or working capital requirements of the Company or to provide letters of credit or other credit support (including cash payments) in connection with any appeals (including to post bonds to stay judgments or rulings pending appeal) of judgments or rulings in the Novell/IBM Litigation.

(2) *Dividends*. Holders of the Series A Preferred Stock will be entitled to receive cumulative dividends at the rate of 10% per annum, payable as and when declared by the Company's Board of Directors out of retained earnings. Dividends may be payable in cash or, at the option of the Company, in shares of common stock valued in good faith by the Company's Board of Directors as of the date of payment of such dividends. If the Company consummates an initial public offering, all accrued but unpaid dividends shall be payable in cash, or, at the option of the Company, in shares of common stock.

(3) *Liquidation Preference*. Under certain circumstances, the Series A Preferred Stock will have a preference (the "Liquidation Preference") over the holders of the Company's common stock in respect of funds available for distribution. If the Company voluntarily or involuntarily liquidates, or if it dissolves or winds up, the holders of the Series A Preferred Stock will be entitled to receive, prior and in preference to the holders of the Company's common stock, an amount equal to three times the $5 million purchase price of the Series A Preferred Stock, plus accrued and unpaid dividends. If the Company sells all or substantially all of its assets (or engages in a series of related transactions that results in the sale of all or substantially all of the Company's assets), or merges, reorganizes or consummates another transaction in which holders of a majority of the outstanding voting control of the Company immediately prior to such transaction do not own a majority of the outstanding voting shares of the surviving entity, the holders of Series A Preferred Stock will be entitled to receive, prior and in preference to the holders of the Company's common stock, an amount equal to three times the $5 million purchase price of the Series A Preferred Stock, plus accrued and unpaid dividends. In all such cases, any remaining assets after payment of the Liquidation Preference described above shall be paid out on a pro rata basis to the Trust and any other holders of the Company's common stock and stock equivalents and the holders of Series A Preferred Stock (on an as-converted basis), and in the event of a sale, merger or equivalent transaction, the minimum proceeds payable to the Trust in cash shall be equal to the Redemption Price.

(4) *Voting Rights*. The holder of shares of Series A Preferred Stock shall have the right to a number of votes, on all matters submitted to a vote of the Company's stockholders, equal to the number of shares of common stock issuable on conversion of the Series A Preferred Stock. In addition, the holders of shares of Series A Preferred Stock shall be entitled to vote as a separate class to elect four members of the Company's Board of Directors. The Company shall not have the right, without the affirmative vote of holders of at least 66-2/3% of the issued and outstanding shares of Series A Preferred Stock, to do any of the following:

a. authorize or issue any securities having rights that are senior to or on parity with those of the Series A Preferred Stock;

b. declare or pay dividends or make any distributions in respect of any of the Company's equity securities (other than the distribution of $2 million at the effective date of the Plan);

c. sell or otherwise transfer or dispose of all or substantially all of the Company's assets; or grant any exclusive rights or licenses to all or substantially all of the Company's products or intangible assets; or merge or consolidate into or with any other entity in a transaction or series of related transactions;

d. purchase, redeem or otherwise acquire any of the Company's outstanding equity securities (including warrants, stock options and other rights to acquire equity securities), other than (1) the Company's redemption of the common stock held by the Trust, (2) the Company's redemption of the Series A Preferred Stock pursuant to the holders' rights to require the Company to redeem such shares after the fifth anniversary of the effective date of the Plan, and (3) repurchases pursuant to stock restriction agreements approved by a majority of the Board of Directors that grant to the Company a repurchase right upon termination of the service or employment of a consultant, director or employee;

e. make any changes in the rights, preferences, or privileges of the Series A Preferred Stock;

f. amend or repeal, or add any provision to, the Company's Certificate of Incorporation or Bylaws, if such action would adversely affect the preferences, rights, privileges or powers of, or restrictions provided for the benefit of, the Series A Preferred Stock;

g. take any action materially affecting the Series A Preferred Stock;

h. change the size or election procedure of the Board of Directors; or

i. authorize any changes in material accounting methods, policies or practices of the Company or change the Company's auditors.

(5) *Automatic Conversion.* Shares of Series A Preferred Stock not sooner converted will automatically convert into shares of common stock on the earlier to occur of (a) the written consent of the holders of at least 66-2/3% of the outstanding shares of Series A Preferred Stock, or (b) a firmly committed underwritten initial public offering of common stock with total proceeds to the Company of at least $40 million (referred to in this Disclosure Statement as a "Qualified Offering"). The number of shares of common stock into which the Series A Preferred Stock shall so convert shall be determined by dividing (a) the sum of (x) $15 million plus (y) all accrued and unpaid dividends on the Series A Preferred Stock, by (b) the then-applicable Conversion Rate.

(6) *Redemption Rights.* If all of the shares of Series A Preferred Stock have not been converted to shares of New Common Stock prior to the fifth anniversary of the Effective Date, the holders of the outstanding shares of Series A Preferred Stock shall have the option, exercisable at any time after such fifth anniversary, to require the Company to redeem the shares of Series A Preferred Stock in two equal and yearly installments beginning on the anniversary of the Effective Date after the option is exercised. If a holder elects to require the Company to redeem its shares of Series A Preferred Stock, it shall provide the Company with written notice at least ninety days prior to the fifth anniversary of the Effective Date. The redemption price shall be payable from retained earnings and shall be equal to the sum of (a) the portion of the $5 million purchase price for the Series A Preferred Stock allocable to the shares

being redeemed, plus (b) all accrued and unpaid dividends on the Series A Preferred Stock, plus (c) an additional amount that would result in an additional 12% annual rate of return compounded annually from the Effective Date. In any simultaneous redemption of shares of Series A Preferred Stock and shares of any other class or series of the Company's stock, the Series A Preferred Stock shall have preference.

(7) *Anti-Dilution Protection.* The initial holder of the Series A Preferred Stock will have limited price protection in the event that, in order to fund working capital requirements, the Company issues additional shares of its capital stock at a price below the purchase price for the Series A Preferred Stock. The conversion price of the Series A Preferred Stock will be subject to adjustment on a proportionate basis, reflecting 1/3 of the dilution effected from an issuance of New Common Stock for the purpose of raising money to fund working capital requirements of the Company. The remaining 2/3 dilution from such issuance of New Common Stock shall proportionately affect the holders of New Common Stock held by the Trust and any other holders of New Common Stock. This protection is subject to customary exceptions as set forth in the Designation of Rights and Preferences for the Series A Preferred Stock.

(8) *Registration Rights.* Pursuant to a Registration Rights Agreement, a copy of which is attached as **Exhibit 8** between the Company and SNCP, the holders of the Company's common stock issuable upon conversion of the Series A Preferred Stock shall have the following rights to require registration of the common stock:

(a) Holders of at least 30% of the outstanding shares of Series A Preferred Stock (or common stock issuable on conversion thereof) may demand registration by the Company of their shares of common stock, and the Company will use its best efforts to cause such shares to be registered. The Company will not be obligated to effect, nor pay for, more than three registrations pursuant to such demand registration rights. The demand registration rights may be exercised only after the earlier to occur of (1) 180 days after a Qualified Offering, and (2) the fifth anniversary of the Effective Date.

(b) Holders of at least 20% of the outstanding shares of Series A Preferred Stock (or common stock issuable on conversion thereof) may require the Company to file an unlimited number of, and pay for not more than two, registration statements on Form S-3 registering their shares of common stock per year, provided that the Company is then eligible to use an S-3 registration statement and the anticipated aggregate offering price to the public for any such registration would exceed $1 million.

(c) Holders of outstanding shares of Series A Preferred Stock shall have unlimited "piggy-back" registration rights with respect to the shares of common stock issuable upon conversion of the Series A Preferred Stock on all registrations of the Company (other than on Form S-8 or on Form S-4 or in respect of similar registrations of business combination transactions or employee benefit plans), subject to the right of the Company and its underwriter to reduce

the number of shares of SNCP proposed to be registered in light of market conditions.

The Company will be responsible for all registration expenses, excluding selling expenses. The foregoing registration rights include other customary terms and conditions, including a customary "market standoff" agreement in connection with a Qualified Offering and public offerings conducted by the Company thereafter.

(9) *Right to Retain Proportionate Interest.* Each holder of Series A Preferred Stock will have a right to purchase such holder's pro-rata share of any offering of securities of the Company, subject to customary exceptions as set forth in the Designation of Rights and Preferences of the Series A Preferred Stock.

The above descriptions of the rights, preferences, powers, and protections of the Series A Preferred Stock is intended to be summary in nature and is qualified in its entirety by reference to the complete provisions of the Company's Amended and Restated Certificate of Incorporation, the Statement of Rights and Preferences for the Series A Preferred Stock, the Company's Amended and Restated Bylaws, the Stock Purchase Agreement, and the Registration Rights Agreement.

(F) New Common Stock, New Options and New Warrants.

Under the Plan, on the Effective Date, the Company will issue to the Trust shares of New Common Stock and New Options to acquire shares of common stock, all to be held by the Trust in accordance with the Trust provisions. See "*The Trust*" in Section (D)(i) above.

