

EXHIBIT A



THE SCO GROUP, INC.

Term Sheet

This Term Sheet sets forth certain key terms of a possible transaction (a "Transaction") between the Parties (defined below). This Term Sheet is not a definitive list of all of Purchaser's requirements in connection with a Transaction. This Term Sheet shall not be binding upon the Parties unless and until approved in a final order of the Bankruptcy Court, which is in form and substance acceptable to each of them.

Purchaser:	A newly-formed entity (" <u>Purchaser</u> ") affiliated with one or more funds managed by JGD Management Corp. d/b/a York Capital Management, a Delaware corporation.
Seller:	The SCO Group, Inc., and its direct or indirect subsidiaries using the Transferred Assets (collectively, " <u>Seller</u> "; and together with the Purchaser, the " <u>Parties</u> ").
Availability of Funds:	Purchaser has cash available on hand or will at the closing of the Transaction (the " <u>Closing</u> ") have firm financing commitments sufficient to pay the Purchase Price.
Transferred Assets:	Except for the Excluded Assets, the Seller will sell, assign, transfer and convey to Purchaser all right, title and interest in and to the assets, properties and rights of Seller used or useful in connection with the operation of the SCO Unix Business of Seller as conducted in the past, present or proposed to be conducted, tangible and intangible, pursuant to Section 363 of the United States Bankruptcy Code (the " <u>Transferred Assets</u> "). The Transferred Assets shall include, without limitation, all of the following: (a) all tangible personal property, supplies, computers, printers, equipment, furniture, fixtures, goods and other similar assets; (b) all rights and benefits under agreements, contracts, leases, licenses, instruments, general intangibles, commitments and understandings, written or oral, identified in writing by Purchaser to Seller (the " <u>Designated Contracts</u> "); (c) all trade names, trademarks, service marks and service names (including, without limitation, registrations, licenses and applications pertaining thereto), together with all goodwill associated

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	<p>therewith (the "<u>Trademarks</u>"); (d) all (i) customer and client lists, vendor lists, catalogues, data relating to vendors, promotion lists and marketing data and other compilations of names and requirements, (ii) telephone numbers, internet addresses and web sites, and (iii) other material information related to Seller's business; (e) all source code, object code, computer programs, designs, processes, drawings, schematics, blueprints, copyrights, copyright applications, inventions, processes, know-how, trade secrets, patents, patent applications and other proprietary information, including, but not limited to, the registered copyrights, patents and copyright and patent applications (collectively with the Trademarks, the "<u>Intangible Property Rights</u>"); (f) all inventories and work in process of Seller; (g) all accounts, accounts receivable, notes receivable, chattel paper, documents, and all other receivables of any type or nature of Seller including, but not limited to, all accounts receivable arising from bona fide transactions for the sale of licenses or maintenance or services, entered in good faith, involving existing products of Seller entered into in the ordinary course of business that meet agreed upon requirements; (h) any cause of action, claim, suit, proceeding, judgment or demand, of any nature, of or held by Seller against any third parties (except to the extent such suit is an Excluded Asset), including, but not limited to, those lawsuits pertaining to the Linux operating system in which Seller is presently engaged and all present and future enforcement rights against third parties (other than IBM and Novell) pertaining to the Linux operating system (the "<u>Linux Litigation</u>"); (i) all goodwill associated with Seller's business and the Transferred Assets, including all of the Intangible Property Rights; and (j) all rights in and to any governmental and private permits, licenses, certificates of occupancy, franchises and authorizations, to the extent assignable, used in or relating to Seller's business or the Transferred Assets.</p>
<p>Excluded Assets:</p>	<p>Seller will retain the following "<u>Excluded Assets</u>": (a) all cash and cash equivalents owned by Seller; (b) rights under all contracts (other than Designated Contracts); (c) tax refunds or credits relating to the pre-closing operation of the Seller's business; (d) any books or records that by law or contract cannot be transferred; (e)</p>

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	rights of Seller under the definitive asset purchase agreement (the "APA"); (f) the Seller's litigation with Novell and IBM, and (g) certain assets and rights relating to employee benefits to be mutually agreed.
Assumed Liabilities:	(a) All liabilities directly related to the Transferred Assets first arising after the Closing Date (including but not limited to litigation fees and expenses relating to the Linux Litigation and first arising after the Closing Date and not arising out of or related to any Excluded Asset), and (b) all amounts which may be payable on account of obligations first arising after the Closing Date under Designated Contracts and such liabilities in respect of Designated Contracts required to cure defaults under such Designated Contracts.
Excluded Liabilities:	Except for Assumed Liabilities, no liabilities of any kind or nature, accrued or contingent, unliquidated or liquidated, shall be assumed or incurred by Purchaser, including but not limited to the following: (a) liabilities arising out of or related to the Excluded Assets; (b) liabilities arising out of or related to Designated Contracts except to the extent that the event giving rise to the liability occurred prior to Closing or constituted an amount necessary to cure any outstanding default under such Designated Contract which is specifically identified in nature and amount and agreed in the APA to be assumed and cured by Purchaser; (c) liabilities relating to real property; (d) liabilities relating to employees or benefits; (e) liabilities relating to Seller's income tax filings or obligations; (f) inter-company liabilities; (g) any transfer taxes with respect to the transactions contemplated hereby; (h) accounts payable and accrued liabilities; (i) liabilities relating to the Transferred Assets arising on or before the Closing (other than cure costs under contracts which Purchaser, in its sole discretion, elects to require Seller to assume and assign to Purchaser as part of the Designated Contracts), and (j) and brokerage or any other fees in connection with the transactions contemplated under this Term Sheet.
Consideration to Seller:	The total purchase price for the Transferred Assets consists of both cash and non-cash components in the estimated aggregate amount of up to \$36,000,000, determined as follows (the "Purchase Price"):

