

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

In re:)	
)	Chapter 11
)	
DRUG FAIR GROUP, INC., <i>et al.</i> , ¹)	Case No. 09-10897 (BLS)
)	
Debtors.)	Joint Administration Requested
)	
)	

**MOTION OF DEBTORS FOR AN ORDER (I) AUTHORIZING DEBTORS
TO (A) PAY PREPETITION EMPLOYEE WAGES, (B) MAKE
PAYMENTS FOR WHICH PAYROLL DEDUCTIONS WERE MADE,
AND (C) PAY ALL COSTS INCIDENT TO THE FOREGOING
PAYMENTS AND CONTRIBUTIONS AND (II) AUTHORIZING
APPLICABLE BANKS AND OTHER FINANCIAL INSTITUTIONS TO
RECEIVE, PROCESS, HONOR AND PAY ANY AND ALL CHECKS
DRAWN ON DEBTORS' ACCOUNTS FOR SUCH PURPOSES**

The debtors and debtors-in-possession in the above captioned cases (collectively, the "Debtors") hereby move (the "Motion") this Court for entry of an order authorizing the Debtors pursuant to section 105(a) of title 11 of the United States Code (as amended, the "Bankruptcy Code") to pay prepetition wages, salaries, benefits, and employee expense reimbursements, all as set forth more fully herein, deductions related thereto, and to authorize financial institutions to process payments of Prepetition Wages. In support hereof, the Debtors rely on the Declaration of Timothy Boates, the Chief Restructuring Officer of the Debtors (the "Boates Declaration"). In further support hereof, the Debtors respectfully represent as follows:

¹ The Debtors in these cases, along with the last four digits of the federal tax identification number for each Debtor, are Drug Fair Group, Inc. f/k/a Community Distributors, Inc. (3660) and CDI Group, Inc. (9976).

Jurisdiction

1. 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).

2. The statutory predicates for the relief requested herein are sections 363, 507(a), 1107(a) and 1108 of the Bankruptcy Code and Rule 2015-2 of the Local Rules of Bankruptcy Procedure for the United States Bankruptcy Court for the District of Delaware (the "Local Rules").

Background

3. On March 18, 2009 (the "Petition Date"), each of the Debtors filed a voluntary petition with this Court for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of title 11 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in these chapter 11 cases and no committees have been appointed or designated.

4. A description of the Debtors' business and the reasons for filing these chapter 11 cases is set forth in the Declaration of Timothy D. Boates, Chief Restructuring Officer of Drug Fair Group, Inc., in Support of First Day Pleadings (the "Boates Declaration"), which was filed contemporaneously with this motion and is incorporated herein by reference.

Introduction

5. The Debtors' employees are critical to the Debtors' operations. In addition to wages and benefits commonly provided to a company's employees, the Debtors utilize various programs to incentivize and motivate their employees, the Debtors utilize various programs to incentivize and motivate their employees, especially its pharmacists, who are tasked with developing a rapport with customers and providing critical advice and guidance with respect to mediations.

6. The Debtors employ approximately 1475 employees (the "Employees"). In the ordinary course of their business. Prior to the Petition Date, the Debtors incurred payroll obligations to its Employees for the performance of their services.

6. The Debtors also participated in or were obligated under various salary and wage policies, savings plans, insurance plans and other programs designed to provide benefits for their Employees.

Prepetition Wages

7. As of the Petition Date, the Employees had earned or accrued in their favor various prepetition wages for (i) wages, salaries, and vacation pay, (ii) employee business expenses, including, without limitation, expenses for travel, meals and lodging, and (iii) other employee benefits, including, without limitation, those due to or for the benefit of Employees under various health, life and savings plans and vacation plans (the "Prepetition Wages"). The Prepetition Wages are due and owing to the Debtor's Employees as of the Petition Date by reason of, inter alia:

- (i) the filing of the chapter 11 petition in the middle of the Debtor's regular and customary payroll period, as well as in the middle of the Debtor's regular reimbursement cycle for Employee business expenses;

(ii) the possible failure of payroll and expense reimbursement checks issued to Employees prior to the commencement of this case to have been presented or to have cleared the banking systems as of the Petition Date;

(iii) the fact that Employees have not yet been paid all of their salaries and wages earned for services previously rendered to the Debtor or have not been reimbursed for business expenses previously paid by such Employees on behalf of the Debtor; and/or

(iv) the fact that certain Employee benefits related to prepetition services have not yet been paid or advanced to or for the benefit of the Employees.

