

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

In re:	:	Chapter 11
	:	
MAURICE SPORTING GOODS, INC., <u>et al.</u> , ¹	:	Case No. 17-12481 (CSS)
	:	
Debtors.	:	Jointly Administered
	:	Obj. Deadline for Sale Procedures: November 30, 2017 at 4:00 p.m. (ET) (requested)
	:	Sale Procedures Hearing Date: December 5, 2017 at 2:00 p.m. (ET) (requested)
	:	Cure Amount Objection Deadline: December 15, 2017 at 4:00 p.m. (ET) (requested)
	:	Sale Objection Deadline: December 15, 2017 at 4:00 p.m. (ET) (requested)
	:	Sale Hearing Date: December 20, 2017 at 10:00 a.m. (ET) (requested)

**MOTION OF THE DEBTORS
FOR ORDERS: (A) (I) APPROVING SALE PROCEDURES;
(II) APPROVING STALKING HORSE BIDDING PROTECTIONS;
(III) SCHEDULING A HEARING TO CONSIDER SALE OF DEBTORS' ASSETS;
(IV) APPROVING FORM AND MANNER OF NOTICE THEREOF;
AND (V) GRANTING RELATED RELIEF; AND (B) (I) AUTHORIZING THE
SALE OF ASSETS FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES,
AND OTHER INTERESTS; (II) AUTHORIZING AND APPROVING
PURCHASE AGREEMENT THERETO; (III) APPROVING THE ASSUMPTION
AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED
LEASES RELATED THERETO; AND (IV) GRANTING RELATED RELIEF**

Maurice Sporting Goods, Inc. and its above-captioned affiliated debtors and debtors in possession (collectively, the “Debtors”) hereby submit this motion (the “Motion”), pursuant to sections 105(a), 363 and 365 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code”), and Rules 2002, 6003, 6004, 6006, 9006 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) for entry of (a) an order, substantially in the form

¹ The Debtors and the last four digits of their respective federal taxpayer identification numbers are as follows: Maurice Sporting Goods, Inc. (3399); Danielson Outdoors Company, Inc. (0840); South Bend Sporting Goods, Inc. (6658); Triple Crown Holdings, Inc. (1847); and Matzuo America, Inc. (4950). The mailing address for the Debtors’ corporate headquarters is 1910 Techny Road, Northbrook, Illinois 60065.

annexed hereto as Exhibit A (the “Sale Procedures Order”), (i) approving sale procedures (the “Sale Procedures”), substantially in the form annexed as Exhibit 1 to this Sale Procedures Order, with respect to an auction (the “Auction”) and sale (a “Sale”) of the Assets (as defined below); (ii) approving stalking horse bidding protections for Middleton Management Company, LLC or its designee (the “Stalking Horse Bidder” or “Middleton”), (iii) scheduling a hearing (the “Sale Hearing”) on the Sale and setting objection and bidding deadlines with respect to the Sale; (iv) directing that notice of the Sale Procedures and the Sale be given, substantially in the form annexed as Exhibit 2 to the Sale Procedures Order (the “Auction and Sale Notice”); and (v) granting related relief; and (b) an order or orders, substantially in the form annexed to the Motion as Exhibit B (the “Sale Order”), (i) authorizing the Sale of the Assets free and clear of liens, claims encumbrances, and other interests in accordance with the terms of that certain purchase agreement (the “Stalking Horse Purchase Agreement”) to be entered into by and between the Debtors and the Stalking Horse Bidder pursuant to a letter of intent dated November 20, 2017 (the “LOI”);² (ii) authorizing and approving the Stalking Horse Purchase Agreement; (iii) approving the assumption and assignment of executory contracts and unexpired leases, as necessary in connection with the Sale; (iv) providing for the payment of the net proceeds from the Sale of the Assets to BMO Harris Bank N.A. in its capacity as administrative agent (in such capacity, the “Agent”) to the lenders (in such capacities, and collectively with the Agent, the “Lenders”) under the Debtors’ senior secured pre-petition secured credit facility (the “Pre-Petition Loan Facility”) and secured post-petition financing facility (the “Post-Petition Loan Facility”), up to the amount outstanding under the Pre-Petition Loan Facility and Post-Petition Loan Facility, in accordance with the *Motion of the Debtors for Interim and Final Orders (I) Authorizing Secured*

² A copy of the LOI is attached hereto as Exhibit III. A copy of the Stalking Horse Purchase Agreement will be made available before the hearing on the Sale Procedures. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the LOI.

Post-Petition Financing Pursuant to 11 U.S.C. § 364, (II) Authorizing Use of Cash Collateral Pursuant to 11 U.S.C. § 363, (III) Granting Adequate Protection Pursuant to 11 U.S.C. §§ 361, 363 and 364, and (IV) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001(c) (the “DIP Motion”) and any interim and final orders approving the DIP Motion (the “Interim DIP Order” and “Final DIP Order,” respectively, and collectively, the “DIP Orders”); and (v) granting related relief. In support of this Motion, the Debtors respectfully represent as follows:

JURISDICTION AND VENUE

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated as of February 29, 2012 (the “Amended Standing Order”). This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and pursuant to Rule 9013-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), the Debtors consent to the entry of a final order by the Court in connection with this Motion to the extent it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The statutory predicates for the relief requested herein are sections 105(a), 363 and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006, 9006 and 9014.

GENERAL BACKGROUND

4. On November 20, 2017 (the “Petition Date”), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors are authorized to continue managing their properties and operating their business as debtors in possession pursuant to sections

1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner, or committee has been appointed in these chapter 11 cases.

5. Additional information about the Debtors' business and the events leading to the commencement of these chapter 11 cases can be found in the *Declaration of Patrick J. O'Malley in Support of Debtors' Chapter 11 Petitions and First-Day Motions* [Docket No.2], which is incorporated herein by reference.

SPECIFIC BACKGROUND

6. Headquartered in Northbrook, Illinois and with operations in various other locations, the Debtors manufacture, source, distribute, and wholesale outdoor sporting goods products, some of which include: fishing products; terminal tackle products; shooting sports accessories; and other athletic goods. The Debtors are one of the largest distributors of outdoor sporting goods in North America with five warehouse locations in the United States and Canada, selling products to independent dealers, mass merchants, store operators, and large sporting goods stores. In addition to distributing its products, the Debtors offer in-store services utilizing regional experts and the latest technology to develop product assortments, marketing schemes, and planograms for its customers, as well as offer data analyses of the profitability of such services to them. As a part of its strategic planning services, the Debtors also offer a specialized merchandizing service whereby the Debtors work with national manufacturers and regional vendors, analyzing the regional market and targeting specific consumers, in an effort to supply its customers with products that serve micro-markets.

7. Unfortunately, the Debtors have found themselves in default of their Pre-Petition Loan Facility, and facing near-term liquidity issues. In order to address these challenges, the Debtors and their professional advisors, after considering all available strategic options, have

determined that the best course to maximize the value of the Debtors' estates is to sell their assets through these chapter 11 cases.

8. Over the last six months, Livingstone Partners, with the assistance of the Debtors' other advisors, solicited and explored a range of alternatives, from capital investments to a sale of substantially all of the Debtors' assets to a sale of certain of the Debtors' assets. As a result of these efforts, the Debtors publicly announced the prospective acquisition of most of their business by a third-party buyer and strategic competitor on October 9, 2017. Less than 10 days later, however, the prospective buyer withdrew from the acquisition.

9. As a result of this, Livingstone continued to market the Debtors' assets, which ultimately resulted in a single draft letter of intent on November 5, 2017 (the "Draft LOI") from Middleton. After engaging in negotiations regarding the terms of the Draft LOI, the Debtors and Middleton entered into the LOI on November 20, 2017, the terms of which will be incorporated into the Stalking Horse Purchase Agreement, contemplating a Sale of the Assets pursuant to section 363 of the Bankruptcy Code, subject to higher and better offers received after the commencement of these chapter 11 cases.

10. To fund this process, the Debtors have reached agreement with the Lenders for the provision of the Post-Petition Financing Facility and the use of their cash collateral, as set forth in the DIP Motion. As set forth in the proposed Interim DIP Order, the Lenders have conditioned the Post-Petition Financing Facility and the use of their cash collateral on, among other things, approval of a Sale Procedures Order, in form and substance satisfactory to the Lenders, by no later than December 5, 2017. See Interim DIP Order, ¶ 21.

11. Additionally, paragraphs 5 and 8 of the LOI require, and the Stalking Horse Purchase Agreement will require, the Debtors to meet the following milestones related to the Sale

of Assets to avoid termination of the LOI and, once executed, the Stalking Horse Purchase Agreement:

- (a) The Sale Procedures Order must be entered by this Court on or before December 1, 2017 (extended to December 5 during the “first day” hearing in these cases without objection from Middleton’s counsel);
- (b) The Sale Procedures Order must provide that the Bid Deadline occurs by December 13, 2017;
- (c) The Sale Procedures Order must provide that the Auction shall be held by December 18, 2017;
- (d) The Sale Procedures Order must provide that the Sale Hearing shall be held by December 20, 2017;
- (e) The Sale to Middleton must close on or before December 22, 2017.

RELIEF REQUESTED

12. By this Motion, the Debtors seek first, (a) the entry of the Sale Procedures Order (i) approving the Sale Procedures; (ii) approving stalking horse bidding protections for the Stalking Horse Bidder, (iii) scheduling the Sale Hearing and establishing related deadlines; (iv) approving the form and manner of notice of the Sale Procedures, the Auction and Sale Hearing; and (v) granting such other and further relief as is just and proper; and second, (b) the entry of a Sale Order (i) authorizing the Sale of the Assets free and clear of liens, claims, encumbrances, and interests, pursuant to the Stalking Horse Purchase Agreement; (ii) authorizing and approving the Stalking Horse Purchase Agreement; (iii) approving the assumption and assignment of various executory contracts and unexpired leases related thereto; (iv) providing for the payment of net proceeds from the Sale of the Assets to the Agent, up to the amount outstanding under the Pre-Petition Loan Facility and Post-Petition Loan Facility, as set forth in the DIP Motion and DIP Orders, but except as otherwise required to be applied by the Stalking Horse Purchase Agreement; and (v) granting related relief.

A. Sale Procedures and Assets to Be Sold

13. The Debtors are proposing to sell the Assets pursuant to the terms of the Stalking Horse Purchase Agreement, or such higher and better offer as the Debtors may later receive. As a result, the Debtors propose the Sale Procedures, which are incorporated herein by reference, in an attempt to maximize the realizable value of the Assets for the benefit of the Debtors' estates, creditors and other interested parties. The Sale Procedures contemplate an Auction process pursuant to which bids will be subject to higher or better offers. As described more fully in the Sale Procedures, only Qualified Bidders who timely submit Qualified Bids may be eligible to participate in the Auction. Specifically, the Sale Procedures provide, in relevant part, as follows:³

- (a) Participation Requirements. In order to participate in the bidding process or otherwise be considered for any purpose hereunder, a person interested in the acquisition of the Assets other than the Stalking Horse Bidder, the Agent and the Lenders (a "Potential Bidder") must deliver to the Debtors and their counsel an executed confidentiality agreement in form and substance satisfactory to the Debtors. In order for a Potential Bidder to become a Qualified Bidder, they must submit a Qualified Bid by the Bid Deadline, as set forth in the Bid Procedures.
- (b) Bid Deadline. December 13, 2017 at 4:00 p.m. (prevailing Eastern Time).
- (c) Qualified Bid. A bid (other than the Stalking Horse Purchase Agreement) must be a written irrevocable offer from a Qualified Bidder and (i) state that the Qualified Bidder offers to consummate the Sale pursuant to an agreement that has been marked to show any amendments and modifications to the Stalking Horse Purchase Agreement, including price and terms, that are being proposed by the Qualified Bidder (the "Marked Purchase Agreement"); (ii) confirm that such Qualified Bidder's offer shall remain open and irrevocable until the closing of the Sale of the Assets to the Successful Bidder or the Next Highest Bidder; (iii) confirm that such Qualified Bidder shall serve as the Next Highest Bidder, if so selected by the Debtors, and shall close the Sale of the Assets three (3) business days following written notification from the Debtor of the intent to accept the Next Highest Bid; (iv) enclose a copy of the proposed Marked Purchase Agreement; (v) the Marked Purchase Agreement must specifically identify the Assets proposed to be purchased, which must be all or substantially all of the Assets (including, but not limited to,

³ The following description of the Sale Procedures is a summary of the terms set forth in the Sale Procedures annexed hereto. Capitalized terms used but not defined in this paragraph have the meanings ascribed to them in such Exhibit. To the extent that this summary differs in any way from the terms set forth in such Exhibit, the terms of such Exhibit shall control.

contracts, leases, and agreements); (vi) contain a list of the Debtors' executory contracts and unexpired leases that the Qualified Bidder desires to assume and a packet of information, including financial information, that will be provided to the non-Debtor parties to such executory contracts and unexpired leases sufficient to demonstrate adequate assurance of future performance; (vii) except in the case of a credit bid, be accompanied by a wire transfer of a minimum good faith deposit (the "Minimum Deposit") in an amount of at least \$500,000, which Minimum Deposit shall be used to fund a portion of the applicable purchase price and shall be increased if the Qualified Bidder is selected as a Successful Bidder or the Next Highest Bidder; (viii) provide that the Sale of the Assets shall close on or before December 22, 2017, unless otherwise agreed to and extended by the Debtors; (ix) not be conditioned on obtaining financing or the outcome of any due diligence by the Qualified Bidder; (x) most current audited and latest unaudited financial statements (collectively, the "Financials"), or, if the Qualified Bidder is an entity formed for the purpose of the Sale, the Financials of the financial sponsor of the Qualified Bidder or such other form of financial disclosure as is acceptable to the Debtors and the written commitment acceptable to the Debtors of the financial sponsor of the Qualified Bidder to be responsible for the Qualified Bidder's obligations in connection with the Sale (the Debtors also may condition Qualified Bidder status on such other information sufficient to demonstrate to the satisfaction of the Debtors that such Qualified Bidder has the financial wherewithal to consummate the Sale and provide adequate assurance of future performance under all agreements to be assumed as part of the Sale); (xi) not request or entitle the Qualified Bidder to any breakup fee, expense reimbursement or similar type of payment (except with respect to the Stalking Horse Bidder); (xii) fully disclose the identity of each entity (including financial sponsor(s)) that will be bidding for the Assets or otherwise participating in connection with such bid, and the complete terms of any such participation; (xiii) be on terms substantially similar or better to the Stalking Horse Purchase Agreement; and (xiv) include an overbid amount over the Purchase Price (as defined in the Stalking Horse Purchase Agreement) equal to \$1,500,000 (the "Initial Overbid Amount Requirement"). On or before one (1) business day after the Bid Deadline, the Debtors shall make copies of all Qualified Bids available to the Qualified Bidders that submitted Qualified Bids.

