

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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

**MONTHLY OPERATING REPORT OF SCO OPERATIONS, INC. FOR
THE REPORTING PERIOD SEPTEMBER 1, 2007 THROUGH SEPTEMBER 30, 2007**

Dated: October 23, 2007

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.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re SCO Operations, Inc.⁽¹⁾
Debtor

Case No. 07-11338 (KG)
Reporting Period: as of 9/30/2007

MONTHLY OPERATING REPORT

File with Court and submit copy to United States Trustee within 20 days after end of month

Submit copy of report to any official committee appointed in the case.

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached
Schedule of Cash Receipts and Disbursements	MOR-1	Yes	
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	Yes	
Schedule of Professional Fees Paid	MOR-1b	Yes	
Copies of bank statements		N/A	
Cash disbursements journals		N/A	
Statement of Operations	MOR-2	Yes	
Balance Sheet	MOR-3	Yes	
Status of Postpetition Taxes	MOR-4	Yes	
Copies of IRS Form 6123 or payment receipt		N/A	
Copies of tax returns filed during reporting period		N/A	
Summary of Unpaid Postpetition Debts	MOR-4	Yes	
Listing of aged accounts payable	MOR-4	Yes	
Accounts Receivable Reconciliation and Aging	MOR-5	Yes	
Debtor Questionnaire	MOR-5	Yes	

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date

1401 R. Nelson
Signature of Authorized Individual*

10/22/07
Date

1401 R. Nelson
Printed Name of Authorized Individual

CEO
Title of Authorized Individual

⁽¹⁾ The Debtors and the last four digits of each of the Debtors' federal tax identification number are as follows:

(a) The SCO Group, Inc., a Delaware corporation, Fed. Tax Id. #2823; and (b) SCO Operations, Inc., The Debtors are jointly administered under the caption The SCO Group, Inc., et al., Case No. 07-11337 (KG). a Delaware corporation, Fed. Tax Id. #7393. The address for both Debtors is 355 South 520 West, Lindon, UT 84042.

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

DISCLAIMER

The Monthly Operating Reports are limited in scope, cover a limited time period, and have been prepared solely for the purpose of complying with the monthly reporting requirements of the Bankruptcy Court and the United States Trustee. Furthermore, the Monthly Operating Reports contain information that has not been audited or reviewed by independent accountants, has not been presented in accordance with generally accepted accounting principles, and may be subject to future reconciliation and adjustments. Without limiting the foregoing, the financial information in the Monthly Operating Reports is unaudited and does not purport to show the financial statements of any of the Debtors in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and therefore may exclude items required by GAAP, such as certain reclassifications, eliminations, accruals, impairments and disclosure items. For example, among other matters, the value of (including without limitation the actual or likely sales prices for) many of the assets shown on the balance sheets included in the Monthly Operating Reports will be substantially less information. The Company cautions readers not to place undue reliance upon the Monthly Operating Reports. There can be no assurance that the information in the Monthly Operating Reports is complete. The Monthly Operating Reports may be subject to revision. The Monthly Operating Reports are in a format required by the United States Trustee and should not be used for investment purposes. The information in the Monthly Operating Reports should not be viewed as indicative of future results. This Disclaimer applies to all information contained therein.

In re SCO Operations, Inc.
Debtor

Case No. 07-11338 (KG)
Reporting Period: as of 9/30/2007

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Amounts reported should be per the debtor's books, not the bank statement. The beginning cash should be the ending cash from the prior month or, if this is the first report, the amount should be the balance on the date the petition was filed. The amounts reported in the "CURRENT MONTH - ACTUAL" column must equal the sum of the four bank account columns. The amounts reported in the "PROJECTED" columns should be taken from the SMALL BUSINESS INITIAL REPORT (FORM IR-1). Attach copies of the bank statements and the cash disbursements journal. The total disbursements listed in the disbursements journal must equal the total disbursements reported on this page. A bank reconciliation must be attached for each account. [See MOR-1a]

