

Fluctuations in our operating results or the failure of our operating results to meet the expectations of public market analysts and investors may negatively impact our stock price.

Fluctuations in our quarterly operating results or our failure to meet the expectations of analysts or investors, even in the short-term, could cause our stock price to decline. Because of the potential for significant fluctuations in our SCOsource revenue in any particular period, you should not rely on quarter-to-quarter comparisons of our results of operations as an indication of future performance.

Factors that may affect our quarterly results include:

- our ability to successfully negotiate and complete licensing and other agreements related to our intellectual property;
- the interest level of resellers in recommending our UNIX business solutions to end users;
- the introduction, development, timing, competitive pricing and market acceptance of our products and services and those of our competitors;
- changes in general economic conditions, such as recessions, that could affect capital expenditures and recruiting efforts in the software industry;
- changes to, or developments, in our on-going litigation with IBM and Red Hat concerning our UNIX intellectual property;
- changes in business attitudes toward UNIX as a viable operating system compared to other competing systems; and
- changes in attitudes of customers due to our aggressive position against the inclusion of our UNIX code in Linux.

We also experience fluctuations in operating results in interim periods in Europe and the Asia Pacific regions due to seasonal slowdowns and economic conditions in these areas. Seasonal slowdowns in these regions typically occur during the summer months.

As a result of the factors listed above and elsewhere, it is possible that our results of operations may be below the expectations of public market analysts and investors in any particular period. This could cause our stock price to decline. If revenue falls below our expectations and we are unable to quickly reduce our spending in response, our operating results will be lower than expected. Our stock price may fall in response to these events.

We rely on our indirect sales channel for distribution of our products, and any disruption of our channel at any level could adversely affect the sales of our products.

We have a two-tiered distribution channel. The relationships we have developed with resellers allow us to offer our products and services to a much larger customer base than we would otherwise be able to reach through our own direct sales and marketing efforts. Some electronic solution providers also purchase solutions through our resellers, and we anticipate they will continue to do so as we expand our product offerings. Because we usually sell indirectly through resellers, we cannot control the relationships through which solution providers or equipment integrators purchase our products. In turn, we do not control the presentation of our products to end-users. Therefore, our sales could be affected by disruptions in the relationships between us and our resellers, between our resellers and electronic solution providers, or between electronic solution providers and end users. Also, resellers and electronic solution providers may

choose not to emphasize our products to their customers. Any of these occurrences could diminish the effectiveness of our distribution channel and lead to decreased sales.

If the market for UNIX continues to contract, it may adversely affect our business.

Our revenue from the sale of UNIX-based products has declined over the last eight quarters. This decrease in revenue has been attributable to the worldwide economic slowdown, lower information technology spending, and increased competitive pressures from alternative operating systems. If the demand for UNIX-based products continues to decline, and we are unable to develop new products and services that successfully address a market demand, our business will be adversely affected.

We operate in a highly competitive market and face significant competition from a variety of current and potential sources: many of our current and potential competitors have greater financial and technical resources than we do; thus, we may fail to compete effectively.

In the UNIX operating system market, our competitors include IBM, Microsoft, Hewlett Packard and Sun. These and other competitors are aggressively pursuing the current UNIX operating system market. Many of these competitors have access to greater resources than we do. More recently, the major competitive alternative to our UNIX products is Microsoft's NT and Linux. While we believe that our server products retain a competitive advantage in a number of targeted application areas, the expansion of Microsoft's and our other competitors' offerings may restrict the overall market available for our server products, including some markets where we have been successful in the past.

Our foreign-based operations and sales create special problems, including the imposition of governmental controls and fluctuations in currency exchange rates that could hurt our results.

We have foreign operations, including development facilities, sales personnel and customer support operations in Europe, Latin America and Asia. These foreign operations are subject to certain inherent risks, including:

- potential loss of developed technology through piracy, misappropriation, or more lenient laws regarding intellectual property protection;
- imposition of governmental controls, including trade restrictions and other tax requirements;
- fluctuations in currency exchange rates and economic instability;
- longer payment cycles for sales in foreign countries;
- seasonal reductions in business activity; and
- political unrest, particularly in areas where we have facilities.

In addition, certain of our operating expenses are denominated in local currencies, creating risk of foreign currency translation losses that could harm our financial results and cash flows. When we generate profits in foreign countries, our effective income tax rate is increased, even though we generate consolidated net losses.

In Latin America and Asia in particular, several countries have suffered and may be especially susceptible to recessions and economic instability which may lead to increased governmental ownership or regulation of the economy, higher interest rates, increased barriers to entry such as higher tariffs and taxes, and reduced demand for goods manufactured in the United States, resulting in lower revenue.

The impact of domestic and global economic conditions may continue to adversely impact our operations.

During the last several quarters the U.S. and European economies have experienced an economic slowdown that has affected the purchasing habits of many consumers across many industries and across many geographies. This has caused the delay, or even cancellation of technology purchases. The ultimate impact of the slowdown in the United States and Europe is difficult to predict, but it has resulted in decreased sales of our products, longer sales cycles and lower prices. If the current slowdown continues, our revenue and results of operations may continue to be lower than expected. In addition, the slowdown may also affect the end-user market making it more difficult for our reseller channel to sell our products.

Future sales of our common stock may negatively affect our stock price.

Certain holders of our common stock have demand and piggyback registration rights obligating us to register their shares under the Securities Act for sale. The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market, or the perception that such sales could occur. This also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

If we are unable to retain key personnel in an intensely competitive environment, our operations could be adversely affected.

We will need to retain our management, technical, and support personnel. Competition for qualified professionals in the software industry is intense, and departures of existing personnel could be disruptive to our business and can result in the departure of other employees. The loss or departure of any officers or key employees could harm our ability to implement our business plan and could adversely affect our operations. Our future success depends to a significant extent on the continued service and coordination of our management team, particularly Darl C. McBride, our President and Chief Executive Officer. We do not maintain key person insurance for any member of our management team.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

IBM

On or about March 6, 2003, we filed a complaint against IBM. This action is currently pending in the United States District Court for the District of Utah, under the title *Caldera Systems, Inc. d/b/a The SCO Group vs. International Business Machines Corporation*, Civil No. 2:03CV0294. The complaint includes claims for breach of contract, misappropriation of trade secrets, tortious interference, and unfair competition. The complaint alleges that IBM made concerted efforts to improperly destroy the economic value of UNIX, particularly UNIX as used on Intel microprocessors, to benefit IBM's Linux services business. As a result of IBM's breach of contract and unfair competition and the marketplace injury sustained by SCO, we are requesting damages in an amount to be proven at trial, but no less than \$1 billion, together with additional damages through and after the time of trial.

On or about June 16, 2003, we filed an amended complaint in the IBM case. The amended complaint essentially restates and realleges the allegations of the original complaint and expands on those claims in several ways. Most importantly, the amended complaint raises new allegations regarding IBM actions and breaches through the products and services of Sequent Computer Systems, Inc. ("Sequent") which IBM acquired. We allege that IBM breached the

Sequent agreement in several ways similar to those set forth above and it seeks damages flowing from those breaches. We are also seeking injunctive relief on several of its claims.

IBM has filed a response and counter claim to the complaint, including a demand for a jury trial. The discovery process of the action has just commenced. The action has been removed from Utah Third District State Court and is currently pending in the Federal District Court for the District of Utah.

In its counter claim, IBM asserts that we do not have the right to terminate its UNIX license or assert claims based on our ownership of UNIX intellectual property against them or others in the Linux community. In addition, they assert that we have infringed on certain patents held by IBM. Their counter claims include claims for breach of contract, violation of the Lanham Act, unfair competition, intentional interference with prospective economic relations, unfair and deceptive trade practices, breach of the GNU general public license, and patent infringement. We intend to vigorously defend this action.

