Docket #0022 Date Filed: 3/2/2016

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
SPORTS AUTHORITY HOLDINGS, INC., *et al.*,[1]	Case No. 16-_____ (___)
Debtors.	(Joint Administration Requested)

DECLARATION OF JEREMY AGUILAR IN SUPPORT OF THE DEBTORS' CHAPTER 11 PETITIONS AND REQUESTS FOR FIRST DAY RELIEF

I, Jeremy Aguilar, hereby declare under penalty of perjury, pursuant to section 1746 of title 28 of the United States Code, as follows:

1. I am the Chief Financial Officer of Sports Authority Holdings, Inc. ("Sports Authority Holdings") and each of its principal subsidiaries, all of which are affiliated debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors"). I have served as CFO of the Debtors since January 2014. In this capacity, I am familiar with the Debtors' day-to-day operations, business, and financial affairs.

2. On the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") with the United States Bankruptcy Court for the District of Delaware (the "Court").

3. The Debtors continue to operate their businesses and manage their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in the Debtors' chapter 11 cases (collectively, the "Chapter 11 Cases"), and no committees have been appointed or designated.

[1] The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Sports Authority Holdings, Inc. (9008); Slap Shot Holdings, Corp. (8209); The Sports Authority, Inc. (2802); TSA Stores, Inc. (1120); TSA Gift Card, Inc. (1918); TSA Ponce, Inc. (4817); and TSA Caribe, Inc. (5664). The headquarters for the above-captioned Debtors is located at 1050 West Hampden Avenue, Englewood, Colorado 80110.

Concurrently herewith, the Debtors have filed a motion seeking joint administration of the Chapter 11 Cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure.

4. To enable the Debtors to operate effectively and minimize potential adverse effects from the commencement of these Chapter 11 Cases, the Debtors have requested certain relief in "first day" motions and applications filed with the Court (collectively, the "First Day Motions") concurrently herewith. The First Day Motions, summarized below, seek, among other things, to (a) ensure the continuation of the Debtors' cash management system and other business operations without interruption, (b) allow the Debtors to continue using cash collateral and enter into a postpetition financing arrangement, (c) preserve the Debtors' valuable relationships with suppliers, customers, and other interested parties, (d) permit the Debtors to continue to sell their goods in the ordinary course of business, (e) maintain employee morale and confidence, (f) authorize the Debtors to continue their value-maximization efforts to liquidate the inventory at additional unprofitable retail locations, and (g) implement certain administrative procedures that will promote a seamless transition into chapter 11. This relief is critical to the Debtors' efforts to maximize value for the benefit of their creditors.

5. I submit this declaration (this "First Day Declaration") in support of the First Day Motions. Except as otherwise indicated herein, all facts set forth in this First Day Declaration and the First Day Motions are based upon my personal knowledge of the Debtors' operations and finances, information learned from my review of relevant documents, information supplied to me by other members of the Debtors' management team and the Debtors' advisors, or my opinion based upon my knowledge and experience or information I have reviewed concerning the Debtors' operations and financial condition. I am over eighteen (18) years of age and I am authorized to submit this First Day Declaration on behalf of the Debtors. If called upon to

testify, I could and would competently testify to the facts set forth in this First Day Declaration and the First Day Motions based upon my own personal knowledge, except as otherwise stated herein.

6. To familiarize the Court with the Debtors and their business, and to introduce the relief sought in the First Day Motions, this First Day Declaration is organized as follows: Part I provides a brief overview of these Chapter 11 Cases and the Debtors' contemplated course of action; Part II describes the Debtors' corporate structure, business operations, key liabilities, and estate assets; Part III describes the events leading up to the commencement of the Chapter 11 Cases; and Part IV summarizes the relief sought in the First Day Motions.

I. BACKGROUND

7. The Debtors are one of the nation's largest full-line sporting goods retailers, with roots dating back to 1928. The Debtors currently operate 464 stores and five distribution centers[2] across 40 U.S. states and Puerto Rico. Nationwide, the Debtors are among the top five sporting goods retailers. The Debtors offer a broad selection of goods from a wide array of household and specialty brands, including Adidas, Asics, Brooks, Columbia, FitBit, Hanesbrands, Icon Health and Fitness, Nike, The North Face, and Under Armour, in addition to their own private label brands. The Debtors' target customers skew to women and families with children, and particularly in the area of family sports and fitness goods and branded fitness merchandise; indeed, approximately 20% of the Debtors' customers drive 62% of the Debtors' sales. According to preliminary results, the Debtors recorded approximately $2.6 billion in sales during FY2015, which ended on January 30, 2016. The Debtors' online sales alone totaled approximately $207.6 million, which represented a 41.8% year-to-year increase in online sales.

[2] The Debtors anticipate that they will close two of the distribution centers during the course of these Chapter 11 Cases.

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Approximately 13,000 people are employed in various capacities across the Debtors' operations. The Debtors enjoy strong brand recognition and their customer loyalty program, which was launched in 2012, currently boasts 28.8 million members.

8. However, the Debtors have recently accumulated substantial losses, primarily as a result of changing market trends, shifting sales from traditional brick and mortar retailers to a proliferation of online resellers. The Debtors have also faced increased competition from other full line sporting goods retailers and specialty athleisure retailers. In addition, the Debtors have substantial debt obligations—more than $1.1 billion in funded debt—which have resulted in significant interest expenses. Each of these debt obligations will mature within approximately the next two years and the Debtors do not believe that they will be able to pay off or refinance all of their funded debt as it becomes due. These headwinds and others have, over time, significantly limited the Debtors' prospects for future success absent a comprehensive restructuring of their business operations and their debt obligations under the auspices of the Bankruptcy Code.

9. To restructure their operations, the Debtors will run a dual-track process. The Debtors have initiated and will run an expedited sale process. At the same time, the Debtors will negotiate with their creditors regarding a plan of reorganization. The Debtors believe that this bankruptcy process will maximize value for the Debtors' creditors and other parties in interest.

II. <u>THE DEBTORS' BUSINESS</u>

A. Corporate Structure

10. Sports Authority Holdings is a privately held company incorporated in Delaware and headquartered in Englewood, Colorado. Sports Authority Holdings directly or indirectly owns all or substantially all of the equity in the following six active direct and indirect subsidiaries, each of which is a Debtor: (a) Slap Shot Holdings, Corp., a Delaware corporation

("Slap Shot"),[3] which was formed in January 2006 for the sole purpose of acquiring The Sports Authority, Inc., a Delaware corporation ("TSA") and serves as an intermediate holding company; (b) TSA, a wholly owned subsidiary of Slap Shot, which was acquired on May 3, 2006 and serves as another intermediate holding company; (c) TSA Stores, Inc., a Delaware corporation ("TSA Stores"), a wholly owned subsidiary of TSA and the primary operating entity; (d) TSA Gift Card, Inc., a Virginia corporation ("Gift Card"), a wholly owned subsidiary of TSA Stores that issues the Debtors' gift cards; (e) TSA Ponce, Inc., a Delaware corporation ("Ponce"), a wholly owned subsidiary of TSA that serves as a holding company of TSA Caribe, Inc., a Puerto Rico corporation ("Caribe"); and (f) Caribe, a wholly owned subsidiary of Ponce, which serves as the primary operating entity and acts as the lessor for the Debtors stores in Puerto Rico. A chart illustrating the Debtors' corporate structure is annexed hereto as Exhibit A.

11. Pursuant to that certain Amended and Restated Joint Venture Agreement, dated as of March 12, 1999 (the "JVA") by and among TSA and JUSCO Co., Limited, a company incorporated under the laws of Japan ("JUSCO"), TSA and JUSCO established Mega Sports Co., Ltd., a joint venture company incorporated under the laws of Japan ("Mega Sports"). Mega Sports was established for the purpose of opening and operating sporting goods retail stores across Japan and other nearby countries. TSA currently owns 19.9% of the equity in Mega Sports, whereas JUSCO owns the remaining 81.1%. Mega Sports is not a Debtor in these Chapter 11 Cases.

12. TSA Stores also owns 100% of the equity in the following three inactive foreign subsidiaries, which are not debtors in these Chapter 11 Cases: (a) The Sports Authority Canada, Inc., a company incorporated under the laws of Canada, (b) The Sports Authority S.L., a

[3] Former employees of TSA own 0.03% of the equity in Slap Shot and Sports Authority Holdings owns the remaining 99.97%.

company incorporated under the laws of Spain, and (c) The Sports Authority Limited, a company incorporated under the laws of the United Kingdom.

B. Business Operations

13. The Debtors are full-line sporting goods retailers, with a focus on branded fitness and family sports and fitness. The Debtors' merchandise is broadly classified into two categories: (1) "hardlines," which includes team sports, exercise equipment, golf equipment, bicycles, skis, snowboards, and outdoor gear such as camping, hunting and fishing merchandise; and (2) and "softlines," which primarily consists of apparel, including outerwear, and footwear.

14. As of January 30, 2016, the Debtors operated 464 stores in 40 states and Puerto Rico, and five distribution centers located in New Jersey, California, Colorado, Georgia, and Illinois. In addition to licensing the Sports Authority name in Japan through Mega Sports, the Debtors have also licensed the Debtors' rights to Tommy Armour, a private label golf products line sold in the United States, Australia, South Africa, Canada, and Australia.

15. As of January 30, 2016, the Debtors' preliminary consolidated financial statements reflected approximately $1.6 billion in assets, including approximately $329.9 million in property, plant, and equipment. As of January 30, 2016, the Debtors recorded in FY2015, on a consolidated basis, sales of approximately $2.6 billion and net losses, before taxes, of approximately $156.6 million.

16. The Debtors currently employ approximately 5,400 full-time employees and 9,100 part-time employees. Additionally, the Debtors hire approximately 83 independent contractors and up to 200 temporary workers at any given time (the number of temporary workers fluctuates depending on the Debtors' needs throughout the calendar year, with the largest number employed during the year-end holiday selling season). In FY2015, the Debtors

paid, in the aggregate, approximately $372.2 million in salaries and benefits to their employees, contractors, and temporary workers.