(i) Description of New Common Stock

The rights of the New Common Stock will be essentially identical to those of the existing common stock, except that (i) the holders of the outstanding shares of New Common Stock and Series A Preferred Stock, voting together as a single voting group, shall have the right to elect three out of the seven members of the Board of Directors of the Company (one of whom shall be the Chief Executive Officer of the Company and one of whom shall be an outside executive with suitable industry expertise who is designated by a majority of the Board), and (ii) except as otherwise required by law, on all matters that come before the stockholders for approval, other than the election of the remaining four members of the Board of Directors (which shall be elected by the holders of the Series A Preferred Stock), the holders of the New Common Stock and Series A Preferred Stock shall vote together as a single class and voting group. Shares of the Company's common stock may be issued at such time or times and for such consideration (but not less than par value) as the Board of Directors of the Company deems advisable, subject to limitations set forth in the laws of the State of Delaware or the Company's certificate of incorporation or bylaws. Holders of the Company's common stock are not entitled to preemptive or other subscription rights, and are not subject to assessment or further call. Each share of the Company's common stock is entitled to one vote on all matters on which holders of common stock are entitled to vote. Holders of common stock are not entitled to convert the shares to any other securities of the Company. Holders of common stock are entitled to receive such dividends, if any, as may be declared from time to time by the Board of Directors of the

Company out of funds legally available therefor. The Company has the right to, and may from time to time, enter into borrowing arrangements or issue other debt instruments (including the Debt Financing), the provisions of which may contain restrictions on payment of dividends and other distributions on the common stock. The Board of Directors is also authorized to issue shares of preferred stock (including the Series A Preferred Stock) which could contain provisions restricting the payment of dividends and other distributions on the common stock unless the payment of dividends or other payments with respect to such preferred stock have been paid. See Article V, Section (D)(ii) above for a description of the preferences attributable to the holders of Series A Preferred Stock. Under certain circumstances (which may include the voluntary or involuntary liquidation, or the dissolution, winding up or sale of assets of the Company, or a merger or reorganization of the Company or transaction in which the holders of a majority of the outstanding voting control of the Company cease to own such a majority), holders of common stock will be entitled to receive ratably, in proportion to the number of shares held, those amounts or assets available after payment or provision for payment of amounts due to the holders of any outstanding preferred stock (including, without limitation, the Series A Preferred Stock) which has been issued with a liquidation preference, and of all indebtedness or other liabilities to any other person or entity. See Article V, Section (E)(ii)(3) above for a description of the Liquidation Preference attributable to the Series A Preferred Stock.

(ii) Description of New Options

The New Options will grant the holder the option to purchase shares of common stock at an exercise price per share equal to $.02 in excess of the current market value of the common stock on the Effective Date, as determined by the Board of Directors in good faith. The New Options will have a term of ten years from the Effective Date and will provide for a cashless exercise (i.e., for issuance of only the net amount of common stock that would be issued if the underlying common stock were sold to pay the option exercise price).

(iii) Description of New Warrants

The New Warrants will grant the holder the option to purchase shares of common stock at an exercise price per share equal to $.02 in excess of the current market value of the common stock on the Effective Date, as determined by the Board of Directors in good faith. The New Warrants will have a term of ten years from the Effective Date and will provide for a cashless exercise (i.e., for issuance of only the net amount of common stock that would be issued if the underlying common stock were sold to pay the warrant exercise price).

(G) Exemption from Securities Registration for New Securities

(i) Initial Issuance of New Common Stock and Series A Preferred Stock

With respect to the initial issuance of New Common Stock to the Trust, the Debtor believes that such issuance will fall under an exemption provided by Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act") for certain issuances in connection with a private placement of securities. In addition, section 1145 of the Bankruptcy Code provides that the securities registration requirements of federal, state and local laws do not apply to the offer or sale of stock, warrants or other securities issued by a debtor (or its successor) if

(i) the offer or sale occurs under a plan of reorganization, and (ii) the securities are transferred in exchange (or principally in exchange) for a claim or interest in a debtor. Accordingly, under section 1145 of the Bankruptcy Code, the Debtor believes that the issuance of the New Common Stock to the Trust in which the holders of Class 5 Equity Interests are the beneficial owners pursuant to the Plan is exempt from registration under the securities laws.

With respect to the issuance of Series A Preferred Stock to SNCP as consideration for payment of the purchase price and the obligation to provide the Debt Financing, the Debtor believes such issuance will fall under a private placement exemption provided by Rule 506 promulgated under the Securities Act.

(ii) Issuance of Beneficial Interests in Trust

The Debtors believe that the beneficial interests in the Trust to be held by the holders of Class 5 Interests do not constitute "securities" within the meaning of Section 2(a)(1) of the Securities Act, and, therefore, such interests are not required to be registered under the Securities Act. Further, the Debtors believe that such beneficial interests would not have to be registered because the Company will not issue the interests in a sale of securities; rather the interests will be issued pursuant to the Plan. Finally, the Debtors believe that the beneficial interests in the Trust issued pursuant to the Plan would be exempt from registration pursuant to section 1145 of the Bankruptcy Code.

(iii) Transfer of Plan Securities.

The shares of Series A Preferred Stock and New Common Stock issued in connection with the Plan will be "restricted" securities, and, as such, will not be freely transferrable. Absent the existence of an effective registration statement, the holders of Series A Preferred Stock and the Company's common stock will be able to transfer their shares only if, in the Company's judgment, such transfer would not be in violation of any applicable securities laws, and the Company receives an opinion of counsel, acceptable to the Company, to the effect that a proposed transfer is exempt from the registration requirements of the Securities Act and any other applicable laws. Accordingly, holders of the Company's securities may have to hold them and bear the economic risk of their investment indefinitely. In addition, pursuant to the terms of the Trust Agreement and the Stockholders' Agreement, the shares of New Common Stock and the New Options and New Warrants held by the Trust are not transferrable by it except in specific circumstances described in those documents.

(iv) Market for New Securities.

Following the Effective Date, the Company will no longer be a reporting company under the Securities and Exchange Act of 1934. The Company's securities will not trade on any securities exchange or be quoted on any interdealer quotation system or on the "pink sheets." Accordingly, there will be no market for the Company's securities immediately following the Effective Date, and, the Company expects, for a significant amount of time thereafter. The holders of Series A Preferred Stock have the right to require the Company to register their shares of New Common Stock under certain circumstances. See "*Registration Rights*" in Article V, Section (E)(ii)(8), above.

(H) Description of the Debt Financing

On the Effective Date, the Company shall enter into loan and security agreements and related documents with SNCP (the "Loan Documents") providing for SNCP to make the Loan available to the Company on the following terms:

(i) Conditions to Each Advance

The Company may request advances under the line of credit from time to time. Advances in respect of working capital requirements of the Company are subject to conditions precedent including compliance with financial covenants and otherwise as set forth in the Loan Documents. Advances to pay interest on the Loan and to pay any final judgment against the Company resulting from any of the Pending Litigation are not subject to such compliance or other conditions precedent.

(ii) Use of Proceeds

The Company may use the proceeds of advances under the Loan for the following: (a) working capital for the Company following the Effective Date; (b) to pay interest when due under the Loan; (c) to support the prosecution of the Company's litigation (including to provide letters of credit or other financial arrangements adequate to support any required appellate bonds, in which case the Company shall pay the reasonable letter of credit fees and expenses); and (d) to effect payment of any final judgment or award against the Company.

(iii) Term

The term of the Loan (the "Loan Term") will be for a period of five years commencing on the first day of the month following the Effective Date. During the Loan Term, advances will be made under the Debt Financing.

(iv) Interest Rate

Interest will accrue on the outstanding principal balance of the Loan at a variable or floating rate, expressed as an annual percentage rate, equal to LIBOR plus 1,700 basis points. Adjustments to the interest rate will be made effective on the first day of each month. Interest will be calculated on the basis of a 360 day year and charged for the actual number of days elapsed.

(v) Payments

The Company will pay accrued interest on the outstanding principal balance of the Loan monthly, in arrears, on the first day of each month commencing on the first day of the month following the Effective Date. The entire unpaid principal balance, together with all accrued interest and any other unpaid charges, will be due on the first day of the month following the expiration of the Loan Term.

(vi) Late Charges; Default Interest Rate

Any payment that is not paid within ten days of its scheduled payment date will be subject to a late charge equal to the greater of $50.00 or 5% of the amount of the delinquent payment. Upon the occurrence of an event of default that is not timely cured, the margin used to compute the interest rate will automatically increase by an additional 4% per annum from the date thereof until the delinquent payment has been paid in full, both before and after judgment.

(vii) Prepayment

The Company may prepay the Loan at any time without penalty or premium, but the Company may not re-borrow funds that it prepays.

(viii) Collateral

The Company will grant to SNCP a first priority security interest in all of the Company's existing and future assets, including, without limitation, any recoveries relating to the Litigation Claim, to secure the Loan.

(I) Vesting/Non-Vesting of Property of the Estates

The automatic stay in section 362(a) of the Bankruptcy Code bars parties from taking any act to obtain possession or exercise control over property of the estate, to create or enforce a lien against property of the estate, or otherwise to establish or exercise rights to property of the estate. Pursuant to section 362(c)(1) of the Bankruptcy Code, "the stay of an act against property of the estate. . . continues until such property is no longer property of the estate." Pursuant to section 1141(b) of the Bankruptcy Code, confirmation of a plan of reorganization vests all of the property of the debtor's estate in the reorganized debtor, "[e]xcept as provided in the plan or the order confirming the plan." Therefore, unless the plan or the order confirming the plan provides otherwise, once the plan is confirmed the property that was once "property of the estate" is property of the estate no longer and the automatic stay protecting the property from the claims of creditors ceases automatically. To protect the Property against the possibility that a Creditor holding a Disputed Claim, such as Novell, may obtain a judgment against SCO Group and then aggressively seize property to collect the judgment before SCO Group could complete the appellate process to obtain a Final Order either Allowing or Disallowing the Disputed Claim, the Plan provides at Section 4.6 that the Property of the Estate of Reorganized SCO will not vest in Reorganized SCO until it elects to have this occur by filing a notice of vesting, but in no event later than the date that all Disputed Claims and, in particular, any claims held by Novell, IBM, Red Hat or Autozone, are finally Allowed or Disallowed by Final Orders. Thereafter, the Property of the Estate of SCO Group shall vest in Reorganized SCO free and clear of all Claims and Interests of Creditors, and of Holders of Equity Interests.

In the meantime, following the Effective Date, Reorganized SCO will have full control and authority over the Property of the Estate of SCO Group (which will continue in existence following the Effective Date for some period of time pursuant to section 4.6 of the Plan), without the need for Bankruptcy Court approval pursuant to section 363 or 330 of the Bankruptcy Code, or any other provision of court or United States trustee control or oversight during a chapter 11 case, including but not limited to policy making, day-to-day operations, financing, transactional,

corporate governance, and any and all other corporate activity, and all corporate activity. Notwithstanding the foregoing, and despite that Reorganized Operations may no longer be subject to paying Statutory Fees, such Statutory Fees owed by SCO Group shall be paid by the Estate of SCO Group or by the Reorganized SCO (the payor to be decided by the Reorganized SCO), until such time as such Statutory Fees are no longer lawfully owed.