- (d) Auction. If one or more Qualified Bids other than the Stalking Horse Purchase Agreement are received prior to the Bid Deadline, an auction (the "Auction") will take place on **December 18, 2017 at 10:00 a.m. (prevailing Eastern Time)** (the "Auction Date") at the offices of Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, or such later time and place as the Debtors may provide so long as such change is communicated reasonably in advance by the Debtors to all Qualified Bidders that submitted Qualified Bids, counsel to any statutory committee appointed in the chapter 11 cases (the "Committee"), counsel to the Agent, and other invitees. Debtors' counsel will arrange for the Auction to be transcribed or videotaped. If only the Stalking Horse Purchase Agreement has been received by the Bid Deadline, the Auction will be deemed cancelled and the Stalking Horse Purchase Agreement will be deemed the Successful Bid, and the Debtors will seek authority from the Bankruptcy Court

to consummate the Sale as contemplated by the Stalking Horse Purchase Agreement.

- (e) Auction Rules. If an Auction is held, the following rules for its conduct (the “Auction Rules”) shall be observed: (i) only Qualified Bidders who have submitted Qualified Bids by the Bid Deadline will be eligible to participate at the Auction; provided, however, that any party in interest may attend (but not participate in) the Auction if they provide the Debtors written notice of their intention to attend the Auction on or before the Bid Deadline via electronic mail, c/o Debbie Laskin, at dlaskin@ycst.com; (ii) at the Auction, Qualified Bidders will be permitted to increase their bids. The bidding at the Auction shall start at the highest and best Initial Bid meeting the Initial Overbid Amount Requirement, and then continue in increments of \$100,000; and (iii) each Qualified Bidder will be permitted a fair, but limited, amount of time (no more than thirty minutes, unless otherwise allowed by the Debtors) to respond to the previous bid at the Auction. The Debtors may, at any time during the Auction, call for one final round of sealed bids. Bidding at the Auction will continue until such time as the highest or otherwise best offer for the Assets is determined in accordance with these Sale Procedures; (v) immediately prior to concluding the Auction, the Debtors (in their sole discretion, but in or after consultation with counsel to the Committee (if any) and the Agent shall (a) review each Qualified Bid on the basis of its financial and contractual terms and the factors relevant to the Sale process and the best interests of the Debtors’ estates; (b) determine and identify the highest or otherwise best Qualified Bid for the Assets (the “Successful Bid”) and the Qualified Bidder submitting such bid (the “Successful Bidder”); (c) determine and identify the next highest or otherwise best Qualified Bid for the Assets (the “Next Highest Bid”) and the Qualified Bidder submitting such bid (the “Next Highest Bidder”); and (d) have the right to reject any and all bids, except for the Stalking Horse Purchase Agreement; (vi) within one business day of the completion of the Auction, the Successful Bidder and the applicable Debtors shall complete and execute all agreements, instruments, or other documents necessary to consummate the Sale contemplated by the Successful Bid.
- (f) Sale Hearing. A hearing to consider approval of the Sale to the Successful Bidder will take place on **December 20, 2017 at 10:00 a.m.** before the Honorable Christopher S. Sontchi, in the United States Bankruptcy Court for the District of Delaware, 824 N. Market Street, Wilmington, Delaware 19801 (the “Sale Hearing”).
- (g) Acceptance of the Successful Bid and Next Highest Bid. If an Auction is held, then except with respect to the Stalking Horse Purchase Agreement, the Debtors shall be deemed to have accepted a Qualified Bid only when (i) such bid is declared the Successful Bid at the Auction and (ii) definitive documentation has been executed in respect thereof. Such acceptance is conditioned upon approval by the Bankruptcy Court and the entry of an order approving such Successful Bid. If (i) an Auction is held, (ii) the Successful Bidder and the Next Highest Bidder are selected, (iii) the Bankruptcy Court approves the Sale to the Successful Bidder, and (iv) the Sale to such Successful Bidder is not consummated because of a breach or failure to

perform on the part of such Successful Bidder, then the Debtors shall be authorized to consummate the Sale to the Next Highest Bidder without further court order or notice to any other party (other than counsel to the Committee and the Agent). The Debtors specifically reserve the right to seek all appropriate damages from or relief against a defaulting Successful Bidder or Next Highest Bidder.

- (h) Return of Deposit. Except in the case of a credit bid and except with respect to the Successful Bid and the Next Highest Bid, the Minimum Deposits tendered under these Sale Procedures shall be returned upon or within one (1) business day after the entry of an order approving the Sale to which such Minimum Deposits relates. The Minimum Deposit of the Successful Bidder shall be held until the closing of the Sale and applied to the purchase price. The Minimum Deposit of the Next Highest Bidder shall be returned upon or within three (3) business days after closing of the Sale to the Successful Bidder. If the Successful Bidder fails to close the Sale, the Minimum Deposit shall be a non-exclusive remedy of the Debtors and the Debtors shall be entitled to any other rights or remedies available at law or in equity.
- (i) Reservation of Rights. Other than in express contravention of any procedures required by or the terms of the Stalking Horse Purchase Agreement, the Debtors reserve the right as they may reasonably determine to be in the best interests of their estates, in consultation with counsel to the Committee (if any) and the Agent, to: (i) determine which bidders are Qualified Bidders (except with respect to the Stalking Horse Bidder); (ii) determine which bids are Qualified Bids (except with respect to the Stalking Horse Purchase Agreement); (iii) determine which Qualified Bid is the highest or otherwise best proposal and which is the next highest or otherwise best proposal, (iv) reject any bid that is (a) inadequate or insufficient (other than the Stalking Horse Purchase Agreement), (b) not in conformity with the requirements of these Sale Procedures, any applicable order of the Bankruptcy Court, or the requirements of the Bankruptcy Code, or (c) contrary to the best interests of the Debtors and their estates (other than the Stalking Horse Purchase Agreement); (v) waive terms and conditions set forth herein with respect to all potential bidders, (vi) impose additional terms and conditions with respect to all potential bidders (other than with respect to the Stalking Horse Purchase Agreement), (vii) subject to the consent of the Stalking Horse Bidder, extend the deadlines set forth herein, (viii) adjourn or cancel the Auction and/or the Sale Hearing in open court without further notice; and (ix) subject to the consent of the Stalking Horse Bidder, modify these Sale Procedures (other than in express contravention of any procedures required by the Stalking Horse Purchase Agreement) as they may determine to be in the best interests of their estates or to withdraw the Motion at any time with or without prejudice.

14. The Debtors have made available for sale substantially all of their Assets. The Debtors intend to sell substantially all of their Assets to Middleton for a Purchase Price (as defined in the LOI and, upon execution, the Stalking Horse Purchase Agreement) of up to approximately

\$39 million, subject to higher and better offers received by the Debtors through the Sale Procedures and any related Auction. The Purchase Price consists of: (a) \$3 million for the Closing Assets; (b) approximately \$5 million for New Inventory, when and as purchased by the Stalking Horse Bidder following the Closing, for a purchase price equal to 90% of Seller's Cost; (c) approximately \$21 million for Current Inventory, when and as purchased by the Stalking Horse Bidder following the Closing, and (d) approximately \$10 million for Non-Current Inventory, when and as purchased by the Stalking Horse Bidder following the Closing.

15. As required by Local Rule 6004-1(b), the Debtors submit that the proposed Sale does or may contemplate the following:

- (a) Agreements with Management. As a condition to closing, the LOI provides, and the Stalking Horse Purchase Agreement will provide, for the execution of a services agreement with (a) Patrick Wrob, the former owner and current manager of Rivers Edge, in such form and substance as the Stalking Horse Bidder deems necessary, in its sole discretion, and (b) Steve Arnold, former owner of First Source, whereby Middleton shall pay Mr. Arnold the sum of \$750,000 per year for 3 years, commencing on June 30, 2018, for a total of \$2.25 million. LOI ¶¶ 8(g)-(h). In addition, it is anticipated that the Stalking Horse Purchase Agreement will provide that the companies of each, Signet and Verko, will receive certain payments from the Debtors from Sale Proceeds. LOI ¶5(e).
- (b) Closing and Other Deadlines. The LOI provides, and, upon execution, the Stalking Horse Purchase Agreement will provide, Middleton the right to terminate the LOI and Stalking Horse Purchase Agreement if: (i) the Sale Procedures Order is not entered by December 5, 2017 (as modified on the record of the "first day" hearing); (ii) the Sale Procedures Order does not provide that the Bid Deadline shall occur by December 13, 2017; (iii) the Sale Procedures Order does not provide that the Auction shall be held by December 18, 2017; (iv) the Sale Procedures Order does not provide that the Sale Hearing shall be held by December 20, 2017; and (v) the Sale does not close by December 22, 2017. LOI ¶¶ 5(b) & 8.
- (c) Good Faith Deposit. Within three business days from the entry of the Interim DIP Order and the execution of an escrow agreement between the Stalking Horse Bidder and the Lenders, in form and substance acceptable to the Stalking Horse Bidder in its sole discretion, the Stalking Horse Bidder shall deposit the sum of \$500,000 into an escrow account to be established at CIBC Bank USA. The deposit shall be immediately and fully refundable to

the Stalking Horse Bidder in the event for any reason whatsoever, the Stalking Horse Bidder terminates its interest in the Assets in writing, in its sole discretion, whether as a result of the Stalking Horse Bidder's due diligence review, inability to negotiate an acceptable Stalking Horse Purchase Agreement, or for any other reason of any kind or nature whatsoever. If and when the Stalking Horse Purchase Agreement consistent with the terms of the LOI is executed, the Deposit shall serve as an earnest money deposit thereunder pursuant to the terms and conditions of the Stalking Horse Purchase Agreement and Sale Procedures Order. LOI ¶¶ 5(d) & 7. It is anticipated that the Stalking Horse Purchase Agreement will provide for the forfeiture of the earnest money deposit to the extent the Stalking Horse Bidder terminates its interest in the Assets except as otherwise provided in the Stalking Horse Purchase Agreement.

- (d) Use of Proceeds. The Sale Order will provide that the Debtors will use the Sale proceeds to repay all obligations outstanding at the Closing under the Pre-Petition Loan Facility and Post-Petition Loan Facility in accordance with the DIP Orders.

The Sale Order will provide that any and all valid and perfected pre-petition or post-petition interests in or claims against the Assets of the Debtors purchased pursuant thereto shall attach to any proceeds of such Assets immediately upon receipt of such proceeds by the Debtors (or any party acting on any Debtors' behalf) in the order of priority, and with the same validity, force, and effect which they now have against such Assets.

- (e) Sale of Avoidance Actions. The Stalking Horse Purchase Agreement will provide a listing of causes of action to be acquired; it is anticipated this will include certain avoidance actions.
- (f) Requested Findings as to Successor Liability. The Sale Order will include a finding that Middleton is not a successor to the Debtors or their estates by reason of any theory of law or equity with respect to any liens against the Debtors or the Assets.
- (g) Relief from Bankruptcy Rule 6004(h). A waiver of the stay imposed by Bankruptcy Rule 6004(h) is requested herein and contemplated by the Sale Order.

The ultimate purchase agreement and Sale Order negotiated with the Successful Bidder may contain additional provisions of the type set forth in Local Rule 6004-1.

B. Stalking Horse Bidding Protections

16. Prior to the Petition Date, the Debtors entered into advanced negotiations with Middleton regarding a potential stalking horse bid for the Assets. These negotiations eventually resulted in the execution of the LOI, which forms the basis for the Stalking Horse Purchase Agreement that will be executed by Middleton. Because the Stalking Horse Purchase Agreement will be subject to higher and better offers at the Auction, Middleton requires the approval of certain bid protections as a condition of its entry into the Staking Horse Purchase Agreement.

17. The bid protections are as follows:⁴

- (a) The Debtors will pay Middleton a breakup fee of \$500,000 (i.e., approximately 1.3% of the Purchase Price set forth in the LOI and, upon execution, the Stalking Horse Purchase Agreement) (the “Breakup Fee”), in the event Middleton is outbid and an alternative transaction closes;
- (b) Any competing bid to be considered higher and better than the Stalking Horse Purchase Agreement must provide an overbid equal to at least \$1,500,000 (which is inclusive of the excessing bidding required for the Breakup Fee). Each additional bid thereafter must be at least \$100,000 in excess of the prior bid.

18. These bid protections are incorporated into the Sale Procedures for the Assets annexed hereto.

C. Notice of Auction and Sale Hearing

19. The Debtors request that the Sale Hearing be scheduled for December 20, 2017 at 10:00 a.m. (ET). On or before one business day after entry of the Sale Procedures Order, the Debtors will serve the Auction and Sale Notice by first-class mail, postage prepaid, Attn: Legal Department, Officer, Managing or General Agent, or to the attention of any other agent authorized

⁴ In addition to the provisions below, the Debtors included a provision in the Interim DIP Order entitling the Stalking Horse Bidder to an expense reimbursement fee of \$150,000 in the event that: (a) the Stalking Horse Bidder provides the Deposit (as defined in the LOI) in accordance with the terms of the LOI, (b) the Stalking Horse Bidder executes the Stalking Horse Purchase Agreement consistent with the terms of the LOI on or before the hearing on the Sale Procedures, and (c) the Debtors are unable to obtain entry of the Sale Procedures Order with Bid Protections consistent with the terms of the LOI.

by appointment or by law to receive service of process, to all known holders of claims and equity interests in the Debtors and all parties in interest listed on the Debtors' creditor matrix.