C. Key Liabilities

1. Debtors' Prepetition Debt Obligations

17. As of the Petition Date, the Debtors owe a total of approximately $1.1 billion in principal plus accrued interest on the Secured Debt Obligations (defined below) and Subordinated Debt (defined below).

(a) ABL Loan

18. Certain of the Debtors are obligated on that certain Second Amended and Restated Credit Agreement, dated as of May 17, 2012 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "ABL Credit Agreement") by and among TSA and TSA Stores, as borrowers, Slap Shot and Gift Card, as guarantors, Bank of America, N.A. ("BofA"), as administrative agent, and the lenders party thereto (the "ABL Lenders"), which provided up to $650 million in aggregate loans in the form of an asset-based revolving credit facility (the "ABL Loan") and was scheduled to mature on May 17, 2017, subject to the conditions in the ABL Credit Agreement. The ABL Credit Agreement provided for a varying interest rate based upon the excess availability under the ABL Loan, which varied from LIBOR plus 1.50% to LIBOR plus 2.00%, or from the prime rate plus 0.50% to the prime rate plus 1.00%. Prior to the termination of the revolving commitments thereunder (as described further below) availability under the ABL Loan was limited by a borrowing base calculation. The obligations of the Debtors that are Loan Parties under the ABL Credit Agreement are secured by a first-priority security interest in and lien on the borrowers' and guarantors' accounts receivable, deposit accounts, chattel paper, and inventory (collectively, the "ABL Collateral") and by a second-priority interest in and lien on the Term Loan Collateral (as defined below).

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Just prior to the Petition Date, on March 1, 2016, BofA sent a termination notice that terminated the ABL Lenders' obligations to advance additional funds under the ABL Credit Agreement. As of the Petition Date, the Debtors have drawn approximately $345.5 million in principal on the ABL Loan. In addition, as of the Petition Date there were approximately $25.7 million in letters of credit issued and outstanding under the ABL Credit Agreement.

(b) FILO Loan

19. On November 3, 2015, certain of the Debtors entered into that certain Second Amendment to the ABL Credit Agreement (as amended, amended and restated, supplemented or otherwise modified from time to time, the "FILO Agreement") by and among TSA and TSA Stores, as borrowers, Slap Shot and Gift Card, as guarantors, BofA, as administrative agent, Wells Fargo Bank, National Association, as FILO agent, the ABL Lenders, and the additional lenders party thereto (the "FILO Lenders"), which provided for the addition to the ABL Credit Agreement of a $95 million first-in, last-out term loan tranche (the "FILO Loan") with an interest rate of LIBO plus 6.40% and a maturity date of June 14, 2017. The FILO Loan is limited by a borrowing base calculation pursuant to which BofA may take and maintain a reserve against the borrowing base for the ABL Loan in an amount equal to the difference between the outstanding amount of the FILO Loan and the borrowing base under the FILO Agreement at such time (the "FILO Reserve"). The FILO Loan is secured by a last-out first-priority security interest in and lien on the ABL Collateral and by a last-out second-priority security interest in and lien on the Term Loan Collateral, except that, as between the ABL Loan and the FILO Loan, collateral proceeds are to be applied first to repay the ABL Lenders and, only after the ABL Lenders have been repaid in full, to repay the FILO Lenders.

20. As noted above, just prior to the Petition Date, on March 1, 2016, BofA sent a termination notice that terminated the ABL Lenders' obligations to advance additional funds

under the ABL Credit Agreement. The termination notice also had the effect of adding the FILO Prepayment Fee (as defined in the ABL Credit Agreement) to the principal amount of the FILO Loan. As of the Petition Date, the Debtors owe approximately $95.3 million in principal (which amount includes the capitalized FILO Prepayment Fee) on the FILO Loan.

(c) Term Loan

21. Certain of the Debtors are obligated under that certain Amended and Restated Credit Agreement, dated as of November 16, 2010 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Term Loan Credit Agreement"), by and among TSA, as borrower, Slap Shot, TSA Stores, and Gift Card, as guarantors, BofA, as administrative agent,[4] and the lenders named therein (the "Term Lenders"), pursuant to which the Term Lenders extended to TSA a term loan in the original principal amount of approximately $300 million (the "Term Loan"; collectively with the ABL Loan and the FILO Loan, the "Secured Debt Obligations") with a stated maturity date of November 16, 2017. The Term Loan is secured by a first-priority security interest in and lien on the borrowers' and guarantors' property, plant and equipment, real property, intellectual property, investment property and general intangibles (collectively, the "Term Loan Collateral") and by a second-priority interest in and lien on the ABL Collateral. As of the Petition Date, the Debtors owe approximately $276.7million in principal on the Term Loan.

22. The relative rights of the ABL Lenders and FILO Lenders on the one hand, and the Term Lenders, on the other, with respect to the ABL Collateral and the Term Loan Collateral, respectively, are governed by that certain Intercreditor Agreement, dated as of May 3, 2006 (as amended, amended and restated, supplemented or otherwise modified from time to

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[4] Wilmington Savings Fund Society, FSB is currently the administrative agent.

time, the "Intercreditor Agreement") by and between BofA, as administrative agent under the ABL Loan, and BofA, as administrative agent under the Term Loan, as amended by those certain side letters to the Intercreditor Agreement, dated as of November 16, 2010 and May 17, 2012, respectively.

(d) Mezzanine Notes

23. Pursuant to that certain Securities Purchase Agreement, dated as of May 3, 2006 (as amended, the "Securities Purchase Agreement"), TSA issued 11.5% Senior Subordinated Notes due May 3, 2016 (the "Mezzanine Notes") in the amount of $350 million to the purchasers party thereto (the "Note Holders"). On May 4, 2015, TSA and the Note Holders entered into an amendment to the Securities Purchase Agreement to, inter alia, extend the maturity date of the Mezzanine Notes to February 19, 2018. The Mezzanine Notes are unsecured obligations of TSA, and are guaranteed by Slap Shot, TSA Stores, and Gift Card. In order to preserve liquidity at this critical juncture, TSA opted to defer remitting the $18.9 million cash interest payment due on January 15, 2016 on account of the Mezzanine Notes. As of the Petition Date, TSA owes approximately $369.3 million in principal plus accrued and unpaid interest on the Mezzanine Notes.

(e) Reference Notes

24. In consideration for the amendment of the Securities Purchase Agreement, Sports Authority Holdings entered into that certain Agreement to Issue Promissory Notes and Warrants, dated as of May 4, 2015 (the "Reference Notes Agreement") pursuant to which Sports Authority Holdings issued to the Note Holders (a) promissory notes due February 19, 2018 (the "Reference Notes"; together with the Mezzanine Notes, the "Subordinated Debt Obligations"), by which date Sports Authority Holdings agreed to make additional interest payments in respect of, and based upon, the principal amount of the Mezzanine Notes until the Mezzanine Notes were repaid

in full in cash, and (b) warrants entitling the Note Holders to purchase common stock in Sports Authority Holdings. The Reference Notes provide for additional interest—an additional 1.5% on the outstanding principal amount of the Mezzanine Notes—with future interest rate increases as provided in the Reference Notes Agreement. In order to preserve liquidity at this critical juncture, Sports Authority Holdings opted to defer remitting the $2.6 million cash interest payment due on January 15, 2016 on account of the Reference Notes.

(f) Other Significant Secured Obligations

25. TSA is obligated under that certain Loan Agreement dated as of February 2, 2005 (the "Paramus Loan Agreement") between TSA and Commercial Net Lease Realty, Inc., whereby TSA acquired certain real property in Paramus, New Jersey (the "Paramus Property"). TSA's obligations under the Paramus Loan Agreement are secured by the Paramus property. As of the Petition Date, approximately $3.3 million remain outstanding on the Paramus Loan.

26. In addition, a substantial portion of the Debtors' business involves the sale of goods that are delivered to the Debtors on consignment by approximately 170 vendors and sold in the Debtors' stores and online. The Debtors estimate that, as of the Petition Date, the Debtors possessed approximately 8.5 million units of consigned goods with an invoice cost to the Debtors of approximately $84.8 million in the aggregate. The Debtors acknowledge that some consignment vendors may have security interests or liens in certain consigned inventory that was delivered to the Debtors prior to the Petition Date, while other consignment vendors may either have security interests that are not properly perfected or are otherwise avoidable or have no security interests in any inventory.

2. Trade Debt

27. In the ordinary course of business, the Debtors source, order, and purchase inventory from their preferred suppliers on credit based on standard industry terms. As of the

Petition Date, the Debtors owe approximately $178.9 million in trade debt. Some of the Debtors' trade creditors are beneficiaries of letters of credit issued pursuant to the ABL Credit Agreement.

D. Key Assets

1. Cash

28. In the aggregate, the Debtors have approximately 21 bank accounts (collectively, the "Bank Accounts"). The daily ending cash balance in the Debtors' Bank Accounts is de minimis because excess funds are used to pay down the balance on the ABL Loan. However, the Debtors have a significant amount of cash in their stores and other liquid assets in the form of credit card receivables. For example, as of January 30, 2016, the Debtors' balance sheet reflected $22.9 million in such assets.

2. Owned and Leased Property

29. The Debtors own 4 retail store locations[5] and have current leases at 460 store locations and five distribution centers. Additionally, the Debtors lease the facility in which their corporate office is located at 1050 West Hampden Avenue, Englewood, Colorado 80110.

30. As part of various savings and efficiency initiatives, the Debtors have commenced efforts to reduce their brick and mortar footprint to eliminate unprofitable locations. To prevent inefficiencies and preserve resources, the Debtors seek to reject the lease agreements related to certain other unprofitable locations which the Debtors have either vacated recently or sublet to other tenants. In addition, over the course of these Chapter 11 Cases, the Debtors expect to close two of their distribution centers and up to an additional 200 underperforming stores.

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[5] At two of these locations the Debtors own the buildings but lease the land pursuant to a long-term lease.

3. Inventory

31. The Debtors maintain hundreds of thousands of in-season, brand name sporting goods and articles of athletic apparel in their retail stores and distribution centers. As of January 30, 2016, this inventory was listed on the Debtors' balance sheet at a value of $665.9 million.

