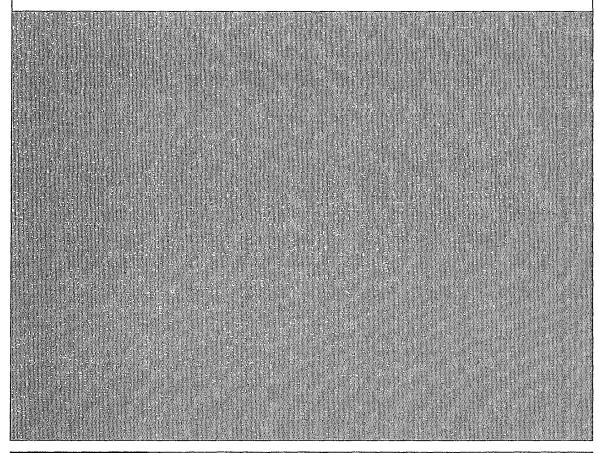431

## Thomson StreetEvents℠

### SCOX - SCO to Announce Broad Array of New Unix Products, Channel Support and Training Programs

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## CORPORATE PARTICIPANTS

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## CONFERENCE CALL PARTICIPANTS

**Stephen Shankland**
*CNET - Analyst*

**Steven von Nichol**
*- Analyst*

**Larry Greenemeier**
*Information Week Magazine - Analyst*

## PRESENTATION

**Operator**

Good day, everyone, and welcome to the SCO Group UNIX product announcement conference call. Today's conference is being recorded. At this time, I will be turning the conference over to Mr. Blake Stowell.

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**Blake Stowell** - *SCO Group, Inc. - IR*

Welcome, everyone, to today's SCO press and analyst teleconference. You will find all of the press materials, including the presentation that we will be referring to today, at the following Website. I will give you this URL a couple of times so you have this. The URL that you want to enter is IR.SCO.com/releases.CFM. The presentation is listed as an Acrobat PDF document at the top of that page.

To quickly take care of a few housekeeping items, I would like to introduce the individuals that will be participating on today's call. On our call today is Jeff Hunsaker, Senior Vice President and General Manager of SCO's UNIX division; Eric Hughes, Senior Director of SCO Product Management; and Sandy Gupta, Senior Director of SCO UNIX Engineering. Their names and titles are also found on slide two of the presentation today, and as they speak and provide answers to questions, I will ask them to identify themselves to you.

Today we are announcing a large number of new products from SCO, some of which are shipping today and others that will ship in the coming months. These new product releases represent a large investment by SCO in terms of dollars and development hours that have gone into bringing many of these major upgrades to market. Following our presentation, we will go to a Q&A session, where we will be happy to take any questions from you relating to today's announcements. With that, I would like to turn the call over to Jeff Hunsaker, SCO's Senior VP and GM of the UNIX division.

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**Jeff Hunsaker** - *SCO Group, Inc. - SVP, General Manager-UNIX*

Thank you, Blake. As mentioned, my name is Jeff Hunsaker. It is a pleasure to be with you all today. We thank you for joining this call. We are quite excited about today's announcements on our various products, as these announcements are significant to our Company because it has been several years since we have released as many products and announced as many products as we will be doing today.

However, prior to going into the product launch details, I would like to provide a brief overview and some background information on our Company, as well as our customers, for those that are not as familiar with the day-to-day UNIX operations of SCO. If you would look now on slide 3, as we walk through this slide briefly, you will notice we talk about being over two decades a leader in innovative UNIX solutions. Actually, this year marks the 25th anniversary of SCO delivering innovative UNIX solutions. This will be one of the key messages that we will be discussing at our upcoming SCO Forum event for partners and developers in August, which we will talk about a little bit later on.

We are headquartered right here in Lindon, Utah. We have offices in Murray Hill, New Jersey and Santa Cruz, California, and our European headquarters are in Dublin, Ireland. You will notice there also on the slide that we have an installed base of over 2 million servers that we have installed over many years of delivering UNIX solutions. This presents significant upgrade potential as well for our customers & Company. And clearly, we have a global presence, being in over 80 countries and thousands of partners that are currently involved in delivering UNIX solutions.

