

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

**APPLICATION OF THE DEBTORS PURSUANT TO SECTION 327(a)
OF THE BANKRUPTCY CODE, RULE 2014 OF THE FEDERAL
RULES OF BANKRUPTCY PROCEDURE AND LOCAL RULE 2014-1 FOR
AUTHORIZATION TO EMPLOY AND RETAIN PACHULSKI STANG
ZIEHL & JONES LLP AS BANKRUPTCY CO-COUNSEL FOR THE DEBTORS AND
DEBTORS IN POSSESSION *NUNC PRO TUNC* TO THE PETITION DATE**

The captioned debtors and debtors in possession (collectively, the “Debtors”), hereby seek entry of an order pursuant to section 327(a) of title 11 of the United States Code (the “Bankruptcy Code”), Rule 2014(a) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 2014-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules” or “Del. Bankr. LR”) authorizing the Debtors’ retention and employment of Pachulski Stang Ziehl & Jones LLP (“PSZJ” or the “Firm”) as bankruptcy co-counsel for the Debtors and Debtors in Possession *nunc pro tunc* to the Petition Date (the “Application”). In support of the Application, the Debtors rely on (i) the *Statement Under Rule 2016 of the Federal Rules of Bankruptcy Procedure and Section 329 of the Bankruptcy Code*, and (ii) the *Affidavit of Laura*

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.

Davis Jones in Support of Application of the Debtors Pursuant to Section 327(a) of the Bankruptcy Code, Rule 2014 of the Federal Rules of Bankruptcy Procedure and Local Rule 2014-1 for Authorization to Employ and Retain Pachulski Stang Ziehl & Jones LLP as Bankruptcy Co-Counsel for the Debtors and Debtors in Possession Nunc Pro Tunc to the Petition Date (the “Jones Affidavit”), which are being submitted concurrently with the Application. In support of this Application, the Debtors respectfully represent as follows:

Jurisdiction and Venue

1. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(b)(2). Venue in this district is proper under 28 U.S.C. §§ 1408 and 1409.

2. The statutory bases for the relief sought herein are sections 327(a), 330 and 331 of title 11 of the Bankruptcy Code and Bankruptcy Rule 2014(a).

Background

3. On the date hereof (the “Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11 of title 11, United States Code (the “Bankruptcy Code”). The Debtors are continuing in possession of their property and are operating and managing their businesses, as debtors in possession, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

4. The factual background relating to the Debtors’ commencement of these chapter 11 cases is set forth in detail in the *Declaration of Darl C. McBride, Chief Executive Officer of the Debtors, in Support of First Day Motions* (the “First Day Declaration”) filed contemporaneously with this Application and incorporated herein by reference.

Relief Requested

5. By this Application, the Debtors seek to employ and retain PSZJ as their bankruptcy co-counsel with regard to the filing and prosecution of these chapter 11 cases and all related proceedings. Accordingly, the Debtors respectfully request the entry of an order pursuant to section 327(a) of the Bankruptcy Code, Bankruptcy Rule 2014 and Local Rule 2014-1 authorizing them to employ and retain the firm of PSZJ as their bankruptcy co-counsel under a general retainer to perform the legal services that will be necessary during this chapter 11 case, pursuant to the terms set forth in the Application and the Jones Affidavit, *nunc pro tunc* to the Petition Date.

6. The Debtors seek to retain PSZJ as their co-counsel because of the Firm's extensive experience and knowledge in the field of debtors' and creditors' rights and business reorganizations under chapter 11 of the Bankruptcy Code and because of the Firm's expertise, experience and knowledge practicing before this Court. In preparing for its representation of the Debtors in this case, PSZJ has become familiar with the Debtors' businesses and affairs and many of the potential legal issues which may arise in the context of these chapter 11 cases.

7. Subject to Court approval in accordance with section 330(a) of the Bankruptcy Code, compensation will be payable to PSZJ on an hourly basis, plus reimbursement of actual, necessary expenses and other charges incurred by PSZJ. The principal attorneys and paralegals presently designated to represent the Debtors and their current standard hourly rates are:

- a. Laura Davis Jones \$750.00
- b. James E. O'Neill \$475.00
- c. Rachel L. Werkheiser \$375.00
- d. Lynzy Oberholzer \$175.00

8. The hourly rates set forth above are subject to periodic adjustments to reflect economic and other conditions. Other attorneys and paralegals may from time to time serve the Debtors in connection with the matters herein described.