8. The Debtors' salaried and hourly Employees are paid on a Sunday through Saturday week with payroll funded on the following Thursday and payroll checks and direct deposits being issued on Friday. The Debtors' total weekly payroll obligations are approximately \$710,000. The Debtors funded the payroll that is due to be paid on March 20th prepetition. Thus, the Debtors have accrued and unpaid wages for only the stub period of Sunday through the Petition Date.

9. The Employees also accrue vacation days throughout the year. In addition, certain employees earned paid time off for not taking holidays, sick time and other days off. Paid time off applies to pharmacists, warehouse workers and certain store workers. In New Jersey, where the Debtors maintain all their operations, vacation pay and paid time off are treated as wages under state law.

10. As of the Petition Date, many of the Employees are owed pay for accrued but unused vacation time in the aggregate amount of approximately \$565,000.00. As of the Petition Date, approximately 505 of the Employees are owed pay for accrued paid time off in the aggregate amount of approximately \$176,000. As of the Petition Date, two of the Debtors' Employees are owed in excess of the \$10,950 statutory cap set forth

in section 507(a)(4) of the Bankruptcy Code when considering wages, accrued but unused vacation time and accrued paid time off.

Payroll Withholdings

11. The Debtors deduct certain amounts from their employees' paychecks for the employee portion of health and welfare insurance premiums, 401(k) deductions, and other miscellaneous amounts (collectively, the "Employee Deductions"). The Employee Deductions may comprise property of the Debtors' employees and average an aggregate amount of approximately \$61,100 per week. The Employee Deductions are withheld and forwarded to appropriate third-party recipients at varying times. The Debtors seek the authority to forward the Employee Deductions to the appropriate third parties as they become due. Even if the Court were not inclined to grant the relief requested herein, the individual employees may be able to assert rights to such funds under the theory that they are held by the Debtors in trust for the appropriate recipients.

Reimbursable Employee Expenses

12. The Debtors customarily reimburse their Employees who incur a limited variety range of business expenses in the ordinary course of performing their duties on behalf of the Debtors (the "Business Expenses"). If the relief requested herein is not granted, the Employees will suffer great hardship and, in many instances, financial difficulties, since those monies are needed to enable the Employees to meet their own personal obligations. Moreover, the Employees likely incurred such expenses without the understanding that they were advancing credit to the Debtors. If the payments are not made, the Debtors believe that a number of the Employees that remain will leave for other employment and impair the Debtors' efforts to maximize the value of their assets.

Therefore, it is in the best interests of the estates and all parties in interest for the Court to authorize such payments.

Employee Benefits Programs

13. The Debtors sponsored many health and benefit programs for the Employees. The major benefit programs are as follows:

A. Medical, Dental and Prescription Plans

Medical Insurance Plan

(i) Through Blue Cross, all Full-time Employees and their dependents are eligible to participate after a waiting period of six months. Employees are charged 30% of the cost of the insurance through a weekly deduction on a pre-tax basis. The Debtors pay 70% of cost. Currently there are 554 participants and the cost to the Debtors range between \$3,168 and \$12,972 per employee per year.

Dental Insurance Plan

(ii) Blue Cross is also the dental insurance provider. All Full time Employees and their dependents are eligible to participate after a waiting period of six months. Employees are charged, on a pre-tax basis, through a deduction weekly for their choice of plan. Currently there are 529 participants.

Prescription PBM Plan

(iii) Clarity is the Pharmacy Benefit Manager. Employees and their dependents are eligible for this benefit if they are enrolled in the medical plan. The cost to the employee is included in the medical plan deduction. Currently there are 554 participants.

