

JUL-15-2003 TUE 08:16 AM NOVELL LEGAL PROVO

FAX NO. 801 861 6883

P. 02

**Novell**

07/11/2003

Via Telefacsimile (801) 765-1313 and Overnight Mail

Robert Bench
Chief Financial Officer
The SCO Group
355 South 520 West
Lindon, UT 84042

*Re: Demand for Outstanding Royalty Reports and Payments, and Notice of
Audit, under the Asset Purchase Agreement Between The Santa Cruz
Operation, Inc. and Novell, Inc., September 19, 1995*

Dear Mr. Bench:

I write to address two issues relating to payments owed by SCO to Novell under the Asset Purchase Agreement, including both SVRX royalties and the royalties payable through June 30, 2003 on Royalty-Bearing Products.

First, it has been more than six months since Novell received any royalty reports or payments from SCO (we last received a royalty payment for October 2002, a royalty report for November 2002, and it appears that we have not received a royalty report or payment since). We have tried to address this issue in the ordinary course through SCO's accounts receivable staff, but we have not received either the reports or payments or an explanation for SCO's failure to provide them.

Accordingly, we demand that SCO provide immediately (and, for the future, provide on a timely basis) the royalty reports and payments required by the Asset Purchase Agreement. Please provide the reports in the format specified in Section 1.2(f) of the Asset Purchase Agreement (as amended by Amendment No. 1), including breakdowns by revenue type, product, customer, quarterly period of distribution, and (if available) country of distribution. Please also provide us with the single point of contact (to give us supplemental information we deem appropriate) and the monthly reconciliation (of revenues and accounts receivable to cash remittances) that are required by Section 1.2(f).

Second, we hereby notify you that we will conduct an audit of SCO concerning royalties and other payments due under the SVRX licenses and the Asset Purchase Agreement. We will begin the audit at 10:00 a.m. on August 18, 2003, although we would be pleased to begin on another day that same week if another day is more convenient for your accounting personnel. As you may be aware, Novell last conducted an audit in February 1998, covering the period ending December 31, 1997.

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Accordingly, the audit will focus on royalties for the period beginning January 1, 1998 and ending June 30, 2003. Please acknowledge receipt of this letter and let us know the SCO contact person with whom we should coordinate the audit.

Please let us know if you have any questions.

Sincerely,



Mike Bready
Director, Contract Management.