Let's jump to slide 4 and talk briefly about the SCO mission. And as you look at our overall business, SCO, as indicated, has been delivering powerful UNIX-based solutions for the

SMBs, chain stores and replicated sites we referred to, as well as branch offices. This is our core competence (ph); it's something that we have been doing for many years. We do this by enabling developers and resellers to deliver these powerful solutions to their customers, and we provide them tools, training, and know-how to do so. These solutions are typically delivered through a homegrown or a commercial application that is being served up by the SCO UNIX operating systems.

Slide 5, just talk briefly about the SCO Company assets. I think this first statement -- SCO owns UNIX intellectual property -- is a key component to our core assets as a Company, and it is very evident that we will continue to enforce and protect our IP as we go forward with our business. The second area, SCO employs today the best UNIX on Intel engineers. And I think it is important to note as well that if you look at our Company overall, that 95 percent of our Company resources and headcount are devoted to delivering UNIX solutions within our UNIX division, of which nearly 25 to 30 percent of the resources are attributed to our R&D efforts as well. And we are very proud, frankly, of the engineering teams that we have throughout Murray Hill and also in Santa Cruz. We have many of the original AT&T Bell Labs UNIX engineers that have been with us for many, many years in Murray Hill, New Jersey, as well as some of the original Xenix engineers that are located in our Santa Cruz facilities.

The third talks about SCO maintains a strong ISV and reseller channel by delivering solid partner programs and ISV programs as well. Four, SCO offers worldwide support services for UNIX. We do have an award-winning worldwide support organization and professional services organization. And lastly, obviously any Company relies on their solid customer base, and we have very loyal end-user customers that I would like to just briefly talk about right now.

Let's move to slide number 6.

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**Blake Stowell** - *SCO Group, Inc. - IR*

As a reminder, for any of you just joining our call, the link to this presentation is at IR.SCO.com/releases.CFM.

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**Jeff Hunsaker** - *SCO Group, Inc. - SVP, General Manager-UNIX*

All right. On slide 6, if you could turn with me there, we just want to highlight some of the customers that are currently using SCO solutions. And I think if you look through each of

these categories, various vertical emphasis from pharmacy and supermarkets, convenience, etc., very retail-focused solutions that we are delivering, you'll notice that many of these are well-known companies. But we also have thousands of small-business users who rely on SCO products to run their day-to-day business operations. So you see their from Eckerd to Rite Aid; from Kroger; McDonald's is running over 10,000 servers within their North American franchisees and corporate-owned stores; Costco and so forth.

If we now move to slide 7, you'll also see additional vertical markets that we focus on and well-known customers in specialty retail, from Dixon's, UK Electronics Store, using OpenServer in over 1200 locations. We have NASDAQ. It is currently running UnixWare, which we are now processing over 5000 transactions per second to handle the needs of the traders on NASDAQ. From telephony, including Siemens and Comverse to manufacturing space. So this is a core asset clearly of SCO, and our loyal and installed user base.

Slide number 8, today's announcements. As mentioned, we are making a significant number of product announcements today that we're quite excited about, the first being UnixWare 7.1.4, which is now shipping. I will allow Eric and Sandy to provide details on these products. But this product is currently shipping, as well as our SCOx Web Services Substrate is now available. Smallfoot embedded UNIX is also what shipping. Upcoming here shortly in the next month, end of July, will be SCOoffice Server 4.1. We also have Intel authentication from SCO release 2.6; Identity Management Solution will be available later on in this year. Lastly, we will be giving you a brief overview of SCO OpenServer, or code-named Legend, which is the next release of our OpenServer product, and this will be available in early 2005.

So with that introduction, I would like to turn the time over to Eric Hughes, who is our Senior Director of Product Management, as well as Sandy Gupta as our Senior Director of Engineering.

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**Eric Hughes** - *SCO Group, Inc. - Sr. Director-SCO Product Management*

Thanks, Jeff. We're excited to talk about UnixWare 7.1.4 today. This new version of UnixWare is the latest release of SCO's award-winning, state-of-the-art UNIX operating system. It contains more of the high-performance scalability and reliability features that it has been known for. As Jeff mentioned, it is used in the most high-demand customer

environment, environments where (indiscernible) availability is critical, such as telephonies and in our small businesses that run their business on our products.