	BANK ACCOUNTS				CURRENT MONTH		CUMULATIVE FILING TO DATE	
	OPER.	PAYROLL	TAX	OTHER	ACTUAL	PROJECTED	ACTUAL	PROJECTED
CASH BEGINNING OF MONTH					\$5,914,445	\$6,134,160 ⁽¹⁾	\$5,914,445	\$6,134,160
RECEIPTS								
CASH SALES								
ACCOUNTS RECEIVABLE	N/A				692,854	653,000	692,854	653,000
LOANS AND ADVANCES								
SALE OF ASSETS								
OTHER (ATTACH LIST)					2,587		2,591	
TRANSFERS (FROM DIP ACCTS)								
TOTAL RECEIPTS					\$695,441	\$653,000	\$695,444	\$653,000
DISBURSEMENTS								
NET PAYROLL					20,329	28,000	20,329	28,000
PAYROLL TAXES					82,846	18,000	82,846	18,000
SALES, USE, & OTHER TAXES					3,313		3,313	
INVENTORY PURCHASES								
SECURED/ RENTAL/ LEASES						3,170		3,170
INSURANCE					16,992	53,365	16,992	53,365
ADMINISTRATIVE & SELLING					45,624	65,455	14,227	65,455
OTHER (ATTACH LIST)					1,994		33,390	
OWNER DRAW *								
TRANSFERS (TO DIP ACCTS)								
PROFESSIONAL FEES						5,000		5,000
U.S. TRUSTEE QUARTERLY FEES								
COURT COSTS								
TOTAL DISBURSEMENTS					\$171,097	\$172,990	\$171,097	\$172,990
NET CASH FLOW					\$524,344	\$480,010	\$524,347	\$480,010
(RECEIPTS LESS DISBURSEMENTS)								
CASH - END OF MONTH					\$6,438,789	\$6,614,170	\$6,438,793	\$6,614,170
* COMPENSATION TO SOLE PROPRIETORS FOR SERVICES RENDERED TO BANKRUPTCY ESTATE								

THE FOLLOWING SECTION MUST BE COMPLETED

DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES: (FROM CURRENT MONTH ACTUAL COLUMN)	
TOTAL DISBURSEMENTS	\$ 171,097
LESS: TRANSFERS TO DEBTOR IN POSSESSION ACCOUNTS	\$ -
PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES (i.e. from escrow accounts)	\$ -
TOTAL DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES	\$ 171,097

FORM MOR-1
(4/07)

Notes:

(1) The initial MOR incorrectly included consolidated cash balances from subsidiaries. This amount reflects cash only held in SCO Operations, Inc. bank accounts.

In re SCO Operations, Inc.
Debtor

Case No. 07-11338 (KG)
Reporting Period: as of 9/30/2007

Other Receipts/Disbursements Attachment

Other Receipts		
Interest		\$1,729
NJ Tax Refund		127
Cobra Refund		731
Total		<hr/> \$2,587

Other Disbursements		
Bank Fees		119
FX		1,874
Total		<hr/> \$1,994

In re The SCO Group, Inc.
Debtor

Case No. 07-11337 (KG)
Reporting Period: as of 9/30/2007

BANK RECONCILIATIONS

Continuation Sheet for MOR-1

A bank reconciliation must be included for each bank account. The debtor's bank reconciliation may be substituted for this page.

	Operating	Payroll	Tax	Other
#	#	#	#	
BALANCE PER BOOKS				

BANK BALANCE

(+) DEPOSITS IN TRANSIT (ATTACH LIST)

(-) OUTSTANDING CHECKS (ATTACH LIST)

OTHER (ATTACH EXPLANATION)

ADJUSTED BANK BALANCE *

* Adjusted bank balance must equal
balance per books

DEPOSITS IN TRANSIT

See attestation letter

CHECKS OUTSTANDING

OTHER



October 22, 2007

Re: The SCO Group, Inc., et al.
Del. Bankr. No. 07-11337
Attestation Regarding Bank Account Reconciliation

Office of the United States Trustee

The above-captioned debtors (the "Debtors") hereby submit this attestation regarding bank account reconciliations in lieu of providing copies of bank statements and copies of all account reconciliations.

The Debtors have, on a timely basis, performed all bank account reconciliations in the ordinary course of its business. Copies of bank account statements and reconciliations are available for inspection upon request by the United States Trustee's Office.

Dated: 10/22/07

THE SCO GROUP, INC. and SCO OPERATIONS,
INC.

By: Ken R. Nielsen
Ken Nielsen
Chief Financial Officer

In re SCO Operations, Inc.
Debtor

Case No. 07-11338 (KG)
Reporting Period: as of 9/30/2007

STATEMENT OF OPERATIONS
(Income Statement)

The Statement of Operations is to be prepared on an accrual basis. The accrual basis of accounting recognizes revenue when it is realized and expenses when they are incurred, regardless of when cash is actually received or paid.