14. As indicated above, the Debtors' medical plan is self-insured and approximately 30% of the premiums are collected from the employees' paychecks. The claims that are submitted for such medical plans were historically processed and paid over a period of several weeks. Many of the employees and former employees, in the normal course of their affairs, underwent medical evaluations or treatments prior to the Petition Date with the understanding that such procedures would be covered by their

insurance, for which they made significant contributions through payroll deductions. In the event that these claims are not processed, these former Employees will suffer significant hardship. The Debtors estimate that approximately \$600,000 of medical insurance claims relating to prepetition periods will need to be processed through this program.

B. Life, Disability and Accident Insurance

15. The Debtors provide Employees with term life and accidental death and dismemberment insurance coverage through Cigna (the “Life and AD&D Insurance”) after a six month waiting period. Part-time Employees are eligible for \$2,000 in coverage. Full-Time Employees are eligible for coverage equal to 2x their salary. Executives are eligible for coverage equal to 3x their salary. There are approximately 1,027 participants. On average, this coverage costs the Debtors approximately \$72,000 per year. As of the Petition Date, the Debtors estimate they owe approximately \$6,000 on account of the Life and AD&D Insurance.

16. In addition, the Debtors offer their Employees the opportunity to purchase supplemental life insurance through Cigna (the “Supplemental Life”) and dependent life insurance through Cigna (“Dependent Life”), the premiums for which are paid entirely by the electing Employee. The Debtors estimate that approximately 41 Employees have elected to purchase Supplemental Life and Dependent Life. The Debtors estimate that they have withheld approximately \$4,000 in Employee contributions for Supplemental Life and Dependent Life before the Petition Date, which amount has not yet been transferred to Cigna.

17. In addition, the Debtors provide all Employees long term disability benefits through Cigna (the “disability Benefits”), after a six month waiting period. Premiums for Disability Benefits are paid entirely by the Debtors and on average, this coverage costs the Debtors approximately \$33,600 per year. There are approximately 661 participants. As of the Petition Date, the Debtors estimate they owe approximately \$4,000 on account of Disability Benefits.

18. In addition, the Debtors offer their Employees the opportunity to purchase short-term disability insurance from Cigna, the premiums for which are paid entirely by the electing Employee. The Debtors estimate that approximately 24 Employees have elected to purchase short-term disability insurance. The Debtors estimate that they have withheld approximately \$3,000 in Employee contributions for short-term disability before the Petition Date, which amount has not yet been transferred to Cigna.

C. Workers’ Compensation

19. The Debtors provide workers’ compensation insurance for the Employees at the statutorily required levels (the “Workers’ Compensation Program”). The program is administered by The Hartford, with a per event deductible of \$250,000. The Debtors’ annual insurance premium and fees for the workers’ compensation insurance is approximately \$235,000. One installment of \$23,185 remains for the policy year ending July 31, 2009. Certain benefits under the Workers’ Compensation Program have been incurred prepetition but have not yet been fully paid and certain other claims were filed prepetition but have yet to be resolved. As of the Petition Date, the Debtors estimate that they have an exposure of \$ 433,000 on account of outstanding prepetition claims under the Workers’ Compensation Program. The Hartford is a beneficiary of a letter of credit in the amount of \$1.3 million to satisfy such prepetition claims.

D. Retirement Savings Plan

20. The Debtors maintain a retirement savings plan for the benefit of all eligible Employees meeting the requirements of Section 401(k) of the Internal Revenue Code (the "401(k) Plan"). The Plan is administered by ING Bank. Approximately 650 Employees participate in the 401(k) Plan, and the approximate weekly amount withheld from such Employees' paychecks for 401(k) contributions is \$30,000. As a result of the Debtors' current economic situation, the Debtors have determined to temporarily suspend the 401(k) matching program effective February 2009, which was utilized to induce eligible Employees to participate in the 401(k) Plan (the "Matching Obligations").

