

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: March 7, 2008 at 2:00 p.m. Prevailing Eastern Time
Objection Deadline: February 29, 2008 at 4:00 p.m. Prevailing Eastern Time

DEBTORS' MOTION (1) TO AMEND ORDER AUTHORIZING PAYMENT OF ACCRUED BENEFITS; AND (2) FOR AUTHORIZATION TO PAY ACCRUED BENEFITS TO EMPLOYEES TERMINATED AFTER ENTRY OF ORDER

The above-captioned debtors-in-possession (collectively, the "Debtors") seek, pursuant to 11 U.S.C. §§ 105, 507(a)(4) and Del. Bankr. L.R. 9013-1(k)(ii): (1) to increase the amount of pre-petition accrued benefits authorized to be paid in the *Order Authorizing The Debtors to (I) Pay Severance and Accrued Benefits to Terminated Employees and (II) Continue Severance Policy* (Docket No. 165) (the "Order") and (2) authority to pay such pre-petition accrued benefits to employees terminated after the entry of the Order up to the priority limits set forth in section 507(a)(4) of the Bankruptcy Code. In support of this motion the Debtors respectfully state as follows:

Jurisdiction

1. This Court has jurisdiction over these cases under 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2)(A).

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

2. The statutory bases for the relief sought herein are sections 105(a), 507(a)(4), 1107(a) and 1108 of the Bankruptcy Code, 11 U.S.C. §§ 101 - 1532.

Background

3. On September 14, 2007 (the "Petition Date"), the Debtors commenced these cases (the "Chapter 11 Cases") by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code.

4. Parties-in-interest and the Court are referred to the *Declaration of Darl C. McBride, Chief Executive Officer of the Debtors, in Support of First Day Motions* (the "McBride Declaration") filed on the Petition Date and incorporated herein by reference for the factual background relating to the Debtors' business and their commencement of these Chapter 11 Cases.

5. In the ordinary course of the Debtors' business, when employees are terminated without cause, the Debtors pay the terminated employee all outstanding wages, "paid time off" and, if eligible, severance. In addition, in the ordinary course of the Debtors' business, terminated employees ordinarily execute a release of the Debtors at the time they receive payment for outstanding wages, PTO and severance.

6. On October 12, 2007, the Debtors filed the *Debtors' Motion for Authorization to (I) Continue Prepetition Severance Policy Applicable to All Employees and (II) Pay Severance and Accrued Benefits to Employees Terminated Postpetition* (the "Benefits Motion") (Docket No. 116).

7. On October 12, 2007, the Court entered the Order, which, among other things, authorized the Debtors to pay terminated employees amounts not to exceed the \$10,950 priority limit under section 507(a)(4) per terminated employee up to an aggregate cap of \$50,628.49 (the "PTO Cap").

The Debtors' Paid Time Off Policy

8. As set forth in the PTO Motion, the Debtors had a prepetition policy whereby full-time employees of the Debtors would accrue "paid time off." Specifically, based on their tenure, full-time employees accrue up to 5.54 hours per pay period ("PTO") up to a maximum of 120 hours. Employees accrue their allotted vacation time effective January 1st of the applicable calendar year. The Debtors offer fixed holidays to qualifying full and part-time Employees.

9. In the ordinary course of the Debtors' business, upon termination of employment, the Debtors "cash-out" the Terminated Employee's PTO.

Relief Requested and Basis Therefor

10. The Debtors request that the Court amend the Order to increase the PTO Cap to \$200,000 in anticipation of a reduction in workforce anticipated to be made by the Debtors on January 31, 2008 and for any future reductions in workforce that may be made thereafter. The Debtors also seek authority to pay prepetition accrued PTO to the employees that were or will be terminated since the entry of the Order in the ordinary course pursuant to their pre-petition PTO policies.

11. The Debtors submit that they will not pay pre-petition PTO amounts that exceed the \$10,950 limitation set forth in 11 U.S.C. § 507(a)(4) inclusive of any pre-petition priority wage-related claims authorized by the Court. *See Order (i) Authorizing the Debtors to (a) Pay Prepetition Wages, Salaries, Commissions, Employee Benefits and Other Compensation; (b) Remit Withholding Obligations; (c) Maintain Employee Benefits Programs and Pay Related Administrative Obligations; and (ii) Authorizing Applicable Banks and Other Financial Institutions to Receive, Process, Honor and Pay Certain Checks Presented for Payment and to Honor Certain Fund Transfer Requests* (Docket No. 27). The Debtors also propose, consistent with their pre-petition practices, that the terminated employees be required to execute a release of the Debtors of any and all claims they may have against the Debtors as of the date of the execution of the release.

12. The Debtors submit that payment of the pre-petition PTO to the terminated employees as proposed herein will give existing employees comfort and incentivize them to perform their duties with minimal disruption to the Debtors' operations. If the Debtors' remaining employees believed they would not be paid their PTO and used their accumulated PTO, the Debtors' could be left shorthanded with an already reduced, and shrinking, workforce.

13. The Debtors also believe that increasing the PTO Cap will save any administrative expenses that might otherwise be incurred in connection with filing motions each time a reduction in workforce is contemplated.

Notice

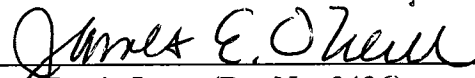
14. Notice of this Motion has been or will be given to the following parties or, in lieu thereof, to their counsel, if known: (i) the Office of the United States Trustee; (ii) the creditors holding the 20 largest unsecured claims against the Debtors' estates (on a consolidated basis); and (iii) any party which has filed a request for notices with this Court prior to the date of this Motion. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

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WHEREFORE, the Debtors respectfully request that this Court enter an order, substantially in the form attached hereto, granting the relief requested herein and such other and further relief as this Court deems appropriate.

Dated: February 13, 2008

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