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	<ul style="list-style-type: none"> • A cash payment \$10,000,000, which shall be reduced, dollar for dollar, in an amount equal to the book value at Closing of all liabilities assumed or cured by Purchaser as of Closing by Purchaser and decreased dollar for dollar, based on the difference, if any, between reported and Qualifying Accounts Receivable (as defined below) at Closing. "<u>Qualifying Accounts Receivable</u>" means all bona fide accounts, accounts receivable, notes receivable, chattel paper, documents, and all other receivables of any type or nature of the company including, but not limited to, all accounts receivable arising from bona fide transactions for the sale of licenses or maintenance or services, entered in good faith, involving existing products of Company entered into in the ordinary course of business that meet the following requirements: (a) the account is not more than ninety (90) days overdue; (b) the account is not from a payor that has any account with Seller that is more than ninety (90) days past due or has been forgiven or written off within the last year; (c) in the event that the transaction giving rise to the account involves a distributor, partner or other reseller, there is documentary evidence of an underlying transaction with an end user that otherwise meets the definition of Qualified Account Receivable; (d) the terms of payment on a domestic account are sixty (60) days or less from the date of the transaction and the terms of payment on an international account are ninety (90) days or less from the date of the transaction; (e) the account is not subject to any right of setoff or counterclaim and is unencumbered, provided, however, that the account shall be a Qualified Accounts Receivable to the extent of the amount of the account less the amount of the setoff or counterclaim; and (f) the account is freely assignable to Purchaser. • Up to \$10,000,000 in the form of a litigation credit facility (as further defined below under Litigation Credit Facility) to fund litigation expenses. In respect of the Litigation Credit Facility the Purchaser shall be granted warrants for a 20% interest in any and all litigation net (after fees and expenses) proceeds (including but
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up to \$10,000,000

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	<p>not limited to any proceeds from the litigation with Novell and any proceeds from the litigation with IBM), regardless of whether such litigation proceeds result from litigation funded in whole or in part from the Litigation Credit Facility.</p> <ul style="list-style-type: none"> • Up to \$10,000,000 in the form of a 20% interest, when and as indefeasibly collected by Purchaser as a result of any favorable judgment in any Purchaser litigation or enforcement in the Linux Litigation after first deducting any fees, costs, claims, liabilities, losses, damages and expenses incurred or funded by Purchaser together with a preferred return of the Wall Street Journal prime rate, compounded semi-annually. Seller shall agree to allow Purchaser to create an incentive plan for key members of the Seller management team required by Purchaser in order to pursue the Linux Litigation. • Up to \$6,000,000 in the form of a revenue share agreement, as defined below (the "Revenue Share"), technology cross license, and mutual distribution agreement and/or OEM agreement between Me, Inc. and Purchaser.
<p>Deposit:</p>	<p>Purchaser is prepared to make a cash deposit (or other equivalent arrangement) in the amount of 5% of the Purchase Price, paid into an interest-bearing deposit escrow account (such amount together with the net earnings thereon, the "Deposit"), which shall be paid into escrow upon the filing of a motion to approve the Purchaser as stalking horse bidder at the bid procedures hearing, shall be fully refundable until the bid procedures hearing, after entry of a Court Order approving Purchaser as the stalking horse bidder shall be governed by the terms of the definitive agreement between the Parties and will be credited to the payment by Purchaser of the Purchase Price at Closing. The Deposit will be refunded to Purchaser if (i) the Seller breaches the definitive agreement, (ii) the Bankruptcy Court approves an alternate transaction under the Section 363 sale process described in the bid procedures, or (iii) Purchaser is not designated as the stalking horse bidder in the order approving bid procedures.</p>
<p>Allocation of Purchase Price:</p>	<p>Purchaser, in its discretion, may allocate the total</p>

