

Alan P. Petrofsky
Equity Security Holder
of Debtor The SCO Group, Inc.
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Wednesday, October 17, 2007

By Certified Mail, Restricted Delivery, #7007 0220 0002 9838 9942
The Corporation Trust Company
Registered Agent for The NASDAQ Stock Market LLC
1209 N Orange St
Wilmington DE 19801-1120

By Email and by Certified Mail, #7007 0220 0002 9838 9959
Lanae Holbrook, Esq., Chief Counsel
Nasdaq Office of General Counsel, Listing Qualifications Hearings
Email: lanae.holbrook@nasdaq.com, hearings@nasdaq.com
9600 Blackwell Rd
Rockville MD 20850

Re: The SCO Group, Inc., NASDAQ symbol SCOX;
In Re: The SCO Group Inc., et al., No. 1:07-bk-11337, Bankr. D. Del.

Dear Ms. Holbrook:

I am writing to you because I believe that \$4,000 or more was illegally disbursed to The NASDAQ Stock Market LLC (“NASDAQ”), from the bankruptcy estate of The SCO Group, Inc. (“SCO”), to pay for a hearing appealing the NASDAQ Staff Determination that SCO’s stock would be delisted on account of SCO’s bankruptcy. I request that NASDAQ return the funds to the estate.

Background

On September 14, 2007, SCO filed a Voluntary Petition under Chapter 11 of the Bankruptcy Code, in the United States Bankruptcy Court for the District of Delaware, where it was assigned case number 1:07-bk-11337. A

bankruptcy estate was thereby created, and substantially all of SCO's property was transferred to the estate (11 USC 541). SCO, as Debtor in Possession, temporarily assumed most of the limited powers and duties of a trustee of the estate (11 USC 1107).

According to SCO's SEC filings on Forms 8-K dated September 19 and September 28 (SEC File No. 000-29911), NASDAQ Staff determined to delist SCO's stock on account of SCO's bankruptcy, in accordance with NASDAQ Rule IM-4300. A delisting notice dated on or before September 18 was sent to SCO, informing it that trading of the stock would be suspended on September 27 unless SCO appealed. Sometime on or before September 28, SCO notified NASDAQ that it wished to appeal the Staff Determination, and a hearing before the Nasdaq Listing Qualifications Panel was scheduled for November 8.

Because trading in SCO's stock on the NASDAQ market has not been suspended, I assume a hearing fee of at least \$4,000 was paid to NASDAQ sometime on or before October 3, when the 15-day period to do so expired (NASDAQ Rule 4805(c)). I have contacted SCO's counsel through email and voicemail, attempting to obtain more definite information about the payment and to learn SCO's reasons, if any, for believing that the disbursement was authorized. I received an email dated October 1 from Laura Davis Jones, SCO's local bankruptcy counsel in Delaware, stating that someone had "forwarded [my] inquiry to securities counsel for response", but I have not yet received any further response.

SCO Was Not Authorized to Pay the Fee

As Debtor in Possession, SCO is currently authorized to operate the business and to use property of the estate "in the ordinary course of business" (11 USC 1108 and 11 USC 363(c)), but for any use of property not in the ordinary course of business, SCO must first obtain court approval after notice and a hearing (11 USC 363(b)). Any unauthorized transactions SCO makes while Debtor in Possession are subject to avoidance and future recovery by the estate (11 USC 549(a) and 11 USC 550(a)).

Paying a NASDAQ hearing fee to appeal a bankruptcy delisting was not in the ordinary course of SCO's business. For one thing, SCO's "business" is supposed to be selling software, not selling its own stock. Furthermore, it is far from "ordinary" for a NASDAQ issuer to contest a bankruptcy delisting. In the last three years, no issuer has done so. Even corporations that later go on to complete successful reorganizations do not ordinarily contest their stock's delisting at the commencement of bankruptcy.

SCO's Delisting Resistance is Futile

If SCO had noticed a motion to seek authorization to pay the NASDAQ appeal hearing fee, I would have objected on the grounds that the appeal would be futile and the fee a waste of the estate's assets. SCO does not meet the requirements to remain listed during bankruptcy.

When the NASD proposed NASDAQ Rule 4340(b) in 2005, it listed the three criteria that were used, at that time, in deciding appeals of bankruptcy delistings:

When a Nasdaq-listed issuer files for protection under the bankruptcy laws, Nasdaq staff generally notifies the company that its securities are subject to delisting. The company is afforded an opportunity to request review of that decision before a Nasdaq Listing Qualifications Hearing Panel ("Panel"), which stays its delisting. On occasion, Panels have allowed companies to retain their listing through the bankruptcy proceeding, provided they demonstrate: their ability to maintain compliance with the continued listing standards throughout the proceeding; a likelihood that the current equity holders will maintain a significant position in the post-bankruptcy company; and, a likelihood to emerge from the bankruptcy proceedings in the reasonably near term, such as may be the case in a "pre-packaged" bankruptcy plan.

(Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto To Clarify the Listing Standards Applicable to Companies in Bankruptcy Proceedings, SEC Release No. 34-52385, 70 FR 54096 (September 13, 2005))

In October 2005, the SEC approved the new Rule 4340(b) (70 FR 61163), which requires that a company emerging from bankruptcy meet not just the continued listing standards, but the much higher initial listing standards. Since then, there have not yet been any bankruptcy delisting appeal hearings, but presumably in any future such hearing the issuer will be required to make a fourth demonstration to the Panel: a likelihood that the post-bankruptcy company will be able to meet all of the initial listing standards.