20. In order to provide maximum notice to parties who may have an ownership or other interest in the Assets and parties who may have a desire to participate in the acquisition of the Assets, the Debtors propose the following additional notice be given. On or before one business day after the entry of the Sale Procedures Order, the Debtors will serve copies of the Auction and Sale Notice, the Stalking Horse Purchase Agreement, and the Sale Procedures Order by first class mail, postage prepaid, Attn: Legal Department, Officer, Managing or General Agent, or to the attention of any other agent authorized by appointment or by law to receive service of process, to: (i) the Office of the United States Trustee; (ii) counsel for the Agent; (iii) counsel for the Committee; (iv) all entities known to have expressed a bona fide interest in acquiring the Assets to the Debtors' investment banker; (v) all entities (or counsel therefor) known to have asserted any lien, claim, encumbrance, right of refusal, or other interest in or upon any of the Assets; (vi) federal, state, and local regulatory or taxing authorities that, as a result of the Sale of any of the Assets, may have claims, contingent or otherwise, in connection with the Debtors' ownership of any of the Assets or have any reasonably known interest in the relief requested by the Motion; (vii) all parties, if any, who are known to claim interests in any of the Executory Contracts and Leases (as defined below); (viii) all of the Debtors' insurance carriers; (ix) the United States Attorney's office; (x) the Internal Revenue Service; and (xi) all parties who have requested notice pursuant to Bankruptcy Rule 2002 as of the date of service.

D. Assumption and Assignment of Executory Contracts

21. In connection with the Sale, the Debtors will seek to assume, assign, and/or transfer to the ultimate purchasers of the Assets certain executory contracts and unexpired leases (the "Executory Contracts and Leases"). In connection with the proposed assumption, assignment, and

or transfer of the Executory Contracts and Leases, the Debtors will prepare a schedule of all the Executory Contracts and Leases as well as the amounts that the Debtors believe are necessary to cure any defaults under such agreements pursuant to section 365 of the Bankruptcy Code (each a “Cure Amount”). Within one business days of the entry of the Sale Procedures Order, the Debtors will serve on each of the counterparties to the Executory Contracts and Leases a notice identifying the Executory Contracts and Leases to be assigned and the proposed Cure Amount for each. The Debtors propose that if any counterparties to an Executory Contract or Lease wishes to object (each, an “Objection”) to a proposed Cure Amount such Objection must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the clerk of the Bankruptcy Court for the District of Delaware, Third Floor, 824 Market Street, Wilmington, Delaware 19801, on or before **4:00 p.m. (prevailing Eastern Time) on December 15, 2017**, or such later date and time as the Debtors may agree (the “Cure Amount Objection Deadline”) and (d) be served by first class mail, overnight mail or courier so as to be received no later than 4:00 p.m. (prevailing Eastern Time) on the same day, upon (i) Maurice Sporting Goods, Inc., 1910 Techny Road, Northbrook, Illinois 60065 (Attn: Patrick J. O’Malley); (ii) counsel to the Debtors, Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801 (Attn.: Robert S. Brady, Esq. and Michael R. Nestor, Esq.); (iii) counsel to the Stalking Horse Bidder, Adelman & Gettleman Ltd., 53 W. Jackson Blvd., Suite 1050, Chicago, IL 60604 (Attn: Chad H. Gettleman); (iv) counsel to the Agent, Vedder Price, 222 North LaSalle Street, Chicago, Illinois 60601 (Attn: Douglas J. Lipke) and Pepper Hamilton LLP, 1313 Market Street, P.O. Box 1709, Wilmington, Delaware 19899 (Attn: David B. Stratton); (v) counsel to the Committee, if any; and (vi) the Office of the United States Trustee for the District of Delaware,

855 King Street, Suite 2207, Lockbox 35, Wilmington, Delaware 19801 (Attn: Mark Kenney) (collectively, the “Objection Notice Parties”).

22. The Debtors propose that if any counterparty to an Executory Contract or Lease wishes to object (each an “Objection”) to the potential assignment of the applicable Executory Contract and Lease such Objection must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the clerk of the Bankruptcy Court for the District of Delaware, Third Floor, 824 Market Street, Wilmington, Delaware 19801, on or before **4:00 p.m. (prevailing Eastern Time) on December 15, 2017**, or such later date and time as the Debtors may agree (the “Contract Objection Deadline”) and (d) be served by first class mail, overnight mail or courier so as to be received no later than 4:00 p.m. (prevailing Eastern Time) on the same day, upon the Objection Notice Parties. All Objections must include objections to assumption and assignment on all grounds, including the ability of the Stalking Horse Bidder to provide adequate assurance of future performance; provided, however, that Objections that relate solely to ability of any specific party, other than the Stalking Horse Bidder, to provide adequate assurance of future performance are preserved until the Non-Stalking Horse Assignee Objection Deadline (as defined below).

23. If an Executory Contract and Lease is included in the Successful Bid or Next Highest Bid submitted by a party other than the Stalking Horse Bidder, the Debtors shall, within 12 hours after the conclusion of the Auction, file with the Bankruptcy Court a notice identifying the Successful Bidder and/or Next Highest Bidder and the Executory Contracts and Leases that such Successful Bidder and/or Next Highest Bidder will seek to take assignment from the Debtors upon the closing of the Sale. The Debtors shall serve such notice by overnight courier or facsimile to the non-Debtor parties to such Executory Contracts and Leases. The non-Debtor parties shall have

until **9:00 a.m. (prevailing Eastern Time) on December 20, 2017** (the “Non-Stalking Horse Assignee Objection Deadline”) to object solely on the issue of whether the Successful Bidder or Next Highest Bidder (to the extent that such party is not the Stalking Horse Bidder) can provide adequate assurance of future performance as required by section 365 of the Bankruptcy Code (an “Assignee Objection”). Any Assignee Objection shall be filed with the Court and served upon the Objection Notice Parties by electronic mail or facsimile on or prior to the Non-Stalking Horse Assignee Objection Deadline.

AUTHORITY FOR REQUESTED RELIEF

A. The Bidding Protections are in the Best Interests of the Debtors and their Estates, and Should be Approved

24. The paramount goal in any proposed sale of property of the estate is to maximize the proceeds received by the estate. See In re Mushroom Transp. Co., 382 F.3d 325, 339 (3d Cir. 2004) (debtor in possession “had a fiduciary duty to protect and maximize the estate’s assets”); Official Comm. of Unsecured Creditors of Cybergenics, Corp v. Chinery, 330 F.3d 548, 573 (3d Cir. 2003) (same); Four B. Corp. v. Food Barn Stores, Inc. (In re Barn Stores, Inc.), 107 F.3d 558, 564-65 (8th Cir. 1997) (in bankruptcy sales, “a primary objective of the Code [is] to enhance the value of the estate at hand”). To that end, the United States Court of Appeals for the Third Circuit recognizes that bid protections, including traditional breakup fees and expense reimbursement provisions, will be approved where they are necessary for the preservation of the debtor’s estate. See, e.g., In re Reliant Energy Channelview LP, 594 F.3d 200, 206 (3d Cir. 2010) (citing Calpine Corp. v. O’Brien Environmental Energy, Inc. (In re O’Brien Environmental Energy, Inc.), 181 F.3d 527, 537 (3d Cir. 1999); see also Official Comm. of Subordinated Bondholders v. Integrated Res. Inc. (In re Integrated Res. Inc.), 147 B.R. 650, 659 (S.D.N.Y. 1992) (bidding procedures “encourage bidding and . . . maximize the value of the debtor’s assets”).

25. In this case, Middleton has submitted the highest and best offer for the Assets following the Debtors' prepetition marketing offers, but on the condition that it receive the bidding protections set forth in the LOI and, once executed, the Stalking Horse Purchase Agreement. The Debtors believe that it is in the best interests of their respective estates and creditors to enter into the LOI and Stalking Horse Purchase Agreement, and thus hereby seek approval of the bidding protections set forth therein.

26. In O'Brien, the Third Circuit held that even though bidding incentives are measured against a business judgment standard in non-bankruptcy transactions, the administrative expense provisions of section 503(b) of the Bankruptcy Code govern in the bankruptcy context. Accordingly, to be approved, bidding incentives must benefit a debtor's estate. Id. at 533.

27. The Third Circuit identified at least two instances in which bidding incentives may benefit the estate. First, benefit may be found if "assurance of break-up fee promoted more competitive bidding, such as by inducing a bid that otherwise would not have been made and without which bidding would have been limited." Id. at 537. Second, where the availability of bidding incentives induce a bidder to research the value of the debtor and submit a bid that serves as a minimum or floor bid on which other bidders can rely, "the bidder may have provided a benefit to the estate by increasing the likelihood that the price at which the debtor is sold will reflect its true worth." Id.

28. In O'Brien, the Third Circuit referred to nine factors that the bankruptcy court viewed as relevant in deciding whether to award a breakup fee or expense reimbursement: (1) the presence of self-dealing or manipulation in negotiating the breakup fee; (2) whether the fee harms, rather than encourages, bidding; (3) the reasonableness of the breakup fee relative to the purchase price; (4) whether the "unsuccessful bidder place[d] the estate property in a sales configuration

mode to attract other bidders to the auction”; (5) the ability of the request for a breakup fee “to attract or retain a potentially successful bid, establish a bid standard or minimum for other bidders, or attract additional bidders”; (6) the correlation of the fee to a maximization of value of the debtor’s estate; (7) the support of the principal secured creditors and creditors’ committees of breakup fee; (8) the benefits of the safeguards to the debtor’s estate; and (9) the “substantial adverse impact [of the breakup fee] on unsecured creditors, where such creditors are in opposition to the breakup fee.” Id. at 536.

29. Under the standards adopted by the Third Circuit in Reliant and O’Brien, the Breakup Fee and Minimum Overbid should be approved. Paying a Breakup Fee of as little as 1.3% of the potential Purchase Price in the event the Debtors sell the Assets to a bidder other than Middleton is reasonable in this type of transaction. See, e.g., In re Filene’s Basement, LLC, Case No. 11-13511 (KJC) (Bankr. D. Del. Apr. 9, 2012) (Court approved breakup fee of 3%); In re Magic Brands, LLC, Case No. 10-11310 (BLS) (Bankr. D. Del. Apr. 22, 2010) (Court approved breakup fee and reimbursement expense equal to 3.5% of cash portion of purchase price); In re Chi-Chi’s, Inc., Case No. 03-13063 (Bankr. D. Del. Nov. 4, 2003) (fee of 5.1% permitted). Additionally, payment of the Breakup Fee will not diminish the Debtors’ estates. The Debtors will not incur the obligation to pay the Breakup Fee unless a higher and better bid is accepted and such transaction closes.

30. Perhaps most importantly, absent authorization of the Breakup Fee, and Minimum Overbid, the Debtors will lose Middleton’s bid and thus may lose the opportunity to obtain the highest and best offer for the Assets, thereby making the bid protections necessary to preserve the value of the Debtors’ estates. Providing Middleton payment of the Breakup Fee and the setting of the Minimum Overbid have promoted and will promote more competitive bidding by inducing

Middleton's bid that otherwise would not be made, and without which bidding would have been and would continue to be limited. Furthermore, the Breakup Fee and Minimum Overbid induced Middleton to submit a bid that will serve as a minimum or floor bid on which other bidders and the Debtors can rely. If the bidding protections are not approved, Middleton will not go forward with the Stalking Horse Purchase Agreement. Because, among other things, approval of the bidding protections is a prerequisite for going forward with the Stalking Horse Purchase Agreement, the bidding protections are in the best interests of the Debtors' estates and necessary to preserve the value of the Debtors' estates.

31. Finally, the bidding protections were negotiated in good faith and were the product of arm's-length negotiations.

32. Accordingly, the Debtors request that the Court authorize payment of the Breakup Fee and approve the Minimum Overbid as set forth in the Sale Procedures.

B. The Sale is Within the Sound Business Judgment of the Debtors and Should be Approved

33. Section 363(b)(1) of the Bankruptcy Code provides, in relevant part, that a debtor in possession, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). Section 363 of the Bankruptcy Code does not set forth a standard for determining when it is appropriate for a court to authorize the sale or disposition of a debtor's assets prior to confirmation of a plan. However, courts in this Circuit and others have required that the decision to sell assets outside the ordinary course of business be based upon the sound business judgment of the debtors. See In re Abbotts Dairies of Pennsylvania, Inc., 788 F.2d 143 (3d Cir. 1986); see also Myers v. Martin (In re Martin), 91 F.3d 389, 395 (3d Cir. 1996); Comm. of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063, 1071 (2d Cir. 1983); Dai-Ichi Kangyo Bank, Ltd. v. Montgomery Ward Holding Corp.,

In re Montgomery Ward Holding Corp.), 242 B.R. 147, 153 (D. Del. 1999); In re Delaware & Hudson Ry. Co., 124 B.R. 169, 176 (D.D.C. 1991).

34. The “sound business judgment” test requires a debtor to establish four elements in order to justify the sale or lease of property outside the ordinary course of business, namely, (a) that a “sound business purpose” justifies the sale of assets outside the ordinary course of business, (b) that adequate and reasonable notice has been provided to interested persons, (c) that the debtors have obtained a fair and reasonable price, and (d) good faith. Abbotts Dairies, 788 F.2d 143; Titusville Country Club v. Pennbank (In re Titusville Country Club), 128 B.R. 396, 399 (Bankr. W.D. Pa. 1991); In re Sovereign Estates, Ltd., 104 B.R. 702, 704 (Bankr. E.D. Pa. 1989). In this case, the Debtors submit that the decision to proceed with the Sale of the Assets and the Sale Procedures related thereto is based upon their sound business judgment and should be approved. A debtor’s showing of a sound business purpose need not be unduly exhaustive but, rather, a debtor is “simply required to justify the proposed disposition with sound business reasons.” In re Baldwin United Corp., 43 B.R. 888, 906 (Bankr. S.D. Ohio 1984). Whether or not there are sufficient business reasons to justify a transaction depends upon the facts and circumstances of each case. Lionel, 722 F.2d at 1071; Montgomery Ward, 242 B.R. at 155 (approving funding of employee incentive and severance program; business purpose requirement fulfilled because stabilizing turnover rate and increasing morale were necessary to successful reorganization).

35. Additionally, section 105(a) of the Bankruptcy Code provides a bankruptcy court with broad powers in the administration of a case under the Bankruptcy Code. Section 105(a) provides that “[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code].” 11 U.S.C. § 105(a). Provided that a bankruptcy court does not employ its equitable powers to achieve a result not contemplated

by the Bankruptcy Code, the exercise of its section 105(a) power is proper. In re Fesco Plastics Corp., 996 F.2d 152, 154 (7th Cir. 1993); Pincus v. Graduate Loan Ctr. (In re Pincus), 280 B.R. 303, 312 (Bankr. S.D.N.Y. 2002). Pursuant to section 105(a), a court may fashion an order or decree that helps preserve or protect the value of a debtor's assets. See, e.g., Chinichian v. Campolongo (In re Chinichian), 784 F.2d 1440, 1443 (9th Cir. 1986) ("Section 105 sets out the power of the bankruptcy court to fashion orders as necessary pursuant to the purposes of the Bankruptcy Code."); In re Cooper Props. Liquidating Trust, Inc., 61 B.R. 531, 537 (Bankr. W.D. Tenn. 1986) (noting that bankruptcy court is "one of equity and as such it has a duty to protect whatever equities a debtor may have in property for the benefit of its creditors as long as that protection is implemented in a manner consistent with the bankruptcy laws.").

