

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11 Cases
)
The SCO GROUP, INC. et al.,¹) Case No. 07-11337 (KG)
) (Jointly Administered)
Debtors.)

Hearing Date: April 18, 2008 at 1:30 p.m. Prevailing Eastern Time
Objection Deadline: April 11, 2008 at 4:00 p.m. Prevailing Eastern Time

**DEBTORS' MOTION FOR AUTHORITY TO PAY AN
EXPENSE REIMBURSEMENT TO YORK CAPITAL MANAGEMENT**

The SCO Group, Inc. and SCO Operations, Inc. (the "Debtors") request authority to pay York Capital Management ("York") up to \$150,000. As grounds thereof, the Debtors state the following:

1. On October 23, 2007, the Debtors filed the *Emergency Motion of the Debtors for an Order (A) Approving Asset Purchase Agreement, (B) Establishing Sale and Bidding Procedures, and (C) Approving the Form and Manner of Notice of Sale* [D.E. No. 149], attaching a copy of a term sheet (the "Term Sheet") by and between The SCO Group, Inc. ("SCO") and York providing for, among other things, SCO to pay to York, subject to Court approval, up to \$50,000 in reimbursable expenses to be incurred by York in connection with the transactions contemplated by the Term Sheet.

2. On November 16, 2007, the Debtors filed a *Notice of Filing of Asset Purchase Agreement Between the Debtors and York Capital Management* ("Asset Purchase

¹ The last four digits of the taxpayer identification number for The SCO Group, Inc. are 2823. The last four digits of the taxpayer identification number for SCO Operations, Inc. are 7393. The address for both Debtors is 355 South 520 West, Lindon, Utah 84042.

Agreement”) [D.E. No. 215]. Under the terms of the Asset Purchase Agreement, SCO was required to pay to York, subject to Court approval, up to \$150,000 in reimbursable expenses to be incurred by York in connection with the transactions contemplated by the Asset Purchase Agreement.

3. Unfortunately, the negotiations between SCO and York did not reach a mutually satisfactory conclusion, the transaction failed, and the Court never entered an Order approving the transaction or any of the documents that contemplated the transaction.

4. SCO believes that as a business and moral matter SCO should make the \$50,000 payment to York under the Term Sheet (which it did finalize) or the \$150,000 payment to York under the terms of the Asset Purchase Agreement (which was virtually completed at the time SCO and York abandoned the transaction).

5. At previous hearings before this Court, counsel for SCO informed the Court that it had made the commitments referred to herein.

6. The Debtors recognize that, pursuant to 11 U.S.C. § 363(b) payments such as the proposed payment to York, as payments outside the ordinary course of business, may be made, if at all, only with Court approval. Moreover, the Debtors understand that post-petition payments made outside the ordinary course of business and without prior Court approval are subject to being recovered pursuant to 11 U.S.C. § 549.

7. The Debtors are concerned that obtaining potential investors or buyers might be made more difficult if all the risk of due diligence is borne by the investor or buyer. If SCO does not honor this commitment, future negotiations may be made more difficult.

8. Therefore, the Debtors now seek authority from this Court to make a payment to York under the terms of the now-abandoned Term Sheet and Asset Purchase Agreement.

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WHEREFORE, the Debtor respectfully requests that this Court enter an order:

- A. Granting the Debtors authority to pay to York up to \$150,000, and
- B. Granting such other and further relief as it deems just and proper.

Dated: February 29, 2008

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