

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

In re:

**COMMERCECONNECT MEDIA HOLDINGS,
INC., et al.,¹**

Debtors.

)
) **Chapter 11**

)
) **Case No. 09-**

)
) **Joint Administration Pending**

**MOTION OF DEBTORS FOR ENTRY OF AN ORDER (I) AUTHORIZING
DEBTORS TO PAY CERTAIN PREPETITION WAGES, SALARIES,
COMMISSIONS AND OTHER COMPENSATION, REIMBURSABLE
EMPLOYEE EXPENSES AND EMPLOYEE MEDICAL AND SIMILAR
BENEFITS AND (II) AUTHORIZING AND DIRECTING FINANCIAL
INSTITUTIONS TO HONOR ALL RELATED
CHECKS AND ELECTRONIC PAYMENT REQUESTS**

The above-captioned debtors and debtors-in-possession (collectively, the “Debtors” or “Cygnus”) file this motion (the “Motion”) for entry of an order substantially in the form attached hereto as **Exhibit A** (the “Proposed Order”), (a) authorizing, but not directing, the Debtors to pay in the ordinary course of business certain prepetition (i) wages, salaries, commissions and other compensation, (ii) reimbursable employee expenses and (iii) employee medical and similar benefits, and (b) authorizing and directing financial institutions to receive, process, honor and pay all checks presented for payment and electronic payment requests relating thereto. In support of this Motion, the Debtors rely on the Affidavit of James Ogle in Support of First Day Motions (the “Ogle Affidavit”) filed contemporaneously with this Motion, and respectfully state as follows:

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: CommerceConnect Media Holdings, Inc. (1749), Cygnus Business Media, Inc. (0832), Cygnus New Business Launches, Inc. (0713) and Cygnus Interactive New Business Launches, Inc. (1283). The address for each of the Debtors is: 1233 Janesville Avenue, Fort Atkinson, Wisconsin 53538.

Jurisdiction

1. On the date hereof (the "Petition Date"), the Debtors commenced their respective bankruptcy cases (the "Chapter 11 Cases") by filing voluntary petitions for relief under chapter 11 of the bankruptcy code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"). No creditors' committee has yet been appointed in the Chapter 11 Cases by the United States Trustee. The Debtors are continuing in possession of their respective properties and are operating their respective businesses, as debtors-in-possession, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

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

3. The statutory predicates for the relief sought herein are sections 105(a), 363(b) and 507(a) of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules").

Introduction

4. As described in more detail below, the Chapter 11 Cases have been commenced to effectuate a negotiated out-of-court restructuring plan that has previously been agreed to by all but one of the Debtors' senior secured lenders, all of the Debtors' junior secured lenders, the holders of all of CommerceConnect Media Holdings, Inc.'s ("CCMH") Series A Preferred Stock and the holders of a majority in interest of CCMH's voting equity. The Debtors do not intend the Chapter 11 Cases to have any effect on the allowed claims of general unsecured creditors, but rather, to permit such claims to effectively "ride through" the Chapter 11 process and be paid in full without any impact by the bankruptcy on the relative rights, obligations and defenses of the

parties. While the Debtors had hoped to avoid the cost of the Chapter 11 Cases by restructuring consensually out-of-court, one (1) hold out senior lender has refused to consent, apparently seeking to extract further value from the companies or its co-lenders. For this reason, the Debtors were forced to modify the consensual restructuring into a prepackaged plan of reorganization (the “Plan”). Approximately 96% of the Debtors’ senior secured lenders and 100% of the Debtors’ junior secured lenders have voted in favor of the Plan, representing approximately \$200 million of the approximately \$206 million in secured debt owed to these institutional creditors. The Debtors have therefore commenced these Chapter 11 Cases to confirm the Plan, and will be seeking to do so expeditiously.

A. The Debtors’ Businesses.

5. Cygnus is a leading business-to-business (“B2B”) publisher and communications company, distributing content to diverse audiences in the construction, public safety, industrial and manufacturing, security, technology, transportation and aviation industries. Cygnus employs approximately 680 people, including 430 salaried and hourly employees and 250 independent contractors, all of whose livelihoods depend in some significant measure upon the successful continuation of the Debtors’ business enterprise. These employees and independent contractors are essential to the Debtors’ business operations and perform a variety of critical functions.

6. Several magazines published by Cygnus have been published for more than 40 years. Cygnus’ market-leading brands include *Qualified Remodeler*, *Firehouse*, *Equipment Today*, *Kitchen and Bath Design News*, and the *CPA Technology Advisor*. Cygnus’ breadth of content is internationally-recognized, reaching millions of business professionals who rely on Cygnus’ proprietary content to make critical business decisions. Cygnus reaches business professionals by utilizing three media platforms: publishing, interactive and expositions.

7. Publishing. Cygnus publishes 42 leading trade publications in 13 major markets, reaching over three million professionals, manufacturers and retail subscribers regularly. Cygnus' publications are staffed with award-winning, industry-recognized writers and editors.

8. Interactive. With 38 website destinations, Cygnus' interactive division is a leading online provider of essential news, information, utilities and e-commerce services to 13 unique markets, providing industry news and information to over two million B2B professionals annually. Cygnus offers its interactive customers a full complement of updated industry news and award-winning editorial as well as video, webinars, online catalogs, e-newsletters and digital supplements and editions. In 2008, Cygnus interactive websites generated over 180 million page views with nearly two million unique visitors per month.

9. Expositions. Cygnus' exposition division is a leader in producing industry expositions, consistently providing solutions for doing business successfully. It produces approximately 32 trade shows and events annually, managing hundreds of thousands of square feet for thousands of exhibitors and tens of thousands of attendees each year. Additionally, Cygnus is at the forefront in producing electronic show dailies which include broadcast components, and Cygnus also produces custom programming from expo clients for use at trade shows.

B. Economic Performance and Other Challenges.

10. Cygnus' capital structure is highly leveraged, with approximately \$206 million in total funded debt (inclusive of accrued interest) as of June 30, 2009. Cygnus' funded debt consists primarily of (i) not less than \$173 million of senior, first lien debt under a credit agreement (the "Prepetition Credit Agreement") dated as of July 13, 2004, having General Electric Capital Corporation ("GECC") as agent; and (ii) approximately \$33 million of junior, second lien debt under a term loan dated as of July 13, 2004, having Barclays Bank PLC

("Barclays") as agent. In addition, Cygnus has issued approximately \$81 million of Series A Redeemable Preferred Stock (as of June 30, 2009, including accretion), approximately \$109,820 of Series B Preferred Stock (as of June 30, 2009), and approximately \$4,252 of Series C Preferred Stock (as of June 30, 2009).

11. Based on 2008 EBITDA of \$23 million, the total leverage ratio (secured debt) is approximately 8.9x and the aggregate leverage is 12.5x (including Series A but excluding Series B and Series C Preferred Stock).

12. Since the second quarter of 2008, Cygnus has been unable to meet its total leverage ratio covenants and has been in default under its financing agreements. The result of the covenant default was that lenders denied the company use of the \$13 million of availability under the Prepetition Credit Agreement, and Cygnus' liquidity has become constrained. Cygnus has been unable to make regular debt service payments to either the senior secured lenders or junior secured lenders, and has been operating under a nonbinding forbearance from the lenders. Further, as a result of these events, Cygnus' credit rating has been downgraded by Moody's and Standard & Poor's.

13. Additionally, Cygnus faces certain challenges that are not specific to it, but rather are being seen across the B2B industry. In addition to decreased advertising arising from the current economic climate, the B2B industry specifically has undergone a fundamental change driven by enhanced functionality of online advertising and tools causing traditional advertisers to reduce their allocation of resources to B2B publications and increase spending in their marketing budgets on their own websites.

14. Finally, Cygnus has been negatively affected by the overall shift away from print media. Although Cygnus has three media platforms, the majority of the business is devoted to and revenue is derived from print media. The management team continues to believe that in

order to be more successful, the Cygnus model needs to continue to shift toward interactive media and away from print, providing the most appropriate balance for Cygnus' advertisers.

C. Sale Efforts; Negotiations with Lenders.

15. More than three years ago, the Board of Directors of Cygnus engaged a well-known, leading investment bank to conduct a process to broadly market the company. This marketing process was unsuccessful in producing a credible bid that satisfied the Board of Directors. After a change in management teams and approximately twelve months later, the Board of Directors retained a nationally recognized boutique investment bank focused on media companies to again market the company through a solicitation process where numerous parties were contacted. During this period Cygnus undertook a considerable internal restructuring designed to address the business challenges facing all print media companies.

16. The second marketing process concluded with the leading party providing a bid that failed to satisfy the secured creditors of the company and would not provide a recovery for other constituents. As noted above, the sale processes occurred at a time when print media businesses were (and continue to be) in considerable upheaval, and when the economy as a whole has been subject to considerable decline.

17. Due to these disappointing marketing process results, Cygnus engaged Miller Buckfire & Co., LLC ("Miller Buckfire") to assist the company's efforts to address its liquidity constraints and its overleveraged balance sheet. Miller Buckfire is an investment banking firm with considerable expertise in distressed scenarios, including ones such as those faced by the company where the value of a company is less than its secured debt.