36. More than ample business justification exists to sell the Assets to Middleton, the Successful Bidder (or Next Highest Bidder) pursuant to the Sale Procedures and on substantially the terms set forth in the LOI and Stalking Horse Purchase Agreement. The Debtors, in consultation with their advisors, have engaged in good faith and extensive negotiations with Middleton that have resulted in what the Debtors consider a fair price for the Assets. Moreover, it is essential to sell the Assets promptly to preserve their value given the circumstances facing the Debtors' businesses as a result of their liquidity position. Additionally, the Debtors' post-petition financing and use of cash collateral is conditioned on approval of a Sale Procedures Order, in form and substance satisfactory to the Lenders, by no later than December 5, 2017. See Interim DIP Order, ¶ 21. The Sale Procedures and the Auction will generate maximum interest and bidding under the circumstances, and that the bidding process will yield the highest and best bids for the Assets. Accordingly, the relief sought by this Motion is not only reasonable, but necessary, to preserve and maximize the value of the Debtors' estates for the benefit of their stakeholders.

37. The notice described herein and the Sale Procedures are designed to provide adequate notice to all potentially interested parties, including those who have previously expressed a potential interest in purchasing the Assets. Accordingly, the proposed Sale satisfies the second prong of the Abbotts Dairies standard.

38. Moreover, the Sale Procedures are designed to maximize the value received for the Assets. The process proposed by the Debtors allows for a timely auction process, particularly given the current liquidity of the Debtors, while providing bidders with sufficient time and information to submit a timely bid. The Sale Procedures are designed to ensure that the Assets will be sold for the highest or otherwise best possible purchase price under the circumstances. The Debtors are subjecting the value of the Assets to market testing and permitting prospective purchasers to bid on the Assets. The proposed Sale will be subjected to a market check through the solicitation of competing bids in a court-supervised Auction process as set forth in the Sale Procedures. Accordingly, the Debtors and all parties in interest can be assured that the consideration received for the Assets will be fair and reasonable, and the third prong of the Abbotts Dairies standard is satisfied. As discussed below, the “good faith” prong of the Abbotts Dairies standard is also satisfied here.

C. The Sale is Proposed in “Good Faith”
Under Section 363(m) of the Bankruptcy Code

39. The Debtors request that the Court find that the Successful Bidder (or Next Highest Bidder) is entitled to the benefits and protections provided by section 363(m) of the Bankruptcy Code in connection with the Sale.

40. Section 363(m) of the Bankruptcy Code provides, in pertinent part:

The reversal or modification on appeal of an authorization under subsection (b) . . . of this section of a sale . . . of property does not affect the validity of a sale . . . under such authorization to an entity that purchased . . . such property in good faith, whether or not such

entity knew of the pendency of the appeal, unless such authorization and such sale . . . were stayed pending appeal.

11 U.S.C. § 363(m).

41. Section 363(m) of the Bankruptcy Code thus protects the purchaser of assets sold pursuant to section 363 of the Bankruptcy Code from the risk that it will lose its interest in the purchased assets if the order allowing the sale is reversed on appeal. Additionally, the United States Court of Appeals for the Third Circuit (the “Third Circuit”) has indicated that section 363(m) of the Bankruptcy Code also protects the assignee of a debtor’s interest in executory contracts under section 365 of the Bankruptcy Code. Krebs Chrysler-Plymouth, Inc. v. Valley Motors, Inc., 141 F.3d 490, 497-98 (3d. Cir. 1998). In Krebs, the Third Circuit considered “whether assignments of [certain automobile dealership] franchises under section 365 are also sales of estate property subject to section 363(m).” Id. at 497. Despite the absence of an explicit reference to assignments of executory contracts under section 365 of the Bankruptcy Code, the Third Circuit in Krebs concluded that section 363(m) of the Bankruptcy Code protected an assignment of a debtor’s interest in certain automobile franchise agreements pursuant to an auction sale. Like the franchise agreements protected in Krebs, the Executory Contracts and Leases may be assumed and assigned pursuant to section 365 of the Bankruptcy Code. In light of Krebs, the Debtors respectfully submit that section 363(m) applies to protect the Successful Bidder (or Next Highest Bidder) with respect to both the Executory Contracts and Leases designated for assumption and assignment and the assets and other property comprising the Assets that are included in such bids.

42. As required by section 363(m) of the Bankruptcy Code, the Sale Procedures have been proposed in good faith and provide for both the Debtors and the potential purchasers to act in good faith in negotiating the Sale and the assignment of the designated Executory Contracts and

Leases. Although the Bankruptcy Code does not define “good faith purchaser,” the Third Circuit, construing section 363(m) of the Bankruptcy Code, has stated that “the phrase encompasses one who purchases in ‘good faith’ and for ‘value’.” Abbotts Dairies, 788 F.2d at 147. To constitute lack of good faith, a party’s conduct in connection with the sale must usually amount to “fraud, collusion between the purchaser and other bidders or the trustee or an attempt to take grossly unfair advantage of other bidders.” Id. (citing In re Rock Indus. Mach. Corp., 572 F.2d 1195, 1198 (7th Cir. 1978)). See also In re Bedford Springs Hotel, Inc., 99 B.R. 302, 305 (Bankr. W.D. Pa. 1989); In re Perona Bros., Inc., 186 B.R. 833, 839 (D.N.J. 1995). Due to the absence of a bright line test for good faith, the determination is based on the facts of each case, concentrating on the “integrity of [an actor’s] conduct during the sale proceedings.” In re Pisces Leasing Corp., 66 B.R. 671, 673 (E.D.N.Y. 1986) (quoting In re Rock Indus. Mach. Corp., 572 F.2d 1195, 1198 (7th Cir. 1978)).

43. Here, the Sale of the Assets, and the assignment and/or transfer of those Executory Contracts and Leases designated by the Stalking Horse Bidder or such other purchaser who may submit a higher or better bid, is in good faith. There is no evidence of fraud or collusion in the Debtors’ marketing process. To the contrary, as discussed throughout this Motion, and as will be further demonstrated at the Sale Hearing, the Stalking Horse Purchase Agreement or such other purchase agreement that the Court is ultimately asked to approve will be the culmination of an exhaustive solicitation and negotiation process in which all parties are expected to be represented by counsel. All negotiations have been and will continue to be conducted on an arms-length, good faith basis, and the Sale Procedures are designed to ensure that no party is able to exert undue influence over the process. Under the circumstances, the Successful Bidder (or Next Highest Bidder) should be afforded the protections that section 363(m) of the Bankruptcy Code provides to a good faith purchaser. Furthermore, the Sale Procedures are designed to prevent the Debtors or

the Successful Bidder (or Next Highest Bidder) from engaging in any conduct that would cause or permit the Stalking Horse Purchase Agreement and any subsequent purchase agreement, or the Sale of the Assets to the Successful Bidder (or Next Highest Bidder) pursuant thereto and hereto, to be avoided under section 363(n) of the Bankruptcy Code.

44. All parties in interest will receive notice of the Sale and will be provided with an opportunity to be heard. Additionally, all counterparties to Executory Contracts and Leases will be provided notice of the potential assumption and assignment of their agreements and an opportunity to be heard. The Debtors submit that such notice is adequate for entry of the Sale Order.

D. The Sale Satisfies the Requirements of Section 363(f) of the Bankruptcy Code

45. Under section 363(f) of the Bankruptcy Code, a debtor-in-possession may sell all or any part of its property free and clear of any and all liens, claims or interests in such property if: (i) such a sale is permitted under applicable non-bankruptcy law; (ii) the party asserting such a lien, claim or interest consents to such sale; (iii) the interest is a lien and the purchase price for the property is greater than the aggregate amount of all liens on the property; (iv) the interest is the subject of a *bona fide* dispute; or (v) the party asserting the lien, claim or interest could be compelled, in a legal or equitable proceeding, to accept a money satisfaction for such interest. 11 U.S.C. § 363(f); Citicorp Homeowners Serv., Inc. v. Elliot (In re Elliot), 94 B.R. 343, 345 (E.D. Pa. 1988) (noting that section 363(f) of the Bankruptcy Code is written in the disjunctive; therefore, a court may approve a sale “free and clear” provided at least one of the subsections is met). Because the Debtors expect that they will satisfy the second and fifth requirements of section 363(f) in this case, if not others as well, approving the sale of the Assets free and clear of all adverse interests is warranted. Furthermore, courts have held that they have the equitable power to authorize sales free and clear of interests that are not specifically covered by section

363(f). See, e.g., In re Trans World Airlines, Inc., 2001 WL 1820325 at *3, 6 (Bankr. D. Del. March 27, 2001); Volvo White Truck Corp. v. Chambersburg Beverage, Inc. (In re White Motor Credit Corp.), 75 B.R. 944, 948 (Bankr. N.D. Ohio 1987).

46. The Debtors reserve their rights to make additional written and/or oral legal argument concerning their request to sell the Assets free and clear of all interests after it is determined exactly which Assets may be transferred in the Sale, and in response to any objections thereto.

47. For all of the foregoing reasons, the sale of the Debtors' Assets satisfies the requirements under § 363(f).

E. Assumption and Assignment of Executory Contracts and Unexpired Leases Should be Approved

48. To facilitate and effectuate the Sale of the Assets, the Debtors seek authority to assume, assign and/or transfer the Executory Contracts and Leases to the Successful Bidder (or the Next Highest Bidder) to the extent required by such Successful Bidder (or Next Highest Bidder). Section 365 of the Bankruptcy Code authorizes a debtor to assume and/or assign its executory contracts and unexpired leases, subject to the approval of the Bankruptcy Court, provided that the defaults under such contracts and leases are cured and adequate assurance of future performance is provided. A debtor's decision to assume or reject an executory contract or unexpired lease must only satisfy the "business judgment rule" and will not be subject to review unless such decision is clearly an unreasonable exercise of such judgment. Group of Institutional Investors v. Chicago, Milwaukee, St. Paul & Pacific Ry. Co., 318 U.S. 523 (1943) (applying Bankr. Act section 77 subsection (b), the predecessor to Bankruptcy Code section 365) (rejecting the test of whether the executory contract was burdensome in favor of whether rejection is within the debtor's business

judgment); Lubrizol Enter., Inc. v. Richmond Metal Finishers, Inc., 756 F.2d 1043, 1046-47 (4th Cir. 1985).

49. The meaning of “adequate assurance of future performance” depends on the facts and circumstances of each case, but should be given “practical, pragmatic construction.” See Carlisle Homes, Inc. v. Azzari (In re Carlisle Homes, Inc.), 103 B.R. 524, 538 (Bankr. D.N.J. 1989). Among other things, adequate assurance may be given by demonstrating the assignee’s financial health and experience in managing the type of enterprise or property assigned. In re Bygaph, Inc., 56 B.R. 596, 605-6 (Bankr. S.D.N.Y. 1986) (finding adequate assurance of future performance present when the prospective assignee of a lease from the debtors has the financial resources and has expressed a willingness to devote sufficient funding to the business in order to give it a strong likelihood of succeeding; “chief determinant of adequate assurance of future performance is whether rent will be paid”).

50. The Successful Bidder (or the Next Highest Bidder) may desire to take assignment of certain Executory Contracts and Leases related to or comprising the Assets. To the extent Executory Contracts and Leases are identified for assumption and assignment by the Successful Bidder (or the Next Highest Bidder), the Debtors believe that they can and will demonstrate that all requirements for assumption and/or assignment of the such Executory Contracts and Leases will be satisfied at the Sale Hearing. The Debtors, as required by the Sale Procedures, will evaluate the financial wherewithal of all potential bidders before qualifying such bidders to bid for the Assets. Further, for the reasons stated throughout this Motion, the Debtors, in exercising their sound business judgment, believe that selling the Assets and assuming and assigning to the Successful Bidder (or the Next Highest Bidder) the selected Executory Contracts and Leases would be in the best interests of their estates.

51. As set forth above, the Debtors will provide all parties to the Executory Contracts and Leases an opportunity to be heard. Parties will be given an opportunity to assert objections to assumption and assignment, including as to the Cure Amounts and whether the Stalking Horse Bidder is able to demonstrate adequate assurance of future performance. If a party other than the Stalking Horse Bidder is determined to be the Successful Bidder and/or the Next Highest Bidder for the Assets, than the applicable parties to the Executory Contracts and Leases included in those bids will have a further opportunity to raise objections to the ability of such party to provide adequate assurance of future performance.

52. Thus, the Debtors request that assumption and assignment of the Executory Contracts and Leases which are designated for assumption and assignment by the Successful Bidder (or Next Highest Bidder) should be approved.

F. Relief from the Provisions of Rule 6003 is Necessary to Avoid Immediate and Irreparable Harm

53. Bankruptcy Rule 6003 provides:

Except to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 21 days after the filing of the petition, issue an order granting the following: . . . (b) a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate, including a motion to pay all or part of a claim that arose before the filing of the petition, but not a motion under Rule 4001.

Fed. R. Bankr. P. 6003.

54. To the extent that the requirements of Bankruptcy Rule 6003 are applicable to the relief requested herein by the granting of stalking horse bid protections or otherwise, the Debtors submit that relief from the provisions of Rule 6003 is necessary to avoid immediate and irreparable harm. By the terms of the proposed Interim DIP Order, the Lenders have conditioned their provision of post-petition financing and the use of their cash collateral on, among other things, approval of a Sale Procedures Order, in form and substance satisfactory to the Lenders, by no later

than December 5, 2017. See Interim DIP Order, ¶ 21. Furthermore, absent entry of the Sale Procedures Order and approval of the stalking horse bid protections on or before December 5, 2017, Middleton has the right to terminate the LOI and, to the extent executed, the Stalking Horse Purchase Agreement. See LOI ¶ 5 & 8 (as modified on the record at the “first day” hearing). As detailed above, such a result would have the deleterious effects of both losing the current highest and best bid for the Assets and losing the “floor” bid that higher and better offers for the Assets would have to exceed, jeopardizing the ability of the Debtors to preserve and maximize the value of the Assets.