Pursuant to section 4.6 of the Plan and section 1141(b) and (c) of the Bankruptcy Code, upon confirmation of the Plan, all of the Property of the Estate of Operations will vest in the Reorganized Operations free and clear of all Claims and interests of Creditors, and of Holders of Equity Interests.

(J) Intent to Prosecute Causes of Action After Confirmation

Except as otherwise provided in the Plan and Plan Documents, all Causes of Action (including Avoidance Actions) will automatically be retained and preserved by the Debtors' Estate until all property of the Estate vests in the Reorganized Debtors. Except as otherwise provided in the Plan, the Debtors' Estates and thereafter the Reorganized Debtors will retain and have the exclusive right to enforce and prosecute these Causes of Action. The Debtors' Estates and the Reorganized Debtors intend to complete the investigation of, and as appropriate, commence or continue litigation or other proceedings of, various Causes of Action, whether or not these Causes of Action have been asserted or filed. The Causes of Action (including the Avoidance Actions) that may be prosecuted include, **but are not limited to**: (i) any Cause of Action arising out of any accounts receivable listed in the exhibits to the Debtors' Schedules (and any amended schedules) filed in the Chapter 11 Case, a copy of which is attached hereto as **Exhibit 9**; (ii) any Avoidance Actions, which potentially include the parties listed in exhibits 3b and 3c attached to the Debtors' Statement of Financial Affairs, a copy of which are attached hereto as **Exhibit 10**; and (iii) any Cause of Action, including, but not limited to, the Novell Litigation, the IBM Litigation and the Autozone Litigation. Any person, entity or other party subject to an Avoidance Action, or a Cause of Action based on any of the accounts or transactions referenced above, should assume that the Reorganized Debtor may take any action appropriate to prosecute or enforce such Avoidance Action or Cause of Action against them, regardless of how such person, entity or other party may have voted on the Plan. The Causes of Action have been described and identified with as much particularity as is practicable and appropriate at this time. **Because all investigations and inquiries have not yet been completed, it is likely that there will be additional Causes of Action (and Avoidance Actions) not mentioned above, and no party should assume that any release or discharge provision contained in the Plan, or the Confirmation Order, will bar or otherwise inhibit the Debtors or Reorganized Debtors from taking any action to prosecute or enforce such additional Causes of Action.**

(K) Retention Of Jurisdiction

Notwithstanding entry of the Confirmation Order or the Effective Date having occurred, the Chapter 11 Cases having been closed, or Final Decrees having been entered, the Bankruptcy Court shall have jurisdiction of matters arising out of, and related to the Chapter 11 Cases and the Plan under, and for the purposes of, sections 105(a), 1127, 1142, and 1144 of the Bankruptcy Code and for, among other things, the following purposes:

(a) allow, disallow, determine, liquidate, classify, or establish the priority, or status of any Claim, including the resolution of any request for payment of any Administrative Claim, and the resolution of any and all objections to the allowance or priority of Claims;

(b) to estimate any Claim, including, without limitation, at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection;

(c) grant or deny any applications for allowance of compensation or reimbursement of expenses authorized, pursuant to the Bankruptcy Code, order of the Bankruptcy Court, or the Plan, for periods ending on or before the Effective Date;

(d) resolve any proceedings, mattes or disputes regarding the compensation and reimbursement of expenses of any Person or Entity acting pursuant to this Plan, including (without limitation) compensation and reimbursement of expenses for the Disbursing Agent(s), and Professionals.

(e) resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which Debtors are parties, or with respect to which Debtors may be liable, and to hear, determine and, if necessary, liquidate, any Claims arising therefrom;

(f) ensure that Distributions to Holders of Allowed Claims and Equity Interests are accomplished pursuant to the provisions of the Plan;

(g) decide or resolve any motions, adversary proceedings, contested or litigated matters and any other proceedings and matters, and grant or deny any applications involving the Debtors, the Reorganized Debtors, U.S. Trustee, or their affiliates, directors, officers, employees, agents, members, Professionals that may be pending on or after the Effective Date;

(h) enter such orders, as may be necessary or appropriate to implement or consummate the provisions of the Plan, and all contracts, instruments, waivers, releases, indentures and other agreements or documents created, in connection with the Plan or described in the Disclosure Statement;

(i) resolve any cases, controversies, suits or disputes that may arise in connection with the Consummation, interpretation or enforcement of the Plan, or any Person's or Entity's obligations incurred, in connection with the Plan, including, among other things, any avoidance or subordination actions under sections 510, 544, 545, 547, 548, 549, 550, 551, 553(b) and/or 724(a) of the Bankruptcy Code;

(j) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with Consummation or enforcement of the Plan, except as otherwise provided herein;

(k) resolve any cases, controversies, suits or disputes with respect to the exculpations, releases, injunction and other Plan provisions, and enter such orders as may be necessary or appropriate to implement such exculpations, releases, injunction and other provisions;

(l) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated in whole or in part;

(m) determine any other matters that may arise in connection with, or relate to, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, waiver, release, indenture, or other agreement or document created, in connection with the Plan or the Disclosure Statement;

(n) enter an order and/or final decree concluding the Chapter 11 Cases;

(o) to protect the Property of the Estates from adverse Claims or interference inconsistent with the Plan, including to hear actions to quiet or otherwise clear title to such property based upon the terms and provisions of the Plan, or to determine a Debtors' exclusive ownership of Claims and Causes of Action retained under the Plan;

(p) to hear and determine matters pertaining to abandonment of Property of the Estates;

(q) to consider any modifications of the Plan, to interpret, clarify, remedy and/or cure any defect, error, mistake, ambiguity and/or omission, or reconcile any inconsistency in the Plan or any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(r) to interpret and enforce any orders previously entered in the Chapter 11 Cases to the extent such orders are not superseded or inconsistent with the Plan or the Confirmation Order;

(s) to recover all Assets of Debtors and property of the Estates, wherever located;

(t) to hear and determine matters concerning state, local, and federal taxes, in accordance with sections 345, 505, and 1146 of the Bankruptcy Code.

(u) to consider and act on the compromise and settlement of any litigation, Claim against or Causes of Action on behalf of the Estates;

(v) to interpret and enforce the Confirmation Order; and

(w) to hear and act on any other matter not inconsistent with the Bankruptcy Code.

VI. VOTING REQUIREMENTS, ACCEPTANCE AND CONFIRMATION OF THE PLAN

The Bankruptcy Code requires that, in order to confirm the Plan, the Bankruptcy Court must make a series of findings concerning the Plan and the Debtors, including that (i) the Plan has classified Claims and Equity Interests in a permissible manner, (ii) the Plan complies with applicable provisions of the Bankruptcy Code, (iii) the Debtors have complied with applicable provisions of the Bankruptcy Code, (iv) the Debtors have proposed the Plan in good faith and not by any means forbidden by law, (v) the disclosure required by section 1125 of the Bankruptcy Code has been made, (vi) the Plan has been accepted by the requisite votes of creditors (except to the extent that cramdown is available under section 1129(b) of the Bankruptcy Code) (see "*Acceptance of Plan*" and "*Confirmation Without Acceptance of All Impaired Classes*," in Section (C) below), (vii) the Plan is feasible and confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor, unless such liquidation or reorganization is proposed in the Plan, (viii) the Plan is in the "best interests" of all Holders of Claims or Equity Interests in an impaired Class by providing to such holders on account of their Claims or Equity Interests property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a Chapter 7 liquidation, unless each holder of a Claim or Equity Interest in such Class has accepted the Plan and (ix) all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation, have been paid or the Plan provides for the payment of such fees on the Effective Date.

(A) Parties in Interest Entitled to Vote

Pursuant to the Bankruptcy Code, only classes of claims and equity interests that are "impaired" (as defined in the Plan and in section 1124 of the Bankruptcy Code), under a plan are entitled to vote to accept or reject the plan. A class is impaired if the legal, equitable or contractual rights to which the claims or equity interests of that class entitled the holders of such claims or equity interests are modified, other than by curing defaults and reinstating the debt. Classes of claims and equity interests that are not impaired are not entitled to vote on a plan and are conclusively presumed to have accepted the plan. In addition, classes of claims and equity interests that are expected to receive no distributions under the plan are not entitled to vote on the plan and are deemed to have rejected the plan.

(B) Classes Impaired Under the Plan

The Plan will leave unimpaired and provide for full payment (with interest, if applicable) of all Claims of all creditors of the Debtors, on the Effective Date or as soon thereafter as such Claims become Allowed Claims. Therefore, only Class 5 Equity Interests are Impaired under the Plan. Acceptances of the Plan are being solicited only from those Holders of Equity Interests in Class 5 because all other Classes are Unimpaired. With respect to the Class 5 Equity Interests, the Plan provides for (a) a distribution on the Effective Date approximately equal to the fair market value of SCO Group common stock as of the announcement of the Plan, and (b) the potential for a future (and final) distribution of a portion (up to 49%) of (i) the Company's net recovery in the Novell/IBM Litigation plus (ii) the Company's enterprise value, based on a four times multiple of EBITDA.

(C) Voting Procedures and Requirements

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED INTEREST ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. ONLY HOLDERS OF CLASS 5 EQUITY INTERESTS WILL RECEIVE BALLOTS. YOU SHOULD COMPLETE, SIGN AND RETURN EACH BALLOT YOU RECEIVE.

(i) Ballots

In voting for or against the Plan, please use only the Ballot or Ballots sent to you with this Disclosure Statement. If you are a member of Class 5, and did not receive a Ballot, if your Ballot is damaged or lost or if you have any questions concerning voting procedures, please contact Debtors' voting agent, Epiq.

(ii) Returning Ballots

YOU SHOULD COMPLETE AND SIGN YOUR BALLOT AND RETURN IT IN THE ENCLOSED ENVELOPE TO:

THE SCO GROUP, INC. BALLOT PROCESSING
EPIQ BANKRUPTCY SOLUTIONS, LLC
FDR STATION
P.O. BOX 5012
NEW YORK, NY 10150-5012.