	<p>Purchase Price for the Transferred Assets, which allocation shall be set forth in a schedule to be provided by Purchaser to Seller at the Closing.</p>
<p>Litigation Credit Facility:</p>	<p>Subject to the APA and the final loan documents Purchaser will offer a \$10,000,000 superpriority, debtor-in-possession Litigation Credit Facility (the "<u>Litigation Credit Facility</u>") to the Seller to fund litigation expenses. The Borrower may draw down funds under the Litigation Credit Facility subject to terms and conditions to be decided between Buyer and Seller in their definitive agreement. The Litigation Credit Facility shall remain available to Seller after it emerges from bankruptcy proceedings. Upon emerging from bankruptcy, Seller shall grant to Purchaser, as a condition to such availability, a first-priority security interest in all of its assets without restriction (but excluding cash and cash equivalents), and shall assist in the preparation of financing statements sufficient to perfect such security interest.</p> <p>The interest rate on the Litigation Credit Facility shall be either, at Purchaser's option:</p> <ul style="list-style-type: none"> • Prime rate, which shall be equal to Bank of America's prime rate plus 200 basis points, or • London interbank offered rate, based on a period of one, two or three months as selected by the Borrower, plus 550 basis points. <p>Interest shall be paid monthly. Amounts owing from Seller to Purchaser under the Litigation Credit Facility shall be due and payable on the earlier of (i) the occurrence of an event of default under the final loan documents memorializing the Litigation Credit Facility, or (ii) 10/31/2009 (the "<u>Maturity Date</u>"). The Maturity Date may be extended at the discretion of the lenders.</p> <p>All loans, advances and other obligations, liabilities and indebtedness under the Litigation Credit Facility shall be secured by valid, perfected and enforceable first priority liens and security interests in all present and future assets of the Seller, including all litigation recoveries, but other than cash and the Purchase Price, on terms to be specified</p>

	in the definitive agreement.
Revenue Share	Me Inc. shall receive 75% of up to \$0.5m, \$0.5m, \$1.0m, \$1.0m, \$1.5m, \$1.5m, for any sales by Purchaser in each of the following six, 6-month periods after close, respectively, of (a) the Hipcheck product line ¹ , and (b) Me Inc Mobile ² . Sales targets will be non-guaranteed. Purchaser will own the Hipcheck IP, and Me Inc. shall have an unrestricted, perpetual, fully paid up, royalty-free, source code license to the technology, with the unlimited right to create and own derivative works subject to a non-competition agreement to protect the operating system market. Seller will own the Me Inc. Mobile IP, and Purchaser shall have an unrestricted, perpetual, fully paid up, royalty-free, source code license to the technology, with the unlimited right to create and own derivative works subject to a non-competition agreement to protect the non-operating system market. Seller will own the IP and Purchaser shall have a reseller agreement for these products. Purchaser shall be granted at court order warrants for a 10 percent interest in the Me Inc business, vesting upon achievement of half of the threshold amounts.
Seller Representations and Warranties:	Seller will make customary representations and warranties, including but not limited to: organization, capitalization, power and authority, no violations of law, no breach or default under contracts, no litigation, good title, approvals, no liability to brokers, sufficiency of assets, employees, financial statements, permits, rights to intellectual property and condition of the Transferred Assets, among others. Seller intends to agree to a customary Bonus Reserve Fund (as defined below). All representations and warranties of Seller shall lapse upon the consummation of the Closing; the only remedy for a breach of representation and warranty is Purchaser's option not to close and Purchaser will have no remedy for any such breach post-Closing except for intentional misrepresentation or fraud.
Purchaser Representations & Warranties:	Purchaser will make typical representations and warranties as to organization, power & authority, no violations, approvals, availability of funds, solvency,

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¹ Monitoring IT systems via the mobile phone

² Calendaring, collaboration application

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	<p>compliance with law, and no liability to brokers. Purchaser's representations and warranties will not survive the Closing. Purchaser intends in the APA to reserve a customary amount from its Purchase Price to fund bonuses to be paid at the Purchaser's sole discretion to certain Company employees designated in writing by Purchaser (the "Bonus Reserve Fund").</p>
Seller Covenants:	<p>Seller will covenant prior to Closing: (a) to operate the business in the ordinary course of business, including without limitation maintaining current asset levels consistent with recent financial statements provided to Purchaser (except that the Seller must not take any action resulting in discounting of license sales, acceleration of yearly maintenance contracts, site licenses, special sales incentives, reserves or cost deferral, or any similar time-shift in financial performance); (b) to provide Purchaser with ongoing financial and other reasonable access to Seller's officers and advisors (including, without limitation, legal, accounting and financial advisors); (c) to use best efforts to pursue a Section 363 sale process activities on timelines reasonably acceptable to Purchaser; (d) to cooperate with the Purchaser in obtaining necessary approvals and consents (including Bankruptcy Court orders); and (e) not to enter into or modify any material contract outside the ordinary course or with the Purchaser's prior written consent. The Purchaser will have reasonable approval rights with respect to the conduct of the business prior to Closing, including, without limitation, asset sales.</p>
Purchaser Covenants:	<p>Purchaser will covenant prior to Closing to: seek at its expense any necessary transaction approvals; cooperate with the Seller in obtaining necessary approvals (including Bankruptcy Court orders); not interfere in Seller's bankruptcy case; provide argument and evidence to support "adequate assurance of future performance" under any Designated Contract; and to continue its obligations under the confidentiality agreement between the Parties dated September 21, 2007.</p>
General Conditions Precedent	<p>The Transaction shall be subject to the following conditions: a) completion of due diligence with results satisfactory to Purchaser (this condition will lapse at the bid procedures hearing), b) negotiation and execution of definitive agreements by the time of the bid procedures</p>