18. Miller Buckfire has performed a number of tasks simultaneously, including resoliciting the leading bidder noted above, soliciting interest from potential investors and strategic partners and conducting negotiations with Cygnus' secured lenders and preferred equity

holders regarding an internal restructuring of the company's balance sheet. There have been a number of sit down meetings with and/or management presentations to interested parties and extensive negotiations with the senior secured and junior secured lenders.

19. Unfortunately, the multiple sales processes did not produce a buyer who could or would purchase Cygnus for an amount necessary to satisfy even the company's senior secured debt. As a result, Miller Buckfire and Cygnus turned their attention to the various restructuring possibilities. After examining the options, including both a chapter 11 bankruptcy filing and an out-of-court restructuring, Miller Buckfire and Cygnus concluded that an out-of-court restructuring presented the most viable option for the Debtors, as it likely would have the least impact on the Debtors' going concern value, the lowest cost of implementation and potentially could be consummated more quickly than the other alternatives. These factors translated into the best potential return for the Debtors' stakeholders.

20. The result is that Miller Buckfire and Cygnus developed, along with GECC, the other senior lenders, Barclays, the holders of the Series A Preferred Stock and the holders of a majority in interest of the Debtors' voting equity, a proposed restructuring that would convert a large portion of the existing senior secured debt, and all of the existing junior secured debt, into equity and warrants, respectively (the "Out-of-Court Restructuring").

D. Need for Relief.

21. The Out-of-Court Restructuring was intensely negotiated over a series of months, among the Debtors, GECC, the other senior lenders, Barclays, the holders of the Series A Preferred Stock and the holders of a majority in interest of the Debtors' voting equity. Throughout the process, each of GECC and Barclays has been in nearly constant contact with the registered holders of the senior secured debt and junior secured debt. Information and

documentation has been made available in real time to all senior lenders, including, in the case of the senior secured lenders, through an on-line document database (*Intralinks*).

22. Until the week of July 13, 2009, the Out-of-Court Restructuring had been proceeding apace. As early as Monday of that week, all of the parties were hopeful that the Out-of-Court Restructuring would close on July 16, 2009, and in fact, the professionals had already begun to collect the signatures of the parties to the Out-of-Court Restructuring agreements when an unexpected obstacle arose.

23. On July 14, 2009, the Debtors were informed by GECC that one of the 21 holders of the not less than \$173 million of senior, first lien debt, may refuse to consent to the Out-of-Court Restructuring. That holder, Genesis CLO 2007-2 Ltd. ("Leichtman Fund"), a fund managed by Levine Leichtman Capital Partners ("Levine Leichtman"), holds approximately \$6.4 million of the not less than \$173 million of senior, first lien debt, which is less than 4% of the dollar amount of the claims in that class. Nonetheless, on an out-of-court basis, the Prepetition Credit Agreement requires unanimous consent of the holders to effectuate the transactions required. See Prepetition Credit Agreement, § 11.2(c).

24. Since that time, each of the Debtors, GECC and Barclays, and their respective professionals, have attempted to obtain Levine Leichtman's consent – with no success. Levine Leichtman's refusal to consent has therefore made an out-of-court solution impossible. Given the foregoing factors, the Debtors have determined that a chapter 11 prepackaged plan affords them the best option to preserve and realize upon the value of the companies and is the only remaining option to implement the agreed upon restructuring.

25. In consultation with their professionals, and after careful examination, the Debtors' Boards of Directors, the Debtors, GECC and Barclays have determined that chapter 11, combined with the prepackaged Plan, is the best and most efficient way to maximize a return for

the Debtors, their estates, and all parties-in-interest. Additionally, the Debtors have entered into a cash collateral agreement with GECC which, subject to Bankruptcy Court approval, allows the Debtors' the use of cash collateral to ensure that the Debtors will have sufficient liquidity to complete the Chapter 11 process and effectuate the Plan.

26. Consistent with the terms of the Out-of-Court Restructuring previously agreed to by the Debtors, all but one of the holders of the senior, first lien debt and all of the holders of the junior, second lien debt, the Plan seeks to impair only the not less than \$173 million of senior, first lien debt under a Prepetition Credit Agreement (Class 3), the approximately \$33 million of junior, second lien debt (Class 4), any intercompany obligations (Class 6) and the existing equity interests in the Debtors (Class 7 and 8). Holders of other secured claims and general unsecured claims will have their allowed claims reinstated, or, at the option of the Debtor, paid in full. The result is that the Plan provides for no impairment of virtually all the going-concern obligations of the Debtors, as well as the conversion of a large portion of the existing senior secured debt, and all of the existing junior secured debt, to equity and warrants, respectively. The conversion of debt to equity results in a greatly reduced debt service and a largely deleveraged balance sheet.

27. On July 27, 2009, the Debtors solicited votes for or against the Plan from Class 3 and 4, the only Classes entitled to vote under the Plan. As noted above and contained in the voting affidavit of Garden City Group² filed contemporaneously herewith, approximately 95% in number and approximately 96% in dollar amount of Class 3 creditors (all but the Leichtman Fund) have accepted the Plan and 100% in number and dollar amount of Class 4 creditors have voted to accept the Plan. Class 7 and Class 8 creditors were not solicited as they are receiving no distributions on account of their claims/interests and are deemed to have rejected the Plan.

² The Garden City Group is the Debtors' proposed Claims, Noticing and Balloting Agent.

28. The existence of a Plan that has been overwhelmingly approved by the voting Classes, as well as the cash collateral agreement between GECC and the Debtors, will allow the Debtors to transition through bankruptcy as smoothly and as quickly as possible. The Debtors' publications, interactive web site and expositions should be virtually unaffected. Further, out of an abundance of caution, the Debtors seek approval as part of their "first day motions" relief which will allow the Debtors' obligations to employees and critical vendors to be honored in the ordinary course of business until such time as the Plan is confirmed and the obligations reinstated.

29. The Chapter 11 Cases have therefore been instituted to enable the Debtors to effectively take these steps and otherwise maximize the value of their assets.

Relief Requested

30. By this Motion, the Debtors seek entry of an order authorizing, but not directing, the Debtors to pay in the ordinary course of business certain prepetition (i) wages, salaries, commissions and other compensation, (ii) reimbursable employee expenses and (iii) employee medical and similar benefits. The Debtors also request the Court authorize applicable financial institutions to rely on the Debtors' designation of any particular check or electronic payment request as appropriate pursuant to this Motion.

Basis for Relief³

A. Payment of Certain Prepetition (I) Wages, Salaries, Commissions and Other Compensation, (II) Reimbursable Employee Expenses and (III) Employee Medical and Similar Benefits Is Appropriate Under the Circumstances.

31. The Debtors' Employees and Independent Contractors (each as hereinafter defined) are essential to their business operations and perform a variety of critical functions, including, without limitation, sales and purchasing, product development and production, quality control, management, shipping and technical services. The Employees' and Independent Contractors' valuable skill sets, institutional knowledge and understanding of the Debtors' operations and customer relations and their integrated functions and activities, make all of the categories of Employees and Independent Contractors essential to the success of these Chapter 11 Cases.

32. Further, just as the Debtors depend on the Employees and Independent Contractors to operate, many of the Employees and Independent Contractors depend on the Debtors for their livelihood. The Debtors were currently performing all of their economic obligations to their Employees and Independent Contractors as of the Petition Date. The Employees and Independent Contractors would be exposed to significant financial difficulties if the Court were not to permit the Debtors to pay in full the unpaid compensation and benefits and reimburse expenses in the ordinary course of business.

33. As set forth in the Ogle Affidavit, the Debtors currently employ approximately 430 salaried and hourly employees, including sales agents, and 250 independent contractors.

³ The amounts set forth in this Motion are true and correct to the best of the Debtors' knowledge. Nevertheless, in an abundance of caution, the Debtors reserve the right to increase the amounts actually paid to Employees and Independent Contractors following entry of the Proposed Order by ten percent (10%), but in no event shall the Debtors pay any prepetition amounts above the \$10,950 statutory cap set forth in section 507(a)(4) of the Bankruptcy Code absent further order of the Court.

34. The Debtors pay approximately 90 employees on an hourly basis (the “Hourly Employees”) and approximately 335 employees on a salaried basis (the “Salaried Employees”). Within the foregoing numbers, and a subset of the Hourly Employees and Salaried Employees, is an important group of employees that are integral to the Company’s sales force – approximately 140 sales agents (the “Sales Agents”, and collectively with the Hourly Employees and Salaried Employees, the “Employees”).

35. The Debtors also utilize approximately 250 independent contractors, made up of approximately 140 outside editors (the “Outside Editors”), approximately 100 speakers (the “Speakers”), approximately 10 outside sales representatives (“Outside Sales Reps”) and a few temporary employees through employment agencies (the “Temporary Employees” and, collectively with the Outside Editors, Outside Sales Reps and Speakers, the “Independent Contractors”). All of the Independent Contractors are used by the Debtors in the ordinary course of business.

