the end of the Transition Period, SCO will contract with Novell to perform services which are not yet transitioned to SCO. Both parties agree to complete transition plans prior to the effective date of the Comprehensive Agreement.

with the other for

The following are the teams which will be established along with the primary contact for each team.

the

transition

Closing Date

From the date

on terms to be mutually agreed upon

Exhibit B 1373 the individuals who will be the

end of the

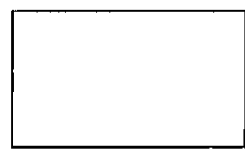


EXHIBIT B

Transition Team Contacts

<u>Function</u>	<u>Novell Contact</u>	<u>SCO Contact</u>
Transition Executive		
Human Resources	Don Hunt ?	Jack Moyer
Development	Lisa Ozimek	Gary Daniels
Sales:		
In-direct Channel	Terry Haas	
Direct (MLA)	Ron Heinz	
OEM	Jim T. Sullivan	
Marketing	Biff Traber	
Support		
Tier 1, 2, 3	Linda O'keeffe	
Tier 4	Wolf Bauer	
Operations		
Finance		
Facilities		
Licensing	Lou Ackerman	
Legal		