HAND DELIVERY OR OVERNIGHT MAIL OF BALLOTS MUST BE SENT TO:

EPIQ BANKRUPTCY SOLUTIONS, LLC
ATTN: THE SCO GROUP, INC. BALLOT PROCESSING
757 THIRD AVENUE, 3RD FLOOR
NEW YORK, NY 10017

VOTES CANNOT BE TRANSMITTED ORALLY. FACSIMILE BALLOTS WILL NOT BE ACCEPTED. TO BE COUNTED, ORIGINAL SIGNED BALLOTS MUST BE ACTUALLY RECEIVED ON OR BEFORE APRIL_____, 2008 AT 4:00 P.M., PREVAILING EASTERN TIME. IT IS OF THE UTMOST IMPORTANCE TO THE DEBTORS THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN.

(iii) Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to conduct a hearing regarding whether the Plan and the Debtors have fulfilled the confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for _____, 2008 before the Honorable Kevin Gross, United States Bankruptcy Judge, United States Bankruptcy Court, 824 North Market Street, 6th Floor, Courtroom #3, Wilmington, Delaware. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement at the Confirmation Hearing of the date to which the Confirmation Hearing has been adjourned.

(iv) Confirmation

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for Confirmation are that the Plan (i) is accepted by the requisite holders of Claims and Equity Interests or, if not so accepted, is "fair and equitable" and "does not discriminate unfairly" as to the non-accepting Classes of Claims or Equity Interests, (ii) is in the "best interests" of each holder of a Claim or Interest that does not vote to accept the Plan in each impaired Class under the Plan, (iii) is feasible and (iv) complies with the applicable provisions of the Bankruptcy Code. However, in this case, because all Classes of Claims and Class 5A Equity Interests in Operations are not Impaired, this acceptance is deemed to have occurred by the operation of section 1126(f) of the Bankruptcy Code.

(v) Acceptance of Plan

As a condition to plan confirmation, the Bankruptcy Code requires that each class of impaired claims or equity interests vote to accept the plan, except under certain circumstances. See "*Confirmation Without Acceptance of All Impaired Classes*" in Section (C)(vi) below. Because all Claims in these Chapter 11 Cases and Class 5A Equity Interests in Operations are not Impaired, all Classes of Claims and Class 5A Equity Interests in Operations are conclusively presumed to have accepted the Plan. A plan is accepted by an impaired class of equity interests if holders of at least two-thirds of the number of shares in such class vote to accept the plan. Only those holders of equity interests who actually vote count in these tabulations. Holders of Equity Interests who fail to vote are not counted as either accepting or rejecting the Plan.

In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or interest in an impaired class or that the plan otherwise be found by the Bankruptcy Court to be in the best interests of each holder of a claim or interest in such class. See "*Best Interests Test*" in subsection (vii) below. In addition, each impaired class must accept the plan for the plan to be confirmed without application of the "fair and equitable" and "unfair discrimination" tests in section 1129(b) of the Bankruptcy Code discussed below. See "*Confirmation Without Acceptance of All Impaired Classes*" in subsection (vi) below.

(vi) Confirmation Without Acceptance of All Impaired Classes

The Bankruptcy Code contains provisions for confirmation of the plan even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code. In these Chapter 11 Cases, this provision is satisfied because all Classes of Claims are conclusively presumed to have accepted the Plan.

A plan may be confirmed under the cramdown provisions if, in addition to satisfying all requirements of section 1129(a) of the Bankruptcy Code but for subsection (8) thereof, if it: (a) "does not discriminate unfairly" and (b) is "fair and equitable," with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan. The phrases

"discriminate unfairly" and "fair and equitable" have specific meanings unique to bankruptcy law.

In general, the cramdown standard requires that a dissenting class receive full compensation for its allowed claims or equity interests before any junior class receives any distribution. More specifically, if the only class that rejects the plan is an impaired class of equity interests, the plan can nevertheless be confirmed if either: (i) each holder of an interest of such class will receive or retain on account of such interest property of a value, equal to the greater of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest, or (ii) the holder of any interest that is junior to the interest of such class will not receive or retain any property on account of such junior interest.

In these Chapter 11 Cases, both tests will be satisfied because: (i) each Holder of an Equity Interest will receive on account of such Interest property worth at least as much as the greater of the allowed amount of the Holder's final liquidation preference or any fixed redemption price to which such Holder is entitled or the value of such interest; and (ii) there are no Equity Interests that are junior to the Interests in Class 5.

(vii) Best Interests Test

For a plan to be confirmed, the Bankruptcy Court must determine that the Plan is in the best interests of each holder of a claim or interest in any impaired class entitled to vote who has not voted to accept the Plan. Accordingly, if an impaired class does not unanimously accept the plan, the best interests test requires the Bankruptcy Court to find that the plan provides to each member of such impaired class a recovery on account of the class member's claim or equity interest that has a value, as of the effective date, at least equal to the value of the distribution that each such member would receive if the debtor were liquidated under Chapter 7 of the Bankruptcy Code on such date.

(viii) Liquidation Analysis

After considering the effect that a Chapter 7 liquidation would have on the value of the Debtors' estates, including the costs of and claims resulting from a Chapter 7 liquidation, the adverse effect of a forced sale on the prices of the Debtors' assets, the adverse impact resulting from the departure of the Debtors' employees, and the delay in the distribution of liquidation proceeds, the Debtors have determined that confirmation of the Plan will provide each Holder of an Allowed Claim or Interest with a recovery that is no less than such Holder would receive pursuant to liquidation of the Debtors' assets under Chapter 7 liquidation.

The Debtors also believe that the value of any distributions to each Class of Allowed Claims and Allowed Interests in a Chapter 7 case would be less than the value of distributions under the Plan because such distributions in a Chapter 7 case would not occur for a substantial period of time. Distribution of the proceeds of the liquidation could be delayed. The Debtors have attached as **Exhibit 11** an unaudited liquidation analysis (the "Liquidation Analysis") demonstrating the basis for the Debtors' belief as stated herein.

The Liquidation Analysis was prepared in conjunction with developing the Plan described in the Disclosure Statement to which this document is an exhibit. The Liquidation Analysis has not been audited or reviewed by an independent public accountant, and accordingly, no opinion, or any other form of assurance, has been expressed in connection therewith. Capitalized terms not otherwise defined herein, in the Plan or in the Disclosure Statement have been italicized to indicate that such terms reflect line item captions in the Liquidation Analysis.

The Liquidation Analysis reflects the Debtors' estimate of the value that may be realized by the Estate and the potential recoveries that may be available to the holders of Allowed Claims and Allowed Equity Interests if the Debtors' assets were liquidated and the proceeds distributed in accordance with Chapter 7 of the Bankruptcy Code. Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by the Debtors, are subject to significant inherent economic and competitive uncertainties and contingencies beyond the control of the Debtors, and are based upon assumptions with respect to liquidation decisions that are subject to change. Accordingly, there can be no assurance that the values and the costs reflected in the Liquidation Analysis would be realized if the Debtors' assets were, in fact, to undergo such a liquidation.

For purposes of the Liquidation Analysis, it is assumed hypothetically that a plan of reorganization could not ultimately be confirmed at the Confirmation Hearing and, on or about that date ("Hypothetical Conversion Date"), the Chapter 11 Cases are converted to cases under Chapter 7. In connection with the hypothetical commencement of the Chapter 7 case, it is assumed that the role of the Debtors in Possession terminates on or about the Hypothetical Conversion Date and a Chapter 7 trustee ("Chapter 7 Trustee") is appointed to, among other things, manage the liquidation process, pursue various causes of action belonging to the Debtors, defend against causes of action brought against the Debtors and distribute liquidation proceeds and other assets ultimately realized (if any) in accordance with the priorities established by the Bankruptcy Code. In such a case, the Chapter 7 Trustee would have to consider, and ultimately pursue, one or more recovery strategies other than the Plan.

Substantially all of the value that is to be distributed under the Plan to Holders of Allowed Claims and Allowed Equity Interests emanates from the Memorandum of Understanding ("MOU"). In the event the Plan is not confirmed, as would be the implied outcome if the Chapter 11 Case were to be converted to a Chapter 7 Case, the MOU would, by its own terms, be of no further force and effect. Accordingly, the Chapter 7 Trustee would have to consider, and ultimately pursue, one or more alternative recovery strategies.

Costs that have been specifically identified in connection with the recovery and/or liquidation of individual asset classes have been deducted in order to arrive at the amounts reflected in the Liquidation Analysis. The classification and dollar amounts of estimated Allowed Claims and Allowed Equity Interests incorporated within the Liquidation Analysis are subject to modification pending further analysis and the receipt of additional information with respect to such Claims and Equity Interests. Claims and Equity Interests that are disputed by SCO or which the Trustee believes are unlikely to be Allowed are not reflected in the Liquidation Analysis. Except where explicitly stated to the contrary herein, potential recoveries resulting from alleged preference claims are not addressed in the Liquidation Analysis.

The following notes describe the significant assumptions utilized in arriving at the estimated liquidation values and the estimated amounts of Allowed Claims and Allowed Equity Interests reflected at the various captions within the Liquidation Analysis. The Liquidation Analysis assumes a range between a possible "Low" outcome and possible "High" outcome.

Note 1 – Cash and Cash Equivalents - Domestic

At January 31, 2008, the Debtors had Cash and Cash Equivalents on hand of $3,478,000. SCO considers all investments purchased with original maturities of three or fewer months to be cash equivalents. The Debtors have $100,000 of cash that is federally insured. All remaining amounts of cash and cash equivalents exceed federally insured limits. The Debtors expect a 100% recovery in both the low and high scenarios.

Note 2 – Cash and Cash Equivalents - Foreign

At January 31, 2008, the Debtors had Cash and Cash Equivalents in foreign subsidiaries of $1,289,600. These funds are subject to repatriation taxes as well as costs to wind down and liquidate the foreign subsidiaries. As a result, the Debtors expect no recovery in the low scenario and 50% recovery in the high scenario.

Note 3 – Restricted Cash

At January 31, 2008, the Debtors had *Restricted Cash* of $2,120,000. Pursuant to the 1995 Asset Purchase Agreement and the Debtor's acquisition of assets and operations of The Santa Cruz Operation, SCO Group acts as an administrative agent in the collection of royalty payments from a limited number of pre-existing Novell customers who continue to deploy certain SVRx technology. Under the agency agreement, SCO Group collects payments from such customers, receives 5% as an administrative fee and remits the remaining 95% to Novell on a routine basis.