Red Hat

On August 4, 2003, Red Hat filed a complaint against us. The action is currently pending in the United States District Court for the District of Delaware under the case caption *Red Hat, Inc. v. The SCO Group, Inc.*, Civil No 03-772. Red Hat asserts that the Linux operating system does not infringe on our UNIX intellectual property rights and seeks a declaratory judgment for non-infringement of copyrights and no misappropriation of trade secrets. In addition, Red Hat claims we have engaged in false advertising in violation of the Lanham Act, deceptive trade practices, unfair competition, tortious interference with prospective business opportunities, and trade libel and disparagement.

On or about September 15, 2003, we filed a motion to dismiss the Red Hat complaint. The motion to dismiss asserts that Red Hat lacks standing and that no case or controversy exists with respect to the claims seeking a declaratory judgment of non-infringement. The motion to dismiss further asserts that Red Hat's claims under the Lanham Act and related state laws are barred by the First Amendment to the U.S. Constitution and the common law privilege of judicial immunity.

IPO Class Action Matter

We are an issuer defendant in a series of class action lawsuits filed in the United States District Court for the Southern District of New York, involving over 300 issuers that have been consolidated under *In re Initial Public Offering Securities Litigation*, 21 MC 92 (SAS). The plaintiffs, the issuers and the insurance companies have negotiated a Memorandum of Understanding ("MOU") with the intent of settling the dispute between the plaintiffs and the issuers. We have executed this MOU and have been advised that almost all (if not all) of the issuers have elected to proceed under the MOU. The MOU is still subject to court approval and the preparation of appropriate settlement documents. If the settlement is approved by the court and settlement agreements can be entered into by the parties, and if no cross-claims, counter claims or third party claims are later asserted, this action will be dismissed with respect to the Company and its individuals.

Other Matters

The Australian Competition and Consumer Commission (the "ACCC") has contacted us regarding complaints it has received regarding our intellectual property claims and our statements regarding the need for commercial Linux users to obtain a UNIX license. We intend to respond to the ACCC's inquiry. The ACCC has notified us that it has not made any decision to pursue the complaints it has received or determined what, if any, action it will take.

Several entities in Germany have obtained temporary restraining orders in Germany precluding our German subsidiary, from making statements in Germany that, in substance, disparage Linux, or entities involved in the Linux industry, or implicate Linux as infringing our intellectual property rights. SCO GmbH has received an administrative fine of Euro 10,000 for a technical violation of one of the temporary restraining orders. We are currently negotiating with various claimants in Germany over the temporary restraining orders and are evaluating whether we will appeal the administrative fine. Informal complaints similar to those raised in Germany have been received from a company in Austria and Poland. We have responded to those complaints. It's not known if those complainants will take future action.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

In connection the acquisition of assets from Vultus, the Company issued shares of its common stock to Vultus and its six shareholders in reliance on the exemption from registration provided by 4(2) of the Securities Act and the safe harbor of Regulation D promulgated there under. Each of the Vultus shareholders had held an equity interest in Vultus for some time and was familiar with the business of Vultus prior to the transaction. In connection with the shareholder approval necessary for the transaction, each Vultus shareholder was provided with an information statement prepared by Vultus that contained a summary of the proposed transaction, the anticipated distribution to each shareholder, a description of the restricted nature of the securities to be received and an information packet concerning the Company.

During the quarter ended July 31, 2003, we issued a warrant to Sun in connection with us receiving the first of two payments of \$2,500,000, required under the initial agreement. The warrant allows Sun to acquire 12,500 shares of the Company's common stock at an exercise price of \$1.83 per share for a term of five years from the date of the agreement. Because the warrant was issued in connection with the advance payment, the Company has recorded the fair value of the warrant of \$150,000, as determined using the Black-Scholes option-pricing model, and reduced license revenue accordingly. Assumptions used in the Black-Scholes option-pricing model to estimate its fair value were the following: market value of common stock of \$12.52 per share; risk-free interest rate of two percent; expected dividend yield of 0 percent; volatility of 137 percent; and a term of five years.

In addition, we issued a warrant to a consultant, as part of an agreement to assist us with our SCOSource licensing initiative. The warrant allows the consultant to acquire 25,000 shares of our common stock at an exercise price of \$8.50 per share for a term of two years from the date of the agreement. We have recorded the fair value of the warrant of \$94,000, as determined using the Black-Scholes option-pricing model, as a warrant outstanding and included this cost as a cost of licensing revenue. Assumptions used in the Black-Scholes option-pricing model to estimate the fair value were the following: market value of common stock of \$12.84 per share; risk-free interest rate of two percent; expected dividend yield of 0 percent; volatility of 143 percent; and a term of 2 years.

Both of these warrants were issued pursuant to an exemption from the registration requirements under Section 4(2) of the Securities Act of 1933, as amended.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The following matters were submitted and approved by our stockholders at our annual meeting held May 16, 2003:

1. To elect seven members to the Board of Directors to serve until their successors have been appointed. All seven directors were elected with Ralph J. Yarro III receiving 10,405,000 votes in favor and 49,000 votes withheld, Thomas P. Raimondi, Jr. receiving 10,408,000

votes in favor and 46,000 votes withheld; Edward E. Iacobucci receiving 10,421,000 votes in favor and 33,000 votes withheld; Steven M. Cakebread receiving 10,420,000 votes in favor and 34,000 votes withheld; R. Duff Thompson receiving 10,409,000 votes in favor and 45,000 votes withheld; Darcy G. Mott receiving 10,415,000 votes in favor and 39,000 votes withheld; and Darl C. McBride receiving 10,405,000 votes in favor and 49,000 votes withheld.

2. To approve an amendment to the 2002 Omnibus Stock Incentive Plan to provide for up to 1,500,000 shares of common stock to be subject to awards issued under the plan. This resolution was passed with 6,851,000 votes in favor, 196,000 votes against and 4,000 abstentions.

3. To approve an amendment to the 2000 Employee Stock Purchase Plan to provide for an additional 500,000 shares to be subject to awards issued under the plan. This resolution was passed with 6,877,000 votes in favor, 169,000 votes against and 4,000 abstentions.

4. To approve an amendment to the Certificate of Incorporation to change our name from Caldera International, Inc. to The SCO Group, Inc. This resolution was passed with 10,432,000 votes in favor, 12,000 votes against and 10,000 abstentions.

5. To approve the appointment of KPMG LLP as our independent public accountants of the Company for the year ending October 31, 2003. This resolution was passed with 10,438,000 votes in favor, 9,000 votes against and 7,000 abstentions.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 3.1 The SCO Group, Inc.'s Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.3 to SCO's Form 8A/A, SEC file number 000-29911)
- 3.2 The SCO Group, Inc.'s Amended and restated bylaws (incorporated by reference to Exhibit 3.4 to SCO's Form 8A/A, SEC file number 000-29911)
- 10.1 Amendment to 2002 Omnibus Stock Incentive Plan
- 10.2 Amendment to 2000 Employee Stock Purchase Plan
- 31.1 Certification of Darl C. McBride, President and Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Robert K. Bench, Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Darl C. McBride, President and Chief Executive Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Robert K. Bench, Chief Financial Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

On May 15, 2003, we filed a report on Form 8-K announcing our suspension of our Linux products arising from our concerns that our UNIX code was included in Linux.

On May 15, 2003, we filed a report on Form 8-K announcing preliminary results for our quarter ended April 30, 2003.

ITEM 7. SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: September 12, 2003

THE SCO GROUP, INC.