SCO cannot demonstrate all four of those requirements, for at least the following reasons:

1. SCO's stockholders' equity would need to remain above \$2,500,000 throughout the bankruptcy, and be at least \$4,000,000 upon emergence, for SCO to meet the continued listing standards and then the initial list-

ing standards (NASDAQ Rules 4310(c)(3)(A) and 4310(c)(2)). SCO's stockholders' equity is officially \$5,471,000 as of July 31, 2007, but that does not include *any* liability for the more than \$30,000,000 that Novell Inc. is seeking in its litigation with SCO. In August, Novell obtained a court ruling that it was entitled to some portion of that amount, and a trial to determine the exact figure was about to begin when SCO decided to enter bankruptcy. (Form 10-Q filed September 18, 2007). Even without accounting for the Novell liability, SCO's stockholders' equity has been dropping precipitously and is likely to become negative in the near term. Over the four most recent reported quarters, equity declined from \$11,354,000 (July 31, 2006), to \$5,471,000 (July 31, 2007). This \$5,883,000 decline over twelve months is attributable to SCO's highly unprofitable operations, which returned a loss of \$9,069,000.

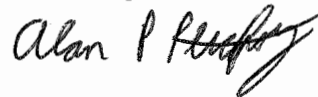
2. The market value of SCO's publicly held shares would need to remain above \$1,000,000 throughout the bankruptcy, and rise to at least \$15,000,000 upon emergence, for SCO to meet the continued and initial listing standards (NASDAQ Rules 4310(c)(7)(A) and 4310(c)(2)). SCO's entire market capitalization is currently less than \$6,000,000 (approximately 21 million shares at \$0.25 per share), and the publicly-held portion is less than \$3,000,000 (approximately 10 million shares at \$0.25 per share).
3. SCO did not have a pre-packaged bankruptcy plan, and the bankruptcy is complicated by SCO's complex litigation with Novell and IBM (which, so far, has been disastrous). There is little hope for a near-term emergence from bankruptcy.

Conclusion

It would be to the benefit of NASDAQ as well as to SCO's estate for NASDAQ to return this unauthorized hearing payment soon, and to cancel the Panel hearing that is currently set for November 8. I assume NASDAQ does not wish to expend resources on conducting a hearing, only to have the fee it collected for those resources later be recovered by the estate.

Thank you for your attention to this matter.

Yours truly,



Alan P. Petrofsky

encl: Notice of Bankruptcy Case Filing, dated September 14, 2007

cc: Laura Davis Jones, counsel for The SCO Group, Inc., Debtor in Possession, PO Box 8705, Wilmington DE 19899;

Joseph McMahon, Jr., counsel for U.S. Trustee Kelly Beaudin Stapleton, 844 King St Ste 2207, Wilmington DE 19801;

By email only: counsel for all other parties who have appeared in the bankruptcy case: Novell, Inc.; Texas Comptroller Of Public Accounts; Tarrant County (Texas); Hewlett-Packard Company; IBM Corp.; Sun Microsystems, Inc.; Missouri Department of Revenue; American Express Travel Related Svcs Co.

United States Bankruptcy Court
District of Delaware

Notice of Bankruptcy Case Filing

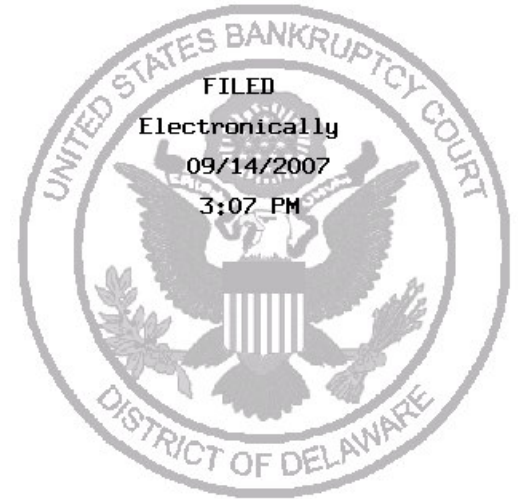
A bankruptcy case concerning the debtor(s) listed below was filed under Chapter 11 of the United States Bankruptcy Code, entered on 09/14/2007 at 3:07 PM and filed on 09/14/2007.

The SCO Group, Inc.

355 South 520 West
Lindon, UT 84042
Tax id: 87-0662823

aka

FKA Caldera International, Inc.



The case was filed by the debtor's attorney:

Laura Davis Jones

Pachulski Stang Ziehl & Jones LLP
919 N. Market Street
17th Floor
Wilmington, DE 19899-8705
302-652-4100

The case was assigned case number 07-11337-KG to Judge Kevin Gross.

In most instances, the filing of the bankruptcy case automatically stays certain collection and other actions against the debtor and the debtor's property. Under certain circumstances, the stay may be limited to 30 days or not exist at all, although the debtor can request the court to extend or impose a stay. If you attempt to collect a debt or take other action in violation of the Bankruptcy Code, you may be penalized. Consult a lawyer to determine your rights in this case.

If you would like to view the bankruptcy petition and other documents filed by the debtor, they are available at our *Internet* home page www.deb.uscourts.gov or at the Clerk's Office, 824 Market Street, 3rd Floor, Wilmington, DE 19801.

You may be a creditor of the debtor. If so, you will receive an additional notice from the court setting forth important deadlines.

David D. Bird
Clerk, U.S. Bankruptcy Court