55. Accordingly, the Debtors hereby request that the Court waive the prohibitions of Rule 6003, to the extent required to grant the relief sought herein.

G. Relief from the Fourteen-Day Waiting Periods Under Bankruptcy Rules 6004(h) and 6006(d) is Appropriate

56. Bankruptcy Rule 6004(h) provides that an “order authorizing the use, sale, or lease of property . . . is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” Similarly, Bankruptcy Rule 6006(d) provides that an “order authorizing the trustee to assign an executory contract or unexpired lease . . . is stayed until the expiration of 14 days after the entry of the order, unless the court orders otherwise.” The Debtors request that the Sale Procedures Order and Sale Order be effective immediately by providing that the fourteen (14) day stays under Bankruptcy Rules 6004(h) and 6006(d) are waived.

57. The purpose of Bankruptcy Rules 6004(h) and 6006(d) is to provide sufficient time for an objecting party to appeal before an order can be implemented. See Advisory Committee Notes to Fed. R. Bankr. P. 6004(h) and 6006(d). Although Bankruptcy Rules 6004(h) and 6006(d) and the Advisory Committee Notes are silent as to when a court should “order otherwise” and eliminate or reduce the fourteen (14) day stay period, Collier on Bankruptcy suggests that the

fourteen (14) day stay period should be eliminated to allow a sale or other transaction to close immediately “where there has been no objection to the procedure.” 10 Collier on Bankruptcy, ¶6004.11 (L. King, 16th rev. ed. 2011). Furthermore, Collier’s provides that if an objection is filed and overruled, and the objecting party informs the court of its intent to appeal, the stay may be reduced to the amount of time actually necessary to file such appeal. Id.

58. Accordingly, the Debtors hereby request that the Court waive the fourteen-day stay period under Bankruptcy Rules 6004(h) and 6006(d).

NOTICE

59. Notice of this Motion has been provided to: (i) the Office of the United States Trustee for the District of Delaware; (ii) the Office of the United States Attorney for the District of Delaware; (iii) the Internal Revenue Service; (iv) the Debtors’ thirty (30) largest unsecured creditors; (v) counsel to the Debtors’ prepetition and postpetition lenders; (vi) all entities known to have expressed a bona fide interest in acquiring the Assets to the Debtors’ prepetition investment banker; (vii) all entities known to have asserted any lien, claim or encumbrance in or upon any of the Assets; (viii) all federal, state and local taxing authorities which have a reasonably known interest in the relief requested by the Motion; (ix) counsel to the proposed Stalking Horse Bidder; and (x) all parties requesting notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested herein, the Debtors submit that no other or further notice is required.

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CONCLUSION

WHEREFORE, the Debtors respectfully request (a) entry of the Sale Procedures Order, substantially in the form attached hereto as Exhibit I, (b) entry of Sale Order substantially in the form attached hereto as Exhibit II, and (c) such other and further relief as the Court deems just and proper.

Dated: November 21, 2017
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP

/s/ Justin H. Rucki

Robert S. Brady (No. 2847)
Michael R. Nestor (No. 3526)
Justin H. Rucki (No. 5304)
Ashley E. Jacobs (No. 5635)
Tara C. Pakrouh (No. 6192)
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253

Proposed Counsel to the Debtors and Debtors in Possession

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

In re:	:	Chapter 11
	:	
MAURICE SPORTING GOODS, INC., <u>et al.</u> , ¹	:	Case No. 17-12481 (CSS)
	:	
Debtors.	:	Jointly Administered
	:	
	:	Requested Hearing Date: December 5, 2017 at 2:00 p.m. (ET)
	:	Requested Obj. Deadline: November 30, 2017 at 4:00 p.m. (ET)

NOTICE OF MOTION

TO: (I) THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE; (II) THE OFFICE OF THE UNITED STATES ATTORNEY FOR THE DISTRICT OF DELAWARE; (III) THE INTERNAL REVENUE SERVICE; (IV) THE DEBTORS’ THIRTY (30) LARGEST UNSECURED CREDITORS; (V) COUNSEL TO THE DEBTORS’ PREPETITION AND POSTPETITION LENDERS; (VI) ALL ENTITIES KNOWN TO HAVE EXPRESSED A BONA FIDE INTEREST IN ACQUIRING THE ASSETS TO THE DEBTORS’ PREPETITION INVESTMENT BANKER; (VII) ALL ENTITIES KNOWN TO HAVE ASSERTED ANY LIEN, CLAIM OR ENCUMBRANCE IN OR UPON ANY OF THE ASSETS; (VIII) ALL FEDERAL, STATE AND LOCAL TAXING AUTHORITIES WHICH HAVE A REASONABLY KNOWN INTEREST IN THE RELIEF REQUESTED BY THE MOTION; (IX) COUNSEL TO THE PROPOSED STALKING HORSE BIDDER; AND (X) ALL PARTIES REQUESTING NOTICE PURSUANT TO BANKRUPTCY RULE 2002.

PLEASE TAKE NOTICE that the above-captioned debtors and debtors in possession (collectively, the “**Debtors**”) have filed the attached *Motion of the Debtors for Orders: (A) (I) Approving Sale Procedures; (II) Approving Stalking Horse Bidding Protections; (III) Scheduling a Hearing to Consider Sale of Debtors’ Assets; (IV) Approving Form and Manner of Notice Thereof; and (V) Granting Related Relief; and (B) (I) Authorizing the Sale of Assets Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (II) Authorizing and Approving Purchase Agreement Thereto; (III) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Related thereto; and (IV) Granting Related Relief* (the “**Bidding Procedures Motion**”).

PLEASE TAKE FURTHER NOTICE that, contemporaneously with the filing of the Bidding Procedures Motion, the Debtors have also filed a motion (the “**Motion to Shorten**”) requesting that any objections to the Bidding Procedures Motion must be filed on or before

¹ The Debtors and the last four digits of their respective federal taxpayer identification numbers are as follows: Maurice Sporting Goods, Inc. (3399); Danielson Outdoors Company, Inc. (0840); South Bend Sporting Goods, Inc. (6658); Triple Crown Holdings, Inc. (1847); and Matzuo America, Inc. (4950). The mailing address for the Debtors’ corporate headquarters is 1910 Techny Road, Northbrook, Illinois 60065.

November 30, 2017 at 4:00 p.m. (ET) (the “**Objection Deadline**”) with the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801. At the same time, you must serve a copy of the objection upon the undersigned proposed counsel to the Debtors so as to be received on or before the Objection Deadline.

PLEASE TAKE FURTHER NOTICE THAT, PURSUANT TO THE MOTION TO SHORTEN, THE DEBTORS HAVE REQUESTED THAT A HEARING TO CONSIDER THE BIDDING PROCEDURES MOTION BE HELD ON DECEMBER 5, 2017 AT 2:00 P.M. (ET) BEFORE THE HONORABLE CHRISTOPHER S. SONTCHI AT THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 NORTH MARKET STREET, 5TH FLOOR, COURTROOM NO. 6, WILMINGTON, DELAWARE 19801.

PLEASE TAKE FURTHER NOTICE THAT, IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE BIDDING PROCEDURES MOTION WITHOUT FURTHER NOTICE OR A HEARING.

Dated: November 21, 2017
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP

/s/ Justin H. Rucki

Robert S. Brady (No. 2847)
Michael R. Nestor (No. 3526)
Justin H. Rucki (No. 5304)
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Tara C. Pakrouh (No. 6192)
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253

Proposed Counsel to the Debtors and Debtors in Possession

EXHIBIT A

Sale Procedures Order

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

<p>In re:</p> <p>MAURICE SPORTING GOODS, INC., <u>et al.</u>,⁵</p> <p style="text-align: center;">Debtors.</p>	<p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p> <p>:</p>	<p>Chapter 11</p> <p>Case No. 17-12481 (CSS)</p> <p>(Jointly Administered)</p> <p>Ref. Docket No. ____</p>
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**ORDER (I) APPROVING
SALE PROCEDURES; (II) APPROVING STALKING
HORSE BIDDING PROTECTIONS; (III) SCHEDULING A HEARING TO
CONSIDER SALE OF DEBTORS’ ASSETS; (IV) APPROVING FORM AND
MANNER OF NOTICE THEREOF; AND (V) GRANTING RELATED RELIEF**

Upon the consideration of the motion (the “Motion”)⁶ of the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), pursuant to sections 105(a), 363 and 365 of title 11 of the United States Code (the “Bankruptcy Code”) and Rules 2002, 6003, 6004, 6006, 9006 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) for entry (a) of an order (the “Sale Procedures Order”) (i) approving sale procedures (the “Sale Procedures”), substantially in the form annexed as Exhibit 1 to this Sale Procedures Order, with respect to an auction (the “Auction”) and sale (a “Sale”) of the Assets; (ii) approving stalking horse bidding protections for Middleton Management Company, LLC or its designee (the “Stalking Horse Bidder” or “Middleton”); (iii) scheduling a hearing (the “Sale Hearing”) on the Sale and setting objection and bidding deadlines with respect to the Sale; (iii) directing that notice of the Sale Procedures and the Sale be given, substantially in the form annexed as Exhibit

⁵ The Debtors and the last four digits of their respective federal taxpayer identification numbers are as follows: Maurice Sporting Goods, Inc. (3399); Danielson Outdoors Company, Inc. (0840); South Bend Sporting Goods, Inc. (6658); Triple Crown Holdings, Inc. (1847); and Matzuo America, Inc. (4950). The mailing address for the Debtors’ corporate headquarters is 1910 Techny Road, Northbrook, Illinois 60065.

⁶ Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Motion.

2 to the Sale Procedures Order (the “Auction and Sale Notice”); and (iv) granting related relief; and (b) an order, substantially in the form annexed to the Motion as Exhibit B (the “Sale Order”), (i) authorizing the Sale of the Assets free and clear of liens, claims encumbrances, and other interests in accordance with the terms of that certain purchase agreement (the “Stalking Horse Purchase Agreement”), as may be modified by agreement of the Debtors and any purchasing party, subject to Court approval; (ii) authorizing and approving the Stalking Horse Purchase Agreement; (iii) approving the assumption, assignment, and/or transfer of executory contracts and unexpired leases, as necessary in connection with the Sale; (iv) providing for the payment of the net proceeds from the Sale of the Assets to BMO Harris Bank N.A. in its capacity as administrative agent (in such capacity, the “Agent”) to the lenders (in such capacities, and collectively with the Agent, the “Lenders”) under the Debtors’ senior secured pre-petition secured credit facilities and secured post-petition financing facility, up to the amount outstanding under the Pre-Petition Loan Facility and Post-Petition Loan Facility, as set forth in the *Motion of the Debtors for Interim and Final Orders (I) Authorizing Secured Post-Petition Financing Pursuant to 11 U.S.C. § 364, (II) Authorizing Use of Cash Collateral Pursuant to 11 U.S.C. § 363, (III) Granting Adequate Protection Pursuant to 11 U.S.C. §§ 361, 363 and 364, and (IV) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001(c)* (the “DIP Motion”) and any interim and final orders approving the DIP Motion (the “DIP Orders”); and (v) granting related relief; and the Court having determined that the relief provided herein is in the best interest of the Debtors, their estates, their creditors and other parties in interest; and due and adequate notice of the Motion having been given under the circumstances; and upon the record of the hearing on the Motion, and the full record of these cases; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby

FOUND AND DETERMINED THAT:

A. The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014.

B. This Court has jurisdiction over the Motion and the transactions contemplated by the Purchase Agreement pursuant to 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order of Reference from the United States District Court for the District of Delaware dated as of February 29, 2012, and this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) for which the Court may enter a final order under Article III of the U.S. Constitution, (M) and (O). Venue in this district is proper under 28 U.S.C. §§ 1408 and 1409.

C. Good and sufficient notice of the Motion and the relief sought therein has been given under the circumstances, and no other or further notice is required, except as set forth herein with respect to the proposed notice of the Sale Procedures and the Sale. A reasonable opportunity to object and be heard regarding the relief provided herein has been afforded to parties in interest.

D. The Debtors' proposed notice of the Sale Procedures and Sale is appropriate and reasonably calculated to provide all interested parties with timely and proper notice of the Auction and the Sale, as well as the Sale Procedures to be employed in connection therewith.

E. The Debtors' proposed notice of Cure Amounts is appropriate and reasonably calculated to provide all parties to such Executory Contracts and Leases with timely and proper notice of the proposed Cure Amounts and the Cure Amount Objection Deadline.

F. The entry of this Sale Procedures Order is in the best interests of the Debtors, their estates, their creditors and other parties-in-interest.

G. The Sale Procedures are reasonably designed to maximize the value to be realized for the Assets, and were negotiated in good faith by the Debtors, the Agent and the Stalking Horse Bidder.

H. The Debtors have demonstrated a sound business justification for the Breakup Fee set forth in the Stalking Horse Purchase Agreement.

I. The Breakup Fee is fair and reasonable and was negotiated by the parties at arm's length and in good faith.

J. The Breakup Fee is: (a) an actual and necessary cost and expense of preserving the Debtors' bankruptcy estates, within the meaning of section 503(b) of the Bankruptcy Code, (b) of substantial benefit to the Debtors' estates, (c) reasonable and appropriate, including in light of the size and nature of the proposed Sale and the efforts that have been and will be expended even though the proposed Sale is subject to higher and better offers, and (d) necessary to ensure that the Stalking Horse Bidder will continue to pursue its proposed acquisition of the Assets.

K. The Breakup Fee was and is a material inducement for, and condition of, the Stalking Horse Bidder's entering into the Stalking Horse Purchase Agreement. The Stalking Horse Bidder is unwilling to commit to hold open its offer to purchase the Assets under the terms of the Stalking Horse Purchase Agreement unless the Breakup Fee is approved. Assurance to the Stalking Horse Bidder of payment of the Breakup Fee has promoted and will promote more competitive bidding by inducing the Stalking Horse Bidder's bid that otherwise would not have been made, and without which bidding would have been and would continue to be limited. Further, because the Breakup Fee induced the Stalking Horse Bidder to submit a bid that will serve as a minimum or floor bid on which other bidders and the Debtors can rely, the Stalking

Horse Bidder has provided a benefit to the Debtors' bankruptcy estates by increasing the likelihood that the price at which the Assets are sold will reflect their true worth.