4. Intellectual Property

32. The Debtors own numerous patents related to sporting equipment and trademarks related to the Sports Authority® brand and various private label products that provide a competitive advantage or generate royalty income.

5. Net Operating Loss Carryforwards

33. The Debtors' net operating loss carryforwards (the "NOLs") are currently estimated to be approximately $204.7 million for 2003 through 2014, plus a preliminarily estimated additional $150 million for 2015. Collectively, the NOLs could result in significant future income tax savings based on the Debtors' 35% federal corporate tax rate. The NOLs could also reduce the Debtors' state tax liability in future years. These tax savings and the accompanying increase in the Debtors' cash flow are valuable assets of the Debtors' estates, although the Debtors' ability to use these NOLs may be limited, as discussed in more detail in the Debtors' NOL Motion, summarized below.

III. EVENTS LEADING UP TO THE CHAPTER 11 CASES

A. Diminished Operating Performance

34. The Debtors have faced declining revenues as a result of rapidly changing consumer behavior, loss of market share as a result of increased competition from traditional and internet retailers, deterioration in customer relevance, loss of cross-selling opportunities due to a higher proportion of online sales, and an online platform that is economically disadvantageous and limited in its consumer offerings. Some of the contributing causes to this recent downturn

include, but are not limited to, increased competition, the legacy of the Debtors' history of mergers and acquisitions, which has resulted in inconsistent store formats across the chain, and the relatively frequent turnover within the executive leadership. The Debtors have also experienced certain institutional challenges, including outdated information systems, underperforming retail locations encumbered by expensive leases, and the Debtors' decision to exit the hunting and fishing markets in all new and remodeled stores, all of which have resulted in losses. Finally, major industry trends, such as the steady decline in the popularity of golf, and certain regional issues, such as the Los Angeles port labor dispute and the reduced number of South American tourists in Florida, have also weighed on the Debtors' operational performance.

35. In addition, and more broadly speaking, the Debtors have struggled under the weight of the Secured Debt Obligations and the Subordinated Debt Obligations. All of these debt obligations mature within approximately the next two years, and the Debtors will not be able to pay or refinance those debts outside of these Chapter 11 Cases.

B. Liquidity Enhancements

36. In November 2015, the Debtors executed the FILO Agreement to gain access to the FILO Loan to ensure that the Debtors had, among other things, sufficient liquidity to maintain operations and avoid any covenant defaults under the Secured Debt Obligations. Although the FILO Loan achieved these objectives, the Debtors remained highly levered and burdened by significant cash disbursements on account of their funded debt obligations.

C. Prepetition Strategic, Financing, and Marketing Efforts

37. In November 2015, the Debtors engaged Rothschild Inc. ("Rothschild") to provide investment banking services, including exploring restructuring, financing and M&A alternatives. Upon its retention, Rothschild immediately began extensive due diligence on the

Debtors' assets and operations, including frequent onsite meetings and an extensive dialogue with the Debtors' senior management team.

38. The Debtors and their professionals also entered into negotiations with their key creditor constituencies. The long term goal of these discussions was to ascertain the viability of, and implement, a consensual restructuring of the Debtors' capital structure (either through a sale, an out-of-court, or an in-court restructuring). A key near-term concern was a $21.5 million interest payment scheduled to be made on January 15, 2016 on the Debtors' Subordinated Debt Obligations. Given their desire to preserve value, the Debtors determined they would not make this interest payment on the scheduled due date, but would instead seek a forbearance from their creditor constituencies as they attempted to negotiate the contours of a consensual financial restructuring.

39. Notwithstanding the good faith attempts of the parties, the Debtors were ultimately unable to reach an agreement on the terms of a consensual, comprehensive forbearance prior to the date of the scheduled interest payment.[6] The widely-reported missed interest payment, coupled with a lack of a comprehensive forbearance, resulted in an almost immediate erosion of certain key vendor support, further exacerbating the Debtor's financial situation and threatening their ability to operate their business.

40. The sudden loss of some (but not all) key vendor support required the Debtors to quickly change strategy. Although the Debtors continued to explore a range of strategies and restructuring constructs, they intensified their efforts to locate a going-concern buyer. Thus, the Debtors and Rothschild immediately began soliciting indications of interest in a potential acquisition. Certain potential buyers have already signed non-disclosure agreements and begun

[6] The Debtors did reach an agreement on the terms of a limited forbearance with certain lenders.

due diligence in consideration of a potential acquisition of the Debtors' business operations as a going concern. In addition, an electronic data room has been made available for potential bona fide bidders subject to their entry into non-disclosure agreements. Despite the strong indications of interest, given the short time frame the Debtors have had to market their assets to date, no party has yet submitted a final proposal for a sale transaction and the Debtors have not yet agreed to the terms of a chapter 11 plan.

41. The Debtors also engaged FTI Consulting, Inc. ("FTI") to, *inter alia*, assist with analyses around cost reduction efforts such as a headcount reduction that took place prior to the Petition Date. In addition, FTI advised the Debtors regarding an optimization of their store and distribution center footprint. In consultation with FTI, the Debtors determined that it is in the best interest of their estates to immediately close up to 200 stores and 2 of their 5 distribution centers. Accordingly, prior to the Petition Date, the Debtors began preparing for these closures and are fully prepared to launch "store closing" sales at the affected store locations effective immediately.

D. Proposed Postpetition Financing and Plan/Sale Timeline

42. In consultation with their advisors, the Debtors negotiated with certain of their lenders regarding potential debtor-in-possession postpetition financing to support the Debtors' efforts in these Chapter 11 Cases.[7] Certain ABL Lenders and FILO Lenders jointly agreed to provide the Debtors with postpetition financing in the form of a senior secured, super-priority

[7] As discussed in more detail in the *Declaration of Bernard Douton in Support of the Debtors' Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Post-Petition Secured Financing Pursuant to 11 U.S.C. §§ 105, 362, 363, and 364; (II) Granting Liens and Superpriority Claims to Post-Petition Lenders Pursuant to 11 U.S.C. §§ 364 and 507; (III) Authorizing the Use of Cash Collateral and Providing Adequate Protection to Prepetition Secured Parties and Modifying the Automatic Stay Pursuant to 11 U.S.C. §§ 361, 362, 363, and 364; and (IV) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and (c) and Local Rule 4001-2* (the "Douton Declaration"), Rothschild also sought debtor-in-possession financing from a variety of third parties.

asset based revolving credit facility of up to $500 million (the "Revolving DIP Loan") and a senior secured, super-priority first in last out term loan credit facility of up to $95,285,000 in aggregate principal amount (the "FILO DIP Loan," and together with the Revolving DIP Loan, the "DIP Loans") pursuant to that certain *Senior Secured, Super-Priority Revolving Debtor-in-Possession Credit Agreement* dated as of March __, 2016 (the "DIP Credit Agreement"). As described further in the Cash Collateral/DIP Motion (as defined below) and the Douton Declaration, the financing provided by the DIP Loans is critical to obtaining ongoing vendor support, which is necessary for the Debtors to continue their operations pending the Debtors' proposed sale of their business operations (the "Proposed Sale Transaction") or the Debtors' confirmation of a chapter 11 plan of reorganization.

43. Following extensive, arms'-length negotiations, the Debtors and the DIP Lenders (as defined below) reached agreement on a case timeline that adequately balances the Debtors' need to execute a robust marketing process for their business with the need of all stakeholders to realize asset value on an expeditious basis. In order to satisfy the requirements set forth in the DIP Credit Agreement, the Debtors request, pursuant to a motion filed concurrently herewith[8] a hearing to be held on regular notice for the approval of the Debtors' proposed bid procedures in

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[8] Concurrently herewith, the Debtors filed the *Debtors' Motion, Pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, Fed. R. Bankr. P. 2002, 6003, 6004, 6006, 9007, 9008 and 9014 and Del. Bankr. L.R. 2002-1, 6004-1and 9006-1, for Entry of (A) an Order (I) Approving Bid Procedures In Connection with the Sale of Substantially All of the Debtors' Assets, (II) Scheduling an Auction for and Hearing to Approve Sale of Assets, (III) Approving Notice of Respective Date, Time and Place for Auction and for Hearing on Approval of Sale, (IV) Approving Procedures for the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (V) Approving Form and Manner of Notice Thereof, and (VI) Granting Related Relief; and (B) an Order Authorizing and Approving (I) the Sale of Substantially All of the Debtors' Assets Free and Clear of Liens, Claims, Rights, Encumbrances, and Other Interests, (II) the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (III) Related Relief* (the "Bid Procedures Motion"), seeking, among other things, a hearing for the approval of the Debtors' proposed bid procedures on regular notice.

connection with a sale. The DIP Credit Agreement is conditioned on the following case milestones:[9]

- **Petition Date**: Debtors must file (i) the Bid Procedures Motion, (ii) a motion seeking authority to close and liquidate up to 180 stores operated by the Debtors and to engage a liquidator in respect thereof (the "Store Closing Motion"), and (iii) a motion seeking to extend the time period to assume or reject leases to not less than 210 days from the Petition Date (the "Lease Designation Extension Motion");

- **March 16, 2016**: Debtors must have obtained an order approving the Store Closing Motion on an interim basis;

- **April 1, 2016**: Debtors must have obtained an order approving the Lease Designation Extension Motion;

- **April 11, 2016**: To the extent not previously delivered, the Debtors must deliver bid packages to any potential bidders for the Debtors' businesses or assets that are identified by the DIP Agent (as defined below) (provided such potential bidders have entered into confidentiality agreements reasonably acceptable to the Debtors;

- **April 21, 2016**: Deadline to receive/submit binding bids with respect to the Proposed Sale Transaction;

- **April 25, 2016**: Auction (if necessary);

- **April 27, 2016**: Hearing for the Proposed Sale Transaction; and

- **April 28, 2016**: Deadline to close Proposed Sale Transaction.