By: /s/Robert K. Bench
Robert K. Bench
Duly Authorized Officer and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

CALDERA INTERNATIONAL, INC

2002 OMNIBUS STOCK INCENTIVE PLAN

1. Establishment and Purpose.

There is hereby adopted the Caldera International, Inc. 2002 Omnibus Stock Incentive Plan (the "Plan"). The Plan shall be in addition to (but except as provided in Section 3(a) below shall not supplant or be construed to amend or terminate) the Caldera Systems, Inc. 1999 Omnibus Stock Incentive Plan. The Plan is intended to promote the interests of the Company and the stockholders of the Company by providing officers, other employees of the Company, directors who are not employees of the Company, and other persons who are expected to make a long-term contribution to the success of the Company with appropriate incentives and rewards to encourage them to enter into and continue in the employ of the Company and/or to acquire a proprietary interest in the long-term success of the Company, thereby aligning their interest more closely to the interest of stockholders.

2. Definitions.

As used in the Plan, the following definitions apply to the terms indicated below:

- (a) "Award Agreement" shall mean the written agreement between the Company and a Participant evidencing an Incentive Award.
- (b) "Board of Directors" shall mean the Board of Directors of the Company.
- (c) "Cause," when used in connection with the termination of a Participant's employment by the Company, shall mean (i) the willful and continued failure by the Participant substantially to perform his duties and obligations to the Company (other than any such failure resulting from his incapacity due to physical or mental illness) or (ii) the willful engaging by the Participant in misconduct that is materially injurious to the Company. For purposes of this Section 2(c), no act, or failure to act, on a Participant's part shall be considered "willful" unless done, or omitted to be done, by the Participant in bad faith and without reasonable belief that his action or omission was in the best interest of the Company. The Committee shall determine whether a termination of employment is for Cause.
- (d) "Change in Control" shall mean any of the following occurrences:
 - (i) any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities;

(ii) during any period of not more than two consecutive years (not including any period prior to the adoption of the Plan), individuals who at the beginning of such period constitute the Board of Directors and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i), (iii) or (iv) of this Section) whose election by the Board of Directors or nomination for election was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as herein above defined) acquires more than 50% of the combined voting power of the Company's then outstanding securities; or

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(f) "Committee" shall mean the Compensation Committee of the Board of Directors. The Committee shall consist of two or more persons each of whom is an "outside director" within the meaning of Section 162(m) of the Code and a "Non-Employee Director" within the meaning of Rule 16b-3 under the Exchange Act (or who satisfies any other criteria for administering employee benefit plans as may be specified by the Securities and Exchange Commission in order for transactions under such plan to be exempt from the provisions of Section 16(b) of the Exchange Act).

(g) "Company" shall mean, Caldera International, Inc., a Delaware corporation.

(h) "Common Stock" shall mean the common stock of the Company, no par value per share.

(i) "Disability" shall mean: (1) any physical or mental condition that would qualify a Participant for a disability benefit under the long-term disability plan maintained by the Company or a Subsidiary of the Company and applicable to such Participant; or (2) when used in connection with the exercise of an Incentive Stock Option following termination of employment, disability within the meaning of Section 22(e)(3) of the Code.

- (j) "Effective Date" shall mean the date upon which this Plan is adopted by the Board of Directors.
- (k) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.
- (l) "Executive Officer" shall have the meaning set forth in Rule 3b-7 promulgated under the Exchange Act.
- (m) "Exercise Date" shall mean the date on which a Participant may exercise an Incentive Award.
- (n) "Fair Market Value" of a share of Common Stock, as of a date of determination, shall mean (i) the closing sales price per share of Common Stock on the national securities exchange on which such stock is principally traded for the last preceding date on which there was a sale of such stock on such exchange, or (ii) if the shares of Common Stock are not listed or admitted to trading on any such exchange, the closing price as reported by the Nasdaq Stock Market for the last preceding date on which there was a sale of such stock on such exchange, or (iii) if the shares of Common Stock are not then listed on the Nasdaq Stock Market, the average of the highest reported bid and lowest reported asked prices for the shares of Common Stock as reported by the National Association of Securities Dealers, Inc. Automated Quotations System for the last preceding date on which there was a sale of such stock in such market, or (iv) if the shares of Common Stock are not then listed on a national securities exchange or traded in an over-the-counter market, such value as determined by the Committee in good faith.
- (o) "Incentive Award" shall mean an Option, Tandem SAR, Stand-Alone SAR, Restricted Stock grant, Phantom Stock grant or Stock Bonus granted pursuant to the terms of the Plan.
- (p) "Incentive Stock Option" shall mean an Option that is an "incentive stock option" within the meaning of Section 422 of the Code.
- (q) "Issue Date" shall mean the date established by the Company on which certificates representing shares of Restricted Stock shall be issued by the Company pursuant to the terms of Section 10(e) of the Plan.
- (r) "Non-Qualified Stock Option" shall mean an Option that is not an Incentive Stock Option.
- (s) "Option" shall mean an option to purchase shares of Common Stock granted pursuant to Section 7 of the Plan.
- (t) "Participant" means any person who is both eligible to receive an Incentive Award pursuant to the Plan (as set forth in Section 5) and to whom an Incentive Award is granted pursuant to the Plan, and, upon his or her death, his or her successors, heirs, executors and administrators, as the case may be.
- (u) "Phantom Stock" shall mean the right, granted pursuant to Section 11 of the Plan, to receive in cash the Fair Market Value of a share of Common Stock.

- (v) "Plan" shall mean this 2002 Omnibus Stock Incentive Plan, as amended from time to time.
- (w) "Reference Value" shall mean, with respect to Stand-Alone SARs, the greater of the Fair Market Value or the value given by the Compensation Committee.
- (x) "Restricted Stock" shall mean a share of Common Stock that is granted pursuant to the terms of Section 10 hereof and that is subject to the restrictions set forth in Section 10 of the Plan.
- (y) "Rule 16b-3" shall mean Rule 16b-3 promulgated under the Exchange Act.
- (z) "Section 162(m)" shall mean Section 162(m) of the Code and the regulations promulgated thereunder.
- (aa) "Securities Act" shall mean the Securities Act of 1933, as amended from time to time.
- (ab) "Stand-Alone SAR" shall mean a stock appreciation right granted pursuant to Section 9 of the Plan that is not related to any Option.
- (ac) "Stock Bonus" shall mean a bonus payable in shares of Common Stock granted pursuant to Section 12 of the Plan.
- (ad) "Subsidiary" shall mean a "subsidiary corporation" within the meaning of Section 424(f) of the Code.
- (ae) "Tandem SAR" shall mean a stock appreciation right granted pursuant to Section 8 of the Plan that is related to an Option.
- (af) "Termination of employment," or words of similar import, in the Plan shall be deemed, (i) when applied to non-employee Directors, to mean "termination of service as a director," and (ii) when applied to employee-Directors, to mean "termination of service as an employee and a director." Reference to "termination of employment," or words of similar import, in the Plan shall not be deemed to apply to persons who were not employees or a director of the Company or a Subsidiary of the Company.
- (ag) "Vesting Date" shall mean the date established by the Committee on which an Incentive Award may vest.

3. Stock Subject to the Plan.

(a) Shares Available for Awards.