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. The Motion is granted, as set forth herein.
2. All objections to the Sale Procedures and the relief provided herein that have not been withdrawn, waived or settled, and all reservations of rights included therein, hereby are overruled and denied on the merits.
3. The Sale Procedures, in the form attached hereto as Exhibit 1, are incorporated herein and approved and shall apply with respect to the Sale; provided, that the Debtors may make non-substantive changes and corrections to the Sale Procedures after the entry of this Sale Procedures Order.
4. The Breakup Fee is approved.
5. The Debtors' obligation to pay the Breakup Fee shall constitute an administrative expense claim under sections 503(b) and 507(a)(1) of the Bankruptcy Code, and shall be payable in accordance with the terms of the Stalking Horse Purchase Agreement without further order of this Court.
6. The Debtors are authorized to seek to sell, subject to all parties' rights to object to any proposed sale, assumption and/or assignment in connection with the Sale Hearing, the Assets by conducting the Auction in accordance with the Sale Procedures.
7. As set forth in the Sale Procedures, the rights, if any, of the Agent and/or the Lenders to "credit bid" pursuant to section 363(k) of the Bankruptcy Code are expressly reserved and preserved.

8. The Auction shall take place on December 20, 2017 at 10:00 a.m. (prevailing Eastern Time) at the offices of Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, or such other place and time as the Debtors shall notify all Qualified Bidders, counsel to the Committee (if any), counsel to the Agent, and other invitees, if any.

9. Any person (other than the Stalking Horse Bidder) that desires to make a bid shall comply with the requirements set forth in the Sale Procedures for making such bid.

10. The Debtors shall have the right to reject any and all bids that do not conform with the Sale Procedures, other than that of the Stalking Horse Bidder, subject to the provisions of the Sale Procedures.

11. The Sale Hearing shall be held before this Court on December 20, 2017 at 10:00 a.m. (prevailing Eastern Time), or as soon thereafter as counsel and interested parties may be heard. The Sale Hearing may be adjourned from time to time without further notice to creditors or other parties in interest other than by announcement at the Sale Hearing or in the agenda for the Sale Hearing filed with the Court prior to the Sale Hearing.

12. On or before one business day after the entry of this Sale Procedures Order, the Debtors shall serve by first class mail, postage prepaid, copies of the Notice of Auction and Sale Hearing, substantially in the form attached hereto as Exhibit 2, Attn: Legal Department, Officer, Managing or General Agent or to the attention of any other agent authorized by appointment or by law to receive service of process, upon : (i) the Office of the United States Trustee; (ii) counsel for the Agent; (iii) counsel for the Committee (if any); (iv) all known holders of claims and equity interests (or counsel therefor) of the Debtors; (v) all entities (or counsel therefor) known to have expressed a bona fide interest in acquiring the Assets to the Debtors' investment

banker; (vi) all entities (or counsel therefor) known to have asserted any lien, claim, encumbrance, right of refusal, or other interest in or upon the Assets; (vii) certain federal, state, and local taxing authorities that, as a result of the Sale of the Assets, may have claims, contingent or otherwise, in connection with the Debtors' ownership of the Assets or whom the Debtors reasonably believe have an interest in the relief requested by the Motion; (viii) all parties (or counsel therefor), if any, who are known to claim interests in any Executory Contracts and Leases; (ix) all of the Debtors' insurance carriers; (x) the United States Attorney's office; (xi) the Internal Revenue Service; (xii) all parties who have requested notice pursuant to Bankruptcy Rule 2002 as of the date of the entry of this Sale Procedures Order and (xiii) to the extent not already included above, all parties-in-interest listed on the Debtors' creditor matrix (collectively, the "Sale Notice Parties").

13. The Notice of Auction and Sale Hearing, substantially in the form annexed hereto as Exhibit 2, is approved.

14. On or before one business day after the entry of this Sale Procedures Order, the Debtors shall serve by overnight courier on each non-Debtor party to an Executory Contract and Lease a notice, substantially in the form annexed hereto as Exhibit 3, (i) identifying any Executory Contracts and Leases, (ii) the Debtors' proposed monetary cure amount through the date of the Sale Hearing (the "Cure Amount"), and (iii) the deadline to object to the proposed assumption, assignment, and/or transfer of each Executory Contract and Lease and the respective Cure Amount.

15. Objections, if any, to the proposed Cure Amount of an Executory Contract and/or Lease must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the clerk of the Bankruptcy Court for the District of Delaware, Third

Floor, 824 Market Street, Wilmington, Delaware 19801, on or before 4:00 p.m. (prevailing Eastern Time) on December 15, 2017, or such later date and time as the Debtors may agree (the “Cure Amount Objection Deadline”) and (d) be served by first class mail, overnight mail or courier so as to be received no later than 4:00 p.m. (prevailing Eastern Time) on the same day, upon (i) Maurice Sporting Goods, Inc., 1910 Techny Road, Northbrook, Illinois 60065 (Attn: Patrick J. O’Malley); (ii) counsel to the Debtors, Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801 (Attn.: Robert S. Brady, Esq. and Michael R. Nestor, Esq.); (iii) counsel to the Stalking Horse Bidder, counsel to the Stalking Horse Bidder, Adelman & Gettleman Ltd., 53 W. Jackson Blvd., Suite 1050, Chicago, IL 60604 (Attn: Chad H. Gettleman); (iv) counsel to the Agent, Vedder Price, 222 North LaSalle Street, Chicago, Illinois 60601 (Attn: Douglas J. Lipke) and Pepper Hamilton LLP, 1313 Market Street, P.O. Box 1709, Wilmington, Delaware 19899 (Attn: David B. Stratton); (v) counsel to the Committee, if any; and (vi) the Office of the United States Trustee for the District of Delaware, 855 King Street, Suite 2207, Lockbox 35, Wilmington, Delaware 19801 (Attn: Mark Kenney) (collectively, the “Objection Notice Parties”).

16. Objections, if any, to any aspect of the Sale, including the potential assignment of an Executory Contract and/or Lease and/or any action required to be taken to cure any non-monetary default thereunder (“Sale Objections”) must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the clerk of the Bankruptcy Court for the District of Delaware, Third Floor, 824 Market Street, Wilmington, Delaware 19801, on or before 4:00 p.m. (prevailing Eastern Time) on December 15, 2017, or such later date and time as the Debtors may agree (the “Sale Objection Deadline”) and (d) be served by first class mail, overnight mail or courier so as to be received no later than 4:00 p.m. (prevailing

Eastern Time) on the same day, upon the Objection Notice Parties. All Sale Objections must include all objections to the Sale, and all objections to assumption, assignment, and/or transfer on all grounds, including the ability of the Stalking Horse Bidder to provide adequate assurance of future performance; provided, however, that Sale Objections that relate solely to ability of any specific purchaser, other than the Stalking Horse Bidder, to provide adequate assurance of future performance are preserved until the Non-Stalking Horse Assignee Objection Deadline (as defined below).

17. If an Executory Contract and/or Lease is included in any Successful Bid and/or Next Highest Bid submitted by a party other than the Stalking Horse Bidder, the Debtors shall, within 12 hours after the conclusion of the Auction, file with the Bankruptcy Court a notice identifying the Successful Bidder and/or Next Highest Bidder and the executory contracts and/or unexpired leases that such Successful Bidder and/or Next Highest Bidder will seek to take assignment or transfer from the Debtors upon the closing of the Sale. The Debtors shall serve such notice by overnight courier or facsimile to the non-Debtor parties to such Executory Contracts and Leases. The non-Debtor parties shall have until 9:00 a.m. (prevailing eastern time) on December 21, 2017 (the “Non-Stalking Horse Assignee Objection Deadline”) to object solely on the issue of whether the Successful Bidder or Next Highest Bidder (to the extent that such party is not the Stalking Horse Bidder) can provide adequate assurance of future performance as required by section 365 of the Bankruptcy Code (an “Assignee Objection”). Any Assignee Objection shall be filed with the Court and served upon the Objection Notice Parties by electronic mail or facsimile on or prior to the Non-Stalking Horse Assignee Objection Deadline.

18. Unless the non-debtor party to an Executory Contract and/or Lease files an objection on or before the Cure Amount Objection Deadline, the Sale Objection Deadline and

the Non-Stalking Horse Assignee Objection Deadline, as each may be applicable, such non-debtor party shall (i) be forever barred from objecting to the Cure Amount and from asserting any additional cure or other amounts with respect to such Executory Contract and Lease and the Debtors shall be entitled to rely solely upon the Cure Amount; and (ii) be deemed to have consented to the assumption, assignment, and/or transfer of such Executory Contract and/or Lease and shall be forever barred and estopped from asserting or claiming against the Debtors, the Successful Bidder at the Auction or any other assignee or transferee of the relevant Executory Contract and/or Lease that any additional amounts are due or defaults exist, or conditions to assumption, assignment, and/or transfer must be satisfied under such Executory Contract and Lease.

19. The Debtors shall have the right as they may reasonably determine to be in the best interests of their estates, (in their sole discretion, but after consultation with counsel to the Committee (if any) and the Agent), to: (i) determine which bidders are Qualified Bidders (except with respect to the Stalking Horse Bidder); (ii) determine which bids are Qualified Bids (except with respect to the Stalking Horse Purchase Agreement); (iii) determine which Qualified Bid is the highest or otherwise best proposal and which is the next highest or otherwise best proposal, (iv) reject any bid that is (a) inadequate or insufficient (other than the Stalking Horse Purchase Agreement), (b) not in conformity with the requirements of these Sale Procedures, any applicable order of the Bankruptcy Court, or the requirements of the Bankruptcy Code, or (c) contrary to the best interests of the Debtors and their estates (other than the Stalking Horse Purchase Agreement); (v) waive terms and conditions set forth herein with respect to all potential bidders, (vi) impose additional terms and conditions with respect to all potential bidders, (vii) subject to the consent of the Stalking Horse Bidder, extend the deadlines set forth herein, (ix)

adjourn or cancel the Auction and/or the Sale Hearing in open court without further notice; and (x) subject to the consent of the Stalking Horse Bidder, modify these Sale Procedures (other than in express contravention of any procedures required by the Stalking Horse Purchase Agreement) as they may determine to be in the best interests of their estates or to withdraw the Motion at any time with or without prejudice, provided, however, that the Debtors may not waive any of the Sale Procedures are for the benefit of the Agent and the Lenders without the Agent's written consent, and the Debtors may not waive any of the Sale Procedures that are for the benefit of the Stalking Horse Bidder without the Stalking Horse Bidder's written consent.

20. Notwithstanding the provisions of Bankruptcy Rules 6003, 6004 and 6006 (to the extent applicable) or any applicable provisions of the Local Rules, this Sale Procedures Order shall not be stayed for 14 days after the entry hereof but shall be effective and enforceable immediately upon entry, and the 14-day stay provided in such rules is hereby expressly waived and shall not apply.

21. All persons submitting bids shall be deemed to have submitted to the exclusive jurisdiction of the this Court with respect to all matters between and among the bidder and the Debtors related to the Auction, the Sale and the terms and conditions of the transfer of the Assets.

22. This Court shall retain jurisdiction over any matters related to or arising from the implementation of this Sale Procedures Order.

Dated: _____, 2017
Wilmington, Delaware

Christopher S. Sontchi
United States Bankruptcy Judge

EXHIBIT 1

Sale Procedures

SALE PROCEDURES

By motion dated November 21, 2017 (the “Motion”), the Debtors (as defined in the Motion) sought approval of, among other things, these procedures (the “Sale Procedures”) through which the Debtors are authorized to conduct an auction for the sale (the “Sale”) of their assets (the “Assets”) as contemplated by the terms of the Motion and the stalking horse asset purchase agreement (the “Stalking Horse Purchase Agreement”) entered into by and between the Debtors and Middleton Management Company, LLC or its designee (“Middleton” or the “Stalking Horse Bidder”) pursuant to a letter of intent dated November 20, 2017 (the “LOI”) attached to the Motion. On _____, 2017, the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) entered an order [D.I. ____] (the “Sale Procedures Order”), which, among other things, authorized the Debtors to determine the highest or otherwise best bid for the Assets through these Sale Procedures.

The Debtors reserve the right to (x) waive some of these Sale Procedures to the extent such waiver is in the best interests of the Debtors’ estates as determined by the Debtors, in their sole discretion, but after consultation with (i) counsel to any statutory committee appointed in these chapter 11 cases (the “Committee”), (ii) counsel to BMO Harris Bank N.A., in its capacity as administrative agent (in such capacity, the “Agent”) to the lenders (in such capacities, and collectively with the Agent, the “Lenders”) under the Debtors’ senior secured pre-petition secured credit facility and secured post-petition financing facility; provided, however, that the Debtors may not waive any of these Sale Procedures that are for the benefit of the Agent and the Lenders without the Agent’s written consent, and the Debtors may not waive any of these Sale Procedures that are for the benefit of the Stalking Horse Bidder without the Stalking Horse Bidder’s written consent.

The Debtors shall consult with counsel to the Committee (if any) and the Agent regarding all material aspects of the Sale process, both prior to and during the Auction (as defined below); provided, however, that the consent of counsel to the Committee and/or the Agent is not required with regard to decisions to be made by the Debtors under these Sale Procedures, and further provided that in the event that the Agent and/or the Lenders exercise the right to credit bid on any of the Assets, the Debtors shall no longer be obligated to consult with the Agent regarding the Sale process following the receipt of such credit bid, notwithstanding any other provision of these Sale Procedures.

Participation Requirements

In order to participate in the bidding process or otherwise be considered for any purpose hereunder, a person interested in the acquisition of the Assets other than the Stalking Horse Bidder, the Agent and the Lenders (a “Potential Bidder”) must deliver to the Debtors and their counsel an executed confidentiality agreement in form and substance satisfactory to the Debtors.

By contrast, a “Qualified Bidder” is a Potential Bidder whose Financials or other information, as required below, demonstrate the financial capability to consummate and perform obligations in connection with the Sale and which the Debtors determine has made a *bona fide* offer for the Assets as required herein and would be able to consummate a proposed Sale if selected as the Successful Bidder (as defined herein). The Debtors will promptly advise each Potential Bidder who has submitted a bid, counsel to the Agent and counsel to the Committee (if any) in writing of the Debtors’ determination whether or not any bid is a Qualified Bid and such

Potential Bidder a Qualified Bidder. For purposes of these Sale Procedures, the Stalking Horse Bidder shall be deemed a Qualified Bidder, and the Stalking Horse Purchase Agreement shall be deemed a Qualified Bid (as defined below). Additionally, the Agent and/or the Lenders each retain the right, if any, to credit bid pursuant to section 363(k) of the Bankruptcy Code under these Sale Procedures, and shall be deemed a Qualified Bidder with respect to any credit bid received by the Debtors prior to the Bid Deadline.