The balance as of January 31, 2008 includes $320,000 amounts collected related to this agency agreement, but not yet remitted to Novell. The remaining balance is to be used for litigation costs according to the private placement. The Debtors expect no recovery on restricted cash in both the low and high scenarios.

Note 4 – Accounts Receivable

At January 31, 2008, the Debtors had $4,021,000 in *Accounts Receivable.* The Debtors offer credit terms on the sale of the Debtors' products to a majority of the Debtors' customers and requires no collateral from these customers. The Debtors perform ongoing credit evaluations of their customers' financial condition and maintain an allowance for doubtful accounts receivable based upon the Debtors' historical experience and a specific review of accounts receivable at the end of each year. The Debtors expect 70% recovery for the low scenario based upon the ability to sell the receivables to a collecting party and 90% high scenario based upon the Debtors' historical experience with collection and bad debt expense.

Note 5 – Inventories

At, January 31, 2008, the Debtors had $167,000 in *Inventory.* Inventory consists of completed software products and supplies. Inventories are stated at the lower of cost (using the first-in, first-out method) or market value. The Debtors expect 5% recovery in the low scenario and 10% recovery in the high scenario.

Note 6 – Prepaid Expenses and Other Current Assets

At January 31, 2008, the Debtors had $1,062,000 in *Prepaid Expenses and Other Current Assets.* Prepaid expenses and other current assets include prepaid insurance, prepaid software maintenance and support, prepaid professional fees associated with its bankruptcy and rental deposits. Based upon the nature of the prepaid expenses, the insurance policy year and other considerations, the Debtors do not expect to recover any of these expenses in either the low scenario or the high scenario.

Note 7 – Net Property and Equipment

At January 31, 2008, the Debtors had $303,000 in *Net Property and Equipment.* Property and equipment consists of office equipment, leasehold improvements, and vehicles, net of depreciation.

Property and equipment are stated at cost, less accumulated depreciation and amortization. Computer equipment is depreciated using the straight-line method over the estimated useful life of the asset, which is typically three years. Furniture and fixtures and office equipment are depreciated using the straight-line method over the estimated useful life of the asset, typically three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the improvement or the remaining term of the applicable lease.

The Debtors expect 20% recovery in the low scenario and 40% recovery in the high scenario.

Note 8 – Legal Causes of Action

Refer to "Pending Litigation" in Article III, Section (B), above.

The Debtor expects no recovery in both low and high scenarios.

Note 9– Other Assets

At January 31, 2008, the Debtors have other assets of $487,000. Other assets represent the SCO Group's investment in a joint venture in China to market and distribute Unix based products. The Debtors expect no recovery in both low and high scenarios.

Note 10 - Allocation of Net Liquidation Value to Secured, Administrative, Priority and Unsecured Claims and Equity Interests

For purposes of the Liquidation Analysis, it is assumed that the Estate will not incur any tax liability since the Debtors have net operating loss carry forwards of $66.7 million. The *Net Liquidation Value After Taxes* is allocated in accordance with the priorities set forth in the Bankruptcy Code.

Miscellaneous Secured Claims (Class 2), if any, are assumed to be satisfied from the proceeds resulting from the liquidation of the underlying collateral. The net liquidation proceeds available to satisfy the Allowed Secured Claims (if any) are assumed to be distributed to the holders thereof immediately upon the liquidation of the underlying collateral, which shall occur as soon as practicable after the Hypothetical Conversion Date but in no event later than the Distribution Date. The Debtor is not aware of any Secured Claims.

Chapter 11 Professional Fees and Expenses incurred from the commencement of the Chapter 11 Case through the Hypothetical Conversion Date are projected to total approximately $3.0 million. Any amounts that are unpaid and outstanding as of the Hypothetical Conversion Date will be paid as soon as practicable after such amounts become Allowed administrative claims. Such outstanding Allowed *Chapter 11 Professional Fees and Expenses* will be satisfied from proceeds of the liquidation. Unpaid *Chapter 11 Professional Fees and Expenses* at January 31, 2008 are $820,000.

Chapter 7 Professional Fees and Expenses incurred during the period from the Hypothetical Conversion Date through the Distribution Date are estimated to total $250,000. It is assumed that such amounts will be approved by the Bankruptcy Court and paid on or about the Distribution Date.

Chapter 7 Trustee Fees are estimated in accordance with the upper limit established under section 326 of the Bankruptcy Code. *Chapter 7 Trustee Fees* incurred during the period from the Hypothetical Conversion Date through the Distribution Date are estimated to total $214,100 in the low scenario and $259,644 in the high scenario. Accordingly, for the purposes of the Liquidation Analysis, the *Chapter 7 Trustee Fees* are computed to equal: 25% of the first $5,000 disbursed or turned over by the Chapter 7 Trustee to parties-in-interest; 10% on any amount disbursed or turned over in excess of $5,000, but not in excess of $50,000; 5% on any amount disbursed or turned over in excess of $50,000, but not in excess of $1 million; and, 3% on any amount disbursed or turned over in excess of $1 million.

Wind-Down Fees and Expenses incurred during the period from the Hypothetical Conversion Date through the Distribution Date are estimated to total $1,472,000 in the low scenario and $892,700 in the high scenario.

Under the low scenario, the Debtors assume that the wind down will last six months to fulfill obligations under service support agreements which are generally one year in length. SCO Group intends to continue to employ certain key management through this process (e.g. Human Resources Director, CFO, as well as certain support personnel). The Debtors intend to pay certain non-management employees a retention bonus to complete the wind-down.

Under the high scenario, the Debtors assume that the wind down will last three months and the Debtors will not fulfill obligations under service support agreements after that time period. The Debtors also assumes no penalties or miscellaneous fees associated with terminating the service support agreements. SCO Group intends to continue to employ certain key management through this process (e.g. Human Resources Director, CFO, as well as certain support personnel). The Debtors intend to pay certain non-management employees a retention bonus.

Administrative Claims (Excluding Professional/Trustee Fees and Expenses) include unpaid post-petition liabilities incurred in the ordinary course of business. The Debtor estimates that the Administrative Claims (Excluding Professional/Trustee Fees and Expenses) outstanding as of the Conversion Date will total approximately $3,107,000. Post-petition liabilities consist of trade payable, royalties payable, wages payable, and certain accrued expenses. Because liquidation proceeds are projected to be sufficient to satisfy all such Allowed administrative claims in full, the Administrative Claims (Excluding Professional/Trustee Fees and Expenses) have not been segregated and prioritized. In the event that the Net Liquidation Value After Secured Claims is not sufficient to satisfy all Allowed administrative claims, the outstanding Allowed administrative claims arising during the Chapter 7 Case would be paid in full prior to any distributions being made in respect of any outstanding Allowed administrative claims arising during the Chapter 11 Case that are not Allowed Chapter 11 Fees.

Certain Claims against the Debtors are entitled to priority under the Bankruptcy Code. Such Claims consist of Priority Non-Tax Claims (Class 1). The Debtors are unaware of any Priority Non-Tax Claims (Class 1). Priority Tax Claims consist of Allowed Claims entitled to priority of payment under Section 507(a) of the Bankruptcy Code. The Claims will be paid in full on the Effective Date or as soon thereafter as practicable. The Debtors are not aware of any Priority Non-Tax Claims.

General Unsecured Claims Other Than Novell/IBM (Class 3) consist of all General Unsecured Claims against the Debtors other than those in Class 4. The Debtors estimate that the General Unsecured Claims total approximately $4,991,000 in the low scenario and $5,279,000 in the high scenario. General Unsecured Claims include unsecured trade payables, accrued legal and research and development expenses, and a pension liability. In addition, General Unsecured Claims include estimated refunds and claims associated with early termination of service and support contracts. In the low scenario, these refunds and claims are estimated to be $781,000 assuming a six month wind down. In the high scenario, these refunds and claims are estimated to be $1,069,000 assuming a three month wind down.

General Unsecured Claims of Novell/IBM (Class 4) consists of all Claims pending in Novell/IBM Litigation.

Equity Interests (Class 5) consists of holders of equity securities in SCO Group. The number of shares outstanding as of January 25, 2008 was 21,886,288.

Based upon the Debtors' analysis of the impact and distributions under Chapter 7, the Debtors believe that the Plan meets the requirements of section 1129(a)(7) of the Bankruptcy Code because, under the Plan, all Holders of Class 5 Equity Interests, the only Impaired Class,

will receive distributions that have a value at least equal to the value of the distribution that each such Person would receive if SCO were liquidated under Chapter 7 of the Bankruptcy Code.

In contrast, if the cases were to be converted to Chapter 7 cases, the Debtors' estates would incur the costs of a commission, allowed by statute, to the Chapter 7 Trustee(s), as well as the costs of counsel and other professionals retained by such Trustee(s). The Debtors believe that such costs would exceed the amount of Plan expenses that will be incurred in implementing the Plan since the Estates also would be obligated to pay all unpaid expenses incurred by the Debtors during these Chapter 11 Cases (such as compensation for Professionals) which are allowed in the Chapter 7 cases. In addition, if the case were liquidated under Chapter 7 and a judgment were entered awarding the damages asserted by Novell or IBM in the Novell/IBM Litigation, Interests would be wiped out and even creditors would not recover 100% of their Allowed Claims.

Accordingly, the Debtors believe that Holders of Equity Interests will receive at least as much, and likely more, than they would receive if the Chapter 11 Cases were converted to Chapter 7 cases.

(ix) Feasibility

Confirmation of a Chapter 11 plan requires the plan proponent to show that the completion of the plan is feasible. In the words of the statute, "Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan." 11 U.S.C. § 1129(a)(11). To address this requirement, a disclosure statement for a plan of reorganization typically includes information (including relevant financial information) about the debtor's future business operations, including projections for future profits, and the assumptions that underlie those projections. This is not a typical case and does not warrant that type of information.

