



Office of the Vice President
Assistant General Counsel

Route 100
Somers, NY 10589

May 5, 2003

VIA AIRBORNE EXPRESS

Mr. Darl McBride
President and Chief Executive Officer
SCO
355 South 520 West
Lindon, Utah 84042

Re: Software Agreement Number SOFT-00015
Sublicensing Agreement Number SUB-00015A
Substitution Agreement Number XFER-00015B
Letter Agreement dated February 1, 1985
Amendment X dated October 16, 1996

Dear Mr. McBride:

This responds to your letter of April 24, 2003.

In my letter of April 2, 2003, in an effort to avoid an unnecessary dispute, I asked that you inform IBM specifically (1) what SCO contends IBM has done in violation of its obligations under the above-titled agreements (the "Agreements") and under applicable law; and (2) what you contend IBM should do to cure these alleged violations. Unfortunately, your April 24 letter does not give IBM proper notice of its alleged breaches of the Agreements. As I mentioned in my April 2 letter, the license rights granted under the Agreements are not terminable. However, even if the termination provisions in the original Agreements were still in effect, they would: (1) entitle IBM to a period of no less than 100 days, from proper notice, in which to cure any alleged breach; and (2) require that SCO exercise its "good faith best efforts" to resolve any alleged breach.

Neither your letter to Mr. Palmisano nor SCO's complaint specifies (1) any products, code, files, trade secrets and/or confidential information that SCO believes IBM has improperly used, transferred, disposed of or disclosed; (2) the ways and specific instances in which you believe IBM has improperly used, transferred, disposed of or disclosed any products, code, files, trade secrets and/or confidential information; and (3) the steps that SCO believes IBM is required to take to cure the alleged breaches and injuries about which SCO complains.

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In your letter, you state that "[i]f [IBM] would like further written information concerning IBM's past and continuing violations, we need more information from [IBM]" including information as to "whether IBM is questioning if donating AIX code to Linux is a violation of the agreements". SCO does not need to know that or anything else from IBM to provide the information IBM has requested. The provisions described above would entitle IBM to learn the specific facts on which SCO relies in asserting that IBM has breached its obligations to SCO. Not only is that what the parties contemplated, but it is also the only way IBM could cure any alleged breach. I note that you have made public statements to the effect that IBM has donated "substantial System V code" to the open-source community and that IBM "took chunks out of Monterey, a derivative of AIX, and gave it away." If you have information to support these assertions, we do not understand why you have not provided it to us.

I therefore reiterate my request that you provide IBM with the information requested in my letter of April 2 and set out above.

We are willing to meet with you at a mutually convenient time to discuss these issues. However, we believe we will be in a position to have a more productive meeting after SCO has given IBM the information it seeks.

Sincerely,



Ronald A. Lauderdale
Vice President and Assistant General Counsel

Copy to: Evan R. Chesler, Esq.
David Boies, Esq.