Obtaining Due Diligence Access and Sharing of Certain Information

The Debtors shall provide each Potential Bidder reasonable due diligence information as requested, including access to any data room established by the Debtors to facilitate the provision of due diligence material to prospective purchasers. The Debtors shall coordinate all reasonable requests from Potential Bidders for additional information and due diligence access. The due diligence period will end on the Bid Deadline (as such term is defined below). No conditions relating to the completion of due diligence shall be permitted to exist after the Bid Deadline.

In connection with providing information to parties interested in acquiring the Assets, the Debtors shall not furnish any confidential information relating to the Debtors, their businesses, the Assets or the Sale to any person except a Potential Bidder. Notwithstanding the foregoing, the Debtors shall provide counsel to the Committee (if any) and the Agent information relating to the evaluation and qualification of bidders, the valuation of bids and such other information regarding the Sale process as may be reasonably requested by counsel to the Committee (if any) and the Agent.

Non-debtor parties to executory contracts and unexpired leases with the Debtors may request, in writing, a copy of the information that is provided to the Debtors by a Qualified Bidder to demonstrate adequate assurance of future performance by such Qualified Bidder who indicates an intent to take assignment of such executory contract and/or unexpired lease in its Qualified Bid. Such requests may be directed to the Debtors via electronic mail, c/o Debbie Laskin, at dlaskin@ycst.com. Any requests that do not provide an electronic mail address where such information may be sent will be mailed such information via overnight mail.

Bid Deadline

The deadline for Potential Bidders to submit their bids shall be December 13, 2017 at 4:00 p.m. (prevailing Eastern Time) (the “Bid Deadline”).

Prior to the Bid Deadline, a Potential Bidder that desires to make a bid for the Assets and become a Qualified Bidder (other than the Stalking Horse Bidder) shall deliver written copies of its bid to: (i) Maurice Sporting Goods, Inc., 1910 Techny Road, Northbrook, Illinois 60065 (Attn: Patrick J. O’Malley); (ii) counsel to the Debtors, Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801 (Attn.: Robert S. Brady, Esq. and Michael R. Nestor, Esq.); (iii) counsel to the Stalking Horse Bidder, Adelman & Gettleman Ltd., 53 W. Jackson Blvd., Suite 1050, Chicago, IL 60604 (Attn: Chad H. Gettleman); (iv) counsel to the Agent, Vedder Price, 222 North LaSalle Street, Chicago, Illinois 60601 (Attn: Douglas J. Lipke) and Pepper Hamilton LLP, 1313 Market Street, P.O. Box 1709, Wilmington, Delaware 19899 (Attn: David B. Stratton); (v) counsel to the Committee, if any; and (vi) the Office of the United States Trustee for the District of Delaware, 855 King Street, Suite 2207, Lockbox 35, Wilmington, Delaware 19801 (Attn: Mark Kenney). On or before one (1) business

day after the Bid Deadline, the Debtors shall make copies of all Qualified Bids (as defined below) available to the Qualified Bidders that submitted Qualified Bids.

Due Diligence From Bidders

Each Qualified Bidder shall comply with all reasonable requests for additional information by the Debtors or their advisors regarding such Qualified Bidder's financial wherewithal to consummate and perform obligations in connection with the Sale. Failure by a Qualified Bidder (other than the Stalking Horse Bidder) to comply with requests for additional information may be a basis for the Debtors to determine that a bid made by such Qualified Bidder is not a Qualified Bid.

Qualified Bid Requirements

A bid (other than the Stalking Horse Purchase Agreement) must be a written irrevocable offer from a Qualified Bidder and:

1. State that the Qualified Bidder offers to consummate the Sale pursuant to an agreement that has been marked to show any amendments and modifications to the Stalking Horse Purchase Agreement, including price and terms, that are being proposed by the Qualified Bidder (the "Marked Purchase Agreement").
2. Confirm that such Qualified Bidder's offer shall remain open and irrevocable until the closing of the Sale of the Assets to the applicable Successful Bidder or the Next Highest Bidder (each, as defined below);
3. Confirm that such Qualified Bidder shall serve as the Next Highest Bidder, if so selected by the Debtors, and shall close the Sale of the Assets three (3) business days following written notification from the Debtors of the intent to accept the Next Highest Bid.
4. Enclose a copy of the proposed Marked Purchase Agreement;
5. The Marked Purchase Agreement must specifically identify the Assets proposed to be purchased, which must be all or substantially all of the Assets (including, but not limited to, contracts, leases, and agreements);
6. Contain a list of the Debtors' executory contracts and unexpired leases that the Qualified Bidder desires to assume and a packet of information, including financial information, that will be provided to the non-Debtor parties to such executory contracts and unexpired leases sufficient to demonstrate adequate assurance of future performance;
7. Except in the case of a credit bid, be accompanied by a wire transfer of a minimum good faith deposit (the "Minimum Deposit") in an amount of at least \$500,000, which Minimum Deposit shall be used to fund a portion of the applicable purchase price and shall be increased if the Qualified Bidder is selected as a Successful Bidder or the Next Highest Bidder;

8. Provide that the Sale of the Assets shall close on or before December 22, 2017, unless otherwise agreed to and extended by the Debtors;
9. Not be conditioned on obtaining financing or the outcome of any due diligence by the Qualified Bidder;
10. The Qualified Bidder's most current audited and latest unaudited financial statements (collectively, the "Financials"), or, if the Qualified Bidder is an entity formed for the purpose of the Sale, (x) the Financials of the financial sponsor of the Qualified Bidder or such other form of financial disclosure as is acceptable to the Debtors and (y) the written commitment acceptable to the Debtors of the financial sponsor of the Qualified Bidder to be responsible for the Qualified Bidder's obligations in connection with the Sale. The Debtors also may condition Qualified Bidder status on such other information sufficient to demonstrate to the satisfaction of the Debtors that such Qualified Bidder has the financial wherewithal to consummate the Sale and provide adequate assurance of future performance under all agreements to be assumed as part of the Sale.
11. Not request or entitle the Qualified Bidder to any breakup fee, expense reimbursement or similar type of payment (except with respect to the Stalking Horse Bidder);
12. Fully disclose the identity of each entity (including financial sponsor(s)) that will be bidding for the Assets or otherwise participating in connection with such bid, and the complete terms of any such participation;
13. Be on terms substantially similar or better to the Stalking Horse Purchase Agreement; and
14. Include an overbid amount over the Purchase Price (as defined in the Stalking Horse Purchase Agreement) equal to \$1,500,000 (inclusive of the bidding amount to satisfy the break-up fee) (the "Initial Overbid Amount Requirement").

A bid received from a Qualified Bidder that meets the requirements set forth above will be considered a "Qualified Bid" if the Debtors (in their sole discretion, but after consultation with counsel to the Committee (if any) and the Agent, believe that such bid would be consummated if selected as a Successful Bid (as defined herein).

Prior to the commencement of the Auction, the Debtors shall determine (in their sole discretion, but after consultation with counsel to the Committee and the Agent) which Qualified Bid represents the then-highest or otherwise best bid for the Assets (the "Initial Bid").

Auction

If one or more Qualified Bids other than the Stalking Horse Purchase Agreement are received prior to the Bid Deadline, an auction (the "Auction") will take place on **December 18, 2017 at 10:00 a.m. (prevailing Eastern Time)** (the "Auction Date") at the offices of Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, or such later time and place as the Debtors may provide so long as such change

is communicated reasonably in advance by the Debtors to all Qualified Bidders that submitted Qualified Bids, counsel to the Committee (if any), counsel to the Agent, and other invitees. Debtors' counsel will arrange for the Auction to be transcribed or videotaped. If only the Stalking Horse Purchase Agreement has been received by the Bid Deadline, the Auction will be deemed cancelled and the Stalking Horse Purchase Agreement will be deemed the Successful Bid, and the Debtors will seek authority from the Bankruptcy Court to consummate the Sale as contemplated by the Stalking Horse Purchase Agreement.

If an Auction is held, the following rules for its conduct (the "Auction Rules") shall be observed:

1. Only Qualified Bidders who have submitted Qualified Bids by the Bid Deadline will be eligible to participate at the Auction; provided, however, that any party in interest may attend (but not participate in) the Auction if they provide the Debtors written notice of their intention to attend the Auction on or before the Bid Deadline. Such written notice may be sent to the Debtors via electronic mail, c/o Debbie Laskin, at dlaskin@ycst.com.
2. At the Auction, Qualified Bidders will be permitted to increase their bids. The bidding at the Auction shall start at the highest and best Initial Bid meeting the Initial Overbid Amount Requirement, and then continue in increments of \$100,000.
3. Each Qualified Bidder will be permitted a fair, but limited, amount of time (no more than thirty minutes, unless otherwise allowed by the Debtors) to respond to the previous bid at the Auction. The Debtors may, at any time during the Auction, call for one final round of sealed bids. Bidding at the Auction will continue until such time as the highest or otherwise best offer for the Assets is determined in accordance with these Sale Procedures.
4. Immediately prior to concluding the Auction, the Debtors (in their sole discretion, but in or after consultation with counsel to the Committee (if any) and the Agent shall (a) review each Qualified Bid on the basis of its financial and contractual terms and the factors relevant to the Sale process and the best interests of the Debtors' estates; (b) determine and identify the highest or otherwise best Qualified Bid for the Assets (the "Successful Bid") and the Qualified Bidder submitting such bid (the "Successful Bidder"); (c) determine and identify the next highest or otherwise best Qualified Bid for the Assets (the "Next Highest Bid") and the Qualified Bidder submitting such bid (the "Next Highest Bidder"); and (d) have the right to reject any and all bids, except for the Stalking Horse Purchase Agreement.
5. Within one business day of the completion of the Auction, the Successful Bidder and the applicable Debtors shall complete and execute all agreements, instruments, or other documents necessary to consummate the applicable Sale contemplated by the applicable Successful Bid.

Acceptance of the Successful Bid

The Debtors will present the results of the Auction to the Bankruptcy Court at the Sale Hearing (as defined below), at which certain findings will be sought from the Bankruptcy Court regarding the Auction, including, among other things, that (i) the Auction was conducted, and the Successful Bidder was selected, in accordance with these Sale Procedures, (ii) the Auction was fair in substance and procedure, and (iii) consummation of the Sale contemplated by the Successful Bid will provide the highest or otherwise best value for the Assets and is in the best interests of the Debtors and their creditors.

If an Auction is held, then except with respect to the Stalking Horse Purchase Agreement, the Debtors shall be deemed to have accepted a Qualified Bid only when (i) such bid is declared the Successful Bid at the Auction and (ii) definitive documentation has been executed in respect thereof. Such acceptance is conditioned upon approval by the Bankruptcy Court and the entry of an Order approving such Successful Bid.

Sale Hearing

A hearing to consider approval of the Sale to the Successful Bidder will take place on **December 20, 2017 at [_____] (prevailing Eastern Time)** before the Honorable [_____], in the United States Bankruptcy Court for the District of Delaware, 824 N. Market Street, Wilmington, Delaware 19801 (the “Sale Hearing”).

If (i) an Auction is held, (ii) the Successful Bidder and the Next Highest Bidder are selected, (iii) the Bankruptcy Court approves the Sale to the Successful Bidder, and (iv) the Sale to such Successful Bidder is not consummated because of a breach or failure to perform on the part of such Successful Bidder, then the Debtors shall be authorized to consummate the Sale to the Next Highest Bidder without further court order or notice to any other party (other than counsel to the Committee and the Agent). The Debtors specifically reserve the right to seek all appropriate damages from a defaulting Successful Bidder or Next Highest Bidder.

Return of Minimum Deposit

Except in the case of a credit bid and except with respect to the Successful Bid and the Next Highest Bid, the Minimum Deposits tendered under these Sale Procedures shall be returned upon or within one (1) business day after the entry of an order approving the Sale to which such Minimum Deposits relates. The Minimum Deposit of the Successful Bidder shall be held until the closing of the applicable Sale and applied to the applicable purchase price. The Minimum Deposit of the Next Highest Bidder shall be returned upon or within three (3) business days after closing of the Sale to the Successful Bidder. If the Successful Bidder fails to close the Sale, the Minimum Deposit shall be a non-exclusive remedy of the Debtors and the Debtors shall be entitled to any other rights or remedies available at law or in equity.

Reservation of Rights

Other than in express contravention of any procedures required by or the terms of the Stalking Horse Purchase Agreement, the Debtors reserve the right as they may reasonably determine to be in the best interests of their estates, in consultation with counsel to the Committee (if any) and the Agent, to: (i) determine which bidders are Qualified Bidders (except with respect to the Stalking Horse Bidder); (ii) determine which bids are Qualified Bids (except with respect to the Stalking Horse Purchase Agreement); (iii) determine which Qualified Bid is the highest or otherwise best proposal and which is the next highest or otherwise best proposal,

(iv) reject any bid that is (a) inadequate or insufficient (other than the Stalking Horse Purchase Agreement), (b) not in conformity with the requirements of these Sale Procedures, any applicable order of the Bankruptcy Court, or the requirements of the Bankruptcy Code, or (c) contrary to the best interests of the Debtors and their estates (other than the Stalking Horse Purchase Agreement); (v) waive terms and conditions set forth herein with respect to all potential bidders, (vi) impose additional terms and conditions with respect to all potential bidders, (vii) subject to the consent of the Stalking Horse Bidder, extend the deadlines set forth herein, (ix) adjourn or cancel the Auction and/or the Sale Hearing in open court without further notice; and (x) subject to the consent of the Stalking Horse Bidder, modify these Sale Procedures (other than in express contravention of any procedures required by the Stalking Horse Purchase Agreement) as they may determine to be in the best interests of their estates or to withdraw the Motion at any time with or without prejudice.

