

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
Greenbelt Division**

IN RE:)	
)	
FEDERATED HEARTLAND, INC.)	Case No. 12-13523-WIL
)	(Chapter 11)
Debtor)	
*****)	

**EMERGENCY MOTION FOR AUTHORIZATION TO PAY CERTAIN
PREPETITION WAGES, SALARIES AND OTHER COMPENSATION**

Federated Heartland, Inc., debtor and debtor-in-possession in the above-styled Chapter 11 cases (the “Debtor”), by counsel, files this motion for authorization to pay prepetition wages, salaries and other compensation (“Motion”), and in support thereof states:

Jurisdiction

1. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue of this case and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.
2. The relief sought in this Motion is based upon section 105(a) of Title 11 of the United States Code (the “Bankruptcy Code”).

The Chapter 11 Case

3. On February 28, 2012, the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. On February 28, 2012, Debtor’s parent corporation, Federated Sport & Gaming, Inc. (“Federated Sports,” together with the Debtor, the “Debtors”) also filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtors continue to operate their business and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

4. The Debtor is a Delaware corporation with its principal place of business at 2 Wisconsin Circle, Suite 300, Chevy Chase, Maryland 20815. The Debtor operates the Heartland Poker Tour.

Relief Requested (Wages and Salaries)

5. By this Motion, the Debtor seeks authority to pay certain prepetition obligations for the benefit of the Debtor's employees.

6. The Debtor's employees generally are paid two times per month. The Debtor did not pay its employees for the second half of February, 2012 prior to the Petition Date.

7. The approximate aggregate prepetition accrued but unpaid gross compensation, including estimated employer payroll taxes, expense reimbursements and other incidental benefits totals \$42,898.70 (the "Unpaid Compensation"), as set forth on Exhibit 1 attached hereto. The Unpaid Compensation includes payroll for employees who receive W-2s as well as regularly employed contractors who work part-time at the Debtor's events.¹

8. The continued loyalty of the Debtor's employees is necessary to allow for the successful operations of the Debtor's business. The period immediately following a chapter 11 filing is stressful and uncertain for the Debtor's employees. Such circumstances threaten employee morale just when a debtor most needs its employees' loyalty. Moreover, some employees simply live paycheck to paycheck and would be devastated by not receiving their full compensation.

9. Accordingly, to minimize employee hardship and prevent wholesale loss of critical employees, the Debtor seeks to continue to pay employee compensation in the ordinary course.

¹ The regularly employed part-time event workers listed on Exhibit 1 are: Chris Hanson, Jaymz Larson, A Equals A, Kevin Bovee, Action Upload, Howard Zachary and Byron Schulz.

10. Based upon the Debtor's records, and as set forth on Exhibit 1, no employee is owed Unpaid Compensation exceeding the \$11,725 priority established under section 507(a)(4) of the Bankruptcy Code. There will be no potential prejudice to any party in interest from payment of the Unpaid Compensation.

11. Further, as part of the Debtors' customary payroll practices, the Debtor withholds (through its payroll service, ADP) specified amounts from employees' salaries or wages including, but not limited to federal, state and local payroll taxes, and employee contributions to health and welfare benefit plans (the "Designated Payments"), and pays such amount to applicable designated third parties (collectively, the "Designated Recipients"). If such payments are not timely made, the applicable employees will be harmed. Consequently, the Debtor seeks authority to pay all Designated Payments unpaid as of the Petition Date to the Designated Recipients.

Applicable Standards

12. Pursuant to sections 363(b) and 105(a) of the Bankruptcy Code and the "necessity of payment" doctrine, the Debtor seeks authority to pay their outstanding Unpaid Compensation. Section 363(b)(1) provides:

The trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.

11 U.S.C. § 363(b)(1). Section 105(a) further provides in pertinent part:

The court may 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). Accordingly, this Court is authorized to grant the relief requested.

13. The Debtor's inability to pay the outstanding Unpaid Compensation would cause employees to endure significant stress and hardship.

14. The Debtor's Employees are essential to a successful reorganization. Deterioration in employee morale and welfare at this critical time would harm the Debtor, the value of Debtor's assets and business and, ultimately, the Debtor's ability to reorganize. Accordingly, the relief sought is in the best interests of the Debtor's estates and its creditors, and would enhance the Debtor's ability to continue to operate its business with minimal disruption.

WHEREFORE, the Debtor respectfully requests entry of the attached Order, and such other and further relief as this Court may deem just and proper.

Respectfully submitted,

**SHULMAN, ROGERS, GANDAL,
PORDY & ECKER, P.A.**

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