IV. EVIDENTIARY SUPPORT FOR FIRST DAY MOTIONS[10]

44. Concurrently with the filing of their chapter 11 petitions, the Debtors have filed the First Day Motions seeking relief that the Debtors believe is necessary to enable them to

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9 The DIP Credit Agreement contemplates that the Debtors are currently in discussions with certain parties for a potential $25 million junior debtor-in-possession loan (an "Incremental DIP Loan"), and expressly permits the incurrence of such junior DIP loan. In the event that the Debtors are successful in obtaining the Incremental DIP Loan by March 15, 2016, the milestones set forth in the DIP Credit Agreement and described below will be extended by approximately one month as set forth in the DIP Credit Agreement. Any Incremental DIP Loan would be subject to the approval of the Court.

10 Capitalized terms used but not otherwise defined in this Section IV shall have the meanings ascribed to such terms in the applicable First Day Motion.

operate in these Chapter 11 Cases with minimal disruption and loss of productivity. The Debtors respectfully request that the relief requested in each of the First Day Motions be granted because such relief is a critical element in stabilizing and facilitating the Debtors' operations during the pendency of the Chapter 11 Cases. A summary of the relief requested in each First Day Motion and the facts supporting each First Day Motion is set forth below. I have reviewed each of the First Day Motions discussed below. All of the facts set forth in the First Day Motions are true and correct to the best of my knowledge and belief and based upon my personal knowledge of the Debtors' operations and finances, information learned from my review of relevant documents, and information supplied to me by other members of the Debtors' management team and the Debtors' advisors, based upon appropriate reliance on corporate officers and advisors, or my opinion based upon my knowledge and experience or information I have reviewed concerning the Debtors' operations and financial condition.

A. Debtors' Motion for Order Authorizing the Joint Administration of Related Chapter 11 Cases (the "Joint Administration Motion")

45. In the Joint Administration Motion, the Debtors request entry of an order providing for the joint administration of the Chapter 11 Cases for procedural purposes only. Specifically, the Debtors request that the Court provide for joint administration by (a) establishing a joint docket and file for the Chapter 11 Cases; (b) approving the filing of a joint pleading caption; (c) approving combined notices to creditors; and (d) directing an entry be made on the docket of Sports Authority Holdings to reflect the joint administration of the Chapter 11 Cases.

46. Given the integrated nature of the Debtors' operations, joint administration of the Chapter 11 Cases will provide significant administrative convenience without harming the substantive rights of any party in interest. Many of the motions, hearings, and orders that will

arise in the Chapter 11 Cases will jointly affect all Debtors. The entry of an order directing joint administration of the Chapter 11 Cases will reduce fees and costs by avoiding duplicative filings and objections, and will allow the Office of the United States Trustee and all parties in interest to monitor the Chapter 11 Cases with greater ease and efficiency.

47. I believe that the relief requested in the Joint Administration Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest. Accordingly, on behalf of the Debtors, I respectfully submit that the Joint Administration Motion should be approved.

B. Debtors' Motion for Order Authorizing (A) Continued Use of Cash Management System; (B) Maintenance of Existing Bank Accounts; (C) Continued Use of Existing Business Forms; (D) Continued Performance of Intercompany Transactions in the Ordinary Course of Business and Grant of Administrative Expense Status for Postpetition Intercompany Claims; and (E) Interim Waiver of Section 345(b) Deposit and Investment Requirements (the "Cash Management Motion")

48. In the Cash Management Motion, the Debtors request entry of an order authorizing, among other things, (a) the continued use of their Cash Management System, (b) maintenance of existing Bank Accounts and Credit Cards, including a waiver of certain operating guidelines relating to bank accounts, (c) the continued use of existing Business Forms, (d) an interim waiver of the deposit and investment requirements of section 345(b) of the Bankruptcy Code, and (e) the continued performance of Intercompany Transactions and grant of administrative expense status for postpetition Intercompany Claims.

49. As described in detail in the Cash Management Motion, the Debtors' business requires the collection, payment, and transfer of funds through numerous bank accounts. In the ordinary course of business and prior to the Petition Date, the Debtors maintained a centralized cash management system (the "Cash Management System"). Like other large businesses, the Debtors designed their Cash Management System to efficiently collect, transfer, and disburse

funds generated through the Debtors' operations and to accurately record such collections, transfers, and disbursements as they are made. The Debtors' financial personnel manage the Cash Management System from the Debtors' treasury department in Englewood, Colorado. The Debtors' Cash Management System includes approximately 21 bank accounts. Each general category of accounts is described in the Cash Management Motion and a diagram of the Cash Management System is annexed as Exhibit C thereto.

50. The relief requested in the Cash Management Motion is vital to ensuring the Debtors' seamless transition into bankruptcy. I believe that the relief requested in the Cash Management Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their businesses in chapter 11 with minimal disruption, thereby benefiting all parties in interest. Accordingly, for the reasons set forth herein and in the Cash Management Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Cash Management Motion should be granted.

C. Debtors' Motion for Entry of Interim and Final Orders (A) Authorizing Payment of Certain Prepetition Workforce Claims, Including Wages, Salaries and Other Compensation, (B) Authorizing Payment of Certain Employee Benefits and Confirming Right to Continue Employee Benefits on Postpetition Basis, (C) Authorizing Payment of Reimbursement to Employees for Expenses Incurred Prepetition, (D) Authorizing Payment of Withholding and Payroll-Related Taxes, (E) Authorizing Payment of Workers' Compensation Obligations, and (F) Authorizing Payment of Prepetition Claims Owing to Administrators and Third Party Providers (the "Employee Wage and Benefits Motion")

51. In the Employee Wage and Benefits Motion, the Debtors request entry of interim and final orders authorizing, but not directing, the Debtors to (a) pay prepetition claims and honor obligations incurred or related to the Compensation Obligations, the Withholding Obligations, the Incentive Programs, Vacation Time and PTO, Reimbursable Expense Obligations, and the Employee Benefits Obligations, Workers' Compensation Claims, and all fees and costs incident to the foregoing, including amounts owed to third-party administrators

(including the Payroll Administrator Obligations and the Aon Administrative Fee Obligations) (collectively, the "Employee Obligations") and (b) maintain, continue and honor, in the ordinary course of business, the Incentive Programs, Vacation Time and PTO policies, Reimbursement Expense Obligations, the Employee Benefit Plans, and Workers' Compensation Claims (collectively, the "Employee Plans and Programs").

52. The Debtors' Employees are the lifeblood of their business, and their value cannot be overstated. The management, marketing, sales, manufacturing, and technical skills of the Employees are essential to the Debtors' ability to source and research high-quality, competitive products and services, bring those products and services to market in their retail locations and online, and timely deliver them to their customers. To a significant extent, the Debtors' success depends upon their ability to attract and retain key personnel. If the Debtors cannot assure their Employees that the Debtors will promptly pay prepetition Employee Obligations to the extent allowed under the Bankruptcy Code, and continue to honor, as applicable, Employee Benefits Obligations, the Debtors believe that certain Employees will likely seek employment elsewhere, potentially with the Debtors' competitors. The loss of Employees at this juncture would have a material adverse impact on the Debtors' businesses and ability to maximize value through the prosecution of these Chapter 11 Cases.

53. Moreover, the Debtors regularly utilize the services of Contract Workers, who fill critical and immediate business needs of the Debtors and allow the Debtors to have a flexible workforce to meet the needs of their customers while also remaining as cost efficient as possible. In such capacity, the Contract Workers fill several types of role for the Debtors, including providing accounting, information systems, and marketing services as needed. The Contract Workers are a reliable and cost-efficient component of the Debtors' operations. Thus, as with

the Debtors' regular Employees, if the Debtors fail to honor their prepetition compensation obligations to the Contract Workers, to the extent allowed under the Bankruptcy Code, it is likely that the Debtors will lose such individuals' valuable services to the detriment of the Debtors' ongoing business operations.

54. The relief requested in the Employee Wage and Benefits Motion is necessary for the Debtors to be able to maintain morale, continue to service the needs of their customers, and preserve creditor confidence in the Debtors' continued operations. Moreover, the loss of valuable Employees and the recruiting efforts that would be required to replace such Employees would be a substantial and costly distraction at a time when the Debtors must focus on their restructuring efforts. Accordingly, I believe that the Debtors must be able to pursue all reasonable measures to retain the Employees by, among other things, continuing to pay the Employee Obligations and to honor the Employee Plans and Programs as set forth in the Employee Wage and Benefits Motion.

55. Accordingly, for the reasons set forth herein and expanded on in the Employee Wage and Benefits Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Employee Wage and Benefits Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their businesses in these Chapter 11 Cases with minimal disruption, thereby maximizing value for the estates.

D. Debtors' Motion for Interim and Final Orders Authorizing the Debtors to Pay Certain Prepetition Claims of Critical Vendors (the "Critical Vendors Motion")

56. In the Critical Vendors Motion, the Debtors request entry of interim and final orders, authorizing, but not directing, the Debtors, in their discretion, to pay Critical Vendor Claims in an amount not to exceed $30 million in cash on a final basis. In addition, the Debtors

seek authority to return up to $11.4 million in merchandise that was supplied by certain Critical Vendors via the RTVs.

57. In the ordinary course of business, and on a regular basis, the Debtors make payments to certain essential trade vendors and service providers (collectively, the "Critical Vendors"). If the Critical Vendors are not paid for prepetition goods and services, their resulting unwillingness to continue to provide inventory and services to the Debtors would interrupt the Debtors' business operations and jeopardize the viability of the Debtors' value-maximizing objectives. For example, branded goods provided by certain of the Critical Vendors constitute a substantial portion of the Debtors' sales; customers rely on the Debtors' stores or website to provide these goods, in many cases on an in-season basis. In fact, the sale of certain branded goods is the lifeblood of the Debtors' business, and a significant portion of the Debtors' customers shop at their stores and online for the sole purpose of purchasing these branded goods. Thus, to the extent that such Critical Vendors stopped supplying their branded goods, the Debtors would suffer both a significant decline in revenues and an erosion of their customer base. Any such interruption could have drastic consequences for the operations of the Debtors' business due to the unique nature of certain branded goods, a lack of alternative suppliers or service providers in many situations, or the amount of time and resources needed to identify and transition to alternative suppliers. Such a supply interruption would negatively affect the Debtors' revenue and further strain the Debtors' liquidity.