UnixWare is available in several ready-to-deploy, purpose-built editions that harness the increasing power of Intel and AMD server hardware to deliver the best price performance in the industry. In a time where a lot of large software vendors are going after small businesses and trying to find the right formula to get to those businesses, we have been there, and we provide a low total cost of ownership for these businesses.

On the next slide, we will talk about what is new in UnixWare 7.1.4. It is a 14-month multi-million dollar development effort around our most powerful version of UNIX. Over the next few minutes, Sandy and I will highlight the results of this development, such as a new edition of UnixWare for small businesses; integration with SCO's Web Services technology to help developers and customers move their applications forward; enhanced security and networking services; and of course greater application support and more certified and supported hardware and software from leading IHVs and ISVs.

On the next slide, we are introducing today with UnixWare 7.1.4 the Small Business Edition. SCO is introducing UnixWare Small Business Edition to provide the right business mix of advanced technology that is easy to use, technologies such as file-and-print services; a base e-mail server; DHCP for Internet connectivity; a Web browser and Web server; Mozilla and Apache; firewall and proxy server. Also included as standard features are Internet security and acceleration as well as a relational database, for an introductory price of $599. Customers would have to buy a Microsoft Premium small business server to get equivalent capability. The UnixWare Small Business Edition also provides better value than Red Hat's equivalent offering, which is offered at $749 per year.

On the next slide, a major new technology that is being introduced with this release of UnixWare is the SCOx Web Services Substrate. SCO's objective here is the same as it has been when other technologies have proven themselves to developers and to IT departments. We integrate them. We provide them and we support these technologies. The SCOx Web Services Substrate provides powerful infrastructure for creating a rich, interactive user interfaces for existing character, text applications and databases. And then for deploying these new interfaces via Web services into Web browsers. Existing applications can also be integrated easily with others in .net, Java or J2EE environments. All this can be

done without rewriting a single line of the existing application.

Part of our presentation today is to announce a strategic alliance with Eracom software. We have jointly integrated Eracom's PowerTerm Host Publisher as part of the Web Services Substrate, and are happy to have a relationship with them and look forward to providing these solutions to our customers. Sandy will now discuss the technology a little further.

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**Sandy Gupta** - *SCO Group, Inc. - Sr. Director-SCO UNIX Engineering*

Thanks, Eric. This is Sandy Gupta. I work in the SCO's market (ph) and development center and I am pleased to be involved in this product announcement. I am on slide 14, and here we talk about the SCOx Web Services Substrate product that we announced last Forum. And I am pleased to announce that we are shipping product today, on time. This is the version 1.00 of SCOx Web Services Substrate, and basically the architecture is based on the service-oriented architecture, which started with core (indiscernible) and now Web Services is the main focus of delivering this SOA architecture to the customers. The architecture presents the customers opportunity to use their application as services, so they expose the existing application as services and we use them in new application or other applications as reusable components.

So SCOx Web Services Substrate allows you to connect your services together. If you, for example, have a character-based application and you want to expose that application over the Web or you want to run that application, use an UI interface from a palmtop or et cetera (ph), then SCOx Web Services Substrate is the solution for you.

Just to go in more detail on slide 14, we show three components of the SCOx Web Services Substrate. It shows the Eracom PowerTerm Host Publisher, which basically takes -- which provides a studio which you can use to emulate a character-based application input and output and convert those into sequence of Web services. So it exports your application that you currently had as character base as Web services.

It also shows a SQL Encapsulator. So if you have an existing SQL database, then you can abstract that database calls in a SQL Web Services Encapsulator. So your applications don't

have to be with -- connecting to the character base application. They don't even have to know what language these applications are written in. They don't care what platform these applications are running in. What they need to do is the use the Web services definition language that is exported by Eracom Host Publisher and by SQL Encapsulator, and reuse these components.

On the right hand side, we have a new, very exciting technology that we have been working for the last year or so, WebFace, which is a rich UI studio that is used for developing rich UI, desktop like UI for Web services applications. So you can go to the studio and develop your screens, etc. and you can connect your rich UI to a Web services application in the back end. In this slide, it basically shows that your character-based application has been exported as Web services and then WebFace, which merely needs a browser on a client machine, can use a very rich UI to export your application to you over the Web.