36. By this Motion, the Debtors seek to pay Employees and Independent Contractors amounts owed for Unpaid Compensation, Vacation Time, Sick Time, Leave of Absence and Severance Payments (each as defined below and collectively, the “Compensation Amounts”), reimbursable employee expenses and employee medical and similar benefits, but only up to the \$10,950 statutory cap set forth in section 507(a)(4) of the Bankruptcy Code. In accordance with section 507(a)(4) of the Bankruptcy Code, the Debtors believe they owe approximately 16 Employees more than \$10,950 for Compensation Amounts, however such amounts will not be due and owing until, at a minimum, 60 days after the Petition Date. The Debtors reserve the right, at the Final Hearing, to seek authority to pay such amounts in excess of the statutory cap for applicable employees.

(I) *Wages, Salaries, Commissions and Other Compensation*

37. As of the Petition Date, the Compensation Amounts total approximately \$1,681,803 in the aggregate. By this Motion, the Debtors request entry of the Proposed Order authorizing the Debtors to pay \$1,079,311 from the Petition Date through approximately September 4, 2009 (the “Interim Period”). The Debtors will request entry of a final order (the “Final Order”) authorizing the Debtors to pay \$602,492 in the aggregate in the ordinary course of business thereafter for amounts relating to Compensation Amounts, such as Severance Payments, commission payments, payments to Outside Editors and Speakers, etc., as well as for any amounts that exceed the section 507(a)(4) statutory cap of \$10,950.

38. Unpaid Compensation. In the ordinary course of business, the Debtors pay the Hourly Employees and the Salaried Employees on a bi-weekly basis – typically every other Friday. The Debtors pay all Employees, with the exception of part-time Hourly Employees and Temporary Employees, on a current basis, with the Hourly Employees being paid one week in arrears for exceptions to standard hours such as overtime and unpaid time. Hourly Employees that work part-time and Temporary Employees are paid two weeks in arrears. The Debtors’ payroll obligations to the Hourly Employees and Salaried Employees generally include wages and salaries, as applicable, as well as bonuses awarded for sales productivity and goal attainment. In the ordinary course of business, members of the Debtors’ senior management team may be eligible to receive bonuses upon the attainment of certain performance milestones. The Debtors do not expect that any senior management bonus payments will become due and owing during the Interim Period. Furthermore, Employees that work in the publishing and interactive sales section are paid commissions, which are based on earned revenue, less any uncollectable receivables. Employees that work as part of the events group are also paid

commissions, but only those which are based on actual collections. A detailed explanation of the Debtors' compensation programs is attached hereto as **Exhibit B**.

39. On average, the Debtors have gross payroll expenses totaling approximately \$451,395 per week.⁴ As further described below, as of the Petition Date, the Debtors estimate that approximately \$536,000 is due and owing to Employees and Independent Contractors on account of accrued wages and salaries and other compensation earned prior to the Petition Date (the "Unpaid Compensation"). By this Motion, the Debtors request entry of the Proposed Order authorizing the Debtors to pay up to an aggregate amount of \$536,000 of the Unpaid Compensation in the Interim Period.

(i) Hourly and Salaried Employees. Approximately 90% of the Debtors' payroll to Hourly Employees and Salaried Employees is made by direct deposit through electronic transfer of funds. Those Employees who elect not to utilize direct deposit receive a check from the Debtors. The last bi-weekly payroll was paid on Friday, July 31, 2009. Because the Debtors pay the Hourly Employees on a current basis, as of the Petition Date, the Debtors owe approximately \$10,000 in prepetition wages (or an average of \$109 per Hourly Employee) to the Hourly Employees for the period between July 24, 2009 and the Petition Date. The Debtors further estimate that they owe Salaried Employees no more than \$100,000 in the aggregate as of the Petition Date (or an average of \$299 per Salaried Employee).

(ii) Sales Agents. The Debtors also pay their Sales Agents in the ordinary course of business on a bi-weekly basis – typically every other Friday. The Sales Agents earn a base salary plus a commission, which is calculated and paid based on a percentage of (i) the earned revenue on all of the Sales Agent's interactive and/or print sales and, (ii) for Sales Agents that work in the exposition division, the earned revenue on all booth spaces sold by Sales Agents in connection with exhibition and trade shows. Commissions are paid monthly for issues invoiced one month prior to the payment, on the last pay period of the month. As of the Petition Date, the Debtors estimate that approximately \$167,000 is due and owing to the Sales Agents on account of unpaid but earned Sales Agent compensation. By this Motion, the Debtors seek entry of the Proposed Order from the Court authorizing the Debtors to pay an the aggregate amount of \$167,000 to the Sales

⁴ In the ordinary course of business, the Debtors review and may increase base salaries on the employment anniversary date for non-incentive employees and the first of the year for incentive associates. The Debtors reserve their right to increase salaries in the ordinary course of business during the pendency of these Chapter 11 Cases.

Agents for the Interim Period (or an average of \$1,210 per Sales Agent), in the ordinary course of business as such Sales Agent compensation comes due.

(iii) Outside Sales Reps. As of the Petition Date, the Debtors estimate that approximately \$85,000 is due and owing to the Outside Sales Reps on account of unpaid but earned commission. By this Motion, the Debtors seek entry of the Proposed Order from the Court authorizing the Debtors to pay an the aggregate amount of \$85,000 to the Outside Sales Reps (or an average of \$7,727 per Outside Sales Rep) in the ordinary course of business as such commission comes due.

(iv) Outside Editors. The Debtors also pay their Outside Editors in the ordinary course of business on a weekly basis, as invoices are due. The Outside Editors are compensated through the use of retainer or other payment schedule, which is based on whether the Outside Editor has a periodical column or writes articles for magazines on a scheduled or one-off basis). As of the Petition Date, the Debtors estimate that approximately \$100,000 is due and owing to the Outside Editors on account of unpaid but earned Outside Editor compensation. By this Motion, the Debtors seek entry of the Proposed Order from the Court authorizing the Debtors to pay an the aggregate amount of \$100,000 to the Outside Editors for the Interim Period (or an average of \$730 per Outside Editor), in the ordinary course of business as such Outside Editor compensation comes due.

(v) Speakers. In the ordinary course of business, the Debtors pay the Speakers on a weekly basis, as invoices are due. The Speakers are compensated based on (i) the amount of experience that the Speaker possesses on the industry about which he or she is speaking, (ii) whether the conference at which the Speaker will be participating requires a payment by the conference attendees or (iii) both. As of the Petition Date, the Debtors estimate that approximately \$70,000 is due and owing to the Speakers on account of unpaid but earned Speaker compensation. By this Motion, the Debtors seek entry of the Proposed Order from the Court authorizing the Debtors to pay an the aggregate amount of \$70,000 to the Speakers for the Interim Period (or an average of \$729 per Speaker), in the ordinary course of business as such Speaker compensation comes due.

(vi) Temporary Employees. In the ordinary course of business, the Debtors pay the Temporary Employees that are on the Debtors' payroll two weeks in arrears. Alternatively, the Debtors pay the Temporary Employees that are referred by an employment agency when invoices are due. Temporary Employees also include so-called "casual employees" that only work a handful of days a year during trade and exhibition shows. In July 2009, the Debtors paid approximately \$3,718 on account of Temporary Employee compensation (or an average of \$1,859 per Temporary Employee). By this Motion, the Debtors seek entry of the Proposed Order from the Court authorizing the Debtors to pay an the aggregate amount of \$4,000 to the Temporary Employees for the Interim Period, in the ordinary course of business as such Temporary Employee compensation comes due.

40. Vacation, Sick Time and Leaves of Absence. Certain Employees are eligible to receive paid vacation and sick time. Salaried and Hourly Employees are eligible for a maximum of five (5) weeks of paid vacation ("Vacation Time"), based upon an Employee's years of service and classification. Pursuant to the Debtors' prepetition vacation policy, Employees who retire, resign or are terminated for cause are entitled to receive payment for accrued but unused Vacation Time. The Debtors estimate that, as of July 31, 2009, the aggregate value of accrued Vacation Time for current Employees is approximately \$508,260. The Debtors anticipate that some portion of the Employees will utilize their accrued Vacation Time postpetition in the ordinary course of business thereby reducing the Debtors' obligations to its employees. By this Motion, the Debtors request entry of the Proposed Order authorizing the Debtors to pay up to \$254,130 of Vacation Time in the Interim Period (or an average of \$587 per applicable employee). The Debtors will request entry of a Final Order authorizing the Debtors to pay the additional \$254,130 in the aggregate (or an average of \$587 per applicable employee) in the ordinary course of business thereafter.

41. In addition, Full-Time Salaried and Hourly Employees are eligible for a maximum of five (5) days of sick allowance per year ("Sick Time"). At the end of each calendar year, Hourly Employees who have not used all or part of the Sick Time for the past year can elect to bank unused sick allowance up to a limit of ten (10) days or the Debtors will buy back unused Sick Time at a rate of 50% for the days not used during the year just ended. The Debtors estimate that, as of the Petition Date, the aggregate value of such accrued Sick Time for its current Employees is approximately \$342,543. By this Motion, the Debtors request entry of the Proposed Order authorizing the Debtors to pay up to \$114,181 of Sick Time in the Interim Period (or an average of \$264 per applicable employee). The Debtors will request entry of a

Final Order authorizing the Debtors to pay the additional \$228,362 in the aggregate (or an average of \$527 per applicable employee) in the ordinary course of business thereafter.