58. The Debtors, in consultation with their advisors, have thoroughly reviewed their business relationships and identified certain vendors, the loss of whose particular goods or services would cause immediate and irreparable harm to the Debtors' business. In identifying Critical Vendors, the Debtors considered the following three general criteria: (a) whether sales of

the branded goods of a particular vendor constitute a substantial portion of the Debtors' sales revenue; (b) whether the vendor would be prohibitively expensive or time-consuming to replace; and (c) whether the vendor is a sole-source or limited-source supplier of goods or services of the quality and quantity required by the Debtors in a particular market, without whom the Debtors could not continue to operate without disruption.

59. Most of the Critical Vendors supply brand-name goods. In-season brand-name merchandise is the lifeblood of the Debtors' business. Accordingly, certain Critical Vendors are essential to the Debtors' day-to-day operations because they provide one-of-a-kind specialty brands whose products the Debtors' customers expect to be able purchase at the Debtors' stores or online and because obtaining a replacement source for the merchandise would be impossible or entail substantial delay or significantly increased costs. Indeed, the sales of such Critical Vendors' branded goods comprise a substantial portion of the Debtors' revenues. In 2015, branded goods of the Debtors' top ten vendors accounted for approximately 53% of total sales. If the Debtors are unable to continue selling these brand name goods, they will suffer an extreme erosion in their customer base to the detriment of all parties in interest.

60. Certain Critical Vendors have implicitly suggested to the Debtors that they may cease doing business with the Debtors or fundamentally change their terms of dealing with the Debtors if they are not granted Critical Vendor status to assure that their prepetition claims will be paid. Such a disruption could cripple the Debtors' ability to successfully maximize value, particularly given the business's dependency on maintaining a continuous supply of in-season brand name goods.

61. Prior to the Petition Date and in the ordinary course of business, the Debtors returned unsold goods to certain vendors in exchange for a credit of up to the amount that the

Debtors paid for the goods in question. The return-to-vendor program allows the Debtors to move unsold merchandise in order to clear space for new merchandise that is likely to be more appealing to their customers. For example, in springtime the Debtors might return unsold winter coats and re-purchase running shorts.

62. In addition to paying a portion of their prepetition claims in cash, the Debtors propose to satisfy a portion of the prepetition claims of certain Critical Vendors via the RTVs (*i.e.*, returning goods to the Critical Vendors). This course of action is consistent with the Debtors' prepetition practice and will enable the Debtors to clear space for new merchandise consistent with that past practice. What's more, the RTVs are a non-cash currency that can be used to secure critical postpetition goods and services on credit, without any immediate cash outlay, and thereby improve the Debtors' liquidity.

63. The Debtors are seeking authority to pay, and/or effectuate RTVs to, Critical Vendors who agree to supply goods or services to the Debtors on the most favorable terms and practices (including any pricing related terms such as return-to-vendor allowances, rebates, or discounts) that existed in the one-year period prior to the Petition Date between such Critical Vendor and the Debtors.

64. To ensure that the Critical Vendors understand the terms upon which they are accepting payment of their Critical Vendor Claims, and as a condition to receiving payment of any of their Critical Vendor Claims, the Debtors propose to send a Trade Agreement to each Critical Vendor, which will be countersigned by such Critical Vendor. If the Critical Vendors Motion is granted, the Debtors will maintain a record of (a) the name of each Critical Vendor paid on account of prepetition Critical Vendor Claims, (b) the amount paid to each Critical Vendor, and (c) the goods or services provided by such Critical Vendor.

65. The continued availability of trade credit in amounts and on terms consistent with those that the Debtors enjoyed prepetition is essential for the Debtors to maintain liquidity for their business operations and to preserve the customer base and vendor network that is essential to the Debtors' success. The Debtors believe that preserving working capital through the retention or reinstatement of Customary Trade Terms will enable the Debtors to maintain their competitive advantage and maintain an existing source of financing. A deterioration in trade credit and disruption or cancellation of deliveries of goods and services, on the other hand, would hinder the Debtors' operations, undermine their restructuring efforts, and drive down the value of their estates. Indeed, a deterioration in trade credit was one of the factors that precipitated the Debtors' Chapter 11 Cases.

66. Accordingly, for the reasons set forth herein and further detailed in the Critical Vendors Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Critical Vendors Motion is in the best interest of the Debtors' estates and their creditors, and should therefore be granted to enable the Debtors to retain access to critical sources of goods and services on favorable trade credit terms.

E. Debtors' Motion for Interim and Final Orders (A) Prohibiting Utility Providers from Altering, Refusing or Discontinuing Service; (B) Approving the Debtors' Proposed Adequate Assurance of Payment for Postpetition Services; and (C) Establishing Procedures for Resolving Requests for Additional Adequate Assurance of Payment (the "Utilities Motion")

67. In the Utilities Motion, the Debtors request entry of interim and final orders (a) prohibiting Utility Providers from (i) altering, refusing, or discontinuing utility services to, or discriminating against, the Debtors on account of any outstanding amounts for services rendered prepetition or (ii) drawing upon any existing security deposit, surety bond, or other form of security to secure future payment for utility services, (b) approving the Debtors' proposed

adequate assurance of payment for Utility Providers, and (c) approving the Debtors' proposed procedures for resolving additional requests for adequate assurance by Utility Providers.

68. In conjunction with their day-to-day operations and/or maintenance of their businesses, the Debtors receive traditional utility services from various Utility Providers for, among other things, electricity, water, gas, local and long-distance telecommunication services, data service, waste disposal, sewer service, and other similar services (collectively, the "Utility Services"). A non-exhaustive list of the Utility Providers is annexed to the Utilities Motion as Exhibit C thereto.

69. The Debtors paid an average of approximately $4.3 million per month on account of all Utility Services during the 2015 calendar year. The Debtors ceased making payments to the Utility Providers on February 19, 2016, and, to the best of the Debtors' knowledge, as of the Petition Date, arrearages with respect to the Debtors' undisputed invoices for Utility Services are approximately $2,100,000.

70. I believe and am advised that the requested relief is necessary or else the Debtors could be forced to address numerous requests by the Utility Providers in a disorganized manner during the critical first few weeks of these Chapter 11 Cases. Moreover, a termination of or disruption in Utility Services could significantly disrupt the Debtors' business operations and shrink their revenues, thereby jeopardizing the Debtors' chances to maximize recoveries for creditors. It is, therefore, critical that Utility Services continue uninterrupted during the Chapter 11 Cases.

71. Accordingly, for the reasons set forth herein and in the Utilities Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Utilities Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable

the Debtors to continue to operate their businesses during the course of these Chapter 11 Cases with minimal disruption.

F. Debtors' Motion for Entry of Interim and Final Orders (A) Authorizing the Payment of Certain Prepetition Taxes and Fees, and (B) Authorizing Banks to Receive, Process and Honor Checks Issued and Electronic Payment Requested Related Thereto (the "Tax Motion")

72. In the Tax Motion, the Debtors seek entry of interim and final orders authorizing, but not directing, the Debtors, in the exercise of their reasonable business judgment, to pay Taxes and Fees, without regard to whether such obligations accrued or arose before or after the Petition Date.

73. The Debtors conduct business in 40 U.S. states and Puerto Rico. In the ordinary course of business, the Debtors (a) incur and/or collect Taxes, (b) incur Fees in connection with obtaining licenses and permits necessary to operate their businesses, and (c) remit such Taxes and Fees to various taxing, licensing, and other governmental authorities (collectively, the "Taxing Authorities"). A list of the Taxing Authorities (the "Taxing Authorities List") is annexed to the Tax Motion as Exhibit B thereto. The Taxes and Fees may, from time to time, be the subject of an audit (each an "Audit") by the applicable Taxing Authority, and the amounts estimated as due or already paid by the Debtors may be subject to upward or downward adjustment based upon the amount that the applicable Taxing Authority ultimately claims is due following an Audit. The Debtors regularly pay the Taxes and Fees in a timely manner on a monthly, quarterly, or annual basis, in each case as required by applicable laws and regulations, and none of the Taxes or Fees the Debtors are seeking authority to pay pursuant to the Tax Motion are past-due or "catch up" Taxes or Fees. The Debtors do not hold any funds specifically earmarked for the payment of taxes in a segregated account.

74. The Debtors must continue to pay the Taxes and Fees to continue operating in certain jurisdictions and to avoid costly distractions during these Chapter 11 Cases. Specifically, it is my understanding that the Debtors' failure to pay the Taxes and Fees could adversely affect the Debtors' business operations and the value of their assets because the Taxing Authorities could suspend the Debtors' operations, file liens against the Debtors' assets, or seek to lift the automatic stay to pursue remedies against the Debtors. In addition, certain Taxing Authorities may take precipitous action against the Debtors' directors and officers for unpaid Taxes, which undoubtedly would distract those key employees from their duties related to the Debtors' restructuring efforts during the pendency of these Chapter 11 Cases. The Debtors seek authority to pay the Taxes and Fees, if any, that remain outstanding as of the Petition Date, and future Taxes and Fees that accrue in the ordinary course of business as and when such obligations become due and owing.

75. Accordingly, for the reasons set forth herein and in the Tax Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Tax Motion is in the best interest of the Debtors' estates and creditors because it will enable the Debtors to continue to operate their businesses while these Chapter 11 Cases are pending.

G. Debtors' Motion for Order Authorizing the Debtors to (A) Continue and Renew Their Insurance Policies and (B) Honor All Related Obligations (the "Insurance Motion")

76. In the Insurance Motion, the Debtors request entry of an order authorizing, but not directing, the Debtors to (a) continue and renew their Insurance Policies, or obtain new insurance policies, as needed in the ordinary course of business and (b) honor all of their prepetition and postpetition obligations, including payment of all outstanding prepetition Insurance Obligations, under and in connection with the Insurance Policies on an uninterrupted basis and in accordance with the same practices and procedures as were in effect before the Petition Date, including

premiums arising under the Insurance Policies, the Broker Fees and the Third-Party Administrator Fee.