WebFace has very minimum requirements for the appliance hardware and software that it needs to run on. All it needs is a browser. It doesn't need any Java plug-ins. It doesn't need Java. It actually doesn't need any plug-ins at all, because all the (indiscernible) generated out of the WebFace studio actually sits on the server side and is downloaded when the WebFace rich UI is run.

On slide 15 now, just to give a background, SCO UnixWare (indiscernible) is the core base that we have been enhancing for the last two decades. It is based on SCO -- it's based on the UNIX System 5 technology that SCO owns, and it is probably the best innovative kernel that is there in the market on Intel, or even if you compare it to any platform on Spark. It provides a high-affinity caching and very fine-grain locking to provide a lot of contact switching. In this release of UnixWare, we are providing a lot of features which increase the breadth and depth of solutions that we can make available to our customers.

On slide 15, we talk about some of the components for security that we have added for our customers. Some of the small and medium business customers, we had a feedback from them that they would like to use UnixWare as the edge of their network. So we have added a VPN solution so that they don't have to use any additional hardware or black boxes to create VPN kind of tunneling from them. So if they are connecting their branch offices together or corporate headquarters together, the VPN solution works out of the box on UnixWare system. We also have a fire walling capability

so that UnixWare can act as your EDGE server on your network.

We also have (indiscernible) a very scalable network time protocol server. This basically keeps all the systems in your network, the time synchronized on all the machines. So this is extremely important for security purposes so you can log various events. It is also very important when you are servicing various machines with software updates. It is important when you have things like source controls, so you know exactly what time and you synchronize all the machines together.

Another security feature that we are providing for UnixWare customers is a Pluggable Authentication Module and Name Service Switch, PAM and NSS support, so any system administrator can choose the authentication that it would like to apply on its system and configure that. Both things are available on 7.1.4 out of the box. We are also updating SSH and SSL components on ROS (ph) in this release.

The other thing that we have put a framework on 7.1.4 is that new encrypted file system, which we will be publishing the documentation about very shortly. The encrypted filed system basically allows you to prevent your data -- in case your disk gets stolen, et cetera, then the disk is almost useless for the person who stole it because it is all encrypted data.

On the next slide, that's slide 16, the number of -- the breadth of application support which we are trying to provide on UnixWare in this release, in addition to what is already there, the focus of this release has been Java. The number of solutions that are on Java that we have provided in this release starts with (indiscernible) latest J2SE port. We have ported the J2SE 1.42 onto UnixWare. We also have a number of J2EE implementations now available. We have BEA (ph) WebLogic certification done on 7.1.4. for customers who are looking for a J2EE server and lower, and we have Tomcat and JBoss available on 7.1.4.

Also, we have XML parsers for Java programmers available. There is a vanilla XML parser that comes with Java 1.4, but we have provided an optional, more modern parser with 1.4 for people who are writing Web services application. We also provide a new Mozilla browser and we have provided Java plug-ins with this browser. So very, very Java-centric release in this one.

The second one is that we are including PostgreSQL and MySQL databases, so any application vendors who want to use SQL databases out of the box can use these databases.

Also included is SOAP and XML toolkits for a number of languages, like C++, PHP, Perl, Java; and again, these toolkits are part of the 7.1.4. release.

There are number of new vendor certifications that are currently in progress, one of them being the latest version of Microfocus COBOL, which provides -- this is a NetExpress server, provides native Web services for COBOL applications. We also have, as I said, BEA WebLogic. There's the latest version of progress, 10B (ph), which has been certified on 7.1.4. All this will also be announced at Forum this year, which is due in August.

7.1.4 also has an updated OpenServer personality. So for people who want to consolidate on one of SCO's platforms, they can move over their OpenServer application to UnixWare and run it. They can also -- in the box, also we provide full OpenServer personality, a media kit that you can install on top of UnixWare and make use of the various UnixWare features, like clustering, et cetera.

Also, we have updated the developer kit for creating UnixWare and OpenServer application. Also included is a purified leak (ph) and memory corruption detection tool, which was new in this release. Eric, do you want take over for the next slide?