42. Leaves of Absence. The Debtors also allow their Employees to take certain other leaves of absence for personal reasons, many of which are required by law (the “Leaves of Absence”). Leaves of Absence include school partnership leave, family medical leave, family care leave, pregnancy disability leave, bereavement leave and military leave.

43. The Debtors anticipate that their Employees will utilize accrued Vacation Time, Sick Time and Leaves of Absence in the ordinary course of business, which will not create any material cash flow requirements beyond the Debtors’ normal payroll obligations.

44. Severance. As of the Petition Date, the Debtors have a severance policy that entitles certain former Employees to compensation of an aggregate amount per applicable employee equal to such Employee’s gross pay per week at the time of termination of employment multiplied by each year of service for the Debtors by such Employee, up to a maximum of six months. As of the Petition Date, the Debtors estimate that approximately \$295,000 (the “Severance Payments”) is due and owing to forty-eight (48) former Employees on account of severance. For those Employees whose employment with the Company is terminated during the course of these Chapter 11 Cases, the Debtors plan to pay all severance compensation due to such Employees in the ordinary course of business. By this Motion, the Debtors request entry of the Proposed Order authorizing the Debtors to pay up to \$175,000 of the Severance Payments in the ordinary course of business in Interim Period, with payments not to exceed the \$10,950 cap per applicable employee as provided in section 507(a)(4) of the Bankruptcy Code. The Debtors will request entry of a Final Order authorizing the Debtors to pay the additional \$120,000 in additional Severance Payments in the aggregate (or an average of \$2,500 per applicable employee) in the ordinary course of business thereafter.

(II) *Reimbursable Employee Expenses*

45. In the ordinary course of business, the Debtors reimburse Employees for certain expenses incurred in the scope of their employment and on behalf of the Debtors (the “Business Expenses”). In the aggregate, the Employees incur, on average, approximately \$40,000 per week in Business Expenses such as business-related travel and relocation costs (e.g., meal, hotel and rental car costs) with the understanding that they will be reimbursed by the Debtors for whose benefit they expend such funds. As of the Petition Date, the Debtors estimate approximately \$215,000 of Business Expenses remain outstanding (or an average of \$1,265 per applicable employee). By this Motion, the Debtors request entry of the Proposed Order authorizing the Debtors to pay up to \$215,000 of the Business Expenses as payment of such amounts in the ordinary course of business as necessary for the continuity of the Debtors’ employee expectations.

46. The Debtors also offer corporate credit cards to certain employees through American Express by which the Debtors reimburse such employees on a monthly basis in the ordinary course of business for any business-related expenses that accrued on the card (the “AmEx Expenses” and collectively with the Business Expenses, the “Reimbursable Expenses”). The American Express Corporate Services Commercial Account Agreement which governs these corporate credit card accounts contains an indemnification provision whereby each employee is responsible for the charges posted by such Employee to the corporate credit card. If the Debtors do not reimburse their Employees for the AmEx Expenses in the ordinary course of business, the Employees will be held personally liable for the charges. As of the date hereof, there are no amounts outstanding in connection with AmEx Expenses of which the Debtors are aware.⁵

⁵ Prior to the Petition Date, the Debtors pre-paid all amounts due and owing in connection with the AmEx Expenses. Any AmEx Expenses incurred after the Petition Date shall be paid in the ordinary course of business.

Nevertheless, out of an abundance of caution, by this Motion the Debtors request entry of the Proposed Order authorizing the Debtors to pay any AmEx Expenses in the ordinary course of business up to a maximum amount of \$25,000.

(III) Employee Medical and Similar Benefit Programs⁶

47. In the ordinary course of business, the Debtors offer their Employees the opportunity to participate in insurance and benefits programs, including, without limitation, health care, dental and vision plans, vacation time and other paid leaves of absence, retirement savings plans, COBRA, flexible benefit plans, life insurance, accidental death and dismemberment insurance, short- and long-term disability insurance and business travel accident insurance, all as described below (the “Employee Benefit Programs”).

48. In connection with the administration of Employee Benefit Programs, during each applicable pay period, the Debtors deduct certain amounts from paychecks, including, without limitation, (a) checking and savings account deposits and similar deductions and (b) other pre- and after-tax deductions payable pursuant to certain of the employee benefit plans discussed herein (such as an Employee’s share of health care benefits and insurance premiums, contributions under flexible spending plans, 401(k) contributions, legally ordered deductions and miscellaneous deductions) (collectively, the “Deductions”). The Debtors forward the amount of the Deductions to the appropriate third-party recipients. On average, in the aggregate, the Debtors deduct approximately \$46,447 from Employees’ paychecks per week and certain of the Deductions may not have been forwarded to the appropriate third-party recipients as of the Petition Date. By this Motion the Debtors request entry of the Proposed Order authorizing the

⁶ The Debtors provide other benefits to Employees such as workers’ compensation insurance, 401(k) and Roth IRA savings plans, continuing health coverage to former employees pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 (as amended, “COBRA”), short- and long-term disability benefits and travel accident insurance. No amounts are due and owing with respect to those benefits as of the Petition Date.

Debtors to continue deducting approximately \$46,447 from Employee's paychecks per week during the Interim Period.

49. Withholding. Federal and state laws require the Debtors to withhold amounts related to federal, state and local income taxes, as well as Social Security and Medicare taxes, for remittance to the appropriate federal, state or local taxing authority (collectively, the "Withheld Amounts"). In the aggregate, the Withheld Amounts total approximately \$87,860 per week. The Debtors must then provide additional amounts for federal and state unemployment insurance (the "Employer Payroll Taxes," and together with the Withheld Amounts, the "Payroll Taxes"). In the aggregate, the Payroll Taxes, including both the employee and employer portions, total approximately \$175,720 per week. Prior to the Petition Date, the Debtors withheld the appropriate amounts from Employees' earnings for the Withheld Amounts, but approximately \$31,438 of such funds were not forwarded to the appropriate taxing authorities as of the Petition Date. By this Motion, the Debtors request a Proposed Order authorizing the Debtors to pay \$31,438 of the Withheld Amounts (or an average of \$74 per applicable employee) to the appropriate taxing authorities in the ordinary course of business during the Interim Period.

50. Medical, Dental and Vision Plans. All full-time Employees (the "Eligible Employees") are eligible to receive medical, dental and vision insurance, of which medical and dental are self-funded by the Debtors and vision is contracted with United Health, beginning on the first day of the month following 30 days of full-time employment (the "Health Care Plan"). Under the Health Care Plan, the Debtors provide Eligible Employees with a Preferred Provider Organization (PPO) plan, with prescription drug coverage that is generally available under the plan. In addition, the Debtors provide Eligible Employees a preferred provider dental plan and a vision plan. Currently, the Debtors provide medical care coverage to approximately 380 Eligible Employees, dental care to approximately 320 Eligible Employees, and vision care to

approximately 300 Eligible Employees. Moreover, the Debtors' Health Care Plan provides health care coverage to approximately 300 dependents. By this Motion, the Debtors request the Proposed Order authorizing the Debtors to pay \$3,597 of the Health Care Plan (or an average of \$10 per applicable employee) in the ordinary course of business during the Interim Period.

51. Life, Disability and Accident Insurance. Through Cigna the Debtors provide life and accident, death and disability ("AD&D") insurance at no cost to their Eligible Employees. Eligible Employees are provided with up to \$200,000 of term life coverage, with the actual amount of coverage determined by applying a multiple of 1.5x the Eligible Employee's base pay. The AD&D benefit pays an amount equal to the life insurance face amount in the event of an accidental death. The Debtors pay a monthly premium of \$7,933 for the Cigna life and AD&D insurance plan and, as of the Petition Date, the Debtors estimate that they owe approximately \$7,933 in unpaid premium that has accrued but not yet been paid to Cigna. By this Motion, the Debtors request the Proposed Order authorizing the Debtors to pay \$7,933 for the Cigna life and AD&D insurance plan in the ordinary course of business during the Interim Period.

52. Moreover, the Debtors, through Principal Life Insurance Company, offer voluntary supplemental group life insurance to Employees that wish to purchase additional coverage. As of the Petition Date, fifty (50) Employees are enrolled in the supplemental life insurance program. The supplemental life insurance coverage automatically increases each year on the anniversary date as the Employee's annual compensation increases. The Debtors make bi-weekly deductions from participant payroll for the supplemental group life insurance plan and remit same to the Principal Life Insurance Company on a monthly basis. As of the Petition Date, the Debtors estimate that they owe approximately \$2,751 in unpaid premium that has accrued but not yet been paid to Principal Life Insurance Company. By this Motion, the Debtors request the

Proposed Order authorizing the Debtors to pay Principal Life Insurance Company \$2,751 for the voluntary supplemental group life insurance.

