EXHIBIT B

Appendix 1

Event Study

Standard financial economics methodology uses the market model to estimate the return that a stock would have earned *absent* an event (i.e. the "expected return") given the relationship of the stock with the market.[53] The difference between the return that a stock earned *given* an event (i.e. the "realized return") and the expected return is the "abnormal return" associated with the event.

The market model specifies the relationship between a firm's return ($R_{i,t}$) and the return on the market ($M_{i,t}$) via the following basic regression equation:

$$R_{i,t} = \alpha_i + \beta_i M_{i,t}$$

Where $M_{i,t}$ = Daily returns of the NASDAQ composite index.

$R_{i,t} = P_{i,t}/P_{i,t-1}$

$P_{i,t}$ = the price of asset i at time t.

$P_{i,t-1}$=the price of asset i at time t-1 (the previous day).

I employ an estimation window that begins with the 4th quarter 2001 and ends with the 3rd quarter 2004, for three complete years of data. I measure the significance of the following nineteen events in 2003 by looking at a one-day event window on which these events occurred.

Events Included in Event Study

Date	Event
January 22, 2003	SCO hires Boies to investigate property rights and SCO establishes SCOsource to license UNIX intellectual property.
Feb. 26, 2003	SCO announces first quarter earnings.

[53] *See* Brown and Warner (1980) for a comparison of alternative approaches.

Date	Event
Mar. 7, 2003	SCO files $1bn lawsuit against IBM.
May 14, 2003	The SCO Group signs second SCOsource license agreement; expects net income of $0.29 per share for second-quarter fiscal 2003.
May 15, 2003	VP Chris Sontag announces that SCO will reveal the "stolen" code to a panel of "respected analysts and respected third parties". Sontag claims both "pre-IBM" and "post-IBM" infringement.
May 19, 2003	Microsoft, who up to this point has remained silent on the issue of SCO vs. IBM, buys a Unix license from SCO for $10M. VP Chris Sontag praises Microsoft's "respect [for] the intellectual property of software".
May 22, 2003	The SCO Group invites you to join its second-quarter 2003 results conference call.
May 28, 2003	Novell issues open letter prior to the start of SCO's financial call. SCO conference call to announce second quarter results.
June 5, 2003	SCO comes across a 1996 amendment to Novell's contract with the "old" SCO company transferring ownership rights to SCO. A paralegal discovers it in a filing cabinet. The amendment backs up SCO's claims of copyright ownership. Novell somewhat grudgingly accepts the validity of the document and states that the language, though "convoluted", supports a transfer of some copyrights.
June 16, 2003	SCO Announces Immediate Termination of IBM's Right to Use and Distribute AIX Software and Files for Permanent Injunction.
July 21, 2003	SCO registers UNIX copyrights and offers UNIX license.
August 4, 2003	Statement regarding Red Hat lawsuit and letters to Red Hat.
August 8, 2003	IBM countersues SCO over patents, Linux distribution.

Date	Event
August 14, 2003	The SCO Group reports third-quarter results.
August 21, 2003	SCO unveils new web services components.
September 24, 2003	HP promises to indemnify users of Linux on its gear.
October 16, 2003	The SCO Group closes $50 million equity financing.
December 22, 2003	The SCO Group reports strong fourth quarter and fiscal 2003 results. SCO announces second round of letters sent to corporate users of Linux.

To determine whether a given event is associated with a statistically significant abnormal return, each event is assigned an indicator variable marking the day the event occurred. The market model is augmented by the addition of these indicator variables yielding the following regression equation:

$$R_t = \alpha + \beta M_t + \beta_1 \text{Event1} + \beta_2 \text{Event 2} + \ldots + \beta_n \text{Event n}$$

In this equation ($\alpha + \beta M_t$) captures the expected return absent a firm specific event. The coefficients on the event indicator variables, i.e. β_1, β_2 , ...β_n, capture the additional abnormal return given the event. A statistically significant coefficient on an event indicator variable suggests that the event is associated with an abnormal return outside the range of returns that would have otherwise been expected with reasonable certainty given the historical variance of abnormal returns. The results of estimating this regression equation with event indicator variables for each of the nineteen events listed above are shown below. Events shown in bold indicate a statistically significant abnormal return at the 95% level.

Event Study Regression Results

Variable	Estimate	Standard Error	t Value	Approximate Pr > |t|
Intercept	0.0015	0.0029	0.52	0.6032
NASDAQ Returns	**0.6143**	**0.1653**	**3.72**	**0.0002**
event22Jan2003	0.1013	0.0798	1.27	0.2044
event26Feb2003	**0.3502**	**0.0798**	**4.39**	**<.0001**
event07Mar2003	**0.4001**	**0.0798**	**5.01**	**<.0001**
event14May2003	0.0761	0.0798	0.95	0.3402
event15May2003	**0.2736**	**0.0798**	**3.43**	**0.0006**
event19May2003	**0.4483**	**0.0799**	**5.61**	**<.0001**
event22May2003	**0.1687**	**0.0798**	**2.11**	**0.0349**
event28May2003	**-0.2464**	**0.0798**	**-3.09**	**0.0021**
event05Jun2003	**0.2851**	**0.0798**	**3.57**	**0.0004**
event16Jun2003	-0.0417	0.0799	-0.52	0.6022
event21Jul2003	0.1229	0.0798	1.54	0.1242
event04Aug2003	-0.0893	0.0798	-1.12	0.2635
event08Aug2003	-0.0239	0.0798	-0.3	0.7647
event14Aug2003	0.0349	0.0798	0.44	0.6617
event21Aug2003	**0.2052**	**0.0798**	**2.57**	**0.0103**
event24Sep2003	-0.0733	0.0799	-0.92	0.3593
event16Oct2003	-0.0348	0.0798	-0.44	0.6629
event22Dec2003	-0.06	0.0798	-0.75	0.4526

Statistically significant events indicated in bold.

The results presented indicate several events that gave rise to significant abnormal returns for SCO. The market responded positively to several announcements including: SCO's first quarter earnings – 35% (February 26, 2003); SCO's suit against IBM – 40% (March 7, 2003); SCO would reveal the code that had been placed in Linux without SCO's consent – 27% (May 15, 2003); the agreement with Microsoft – 45% (May 19, 2003); invitation to join SCO's second quarter conference call – 17% (May 22, 2003); SCO finds the amendment to the APA and asserts it supports SCO's ownership of the copyrights – 28% (June 5, 2003); and SCO unveils new web services components – 20% (August 21, 2003). The *only* date with a significant *negative* abnormal return is May 28, 2003, the date of Novell's open letter. On that date, SCO's shares experienced a significant negative abnormal return of approximately 25%. Thus, my analysis supports

the conclusion that Novell's May 28, 2003 announcement resulted in a significant decline in SCO's market value.