Here is why that is the case. Creditors with Allowed Claims will not vote on the Plan. Instead, these creditors will be paid in full in cash shortly after the Plan is confirmed, or when their Claims become Allowed. There will sufficient cash on hand (and committed availability under the Debt Financing) to do that. Therefore, even if such creditors had a vote, there is no need for them to know about the Reorganized Debtors' future business prospects. Likewise, Holders of Allowed Equity Interests will be paid approximately $1.5 million in cash shortly after the Plan is confirmed, which amount approximates the current market value of SCO Group common stock when the Plan was announced. There will be sufficient cash on hand to do that, too. Additional distributions to Holders of Allowed Equity Interests will be generated, if at all, not from operating profits, but from recoveries in the Pending Litigation or a sale or liquidation of the Debtor. Accordingly, no purpose is served in these Chapter 11 Cases to prepare and disseminate operating projections for the Reorganized Debtors.

What is relevant is whether the funding is in place to fulfill the Plan's commitments to pay (a) the initial payments to Creditors and to Holders of Allowed Equity Interests; (b) the future payments to Creditors whose Claims are Allowed at a later time; and (c) the future payments to Holders of trust interests should the contingencies that require a future payment

occur. With regard to this, documentation establishing the availability of the funds will be provided with the definitive documents to be filed not later than March 21, 2008.

(x) Compliance with the Applicable Provisions of the Bankruptcy Code

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtors have considered each of these issues in the development of the Plan and believe that the Plan complies with all applicable provisions of the Bankruptcy Code.

(xi) Effect of Confirmation of the Plan

The Plan will be binding upon and inure to the benefit of the Debtors, all present and former Holders of Claims and Equity Interests, and their respective successors and assigns.

On the Effective Date, each Holder of a Claim or of an Equity Interest will be precluded from asserting against the Debtors' estates or their assets or properties, any other or further Claim or Equity Interest based upon any document, instrument, act, omission, transaction or other activity of any kind or nature that occurred before the Confirmation Date.

VII. ALTERNATIVES TO CONFIRMATION OF THE PLAN

The Debtors believe that the Plan affords Holders of Claims and Equity Interests the potential for the greatest realization on the Debtors' assets and, therefore, is in the best interests of such Holders. If the Plan is not confirmed, the only viable alternatives are dismissal of the Chapter 11 Cases or conversion to Chapter 7 of the Bankruptcy Code. Neither of these alternatives is preferable to confirmation of the Plan.

If the Chapter 11 Cases were dismissed, Creditors would revert to a "race to the courthouse", the result being that Creditors would not receive a fair and equitable distribution of the Remaining Assets of the Debtors. As set forth in the Debtors' liquidation analysis above, the Debtors believe that this Plan provides a greater recovery to Creditors than would be achieved in a Chapter 7 since, at the very least, conversion to Chapter 7 necessarily imposes an additional layer of expenses on the Debtors' estates, reduces the funds available for unsecured Creditors and may result in a substantial delay in payment to Creditors. Therefore, a Chapter 7 case is not an attractive or superior alternative to the Plan.

VIII. RISK FACTORS

(A) Failure to Satisfy Vote Requirement

The Debtors are seeking the required 2/3 majority of the Holders of Equity Interests. If the Plan does not receive sufficient votes for Confirmation pursuant to section 1129(a) of the Bankruptcy Code, then the Plan cannot be confirmed since the cannot seek to employ the "cramdown" procedures set forth in section 1129(b) of the Bankruptcy Code.

(B) The Plan May Not Be Accepted or Confirmed

While the Debtors believe that the Plan is confirmable under the standards set forth in 11 U.S.C. § 1129, there can be no guarantee that the Bankruptcy Court will find the Plan to be confirmable. If the Plan is not confirmed, it is possible that an alternative plan can be negotiated and presented to the Bankruptcy Court for approval; however, there can be assurance that any alternative plan would be confirmed, that the Chapter 11 Cases would not be converted to a liquidation, or that any alternative plan of reorganization could or would be formulated on terms as favorable to the Creditors and holders of Equity Interests as the terms of the Plan.

(C) Failure to Satisfy Conditions to Close or Effectiveness of the Plan

The closing under the Stock Purchase Agreement and obligation of SNCP to provide the Debt Financing are subject to the satisfaction of several conditions to closing, including those described in Article V, Section (E)(i), above. Moreover, the effectiveness of the Plan is subject to the Company and SNCP entering into definitive documents necessary to consummate the Plan, including, without limitation and in addition to the Stock Purchase Agreement, the Loan Documents and the Stockholders' Agreement. If the conditions precedent to the closing under the Stock Purchase Agreement and the Effective Date have not been satisfied or waived, the Bankruptcy Court may vacate the Confirmation Order. **THERE CAN BE NO ASSURANCE THAT ALL OF THE VARIOUS CONDITIONS TO THE CLOSING UNDER THE STOCK PURCHASE AGREEMENT OR THE EFFECTIVENESS OF THE PLAN WILL BE TIMELY SATISFIED OR WAIVED.** In the event that the conditions to effectiveness have not been timely satisfied or waived, the Plan would be deemed null and void and the Debtors may propose and solicit votes for an alternative plan that may not be as favorable to parties in interest as the Plan.

(D) Adverse Outcome of Pending Litigation

The Company has suffered a setback in the Novell Litigation that has significantly limited the Company's claims and there can be no assurance that the Company will prevail in the Novell Litigation or the other pending litigation.

The District Court in the Novell Litigation has determined that certain SCOsource licensing agreements included older SVRx licenses in respect of which SCO Group may be required to pay Novell. The payment may range from a *de minimus* amount to over $30 million, plus interest. Although the Company intends to appeal this ruling, there can be no assurance that an appellate court will overturn it.

Accordingly, except for their pro rata share of the initial approximately $1.5 million to be distributed to holders of Equity Interest on the Effective Date of the Plan, there can be no assurance that the holders of Equity Interests will realize any benefits from their beneficial interests in the Trust, and they should not anticipate receiving any additional compensation in respect of their Equity Interests.

(E) Risk Factor Relating to Ownership of the Interests in the Trust

Unlike the current shares of Old Common Stock, the interests in the Trust that Holders of Equity Interests will receive will be non-transferable except pursuant to the laws of descent and distribution. Therefore, Holders of Allowed Equity Interests will not be able to sell or transfer their interests in the Trust. As a result of this prohibition, the only consideration Holders of Equity Interest will receive from owning the beneficial interests in the Trust will be distributions, if any, that they receive from the Trust. There can be no assurance that the Trust will make any distributions to the Trust beneficiaries following the initial distribution on the Effective Date.

IX. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A summary description of certain United States ("U.S.") federal income tax consequences of the Plan is provided below. The description of tax consequences below is for informational purposes only and, due to lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various U.S. federal income tax consequences of the Plan as discussed herein. Only the potential material U.S. federal income tax consequences of the Plan to the Debtors and to a hypothetical investor typical of the holders of Claims and Interests who are entitled to vote to confirm or reject the Plan (i.e., the holders of Class 5 Equity Interests) are described below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan, and no tax opinion is being given in this Disclosure Statement. No rulings or determinations of the Internal Revenue Service (the "IRS") or any other tax authorities have been obtained or sought with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtors or to any holder of Class 5 Equity Interests. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The discussion of the U.S. federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations promulgated and proposed thereunder, judicial decisions, and administrative rulings and pronouncements of the IRS and other applicable authorities, all as in effect on the date hereof. Legislative, judicial or administrative changes or interpretations enacted or promulgated in the future could alter or modify the analyses and conclusions set forth below. It cannot be predicted at this time whether any tax legislation will be enacted or, if enacted, whether any tax law changes contained therein would affect the tax consequences to the holders of Class 5 Equity Interests. Any such changes or interpretations may be retroactive and could significantly affect the U.S. federal income tax consequences discussed below.

THIS DISCUSSION DOES NOT ADDRESS FOREIGN, STATE OR LOCAL TAX CONSEQUENCES OF THE PLAN, NOR DOES IT PURPORT TO ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO SPECIAL CLASSES OF TAXPAYERS (SUCH AS FOREIGN ENTITIES, NONRESIDENT ALIEN

INDIVIDUALS, PASS-THROUGH ENTITIES SUCH AS PARTNERSHIPS AND HOLDERS THROUGH SUCH PASS-THROUGH ENTITIES, S CORPORATIONS, MUTUAL FUNDS, INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, SMALL BUSINESS INVESTMENT COMPANIES, REGULATED INVESTMENT COMPANIES, CERTAIN SECURITES TRADERS, BROKER-DEALERS AND TAX-EXEMPT ORGANIZATIONS). FURTHERMORE, ESTATE AND GIFT TAX ISSUES ARE NOT ADDRESSED HEREIN AND TAX CONSEQUENCES RELATING TO THE ALTERNATIVE MINIMUM TAX ARE GENERALLY NOT DISCUSSED HEREIN.

NO REPRESENTATIONS ARE MADE REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE PLAN TO ANY HOLDER OF CLASS 5 EQUITY INTERESTS. EACH HOLDER OF CLASS 5 EQUITY INTERESTS IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

(A) U.S. Federal Income Tax Consequences to the Debtors

(i) Issuance of New Class of Series A Preferred Stock to SNCP

Upon the effective date of the Plan, SNCP will pay to the Company the sum of $5 million for the issuance of a new class of Series A Preferred Stock. With regard to NOLs, Section 382 of the Tax Code provides certain limitations on a corporation. The Company's receipt of this $5 million by SNCP for the Series A Preferred Stock will not be taxable to the Company for U.S. income tax purposes pursuant to section 1032 of the Tax Code.

(ii) Net Operating Losses ("NOLs") – Tax Code Section 382

With regard to NOLs, section 382 of the Tax Code provides certain limitations on a corporation's utilization of its NOLs to offset its post-Effective Date taxable income if there has been a more than 50% ownership change in the corporation involving one or more 5% shareholders (as that term is defined in that Section) over a statutorily prescribed period of time ("ownership change"). Under this limitation ("Section 382 limitation"), a corporation which undergoes an "ownership change" [and which satisfies certain "continuity of business" requirements for a 2-year period following the ownership change (i.e., either continues the old loss corporation's historic business or uses a significant portion of the old loss corporation's assets in a business)] may utilize a portion of its pre-"ownership change" NOLs against its post-"ownership change" income each year in an amount equal to the value of the corporation at the time of the ownership change (subject to special rules which may apply in determining such value) multiplied by the long-term tax-exempt bond rate prescribed by the IRS. Special rules apply to "built-in" gains and "built-in" losses. The failure to satisfy this "2-year continuity of business" requirement would result in a Section 382 limitation of zero, resulting in a complete loss of utilization of pre-"ownership change" NOLs" against post-"ownership change" income (subject to the special rules dealing with "built-in gains" and "built-in losses").