21. The Debtors also pay ING Bank a quarterly administration fee of approximately \$1,500 on account of the 401(k) Plan. Additionally, the Debtors deduct approximately \$81,000 on account of participants' repayment of loans they have taken from their 401(k) accounts (the "Loan Repayments").

22. As of the Petition Date, the Debtors are holding approximately \$62,000 in 401(k) contributions that have been withheld from participants' paychecks and approximately \$24,000 to repay loans from 401(k) accounts. In addition, the Debtors did not remit the Matching Obligations for January 2009 in the sum of approximately \$85,000.

23. The Debtors' Employees that remain employed are vital to the successful operation of the Debtors' businesses. The Employees' efforts subsequent to the last payroll date have significantly preserved the value of the Debtors' estates. The Employees' efforts in the future are expected to continue to preserve the value of the estates. The continued operation of the stores, fulfillment of prescriptions and require the

ongoing efforts of the remaining Employees. The Debtors believe that significant portions of the workforce that are necessary to preserve operations, including management, would cease providing services to the estate if these obligations to the Employees are not met.

Relief Requested

24. By this Motion, the Debtors seek an order under sections 105(a) and 507(a) of the Bankruptcy Code authorizing the Debtors to pay or otherwise honor various employee-related prepetition obligations. The Debtors also seek confirmation that they are permitted to pay any and all local, state, and federal withholding payroll-related taxes relating to prepetition periods, including but not limited to, all withholding taxes, Social Security taxes, and Medicare Taxes and to reimburse Business Expenses to Employees in the normal course. Additionally, the Debtors seek an order authorizing all banks to receive, process, honor and pay any and all checks drawn on the Debtors' bank accounts with respect to payments authorized by this Motion, whether presented before or after the Petition Date, upon receipt by each bank and institution a notice of such authorization, provided that sufficient funds are on deposit in the applicable accounts to cover such payments. Finally, the Debtors request the authority to process and pay the medical insurance claims that were incurred prior to the Petition Date, consistent with the requirements of their DIP Facility and to the extent possible, consistent with their past practices.

Basis for Relief

25. This Court has equitable power to authorize the payment of prepetition claims where such payments are necessary to effectuate the bankruptcy plan. See, e.g., Miltenberger v. Logansport, Crawfordsville and Southwestern Ry. Co., 106 U.S. 286, 311 (1882) (“[m]any circumstances may exist which may make it necessary and indispensable . . . for the receiver to pay pre-existing debts of certain classes out of the earnings of the receivership, or even the corpus of the property, under an order of the court”); In re Penn Central Transp. Co., 467 F.2d 100, 102 (3d Cir. 1972); In re Michigan Interstate Ry. Co., 87 B.R. 921, 925 (Bankr. E.D. Mich. 1988). Under the “necessity of payment” doctrine, a court may authorize the immediate payment of prepetition claims where the payments are essential to a debtor’s continued business operations. See, e.g., In re Lehigh & New England Ry. Co., 657 F.2d 570, 581 (3d Cir. 1981) (“the ‘necessity of payment’ doctrine . . . teaches no more than, if payment of a claim which arose prior to reorganization is essential to the continued operation . . . payment may be authorized even if it is made out of corpus”); In re Columbia Gas System, Inc., 171 B.R. 189, 191-92 (Bankr. D. Del. 1994); In re SIS Corp., 108 B.R. 608, 609-10 (Bankr. N.D. Ohio 1989) (recognizing that payments on account of prepetition claims may be authorized by a court “premised upon overriding practical and policy reasons”).

26. In addition, section 549(a) of the Bankruptcy Code, which governs post-petition transfers, provides that "the trustee may avoid a transfer of property of the estate .

. . . made after the commencement of the case . . . that is not authorized . . . by the court.”²

Thus, by necessary implication, a bankruptcy court may authorize limited post-petition payments to satisfy prepetition obligations. See Miller Mining, Inc. v. KDC Financial Services, Inc., 219 B.R. 219, 223 (Bankr. N.D. Ohio 1998) (noting that the court often authorizes the payment of prepetition wages to allow a debtor in possession to “maintain an effective work force”) citing In re Quality Interiors, Inc., 127 B.R. 391, 396 (Bankr. N.D. Ohio 1991); In re Isis Foods, Inc., 37 B.R. 334, 336 n.3 (Bankr. W.D. Mo. 1984) (“proposed transfers [to pay prepetition claims] may be presented in advance to a bankruptcy court for its approval and would thereafter be insulated from attack”).

