

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

Hearing Date: January 8, 2008 at 10:00 a.m. prevailing Eastern time
Objection Deadline: December 28, 2007 at 4:00 p.m. prevailing Eastern time

**MOTION OF THE DEBTORS TO APPROVE THE ASSUMPTION
OF NONRESIDENTIAL REAL PROPERTY LEASES WITH GRE
MOUNTAIN HEIGHTS PROPERTY LLC AND CANOPY PROPERTIES, INC.**

The SCO Group, Inc. (“SCO Group”) and SCO Operations, Inc. (collectively, the “Debtors”), by undersigned counsel, pursuant to 11 U.S.C. §§ 105(a), 363 and 365, Rules 2002(a)(2), 6006(a), (c) and (d), 9007 and 9014 of the Federal Rules of Bankruptcy Procedure, seek the entry of an order approving SCO Group’s assumption of two unexpired leases of non-residential real property located in: (i) Murray Hill, New Jersey (the “NJ Lease”) by and between SCO Group and GRE Mountain Heights Property, LLC (the “NJ Landlord”); and (ii) Lindon, Utah (the “Utah Lease”) by and between SCO Group and Canopy Properties, Inc. (the “Utah Landlord”). In support of this motion (the “Motion”), the Debtors respectfully represent as follows:

¹ The Debtors and the last four digits of each of the Debtors’ federal tax identification numbers are as follows: (a) The SCO Group, Inc., a Delaware corporation, Fed. Tax Id. #2823; and (b) SCO Operations, Inc., a Delaware corporation, Fed. Tax ID. #7393.
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Relevant Background

1. On September 14, 2007 (the "Petition Date"), the Debtors filed voluntary petitions for relief under Chapter 11, title 11, United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code").
2. Prior to the Petition Date, the Debtors were parties to the NJ Lease and the Utah Lease. The Utah Lease is the Debtors' office space for its corporate headquarters and houses the majority of its employees, including its accounting and finance departments, the corporate officers, marketing and human resources. The NJ Lease is the Debtors' office space for approximately 30 employees, including engineers as well as account managers.
3. The expiration date of both the NJ Lease and Utah Lease is December 31, 2007.
4. Since the Petition Date, SCO Group has negotiated with the NJ Landlord and the Utah Landlord to amend the leases to, among other things, extend the terms thereof, reduce space and reduce the monthly rent. In sum, the NJ Lease was amended as follows:
 - a. For the months of January, February and March 2008, the Debtors shall continue to pay the "Fixed Rent" it is currently paying under the original lease in the amount of Forty Four Thousand One Hundred Sixty Seven and 50/100 Dollars (\$44,167.50).
 - b. During such three (3) month period, \$9,430.69 per month (\$28,292.07) will be held by Landlord as an additional Security Deposit in accordance with the terms and provisions of the Lease.
 - c. Beginning on April 1, 2008, the Fixed Rent payable by the Debtors shall be Three Hundred Eighteen Thousand Seven Hundred Ten and 88/100 Dollars (\$318,710.88) per annum (exclusive of tenant electricity), payable in monthly installments of Twenty Six

Thousand Five Hundred Fifty Nine and 24/100 Dollars
(\$26,559.24).

- d. The term of the NJ Lease is extended through December 31, 2010.
- e. The space rented by the Debtors shall be reduced from 21,983 square feet to 11,183 square feet.

5. The terms of the NJ Lease, as amended, requires approval of the amendment by the Court on or before January 8, 2008.

6. While the amendment to the Utah Lease has not yet been finalized, SCO Group anticipates that the terms will include a reduction in rentable space as well as reduction in monthly rent.

Assumption Of Leases

7. The Debtors request that the Court approve the assumption of the NJ Lease and the Utah Lease, as amended. A copy of the form of the amendment to the NJ Lease to be executed by the parties is attached as **Exhibit A**. A copy of the form of amendment to the Utah Lease and a summary of the amendments will be filed under notice of filing once it is finalized and in advance of the hearing to consider this Motion.

8. Section 365 of the Bankruptcy Code authorizes a trustee or debtor in possession to assume or reject an executory contract or unexpired lease subject to the Bankruptcy Court's approval. 11 U.S.C. § 365. The decision whether an executory contract or unexpired lease should be assumed and assigned or rejected depends on the debtor's exercise of its "business judgment." *NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 523 (1984)(describing business judgment as "traditional"); *In re III Enterprises Inc. V*, 163 B.R. 453, 469 (Bankr. E.D.

PA. 1994) (citations omitted)(“generally, a court will give great deference to a debtor’s decision to assume or reject the contract. A debtor need only show that its decision to assume or reject the contract is an exercise of sound business judgment - a standard which we have concluded many times is not difficult to meet”). The Bankruptcy Code requires that a debtor in possession satisfy certain requirements at the time of assumption if a default exists under the contract or lease to be assumed. 11 U.S.C. § 365(b).

9. Here, the Debtors have amply demonstrated sound business judgment in negotiating amendments to the NJ Lease and the Utah Lease that reduce the space and the corresponding monthly rent, but allows the Debtors sufficient space to continue its operations efficiently. Further, there are no cure amounts due to either of the landlords. Accordingly, the result of the assumption will be to reduce the Debtors’ ongoing administrative expenses.

10. The landlords have consented to the amendment of the leases to extend the term, reduce space and reduce rent as described hereinabove. Based upon the landlords’ consent and the lack of any required cure amount, the Debtors submit that the requirements of section 365(b)(1) have been fully satisfied in this case. Therefore, the Debtors should be permitted to assume the NJ Lease and the Utah Lease, as amended.

Notice

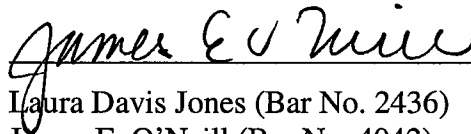
11. Notice of this Motion will be provided by hand delivery, or facsimile, or overnight mail, or electronic mail to: (1) the Office of the United States trustee for the District of Delaware; (2) NJ Landlord at GRE Mountain Heights Property, LLC c/o Vision Equities, LLC,

49 Old Bloomfield Avenue, Mountain Lakes, New Jersey 07046; (3) Utah Landlord at Canopy Properties, Inc., 333 South 50 West, Lindon, UT 60197-4014; and (4) all parties who have timely filed requests for Notice under Bankruptcy Rule 2002.

WHEREFORE, the Debtors respectfully request entry of an order granting the relief requested herein, as well as granting any other and further relief the Court deems just and proper.

Dated: December 18, 2007

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