77. As described in the Insurance Motion, in the ordinary course of their businesses, the Debtors maintain numerous insurance policies with various Insurers that provide coverage for, among other things, products liability, general liability, property, automobile, cyber liability, umbrella liability, excess liability, crime, directors and officers liability, fiduciary liability, foreign liability, travel accident liability, kidnap and ransom liability, employment practices liability, and marine cargo stock throughput liability, and workers' compensation claims (the "Insurance Policies"), as summarized in Exhibit B annexed to the Insurance Motion. The Debtors incur a total of approximately $5,850,000 in the aggregate in annual premiums to cover their Insurance Policies as well as other obligations, including the Broker Fees and the Third-Party Administrator Fee (collectively, the "Insurance Obligations").

78. The Insurance Policies are essential to preserving the value of the Debtors' business operations and their assets. In many cases, the insurance coverage provided by the Insurance Policies is required by various regulations, laws, and contracts that govern the Debtors' business and commercial activities.

79. Accordingly, for the reasons set forth herein and in the Insurance Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Insurance Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in compliance with contractual and regulatory requirements and to safeguard the value of their estates.

H. Debtors' Motion for Entry of (I) an Order (A) Authorizing Debtors to Honor and Continue Certain Customer Programs and Customer Obligations in the Ordinary Course of Business, and (B) Approving Agreement by and between Debtors and Zurich American Insurance Company Relating to Prepetition Bonds, on an Interim Basis; and (II) a Supplemental Order Approving Such Bonding Agreement on a Final Basis and Granting Related Relief (the "Customer Programs Motion")

80. In the Customer Programs Motion, the Debtors request entry of an order authorizing the Debtors, in their sole discretion, to, among other things, maintain and administer certain Customer Programs and to honor prepetition obligations thereunder in the ordinary course of business and in a manner consistent with past practices, and approving the Bonding Agreement (as defined below) on an interim basis. The Debtors also seek authority for banks and other financial institutions to receive, process, honor, and pay checks or electronic transfers used by the Debtors to pay the foregoing and to rely on the representations of such Debtors as to which checks are issued and authorized to be paid in accordance with this Motion. Finally, the Debtors seek entry of a supplemental order, upon further notice and hearing, approving the Bonding Agreement on a final basis.

81. As described in the Customer Programs Motion, prior to the Petition Date, both in the ordinary course of the Debtors' business and as is customary in the consumer retail industry, the Debtors offered and engaged in certain customer and other programs and practices (collectively, the "Customer Programs"). The Customer Programs include, but are not limited to, the following: (1) The League by Sports Authority rewards program; (2) gift cards; (3) returns, exchanges, and refunds; (4) complimentary certificates; (5) award certificates; (6) customer deposits; (7) merchant credit card agreements; (8) extended warranties and service contracts; (9) assembly and delivery program; (10) price match policy; (11) posted bonds related to the issuance of licenses and permits; and (12) promotions and all such other similar policies, programs, and practices of the Debtors.

82. With respect to the posted bonds noted above, as of the Petition Date, the Debtors had posted approximately 110 bonds with various agencies and departments across multiple states in an aggregate amount of $1,900,000 (collectively, the "Bonds").[11] Prior to the Petition date, Zurich made certain bonding capacity available to the Debtors under and pursuant to a General Agreement of Indemnity dated November 14, 2006 (the "Bonding Program"), which related to the Bonds described related to licenses and permits. The Debtors believe that their capability to issue Licenses and Permits is important to the satisfaction of their customers and the maintenance of customer relationships given the convenience for customers such capability offers. Prior to the Petition, in January 2016, Zurich issued Notices of Cancellation for the bonds issued pursuant to the Bonding Program, with cancellation dates mostly on or after February 22, 2016. Given the importance of the Bonds described herein, the Debtors requested that Zurich provide replacement bonds and certain other related bonds. In accordance with the Bonding Agreement, Zurich agreed, among other things, to extend the Bonds, and the Debtors agreed, among other things, to seek orders approving the Bonding Agreement on an interim and on a final basis, respectively.

83. In order to effectuate a smooth transition into chapter 11, the Debtors must not only deliver their products and services, including corporate stationary, marketing materials and other printed business documents, promotional marketing products, labels, and healthcare technology products, but they must also maintain customer loyalty and goodwill through the Customer Programs. Indeed, the Debtors implemented the Customer Programs in the ordinary course of business prior to the Petition Date as a means by which to maintain positive,

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[11] The Debtors have posted similar bonds with utility service providers and customs agents in furtherance of, respectively, obtaining utility service and complying with customs requirements implicated by the receipt of certain inventory and other goods. The Debtors also seek other related relief in connection with the Bonding Agreement in the Critical Vendors Motion and the Shippers Motion.

productive, and profitable relationships with their customers, encourage new purchases, enhance customer satisfaction and ensure that the Debtors remain competitive in their industry. Although the terms of the Customer Programs may vary among the Debtors' customers, all of the Customer Programs are designed and implemented to encourage the Debtors' customers to increase their purchasing frequency and volume, resulting in larger net revenues for the Debtors and, in return, greater satisfaction for the customers.

84. The Debtors' ability to honor their Customer Programs in the ordinary course of business is necessary to retain their customer base and reputation within the industry at this critical juncture of the restructuring process. In connection with the Customer Programs, the Debtors provide their customers with certain goods and services and, as a result thereof, may owe certain obligations to their customers and certain subcontractors that provide goods and services to their customers, arising both prior to and after the Petition Date (collectively, the "Customer Obligations"). The success and viability of the Debtors' business, and ultimately the Debtors' ability to maximize value for their estates, are dependent upon the patronage and loyalty of their customers. In this regard, the Debtors' Customer Programs are critical, and any delay in honoring the Debtors' obligations thereunder will severely and irreparably impair customer relations. Any failure to honor and pay prepetition Customer Obligations, for even a brief time, is likely to drive away valuable customers, thereby harming the Debtors' efforts to maximize value and perhaps reducing interest in the Debtors' assets.

85. Accordingly, for the reasons set forth herein and in the Customer Programs Motion, the Debtors seek authority, but not direction, to continue the Customer Programs, including authority to honor Customer Obligations arising therefrom, in their sole discretion. On behalf of the Debtors, I respectfully submit, on behalf of the Debtors, that the relief requested in

the Customer Programs Motion is essential to the Debtors' continued operations and is in the best interests of the Debtors' estates, their creditors, and all other parties in interest.

I. Debtors' Motion for Entry of Interim and Final Orders (A) Authorizing the Debtors to Pay in the Ordinary Course of Business, Claims for Goods Ordered Prepetition and Delivered Postpetition; (B) Authorizing the Debtors to Pay Certain Prepetition Claims of Shippers, Warehousemen, and Lien Claimants; and (C) Authorizing Financial Institutions to Honor and Process Related Checks and Transfers (the "Shippers Motion")

86. In the Shippers Motion, the Debtors seek entry of interim and final orders (a) authorizing, but not requiring, the Debtors to pay, in the ordinary course of business, (i) claims for goods ordered prepetition and that are to be delivered postpetition, and (ii) the Distribution Charges; and (b) authorizing the Banks to receive, process, honor, and pay checks or electronic transfers used by the Debtors to pay the Distribution Charges and to rely on the representations of the Debtors as to which checks are issued and authorized to be paid in accordance with the relief granted in connection herewith.

87. The Debtors depend on the services of approximately 64 shippers, truckers, expediters, customs brokers, consolidators, and other carriers (collectively, the "Shippers") to ensure the timely shipping and delivery of merchandise in the ordinary course of the Debtors' business. The Debtors also rely on Shippers in the ordinary course of business to transport goods between the Debtors' stores, and to return goods, merchandise, and products from the Debtors' customers and/or to the Debtors' vendors. The Debtors also transact with a number of third parties, including but not limited to the Shippers, that could potentially assert liens against the Debtors and their property for amounts the Debtors owe to those third parties (the "Lien Claimants,"[12] and together with the Shippers, the "Possessory Claimants"). If the Debtors do not

[12] The "Lien Claimants" do not include the Consignment Vendors that are described and addressed in the Consignment Motion.

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pay the claims of the Possessory Claimants, they could assert possessory liens against the Debtors' property and refuse to deliver or release such property to the Debtors until they are paid. Such an outcome could cause significant disruptions to the operation of the Debtors' businesses that would impede their ability to operate successfully in chapter 11. If the Debtors were required to switch to alternative vendors, they would incur significant operational disruption and likely increased costs.

88. The Debtors propose that, as a condition of accepting payment, a Possessory Claimant must agree to a set of conditions set forth in the Shippers Motion.[13] If any Possessory Claimant accepts payment and thereafter does not continue to provide services to the Debtors on Customary Trade Terms, then any payment of the Distribution Charges made under the relief granted in connection with the Shippers Motion to such Possessory Claimant would be deemed an unauthorized postpetition transfer under section 549 of the Bankruptcy Code and, therefore, would be avoidable and recoverable by the Debtors in cash upon written request, subject to a Possessory Claimant's right to contest such treatment and request that the Debtors schedule a hearing on such matter. Upon any recovery by the Debtors, the Possessory Claimant's claim would be reinstated as a prepetition claim in the amount so recovered, less the Debtors' reasonable costs in recovering such amounts.

89. In the ordinary course of their businesses, the Debtors receive a variety of Imported Goods from a number of foreign countries. Timely receipt of the Imported Goods is critical to the Debtors' business operations. In connection with the Imported Goods, the Debtors may be required to pay certain Distribution Charges, which include customs duties, detention

[13] In the event of the assertion of a possessory lien against the Debtors' property that prevents the Debtors from accessing their property without payment of the prepetition claim giving rise to the lien, the Debtors reserve the right, in their absolute discretion, to pay the claim.

and demurrage fees, tariffs, excise taxes, and other similar obligations. If the Debtors do not pay the Distribution Charges, the flow of Imported Goods to the Debtors would likely be interrupted, depriving the Debtors of products they need to draw customers to their stores, and in some instances, complete orders already placed by their customers. Therefore, payment of the Distribution Charges is critical to ensure the uninterrupted flow of Imported Goods.

90. Accordingly, for the reasons set forth herein and further detailed in the Shippers Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Shippers Motion is in the best interest of the Debtors' estates and their creditors, and should therefore be granted to enable the Debtors to retain access to critical sources of goods and avoid devastating disruption to their business operations.

