

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

----- X
In re: : Chapter 11
 :
TLG LIQUIDATION LLC, et al.,¹ : Case No. 10-10206 (MFW)
 :
 : Jointly Administered
 :
Debtors. : **Ref. Docket No.: 292**
 :
----- X

**DEBTORS' RESPONSE TO ELECTRO RENT CORPORATION'S
MOTION FOR AN ORDER DIRECTING THE DEBTORS
AND BANK OF AMERICA TO COMPLY WITH THE TERMS OF SALE ORDER**

The debtors and debtors in possession in the above-captioned cases (collectively, the "**Debtors**"), through their undersigned counsel, hereby submit this response (the "**Response**") to the Motion of Electro Rent Corporation for Order Pursuant to U.S.C. § 105(a) Entered on March 19, 2010 Directing the Debtors and Bank of America, N.A. ("**B of A**") to Comply with the Terms of Sale Order (the "**Motion**") [Docket No. 292]. In support of this Response, the Debtors respectfully state as follows:

BACKGROUND

1. On January 24, 2010 (the "**Petition Date**") Telogy, LLC ("**Telogy**") and e-Cycle, LLC ("**e-Cycle**") filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. By order dated January 26, 2010 [Docket No. 29], these chapter 11 cases were consolidated for procedural purposes only. On February 3, 2010, the Office of the United States Trustee for the District of Delaware (the "**U.S. Trustee**") appointed the Committee of Unsecured Creditors.

¹ The last four digits of the taxpayer identification numbers of the Debtors follow in parentheses: (i) e-Cycle, LLC (1582) and (ii) TLG Liquidation LLC f/k/a Telogy, LLC (1530). The Debtors' executive headquarters are located at 3200 Whipple Road, Union City, California 94587.

2. On January 24, 2010, the Debtors filed the Bidding Procedures Motion,² and, on February 9, 2010, the Court granted the Bidding Procedures Order. In accordance with the Bidding Procedures Order, the Debtors held an auction on March 16, 2010 (the “**Auction**”) for the sale of substantially all of the Debtors’ assets (the “**Sale**”). At the conclusion of the Auction, Electro Rent Corporation (“**Electro Rent**”) emerged as the Successful Bidder, and entered into the APA with the Debtors. Pursuant to the APA, the Sale included “any and all lockbox accounts into which the [Debtors’] accounts receivable are directed or deposited and all rights and interests therein.” APA, p. 16-17 at ¶ 2.1(a)(xiv) (the “**Lockbox Accounts**”).

3. Prior to the closing of the Sale, B of A maintained certain Lockbox Accounts for the collection of certain payments owed to the Debtors, and the Debtors’ prepetition secured lenders held liens on these accounts through deposit account control agreements. On March 19, 2010, the Court entered the Sale Order, which explicitly provided that the Purchased Assets, including the Lockbox Accounts, were to be sold to Electro Rent free and clear of all liens, claims, encumbrance and interests. Nevertheless, as of the date hereof, B of A has not yet transferred title to the Lockbox Accounts to Electro Rent and, accordingly, Electro Rent has filed the Motion.

RESPONSE

4. The Debtors acknowledge that the Lockbox Accounts constitute Purchased Assets acquired by Electro Rent, and have expended considerable energy in attempting to facilitate the transfer of such accounts to Electro Rent. The Debtors provided B of A with a copy of the Sale Order, and have been in discussions with counsel to B of A and the Debtors’ prepetition lenders (the “**Lenders**”) regarding the requested transfer of title to the

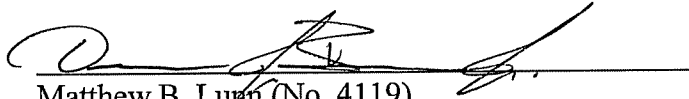
² All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

Lockbox Accounts. It is the Debtors' understanding that B of A has requested additional documentation from the Lenders to confirm that all relevant liens on the Lockbox Accounts have been released and that the corresponding deposit account control agreement has been terminated. Although, given the provisions of the Sale Order, the Debtors do not believe that any such additional documentation is necessary to complete the title transfer, the Debtors have requested that the Lenders cooperate and provide B of A with the requested paperwork. While the Debtors believe that the Lenders are working diligently on B of A's request, it is the Debtors' understanding that B of A has yet to receive such paperwork.

5. The Debtors do not oppose the relief requested in the Motion, and have attempted to facilitate and encourage the title transfer of the Lockbox accounts to Electro Rent. As recognized by the Motion, the Debtors have attempted to comply with the terms of the Sale Order and to accommodate Electro Rent's request. Accordingly, the Debtors do not believe that any order granting the Motion should sanction the Debtors as a result of the failure to deliver the Lockbox Accounts to Electro Rent.

Dated: Wilmington, Delaware
June 7, 2010

YOUNG CONAWAY STARGATT & TAYLOR, LLP



Matthew B. Lunn (No. 4119)
Donald J. Bowman, Jr. (No. 4383)
Robert F. Poppiti, Jr. (No. 5052)
The Brandywine Building
1000 West Street, 17th Floor
Wilmington, Delaware 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253

-and-

WILLKIE FARR & GALLAGHER LLP

John C. Longmire
Shaunna D. Jones
Andrew D. Sorkin
787 Seventh Avenue
New York, New York 10019-6099
Telephone: (212) 728-8000
Facsimile: (212) 728-8111

*Co-Counsel to the Debtors
and Debtors-in-Possession*