The maximum number of shares of Common Stock reserved for issuance under the Plan shall be 1,500,000 shares (subject to adjustment as provided herein). The total number of shares reserved for issuance hereunder may be authorized but unissued Common Stock or authorized and issued Common Stock held in the Company's treasury or acquired by the Company for the purposes of the Plan. The Committee may direct that any stock certificate evidencing shares issued

pursuant to the Plan shall bear a legend setting forth such restrictions on transferability as may apply to such shares pursuant to the Plan. The grant of a Tandem SAR shall not reduce the number of shares of Common Stock with respect to which Incentive Awards may be granted pursuant to the Plan. Upon the exercise of any Tandem SAR, the related Option shall be canceled to the extent of the number of shares of Common Stock as to which the Tandem SAR is exercised and, notwithstanding the foregoing, such number of shares shall no longer be available for Incentive Awards under the Plan. Subject to adjustment under Section 3(c) below, the maximum number of shares of Common Stock that may be issued under the Plan shall be increased as of November 1 each year, beginning November 1, 2003, by three percent (3%) of the total number of shares of Common Stock that are issued and outstanding on the immediately preceding October 31st. This increase shall be in lieu of the increase provided for in Section 3(a) of the Caldera Systems, Inc. 1999 Omnibus Stock Incentive Plan following the increase scheduled for November 1, 2002 pursuant to the terms of that plan, and Section 3(a) of the Caldera Systems, Inc. 1999 Omnibus Stock Incentive Plan is hereby amended to provide that no automatic annual increase in the number of shares of Common Stock authorized for issuance under that plan shall occur after November 1, 2002. Any provision herein to the contrary notwithstanding, the maximum number of shares of Common Stock that may be issued pursuant to Incentive Stock Options granted hereunder shall not exceed 1,500,000, subject to adjustment under Section 3(c) below.

(b) Individual Limitation.

The total number of shares of Common Stock subject to Incentive Awards (including Incentive Awards payable in cash but denominated as shares of Common Stock, i.e., Stand-Alone SARs and Phantom Stock), awarded to any employee during any tax year of the Company, shall not exceed 400,000 shares. Determinations under the preceding sentence shall be made in a manner that is consistent with Section 162(m) of the Code.

(c) Adjustment for Change in Capitalization.

In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Common Stock, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event, affects the Common Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan, then the Committee shall make such equitable changes or adjustments as it deems necessary or appropriate to any or all of (i) the number and kind of shares of stock that may thereafter be issued in connection with Incentive Awards, (ii) the number and kind of shares of stock issued or issuable in respect of outstanding Incentive Awards, and (iii) the exercise price, grant price, or purchase price relating to any Incentive Award; provided that, with respect to Incentive Stock Options, such adjustment shall be made in accordance with Section 424 of the Code.

(d) Re-Use of Shares.

The following shares of Common Stock shall again become available for Incentive Awards: any shares subject to an Incentive Award that remain unissued upon the cancellation, surrender, exchange or termination of such award for any reason whatsoever; any shares of Restricted Stock forfeited; and any shares in respect of which a stock appreciation right is settled for cash.

4. Administration of the Plan.

The Plan shall be administered by the Committee. The Committee shall have the authority in its sole discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Incentive Awards; to determine the persons to whom and the time or times at which Incentive Awards shall be granted; to determine the type and number of Incentive Awards to be granted, the number of shares of Stock to which an Award may relate and the terms, conditions, restrictions and performance criteria relating to any Incentive Award; to determine whether, to what extent, and under what circumstances an Incentive Award may be settled, canceled, forfeited, exchanged, or surrendered; to subject shares of Stock to which an Award may relate to rights of repurchase or rights of refusal in favor of the Company under the circumstances and upon the terms set forth in an Award Agreement; to make adjustments in the performance goals in recognition of unusual or non-recurring events affecting the Company or the financial statements of the Company (to the extent in accordance with Section 162(m) of the Code, if applicable), or in response to changes in applicable laws, regulations, or accounting principles; to construe and interpret the Plan and any Incentive Award; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of Award Agreements; and to make all other determinations deemed necessary or advisable for the administration of the Plan.

The Committee may, in its absolute discretion, without amendment to the Plan, (i) accelerate the date on which any Tandem SAR or Stand-Alone SAR or Incentive Award relating to Phantom Stock granted under the Plan becomes exercisable, waive or amend the operation of Plan provisions respecting exercise after termination of employment or otherwise adjust any of the terms of such Option or Stand-Alone SAR, and (ii) accelerate the Exercise Date or Issue Date, or waive any condition imposed hereunder, with respect to any share of Restricted Stock or Phantom Stock or otherwise adjust any of the terms applicable to such share.

No member of the Committee shall be liable for any action, omission or determination relating to the Plan, and the Company shall indemnify and hold harmless each member of the Committee and each other director or employee of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been delegated against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Committee) arising out of any action, omission or determination relating to the Plan, if, in either case, such action, omission or determination was taken or made by such member, director or employee in good faith and in a manner such member, director or employee reasonably believed to be in or not opposed to the best interests of the Company.

5. Eligibility.

The persons who shall be eligible to receive Incentive Awards pursuant to the Plan shall be all employees and directors of the Company and its Subsidiaries and such other persons whom the Committee determines are expected to make a contribution to the Company; provided, however, that no Incentive Awards shall be granted to any "officers" or "directors" of the Company or its Subsidiaries (within the meaning of the rules of Nasdaq Stock Market or any other securities exchange on which Company shares are traded) unless and until the shareholders of the Company formally approve the Plan at a duly called shareholders meeting. Subject to the foregoing, the Committee may grant Incentive Awards to any, all or none of such eligible persons at any time, from time to time, during the term of the Plan. Nothing herein shall require the Company to submit the Plan to Company shareholders for their approval and any Incentive Awards granted to persons other than Company "officers" and "directors" shall be effective notwithstanding the absence of shareholder approval.

6. Awards Under the Plan; Award Agreement.

The Committee may grant Options, Tandem SARs, Stand-Alone SARs, shares of Restricted Stock, shares of Phantom Stock and Stock Bonuses, in such amounts and with such terms and conditions as the Committee shall determine, subject to the provisions of the Plan.

Each Incentive Award granted under the Plan (except an unconditional Stock Bonus) shall be evidenced by an Award Agreement that shall contain such provisions as the Committee may in its sole discretion deem necessary or desirable. By accepting an Incentive Award, a Participant thereby agrees that the award shall be subject to all of the terms and provisions of the Plan and the applicable Award Agreement.

7. Options.

(a) Identification of Options.

Each Option shall be clearly identified in the applicable Award Agreement as either an Incentive Stock Option or a Non-Qualified Stock Option.

(b) Exercise Price.

Each Award Agreement with respect to an Option shall set forth the amount (the "option exercise price") payable by the grantee to the Company upon exercise of the Option. The Option exercise price per share shall be set by the Committee in its discretion on a case by case basis, but in the case of an Incentive Stock Option shall not be less than the Fair Market Value of a share of Common Stock on the date of grant.

(c) Term and Exercise of Options.

(1) Unless the applicable Award Agreement provides otherwise, an Option shall become cumulatively exercisable as to 25 percent of the shares covered thereby on each of the first, second, third and fourth anniversaries of the date of grant. The Committee shall determine the expiration date of each Option; provided, however, that no Incentive Stock Option shall be exercisable more than 10 years after the date of grant. Unless the applicable Award Agreement provides otherwise, no Option shall be exercisable prior to the first anniversary of the date of grant.

(2) An Option shall be exercised by delivering notice to the Company's principal office, to the attention of its Secretary, no less than one business day in advance of the effective date of the proposed exercise. An Option may also be exercised electronically by notifying the Company's agent, pursuant to the methods then in use by that agent. Such notice shall specify the number of shares of Common Stock with respect to which the Option is being exercised and the effective date of the proposed exercise and shall be signed by the Participant or other person then having the right to exercise the Option. Such notice may be withdrawn at any time prior to the close of business on the business day immediately preceding the effective date of the proposed exercise. Payment for shares of Common Stock purchased upon the exercise of an Option shall be made on the effective date of such exercise by one or a combination of the following means: (i) in cash, by certified check, bank cashier's check or wire transfer; (ii) by delivering a properly executed exercise notice to the Company together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the full amount of the Purchase Price, (iii) by delivering shares of Common Stock owned by the Participant for at least six months with appropriate stock powers, or (iv) any combination of the foregoing forms. In determining the number of shares of Common Stock necessary to be delivered to or retained by the Company, such shares shall be valued at their Fair Market Value as of the exercise date.