J. Debtors' Motion for Entry of Interim and Final Orders (I) Establishing Notification Procedures for Transfers of Equity Securities and Claims of Worthless Stock Deductions, and (II) Establishing a Record Date for Notice and Sell-Down Procedures for Trading in Claims Against the Debtors' Estates (the "NOL Motion")

91. In the NOL Motion, the Debtors request that the Court enter interim and final orders (a) establishing notice and objection procedures regarding certain transfers of beneficial interests in equity securities in Sports Authority Holdings ("Equity Securities") and claims of worthless stock deductions with respect to the Equity Securities; and (b) establishing a record date (the "Record Date") for notice and potential sell-down procedures for trading in claims against the Debtors ("Claims"). The Debtors further request that the Court grant relief on an interim and final basis, thereby preserving the status quo in this regard, ordering that any purchase, sale, or other disposition of, or claim of worthless stock deduction with respect to, Equity Securities in violation of the procedures set forth in the NOL Motion (including the notification procedures set forth in the NOL Motion) shall be void *ab initio*.

92. The Debtors have incurred significant net operating losses ("NOLs"), in the recent past. The Debtors' NOLs are an extremely valuable asset because, under the Internal Revenue Code (the "IRC"), the Debtors can generally carry forward their NOLs to offset their future taxable income for up to 20 taxable years and thereby reduce their future aggregate tax obligations.

93. The Debtors' NOLs are currently estimated to be approximately $204.7 million for 2003 through 2014, plus a preliminarily estimated additional $150 million for 2015, which are collectively worth significant potential future income tax savings based on the Debtors' 35% federal corporate tax rate. Additional state tax savings may also be available by utilizing the Debtors' corresponding state NOLs.

94. These potential tax savings and the accompanying increase in the Debtors' cash flow are valuable assets of the Debtors' estates. If the Debtors are unable to monitor and object to the above-referenced transactions, the Debtors' future use of their NOLs may be jeopardized. The Debtors have proposed notice and hearing procedures that impose minimal burdens on affected entities to achieve a substantial benefit to the Debtors' estates.

95. Accordingly, for the reasons set forth herein and in the NOL Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the NOL Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest because, if granted, the relief requested therein will allow the Debtors to avoid unnecessary tax expense.

K. Debtors' Motion for Interim and Final Orders (A) Authorizing the Debtors to (I) Continue to Sell Consigned Goods in the Ordinary Course of Business Free and Clear of All Liens, Claims and Encumbrances and (II) Grant Administrative Expense Priority to Consignment Vendors for Consigned Goods Delivered Postpetition; and (B) Grant Replacement Liens to Consignment Vendors with Perfected Security Interests in Consigned Goods and/or Remit the Consignment Sale Price Arising From Sale of Consigned Goods to Putative Consignment Vendors (the "Consignment Motion")

96. In the Consignment Motion, the Debtors seek entry of interim and final orders (a) authorizing the Debtors to (i) continue to sell Consigned Goods in the ordinary course of business, free and clear of all liens, claims and encumbrances, and (ii) grant administrative expense priority under section 503(b) of the Bankruptcy Code to Consignment Vendors for all undisputed obligations arising from the delivery of Consigned Goods to the Debtors after the Petition Date; and (b) granting replacement liens to Consignment Vendors that have valid, properly perfected, and unavoidable liens or security interests in Consigned Goods that are sold and/or remitting the Consignment Sale Price to putative Consignment Vendors upon obtaining the appropriate consents from the Debtors' Secured Lenders.

97. A substantial portion of the Debtors' business involves the sale of Consigned Goods that are delivered to the Debtors by approximately 170 Consignment Vendors and sold in the Debtors' retail stores and online. The Debtors estimate that, as of the Petition Date, the Debtors possessed approximately 8.5 million units of Consigned Goods with an invoice cost to the Debtors of approximately $84.8 million in the aggregate.

98. The Debtors' relationships with their Consignment Vendors allow the Debtors to receive and resell a wide range of popular goods in their stores without the need to commit working capital up front to cover the cost of selling such inventory and the constraints that such commitment would otherwise impose on the Debtors. Consigned Goods include, without limitation, (a) active wear and outerwear for men, women, and children; (b) seasonal accessories;

(c) recreational gear for a variety of outdoor activities, including camping, water sports, fishing, and hunting; (d) gear for team sports including baseball, soccer, football, and basketball; (e) gear for indoor exercise and fitness activities; (f) golf gear and apparel; and (g) select footwear, socks, insoles and accessories. During fiscal year 2015 which ended on January 30, 2016, the sale of Consigned Goods resulted in total revenues of approximately $244 million and generated approximately $128 million in gross profits for the Debtors.

99. The Debtors depend upon the continued availability of Consigned Goods so that they can continue to offer the fullest range of retail sporting goods to their customers at a time when customer retention is particularly critical to the success of the Debtors' value maximization efforts. The Debtors have an immediate need, especially at the outset of these Chapter 11 Cases, to continue to sell the Consigned Goods in the ordinary course of business to prevent disruption to the Debtors' business and to preserve the value of the Debtors' going concern for the benefit of the estates and all stakeholders. Without the ability to sell Consigned Goods, the Debtors would experience significant loss in sales volume, disrupting the Debtors' business and jeopardizing their restructuring efforts. Therefore, the Debtors request authorization to continue to sell the Consigned Goods in the ordinary course of business and in accordance with the Debtors' prepetition practices and procedures, as modified herein.

100. For these reasons, it is equally critical that Consignment Vendors continue to deliver Consigned Goods to the Debtors upon request during the postpetition period to replenish the Debtors' inventory and enable the Debtors to continuously offer the fullest range of goods to their customers. The Debtors request authorization to negotiate with certain Consignment Vendors acceptable terms pursuant to which such Consignment Vendors will deliver Consigned Goods to the Debtors during the postpetition period. In exchange for the postpetition delivery of

such Consigned Goods, the Debtors seek the Court's authority to grant to the applicable Consignment Vendors administrative expense priority under section 503(b) of the Bankruptcy Code for all undisputed obligations arising from the delivery of Consigned Goods to the Debtors during the postpetition period.

101. The Debtors acknowledge that some Consignment Vendors may have valid security interests in certain Consigned Goods that were delivered to the Debtors prior to the Petition Date, while other Consignment Vendors may either have security interests that are not properly perfected or are otherwise avoidable, or have no security interests in any Consigned Goods. To preserve the status quo, the Debtors propose to grant to the applicable Consignment Vendors a replacement lien on the proceeds of the applicable Consigned Goods, up to the Consignment Sale Price (such replacement lien, a "Consignment Replacement Lien"), that has the same validity and priority as any lien that existed on the Consigned Goods immediately prior to their sale, subject to any claims and defenses the Debtors or other parties may have had with respect to the lien on the Consigned Goods.

102. In addition, upon obtaining consent from their Secured Lenders, the Debtors seek authority to remit the Consignment Sale Price to applicable putative Consignment Vendors in the ordinary course. The Debtors will use reasonable best efforts where appropriate and practicable to condition such payments on the applicable Consignment Vendor's agreement to (a) accept such payment in satisfaction of all or a part of its prepetition claim against the Debtors, and (b) continue to provide goods to the Debtors during these Chapter 11 Cases on terms that are no less favorable to the Debtors than those practices and programs in place during the one-year period immediately preceding the Petition Date (the "Customary Trade Terms").

103. Accordingly, for the reasons set forth herein and in the Consignment Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Consignment Motion is critical to the Debtors' ability to continue operating their business and adequately servicing their customers, and is thus in the best interests of the Debtors' estates, their creditors, and all other parties in interest.

L. Debtors' Motion for Interim and Final Orders (I) Authorizing Debtors to Obtain Post-Petition Secured Financing Pursuant to 11 U.S.C. §§ 105, 362, 363, and 364; (II) Granting Liens and Superpriority Claims to Post-Petition Lenders Pursuant to 11 U.S.C. §§ 364 and 507; (III) Authorizing the Use of Cash Collateral and Providing Adequate Protection to Prepetition Secured Parties and Modifying the Automatic Stay Pursuant to 11 U.S.C. §§ 361, 362, 363, and 364; and (IV) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and (c) and Local Rule 4001-2 (the "Cash Collateral/DIP Motion")

104. In the Cash Collateral/DIP Motion, the Debtors seek (a) approval, on an interim basis (the order approving the below relief, the "Interim Order") of the DIP Credit Agreement and post-petition financing in the form of the $500 million Revolving DIP Loan and the $95 million FILO DIP Loan, (c) authorization to grant certain liens and super-priority administrative expense claims to Bank of America, N.A. as Administrative Agent and Collateral Agent under the DIP Credit Agreement (in such capacity, the "DIP Agent") (for the benefit of itself and the lenders under the DIP Credit Agreement (the "DIP Lenders")), (d) authorization to use cash collateral, (e) authorization to grant adequate protection to the agents under the ABL Credit Agreement and Term Loan Credit Agreement, the ABL Lenders, the FILO Lenders and the Term Lenders (collectively, the "Prepetition Secured Parties") for their interests in the collateral that secures the DIP Credit Agreement, (f) modification of the automatic stay to the extent necessary to implement and effectuate the terms and provisions of the DIP Credit Agreement, and (g) entry of an order scheduling and establishing deadlines with respect to a final hearing and order (the

"Final Order") authorizing the Debtors to obtain post-petition financing on the terms set forth in the DIP Credit Agreement.

105. The Debtors have an immediate and urgent need for the use of Cash Collateral and for supplemental debtor-in-possession financing to continue to operate their business, to pay vendors to supply necessary goods and services, to pay employees, and to satisfy other working capital and operational needs. The Debtors believe that use of Cash Collateral alone would not be sufficient to fund their operations and pay all administrative expenses during these Chapter 11 Cases. The Debtors' business is reliant on critical trade vendors continuing to provide goods and favorable trade credit terms post-petition. The Debtors believe that the critical trade vendors will not provide post-petition delivery of goods and/or favorable trade terms absent the establishment of the DIP Facility. While the Debtors could theoretically finance their operations during the case using only the Cash Collateral of the Prepetition Secured Parties, the lack of DIP Financing would likely result in vendors refusing to ship merchandise other than on a cash in advance basis or after a pay down of their prepetition exposure. In that regard, at least one major vendor has indicated to the Debtors that its willingness to extend trade credit to the Debtors is predicated on the Debtors obtaining ample postpetition financing. Without access to the funds proposed to be advanced under the DIP Facility, the Debtors' estates and creditors would suffer immediate harm, including a significant decrease in liquidity and/or merchandise available for sale.