REVENUES	9/15/2007 through 9/30/2007	Cumulative Filing to Date
Gross Revenues	\$610,605	\$610,605
Less: Returns and Allowances	9,923	9,923
Net Revenue	\$600,682	\$600,682
COST OF GOODS SOLD		
Beginning Inventory	160,178	160,178
Add: Purchases	4,267	4,267
Add: Cost of Labor	-	-
Add: Other Costs (attach schedule)	-	-
Less: Ending Inventory	159,570	159,570
Cost of Goods Sold	4,875	4,875
Gross Profit	\$595,807	\$595,807
OPERATING EXPENSES		
Advertising	10,240	10,240
Auto and Truck Expense	-	-
Bad Debts	-	-
Contributions	-	-
Employee Benefits Programs	99,478	99,478
Insider Compensation*	-	-
Insurance	26,639	26,639
Management Fees/Bonuses	-	-
Office Expense	53,628	53,628
Pension & Profit-Sharing Plans	-	-
Professional Fees (Non-Bankruptcy)	141,958	141,958
Repairs and Maintenance	106	106
Rent and Lease Expense	51,536	51,536
Salaries/Commissions/Fees	330,860	330,860
Supplies	422	422
Taxes - Payroll	-	-
Taxes - Real Estate	707	707
Taxes - Other	-	-
Travel and Entertainment	17,687	17,687
Utilities	5,541	5,541
Other (attach schedule)	-	-
Total Operating Expenses Before Depreciation	738,801	738,801
Depreciation/Depletion/Amortization	10,386	10,386
Net Profit (Loss) Before Other Income & Expenses	\$(153,380)	\$(153,380)
OTHER INCOME AND EXPENSES		
Other Income (attach schedule)	-	-
Interest Expense	-	-
Other Expense (attach schedule)	3,751	3,751
Intercompany Transfers	489,952	489,952
Net Profit (Loss) Before Reorganization Items	\$(647,083)	\$(647,083)
REORGANIZATION ITEMS		
Professional Fees	85,000	85,000
U. S. Trustee Quarterly Fees ⁽¹⁾	-	-
Interest Earned on Accumulated Cash from Chapter 11 (see continuation sheet)	925	925
Gain (Loss) from Sale of Equipment	-	-
Other Reorganization Expenses (attach schedule)	-	-
Total Reorganization Expenses	-	-
Income Taxes	-	-
Net Profit (Loss)	\$(731,158)	\$(731,158)

(1) U.S. Trustee Quarterly Fees, due no later than one month following the end of each quarter, are estimated to be \$1,250.

*"Insider" is defined in 11 U.S.C. Section 101(31).

In re SCO Operations, Inc.
Debtor

Case No. 07-11338 (KG)
Reporting Period: as of 9/30/2007

STATEMENT OF OPERATIONS - continuation sheet

BREAKDOWN OF "OTHER" CATEGORY	Month	Cumulative Filing to Date
Other Costs		
Other Operational Expenses		
Other Income		
Other Expenses		
Foreign Exchange Loss	\$2,913	\$2,913
Bank Charges	839	839
TOTAL CURRENT ASSETS	\$3,751	\$3,751
Other Reorganization Expenses		

Reorganization Items - Interest Earned on Accumulated Cash from Chapter 11:

Interest earned on cash accumulated during the chapter 11 case, which would not have been earned but for the bankruptcy proceeding, should be reported as a reorganization item.

FORM MOR-2 (CONTD)
(04/07)

BALANCE SHEET

The Balance Sheet is to be completed on an accrual basis only. Pre-petition liabilities must be classified separately from postpetition obligations.

ASSETS	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE ON PETITION DATE
CURRENT ASSETS		
Unrestricted Cash and Equivalents	\$4,498,958	\$4,023,589
Restricted Cash and Cash Equivalents (see continuation sheet)	1,939,831	1,890,856
Accounts Receivable (Net)	2,818,001	3,092,548
Notes Receivable	-	-
Inventories	159,570	160,178
Prepaid Expenses	1,674,009	1,527,293
Professional Retainers	-	-
Other Current Assets (attach schedule)	2,288,687	2,433,409
TOTAL CURRENT ASSETS	\$13,379,057	\$13,127,872
PROPERTY AND EQUIPMENT		
Real Property and Improvements	-	-
Machinery and Equipment	-	-
Furniture, Fixtures and Office Equipment	3,420,803	3,420,803
Leasehold Improvements	507,934	507,934
Vehicles	27,605	27,605
Less Accumulated Depreciation	3,646,324	3,635,938
TOTAL PROPERTY & EQUIPMENT	\$310,019	\$320,404
OTHER ASSETS		
Loans to Insiders*	-	-
Other Assets (attach schedule)	2,044,803	2,044,803
TOTAL OTHER ASSETS	\$2,044,803	\$2,044,803
TOTAL ASSETS	\$15,733,879	\$15,493,080