53. Flexible Spending Plan. Another benefit offered to Eligible Employees is the ability to contribute a portion of their pre-tax compensation to flexible spending accounts to pay for eligible out-of-pocket health care and dependent care premiums and expenses (the “Flexible Benefit Plan”). Currently, there are approximately 135 Employees participating in the health care portion of the Flexible Benefit Plan. The administration of this Flexible Benefit Plan costs the Debtors approximately \$451 per month in addition to an annual management fee of \$250. As of the Petition Date, \$451 was due and outstanding in connection with the Flexible Benefit Plan. By this Motion, the Debtors request the Proposed Order authorizing the Debtors to pay \$451 for the Flexible Benefit Plan.

54. Indemnification Obligations. Pursuant to the Debtors’ Certificates of Incorporation, the Debtors are required to indemnify, and advance expenses incurred by directors and officers who are made a party to, or are threatened to be made a party to, certain actions, investigations and proceedings in connection with their employment by or service to the Debtors, to the fullest extent which they are empowered to do so by the General Corporation Law of the State of Delaware (the “Indemnification Obligations”). Some of the Debtors’ Certificates of Incorporation provide for indemnification of all Employees, not just directors and officers.

55. To the extent a certain Debtor’s bylaws provide for such Employee indemnification, the Debtors seek authority, but not direction, to advance expenses to Employees, as needed to defend against any litigation.

56. By this Motion, the Debtors seek authority to advance expenses as needed to defend against any litigation related to current and former directors’ and officers’ prepetition or postpetition conduct. Any claims hereunder must be related to the current and former directors’

and officers' actions undertaken in good faith on behalf of the Debtors in a manner reasonably believed to be lawful and in the best interests of the Debtors. Moreover, in the event it is determined that any directors or officers are not eligible for indemnification, such directors and officers have agreed to reimburse the Debtors. Significantly, the Debtors are not seeking authority to pay any outstanding Compensation Amounts related to the Indemnification Obligations because, as of the Petition Date, there are no such amounts outstanding. Indeed, the Debtors have not had an outstanding Indemnification Obligation in the last year. Rather, the Debtors are seeking authorization to continue to honor Indemnification Obligations postpetition with respect to current and former directors and officers to the extent such obligations are not otherwise reimbursable by third parties. *The Debtors are not seeking interim relief on account of the Indemnification Obligations. Instead, they are seeking authority to pay the Indemnification Obligations pursuant to the Final Order.*

B. Ample Authority Exists To Support Payment of the Employee and Independent Contractor Obligations.

57. Courts generally acknowledge that it is appropriate to authorize the payment (or other special treatment) of prepetition obligations in appropriate circumstances. See, e.g., In re The Fairchild Corporation, et al., Case No. 09-10899 (CSS) (Bankr. D. Del. Mar. 20, 2009); In re Wickes Holdings, LLC, No. 08-10212 (KJC) (Bankr. D. Del. Feb. 5, 2008); In re Tweeter Home Entm't Group, Inc., No. 07-10787 (PJW) (Bankr. D. Del. June 13, 2007); In re Pope & Talbot, Inc., No. 07-11738 (CSS) (Bankr. D. Del. Nov. 21, 2007); In re Hancock Fabrics, Inc., No. 07-10353 (BLS) (Bankr. D. Del. Mar. 22, 2007). In authorizing payments of certain prepetition obligations, courts rely on several legal theories rooted in sections 1107(a), 1108, 363(b) and 105(a) of the Bankruptcy Code.

58. Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, debtors-in-possession are fiduciaries "holding the bankruptcy estate[s] and operating the business[es] for the

benefit of [their] creditors and (if the value justifies) equity owners.” In re CoServ, L.L.C., 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002). Implicit in the fiduciary duties of any debtor-in-possession is the obligation to “protect and preserve the estate, including an operating business’s going-concern value.” Id. Some courts have noted that there are instances in which a debtor can fulfill this fiduciary duty “only . . . by the preplan satisfaction of a prepetition claim.” Id. The CoServ court specifically noted that the satisfaction of prepetition claims would be a valid exercise of the debtor’s fiduciary duty when the payment “is the only means to effect a substantial enhancement of the estate” Id.

59. Consistent with the debtor’s fiduciary duties, courts have also authorized payment of prepetition obligations under section 363(b) of the Bankruptcy Code where a sound business purpose exists for doing so. See, e.g., In re Ionosphere Clubs, Inc., 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (finding that a sound business justification existed to justify payment of prepetition wages); see also Armstrong World Indus., Inc. v. James A. Phillips, Inc., (In re James A. Phillips, Inc.), 29 B.R. 391, 397 (S.D.N.Y. 1983) (relying on section 363 to allow contractor to pay prepetition claims of suppliers who were potential lien claimants because the payments were necessary for general contractors to release funds owed to debtors).

60. In addition, the Court may authorize payment of prepetition claims in appropriate circumstances based on section 105(a) of the Bankruptcy Code. Section 105(a), which codifies the inherent equitable powers of the bankruptcy court, empowers the bankruptcy court to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a). Under section 105(a), courts may permit pre-plan payments of prepetition obligations when essential to the continued operation of the debtor’s business. Specifically, the Court may use its power under section 105(a) to authorize payment of

prepetition obligations pursuant to the “necessity of payment” rule (also referred to as the “doctrine of necessity”).

61. The “doctrine of necessity” or the “necessity of payment” rule originated in railway cases and was first articulated by the United States Supreme Court in Miltenberger v. Logansport, C.&S.W.R. Co., 106 U.S. 286, 310 (1882). The doctrine was expanded to non-railroad debtors in the mid-century. See Dudley v. Mealey, 147 F.2d 268, 271 (2d Cir. 1945) (holding, in a hotel reorganization case, that the court was not “helpless” to apply the rule to supply creditors of non-railroad debtors where the alternative was the cessation of operations).

62. The United States Court of Appeals for the Third Circuit recognized the “necessity of payment” doctrine in In re Lehigh & New England Ry. Co., 657 F.2d 570, 581 (3d Cir. 1981). (holding that court may authorize payment of prepetition claims when there “is the possibility that the creditor will employ an immediate economic sanction, failing such payment”); see also In re Penn Cent. Transp. Co., 467 F.2d 100, 102 n.1 (3d Cir. 1972) (explaining that the necessity of payment doctrine permits “immediate payment of claims of creditors where those creditors will not supply services or material essential to the conduct of the business until their pre-reorganization claims shall have been paid”); In re Just for Feet, Inc., 242 B.R. 821, 824-845 (Bankr. D. Del. 1999) (noting that, in the Third Circuit, debtors may pay prepetition claims that are essential to continued operation of business); In re Columbia Gas Sys., Inc., 171 B.R. 189, 191-92 (Bankr. D. Del. 1994) (affirming general applicability of “necessity of payment” doctrine).

63. Today, the rationale for the necessity of payment rule is “the paramount policy of Chapter 11.” In re Ionosphere Clubs, 98 B.R. at 176; see also In re Just For Feet, 242 B.R. at 826 (finding that payment of prepetition claims to certain trade vendors was “essential to the survival of the debtor during the chapter 11 reorganization”); In re Quality Interiors, Inc., 127 B.R. 391,

396 (Bankr. N.D. Ohio 1991) (“[A] general practice has developed . . . where bankruptcy courts permit the payment of certain prepetition claims, pursuant to 11 U.S.C. § 105, where the debtor will be unable to reorganize without such payment.”); In re Eagle-Picher Indus., Inc., 124 B.R. 1021, 1023 (Bankr. S.D. Ohio 1991) (approving payment of prepetition unsecured claims of tool makers as “necessary to avert a serious threat to the Chapter 11 process”); Burchinal v. Cent. Wash. Bank (In re Adams Apple, Inc.), 829 F.2d 1484, 1490 (9th Cir. 1987) (recognizing that allowance of “unequal treatment of prepetition debts when necessary for rehabilitation” is appropriate); Mich. Bureau of Workers’ Disability Comp. v. Chateaugay Corp. (In re Chateaugay Corp.), 80 B.R. 279, 287 (S.D.N.Y. 1987) (authorizing payment of prepetition worker’s compensation claims on grounds that the fundamental purpose of reorganization and equity powers of bankruptcy courts “is to create a flexible mechanism that will permit the greatest likelihood of survival of the debtor and payment of creditors in full or at least proportionately”).

C. Sufficient Cause Exists To Authorize the Debtors To Honor Employee and Independent Contractor Wage and Benefit Obligations.

64. The Debtors believe the majority of the prepetition wages and other employee claims they seek to pay would be entitled in any event to priority treatment to the extent of \$10,950 for each individual under sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code. As priority claims, the Debtors are required to pay these claims in full to confirm a Chapter 11 plan. See 11 U.S.C. § 1129(a)(9)(B) (requiring payment of certain allowed unsecured claims for (a) wages, salaries or commissions, including vacation, severance and sick leave pay earned by an individual, and (b) contributions to an employee benefit plan). Thus, granting the relief sought herein would only cause such employee claims to be paid at the outset of the Chapter 11 Cases, rather than waiting until confirmation, to the extent that they constitute priority claims.