	hearing, and c) confirmation of the terms upon which key employees and managers of the business will continue to be employed by the business following the closing.
Seller's Conditions Precedent to Close:	Typical conditions of: no breach of representations, warranties and covenants; sale order from the Bankruptcy Court; receipt of necessary approvals; and no relevant threatened or pending litigation by a governmental authority.
Purchaser's Conditions Precedent to Close:	<p>The obligations of Purchaser under the APA to consummate the transactions contemplated thereby will be subject to the satisfaction or waiver of customary conditions, including without limitation: no breach of representations, warranties and covenants; entry of a final Procedures Order and Sale Order from the Bankruptcy Court in form and substance reasonably acceptable to Purchaser; receipt of necessary approvals; no Material Adverse Change following execution of the APA; and no relevant threatened or pending litigation by a governmental authority.</p> <p>A "Material Adverse Change" shall mean any change or effect that is or could be reasonably expected to result in a material adverse change in: the Transferred Assets or Assumed Liabilities, considered as a whole; or the consolidated financial condition or results of operations of the Business, other than changes associated with the bankruptcy of the Seller.</p>
Termination of the APA:	<p>The APA will be terminable in the following circumstances:</p> <ul style="list-style-type: none"> • by mutual written consent of Purchaser and Seller; • by Purchaser upon written notice of a material breach of any covenant or agreement to be performed or complied with by Seller if such breach would result in the failure of closing conditions to be satisfied; • by Seller upon written notice of a material breach of any covenant or agreement to be performed or complied with by Purchaser if such breach would result in the failure of closing conditions to be

	<p>satisfied;</p> <ul style="list-style-type: none"> • by either Purchaser or Seller if any foreign, federal, state, local or other governmental, administrative or regulatory authority, body, agency, court, tribunal or similar entity (other than the Bankruptcy Court) having competent jurisdiction issues a final and non-appealable order, decree or ruling prohibiting the transaction; • by Purchaser upon a determination by Seller or Seller's board of directors to pursue an Alternative Transaction (defined below); • by Purchaser, upon approval by the Bankruptcy Court of an Alternative Transaction; • by Purchaser, if the Bankruptcy Court shall not have entered the Bid Procedures Order in form and substance reasonably acceptable to Purchaser on or before November 9, 2007; • by Purchaser, if the Bankruptcy Court shall not have entered the Sale Approval Order in form and substance reasonably acceptable to Purchaser on or before December 7, 2007; and • by Purchaser or Seller, if the Closing Date has not occurred on or before December 31, 2007.
<p>GoodFaithNegotiations:</p>	<p>The Parties agree to conduct the negotiations contemplated by this Term Sheet in good faith and to use commercially reasonable efforts to reach agreement. This Transaction will be valid only until 5:00 PM PST, Monday, October 22, 2007. If we do not receive a countersigned copy of this letter, this Proposal will be deemed to have been withdrawn without any further action by Purchaser. The parties agree to negotiate the definitive agreements contemplated by this Term Sheet so that they can be filed with the Bankruptcy Court prior to the bid procedures hearing to designate Purchaser</p>

	as the approved stalking horse bidder.
Confidentiality:	The Parties agree to maintain the confidentiality of this Term Sheet and their discussions regarding the APA pursuant hereto except to the extent necessary to publicize this Term Sheet as required by the Bankruptcy Court. Notwithstanding anything to the contrary herein, any termination of this Term Sheet shall not affect the confidentiality obligations provided hereunder.
Fees and Expenses; Breakup Fee:	<p>Each party will bear its own fees and expenses in connection with the transactions contemplated under this Term Sheet, except as follows:</p> <p>Seller will promptly reimburse up to \$50,000 of Purchaser's fees and expenses (including, without limitation, legal costs and fees) incurred or to be incurred in connection with the consummation of the Transaction.</p> <p>If Purchaser is designated as the stalking horse bidder under the Bid Procedures Order but either (a) Purchaser is not the successful bidder at the ensuing auction of the Transferred Assets, or (b) any of the Transferred Assets are transferred by Seller to any party other than Purchaser (whether pursuant to such auction or otherwise), then Purchaser shall receive from Seller (a) a cash breakup fee in the amount of \$910,000 (the "Breakup Fee"), and (b) reimbursement of all expenses incurred by Purchaser, in an amount up to \$300,000, in both cases payable upon the earlier of consummation of a subsequent transaction to a party other than Purchaser or the entry of an order confirming a Chapter 11 plan (an "Alternative Transaction"). In addition, without duplication, if the APA is terminated other than as a result of a material breach by Purchaser or the failure to be satisfied of a condition precedent to closing that is not caused by the material breach of Seller, and Seller is not obligated to pay the Breakup Fee, then Seller will nevertheless be obligated to reimburse Purchaser for all expenses incurred by Purchaser in connection with the Transaction, up to a maximum of \$300,000. The Breakup Fee and expense reimbursement shall be treated as a super-priority administrative claim under Sections 503(b) and 507(a) of the Code and paid immediately in cash when due, whether through the closing of an Alternative Transaction or otherwise.</p>

GH \$780,000

	<p>In the event the Parties enter into the APA, such APA shall contain certain bid protections, including but not limited to the following:</p> <p>A. Initial incremental overbid of \$1,010,000 ^{\$1,163,000}</p> <p>B. Subsequent bid increments in the amount of \$100,000.</p>
<p>Governing Law:</p>	<p>This Term Sheet, the Transaction and all matters arising out of and related thereto will be governed by the laws of the State of New York.</p>

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This Term Sheet shall be signed by the parties, subject to the ratification hereof by the Board of Directors of Seller at a meeting to be held on October 22, 2007.