(3) Certificates for shares of Common Stock purchased upon the exercise of an Option shall be issued in the name of the Participant or other person entitled to receive such shares, and delivered to the Participant or such other person as soon as practicable following the effective date on which the Option is exercised. In the event of an exercise by way of electronic means, no actual Certificates need be issued.

(d) Limitations on Incentive Stock Options.

(1) To the extent that the aggregate Fair Market Value of shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under the Plan and any other stock option plan of the Company (or any Subsidiary of the Company) shall exceed \$100,000, or such higher value as may be permitted under Section 422 of the Code, such Options shall be treated as Non-Qualified Stock Options. Such Fair Market Value shall be determined as of the date on which each such Incentive Stock Option is granted.

(2) No Incentive Stock Option may be granted to an individual if, at the time of the grant, such individual owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company unless (i) the exercise price per share of such Incentive Stock Option is at least 110 percent of the Fair Market Value of a share of Common Stock at the time such Incentive Stock Option is granted and (ii) such Incentive Stock Option is not exercisable after the expiration of five years from the date such Incentive Stock Option is granted.

(e) Effect of Termination of Employment.

(1) Unless the applicable Award Agreement provides otherwise, in the event that the employment of a Participant with the Company or a Subsidiary of the Company shall terminate for any reason other than death, Disability or Cause, (i) Options granted to such Participant, to the extent that they are exercisable at the time of such termination, shall remain exercisable until the date that is ninety (90) days (or 120 days in the case of a "Non-Qualified Stock Option") after such termination, on which date they shall expire, and (ii) Options granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination. Notwithstanding the foregoing, no Option shall be exercisable after the expiration of its term.

(2) Unless the applicable Award Agreement provides otherwise, in the event that the employment of a Participant with the Company or a Subsidiary of the Company shall terminate on account of the Disability or death of the Participant (i) Options granted to such Participant, to the extent that they were exercisable at the time of such termination, shall remain exercisable until the first anniversary of such termination, on which date they shall expire, and (ii) Options granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination. Notwithstanding the foregoing, no Option shall be exercisable after the expiration of its term.

(3) Unless an applicable Award Agreement issued after the date hereof provides otherwise, if a Participant's employment with the Company or a Subsidiary of the Company is terminated for Cause, Options granted to the Participant, to the extent they are then exercisable, shall remain exercisable for 30 days following the date of termination of employment, on which date they shall expire. Notwithstanding the foregoing, no Option shall be exercisable after expiration of its term.

(f) Effect of Change in Control.

Upon the occurrence of a Change in Control, (i) Options granted to a Participant, to the extent that they were exercisable at the time of a Change in Control, shall remain exercisable until their expiration notwithstanding the provisions of Section 7(e)(1) and (2) of the Plan, and (ii) Options granted to such Participant, to the extent they were not exercisable at the time of a Change in Control, shall expire at the close of business on the date of such Change in Control. Notwithstanding the foregoing, no Option shall be exercisable after the expiration of its term.

Any vested, exercisable Options outstanding at the time of a Change in Control shall be cashed out, converted to options of the acquiring entity, assumed by the acquiring entity or otherwise disposed of in the manner provided in any shareholder-approved agreement or plan governing or providing for such Change in Control ("Change in Control Agreement"); provided that any such cash-out, conversion, assumption or disposition of the Options shall not deprive the Option holder of the inherent value of his Options, measured solely by the excess of the Fair Market Value of the underlying Option shares immediately prior to the Change in Control over the Option exercise price, without the holder's consent. In the absence of such governing provisions in a Change in Control Agreement, the Committee in its sole discretion may on a case by case basis require any vested, exercisable Options that remain outstanding upon a Change in Control to be cashed out and terminated in exchange for a lump sum cash payment, shares of the acquiring entity or a combination thereof equal in value to the fair market value of the Option, measured in the manner described above, immediately prior to the Change in Control. Any non-vested Options shall terminate upon a Change in Control unless: (i) otherwise provided in the Change in Control Agreement or in a written agreement, such as a severance agreement, between the Company and the Participant; or (ii) the Committee in its sole discretion on a case by case basis elects in writing to waive termination

8. Tandem SARs.

The Committee may grant in connection with any Option granted hereunder one or more Tandem SARs relating to a number of shares of Common Stock less than or equal to the number of shares of Common Stock subject to the related Option. A Tandem SAR may be granted at the same time as, or, in the case of a Non-Qualified Stock Option, subsequent to the time that, its related Option is granted.

(a) Benefit Upon Exercise.

The exercise of a Tandem SAR with respect to any number of shares of Common Stock shall entitle the Participant to a cash payment, for each such share, equal to the excess of (i) the Fair Market Value of a share of Common Stock on the exercise date over (ii) the option exercise price per share of the related Option. Such payment shall be made as soon as practicable after the effective date of such exercise.

(b) Term and Exercise of Tandem SAR.

(1) A Tandem SAR shall be exercisable only if and to the extent that its related Option is exercisable.

(2) The exercise of a Tandem SAR with respect to a number of shares of Common Stock shall cause the immediate and automatic cancellation of its related Option with respect to an equal number of shares. The exercise of an Option, or the cancellation, termination or expiration of an Option (other than pursuant to this Section 8(b)(2)), with respect to a number of shares of Common Stock shall cause the automatic and immediate cancellation of any related

Tandem SARs to the extent that the number of shares of Common Stock remaining subject to such Option is less than the number of shares then subject to such Tandem SAR. Such Tandem SARs shall be canceled in the order in which they become exercisable.

(3) No Tandem SAR shall be assignable or transferable otherwise than together with its related Option, and any such transfer or assignment will be subject to the provisions of Section 20 of the Plan.

(4) A Tandem SAR shall be exercisable by delivering notice to the Company's principal office, to the attention of its Secretary, no less than one business day in advance of the effective date of the proposed exercise. A Tandem SAR may also be exercised electronically by notifying the Company's agent, pursuant to the methods then in use by that agent. Such notice shall specify the number of shares of Common Stock with respect to which the Tandem SAR is being exercised and the effective date of the proposed exercise and shall be signed by the Participant or other person then having the right to exercise the Option to which the Tandem SAR is related. Such notice may be withdrawn at any time prior to the close of business on the business day immediately preceding the effective date of the proposed exercise.

9. Stand-Alone SARs.

(a) Benefit Upon Exercise.

The exercise of a Stand-Alone SAR with respect to any number of shares of Common Stock shall entitle the Participant to a cash payment, for each such share, equal to the excess of (i) the Fair Market Value of a share of Common Stock on the exercise date over (ii) the Reference Value of the Stand-Alone SAR. Such payments shall be made as soon as practicable after the effective date of such exercise.

(b) Term and Exercise of Stand-Alone SARs.

(1) Unless the applicable Award Agreement provides otherwise, a Stand-Alone SAR shall become cumulatively exercisable as to 25 percent of the shares covered thereby on each of the first, second, third and fourth anniversaries of the date of grant. The Committee shall determine the expiration date of each Stand-Alone SAR. Unless the applicable Award Agreement provides otherwise, no Stand-Alone SAR shall be exercisable prior to the first anniversary of the date of grant.