65. The Debtors also seek authority to pay Payroll Taxes to the appropriate entities. These amounts principally represent Employee and Independent Contractor earnings that governments, Employees, Independent Contractors and judicial authorities have designated for deduction from Employees' and Independent Contractors' paychecks. Indeed, certain Deductions, including contributions to the Employee Benefit Programs and child support and alimony payments, are not the Debtors' property because they have been withheld from Employees' paychecks on another party's behalf. See 11 U.S.C. § 541(b). Further, the Debtors and their officers are required by federal and state laws to make certain tax payments that have been withheld from their Employees' and Independent Contractors' paychecks. See 26 U.S.C. § 6672 and 7501(a); see also City of Farrell v. Sharon Steel Corp., 41 F.3d 92, 96-97 (3d Cir. 1994) (finding that state law requiring a corporate debtor to withhold city income tax from its employees' wages created a trust relationship between debtor and the city for payment of withheld income taxes); In re DuCharmes & Co., 852 F.2d 194, 196 (6th Cir. 1988) (noting that individual officers of a company may be held personally liable for failure to pay trust fund taxes). Because the Deductions and Payroll Taxes are not property of the Debtors' estate, these amounts are not subject to the normal bankruptcy prohibitions against payment. The Debtors therefore request that the Court confirm that such trust fund withholding is not property of the Debtors' estates and that the Debtors may transmit the Payroll Taxes to the proper parties in the ordinary course of business.

66. As described above, the majority of the Debtors' Employees and Independent Contractors rely exclusively on their compensation, benefits or reimbursement of their expenses to satisfy their daily living expenses. Consequently, these Employees and Independent Contractors will be exposed to significant financial difficulties if the Debtors are not permitted to honor obligations for unpaid compensation, benefits and reimbursable expenses. Moreover, if

the Debtors are unable to satisfy such obligations, Employee and Independent Contractor morale and loyalty will be jeopardized at a time when their support is especially critical.

67. Furthermore, if the Debtors are not authorized to honor their various obligations under their insurance programs, their Employees will not receive health coverage and may become obligated for the payment of health care claims in cases when insurance providers have not been paid by the Debtors. The loss of health care coverage would result in considerable anxiety for Employees at a time when the Debtors need such Employees to perform their jobs at peak efficiency.

68. For all of the foregoing reasons, the payment of the Debtors' prepetition wages and employee benefits will benefit the estates and their creditors by allowing the Debtors' business operations to continue without interruption. In the absence of such payments, the Debtors believe their Employees and Independent Contractors may seek alternative employment opportunities, perhaps with the Debtors' competitors. Such a development would deplete the Debtors' workforce, hindering the Debtors' ability to meet their customer obligations and would likely diminish creditor confidence in the Debtors. Moreover, the loss of valuable Employees and Independent Contractors and the recruiting efforts that would be required to replace such Employees and Independent Contractors would be a massive and costly distraction at a time when the Debtors should be focusing on stabilizing their operations. Accordingly, the Debtors must pursue all reasonable measures to retain their Employees and Independent Contractors by, among other things, continuing to honor all wages, benefits and related obligations, including those that accrued prepetition. The importance of a debtor's employees to its operations has been repeatedly recognized by courts in this district and other jurisdictions in granting relief similar to the relief requested herein. See, e.g., In re The Fairchild Corporation, et al., Case No. 09-10899 (CSS) (Bankr. D. Del. Mar. 20, 2009); In re Wickes Holdings, LLC, No. 08-10212

(KJC) (Bankr. D. Del. Feb. 5, 2008); In re Delta Financial Corp., No. 07-11880 (CSS) (Bankr. D. Del. Dec. 19, 2007); In re Pope & Talbot, Inc., No. 07-11738 (CSS) (Bankr. D. Del. Nov. 21, 2007); In re Tweeter Home Entm't Group, Inc., No. 07-10787 (PJW) (Bankr. D. Del. June 13, 2007).

D. Failure To Honor Employee and Independent Contractor Obligations Within 20 Days of the Petition Date Would Cause Immediate and Irreparable Harm.

69. Pursuant to the recently revised Bankruptcy Rule 6003, the Court may grant relief regarding a motion to pay all or part of a prepetition claim within 20 days after the Petition Date if the relief is necessary to avoid immediate and irreparable harm.

70. As described above, the Debtors' Employees and Independent Contractors are integral to the Debtors' operations. Failure to satisfy obligations with respect to the Employees and Independent Contractors in the ordinary course of business during the first 20 days of the Chapter 11 Cases would jeopardize their loyalty and trust, causing Employees and Independent Contractors to leave the Debtors' employ and severely disrupting the Debtors' operations at a critical juncture.

71. Moreover, the Debtors' Employees and Independent Contractors rely on their compensation, benefits and reimbursement of expenses to pay their living expenses and the effect could be financially ruinous if the Debtors cannot pay them in the ordinary course of business. Accordingly, the Debtors submit they have satisfied the requirements of Bankruptcy Rule 6003 to support immediate payment of their Employee and Independent Contractors obligations in the ordinary course of business or as otherwise specified herein.

E. Cause Exists To Authorize the Debtors' Financial Institutions To Honor Checks and Electronic Fund Transfers.

72. The Debtors represent they have sufficient availability of funds to pay the amounts described herein in the ordinary course of business by virtue of cash reserves, expected

cash flows from ongoing business operations and anticipated access to cash collateral. Also, under the Debtors' existing cash management system, the Debtors represent that checks or wire transfer requests can be readily identified as relating to an authorized payment in respect of the Employee and Independent Contractor obligations. Accordingly, the Debtors believe that checks or wire transfer requests, other than those relating to authorized payments, will not be honored inadvertently and that the Court should authorize all applicable financial institutions, when requested by the Debtors, to receive, process, honor and pay any and all checks or wire transfer requests in respect of the Employee obligations.

73. For all of the foregoing reasons, the Debtors believe that granting the relief requested herein is appropriate and in the best interests of all parties in interest.

F. Request for Waiver of Stay.

74. The Debtors further seek a waiver of any stay of the effectiveness of the order approving this Motion. Pursuant to Bankruptcy Rule 6004(h), "[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 10 days after entry of the order, unless the court orders otherwise." As set forth above, the immediate payment of the Employee-related claims is essential to prevent potentially irreparable damage to the Debtors' operations, value and ability to reorganize. Accordingly, the Debtors submit that ample cause exists to justify a waiver of the ten (10) day stay imposed by Bankruptcy Rule 6004(h), to the extent it applies.

G. Debtors' Reservation of Rights.

75. Nothing contained herein is intended to or should be construed as an admission of the validity of any claim against the Debtors, a waiver of the Debtors' rights to dispute any claim, or an approval or assumption of any agreement, contract, or lease under section 365 of the

Bankruptcy Code.⁷ The Debtors expressly reserve their rights to contest any invoice of an Employee and Independent Contractors under applicable non-bankruptcy law. Likewise, if this Court grants the relief sought herein, any payment made pursuant to the Court's order is not intended to and should not be construed as an admission of the validity of any claim or a waiver of the Debtors' rights to dispute such claim subsequently.

76. The Debtors further submit that, because the relief requested in this Motion is necessary to avoid immediate and irreparable harm to the Debtors for the reasons set forth herein, Bankruptcy Rule 6003 has been satisfied.

Notice

77. The Debtors shall provide notice of this Motion by facsimile and/or overnight mail to: (i) the Office of the United States Trustee for the District of Delaware; (ii) the Debtors' largest unsecured creditors on a consolidated basis, as identified in their chapter 11 petitions; (iii) counsel to the Debtors' prepetition secured lenders; (iv) the Department of Justice; and (v) the Internal Revenue Service. As this Motion is seeking first-day relief, notice of this Motion and any order entered hereon will be served on all parties required by Del. Bankr. L.R. 9013-1(m). Due to the urgency of the circumstances surrounding this Motion and the nature of the relief requested herein, the Debtors respectfully submit that no further notice of this Motion is required.

⁷ Critically, the Debtors do not at this time seek to assume any executory contracts or obligations, and the Motion should not be deemed to be an assumption or adoption of any employee agreements or policies. Rather, the Debtors merely seek to take steps that they believe are necessary to retain their existing workforce and to maximize the value of the bankruptcy estates. Also, the Debtors will retain the discretion not to make the payments contemplated by the Motion for particular Employees, and nothing in the Motion shall, in and of itself, confer upon any Employees or other parties an entitlement to administrative priority or other preferences in distribution from the Debtors' estates.

No Prior Request

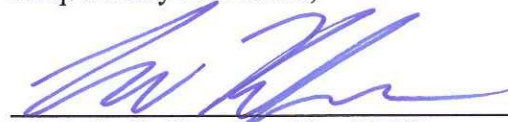
78. No prior motion for the relief requested herein has been made to this or any other court.

Conclusion

WHEREFORE, for the reasons set forth herein and in the Ogle Declaration, the Debtors respectfully request that the Court enter an order, substantially in the form attached hereto as **Exhibit A**: (i) authorizing, but not directing, the Debtors to pay in the ordinary course of business certain prepetition (a) wages, salaries and other compensation, (b) reimbursable employee expenses and (c) employee medical and similar benefits; (ii) authorizing and directing financial institutions to receive, process, honor and pay all checks presented for payment and electronic payment requests relating thereto; and (iii) granting such other and further relief as the Court may deem just and proper.

