

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

The SCO GROUP, INC. et al.<sup>1</sup>  
Debtors.

Chapter 11

Case No. 07-11337 (KG)  
(Jointly Administered)

**THIRD INTERIM APPLICATION OF DORSEY & WHITNEY LLP,  
SPECIAL COUNSEL TO THE DEBTORS AND DEBTORS-IN-POSSESSION,  
FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES  
FOR THE PERIOD DECEMBER 1, 2007 THROUGH DECEMBER 31, 2007 AND  
NOTICE OF INTENT TO SETOFF CERTAIN PRE-PETITION FEES AND EXPENSES  
AGAINST PRE-PETITION RETAINER**

Name of Applicant:	Dorsey & Whitney LLP
Authorized to Provide Professional Services to:	The Debtors and Debtors-in-Possession
Date of Retention	September 14, 2007
Period for which compensation And reimbursement is sought:	December 1, 2007 through December 31, 2007
Amount of fees sought as actual, reasonable and necessary:	\$12,568.50
Amount of expenses sought as actual, reasonable and necessary:	\$1,735.12
Amount of additional pre-petition fees sought to set-off against pre-petition retainer per Court order:	\$16,965.25
This is a(n):	<input checked="" type="checkbox"/> interim <input type="checkbox"/> final application.

---

<sup>1</sup>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.

The total time expended for the preparation of this application will be included in the next monthly fee application.

**Prior Monthly Applications:**

Application		Requested		Approved	
Date Filed	Period Covered	Fees	Expenses	Fees	Expenses
11/30/07	9/14/07 – 10/31/07	\$57,585.75	\$6,129.29	\$46,068.60	\$6,129.29
1/11/08	11/1/07 – 11/30/07	\$26,456.50	\$527.93	\$21,165.20	\$527.93

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

The SCO GROUP, INC. et al.<sup>1</sup>  
Debtors.

Chapter 11

Case No. 07-11337 (KG)  
(Jointly Administered)

**THIRD INTERIM APPLICATION OF DORSEY & WHITNEY LLP,  
SPECIAL COUNSEL TO THE DEBTORS AND DEBTORS-IN-POSSESSION,  
FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES  
FOR THE PERIOD DECEMBER 1, 2007 THROUGH DECEMBER 31, 2007 AND  
NOTICE OF INTENT TO SETOFF CERTAIN PRE-PETITION FEES AND EXPENSES  
AGAINST PRE-PETITION RETAINER**

Dorsey & Whitney LLP, (“Dorsey” or the “Firm”), special counsel to the above-captioned Debtors and Debtors-in-Possession, hereby submits this Third Interim Application of Dorsey & Whitney LLP, Special Counsel to the Debtors and Debtors-in-Possession for the Period December 1, 2007 through December 31, 2007 and Notice of Intent to Setoff Certain Pre-Petition Fees and Expenses against Pre-Petition Retainer (the “Application”). In support hereof, Dorsey respectfully represents as follows:

**INTRODUCTION**

1. On September 14, 2007 (the “Petition Date”), the above-captioned Debtors (collectively, the “Debtors”) commenced these bankruptcy cases by filing voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (as amended, the “Bankruptcy Code”), in the United States Bankruptcy Court for the District of Delaware (the “Court”).

---

<sup>1</sup>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 Debtors are continuing in possession of their properties and are operating and managing their businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

### **BACKGROUND**

3. On October 4, 2007, the Court entered the Administrative Order Establishing Procedures for Interim Monthly Compensation of Professionals [Docket ID #95] (the “Administrative Order”) authorizing estate professionals (the “Professionals”) to submit monthly applications for interim compensation and reimbursement for expenses, pursuant to the procedures specified therein.

4. By order of the Court entered on November 19, 2007, the Debtors retained Dorsey *nunc pro tunc* to the Petition Date as Special Counsel (the “Retention Order”) [Docket ID #220].

5. The Retention Order authorized the Debtors to compensate Dorsey on an hourly basis and to reimburse Dorsey for actual and necessary out-of-pocket expenses.