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**Eric Hughes** - *SCO Group, Inc. - Sr. Director-SCO Product Management*

Thanks, Sandy. As you can see, with the release of this new version of UnixWare, there are a lot of application options for our customers, for our existing applications, and so forth. On slide number 17, we talk about a number of partners that we have with UnixWare. With this release, we have new applications, we have new hardware, new rate controllers, network cards, graphic controllers and hardware certifications coming from major OEMs. We have a SAN solution that is also in the process of being certified on this release of UnixWare.

Overall last month, SCO certified 57 new servers for its products. Intel and SCO have agreed to certify their standard server boards and platforms. These will represent an opportunity for our OEMs as these certifications are also passed through to hardware vendors. These 57 new server certifications that happened last month come from companies such as Dell, Acer, HP and others. Progress Software is certifying they're open-edge 10B and has certified on this release of UnixWare with Java 1.4. And we look forward to many more certifications that are currently in process.

On the next slide, slide number 18, we also have a product line extension that we are introducing for UnixWare, and that is our Smallfoot embedded operating system. SCO has previously worked with vendors for creating point-of-sale solutions and embedded solutions for retail, telephony and gaming industry machines. From that experience, SCO understands the market dynamics in the embedded market, including license fees, hardware costs, integration costs, deployment costs, as well as support and maintenance costs. Often these customers want a ready solution. They do not want to just download some software and maintain their own operating system. That is not their core competency.

As such, SCO is introducing the small foot toolkit. It is a toolkit for creating highly customized operating systems for devices with small memory footprint. From that toolkit comes embedded UNIX, which is deployable on low specification or even legacy hardware. It is standards-based and has the same reliability and availability as UnixWare.

Some of the features of small foot include rapid boot time, disk-full (ph) and diskless configuration, network boot, as well as a locked file system. We are currently conducting outreach to leading industry OEMs in point-of-sale devices and other embedded devices as we extend our UnixWare product line into the embedded area. That concludes our UnixWare announcement.

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**Jeff Hunsaker** - *SCO Group, Inc. - SVP, General Manager-UNIX*

Let me just summarize, if we could turn to slide 19, and thank Eric and Sandy for their comments. I think you'll see that we're quite excited about this release. There is a lot of value to our customers and partners as we have delivered on various technologies and features and solutions. So the product is now shipping. It is available from all of our SCO partners worldwide. It is orderable. We have spent a few years and a multi-million dollar investment developing this product, and I think those merits will definitely show.

We provide training as well to customers and to partners, VARS resellers online, as well as some all-day training courses that we will be providing at SCO Forum in August in Las Vegas. As a request from our customers, I think we've delivered on the new Small Business Edition and also other configurations; that price starts at $599 for the Small Business, and we also include our base edition, business edition, departmental enterprise, as well as datacenter edition editions. So it is quite an array of various editions for the UnixWare product line.

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All right. With that brief update on SCO UnixWare 7.1.4., let's now switch gears slightly to the business applications from SCO. I would like to talk now about some upcoming releases that will be made available within the next few months. So with that, Eric, why don't we turn it back to you?

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**Eric Hughes** - *SCO Group, Inc. - Sr. Director-SCO Product Management*

I am on slide number 21, where we will be talking about SCOoffice Server 4.1. This is a product that is currently in beta. It is something that has been highly anticipated from our partners and customers. We have more than 300 companies that are currently involved with us in that beta and giving us good feedback. What is interesting about this product is that even though we have been in the collaboration business for a couple of years, we have not provided a solution that runs on our own UNIX products, and this is the version that will run on OpenServer and UnixWare. It will be available at the end of July this year.

On the next slide, SCOoffice Server 4.1 delivers a reliable, full-featured Internet collaboration solution. And even though basic e-mail is included in our operating systems, our UNIX operating systems, SCOoffice Server includes calendaring, scheduling, shared folders, global address books, prevents e-mail viruses, filters out junk e-mail and secures remote access. It integrates importantly with Microsoft Outlook, with other e-mail readers and Web browsers, providing a familiar e-mail client-like interface to those that access their e-mail over the Web. It also features a very friendly interface for nontechnical administrators for those that are managing the system.

As we have provided and have that large number of installed servers that Jeff mentioned, many of them running basic e-mail, this product represents a substantial opportunity for SCO and our partners to upgrade OpenServer, UnixWare and to upgrade their mail capabilities.