(2) A Stand-Alone SAR shall be exercised by delivering notice to the Company's principal office, to the attention of its Secretary, no less than one business day in advance of the effective date of the proposed exercise. A Stand-Alone SAR may also be exercised electronically by notifying the Company's agent, pursuant to the methods then in use by that agent. Such notice shall specify the number of shares of Common Stock with respect to which the Stand-Alone SAR is being exercised, and the effective date of the proposed exercise, and shall be signed by the Participant. The Participant may withdraw such notice at any time prior to the close of business on the business day immediately preceding the effective date of the proposed exercise.

(c) Effect of Termination of Employment.

The provisions set forth in Section 7(e) with respect to the exercise of Options following termination of employment shall apply as well to the exercise of Stand-Alone SARs.

(d) Effect of Change in Control.

Upon the occurrence of a Change in Control, (i) Stand-Alone SARs granted under the Plan, to the extent exercisable at the time of a Change of Control, shall remain exercisable until their expiration notwithstanding the provisions of Section 7(e) of the Plan that are incorporated into this Section 9, and (ii) Stand-Alone SARs not exercisable at the time of a Change in Control shall expire at the close of business on the date of such Change in Control. Any vested, exercisable Non-Tandem SARs shall, upon a Change in Control, be cashed out, converted, assumed or otherwise disposed of in the same manner as applies to Options under Section 7(f).

10. Restricted Stock.

(a) Issue Date and Vesting Date.

At the time of the grant of shares of Restricted Stock, the Committee shall establish an Issue Date or Issue Dates and a Vesting Date or Vesting Dates with respect to such shares. The Committee may divide such shares into classes and assign a different Issue Date and/or Vesting Date for each class. If the grantee is employed by the Company or a Subsidiary of the Company on an Issue Date (which may be the date of grant), the specified number of shares of Restricted Stock shall be issued in accordance with the provisions of Section 10(e) of the Plan. Provided that all conditions to the vesting of a share of Restricted Stock imposed pursuant to Section 10(b) of the plan are satisfied, and except as provided in Section 10(g) of the Plan, upon the occurrence of the Vesting Date with respect to a share of Restricted Stock, such share shall vest and the restrictions of Section 10(c) of the Plan shall lapse.

(b) Conditions to Vesting.

At the time of the grant of shares of Restricted Stock, the Committee may impose such restrictions or conditions to the vesting of such shares as it, in its absolute discretion, deems appropriate.

(c) Restrictions on Transfer Prior to Vesting.

Prior to the vesting of a share of Restricted Stock, no transfer of a Participant's rights with respect to such share, whether voluntary or involuntary, by operation of law or otherwise, shall be permitted. Immediately upon any attempt to transfer such rights, such share, and all of the rights related thereto, shall be forfeited by the Participant.

(d) Dividends on Restricted Stock.

The Committee in its discretion may require that any dividends paid on shares of Restricted Stock shall be held in escrow until all restrictions on such shares have lapsed.

(e) Issuance of Certificates.

(1) Reasonably promptly after the Issue Date with respect to shares of Restricted Stock, the Company shall cause to be issued a stock certificate, registered in the name of the Participant to whom such shares were granted, evidencing such shares; provided, that the Company shall not cause such a stock certificate to be issued unless it has received a stock power duly endorsed in blank with respect to such shares. Each such stock certificate shall bear the following legend: The transferability of this certificate and the shares of stock represented hereby are subject to the restrictions, terms and conditions (including forfeiture provisions and restrictions against transfer) contained in the 2002 Omnibus Stock Incentive Plan of Caldera International, Inc. and an Award Agreement entered into between the registered owner of such shares and Caldera Systems, Inc. A copy of such Plan and Award Agreement is on file in the office of the Secretary of Caldera International, Inc., 320 South 520 West, Suite 100, Lindon, Utah 84042. Such legend shall not be removed until such shares vest pursuant to the terms of the applicable Award Agreement.

(2) Each certificate issued pursuant to this Section 10(e), together with the stock powers relating to the shares of Restricted Stock evidenced by such certificate, shall be held by the Company unless the Committee determines otherwise.

(f) Consequences of Vesting.

Upon the vesting of a share of Restricted Stock pursuant to the terms of the applicable Award Agreement, the restrictions of Section 10(c) of the Plan shall lapse, except as otherwise provided in the Award Agreement. Reasonably promptly after a share of Restricted Stock vests, the Company shall cause to be delivered to the Participant to whom such shares were granted, a certificate evidencing such share, free of the legend set forth in Section 10(e) of the Plan.

(g) Effect of Termination of Employment.

(1) Subject to such other provision as the Committee may set forth in the applicable Award Agreement, and to the Committee's amendment authority pursuant to Section 4 of the Plan, upon the termination of a Participant's employment by the Company or any Subsidiary of the Company for any reason other than Cause, any and all shares to which restrictions on transferability apply shall be immediately forfeited by the Participant and transferred to the Company, provided that if the Committee, in its sole discretion and within thirty (30) days after such termination of employment notifies the Participant in writing of its decision not to terminate the Participant's rights in such shares, then the Participant shall continue to be the owner of such shares subject to such continuing restrictions as the Committee may prescribe in such notice. If shares of Restricted Stock are forfeited in accordance with the provision of this Section 10, the Company shall also have the right to require the return of all dividends paid on such shares, whether by termination of any escrow arrangement under which such dividends are held or otherwise.

(2) In the event of the termination of a Participant's employment for Cause, all shares of Restricted Stock granted to such Participant that have not vested as of the date of such termination shall immediately be returned to the Company, together with any dividends paid on such shares.

(h) Effect of Change in Control.

Upon the occurrence of a Change in Control, all restrictions on outstanding vested shares shall immediately lapse and all outstanding shares of Restricted Stock that have not theretofore vested shall immediately expire and be cancelled.

(i) Special Provisions Regarding Restricted Stock Awards.

The Committee may designate on a case-by-case basis whether Restricted Stock Awards are intended to be "performance based compensation" within the meaning of Code Section 162(m). The grant of Restricted Stock so designated shall be based on the attainment by the Company (or a Subsidiary or division of the Company if applicable) of performance goals pre-established by the Committee, based on one or more of the following criteria: (i) the attainment of a specified percentage return on total stockholder equity of the Company; (ii) the attainment of a specified percentage increase in earnings per share of Common Stock; (iii) the attainment of a specified percentage increase in net income of the Company; and (iv) the attainment of a specified percentage increase in profit before taxation of the Company (or a Subsidiary or division of the Company if applicable). Attainment of any such performance criteria shall be determined in accordance with generally accepted accounting principles as in effect from time to time. Such shares shall be released from restrictions only after the attainment of such performance measures have been certified by the Committee.

11. Phantom Stock.

(a) Vesting Date.

At the time of the grant of shares of Phantom Stock, the Committee shall establish a Vesting Date or Vesting Dates with respect to such shares. The Committee may divide such shares into classes and assign a different Vesting Date for each class. Provided that all conditions to the vesting of a share of Phantom Stock imposed pursuant to Section 11(c) of the Plan are satisfied, and except as provided in Section 11(d) of the Plan, upon the occurrence of the Vesting Date with respect to a share of Phantom Stock, such share shall vest.

(b) Benefit Upon Vesting.

Upon the vesting of a share of Phantom Stock, the Participant shall be entitled to receive in cash, within 30 days of the date on which such share vests, an amount equal to the sum of (i) the Fair Market Value of a share of Common Stock on the date on which such share of Phantom Stock vests and (ii) the aggregate amount of cash dividends paid with respect to a share of Common Stock during the period commencing on the date on which the share of Phantom Stock was granted and terminating on the date on which such share vests.

(c) Conditions to Vesting.

At the time of the grant of shares of Phantom Stock, the Committee may impose such restrictions or conditions to the vesting of such shares as it, in its absolute discretion, deems appropriate.