106. The DIP Credit Agreement contemplates an asset based revolving credit facility providing for up to $500 million aggregate principal amount of loans and other financial accommodations, the provision of which will be subject to compliance with the 13-week budget created in accordance with the terms of the DIP Credit Agreement (the "Budget") and the borrowing base formula set forth in the DIP Credit Agreement (the "Borrowing Base"). The

Revolving DIP Loan contains a $100 million sublimit for the issuance of standby and documentary letters of credit (each a "Letter of Credit"), and features the provision of swingline loans to be made available by BofA on a same day basis.

107. The Revolving DIP Loans will bear interest at LIBOR plus 3.25% per annum or, at the option of the Borrowers, the Base Rate plus 2.25% per annum.[14] Letter of Credit fees shall be payable on the maximum amount available to be drawn under each Letter of Credit at a rate equal to 3.25% per annum with respect to standby letters of credit and 1.625% per annum with respect to commercial letters of credit.

108. The DIP Credit Agreement also contemplates the issuance of the FILO DIP Loan, which will not provide additional availability to the Debtors, but rather will serve as a post-petition refinancing of the prepetition FILO Loan, including the FILO Prepayment Fee. As described further in the Cash Collateral/DIP Motion, upon entry of the Final Order, the sole use of the funds provided under the FILO DIP Loan will be to repay the prepetition FILO Loan. The FILO DIP Loan will bear interest at LIBOR plus 7.90% per annum, with a LIBOR floor of 1% per annum.

109. Subject to the proviso below, the DIP Loans will be secured by substantially all of the Debtors' prepetition and post-petition assets (the "DIP Collateral"), in the following priorities: (a) a first-priority senior priming lien on the ABL Collateral, (b) a first-priority senior lien on the Debtors' unencumbered assets, *including* (i) all assets of Sports Authority Holdings, Ponce and Caribe, (ii) the proceeds of the Debtors' leasehold interests, and (iii) upon entry of the Final Order, the proceeds of actions arising under Section 549 of the Bankruptcy Code, and the proceeds of other avoidance actions in the amounts necessary to reimburse the DIP Agent and

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[14] The Base Rate is defined as the highest of (a) BofA's prime rate, (b) the Federal Funds rate plus 0.50%, or (c) LIBOR for an interest period of one month plus 1.00%.

the DIP Lenders for the amount of the Carve Out (as defined in the Cash Collateral/DIP Motion), if any, used to finance the pursuit of recovery or settlement of such other avoidance actions (the "Specified Bankruptcy Recoveries"); but *excluding* the avoidance actions themselves, the proceeds of avoidance actions other than the Specified Bankruptcy Recoveries, and the Debtors' leasehold interests themselves, and (c) a junior lien on the Term Loan Collateral, and all of the Debtors' other assets that are subject to Permitted Prior Liens (as defined in the DIP Credit Agreement) in each case subject to the Carve Out.

110. Subject to the Carve Out, pursuant to the Interim Order and the Final Order, the DIP Secured Parties will also receive superpriority administrative expense claims for any unpaid obligations under the DIP Loans having recourse to all prepetition and post-petition property of the Debtors' estates, now owned or hereafter acquired; provided, however, that such claims shall not have recourse to any avoidance actions or the proceeds thereof, other than Specified Bankruptcy Recoveries.

111. In view of the Debtors' urgent need for the use of cash collateral and the establishment of the DIP Credit Agreement for the purposes of, among other things, garnering continued vendor support, and for the reasons set forth herein and in the Cash Collateral/DIP Motion, I respectfully submit, on behalf of the Debtors, that the relief requested in the Cash Collateral/DIP Motion is critical to the Debtors' ability to maximize the value of their estates and is therefore in the best interests of the Debtors, their estates and creditors, and all other parties in interest.

M. Debtors' Application for an Order Appointing Kurtzman Carson Consultants LLC as Claims and Noticing Agent (the "156(c) Application")

112. In the 156(c) Application, the Debtors seek entry of an order authorizing the Debtors to retain Kurtzman Carson Consultants LLC ("KCC") as their Claims and Noticing

Agent in these Chapter 11 Cases, including assuming full responsibility for the distribution of notices and the maintenance, processing and docketing of proofs of claim filed in these Chapter 11 Cases. It is my understanding that the Debtors' selection of KCC to act as the Claims and Noticing Agent has satisfied the Court's Protocol for the Employment of Claims and Noticing Agents under 28 U.S. C. § 156(c), in that the Debtors, with the assistance of their advisors, have obtained and reviewed engagement proposals from at least two other court-approved claims and noticing agents to ensure selection through a competitive process. Moreover, I submit, based on all engagement proposals obtained and reviewed, that KCC's rates are competitive and reasonable given KCC's quality of services and expertise.

113. Although the Debtors have not yet filed their schedules of assets and liabilities, they anticipate that there will be thousands entities to be noticed. In view of the number of anticipated claimants and the complexity of the Debtors' businesses, the Debtors submit that the appointment of a claims and noticing agent is required by Local Rule 2002-1(f) and is otherwise in the best interests of both the Debtors' estates and their creditors.

V. CONCLUSION

114. In conclusion, for the reasons stated herein and in each First Day Motion, I respectfully request, on behalf of the Debtors, that each First Day Motion be granted in its entirety, together with such other and further relief as the Court deems just and proper.

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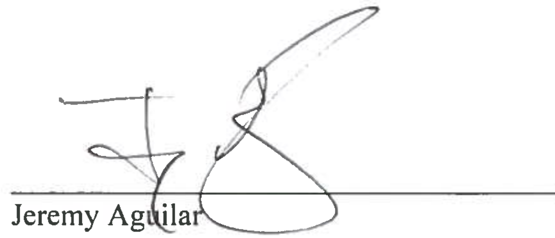
Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 2, 2016



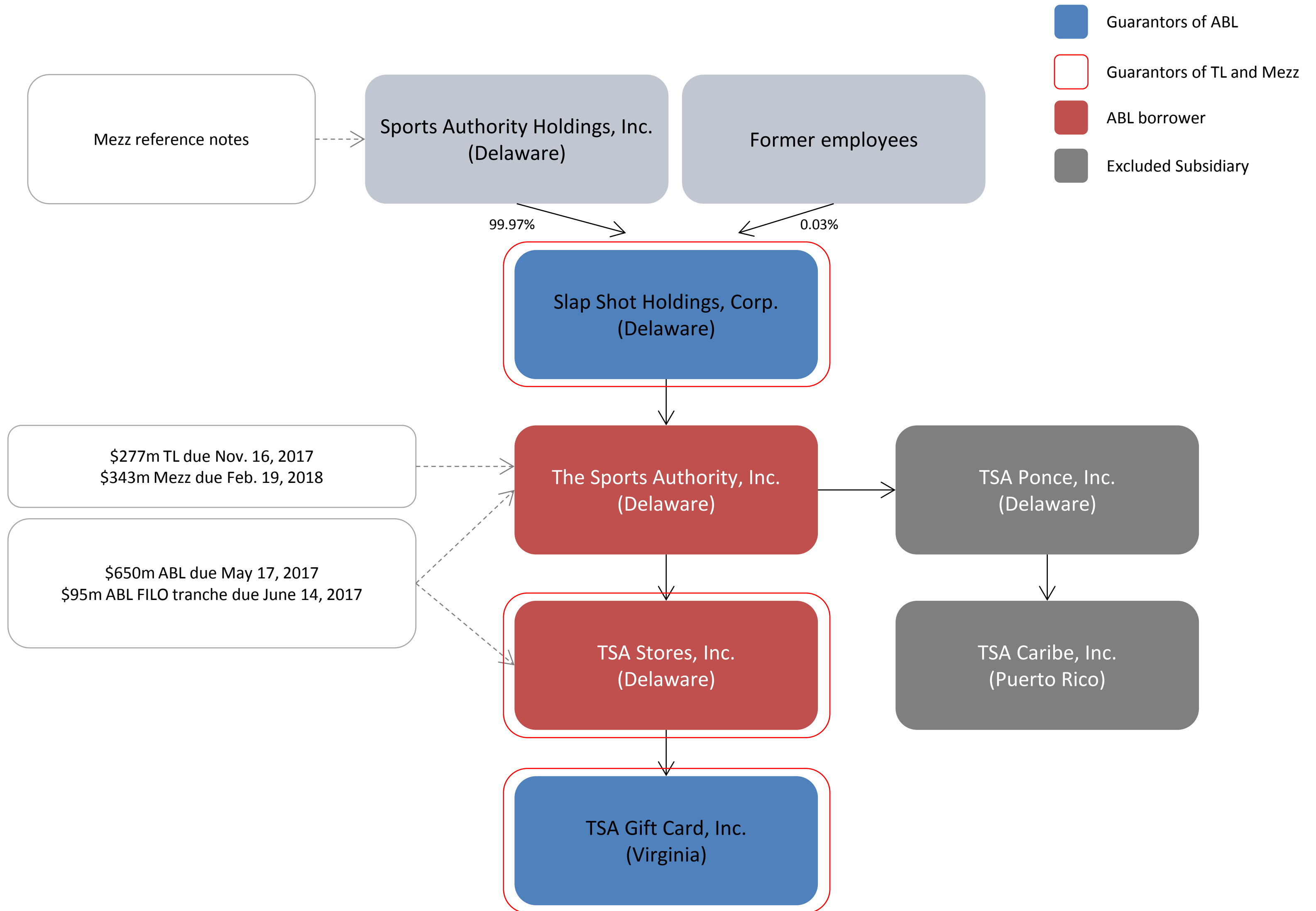
Jeremy Aguilar

EXHIBIT A

CORPORATE STRUCTURE

[See attached]

Corporate Structure



SPORTS AUTHORITY