The next product is Vintela authentication from SCO, and this in the area of Microsoft interoperability and interoperating with Microsoft products. This product complements our UNIX business. The problem in heterogeneous environments is that there is no way to securely share user identities across UNIX and Windows environments. There is no single point of administration that does not have many, many inefficiencies. Vintela authentication from SCO establishes that single user identity for UNIX and Windows systems, with components

for Microsoft Active Directory and Microsoft Management Console, as well as many different versions of UNIX, including SCO versions of UNIX, Solaris, HP-UX and others.

It centralizes UNIX and Windows user identity management from the Microsoft Management Console. When up to one-quarter of help desk inquiries are currently password-related, this provides tremendous efficiencies and cost savings for those IT departments. It saved the UK Ministry of Defense 800 help desk hours in the first year alone of it being deployed, and we are excited about the opportunities around this authentication product.

The next product is OpenServer Legend. We introduced it last year at Forum, and Sandy is going to speak more about this.

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**Sandy Gupta** - *SCO Group, Inc. - Sr. Director-SCO UNIX Engineering*

Thanks, Eric. OpenServer Legend is basically the coordinating of our development project, which is going to deliver the next generation of OpenServer in Q1 '05. We have basically had two different product lines of OpenServer UnixWare for a number of years. Legend is going to bring the best of the technology of these two product lines together in OpenServer 6. It is going to infuse this UNIX System 5 kernel technology that we own, and bring in all the features that -- user-level threads and kernel-level threads that customers and asking us for for the last few years.

Also, Legend presents a single certification platform for both of our ISVs and IHVs. We are going to publish the DDI, the device development interface for Legend during our Forum sessions, which will basically say write one driver and it will run on both of our platforms. And the same with ISVs. We're going to publish the API and developer tools, and basically the idea is that you write on one platform and it runs on both UnixWare and OpenServer Legend.

We are going to initially release the 32-bit version of OpenServer's Legend in '05. Subsequently, we will release a 64-bit version. We have been working on the 64-bit AMD architecture and the Intel 32e architecture since last year, and we're going to focus on it as soon as we release the Legend version of OpenServer. And we will get that out as well on top of it.

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There are a number of new certified platforms that we plan to certify on the Legend release. We are already working with a couple of industry leaders on SAN solutions and new storage solutions. We are also tracking the latest version of Java beta from Sun, which is Java 1.5, and we plan to release that within our Legend timeframe. Also, Legend continues our focus on the security, the reliability and value of OpenServer products. It is the most stable OS on Intel currently, and we plan to keep it that way with OpenServer 6, and even make it better in terms of features. Okay, next slide, I think Eric.

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**Jeff Hunsaker** - *SCO Group, Inc. - SVP, General Manager-UNIX*

This is Jeff. I will go ahead and wrap up that slide. Thank you, Sandy. I think OpenServer Legend we're excited about this. As mentioned, it will be providing a preview kit at our Forum event and be available early part of next year.

But if you turn to slide 25, as we wrap up our presentation before we open it up for Q&A, we have mentioned a few times the annual partner conference called SCO Forum, and this will be held at the MGM Grand in Las Vegas, Nevada August 1st through 3rd. And this is, I think, 15-plus consecutive years of hosting this conference. And so we would like to extend an invitation to all those listening on the phone today to join us at this event. It is three days of partner updates, product updates, road maps. As mentioned, we will provide an exclusive preview kit to all participants for the Legend product. We will be hearing from industry speakers as well, and I think this is a great opportunity to showcase our technologies and hear from other executives within our Company. So for more information, you can just go out to our website and register as needed.

With that, I think we will now turn it over to Q&A, but as you can tell and hopefully sense from each of us that we are excited about these releases and let's now turn it back to the moderator.

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## QUESTIONS AND ANSWERS

**Operator**

Thank you. (OPERATOR INSTRUCTIONS) Stephen Shankland with CNET.

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**Stephen Shankland** - *CNET - Analyst*

Just looking at your 10-Q yesterday, and clearly the UNIX products business declined a lot in the most recent quarter, 23 percent, and part of the reasons you guys ascribe that to was the SCOsource initiatives. That might cause problems in the future. Are you convinced that these new products will help turn around your revenue?