(d) Effect of Termination of Employment.

(1) Subject to such other provisions as the Committee may set forth in the applicable Award Agreement, and to the Committee's amendment authority pursuant to Section 4 of the Plan, shares of Phantom Stock that have not vested, together with any dividends credited on such shares, shall be forfeited upon the Participant's termination of employment for any reason other than Cause.

(2) In the event of the termination of a Participant's employment for Cause, all shares of Phantom Stock granted to such Participant that have not vested as of the date of such termination shall immediately be forfeited, together with any dividends credited on such shares.

(e) Effect of Change in Control.

Upon the occurrence of a Change in Control, all outstanding shares of Phantom Stock that have not theretofore vested shall immediately expire and be cancelled.

(f) Special Provisions Regarding Phantom Stock Awards.

The Committee may designate on a case by case basis whether Phantom Stock Awards are intended to be “performance based compensation” within the meaning of Code Section 162 (m). The grant of Phantom Stock so designated shall be based on the attainment by the Company (or a Subsidiary or division of the Company if applicable) of performance goals pre-established by the Committee, based on one or more of the following criteria: (i) the attainment of a specified percentage return on total stockholder equity of the Company; (ii) the attainment of a specified percentage increase in earnings per share of Common Stock; (iii) the attainment of a specified percentage increase in net income of the Company; and (iv) the attainment of a specified percentage increase in profit before taxation of the Company (or a Subsidiary or division of the Company if applicable). Attainment of any such performance criteria shall be determined in accordance with generally accepted accounting principles as in effect from time to time. Such shares shall be released from restrictions only after the attainment of such performance measures have been certified by the Committee.

12. Stock Bonuses.

In the event that the Committee grants a Stock Bonus, a certificate for the shares of Common Stock comprising such Stock Bonus shall be issued in the name of the Participant to whom such grant was made and delivered to such Participant as soon as practicable after the date on which such Stock Bonus is payable.

13. Rights as a Stockholder.

No person shall have any rights as a stockholder with respect to any shares of Common Stock covered by or relating to any Incentive Award until the date of issuance of a stock certificate with respect to such shares. Except as otherwise expressly provided in Section 3(c) of the Plan, no adjustment to any Incentive Award shall be made for dividends or other rights for which the record date occurs prior to the date such stock certificate is issued.

14. No Special Employment Rights; No Right to Incentive Award.

Nothing contained in the Plan or any Award Agreement shall confer upon any Participant any right with respect to the continuation of employment by the Company or any Subsidiary of the Company or interfere in any way with the right of the Company or any Subsidiary of the Company, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the compensation of the Participant. No person shall have any claim or right to receive an Incentive Award hereunder. The Committee’s granting of an Incentive Award to a Participant at any time shall neither require the Committee to grant any other Incentive Award to such Participant or other person at any time or preclude the Committee from making subsequent grants to such Participant or any other person.

15. Securities Matters.

(a) The Company shall be under no obligation to effect the registration pursuant to the Securities Act of any interests in the Plan or any shares of Common Stock to be issued hereunder or to effect similar compliance under any state laws. Notwithstanding anything herein to the contrary, the Company shall not be obligated to cause to be issued or delivered any certificates evidencing shares of Common Stock pursuant to the Plan unless and until the Company is advised by its counsel that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Common Stock are traded. The Committee may require, as a condition of the issuance and delivery of certificates evidencing shares of Common Stock pursuant to the terms hereof and of the applicable Award Agreement, that the recipient of such shares make such covenants, agreements and representations, and that such certificates bear such legends, as the Committee, in its sole discretion, deems necessary or desirable.

(b) The transfer of any shares of Common Stock hereunder shall be effective only at such time as counsel to the Company shall have determined that the issuance and delivery of such shares is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Common Stock are traded. The Committee may, in its sole discretion, defer the effectiveness of any transfer of shares of Common Stock hereunder in order to allow the issuance of such shares to be made pursuant to registration or an exemption from registration or other methods for compliance available under federal or state securities laws. The Committee shall inform the Participant in writing of its decision to defer the effectiveness of a transfer. During the period of such deferral in connection with the exercise of an Option, the Participant may, by written notice, withdraw such exercise and obtain the refund of any amount paid with respect thereto.

16. Withholding Taxes.

Whenever cash is to be paid pursuant to an Incentive Award, the Company (or its agent) shall have the right to deduct there from an amount sufficient to satisfy any federal, state and local withholding tax requirements related thereto. Whenever shares of Common Stock are to be delivered pursuant to an Incentive Award, the Company (or its agent) shall have the right to require the Participant to remit to the Company in cash an amount sufficient to satisfy any federal, state and local withholding tax requirements related thereto. With the approval of the Committee, a Participant may satisfy the foregoing requirement by electing to have the Company (or its agent) withhold from delivery shares of Common Stock having a fair market value equal to the amount of tax to be withheld. Such shares shall be valued at their Fair Market Value on the date on which the amount of tax to be withheld is determined (the "Tax Date"). Fractional share amounts shall be settled in cash. Such a withholding election may be made with respect to all or any portion of the shares to be delivered pursuant to an Incentive Award.

17. Notification of Election Under Section 83(b) of the Code.

If any Participant shall, in connection with the acquisition of shares of Common Stock under the Plan, make the election permitted under Section 83(b) of the Code (i.e., an election to

include in gross income in the year of transfer the amounts specified in Section 83(b), such Participant shall notify the Company of such election within 10 days of filing notice of the election with the Internal Revenue Service, in addition to any filing and a notification required pursuant to regulation issued under the authority of Code Section 83(b).

18. Notification Upon Disqualifying Disposition Under Section 421(b) of the Code.

Each Award Agreement with respect to an Incentive Stock Option shall require the Participant to notify the Company of any disposition of shares of Common Stock issued pursuant to the exercise of such Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions), within 10 days of such disposition.

19. Amendment or Termination of the Plan.

The Board of Directors may, at any time, suspend or terminate the Plan or revise or amend it in any respect whatsoever; provided, however, that stockholder approval shall be required if and to the extent the Board of Directors determines that such approval is appropriate for purposes of satisfying Section 162(m) or 422 of the Code or to the extent such approval is required by the rules of any stock exchange on which the Common Stock is listed. Nothing herein shall restrict the Committee's ability to exercise its discretionary authority pursuant to Section 4 of the Plan, which discretion may be exercised without amendment to the Plan. No action hereunder may, without the consent of a Participant, reduce the Participant's rights under any outstanding Incentive Award.

20. Transfers Upon Death; Non-Assignability.

Upon the death of a Participant, outstanding Incentive Awards granted to such Participant may be exercised only by the executor or administrator of the Participant's estate or by a person who shall have acquired the right to such exercise by will or by the laws of descent and distribution. No transfer of an Incentive Award by will or the laws of descent and distribution shall be effective to bind the Company unless the Committee shall have been furnished with (a) written notice thereof and with a copy of the will and/or such evidence as the Committee may deem necessary to establish the validity of the transfer and (b) an agreement by the transferee to comply with all the terms and conditions of the Incentive Award that are or would have been applicable to the Participant and to be bound by the acknowledgments made by the Participant in connection with the grant of the Incentive Award.

During a Participant's lifetime, the Committee may permit the transfer, assignment or other encumbrance of an outstanding Option or outstanding shares of Restricted Stock unless such Option is an Incentive Stock Option and the Committee and the Participant intend that it shall retain such status. Notwithstanding the foregoing, subject to any conditions as the Committee may prescribe, a Participant may, upon providing written notice to the Secretary of the Company, elect to transfer any or all Options granted to such Participant pursuant to the Plan to members of his or her immediate family, including, but not limited to, children, grandchildren and spouse or to trusts for the benefit of such immediate family members or to partnerships in which such family members are the only partners; provided, however, that no such transfer by any Participant may be made in exchange for consideration.