27. Numerous jurisdictions, including the Third Circuit, have recognized that the “necessity of payment” doctrine may be invoked to authorize immediate post-petition payments of prepetition claims where the payment of such claims is essential to the debtor's operations. See, e.g., Pension Benefit Guaranty Corp. v. Sharon Steel Corp. (In re Sharon Steel Corp.), 159 B.R. 730, 737 (Bankr. W.D. Pa. 1993) (stating, “[t]he Third Circuit has adopted the ‘necessity of payments’ doctrine” and ruling that a debtor was justified in making selective payments of certain prepetition wage claims in light of the demonstrable economic benefits that would ultimately flow to the debtor's estate and creditors as a result of debtor’s operations) citing In re Lehigh & New England Ry. Co., 657 F.2d 570 (3d Cir. 1981); See also In re Holly’s, Inc., 140 B.R. 643, 677 n.56 (Bankr.

² Section 549(a) provides as follows:

Except as provided in subsections (b) or (c) of this section, the trustee may avoid a transfer of property of the estate:

- (1) made after commencement of the case; and
- (2) (A) that is authorized only under section 303(f) or 542(c) of this title; or
(B) that is not authorized under this title or by the court.

11 U.S.C. § 549(a).

W.D. Mich. 1992) (recognizing that “postpetition payment of prepetition debt is allowable under the ‘necessity of payment’ doctrine”); In re Eagle-Picher Indus., Inc., 124 B.R. 1021, 1022 (Bankr. S.D. Ohio 1991) (approving payments of prepetition subcontractor/vendor claims where “the payment is necessary to avert a serious threat to the chapter 11 process”); In re Ionosphere Clubs, Inc., 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989); In re Chateaugay Corp., 80 B.R. 279, 282 (S.D.N.Y. 1987) (affirming the bankruptcy court's holding that a court should authorize prepetition payments if, in the debtor's business judgment, the payment of certain prepetition claims would serve to preserve and maximize the value of the debtor's estate).

28. The relief sought would not materially harm the Debtors' estates or creditors, as the Prepetition Wages that the Debtors seek authority to pay would be recoverable by the Employees as a priority claim if the Motion was denied. Under section 507(a)(4) of the Bankruptcy Code, each Employee may be granted a priority claim for:

allowed unsecured claims, but only to the extent of \$10,950 for each individual or corporation, as the case may be, earned within 180 days before the date of the filing of the petition or the date of the cessation of the debtor's business, whichever occurs first, for –

(A) wages, salaries, or commissions, including vacation, severance, and sick leave pay earned by an individual; or

(B) sales commissions earned by an individual or by a corporation with only 1 employee, acting as an independent contractor in the sale of goods or services for the debtor in the ordinary course of the debtor's business if, and only if, during the 12 months preceding that date, at least 75 percent of the amount that the individual or corporation earned by acting as an independent contractor in the sale of goods or services was earned from the Debtor.

11 U.S.C. §507(a)(4).

Less than three of the Employees are owed more than the \$10,950 limit established by sections 507(a)(4).

29. Likewise, under section 507(a)(5) of the Bankruptcy Code, each Employee may be granted a priority claim for:

contributions to an employee benefit plan -

(A) arising from services rendered within 180 days before the date of the filing of the petition or the date of the cessation of the debtor's business, whichever occurs first; but only

(B) for each such plan, to the extent of -

(i) the number of employees covered by each such plan multiplied by \$10,950; less

(ii) the aggregate amount paid to such employees under paragraph (4) of this subsection, plus the aggregate amount paid by the estate on behalf of such employees to any other employee benefit plan.

