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ROBERT J. FRANKENBERG

Chairman and CEO

April 29, 1996

Mr. Alak Mohan
President, Chief Executive Officer
SCO
400 Escondido Street
Santa Cruz, California 95061

Dear Alak:

I'm writing in response to your letter of April 23rd, 1996 regarding our intention of providing IBM a paid up license for certain specific uses of the SVR X technology. Our intentions have always been, and continue to be, to limit this paid up license to only cover IBM's current business model and to avoid creating the situations you are concerned may arise. As you know, a result of negotiating the specific wording that is used to implement the intent of the parties involved becomes quite extensive. While we haven't in all cases used the exact wording you suggested, we do believe we have restricted our offer to IBM in such a way as to prevent, to the best of our ability, the situations which cause the concerns you have expressed.

The most notable of your concerns is a reduction in UNIX royalties to SCO from other system manufacturers as a result of IBM "pyramiding" these manufacturers under IBM's paid-up license via our loosening of the 2.0.5.b and 2.0.5.c restrictions. Let me assure you that we have expressly prohibited such a situation, without any limitation on the term of this prohibition. While we are allowing IBM's VARS to make minor modifications to accommodate the use of unique hardware solely in vertical applications, and are allowing IBM's customers to make temporary fixes from source code, (both of which have been granted by USL before) we have expressly called out that this does not apply to system manufacturers. Please refer to section 2 *Relief of Section 2.05 (b) and 2.05 (c) of SLIB-00015A* of the Agreement as provided to your John Maciaszek and Doug Michels.

Furthermore, for a five year period IBM is further prohibited from including any use of the SVR X technology in any form that is not UNIX, and on any platform that is not PowerPC based under the paid up license. While after the five year period IBM may use SVR X technology in other IBM operating systems and on other IBM processor based systems under the paid-up license, the restrictions of 2.0.5.b and 2.0.5.c remain in effect for any and all UNIX products shipped by IBM forever. Please refer to section 6 *Restriction on fully paid-up License of the Agreement*.

To address your concern of UNIX industry unity, it is IBM's publicly stated commitment to support UNIX 95 and follow-on specifications. Not being able to state exactly what future specifications might turn out to be, makes it impractical to require such conformance in a contract executed today. To support IBM's intention to support UNIX 95 and future Open Group specifications, IBM has provided us with their latest press documents to this effect. I would be happy to provide you a copy upon request.

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Mr. Ajit Mehan
April 29, 1996
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Having addressed your concerns as indicated above, we have proceeded with signing the IBM Amendment. Ajit, I value the relationship between our companies and look forward to meeting in the near future to resolve any other open issues.

Sincerely,

Bob Frankenberg
Bob Frankenberg
Chairman & CEO

RF:cp