In Witness Whereof, the parties have executed and delivered this Term Sheet on this 19th day of October, 2007.

JGD Management Corp.
d/b/a York Capital Management,
a Delaware corporation

The SCO Group, Inc. CH

By: Charles C. Hill, MANAGING DIRECTOR
Authorized Signatory

By: Dani McBride CEO
Authorized Signatory



THE SCO GROUP, INC.

Term Sheet

This Term Sheet sets forth certain key terms of a possible transaction (a "Transaction") between the Parties (defined below). This Term Sheet is not a definitive list of all of Purchaser's requirements in connection with a Transaction. This Term Sheet shall not be binding upon the Parties unless and until approved in a final order of the Bankruptcy Court, which is in form and substance acceptable to each of them.

Table with 2 columns: Term and Description. Rows include: Purchaser, Seller, Availability of Funds, and Transferred Assets.

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	<p>therewith (the "Trademarks"); (d) all (i) customer and client lists, vendor lists, catalogues, data relating to vendors, promotion lists and marketing data and other compilations of names and requirements, (ii) telephone numbers, internet addresses and web sites, and (iii) other material information related to Seller's business; (e) all source code, object code, computer programs, designs, processes, drawings, schematics, blueprints, copyrights, copyright applications, inventions, processes, know-how, trade secrets, patents, patent applications and other proprietary information, including, but not limited to, the registered copyrights, patents and copyright and patent applications (collectively with the Trademarks, the "Intangible Property Rights"); (f) all inventories and work in process of Seller; (g) all accounts, accounts receivable, notes receivable, chattel paper, documents, and all other receivables of any type or nature of Seller including, but not limited to, all accounts receivable arising from bona fide transactions for the sale of licenses or maintenance or services, entered in good faith involving existing products of Seller entered into in the ordinary course of business that meet agreed upon requirements; (h) any cause of action, claim, suit, proceeding, judgment or demand, of any nature, of or held by Seller against any third parties (except to the extent such suit is an Excluded Asset), including, but not limited to, those lawsuits pertaining to the Linux operating system in which Seller is presently engaged and all present and future enforcement rights against third parties (other than IBM and Novell) pertaining to the Linux operating system (the "Linux Litigation"); (i) all goodwill associated with Seller's business and the Transferred Assets, including all of the Intangible Property Rights; and (j) all rights in and to any governmental and private permits, licenses, certificates of occupancy, franchises and authorizations, to the extent assignable, used in or relating to Seller's business or the Transferred Assets.</p>
<p>Excluded Assets:</p>	<p>Seller will retain the following "Excluded Assets": (a) all cash and cash equivalents owned by Seller; (b) rights under all contracts (other than Designated Contracts); (c) tax refunds or credits relating to the pre-closing operation of the Seller's business; (d) any books or records that by law or contract cannot be transferred; (e)</p>

	rights of Seller under the definitive asset purchase agreement (the "APA"); (f) the Seller's litigation with Novell and IBM, and (g) certain assets and rights relating to employee benefits to be mutually agreed.
Assumed Liabilities:	(a) All liabilities directly related to the Transferred Assets first arising after the Closing Date (including but not limited to litigation fees and expenses relating to the Linux Litigation and first arising after the Closing Date and not arising out of or related to any Excluded Asset), and (b) all amounts which may be payable on account of obligations first arising after the Closing Date under Designated Contracts and such liabilities in respect of Designated Contracts required to cure defaults under such Designated Contracts.
Excluded Liabilities:	Except for Assumed Liabilities, no liabilities of any kind or nature, accrued or contingent, unliquidated or liquidated, shall be assumed or incurred by Purchaser, including but not limited to the following: (a) liabilities arising out of or related to the Excluded Assets; (b) liabilities arising out of or related to Designated Contracts except to the extent that the event giving rise to the liability occurred prior to Closing or constituted an amount necessary to cure any outstanding default under such Designated Contract which is specifically identified in nature and amount and agreed in the APA to be assumed and cured by Purchaser; (c) liabilities relating to real property; (d) liabilities relating to employees or benefits; (e) liabilities relating to Seller's income tax filings or obligations; (f) inter-company liabilities; (g) any transfer taxes with respect to the transactions contemplated hereby; (h) accounts payable and accrued liabilities; (i) liabilities relating to the Transferred Assets arising on or before the Closing (other than cure costs under contracts which Purchaser, in its sole discretion, elects to require Seller to assume and assign to Purchaser as part of the Designated Contracts), and (j) and brokerage or any other fees in connection with the transactions contemplated under this Term Sheet.
Consideration to Seller:	The total purchase price for the Transferred Assets consists of both cash and non-cash components in the estimated aggregate amount of up to \$36,000,000, determined as follows (the "Purchase Price"):