6. On November 30, 2007, Dorsey filed its First Interim Application of Dorsey & Whitney LLP, Special Counsel to the Debtors and Debtors-in-Possession, for Compensation and Reimbursement of Expenses for the Period September 14, 2007 through October 31, 2007 [Docket ID # 238] (the “First Application”). Pursuant to the Retention Order, the First Application provided notice of Dorsey’s intent to setoff certain unbilled pre-petition fees and expenses totaling \$53,128.46 against the Retainer (as defined below). After filing the First Application, Dorsey became aware of additional unbilled pre-petition fees totaling \$16,965.25.

**APPLICATION FOR COMPENSATION AND REIMBURSEMENT OF  
EXPENSES**

7. Subject to Court approval, Dorsey seeks payment for compensation on an hourly basis, plus reimbursement of actual, necessary expenses incurred by Dorsey during the Application Period. The rates charged by Dorsey in this case do not differ from the rates charged to Dorsey's non-bankruptcy clients.

8. A summary of the hours spent, the names of each professional and paraprofessional rendering services to the Debtors during the Application Period, the regular customary billing rates and the total value of time incurred by each of the Dorsey attorneys rendering services to the Debtors is attached hereto as Exhibit A. A summary of the computer generated time entries reflecting the time recorded for these services, organized in project billing categories pursuant to Rule 2016-2(c)(ii) of the Local Rules for the United States Bankruptcy Court for the District of Delaware (the "Local Rules") is attached hereto as Exhibit B. A summary statement of expenses (and supporting detail) incurred by Dorsey during the Application Period is attached hereto as Exhibit C. All time entries and requested expenses are in compliance with Local Rule 2016-2.<sup>1</sup>

9. Pursuant to the Administrative Order, Dorsey and other professionals retained in this case are authorized to file and to serve upon the Notice Parties identified in the Administrative Order monthly fee applications (a "Monthly Fee Application"), pursuant to section 331 of the Bankruptcy Code, for interim approval and allowance of compensation for services rendered and reimbursement of expenses incurred during the immediately preceding month (the "Compensation Period"). Pursuant to the Administrative Order, each Notice Party

---

<sup>1</sup> Dorsey has also attempted to ensure that this Application complies with the Guidelines. To the extent the Guidelines conflict with local rules, in particular, Local Rule 2016-2, Dorsey has chosen to comply with such local rule. Dorsey will supplement this Application with additional detail or information upon request.

will have twenty (20) days after service of a Monthly Fee Application to object thereto (the “Objection Deadline”). Upon expiration of the Objection Deadline, the Professional may file a certificate of no objection with the Court after which the Debtors are authorized to pay each professional an amount (the “Actual Interim Payment”) equal to the lesser of (i) 80 percent (80%) of the fees and 100 percent (100%) of the expenses requested in the Monthly Fee Application (the “Maximum Payment”) and (ii) 80 percent (80%) of the fees and 100 percent (100%) of the expenses not subject to an objection, unless an objection has been lodged against specific fees and/or expenses or the Court orders otherwise.

10. In accordance with the Administrative Order, Dorsey has filed and served the Notice Parties identified in the Administrative Order this Application with respect to fees and expenses incurred during the Application Period; to wit, fees in the amount of \$12,568.50, and expenses in the amount of \$1,735.12 for the period commencing December 1, 2007 and ending December 31, 2007.

11. All services and costs for which compensation is requested by Dorsey in this Application were reasonable and necessary and were performed for and on behalf of the Debtors during the Application Period.

#### **CASE STATUS**

12. Dorsey believes that there is sufficient cash on hand or on deposit in the Debtors’ estates to satisfy accrued unpaid administrative expenses including the amounts requested herein.

#### **SUMMARY OF SERVICES RENDERED**

All of the professional services that Dorsey rendered to the Debtors during the Application Period are set forth in detail in Exhibit D, segregated according to project billing categories.

## **REIMBURSEMENT OF EXPENSES**

13. During the Application Period, Dorsey incurred certain necessary expenses in rendering legal services to the Debtors as summarized in Exhibit C and set forth in more detail in Exhibit D, segregated according to project billing categories.

