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*Office of the Vice President
Assistant General Counsel*

*Route 100
Somers, NY 10589*

June 13, 2003

VIA AIRBORNE EXPRESS

Mr. Darl McBride
President and Chief Executive Officer
The SCO Group, Inc.
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
Amendment 2 dated October 16, 1996

Dear Mr. McBride:

This is in response to your letter of June 12, 2003, addressed to Mr. Palmisano. That letter mischaracterizes IBM's and SCO's rights, obligations and conduct. While IBM wishes to avoid a continuing exchange of "for the record" correspondence, we wish briefly to respond to several statements in your letter.

First, neither in your March 6 letter nor in our June 2 meeting did SCO provide IBM with "exhaustive detail" of the facts supporting your accusations. Your letter provided virtually no information beyond its conclusory accusations. We promptly requested such support (please see my letter to you of April 2, 2003) but received nothing more prior to the June 2 meeting, 88 days into the purported 100 day "cure" period. At that meeting, your counsel did no more than repeat your accusations, refer us to particular paragraphs of your complaint and show us a handful of notes from a website that does not, in fact, demonstrate any violation of protected license rights. Thus, to this day, you have not provided IBM with any factual support for your accusations. That is precisely what we informed you and your colleagues at the June 2 meeting, when we expressed our disappointment with the lack of information received from you.

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Second, your new accusation that actions undertaken by Novell are "apparently at IBM's direction" is untrue. Nor do we believe it is useful to engage in a debate via correspondence over the proper meaning and interpretation of selective quotations from various agreements. We do not agree with your interpretation of the relevant agreements, but discussion of the agreements is better left to lawyers in legal pleadings and courtroom discussions, as our respective counsel agreed at the June 2 meeting.

Third, neither the statements attributed to IBM representatives in your complaint, nor any actions taken by IBM, support a claim that IBM has violated its obligations under the relevant agreements. We have not, and we have no intention of doing so. Your purported "concern" that IBM "may take some precipitous action" that somehow violates your rights is unfounded.

As we have previously stated, IBM has an irrevocable, perpetual license to the software in question. We regret that you have chosen to commence litigation against IBM, to make repeated, meritless public statements about this matter and to attempt to promote fear, uncertainty and doubt in the open source community and among our AIX customers. I understand our respective litigation counsel have discussed scheduling for the litigation, and I expect that the resulting proceedings will ultimately resolve this matter between our companies.

Sincerely,



Ronald A. Lauderdale
Vice President and Assistant General Counsel

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