

April 2, 2003

VIA AIRBORNE EXPRESS

Mr. Dari 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 March 6, 2003, to Sam Palmisano.

Contrary to your assertions, IBM does not believe that it has breached any of its obligations to SCO, either under the agreements to which you refer (the "Agreements") or under applicable law. Moreover, IBM does not believe that the license rights granted under the agreements are terminable.

I write to ask that you inform IBM specifically what SCO contends IBM has done in violation of its obligations to SCO, and what you contend IBM should do to cure such violations. As you acknowledge in your letter to Mr. Palmisano, the provisions to which you refer would entitle IBM to a period of no less than 100 days, from proper notice, in which to cure any alleged breach.

Although your letter and the lawsuit filed by Caldera Systems, Inc. (without notice to IBM) state that IBM has breached the Agreements and otherwise violated the law, they do not specify IBM's alleged misconduct. Please advise me as soon as possible of the specific acts or omissions by IBM that you allege constitute a breach of the Agreements. In particular, please specify:

(1) any products, code, files, trade secrets and/or confidential information that SCO believes IBM has improperly used, transferred, disposed of or disclosed;

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(2) the ways and specific instances in which you allege 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.

Sincerely,



Ronald A. Lauderdale  
Vice President and Assistant General Counsel

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