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- A cash payment \$10,000,000, which shall be reduced, dollar for dollar, in an amount equal to the book value at Closing of all liabilities assumed or cured by Purchaser as of Closing by Purchaser and decreased dollar for dollar, based on the difference, if any, between reported and Qualifying Accounts Receivable (as defined below) at Closing. "Qualifying Accounts Receivable" means all bona fide accounts, accounts receivable, notes receivable, chattel paper, documents, and all other receivables of any type or nature of the company including, but not limited to, all accounts receivable arising from bona fide transactions for the sale of licenses or maintenance or services, entered in good faith, involving existing products of Company entered into in the ordinary course of business that meet the following requirements: (a) the account is not more than ninety (90) days overdue; (b) the account is not from a payor that has any account with Seller that is more than ninety (90) days past due or has been forgiven or written off within the last year; (c) in the event that the transaction giving rise to the account involves a distributor, partner or other reseller, there is documentary evidence of an underlying transaction with an end user that otherwise meets the definition of Qualified Account Receivable; (d) the terms of payment on a domestic account are sixty (60) days or less from the date of the transaction and the terms of payment on an international account are ninety (90) days or less from the date of the transaction; (e) the account is not subject to any right of setoff or counterclaim and is unencumbered, provided, however, that the account shall be a Qualified Accounts Receivable to the extent of the amount of the account less the amount of the setoff or counterclaim; and (f) the account is freely assignable to Purchaser.
- Up to \$10,000,000 in the form of a litigation credit facility (as further defined below under Litigation Credit Facility) to fund litigation expenses. In respect of the Litigation Credit Facility the Purchaser shall be granted warrants for a 20% interest in any and all litigation net (after fees and expenses) proceeds (including but

, up to \$100,000,000

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	<p>not limited to any proceeds from the litigation with Novell and any proceeds from the litigation with IBM), regardless of whether such litigation proceeds result from litigation funded in whole or in part from the Litigation Credit Facility.</p> <ul style="list-style-type: none"> Up to \$10,000,000 in the form of a 20% interest, when and as indefeasibly collected by Purchaser as a result of any favorable judgment in any Purchaser litigation or enforcement in the Linux Litigation after first deducting any fees, costs, claims, liabilities, losses, damages and expenses incurred or funded by Purchaser together with a preferred return of the Wall Street Journal prime rate, compounded semi-annually. Seller shall agree to allow Purchaser to create an incentive plan for key members of the Seller management team required by Purchaser in order to pursue the Linux Litigation. Up to \$6,000,000 in the form of a revenue share agreement, as defined below (the "<u>Revenue Share</u>"), technology cross license, and mutual distribution agreement and/or OEM agreement between Me, Inc. and Purchaser.
<p>Deposit:</p>	<p>Purchaser is prepared to make a cash deposit (or other equivalent arrangement) in the amount of 5% of the Purchase Price, paid into an interest-bearing deposit escrow account (such amount together with the net earnings thereon, the "<u>Deposit</u>"); which shall be paid into escrow upon the filing of a motion to approve the Purchaser as stalking horse bidder at the bid procedures hearing, shall be fully refundable until the bid procedures hearing, after entry of a Court Order approving Purchaser as the stalking horse bidder shall be governed by the terms of the definitive agreement between the Parties and will be credited to the payment by Purchaser of the Purchase Price at Closing. The Deposit will be refunded to Purchaser if (i) the Seller breaches the definitive agreement, (ii) the Bankruptcy Court approves an alternate transaction under the Section 363 sale process described in the bid procedures, or (iii) Purchaser is not designated as the stalking horse bidder in the order approving bid procedures.</p>
<p>Allocation of Purchase Price:</p>	<p>Purchaser, in its discretion, may allocate the total Purchase Price for the Transferred Assets, which</p>

	<p>allocation shall be set forth in a schedule to be provided by Purchaser to Seller at the Closing.</p>
<p>Litigation Credit Facility:</p>	<p>Subject to the APA and the final loan documents Purchaser will offer a \$10,000,000 superpriority, debtor-in-possession Litigation Credit Facility (the "<u>Litigation Credit Facility</u>") to the Seller to fund litigation expenses. The Borrower may draw down funds under the Litigation Credit Facility subject to terms and conditions to be decided between Buyer and Seller in their definitive agreement. The Litigation Credit Facility shall remain available to Seller after it emerges from bankruptcy proceedings. Upon emerging from bankruptcy, Seller shall grant to Purchaser, as a condition to such availability, a first-priority security interest in all of its assets without restriction (but excluding cash and cash equivalents), and shall assist in the preparation of financing statements sufficient to perfect such security interest.</p> <p>The interest rate on the Litigation Credit Facility shall be either, at Purchaser's option:</p> <ul style="list-style-type: none"> • Prime rate, which shall be equal to Bank of America's prime rate plus 200 basis points, or • London interbank offered rate, based on a period of one, two or three months as selected by the Borrower, plus 550 basis points. <p>Interest shall be paid monthly. Amounts owing from Seller to Purchaser under the Litigation Credit Facility shall be due and payable on the earlier of (i) the occurrence of an event of default under the final loan documents memorializing the Litigation Credit Facility, or (ii) 10/31/2009 (the "<u>Maturity Date</u>"). The Maturity Date may be extended at the discretion of the lenders.</p> <p>All loans, advances and other obligations, liabilities and indebtedness under the Litigation Credit Facility shall be secured by valid, perfected and enforceable first priority liens and security interests in all present and future assets of the Seller, including all litigation recoveries, but other than cash and the Purchase Price, on terms to be specified in the definitive agreement.</p>

