



The SCO® Group Announces Final Termination of IBM / Sequent's Contract to Use or License Dynix Software

IBM's Disregard of Sequent's Contract With SCO Leads to Final Termination of UNIX License

LINDON, Utah, Aug 13, 2003 -- The SCO® Group (SCO)(Nasdaq: SCOX) delivered final written notice yesterday to Sequent Computer Systems for termination of its UNIX® System V software contract. Sequent is now owned by IBM. The Sequent (IBM) contract was terminated for improper transfer of Sequent's UNIX source code and development methods into Linux. As a result, IBM no longer has the right to use or license the Sequent UNIX product known as "Dynix/ptx." Customers may not acquire a license in Dynix/ptx from today's date forward.

SCO's System V UNIX contract allowed Sequent to prepare derivative works and modifications of System V software "provided the resulting materials were treated as part of the Original [System V] Software." Restrictions on use of the Original System V Software include the requirement of confidentiality, a prohibition against transfer of ownership, and a restriction against use for the benefit of third parties. Sequent-IBM has nevertheless contributed approximately 148 files of direct Sequent UNIX code to the Linux 2.4 and 2.5 kernels, containing 168,276 lines of code. This Sequent code is critical NUMA and RCU multi-processor code previously lacking in Linux. Sequent-IBM has also contributed significant UNIX-based development methods to Linux in addition to the direct lines of code specified above. Through these Linux contributions, Sequent-IBM failed to treat Dynix as part of the original System V software, and exceeded the scope of permitted use under its UNIX System V contract with SCO.

SCO gave Sequent-IBM two months written notice prior to termination, as required by contract. IBM failed to cure its breach of the Sequent-IBM contract, or to offer any solution whatsoever to cure its breach. SCO's termination of the Sequent-IBM UNIX System V license is self-effectuating and does not require court approval. SCO previously terminated IBM's right to use or license IBM's UNIX product known as AIX. From and after June 16, 2003, customers no longer have the legal right to acquire new AIX licenses.