

## Exhibit E



VIA FEDERAL EXPRESS

March 6, 2003

Mr. Sam Palmisano  
Chief Executive Officer  
INTERNATIONAL BUSINESS MACHINES CORPORATION  
Old Orchard Road  
Armonk, NY 10504

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

Dear Mr. Palmisano:

We are successors in interest to the above-referenced Agreements pursuant to that certain Asset Purchase Agreement by and between the Santa Cruz Operation, Inc. and Novell, Inc. dated as of September 19, 1995 (the "Asset Purchase Agreement"), having received under the Asset Purchase Agreement all rights and ownership of UNIX and UnixWare, including source code, source documentation, source listings and annotations, all rights pertaining to UNIX and UnixWare under any software development contracts, licenses and any other contracts which pertain to UNIX-related business, and including without limitation:

Software and Sublicensing Agreements – This includes the source code and sublicensing agreements that Seller has with its OEM End User and Educational customers. The total number of these agreements is approximately 30,000. [Schedule 1.1(a) to Asset Purchase Agreement, ¶III (L).]

We have rights to enforce any violation of our trade secrets by International Business Machines Corporation ("IBM"). These rights are secured by certain agreements between AT&T and IBM dated as of February 1, 1985, designated as Software Agreement Number Soft-00015, Sublicensing Agreement Number Sub-00015A, Substitution Agreement Number XFER-00015B, Side Letter dated February 1, 1985, and Amendment X dated October 16, 1996 (collectively the AT&T / IBM UNIX Agreements).

IBM is obligated under the AT&T / IBM UNIX Agreements as follows:

- a. Paragraph 11 of the Side Letter contains the following language regarding the intent of the parties to prevent unrestricted disclosure of UNIX:

You [IBM] recognize the proprietary nature of SOFTWARE PRODUCTS and the need to protect SOFTWARE PRODUCTS from unrestricted disclosure.

- b. IBM is prohibited under §7.10 of the Software Agreement from transferring or disposing of UNIX in a way that destroys its economic value. The applicable contract language reads as follows:

Except as provided in Section 7.06(b), nothing in this Agreement grants to Licensee the right to sell, lease or otherwise transfer or dispose of a SOFTWARE PRODUCT in whole or in part.

- c. IBM has a duty of confidentiality to protect the confidentiality of our trade secrets. Side Letter ¶9 provides, in part, as follows:

LICENSEE [IBM] agrees that it shall hold SOFTWARE PRODUCTS subject to this Agreement in confidence for AT&T. LICENSEE further agrees that it shall not make any disclosure of such SOFTWARE PRODUCTS to anyone, except to employees of LICENSEE to whom such disclosure is necessary to the use for which rights are granted, LICENSEE shall appropriately notify each employee to whom any such disclosure is made that such disclosure is made in confidence and shall be kept in confidence by such employee.

IBM is further required by ¶2.01 of the Sublicensing Agreement to obtain confidentiality agreements from its distributors and customers, and by ¶3 of the Side letter to obtain the same from contractors.

- d. IBM is prohibited under Section 2.05 of the Software Agreement from using UNIX for others. The applicable language provides:

No right is granted by this Agreement for the use of SOFTWARE PRODUCTS directly for others, or for any use of SOFTWARE PRODUCTS by others.

The cumulative effect of these provisions requires IBM to protect our valuable UNIX trade secrets against *unrestricted disclosure, unauthorized transfer or disposition and unauthorized use* by others.

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Notwithstanding these provisions, IBM has subjected our UNIX trade secrets to unrestricted disclosure, unauthorized transfer and disposition, unauthorized use, and has otherwise encouraged others in the Linux development community to do the same.

One of our remedies for such breaches (in addition to remedies at law and in equity) is specified in §6.03 of the Software Agreement (SOFT-00015), as follows:


If LICENSEE fails to fulfill one or more of its obligations under this Agreement, AT&T may, upon its election and in addition to any other remedies that it may have, at any time terminate all the rights granted by it hereunder by not less than two (2) months' written notice to LICENSEE specifying any such breach, unless within the period of such notice all breaches specified therein shall have been remedied; upon such termination LICENSEE shall immediately discontinue use of and return or destroy all copies of SOFTWARE PRODUCTS subject to this Agreement.

Section 6.03 is modified by ¶5 of the Side Letter to extend the notice period from 60 days to 100 days. This letter is notice of your material breaches of the AT&T / IBM Agreements identified above.

Pursuant to §6.03 of the Software Agreement, you are hereby put on notice to cure the above breaches within 100 days by eliminating the acts and conduct specified above. Should you fail to do so, your rights under the AT&T / IBM Agreements will be terminated as of Friday, June 13, 2003, and you will be required to immediately discontinue use of our Software Products and return or destroy all copies of software products subject to the AT&T/IBM UNIX Agreements.

Sincerely yours,

THE SCO GROUP

By:   
Darl McBride  
President and Chief Executive Officer

cc: David Boies