In the case of a consolidated group, NOLs and Section 382 limitation are determined on a "consolidated group" basis. The value of the loss group for purposes of determining the Section

382 limitation is the value, immediately before the ownership change, of the stock of each member (excluding stock of a member owned by another member), subject to adjustment as provided in Section 382 of the Tax Code. Likewise, continuity of business enterprise is determined on a "consolidated group" basis (i.e., a single-entity basis). If a member of the consolidated group leaves the group, a portion of the consolidated NOL is allocated to the departing member under certain rules set forth in the Income Tax Regulations.

If the Plan is confirmed with respect to the Debtors, the Debtors anticipate that there will be an "ownership change" (within the meaning of Section 382 of the Tax Code) on the Effective Date as a result of the issuance of a new class of Series A Preferred Stock in the Company to SNCP pursuant to the Plan. Accordingly, the Debtors' ability to use any pre-Effective Date NOLs to offset their income in any post-Effective Date taxable year (and in the portion of the taxable year of the "ownership change" following the Effective Date) to which such a carryover is made generally (subject to various exceptions and adjustments) will be limited. In addition, there is no assurance that the Debtors will satisfy the "2-year continuity of business" requirement. The Debtors' failure to satisfy this "2-year continuity of business" requirement will result in a Section 382 limitation of zero, subject to the special rules dealing with "built-in" gains.

Section 382(l)(5) of the Tax Code provides an exception that allows corporations that undergo an "ownership change" in a Chapter 11 plan of reorganization to avoid the general Section 382 limitation on their NOLs. Rather, corporations that qualify under section 382(l)(5) are subject to special rules. To qualify for this exception, the shareholders and "qualified creditors" of the corporation (i.e., creditors whose claims are at least 18 months before the petition filing date or "ordinary course" trade creditors) must own 50% or more of the value and voting power of the reorganized company after the "ownership change." If the Plan is confirmed with respect to the Debtors, the Debtors do not anticipate that this "ownership change" will qualify for this exception under section 382(l)(5) of the Tax Code.

(B) U.S. Federal Income Tax Consequences of the Trust

(i) Tax Characterization of the Trust

The Trust should be treated as a "grantor" trust with respect to the holders of the Company's New Common Stock and Common Stock equivalents pursuant to sections 671 through 678 of the Tax Code. Assuming this treatment is correct, the Trust will not be treated as a separate taxable entity. Rather, the holders of the beneficial interests in the Trust should be treated as the grantors or the substantial owners of the Trust's assets for U.S. federal income tax purposes. There can be no assurance that the IRS will not dispute such treatment. **The holders of the beneficial interests in the Trust should consult with their own tax advisors regarding the tax treatment of the Trust for U.S. federal income tax purposes.**

(ii) Establishment of the Trust

The issuance of the Company's New Common Stock and New Common Stock equivalents to the Trust for the benefit of the holders of the Class 5 Equity Interests (and the simultaneous cancellation of the currently issued and outstanding shares of the Company's

Common Stock and Common Stock equivalents), as of the Effective Date of the Plan, should be treated for U.S. federal income tax purposes as a deemed transfer of those assets (i.e., the New Common Stock and New Common Stock equivalents) to the holders of the Class 5 Equity Interests in exchange for their Class 5 Equity Interests, immediately followed by a deemed contribution of those assets to the Trust by such holders in exchange for a *pro rata* beneficial interest in the Trust, all as of the Effective Date of the Plan. As a result of this deemed exchange of the Class 5 Equity Interests for the New Common Stock and New Common Stock equivalents and the deemed contribution of the New Common Stock and New Common Stock equivalents to the Trust, the holders of the Class 5 equity Interests will receive a *pro rata* beneficial interest in the Trust based upon their percentage ownership of the Class 5 Equity Interests, as of the Effective Date of the Plan. As discussed in Section (C), below, the holders of the Class 5 Equity Interests should not have adverse U.S. federal income tax consequences resulting from this deemed exchange and contribution. **The holders of the beneficial interests in the Trust should consult with their own tax advisors regarding the U.S. federal income tax consequences to them resulting from the establishment of the Trust.**

(iii) Taxation of the Trust

Each beneficiary of the Trust will be required to report on its U.S. federal income tax return its allocable share of any income, loss, deduction or credit recognized or incurred by the Trust including, but not limited to, any interest or dividend income earned with respect to the assets of the Trust. Each beneficiary's obligation to report its share of any such income is not dependent on the Trust distributing any cash or other proceeds. Accordingly, a beneficiary may incur a tax liability as a result of owning a beneficial interest in the Trust regardless of whether the Trust makes a current distribution. **The holders of the beneficial interests in the Trust should consult with their own tax advisors for information that may be relevant to their particular circumstances regarding the U.S. federal income tax consequences to them resulting from this Trust.**

(iv) Tax Reporting

The Trust will file an annual information tax return with the IRS which will include information concerning the allocation of income, gain, loss, deductions and credits to the beneficiaries of the Trust. Each beneficiary of the Trust will receive a copy of such return and will be required to report on its own U.S. federal income tax return its allocable share of such items.

(C) U.S. Federal Income Tax Consequences to the Holders of Class 5 Equity Interests

(i) The Exchange of Old Common Stock in the Company for Beneficial Interests in the Trust

The issuance of New Common Stock of the Company to the Trust for the benefit of the holders of the currently issued and outstanding shares of Common Stock of the Company ("Common Stock Holders"), and the simultaneous cancellation of those currently issued and outstanding shares of Common Stock ("Old Common Stock"), in exchange for a *pro rata*

beneficial interest in the Trust (with respect to the New Common Stock held by the Trust), as of the Effective Date of the Plan, should be treated for U.S. federal income tax purposes as a tax-free recapitalization under section 368(a)(1)(E) of the Tax Code. Accordingly, no gain or loss should be recognized for U.S. federal income tax purposes by those Common Stock Holders upon their receipt of their respective beneficial interests in the Trust (which holds the New Common Stock of the Company). Likewise, no gain or loss will be recognized for U.S. federal income tax purposes by the Company on the issuance of the New Common Stock and the cancellation of the Old Common Stock. In addition, the tax basis of the Holders of Equity Interests (who are currently Common Stock Holders) in their beneficial interests in the Trust (and, therefore, their tax basis in their respective interests in the New Common Stock) will be the same as their tax basis in their shares of Old Common Stock which was cancelled pursuant to the Plan and their holding period for their respective interests in the New Common Stock will include their prior holding period for their shares of Old Common Stock, provided that such shares were held by them as capital assets, within the meaning of section 1221 of the Tax Code, immediately prior to the effective date of the Plan. **The holders of the beneficial interests in the Trust should consult with their own tax advisors regarding the U.S. federal income tax consequences to them resulting from the transactions described in this paragraph.**

(ii) The Exchange of Old Stock Options in the Company for Beneficial Interests in the Trust

The issuance of New Stock Options in the Company to the Trust for the benefit of the holders of the current Stock Options ("Old Stock Options") in the Company, and the simultaneous cancellation of the Old Stock Options, in exchange for a *pro rata* beneficial interest in the Trust (with respect to the New Stock Options held by the Trust), as of the Effective Date of the Plan, should be treated for U.S. federal income tax purposes as a new grant of Stock Options, effective as of the effective date of the Plan. Both the Old Stock Options and the New Stock Options are non-qualified stock options for U.S. federal income tax purposes (i.e., they are not Incentive Stock Options as defined in section 422 of the Tax Code). Since these New Stock Options will be "out-of-the-money" Stock Options at the time of this new grant (i.e., the exercise price of the New Stock Options will not be less than the then fair market value of the underlying shares of the New Common Stock of the Company), and assuming that these New Stock Options will not have a "readily ascertainable fair market value" at the time they are granted (i.e., at the effective date of the Plan) within the meaning of section 83 of the Tax Code and the Treasury Regulations promulgated thereunder, there should be no adverse U.S. income tax consequences to those holders of the beneficial interests in the Trust (who have a beneficial interest in the New Stock Options held by the Trust) at the time of the exchange of the New Stock Options for the Old Stock Options, provided that all requirements of section 409A of the Tax Code and the Treasury Regulations promulgated thereunder are otherwise complied with when these New Stock Options are granted (i.e., on the Effective Date of the Plan). Rather, the U.S. federal income tax consequences to such holders under section 83 of the Tax Code and the Treasury Regulations promulgated thereunder shall generally apply at the time the New Stock Options are exercised or otherwise disposed of, i.e., for example, if any of the New Stock Options are exercised, the holder(s) of the beneficial interest(s) in the Trust (who have a beneficial interest in the New Stock Options which are exercised) will realize, generally at the time of exercise, compensation income (ordinary income) in such amount as determined under section 83 of the Tax Code and the Treasury Regulations thereunder. **The holders of the beneficial interests in**

the Trust who have a beneficial interest in the New Stock Options held by the Trust should consult with their own tax advisors regarding the U.S. federal income tax consequences to them resulting from the transactions described in this paragraph.