Dated: August 3, 2009
Wilmington, Delaware

Respectfully submitted,



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*Proposed Co-Counsel for the
Debtors and Debtors-in-Possession*

EXHIBIT A

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

In re:

**COMMERCECONNECT MEDIA HOLDINGS,
INC., et al.,¹**

Debtors.

)
) **Chapter 11**

)
) **Case No. 09-**

)
) **Jointly Administered**

)
) **Re: Docket No. ____**

**ORDER (I) AUTHORIZING DEBTORS TO PAY CERTAIN PREPETITION WAGES,
SALARIES, COMMISSIONS AND OTHER COMPENSATION, REIMBURSABLE
EMPLOYEE EXPENSES AND EMPLOYEE MEDICAL AND SIMILAR BENEFITS
AND (II) AUTHORIZING AND DIRECTING FINANCIAL INSTITUTIONS TO
HONOR ALL RELATED CHECKS AND ELECTRONIC PAYMENT REQUESTS**

Upon the motion (the "Motion")² of the above-captioned debtors and debtors-in-possession (collectively, the "Debtors" or "Cygnus") for entry of an order (this "Order") (a) authorizing, but not directing, the Debtors to pay in the ordinary course of business certain prepetition (i) wages, salaries and other compensation, (ii) reimbursable employee expenses and (iii) employee medical and similar benefits; and (b) authorizing and directing financial institutions to receive, process, honor and pay all checks presented for payment and electronic payment requests relating thereto; and upon the Affidavit of James Ogle in Support of First Day Motions; and it appearing that the relief requested is in the best interests of the Debtors' estates, their creditors and other parties in interest; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that this Motion is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that venue of this proceeding and

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: CommerceConnect Media Holdings, Inc. (1749), Cygnus Business Media, Inc. (0832), Cygnus New Business Launches, Inc. (0713) and Cygnus Interactive New Business Launches, Inc. (1283). The address for each of the Debtors is: 1233 Janesville Avenue, Fort Atkinson, Wisconsin 53538.

² Unless stated otherwise, all capitalized terms not defined herein shall have the same meaning as set forth in the Motion.

this Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and due and proper notice of this Motion having been provided; and it appearing that no other or further notice need be provided; and after due deliberation and sufficient cause appearing therefor;

IT IS HEREBY ORDERED THAT:

1. The Motion is granted, as set forth herein.
2. A final hearing on the Motion shall take place before The Honorable _____
_____ at the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, Floor, Courtroom _____, Wilmington, Delaware 19801 on or about September 4, 2009 (the "Final Hearing Date").
3. The Debtors are authorized, but not directed, to pay employees, in the ordinary course of business, amounts related to Compensation Amounts in an aggregate amount not to exceed \$1,079,311 from the Petition Date through the Final Hearing Date (the "Interim Period"). The Compensation Amounts are comprised of: (a) Unpaid Compensation in the amount of \$536,000; (b) Vacation Time in the amount of \$254,130; (c) Sick Leave in the amount of \$114,181; and (d) Severance in the amount of \$175,000.
4. The Debtors are authorized, but not directed, to pay employees, in the ordinary course of business, amounts related to Reimbursable Expenses in an aggregate amount not to exceed \$215,000 during the Interim Period.
5. The Debtors are authorized, but not directed, to pay, in the ordinary course of business, the AmEx Expenses in an aggregate amount not to exceed \$25,000.
6. The Debtors are authorized, but not directed, to pay employees, in the ordinary course of business, amounts related to the Employee Benefit Program, however in no event shall

the amounts paid during the Interim Period exceed the amount of the anticipated liability set forth in the Motion that is associated with the Employee Benefit Programs.

7. The Debtors are authorized, but not directed to continue collecting the Deductions and forwarding the amount to the appropriate third-party recipients in the ordinary course of business in an aggregate amount not to exceed \$46,477.

8. The Debtors are authorized, but not directed, to pay the appropriate taxing authorities, in the ordinary course of business, amounts related to the Withheld Amounts in an aggregate amount not to exceed \$31,438 during the Interim Period.

9. The Debtors are authorized, but not directed to pay employees, in the ordinary course of business, amounts related to the Health Care Plan in an aggregate amount not to exceed \$3,597 during the Interim Period.

10. The Debtors are authorized, but not directed, to pay, in the ordinary course of business, the monthly premium of \$7,933 for the Cigna life and AD&D insurance plan during the Interim Period.

11. The Debtors are authorized, but not directed, to pay, in the ordinary course of business, the premium amount of \$2,751 to the Principal Life Insurance Company for the voluntary supplemental group life insurance plan during the Interim Period.

12. The Debtors are authorized, but not directed, to pay, in the ordinary course of business, amounts related to the Flexible Benefit Plan in an aggregate amount not to exceed \$451.

13. The Debtors are authorized, but not directed, to pay prepetition amounts owing related to Compensation Amounts, Reimbursable Expenses and the Employee Benefits Programs, with respect to each Employee, up to the \$10,950 employee cap set forth in section 507(a)(4) of the Bankruptcy Code during the Interim Period. Nothing shall prejudice the

Debtors' rights to seek to pay amounts in excess of the statutory cap upon further order of this Court at the Final Hearing.

14. The Debtors are authorized, but not directed, to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests in respect of Compensation Amounts owed to the Employees that are dishonored as a consequence of these Chapter 11 Cases.

15. All financial institutions are authorized to receive, process, honor and pay all checks presented for payment and electronic payment requests relating to the relief requested in the Motion.

16. Nothing contained herein is intended or should be construed to create an administrative priority claim on account of obligations owing to the Employees.

17. The relief granted herein shall not constitute or be deemed an assumption of or an authorization to assume, pursuant to section 365 of the Bankruptcy Code, any of the employment or insurance agreements to which any of the Debtors is a party.

18. Bankruptcy Rule 6003(b) has been satisfied because the relief requested in the Motion is necessary to avoid immediate and irreparable harm to the Debtors.

19. Notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 7062 or 9014, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

20. Notwithstanding anything to the contrary contained herein, any payment to be made, or authorization contained hereunder, shall be subject to the requirements imposed on the Debtors under any order regarding the use of cash collateral.

21. Nothing in the Motion or this Order, nor as a result of the Debtors' payment of claims pursuant to this Order, shall be deemed or construed as: (a) an admission as to the

validity or priority of any claim against the Debtors; (b) a waiver of the Debtors' rights to dispute any claim; or (c) an approval or assumption of any agreement, contract or lease pursuant to section 365 of the Bankruptcy Code.

22. The Debtors are authorized and directed to take all actions necessary to effectuate the relief granted pursuant to this Order.

23. To the extent that this Order is inconsistent with any prior order or pleading with respect to the Motion in these cases, the terms of this Order shall govern.

24. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: _____, 2009
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

21. Nothing in the Motion or this Order, nor as a result of the Debtors' payment of claims pursuant to this Order, shall be deemed or construed as: (a) an admission as to the validity or priority of any claim against the Debtors; (b) a waiver of the Debtors' rights to dispute any claim; or (c) an approval or assumption of any agreement, contract or lease pursuant to section 365 of the Bankruptcy Code.

22. The Debtors are authorized and directed to take all actions necessary to effectuate the relief granted pursuant to this Order.

23. To the extent that this Order is inconsistent with any prior order or pleading with respect to the Motion in these cases, the terms of this Order shall govern.

24. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: _____, 2009
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Compensation Programs

EXPOSITIONS

Sales

Sales associates within the exposition group receive a compensation package comprised of a base salary, commission and in some cases performance bonus awards and shared incentives. Commissions are earned on sales of booth space, web initiatives, show advertising and sponsorships. Sales associates within the exposition group are eligible for annual salary reviews.

Commissions are earned from first-dollar and are paid monthly based on revenue collected during the prior month.

For sales associates working within a group that sells multiple shows, performance bonus awards are earned when all the shows within the group achieve their annual sales budgets. The bonus is a fixed dollar amount and the sales associate begins earning it when the actual combined revenue for all the shows achieves 91% of the combined revenue budget for the shows. Sales associates must be actively employed by the Debtors during the calendar year and on December 31st to be eligible for this bonus.

In recognition of sales resulting in “over-budget” results, the amount of the incentive earned by the individual sales associate is based on the percent of their sales versus the total sales into the show. The shared incentive schedule is as follows:

- When the show achieves 102% to 104.99% of total revenue, the individual sales associates earn 0.5% of their total sales achieved.
- When the show achieves 105% or higher, the individual sales associate earns 1.0% of their total sales achieved.

The sales associates must be actively employed by the Debtors during the calendar year and on December 31st to be eligible for this bonus.

Show Managers/Show Directors

Show managers/directors within the Exposition group receive a compensation program consisting of a base salary and bonus for achieving revenue and contribution budgets on the shows they manage and/or direct. The base salary is determined by several factors - size of portfolio, length of service with the Debtors, experience within their specific industry segment and/or within the trade shows industry in general. Show managers/directors are eligible for an annual base salary review. The overall size of their bonus is 10% of their base salary and is then split 50% against revenue targets and 50% against contribution targets. Both revenue and contribution bonuses are calculated and paid at year end.