Revenue Share	<p>Me Inc. shall receive 75% of up to \$0.5m, \$0.5m, \$1.0m, \$1.0m, \$1.5m, \$1.5m, for any sales by Purchaser in each of the following six, 6-month periods after close, respectively, of (a) the Hipcheck product line¹, and (b) Mc Inc Mobile². Sales targets will be non-guaranteed. Purchaser will own the Hipcheck IP, and Me Inc. shall have an unrestricted, perpetual, fully paid up, royalty-free, source code license to the technology, with the unlimited right to create and own derivative works subject to a non-competition agreement to protect the operating system market. Seller will own the Me Inc. Mobile IP, and Purchaser shall have an unrestricted, perpetual, fully paid up, royalty-free, source code license to the technology, with the unlimited right to create and own derivative works subject to a non-competition agreement to protect the non-operating system market. Seller will own the IP and Purchaser shall have a reseller agreement for these products. Purchaser shall be granted at court order warrants for a 10 percent interest in the Me Inc business, vesting upon achievement of half of the threshold amounts.</p>
Seller Representations and Warranties:	<p>Seller will make customary representations and warranties, including but not limited to: organization, capitalization, power and authority, no violations of law, no breach or default under contracts, no litigation, good title, approvals, no liability to brokers, sufficiency of assets, employees, financial statements, permits, rights to intellectual property and condition of the Transferred Assets, among others. Seller intends to agree to a customary Bonus Reserve Fund (as defined below). All representations and warranties of Seller shall lapse upon the consummation of the Closing; the only remedy for a breach of representation and warranty is Purchaser's option not to close and Purchaser will have no remedy for any such breach post-Closing except for intentional misrepresentation or fraud.</p>
Purchaser Representations & Warranties:	<p>Purchaser will make typical representations and warranties as to organization, power & authority, no violations, approvals, availability of funds, solvency, compliance with law, and no liability to brokers.</p>

(9)

¹ Monitoring IT systems via the mobile phone
² Calendaring, collaboration application

	Purchaser's representations and warranties will not survive the Closing. Purchaser intends in the APA to reserve a customary amount from its Purchase Price to fund bonuses to be paid at the Purchaser's sole discretion to certain Company employees designated in writing by Purchaser (the "Bonus Reserve Fund").
Seller Covenants:	Seller will covenant prior to Closing: (a) to operate the business in the ordinary course of business, including without limitation maintaining current asset levels consistent with recent financial statements provided to Purchaser (except that the Seller must not take any action resulting in discounting of license sales, acceleration of yearly maintenance contracts, six licenses, special sales incentives, reserves or cost deferral, or any similar time-shift in financial performance); (b) to provide Purchaser with ongoing financial and other reasonable access to Seller's officers and advisors (including, without limitation, legal, accounting and financial advisors); (c) to use best efforts to pursue a Section 363 sale process activities on timelines reasonably acceptable to Purchaser; (d) to cooperate with the Purchaser in obtaining necessary approvals and consents (including Bankruptcy Court orders); and (e) not to enter into or modify any material contract outside the ordinary course or with the Purchaser's prior written consent. The Purchaser will have reasonable approval rights with respect to the conduct of the business prior to Closing, including, without limitation, asset sales.
Purchaser Covenants:	Purchaser will covenant prior to Closing to: seek at its expense any necessary transaction approvals; cooperate with the Seller in obtaining necessary approvals (including Bankruptcy Court orders); not interfere in Seller's bankruptcy case; provide argument and evidence to support "adequate assurance of future performance" under any Designated Contract; and to continue its obligations under the confidentiality agreement between the Parties dated September 21, 2007.
General Conditions Precedent	The Transaction shall be subject to the following conditions: a) completion of due diligence with results satisfactory to Purchaser (this condition will lapse at the bid procedures hearing), b) negotiation and execution of definitive agreements by the time of the bid procedures hearing, and c) confirmation of the terms upon which key

	employees and managers of the business will continue to be employed by the business following the closing.
Seller's Conditions Precedent to Close:	Typical conditions of: no breach of representations, warranties and covenants; sale order from the Bankruptcy Court; receipt of necessary approvals; and no relevant threatened or pending litigation by a governmental authority.
Purchaser's Conditions Precedent to Close:	<p>The obligations of Purchaser under the APA to consummate the transactions contemplated thereby will be subject to the satisfaction or waiver of customary conditions, including without limitation: no breach of representations, warranties and covenants; entry of a final Procedures Order and Sale Order from the Bankruptcy Court in form and substance reasonably acceptable to Purchaser; receipt of necessary approvals; no Material Adverse Change following execution of the APA; and no relevant threatened or pending litigation by a governmental authority.</p> <p>A "Material Adverse Change" shall mean any change or effect that is or could be reasonably expected to result in a material adverse change in: the Transferred Assets or Assumed Liabilities, considered as a whole; or the consolidated financial condition or results of operations of the Business, other than changes associated with the bankruptcy of the Seller.</p>
Termination of the APA:	<p>The APA will be terminable in the following circumstances:</p> <ul style="list-style-type: none">• by mutual written consent of Purchaser and Seller;• by Purchaser upon written notice of a material breach of any covenant or agreement to be performed or complied with by Seller if such breach would result in the failure of closing conditions to be satisfied;• by Seller upon written notice of a material breach of any covenant or agreement to be performed or complied with by Purchaser if such breach would result in the failure of closing conditions to be