LIABILITIES AND OWNER EQUITY	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE ON PETITION DATE
LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)		
Accounts Payable	225,292	8,259
Taxes Payable (refer to FORM MOR-4)	694,157	697,681
Wages Payable	1,017,417	541,775
Notes Payable	-	-
Rent / Leases - Building/Equipment	-	-
Secured Debt / Adequate Protection Payments	-	-
Professional Fees	144,065	153,165
Amounts Due to Insiders*	-	-
Other Postpetition Liabilities (attach schedule)	5,389,406	4,752,821
TOTAL POSTPETITION LIABILITIES	\$7,470,338	\$6,153,702
LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)		
Secured Debt	-	-
Priority Debt	-	-
Unsecured Debt	2,047,586	1,078,896
TOTAL PRE-PETITION LIABILITIES⁽¹⁾	\$2,047,586	\$1,078,896
TOTAL LIABILITIES	\$9,517,924	\$7,232,598
OWNER EQUITY		
Capital Stock	21,783	21,783
Additional Paid-In Capital	260,873,412	260,873,412
Partners' Capital Account	-	-
Owner's Equity Account	-	-
Retained Earnings - Pre-Petition ⁽²⁾	(254,757,969)	(253,444,600)
Retained Earnings - Postpetition ⁽²⁾	(731,158)	-
Adjustments to Owner Equity (attach schedule)	809,887	809,887
Postpetition Contributions (Distributions) (Draws) (attach schedule)	-	-
NET OWNER EQUITY	\$6,215,955	\$8,260,482
TOTAL LIABILITIES AND OWNERS' EQUITY	\$15,733,879	\$15,493,080

(1) Total Pre-Petition Liabilities does not reconcile to the amount stated on the Schedules of Assets and Liabilities filed on October 15, 2007 due to timing differences and allocation of accruals.

(2) Due to the allocation of accruals and adjustments booked at month end, the net loss for the 9/15 to 9/30 period does not reconcile to the change in retained earnings. There will not be an unreconciled difference in future periods as Company reporting periods will correspond with the Monthly Operating Report periods.

**"Insider" is defined in 11 U.S.C. Section 101(31).

FORM MOR-3
(04/07)

BALANCE SHEET - continuation sheet

ASSETS	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE ON PETITION DATE
Other Current Assets		
Accounts Receivable Credit Card Batch	\$5,136	\$18,583
Interest Income Receivable	6,182	6,182
Employee Travel Advance	24,250	14,250
Other Receivables	67,060	67,060
Deposits	97,836	97,836
Interdivision Transfers	(9,992)	(0)
Intercompany Receivables - SCO Group	1,745,258	1,745,258
Intercompany Receivables - SCO India	-	127,598
Intercompany Receivables - SCO Japan	352,958	356,642
TOTAL OTHER CURRENT ASSETS	\$2,288,687	\$2,433,409
Other Assets		
Goodwill	2,042,600	2,042,600
Investment in Affiliates	2,203	2,203
TOTAL OTHER ASSETS	\$2,044,803	\$2,044,803
LIABILITIES AND OWNER EQUITY	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE ON PETITION DATE
Other Postpetition Liabilities		
Accrued Co-op Advertising	234,719	234,719
E*Trade Cash Accrual	125	125
Accrued Expense - Research & Development	130,779	130,779
Accrued Expense - Sales & Marketing	133,983	134,489
Accrued Expense - General & Administrative	10,500	10,500
Accrued Expense - General Legal	132,500	132,500
Accrued Expense - Escrow Legal	425,455	425,455
Accrued Expense - Other	55,950	45,262
Deferred Income - Services	1,099,663	1,223,830
Deferred Income -PS CONTRAT AC	7,746	9,273
Deferred Income-SES	306,017	341,882
Deferred Income-SES	590	722
Deferred Revenue	25,616	25,616
Deferred Customer Liability	482,653	482,653
Deferred Revenue @ DISTRIB	176,994	176,994
Royalties Payable	41,231	41,231
Accrued Royalties Payable	146,405	146,405
Royalties Payable to Novell	133,984	133,984
Intercompany Payables - UK	204,019	-
Intercompany Payables - SCO Germany	181,479	-
Intercompany Payables - SCO France	78,524	-
Intercompany Payables - SCO Canada	16,924	-
Intercompany Payables - SCO India	307,148	-
Dilapidation Accrual	184,401	184,401
Pension Accrual	872,000	872,000
TOTAL OTHER POSTPETITION LIABILITIES	\$5,389,406	\$4,752,821
Adjustments to Owner Equity		
Warrants Outstanding	856,549	856,549
Dividends Declared	2,399,095	2,399,095
Treasury Stock	(2,445,757)	(2,445,757)
TOTAL OTHER ADJUSTMENTS TO OWNER EQUITY	\$809,887	\$809,887
Postpetition Contributions (Distributions) (Draws)		