(iii) The Exchange of Old Warrants in the Company for Beneficial Interests in the Trust

On the Effective Date of the Plan, the Company will issue New Warrants for the purchase of New Common Stock in the Company ("New Warrants") to the Trust for the benefit of the holders of the current Warrants ("Old Warrants"), at which time the Old Warrants will be cancelled, in exchange for a *pro rata* beneficial interest in the Trust (with respect to the New Warrants held by the Trust). **Due to the unique circumstances regarding the issuance of these Warrants, the holders of the beneficial interests in the Trust who have a beneficial interest in the New Warrants held by the Trust should consult with their own tax advisors regarding the U.S. federal income tax consequences to them resulting from the issuance of the New Warrants to the Trust.**

(iv) The Distribution on the Effective Date to Certain Beneficiaries of the Trust

On the Effective Date of the Plan, the sum of $2 million from the proceeds of the sale of the new class of Series A Preferred Stock in the Company to SNCP, less the reserve for Trust expenses ("Distribution") will be distributed to the beneficiaries of the Trust *pro rata* based on their prior interests in the Old Common Stock (excluding common stock equivalents). The U.S. federal income tax consequences of this Distribution will depend on whether this Distribution will be treated, in whole or in part, as a dividend (within the meaning of section 316 of the Tax Code) or as a sale or exchange of property. This determination will depend on certain factors, including, without limitation, (i) whether the Company has any current or prior accumulated earnings and profits within the meaning of section 316 of the Tax Code at the time of the Distribution, (ii) whether the Distribution will be treated as part of the recapitalization transaction described in section 368(a)(1)(E) of the Tax Code and Section (C)(i), above, and part of the same transaction in which SNCP acquires the new class of Series A Preferred Sock, and (iii) whether the Distribution will be treated as a redemption of stock which qualifies for sale or exchange treatment under section 302(b) of the Tax Code (e.g., whether the Distribution qualifies as a substantially disproportionate redemption of stock within the meaning of section 302(b)(2) of the Tax Code). If the Distribution is treated for U.S. federal income tax purposes as part of the same transaction in which SNCP acquires the new class of Series A Preferred Stock and the Distribution qualifies as a substantially disproportionate redemption of stock within the meaning of section 302(b)(2) of the Tax Code (or otherwise qualifies for sale or exchange treatment under section 302(b) of the Tax Code), the Distribution would be treated for U.S. federal income tax purposes as a taxable sale or exchange of a *pro rata* portion of their beneficial interests in the Common Stock of the Company (i.e., tax-free to the extent of the beneficiary's tax basis in its beneficial interest in the Common Stock and the excess would be treated as gain from the sale or exchange of property). If the Distribution does not qualify for sale or exchange treatment under section 302(b) of the Tax Code, the Distribution would be taxed for U.S. federal income tax purposes as a dividend (i.e., ordinary income) to the extent that the Company has current or prior accumulated earnings and profits at the time of the Distribution and any excess

would be (i) tax-free to the extent of the beneficiary's tax basis in its beneficial interest in the Common Stock and (ii) the balance would result in taxable gain to the beneficiary. If the Company has no current or prior "earnings and profits" at the time of the Distribution, then the U.S. federal income tax consequences of the Distribution would be the same, i.e., the Distribution received by any beneficiary of the Trust would be tax-free to the extent of that beneficiary's tax basis in its beneficial interest in the Common Stock of the Company and any Distribution received by that beneficiary in excess of that tax basis would result in a taxable gain; that gain would be a capital gain (either long-term or short-term depending on the holding period for the beneficial interest in the Common Stock which would include the prior holding period for the Old Common Stock – see Section (C)(i), above) if the beneficial interest in that Common Stock was held by that beneficiary as a capital asset within the meaning of section 1221 of the Tax Code immediately prior to the Distribution. **The holders of the beneficial interests in the Trust should consult with their own tax advisors regarding the U.S. federal income tax consequences to them resulting from the Distribution.**

(v) The Redemption of all Shares of Common Stock Held by the Trust Following the Final Resolution of the Novell/IBM Litigation

Under the Plan, within one year after the pending litigation claims in the Novel/IBM Litigation are finally resolved, the Company will make a final payment to the Trust to redeem all of the shares of Common Stock of the Company held by the Trust at the Redemption Price described in this Disclosure Statement ("Redemption Transaction"). The U.S. federal income tax consequences of this Redemption Transaction will depend on whether this Redemption Transaction will be treated, in whole or in part, as a dividend (within the meaning of Section 316 of the Tax Code) or as a sale or exchange of property. This determination will depend on certain factors, including, without limitation, (i) whether the Company has any current or prior accumulated earnings and profits within the meaning of section 316 of the Tax Code at the time of the Redemption Transaction, and (ii) whether the Redemption Transaction will be treated as a redemption of stock which qualifies for sale or exchange treatment under section 302(b) of the Tax Code (e.g., whether the Distribution qualifies as a complete termination of a shareholder's interest in the stock within the meaning of section 302(b)(3) of the Tax Code). If the Redemption Transaction qualifies as a complete termination of a shareholder's interest in the stock within the meaning of section 302(b)(3) of the Tax Code (or otherwise qualifies for sale or exchange treatment under section 302(b) of the Tax Code), the Redemption Transaction would be treated for U.S. federal income tax purposes as a taxable sale or exchange of a *pro rata* portion of their beneficial interests in the Common Stock of the Company (i.e., tax-free to the extent of the beneficiary's tax basis in its beneficial interest in the Common Stock and the excess would be treated as gain from the sale or exchange of property). If the Distribution does not qualify for sale or exchange treatment under section 302(b) of the Tax Code, the Redemption Transaction would be taxed for U.S. federal income tax purposes as a dividend (i.e., ordinary income) to the extent that the Company has current or prior accumulated earnings and profits at the time of the Redemption Transaction and any excess would be (i) tax-free to the extent of the beneficiary's tax basis in its beneficial interest in the Common Stock and (ii) the balance would result in taxable gain to the beneficiary. If the Company has no current or prior "earnings and profits" at the time of the Redemption Transaction, then the U.S. federal income tax consequences of the Redemption Transaction would be the same, i.e., the portion of the Redemption Price received by any beneficiary of the Trust would be tax-free to the extent of that

beneficiary's tax basis in its beneficial interest in the Common Stock of the Company and any portion of the Redemption Price received by that beneficiary in excess of that tax basis would result in a taxable gain; that gain would be a capital gain (either long-term or short-term depending on the holding period for the beneficial interest in the Common Stock which would include the prior holding period for the Old Common Stock – see Section (C)(i), above) if the beneficial interest in that Common Stock was held by that beneficiary as a capital asset within the meaning of section 1221 of the Tax Code immediately prior to the Redemption Transaction. With respect to the shares of Common Stock issued or issuable in respect of the New Options that the Trust will cashlessly exercise at the time of the Redemption Transaction, the holder(s) of the beneficial interest(s) in the Trust (who have a beneficial interest in the New Stock Options which are exercised) will realize, generally at the time of exercise, compensation income (ordinary income) in such amount as determined under section 83 of the Tax Code and the Treasury Regulations thereunder – see Section (C)(ii), above. **The holders of the beneficial interests in the Trust should consult with their own tax advisors regarding the U.S. federal income tax consequences to them resulting from the Redemption Transaction.**

(vi) Liquidating Distributions to the Beneficiaries of the Trust Upon the Occurrence of Certain Events Prior to the Redemption Transaction

If the Company, prior to the Redemption Transaction described in Section (B)(v), above, completes an initial public offering ("IPO"), or sells all or substantially all of its assets, or merges or reorganizes, or takes any other action described in Article V, Section (C)(iv) of this Disclosure Statement, including, without limitation, the dissolution or liquidation of the Company, the proceeds of such sale, merger or other transaction which are payable to the Trust (or in the case of an IPO, the shares of New Common Stock held by the Trust) shall be distributed to the beneficiaries of the Trust. **Due to the numerous variations of the potential transactions which may be covered herein, the holders of the beneficial interests in the Trust should consult with their own tax advisors regarding the U.S. federal income tax consequences to them resulting from these transactions.**

(vii) Information Reporting and Backup Withholding

Certain payments, including payments in respect of accrued interest or market discount, are generally subject to information reporting by the payor to the IRS. Moreover, such reportable payments are subject to backup withholding under certain circumstances. Under the Tax Code's backup withholding rules, a U.S. holder may be subject to backup withholding at the applicable rate with respect to certain distributions or payments pursuant to the Plan, unless the holder: (i) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (ii) provides a correct U.S. taxpayer identification number and certifies under penalty of perjury that the holder is a U.S. person, the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's U.S. federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

(viii) Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS.

(ix) Circular 230 Disclaimer

THE IRS REQUIRES WRITTEN ADVICE REGARDING ONE OR MORE U.S. FEDERAL TAX ISSUES TO MEET CERTAIN STANDARDS. THOSE STANDARDS INVOLVE A DETAILED AND CAREFUL ANALYSIS OF THE FACTS AND APPLICABLE LAW WHICH WE EXPECT WOULD BE TIME CONSUMING AND COSTLY. WE HAVE NOT MADE AND HAVE NOT BEEN ASKED TO MAKE THAT TYPE OF ANALYSIS IN CONNECTION WITH ANY ADVICE GIVEN IN THE FOREGOING DISCUSSION. AS A RESULT, WE ARE REQUIRED TO ADVISE YOU THAT ANY U.S. FEDERAL TAX ADVICE RENDERED IN THE FOREGOING DISCUSSION IS NOT INTENDED OR WRITTEN TO BE USED AND CANNOT BE USED FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED BY THE IRS.

X. RECOMMENDATION

The Debtors strongly recommend that all Holders of Equity Interests receiving a Ballot vote in favor of the Plan. The Debtors believe that this Plan is in the best interests of Creditors and Equity Interests. The Plan as structured, among other things, allows Creditors to be paid in full (with accrued interest if applicable), and Equity Interests to obtain at least the present value of their stock or stock equivalents (i.e., options), and Equity Interests may also receive a future and final distribution of a portion (up to 49%) of (i) the Company's net recovery in the Novell/IBM Litigation, plus (ii) the Company's enterprise value, based on a four times multiple of EBITDA.

XI. CONCLUSION

FOR ALL THE REASONS SET FORTH IN THIS DISCLOSURE STATEMENT, THE DEBTORS BELIEVE THAT THE CONFIRMATION AND CONSUMMATION OF THE PLAN IS PREFERABLE TO ALL OTHER ALTERNATIVES. THE DEBTORS URGE ALL EQUITY INTERESTS ENTITLED TO VOTE TO ACCEPT THE PLAN AND TO EVIDENCE SUCH ACCEPTANCE BY RETURNING THEIR BALLOTS SO THAT THEY WILL BE ACTUALLY RECEIVED BY 4:00 P.M., PREVAILING EASTERN TIME, ON APRIL _____, 2008.

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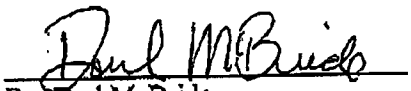
Dated: February 29, 2008

THE SCO GROUP, INC. &
SCO OPERATIONS, INC.



By: Darl McBride
Their: Chief Executive Officer