14. Dorsey seeks reimbursement for its reasonable, necessary and actual expenses incurred during the Application Period in the total amount of \$1,735.12.

## **COMPENSATION REQUESTED**

15. Dorsey expended 46.40 hours during the Application Period in furtherance of its efforts on behalf of the Debtors. Dorsey requests allowance of compensation in the amount of \$12,568.50, for legal services rendered during the Application Period at a blended hourly rate of \$270.87.

16. None of the requested fees and expenses detailed herein have been paid.

## **SETOFF AGAINST PRE-PETITION RETAINER**

17. Prior to the Petition Date, Dorsey received a retainer of \$100,000 (the “Retainer”) to secure its pre-petition services and expenses. Due to the speed of events that occurred in the days prior to the Petition Date, Dorsey was unable to issue an invoice to the Debtors for certain unbilled pre-petition fees and expenses totaling \$70,093.71 (the “Unbilled Claim”).

18. As of the date of the First Application, Dorsey had identified a portion of the Unbilled Claim totaling \$53,128.46 (the “Initial Unbilled Claim”) and gave notice in the First Application of the Firm’s intent to setoff the Initial Unbilled Claim against the Retainer. The invoices associated with the Initial Unbilled Claim are attached to the First Application as Exhibit E.

19. After filing the First Application, Dorsey became aware of additional unbilled pre-petition fees totaling \$16,965.25 (the “Supplemental Unbilled Claim”) that were not included in the First Application. The invoices associated with the Supplemental Unbilled Claim are attached hereto as Exhibit E. Pursuant to the Retention Order, Dorsey seeks to apply the Retainer to the amount of the Supplemental Unbilled Claim (\$16,965.25). The remainder of the Retainer will be, to the extent not already, applied to allow fees and expenses approved on an interim basis as set forth in the Retention Order.

### **LEGAL STANDARD**

20. Section 330(a)(1)(A) and (B) of the Bankruptcy Code allows the payment of:

- (A) reasonable compensation for actual, necessary services rendered by the trustee, examiner, professional person, or attorney and by any paraprofessional person employed by any such person; and
- (B) reimbursement for actual, necessary expenses.

11 U.S.C. § 330(a)(1)(A) and (B). Reasonableness of compensation is determined by the “market-driven approach” which considers the nature, extent and value of the services provided by the professional and the cost of comparable services in nonbankruptcy contexts. See Zolfo Cooper & Co., v. Sunbeam-Oster Co., 50 F.3d 253, 258 (3d Cir. 1995); In re Busy Beaver Building Ctr., Inc., 19 F.3d 833, 849 (3d Cir. 1994). Thus, “the baseline rule is for firms to receive their customary rates.” Zolfo Cooper, 50 F.3d at 259.

21. In accordance with its practice in nonbankruptcy matters, Dorsey has calculated its compensation requested in this Application by applying its standard hourly rates. Dorsey’s calculation is based upon hourly rates that are well within the range of rates that are charged by comparable firms in other large bankruptcy cases. Accordingly, Dorsey’s rates should be determined to be reasonable under section 330 of the Bankruptcy Code.

22. Dorsey's fees during the Application Period are also reasonable under the prevailing legal standard and should be allowed. The amount of Dorsey's fees is not unusual given the complexity and size of the Debtors' Chapter 11 cases and Dorsey's fees are commensurate with fees that other attorneys of comparable experience and expertise have charged and been awarded in similar Chapter 11 cases. Accordingly, Dorsey's fees are reasonable pursuant to section 330 of the Bankruptcy Code.

23. Section 330(a)(1)(B) of the Bankruptcy Code permits reimbursement for actual, necessary expenses. Dorsey's legal services and expenses incurred during the Application Period are set forth in this Application and constitute only those necessary expenses that were incurred for the benefit of the Debtors' estates. Dorsey has properly requested reimbursement only of actual, necessary and appropriate legal expenses.