9. The hourly rates set forth above are PSZJ's standard hourly rates for work of this nature. These rates are set at a level designed to fairly compensate PSZJ for the work of its attorneys and paralegals and to cover fixed and routine overhead expenses. It is PSZJ's policy to charge its clients in all areas of practice for all other expenses incurred in connection with the client's case. The expenses charged to clients include, among other things, telephone and telecopier toll and other charges, mail and express mail charges, special or hand delivery charges, document retrieval, photocopying charges, charges for mailing supplies (including, without limitation, envelopes and labels) provided by PSZJ to outside copying services for use in mass mailings, travel expenses, expenses for "working meals," computerized research, transcription costs, as well as non-ordinary overhead expenses such as secretarial and other overtime. PSZJ will charge the Debtors for these expenses in a manner and at rates consistent with charges made generally to PSZJ's other clients. PSZJ believes that it is fairer to charge these expenses to the clients incurring them than to increase the hourly rates and spread the expenses among all clients.

10. The professional services that PSZJ will render to the Debtors include, but shall not be limited to, the following:

- a. providing legal advice with respect to the Debtors' powers and duties as debtors in possession in the continued operation of their business and management of their property;
- b. preparing on behalf of the Debtors necessary applications, motions, answers, orders, reports, and other legal papers;
- c. appearing in Court on behalf of the Debtors and in order to protect the interests of the Debtors before the Court;
- d. preparing and pursuing confirmation of a plan and approval of a disclosure statement; and
- e. performing all other legal services for the Debtors that may be necessary and proper in these proceedings.

11. To the best of the Debtors' knowledge, except as otherwise disclosed in the Jones Affidavit submitted concurrently herewith, PSZJ has not represented the Debtors, their creditors, equity security holders, or any other parties in interest, or their respective attorneys, in any matter relating to the Debtors or their estates.

12. To the best of the Debtors' knowledge, except as otherwise disclosed in the Jones Affidavit, PSZJ does not hold or represent any interest adverse to the Debtors' estates, PSZJ is a "disinterested person" as that phrase is defined in section 101(14) of the Bankruptcy Code, and PSZJ's employment is necessary and in the best interests of the Debtors and their estates.

13. PSZJ has received payments from the Debtors during the year prior to the Petition Date in the amount of \$72,922 plus the Debtors' aggregate filing fees of \$2,078 in connection with its pre-petition representation of the Debtors. PSZJ is current as of the Petition Date, but has not yet completed a final reconciliation of its prepetition fees and expenses as of the Petition Date. Upon final reconciliation of the amount actually expended prepetition, any balance remaining from the prepetition payments to the Firm will be credited to the Debtors and utilized as PSZJ's retainer to apply to postpetition fees and expenses pursuant to the compensation procedures approved by this Court and the Bankruptcy Code.

14. The Debtors understand that PSZJ hereafter intends to apply to the Court for allowances of compensation and reimbursement of expenses in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and orders of this Court for all services performed and expenses incurred after the Petition Date.

15. The Debtors, subject to the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and further orders of this Court, propose to pay PSZJ its customary hourly rates for services rendered that are in effect from time to time, as set forth in the Jones Affidavit, and to reimburse PSZJ according to its customary reimbursement policies, and submit that such rates are reasonable.

Notice

16. Notice of this Motion has been given to the Office of the U.S. Trustee, 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801. Following the first day hearing in this case, this Application will be served on (a) creditors holding the 20 largest unsecured claims against the Debtors on a consolidated basis as identified in Debtors' petitions, or their legal

counsel (if known); and (b) those persons who have requested notice pursuant to Rule 2002 of the Federal Rules of Bankruptcy Procedure. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

No Prior Request

17. No prior request for the relief sought in this Motion has been made to this Court or any other court.

WHEREFORE, the Debtors respectfully request that the Court grant the Application, and grant such other and further relief it deems just and proper.

Dated: September 14, 2007

The SCO Group, Inc., and
SCO Operations, Inc.

A handwritten signature in black ink, appearing to read "Darl C. McBride", written over a horizontal line.

By: Darl C. McBride
Title: Chief Executive Officer