11 U.S.C. §507(a)(5). The Debtors pay their payroll weekly and the overwhelming majority of their workforce is not highly compensated. Therefore, the overwhelming majority of the Employees are far below the \$10,950 limit established by section 507(a)(4) of the Bankruptcy Code. Therefore, the aggregate amount available for priority pursuant to the testing of section 507(a)(5)(B) of the Bankruptcy Code for the medical plan would be quite high. Thus, all, or at least a high percentage, of the self-insured medical claims that the Debtors are seeking to pay likely fall under the protection of section 507(a)(5) of the Bankruptcy Code. The Debtors, for the foregoing reasons, should be permitted to pay Prepetition Wages to the fullest extent described above and hereby request authority to pay such amounts in the ordinary course of the Debtors' businesses.

30. Moreover, certain deductions from the Prepetition Wages may represent funds that the Debtors are not entitled to hold for any protracted period, since the Debtors

effectively only hold these amounts in trust and the Employees themselves hold a direct claim against such funds. Because it is likely that, whatever the outcome of this chapter 11 case, the Debtors will ultimately be required to disgorge funds equivalent to the amount of the Deductions, there is ample justification for the payment of the Trust Funds to or on behalf of the Employees in the ordinary course of the Debtors' businesses.

Request for Authority (a) for Banks to Honor Checks and (b) for Debtor to Pay Incidental Costs

31. The Debtors further requests that all applicable banks and other financial institutions be authorized and directed to receive, process, honor and pay any and all checks drawn on the Debtors' accounts related to the Prepetition Wages whether presented prior to or after the Petition Date, upon the receipt by each such bank and institution of notice of such authorization, provided only that sufficient funds are on deposit in the applicable accounts to cover such payments.

32. In addition, the Debtors request that they be permitted to pay all costs incident to Prepetition Wages, such as payroll-related taxes and processing costs, that may arise. The Debtors further represent that they expect to have available cash sufficient to pay all of the Prepetition Wages to the extent described herein, and all costs incident thereto, as such amounts become due.

33. 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, Rule 6003 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") has been satisfied.

Request for Waiver of Stay

34. 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 ten (10) days after entry of the order, unless the court orders otherwise.” As set forth above, the proposed payments are 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 Federal Rule of Bankruptcy Procedure 6004(g), to the extent applicable.

Notice

35. The Debtors have provided notice of this motion by either hand delivery, electronic mail, facsimile, or overnight mail to: (a) the U.S. Trustee; (b) the entities listed on the Consolidated List of Creditors Holding the 30 Largest Unsecured Claims; (c) counsel to the Debtors’ Prepetition First Lien Lenders and Postpetition Lenders; (d) counsel to the Debtors Prepetition Second Lien Lenders; and (e) the Internal Revenue Service. In light of the nature of the relief requested, the Debtors respectfully submit that no further notice is necessary.

WHEREFORE, the Debtors respectfully request that the Court enter an order in the form attached hereto: (i) authorizing the Debtors in their sole discretion to pay Prepetition Wages in accordance with the Debtors’ stated policies with regard thereto, to or for the benefit of the Employees, (ii) authorizing the Debtors to pay all costs incident to the payment of the Prepetition Wages, such as the deductions for payroll-related taxes and processing costs, (iii) authorizing and directing all applicable banks and other

financial institutions to receive, process, honor and pay any and all checks drawn on the Debtors' payroll and general disbursement accounts related to Prepetition Wages and all costs incident thereto, whether presented prior to or after the Petition Date, provided only that sufficient funds are on deposit in the applicable accounts to cover such payments; and (iv) granting such other and further relief as the Court may deem proper.