Show managers/directors begin earning the revenue portion of their bonus when the combined revenue for the shows they manage achieves 91% of the combined budgets for the same shows.

The contribution portion of the show managers/directors compensation program is a year-end bonus. The bonus is calculated by comparing the combined contribution achieved from all the shows for which they are responsible against the combined target listed on their compensation agreement. Show managers/directors begin earning this bonus at 90% of budget. The show managers/directors must be actively employed by the Debtors during the calendar year and on December 31st to be eligible for these bonuses.

MEDIA – INTERACTIVE and PRINT

Editors

The lead Editor for the print and/or interactive property (titles: Editor, Editor-in-Chief, and Editorial Director, etc.), receive a competitive base salary and have the opportunity to earn end-of-year incentive for achieving several financial targets. The base salary is determined by several factors – size and frequency of publication/website, length of experience within the Debtors, experience in the industry the properties serve and/or media in general. Editors are eligible for an annual increase in base and a fixed incentive. Editors must be actively employed by the Debtors during the calendar year and on December 31st to be eligible for these bonuses. Incentive opportunities are as follows:

1. For controlling the annual editorial (content) budget on the property(ies) as a percent of revenue, the editor earns 25% of the established incentive. This targeted percentage is established by dividing the annual editorial (content) budget(s) by total annual revenue for the property(ies).
2. By working with the publication and/or interactive team to help ensure the contribution budget(s) for their property(ies) are achieved, the editor earns 75% of the incentive. The editor begins earning this portion of the incentive when the actual contribution for all the properties he/she is responsible for achieves 90% of the combined contribution budgets for the same group of properties.
 - a. Additional incentive is earned by the editor when actual contribution exceeds budget. To earn the additional incentive, the individual contribution budgets for all the properties he/she is responsible for must be achieved. The editor then earns 2% of the contribution above the combined contribution budgets for all properties for which they are responsible.

Sales

Sales associates within the media group receive a compensation package comprised of a base salary and commission on sales. Overall compensation balances a mix of variable pay based on sales generation and base salary, varying with territories, portfolio size, and experience. Changes to base salaries for sales associates are evaluated on a case-by-case basis.

Commissions are earned from first-dollar for sales of print, interactive as well as ancillary products sold in current year billing products. The commissions are paid monthly for products invoiced one month prior to payment, on the last pay period of the month. Commission is calculated and paid on earned revenue and reconciled with uncollectible billings.

Sales associates are eligible to earn a “budget buster” bonus on all sales that exceed their annual budget. The budget buster has two-components:

1. An additional 3% commission on all sales in excess of total annual sales budget.
2. Or, when the sales associate achieves both their print as well as their interactive sales budget, they earn an additional 5% commission on all sales in excess of each budget.

Associate Publisher

Associate Publishers within the media group receive a base salary and commission comparable to the sales associate compensation program. Individuals who assume the additional duties of Associate Publisher are given an additional fixed amount in annual compensation for those duties.

Publisher and Group Publishers

Publishers and Group Publishers within the media group receive a compensation program consisting of a base salary, bonus for achieving revenue and contribution targets for print and interactive, and in some cases, a commission program as well. The base salary is determined by several factors – size of portfolio, length of service with the Debtors, experience within their specific industry and/or the media industry in general. Publishers/group publishers' base salary is generally only increased when the size of their portfolio increases. The dollar amount of the revenue and contribution bonus is split 50/50 – 50% for achieving the revenue target and 50% for the contribution target.

Publishers and group publishers have the opportunity to earn quarterly 20% of their revenue bonus. For publishers/group publishers who have websites for which they are directly responsible, the revenue bonus is calculated by taking the combined interactive and print revenue that their portfolio properties generate that is attributable to the given quarter and measuring against the combined quarterly revenue budget for the same properties. A portion of the bonus can be earned when actual revenue for the quarter achieves 95% of budget. A reconciliation of the revenue bonus is done at year-end. When the annual combined interactive and print revenue target for the publisher/group publisher's properties is achieved, the publisher/group publisher earns the difference between any prior quarterly revenue bonus earned and the total revenue bonus offered.

Publishers and group publishers, who are not directly responsible for a website, but support a portal, have a separate revenue component for the portal achieving its revenue budget. Calculations for the earned bonus are the same as described above.

The contribution portion of the publisher/group publisher compensation program is a year-end bonus. The bonus is calculated by comparing the combined interactive and print contribution achieved against the combined target listed on their compensation agreement. Publishers/group publishers begin earning this bonus at 90% of budget.

Publishers/group publishers who exceed both their revenue as well as their contribution (print and interactive) budgets are eligible to earn a "budget buster" bonus of 5% of contribution over budget. The publisher/group publisher must be actively employed by the Debtors during the calendar year and on December 31st to be eligible for this bonus.

Publisher/group publisher commission plans are identical to the commission portion of compensation plans given to sales associates.

Interactive Product Managers

The interactive product managers receive a compensation program including a base salary and bonus based on achieving the revenue goal for the interactive properties within their portfolio.

The revenue bonus is calculated by taking the combined interactive revenue generated by all the properties within their portfolio against the combined total annual revenue budget for the same properties. A portion of the bonus can be earned when actual revenue achieves 90% of budget.

The interactive product managers are eligible for a “budget buster” bonus when the revenue budgets for the interactive properties in their portfolio are achieved. This is a year-end incentive of 1% of revenue over the combined revenue budget. The interactive product managers must be actively employed by the Debtors during the calendar year and on December 31st to be eligible for this bonus.

Brand Directors

The brand directors within the media group receive a compensation program consisting of a base salary and bonus opportunities for achieving portfolio contribution. The base salary is determined by several factors – size of portfolio, length of service with the Debtors, experience within their specific industry segment and/or within the publishing industry in general. Brand Directors can elect to waive their “at budget” incentive in 2009 and by doing so can earn increased levels of the waived incentive which would then be re-instated if their portfolio of properties exceed original contribution budget.

Brand directors who do not waive their budget level incentives, begin earning their bonus when actual portfolio contribution achieves 90% of the budgeted portfolio contribution. Brand Directors who waive their bonus at budget, will only earn incentives if their portfolio exceeds budget. Brand directors earn 4% of contribution over budget when contribution for their portfolio exceeds the total portfolio contribution budget waived or not.

The brand directors must be actively employed by the Debtors during the calendar year and on December 31st to be eligible for this bonus.

Audience Development

The audience development and fulfillment managers within the Audience Development Department are eligible for incentive compensation based on:

- Controlling expenses and meeting audit goals within budget.
- Developing and managing a high quality subscriber file; the higher quality a list, the greater potential for list rental revenue

The bonus for these individuals is a percentage of a calculation based on List Rental Revenue and/or Subscription Revenue less a portion of Circulation Expenses. The audience development and fulfillment managers must be actively employed by the Debtors during the calendar year and on December 31st to be eligible for the year-end bonus.

Corporate Service Departments

Individuals within various positions in Finance, Facilities and Interactive receive a compensation program consisting of a base salary and bonuses. The bonus elements within these programs are principally comprised of achieving corporate EBITDA as well as include management by objectives (“MBO”) MBO measurements and constitute year-end bonuses.

Designated managers of service departments begin earning the corporate EBITDA bonus when corporate EBITDA achieves at least 90% of budget. Various service department management staff are incentivized with MBO components – objectives that are critical for the organization to continue to grow, essential initiatives which must be instituted, etc. The MBO’s have an established dollar amount assigned to them, are objective and measurable; the MBO language and goal must be approved by management one-level up from the assigning manager. The MBO must be accomplished within the specified period of

time. At year end, the assigning manager, evaluates the success of the MBO, recommends the earned dollar amount and presents to his/her manager for final approval.

Any service department manager with an MBO must be actively employed by the Debtors during the calendar year and on December 31st to be eligible for this bonus.

Senior Management Bonuses

Compensation for senior management consists of a base salary and incentive opportunities, based on position, which could include portfolio revenue and contribution, division revenue and contribution, corporate EBITDA, and/or MBO performance achievement.

Members of senior management who have a revenue bonus component begin earning their revenue bonus when actual combined revenue generated by properties within their portfolio/division achieves designated benchmarks of 91% or 95% of combined budgeted revenue for the same properties.

Senior managers with a contribution bonus component begin earning their contribution bonus when actual combined contribution generated by properties within their portfolio/division achieves 90% of combined budgeted contribution for the same properties. As well, senior managers begin earning the corporate EBITDA bonus when corporate EBITDA achieves at least 90% of budget. Various members of the senior team are eligible for additional incentive when the contribution on their portfolio, division and/or corporate EBITDA exceeds its correlating budget.

Certain senior managers are incentivized with MBO components – objectives that are critical for the organization to continue to grow, essential initiatives which must be instituted, etc. The MBO's have an established dollar amount assigned to them, are objective and measurable; the MBO language and goal must be approved by management one-level up from the assigning manager or the CEO. The MBO must be accomplished within the specified period of time. At year end, the CEO evaluates the success of the MBO.

To receive any of the above bonuses the senior manager must be actively employed by the Debtors during the calendar year and on December 31st to be eligible for this bonus.