	<p>satisfied;</p> <ul style="list-style-type: none"> • by either Purchaser or Seller if any foreign, federal, state, local or other governmental, administrative or regulatory authority, body, agency, court, tribunal or similar entity (other than the Bankruptcy Court) having competent jurisdiction issues a final and non-appealable order, decree or ruling prohibiting the transaction; • by Purchaser upon a determination by Seller or Seller's board of directors to pursue an Alternative Transaction (defined below); • by Purchaser, upon approval by the Bankruptcy Court of an Alternative Transaction; • by Purchaser, if the Bankruptcy Court shall not have entered the Bid Procedures Order in form and substance reasonably acceptable to Purchaser on or before November 9, 2007; • by Purchaser, if the Bankruptcy Court shall not have entered the Sale Approval Order in form and substance reasonably acceptable to Purchaser on or before December 7, 2007; and • by Purchaser or Seller, if the Closing Date has not occurred on or before December 31, 2007.
<p>Good Faith Negotiations:</p>	<p>The Parties agree to conduct the negotiations contemplated by this Term Sheet in good faith and to use commercially reasonable efforts to reach agreement. This Transaction will be valid only until 5:00 PM PST, Monday, October 22, 2007. If we do not receive a countersigned copy of this letter, this Proposal will be deemed to have been withdrawn without any further action by Purchaser. The parties agree to negotiate the definitive agreements contemplated by this Term Sheet so that they can be filed with the Bankruptcy Court prior to the bid procedures hearing to designate Purchaser as the approved stalking horse bidder.</p>
<p>Confidentiality:</p>	<p>The Parties agree to maintain the confidentiality of this</p>

	<p>Term Sheet and their discussions regarding the APA pursuant hereto except to the extent necessary to publicize this Term Sheet as required by the Bankruptcy Court. Notwithstanding anything to the contrary herein, any termination of this Term Sheet shall not affect the confidentiality obligations provided hereunder.</p>
<p>Fees and Expenses; Breakup Fee:</p>	<p>Each party will bear its own fees and expenses in connection with the transactions contemplated under this Term Sheet, except as follows:</p> <p>Seller will promptly reimburse up to \$50,000 of Purchaser's fees and expenses (including, without limitation, legal costs and fees) incurred or to be incurred in connection with the consummation of the Transaction.</p> <p>If Purchaser is designated as the stalking horse bidder under the Bid Procedures Order but either (a) Purchaser is not the successful bidder at the ensuing auction of the Transferred Assets, or (b) any of the Transferred Assets are transferred by Seller to any party other than Purchaser (whether pursuant to such auction or otherwise), then Purchaser shall receive from Seller (a) a cash breakup fee in the amount of \$910,000 (the "Breakup Fee"), and (b) reimbursement of all expenses incurred by Purchaser, in an amount up to \$300,000, in both cases payable upon the earlier of consummation of a subsequent transaction to a party other than Purchaser or the entry of an order confirming a Chapter 11 plan (an "<u>Alternative Transaction</u>"). In addition, without duplication, if the APA is terminated other than as a result of a material breach by Purchaser or the failure to be satisfied of a condition precedent to closing that is not caused by the material breach of Seller, and Seller is not obligated to pay the Breakup Fee, then Seller will nevertheless be obligated to reimburse Purchaser for all expenses incurred by Purchaser in connection with the Transaction, up to a maximum of \$300,000. The Breakup Fee and expense reimbursement shall be treated as a super-priority administrative claim under Sections 503(b) and 507(a) of the Code and paid immediately in cash when due, whether through the closing of an Alternative Transaction or otherwise.</p> <p>In the event the Parties enter into the APA, such APA shall contain certain bid protections, including but not</p>

\$780,000

Dms
10/22/07

	limited to the following: \$1,630,000; A. Initial incremental overbid of \$1,510,000 ; B. Subsequent bid increments in the amount of \$100,000.
Governing Law:	This Term Sheet, the Transaction and all matters arising out of and related thereto will be governed by the laws of the State of New York.

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This Term Sheet shall be signed by the parties, subject to the ratification hereof by the Board of Directors of Seller at a meeting to be held on October 22, 2007.

In Witness Whereof, the parties have executed and delivered this Term Sheet on this 22nd day of October, 2007.

JGD Management Corp.
d/b/a York Capital Management,
a Delaware corporation

The SCO Group, Inc.

By: _____
Authorized Signatory

By: *Darl C. McBride*
Authorized Signatory