21. Expenses and Receipts.

The expenses of the Plan shall be paid by the Company. Any proceeds received by the Company in connection with any Incentive Award will be used for general corporate purposes.

22. Failure to Comply.

In addition to the remedies of the Company elsewhere provided for herein, failure by a Participant (or beneficiary or transferee) to comply with any of the terms and conditions of the Plan or the applicable Award Agreement, unless such failure is remedied by such Participant (or beneficiary or transferee) within ten days after notice of such failure by the Committee, shall be grounds for the cancellation and forfeiture of such Incentive Award, in whole or in part, as the Committee, in its absolute discretion, may determine.

23. Effective Date and Term of Plan.

The Plan became effective on the Effective Date, but the Plan (and any grants of Incentive Awards made prior to stockholder approval of the Plan) shall be subject to the requisite approval of the stockholders of the Company. In the absence of such approval, such Incentive Awards shall be null and void. Unless earlier terminated by the Board of Directors, the right to grant Incentive Awards under the Plan will terminate on the tenth anniversary of the Effective Date. Incentive Awards outstanding at Plan termination will remain in effect according to their terms and the provisions of the Plan.

24. Applicable Law.

Except to the extent preempted by any applicable federal law, the Plan will be construed and administered in accordance with the laws of the State of Utah, without reference to the principles of conflicts of law.

25. Participant Rights.

No Participant shall have any claim to be granted any Incentive Award under the Plan, and there is no obligation for uniformity of treatment for Participants. Except as provided specifically herein, a Participant or a transferee of an Incentive Award shall have no rights as a stockholder with respect to any shares covered by any award until the date of the issuance of a Common Stock certificate to him for such shares.

26. Unfunded Status of Awards.

The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Incentive Award, nothing contained in the Plan or any Award Agreement shall give any such Participant any rights that are greater than those of a general creditor of the Company.

27. No Fractional Shares.

No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan. The Committee shall determine whether cash, other Incentive Awards, or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

28. Beneficiary.

A Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant, the executor or administrator of the Participant's estate shall be deemed to be the Participant's beneficiary.

29. Interpretation.

The Plan is designed and intended to comply with Rule 16b-3 promulgated under the Exchange Act and, with Section 162(m) of the Code, and all provisions hereof shall be construed in a manner to so comply.

**AMENDMENT NO. 4 TO
THE CALDERA INTERNATIONAL, INC.
2000 EMPLOYEE STOCK PURCHASE PLAN**

This Amendment No. 4 to the Caldera International, Inc., 2000 Employee Stock Purchase Plan (the "Amendment") is executed by the undersigned, by and on behalf of Caldera International, Inc., a Delaware corporation (the "Company").

Background

- A. The Company has adopted the 2000 Employee Stock Purchase Plan (the "2000 Plan") pursuant to which employees may purchase shares of Common Stock of the Company through participation in a payroll deduction-based employee stock purchase plan. Capitalized terms used in the Amendment but not defined herein have the meaning set forth in the 2000 Plan.
- B. The Board of Directors of the Company have adopted Amendment No. 1 to the 2000 Plan increasing the number of authorized shares of Common Stock subject to the 2000 Plan from 500,000 to 2,000,000. Amendment No. 1 to the 2000 Plan required stockholder approval, which was obtained at the annual stockholder meeting on April 27, 2001.
- C. The Board of Directors of the Company have adopted Amendment No. 2 to the 2000 Plan changing the Purchase Intervals from the first day of May to the last day of October and the first day of November to the last day of April to now be the first day of June to the last day of November and the first day of December to the last day of May. Amendment No. 2 also increased the share maximum per participant on any one Purchase Date from 750 shares to 1000 shares. In addition, the maximum number of shares in the aggregate by all participants any one Purchase Date was increased from 125,000 shares to 350,000 shares. The Semi-Annual Entry Date (Definition S in the amendment of the plan) was changed to reflect the new Purchase Interval dates. Stockholder approval was not necessary for these changes.
- D. The Board of Directors of the Company have adopted Amendment No. 3 to the 2000 Plan which eliminated the share maximum per participant of 1,000 shares. Amendment No. 3 also changed the rule that payroll deductions not applied to a purchase must be refunded. In addition, participants who withdraw from the plan may now re-enter at the next Purchase Interval, rather than waiting until the next Purchase Period, as previously stated. Finally, the definition of Eligible Employees was expanded to include part-time employees of the Company. Stockholder approval was not necessary for these changes.
- E. In connection with the reverse stock split which was effective March 14, 2002, the maximum purchase shares of 350,000 shares in the aggregate by all participants on any one Purchase Date was adjusted to 87,500 shares. In addition, the number of authorized shares under the Plan was reduced from 2,000,000 to 500,000 as a result of the reverse stock split. The Company now desires to increase the aggregate maximum number of shares available on any Purchase Date to 350,000 shares and also desires to increase the number of authorized shares available under the plan from 500,000 to 1,000,000.

Stockholder approval for this increase will be sought at the next annual stockholder meeting in April of 2003.

Amendment

NOW, THEREFORE, the 2000 Plan is hereby amended as follows:

1. Number of Purchasable Shares. As per Section III.C, the maximum number of shares purchasable on any one Purchase Date should be adjusted appropriately for any stock split, stock divided, recapitalization, etc. Therefore, as amended in Amendment No. 2, the maximum number of 350,000 shares purchasable on any one Purchase Date was adjusted to 87,500 shares after the four for one reverse stock split, effective March 14, 2002. Effective as of the close of the first Purchase Interval that ends in calendar year 2003, this number shall be increased to a maximum of 350,000 shares purchasable on any one Purchase Date.
2. Increase in Number of Shares. As per Section III.C, the maximum number of shares issuable in the aggregate under the Plan should be adjusted appropriately for any stock split, stock divided, recapitalization, etc. Therefore, as amended in Amendment No. 1, the maximum number of 2,000,000 shares, which may be issued in the aggregate under the Plan, was adjusted to 500,000 shares after the four for one reverse stock split, effective March 14, 2002. Effective as of the close of the first Purchase Interval that ends in calendar year 2003, this number shall be increased to a maximum of 1,000,000 shares issuable in the aggregate under the Plan.
3. Ratification. Except as specifically modified by the Amendment, the 2000 Plan is hereby ratified and reaffirmed by the Company.
4. Effectiveness. The Amendment shall be effective as of the close of the first Purchase Interval that ends in calendar year 2003.

The undersigned, which is duly elected Secretary of the Company, hereby certifies that the Board of Directors of the Company approved the Amendment at a duly convened meeting of the Board of Directors on December 16, 2002.

The SCO Group, a Delaware corporation

By: /s/ Michael P. Olson
Michael P. Olson, its Corporate Secretary

**CERTIFICATION PURSUANT TO RULE 13A-14
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Darl C. McBride, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The SCO Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 12, 2003

/s/ Darl C. McBride
Darl C. McBride
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13A-14
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert K. Bench, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The SCO Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 12, 2003

/s/ Robert K. Bench
Robert K. Bench,
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of The SCO Group, Inc. (the "Company") on Form 10-Q, for the period ended July 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Darl C. McBride, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Darl C. McBride
Darl C. McBride
President and Chief Executive Officer
Date: September 12, 2003

A signed original of this written statement required by Section 906, or any other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of The SCO Group, Inc. (the "Company") on Form 10-Q, for the period ended July 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert K. Bench, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Robert K. Bench
Robert K. Bench
Chief Financial Officer

Date: September 12, 2003

A signed original of this written statement required by Section 906, or any other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

End of Filing