In re SCO Operations, Inc.
Debtor

Case No. 07-11338 (KG)
Reporting Period: as of 9/30/2007

STATUS OF POSTPETITION TAXES

The beginning tax liability should be the ending liability from the prior month or, if this is the first report, the amount should be zero.
Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.
Attach photocopies of any tax returns filed during the reporting period.

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No. or EFT	Ending Tax Liability
Federal						
Withholding						
FICA-Employee						
FICA-Employer						
Unemployment						
Income						
Other: _____						
Total Federal Taxes						
State and Local						
Withholding						
Sales						
Excise						
Unemployment						
Real Property						
Personal Property						
Other: _____						
Total State and Local						
Total Taxes						

See attestation letter

See attestation letter

SUMMARY OF UNPAID POSTPETITION DEBTS

Attach aged listing of accounts payable.

	Number of Days Past Due						Total
	Current	0-30	31-60	61-90	Over 90		
Accounts Payable	\$ 225,292	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,292
Wages Payable	1,017,417	-	-	-	-	-	1,017,417
Taxes Payable	694,157	-	-	-	-	-	694,157
Rent/Leases-Building	-	-	-	-	-	-	-
Rent/Leases-Equipment	-	-	-	-	-	-	-
Secured Debt/Adequate Protection Payments	-	-	-	-	-	-	-
Professional Fees	144,065	-	-	-	-	-	144,065
Amounts Due to Insiders*	-	-	-	-	-	-	-
Other: Other Postpetition Liabilities	5,389,406	-	-	-	-	-	5,389,406
Total Postpetition Debts	\$ 7,470,338	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,470,338

Explain how and when the Debtor intends to pay any past-due postpetition debts.

*"Insider" is defined in 11 U.S.C. Section 101(31).

FORM MOR-4
(04/07)



October 22, 2007

Re: The SCO Group, Inc., et al.
Del. Bankr. No. 07-11337
Attestation Regarding Postpetition Taxes

Office of the United States Trustee

The above-captioned debtors (the "Debtors") hereby submit this attestation regarding postpetition taxes.

All postpetition taxes for the Debtors, which are not subject to dispute or reconciliation, are current. There are no material tax disputes or reconciliations.

Dated: 10/22/07

THE SCO GROUP, INC. and SCO OPERATIONS,
INC.

By: Ken R. Nielsen
Ken Nielsen
Chief Financial Officer

In re SCO Operations, Inc.
Debtor

Case No. 07-11338 (KG)
Reporting Period: as of 9/30/2007

ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Accounts Receivable Reconciliation	Amount
Total Accounts Receivable at the beginning of the reporting period	\$3,332,387
+ Amounts billed during the period	595,425
- Amounts collected during the period	697,688
Total Accounts Receivable at the end of the reporting period	\$3,230,124

Accounts Receivable Aging	
0 - 30 days old	2,372,952
31 - 60 days old	389,966
61 - 90 days old	150,383
91+ days old	316,822
Total Accounts Receivable	3,230,124
Receivables-Royalties	104,467
Allowance for Sales Returns	(425,612)
Allowance for Doubtful Accounts	(90,978)
Accounts Receivable (Net)	\$2,818,001

DEBTOR QUESTIONNAIRE

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3.		X

FORM MOR-5
(04/07)