

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF SOUTH CAROLINA

FILED
at _____ O'clock & _____ min _____ M
JUL - 3 2003
BRENDA K. ARGOE, CLERK
United States Bankruptcy Court
Columbia, South Carolina (4)

IN RE:

ChanneLinx, Inc.

Debtor.

C/A No. 03-01262-W

ORDER

Chapter 11

ENTERED

JUL - 3 2003

B. R. M.

THIS MATTER comes before the Court upon a Motion for Authorization of Debtor-in-Possession to Implement Certain Key Employee Retention Provisions (the "Motion") in connection with the Debtor's Plan of Reorganization (the "Plan") filed by ChanneLinx, Inc. (The "Debtor") on June 6, 2003. The Motion seeks authorization pursuant to 11 U.S.C. §§ 105 and 363(b) for Debtor to ensure the continued employment of Daniel Ty Schmidt and Kurt A. Herwald ("Acting Key Employees") and John Crockett, Robert Novak, and Edward Tobias ("Permanent Key Employees") (collectively, "Key Employees") which Debtor has determined to be essential to its successful reorganization. The specific incentives and bonus provisions are described in the Motion.

The Unsecured Creditors' Committee (the "Committee"), appointed by the United States Trustee on March 10, 2003, through its Chairman Harold Miller, filed a pro se objection (the "Objection") to the Motion on June 27, 2003. Primarily, the Committee seeks a continuance of the Motion until the confirmation hearing on the Plan.

Debtor opposes a further continuance and indicates that the Key Employees' continued employment is essential at this stage to ensure the new investment contemplated by the Plan and to encourage creditor confidence and, therefore, support of the Plan.

The Court has previously continued the hearing on the Motion and encouraged Debtor and the Committee to resolve any differences. In addition, all parties agree that substantial progress has been made toward a viable reorganization through the cost reduction efforts implemented by the Key

Employees. Further, the parties agree that potential new investors seek some present assurances that the Key Employees will remain with Debtor. Therefore, it appears that the proposal to retain these Key Employees on some terms at this stage is a sound business judgment made by Debtor. The Court also notes that there is some dispute whether the Objection represents the interests of all unsecured creditors or even the full membership of the Committee.

However, considering (1) that two of the Key Employees comprise the entire Board of Directors of Debtor, therefore raising conflict of interest questions; (2) that the confirmation hearing is scheduled within twenty (20) days of the entry of this Order; and (3) that Debtor agrees that the operation of the Key Employee Retention Provisions (the "KERP") is dependent upon the achievement of confirmation of the Plan, the Court grants the Motion but conditions its implementation upon the achievement of confirmation of a Plan in the case.

If Debtor seeks an order which more specifically sets forth the terms of the KERP, it may submit such an order consistent with this Order at or before the confirmation hearing.

AND IT IS SO ORDERED.

Columbia, South Carolina,

July 3, 2003.


UNITED STATES BANKRUPTCY JUDGE