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**Jeff Hunsaker** - *SCO Group, Inc. - SVP, General Manager-UNIX*

Stephen, let me address this. I think it is a very good question. And I think one of the issues that we are excited about it is it has been quite some time since we have released new versions to our operating systems. And I think, as you can appreciate, in the world of any operating system company, you live and die by new releases and new technologies and new certifications, which we are now seeing and now launching.

So as we pointed out earlier, those 2 million servers that we have installed over many, many years of business, this presents us with we think a significant opportunity to go back to our customers, to upgrade them with new technologies, new products that are delivering solutions based on their input, their requests. We host a lot of user councils and partner councils and major (indiscernible) advisory councils to get feedback, and I think we're now delivering on that. And clearly, we look to that to help generate increased revenue for our Company.

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**Operator**

(OPERATOR INSTRUCTIONS) Steven von Nichol (ph) with (indiscernible).

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**Steven von Nichol** - - *Analyst*

Actually I am sort of a follow-up to Mr. Shankland's question. In the quarter immediately preceding this one, there were some cutbacks in personnel, and there has been talk from the CFO of increasing efficiencies in the UNIX division. And when we last talked with Darl McBride, your CEO, he did not rule out that there would be further layoffs. Given that this very ambitious program that you've laid out for the future of OpenService and UnixWare, have layoffs been ruled out here or what are you doing in terms of having sufficient personnel to deliver the kind of technology goodness that you're planning on?

**Jeff Hunsaker** - *SCO Group, Inc. - SVP, General Manager-UNIX*

This is Jeff responding. Thanks for calling in, Steven. We, clearly, like all companies, are focused on profitability, and as such, our division clearly keep that in the forefront. And so we make sure all decisions that we make are focused around delivering the products that we have announced and providing support and services and marketing and sales and engineering to deliver on the promise of these technologies.

I don't think it would be fair for any company to say that they don't look at sharpening the pencil, so to speak, and looking at all areas to increase efficiencies within the organization. So that is something that we have to do. That is an ongoing process that all companies really look at, and so I think that is something that we have to consider as well.

But not at the expense of our customers and our partners and as well to make sure that we continue to deliver on the solutions and be a profitable division.

**Steven von Nichol** -- *Analyst*

Thank you.

**Operator**

Larry Greenemeier, Information Week Magazine.

**Larry Greenemeier** - *Information Week Magazine - Analyst*

You mentioned that SCO is looking to sell these new updated products to its existing customer base. How is SCO going to position UnixWare and these new products to non-SCO customers and what is the advantage of these over Linux? How are you going to make that sort of case to the general customer base?

**Eric Hughes** - *SCO Group, Inc. - Sr. Director-SCO Product Management*

This is Eric. And as I mentioned, we have done some things with our products to keep them up-to-date and to keep them with the latest technologies that are current in the marketplace. We're obviously a smaller company than Microsoft or some other operating system vendors, but we have been successful because of a couple of things. We have been successful because of the talent that we have in our engineering groups and the long experience that they have had, as well as we are also out in the marketplace, and customers are understanding the total cost of ownership issues. They are understanding what the total costs are of managing Linux systems, of managing Windows server systems as compared to our UNIX products and UNIX offerings. And oftentimes, they are finding that the value that we provide is equivalent or in many cases better than other offerings.

Some of the feedback we have been getting has been that there is starting to be an impression in the marketplace that the freeness of Linux is not all that it is cracked up to be; that there are a lot of costs associated with that – and that comes from a number of third-party studies and others that have borne that out.

**Operator**

Due to time constraints, that is all the time we have for questions today. If you do have further questions, please contact SCO Investor Relations or Public Relations department. At this time, I would like to turn the conference back to our speakers for any additional or closing comments.

**Blake Stowell** - *SCO Group, Inc. - IR*

Just as an update, for those of you who may have joined our call late, we have made these press materials available at the following Internet URL. That URL is IR.SCO.com/releases.CFM. If any of you have follow-up questions for us today, please contact myself, Blake Stowell, or Marc Modersitzki at 801-765-4999, or you can also contact Schwartz Communications at 781-684-0770. Thanks for joining our call today and we look forward to speaking to you again in the future. Thank you.

**Operator**

Thank you for your participation on today's conference call. You may disconnect at this time.

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