24. No agreement or understanding exists between Dorsey and any third person for the sharing or division of compensation. All of the services for which compensation is requested in this Application were rendered at the request of and solely on behalf of the Debtors.

25. Pursuant to the standards set forth in sections 330 and 331 of the Bankruptcy Code, Dorsey submits that the compensation requested is for actual and necessary services and expenses, and is reasonable, based upon the nature, extent and value of such services, the time spent thereon, and the costs of comparable services in a case under the Bankruptcy Code. The time records annexed to this Application constitute only a general statement of the services rendered and time expended without description of the challenges and constraints under which Dorsey actually rendered these services. The challenge of these cases were attended to and managed by Dorsey at all levels, promptly and expertly, and sometimes to the exclusion of other

matters in Dorsey's office. Dorsey submits, therefore, that its fees and expenses were actual, necessary, reasonable, and justified, and should be allowed in full.

**NOTICE**

26. No trustee or examiner has been appointed in these Chapter 11 cases. Notice of this Application has been given to: (a) the Debtors, The SCO Group, Inc. and SCO Operations, Inc. 355 South 520 West, Suite 1000, Lindon, UT 84041 (Attn: Ryan Tibbitts, General Counsel); (b) co-counsel to the Debtors, Pachulski Stang Ziehl & Jones LLP, 919 North Market Street, 17th Floor, P.O. Box 8705, Wilmington, DE 19899-8705 (Courier 19801) (Attn: Laura Davis Jones, Esq.), and Berger Singerman, P.A., 350 East Las Olas Blvd., Ste. 1000, Fort Lauderdale, FL 33301 (Attn: Arthur J. Spector, Esq.); and (c) the Office of the United States Trustee, 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is required.

**NO PRIOR REQUEST**

27. No prior request for the relief sought in this Application has been made to this or any other court.

WHEREFORE, Dorsey respectfully requests that the Court: (i) grant the Application; and (ii) grant such further relief as may be appropriate.

Dated: February 15, 2008

DORSEY & WHITNEY (DELAWARE) LLP

/s/ Eric Lopez Schnabel

Eric Lopez Schnabel (DE Bar No. 3672)  
DORSEY & WHITNEY (DELAWARE) LLP  
1105 North Market Street (16th Floor)  
Wilmington, Delaware 19801  
Telephone: (302) 425-7162  
Facsimile: (302) 335-0830  
E-mail: [schnabel.eric@dorsey.com](mailto:schnabel.eric@dorsey.com)

Special Counsel for the Debtors and  
Debtors-in-Possession

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

The SCO GROUP, INC. et al.<sup>1</sup>  
Debtors.

Chapter 11

Case No. 07-11337 (KG)  
(Jointly Administered)

**CERTIFICATION**

1. Eric Lopez Schnabel, an attorney admitted to practice before the courts of the State of Delaware, certifies that:

2. I am an associate of Dorsey & Whitney (Delaware) LLP (“Dorsey”). Dorsey was retained by the above-captioned debtors and debtors-in-possession as counsel pursuant to an order of this Court. This certification is made in support of the Second Interim Application of Dorsey & Whitney LLP, Special Counsel to the Debtors and Debtors-in-Possession (the “Application”) for Compensation and Reimbursement of Expenses for the Period December 1, 2007 through December 31, 2007 and in compliance with Local Rule 2016-2 of this Court, setting forth the Contents of Application for Compensation and Expenses (the “Guidelines”).

3. I have read the Application and I certify that the Application substantially complies with the Guidelines.

---

<sup>1</sup>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.

Dated: February 15, 2008

DORSEY & WHITNEY (DELAWARE) LLP

/s/ Eric Lopez Schnabel

---

Eric Lopez Schnabel (DE Bar No. 3672)  
DORSEY & WHITNEY (DELAWARE) LLP  
1105 North Market Street (16th Floor)  
Wilmington, Delaware 19801  
Telephone: (302) 425-7162  
Facsimile: (302) 335-0830  
E-mail: [schnabel.eric@dorsey.com](mailto:schnabel.eric@dorsey.com)

Special Counsel for the Debtors and  
Debtors-in-Possession