Dated: March 18, 2009
Wilmington, Delaware

KLEHR, HARRISON, HARVEY,
BRANZBURG & ELLERS, LLP

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and Debtors-in-Possession

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

In re:)	
)	Chapter 11
DRUG FAIR GROUP, INC., <i>et al.</i> , ¹)	Case No. 09-10897 (BLS)
Debtors.)	Joint Administration Requested
)	Related to Docket No. _____

**ORDER (I) AUTHORIZING DEBTORS TO (A) PAY PREPETITION
EMPLOYEE WAGES, (B) MAKE PAYMENTS FOR WHICH PAYROLL
DEDUCTIONS WERE MADE, AND (C) PAY ALL COSTS INCIDENT
TO THE FOREGOING PAYMENTS AND CONTRIBUTIONS AND
(II) AUTHORIZING APPLICABLE BANKS AND OTHER FINANCIAL
INSTITUTIONS TO RECEIVE, PROCESS, HONOR AND PAY ANY
AND ALL CHECKS DRAWN ON DEBTORS' ACCOUNTS
FOR SUCH PURPOSES**

Upon consideration of the motion (the "Motion") of the above captioned debtors and debtors-in-possession (collectively, the "Debtors"), for an order (I) authorizing Debtors to (a) pay prepetition employee wages, (b) make payments for which payroll deductions were made, and (c) pay all costs incident to the foregoing payments and contributions and (II) authorizing applicable banks and other financial institutions to receive, process, honor and pay any and all checks drawn for such purposes; and it appearing that notice of the Motion was adequate and proper under the circumstances and that no other or further notice need be given; and upon the Declaration of Timothy

¹ The Debtors in these cases, along with the last four digits of the federal tax identification number for each Debtor, are Drug Fair Group, Inc. f/k/a Community Distributors, Inc. (3660) and CDI Group, Inc. (9976).

Boates, the Chief Restructuring Officer of the Debtors (the "Boates Declaration");² and after due deliberation; and sufficient cause appearing therefore; it is hereby:

ORDERED ADJUDGED AND DECREED that

1. The Motion is GRANTED.
2. All objections or responses to the Motion that have not been withdrawn are hereby overruled on their merits.
3. The Debtors are authorized, but not directed, to pay the Prepetition Wages (as that term is defined in the Motion), including but not limited to accrued and unpaid (i) salaries and wages of employees, including vacation pay and paid time off, (ii) amounts that the Debtors are required by law to withhold from employee payroll checks in respect of federal, state and local income taxes, including unemployment contributions and taxes and Social Security and Medicare taxes, and (iii) amounts that the Debtors are required to pay directly in respect of state unemployment taxes and contributions on behalf of employees.
4. The Debtors are authorized to pay any and all withholding taxes, Social Security taxes, and other payroll taxes, local, state, and federal, whether such taxes relate to the period before or after the Petition Date.
5. The Debtors be, and they hereby are, authorized to reimburse their Employees for Business Expenses.
6. The Debtors are authorized, but not directed, to satisfy the self-insured medical claims consistent with and subject to the requirements of the DIP Credit Agreement.

² All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Motion.

7. The Debtors are authorized, but not directed, to pay any third-party administration charges or other incidental costs necessary to effectuate the relief granted herein, including, but not limited to charges by their medical claims administrator(s).

8. The Debtors are authorized, but not directed, to continue their Workers' Compensation insurance policy.

9. The banks upon which any checks, drafts or wire transfers are drawn in payment of the Prepetition Wages, either before, on, or after the Petition Date are authorized to honor any checks or drafts issued, upon presentation thereof, or any such wire transfer instructions, upon receipt thereof. Such banks are authorized to rely on the representations of the Debtors as to which checks, drafts or wire transfers are in payment of the Prepetition Wages.

10. Any party receiving payments from the Debtors is authorized to rely upon the representations of the Debtors as to which payments are authorized by this Order.

11. Neither this Order, nor the Debtors' actions, shall be deemed to be an assumption or adoption, of any agreement, contract, or policy.

12. The Debtors are authorized (consistent with this Order) to issue post-petition checks or to effect post-petition fund transfer requests in replacement of any checks or fund transfer requests related to Prepetition Wages obligations dishonored or rejected as a consequence of the commencement of the chapter 11 case.

13. Rule 6003 of the Federal Rules of Bankruptcy Procedure has been satisfied.

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

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

Dated: March ____, 2009
Wilmington, Delaware

The Honorable Brendan L. Shannon
United States Bankruptcy Judge