EXHIBIT A to Sale Procedures

Stalking Horse Purchase Agreement

[To Be Filed]

EXHIBIT 2

Auction and Sale Notice

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

In re:	:	Chapter 11
	:	
MAURICE SPORTING GOODS, INC., <u>et al.</u> , ¹	:	Case No. 17-12481 (CSS)
	:	
Debtors.	:	Jointly Administered
	:	Cure Amount Objection Deadline:
	:	December 15, 2017 at 4:00 p.m. (ET)
	:	Sale Objection Deadline:
	:	December 15, 2017 at 4:00 p.m. (ET)
	:	Sale Hearing Date:
	:	December 20, 2017 at 10:00 a.m. (ET)

NOTICE OF AUCTION AND SALE HEARING

PLEASE TAKE NOTICE that, on November 21, 2017, the above-captioned debtors and debtors in possession (each, a “Debtor,” and collectively, the “Debtors”) filed their motion for entry of (a) an order (the “Sale Procedures Order”) (i) approving sale procedures (the “Sale Procedures”) with respect to a sale (the “Sale”) of the Debtors’ Assets (defined below); (ii) approving stalking horse bidding protections; (iii) scheduling a hearing (the “Sale Hearing”) on the Sale and setting objection and bidding deadlines with respect to the Sale; (iv) directing that notice of the Sale Procedures and the Sale be given (the “Auction and Sale Notice”); and (v) granting related relief; and (b) an order (the “Sale Order”) (i) authorizing the Sale of the Assets free and clear of liens, claims, encumbrances, and other interests; (ii) authorizing and approving the purchase agreement (the “Purchase Agreement”); (iii) approving the assumption and assignment of certain executory contracts and unexpired leases, as necessary in connection with the Sale; and (iv) granting related relief (the “Motion”)² with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”).

PLEASE TAKE FURTHER NOTICE that the Debtors are seeking to sell substantially all of their respective assets (the “Assets”) to the Successful Bidder. Approval of the sale of assets to the Successful Bidder may result in, among other things, the assumption and assignment by a Debtor of certain executory contracts or leases. If you are a party to an executory contract or lease with a Debtor, you will receive a separate notice that contains relevant dates and other information that may impact you as a party to an executory contract or lease.

PLEASE TAKE FURTHER NOTICE that on [__], 2017, the Bankruptcy Court entered the Sale Procedures Order [D.I. [__]]. Pursuant to the Sale Procedures Order, the Auction shall take place on **December 18, 2017 at 10:00 a.m. (prevailing Eastern Time)** at the offices of Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801. Only parties that have submitted a Qualified Bid (as defined in the Sale Procedures attached to the Sale Procedures Order) by no later than **December 13, 2017, at 4:00 p.m. (Eastern Time)** (the “Bid Deadline”) may participate in the Auction. Any party that wishes to take part in this process and submit a bid for the Assets must submit their competing bid prior to the Bid Deadline and in accordance with the Sale Procedures. Parties interested in receiving information

¹ The Debtors and the last four digits of their respective federal taxpayer identification numbers are as follows: Maurice Sporting Goods, Inc. (3399); Danielson Outdoors Company, Inc. (0840); South Bend Sporting Goods, Inc. (6658); Triple Crown Holdings, Inc. (1847); and Matzuo America, Inc. (4950). The mailing address for the Debtors’ corporate headquarters is 1910 Techny Road, Northbrook, Illinois 60065.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

regarding the Sale of the Assets should contact Livingstone Partners, 443 North Clark, Chicago, IL 60654 (Attn: Joseph Greenwood), Telephone: (312) 670-5913, email: greenwood@livingstonepartners.com.

PLEASE TAKE FURTHER NOTICE that the Court has also scheduled a hearing to consider approval of the Sale of the Assets to the Successful Bidder (as defined in the Sale Procedures) free and clear of all liens, claims, and encumbrances before the Honorable Christopher S. Sontchi, United States Bankruptcy Judge, 824 North Market Street, Wilmington, Delaware 19801 on **December 20, 2017 at 10:00 a.m. (prevailing Eastern Time)**, or at such other time thereafter as counsel may be heard. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing or in the Agenda filed with the court prior to the Sale Hearing.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the Sale must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the Clerk of the Bankruptcy Court for the District of Delaware, Third Floor, 824 Market Street, Wilmington, Delaware 19801, on or before **4:00 p.m. (prevailing Eastern Time) on December 15, 2017**, or such later date and time as the Debtors may agree and (d) be served so as to be received no later than 4:00 p.m. (prevailing Eastern Time) on the same day, upon (i) Maurice Sporting Goods, Inc., 1910 Techny Road, Northbrook, Illinois 60065 (Attn: Patrick J. O'Malley); (ii) counsel to the Debtors, Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801 (Attn.: Robert S. Brady, Esq. and Michael R. Nestor, Esq.); (iii) counsel to the Stalking Horse Bidder, counsel to the Stalking Horse Bidder, Adelman & Gettleman Ltd., 53 W. Jackson Blvd., Suite 1050, Chicago, IL 60604 (Attn: Chad H. Gettleman); (iv) counsel to the Agent, Vedder Price, 222 North LaSalle Street, Chicago, Illinois 60601 (Attn: Douglas J. Lipke) and Pepper Hamilton LLP, 1313 Market Street, P.O. Box 1709, Wilmington, Delaware 19899 (Attn: David B. Stratton); (v) counsel to the Committee, if any; and (vi) the Office of the United States Trustee for the District of Delaware, 855 King Street, Suite 2207, Lockbox 35, Wilmington, Delaware 19801 (Attn: Mark Kenney).

PLEASE TAKE FURTHER NOTICE that this Notice of Auction and Sale Hearing is subject to the fuller terms and conditions of the Motion, the Sale Procedures Order and the Sale Procedures, which shall control in the event of any conflict with this Notice of Auction and Sale Hearing, and the Debtors encourage parties in interest to review such documents in their entirety. Copies of the Motion, the Stalking Horse Purchase Agreement, the Sale Procedures and/or the Sale Procedures Order may be obtained by written request to counsel to the Debtors, c/o Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, Attention: Debbie Laskin, or via e-mail at dlaskin@ycst.com. In addition, copies of the aforementioned pleadings may be found on the Bankruptcy Court's website, www.deb.uscourts.gov, and are on file with the Clerk of the Bankruptcy Court, Third Floor, 824 Market Street, Wilmington, Delaware 19801.

Dated: _____, 2017
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP

Robert S. Brady (No. 2847)
Michael R. Nestor (No. 3526)
Justin H. Rucki (No. 5304)
Ashley E. Jacobs (No. 5635)
Tara C. Pakrouh (No. 6192)
Rodney Square, 1000 North King Street
Wilmington, Delaware 19801
Telephone: (302) 571-6600/Facsimile: (302) 571-1253

Proposed Counsel to the Debtors and Debtors in Possession

EXHIBIT 3
Cure Notice

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

In re:	:	Chapter 11
	:	
MAURICE SPORTING GOODS, INC., <u>et al.</u> , ¹	:	Case No. 17-12481 (CSS)
	:	
Debtors.	:	Joint Administration Requested
	:	Cure Amount Objection Deadline:
	:	December 15, 2017 at 4:00 p.m. (ET)
	:	Sale Objection Deadline:
	:	December 15, 2017 at 4:00 p.m. (ET)
	:	Sale Hearing Date:
	:	December 20, 2017 at 10:00 a.m. (ET)

**NOTICE OF POSSIBLE
(I) ASSUMPTION AND ASSIGNMENT OF THE
DEBTORS’ EXECUTORY CONTRACTS AND (II) PROPOSED CURE AMOUNTS**

PLEASE TAKE NOTICE that on November 21, 2017, the above-captioned debtors and debtors in possession (collectively, the “Debtors”) filed their motion for entry of (a) an order (the “Sale Procedures Order”) (i) approving sale procedures (the “Sale Procedures”) with respect to a sale (the “Sale”) of the Debtors’ Assets (defined below); (ii) approving stalking horse bidding protections; (iii) scheduling a hearing (the “Sale Hearing”) on the Sale and setting objection and bidding deadlines with respect to the Sale; (iv) directing that notice of the Sale Procedures and the Sale be given (the “Auction and Sale Notice”); and (v) granting related relief; and (b) an order (the “Sale Order”) (i) authorizing the Sale of the Assets free and clear of liens, claims, encumbrances, and other interests; (ii) authorizing and approving the purchase agreement (the “Purchase Agreement”); (iii) approving the assumption and assignment of certain executory contracts and unexpired leases, as necessary in connection with the Sale; and (iv) granting related relief (the “Motion”)² with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”).

PLEASE TAKE FURTHER NOTICE that the Debtors are seeking to sell substantially all of their respective assets (the “Assets”) to the Successful Bidder. Approval of the sale of Assets to the Successful Bidder may result in, among other things, the assumption and assignment by a Debtor of certain executory contracts or leases.

¹ The Debtors and the last four digits of their respective federal taxpayer identification numbers are as follows: Maurice Sporting Goods, Inc. (3399); Danielson Outdoors Company, Inc. (0840); South Bend Sporting Goods, Inc. (6658); Triple Crown Holdings, Inc. (1847); and Matzuo America, Inc. (4950). The mailing address for the Debtors’ corporate headquarters is 1910 Techny Road, Northbrook, Illinois 60065.

² Capitalized terms not otherwise defined herein shall have the meanings given to them in the Motion.

PLEASE TAKE FURTHER NOTICE that the Court entered the Sale Procedures Order on [___], 2017. The Sale Procedures Order approved by the Court set the final dates of the deadlines proposed herein.

PLEASE TAKE FURTHER NOTICE that the Sale Hearing will be held before the Honorable Christopher S. Sontchi, United States Bankruptcy Judge, 824 North Market Street, Wilmington, Delaware 19801 on **December 20, 2017 at 10:00 a.m. (prevailing Eastern Time)**, or at such other time thereafter as the Court may indicate. The Sale Procedures Hearing and the Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for such hearing.

PLEASE TAKE FURTHER NOTICE that the Debtors are hereby providing notice identifying any executory contracts and unexpired leases (the “Executory Contracts”) that may be proposed to be assumed and assigned pursuant to the Purchase Agreement and the corresponding proposed cure amounts (the “Cure Amounts”) to each non-Debtor party to such Executory Contract, listed on Exhibit A attached hereto. An electronic copy of the exhibit to this notice may be obtained by written request to counsel to the Debtors, c/o Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 King Street, Wilmington, Delaware 19801 (Attn: Debbie Laskin, email: dlaskin@ycst.com). In addition, a copy of this notice may be found on the Bankruptcy Court’s website (www.deb.uscourts.gov) and it is on file with the Clerk of the Bankruptcy Court, Third Floor, 824 Market Street, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE that objections (“Objections”), if any, to the proposed Cure Amounts and the assignment of the applicable Executory Contract must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the Clerk of the Bankruptcy Court for the District of Delaware, Third Floor, 824 Market Street, Wilmington, Delaware 19801, on or before **4:00 p.m. (prevailing Eastern Time) on December 15, 2017**, or such later date and time as the Debtors may agree or the Court may order and (d) be served so as to be received no later than 4:00 p.m. (prevailing Eastern Time) on the same day, upon (i) Maurice Sporting Goods, Inc., 1910 Techny Road, Northbrook, Illinois 60065 (Attn: Patrick J. O’Malley); (ii) counsel to the Debtors, Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801 (Attn.: Robert S. Brady, Esq. and Michael R. Nestor, Esq.); (iii) counsel to the Stalking Horse Bidder, counsel to the Stalking Horse Bidder, Adelman & Gettleman Ltd., 53 W. Jackson Blvd., Suite 1050, Chicago, IL 60604 (Attn: Chad H. Gettleman); (iv) counsel to the Agent, Vedder Price, 222 North LaSalle Street, Chicago, Illinois 60601 (Attn: Douglas J. Lipke) and Pepper Hamilton LLP, 1313 Market Street, P.O. Box 1709, Wilmington, Delaware 19899 (Attn: David B. Stratton); (v) counsel to the Committee, if any; and (vi) the Office of the United States Trustee for the District of Delaware, 855 King Street, Suite 2207, Lockbox 35, Wilmington, Delaware 19801 (Attn: Mark Kenney) (collectively, the “Notice Parties”). All Objections must include all objections to assumption, assignment, and/or transfer on all grounds, including the ability of the Stalking Horse Bidder to provide adequate assurance of future performance.

PLEASE TAKE FURTHER NOTICE that any party that fails to object to the assumption and assignment of the Executory Contract shall be barred, enjoined and prohibited from asserting any claim or debt against the Debtors or their property or estates other than the proposed Cure Amounts, if any, and be barred from offsetting, seeking to offset, recoup, deduct

or set-off any claims such party may have against the Debtors from any amounts that may be or may become due under such Executory Contract prior to assignment against the Debtors or the Purchaser.

PLEASE TAKE FURTHER NOTICE that an auction (the “Auction”) may take place on **December 18, 2017 at 10:00 a.m. (prevailing Eastern Time)** at the offices of Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801. If an Executory Contract is included in a successful bid at the Auction by a party other than the Stalking Horse Bidder (each, a “Successful Bid”), the Debtors will provide a further notice to the affected non-Debtor parties to such Executory Contract identifying the party submitting a Successful Bid (each a “Successful Bidder”) and the Debtors propose that objections, if any, to the assumption and assignment of such agreement solely on the basis of whether a Successful Bidder other than the Stalking Horse Bidder can provide adequate assurance of future performance as required by section 365 of the Bankruptcy Code must: (a) be in writing; and (b) be filed with the Clerk of the Bankruptcy Court for the District of Delaware, Third Floor, 824 Market Street, Wilmington, Delaware 19801, on or before **9:00 a.m. (prevailing Eastern Time) on December 20, 2017**, or such later time as the Debtors may agree or the Court may order. Any affected non-Debtor parties to an Executory Contract may request e-mail or fax service of the further notice identifying any Successful Bidder other than the Stalking Horse Bidder by submitting a written request to counsel to the Debtors, c/o Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 King Street, Wilmington, Delaware 19801 (Attn: Debbie Laskin, email: dlaskin@ycst.com) that includes a fax or e-mail address where such additional notice may be sent.

PLEASE TAKE FURTHER NOTICE that, unless the non-Debtor party to an Executory Contract or any other party in interest files an objection on or before the Cure Objection Deadline such parties shall (i) be forever barred from objecting to the Cure Amount and from asserting any additional cure or other amounts with respect to such Executory Contract and the Debtors shall be entitled to rely solely upon the Cure Amount; (ii) be deemed to have consented to the assumption and assignment of such Executory Contract and shall be forever barred and estopped from asserting or claiming against the Debtors, the Successful Bidder at the Auction or any other assignee of the relevant Executory Contract that any additional amounts are due or defaults exist, or conditions to assumption and assignment must be satisfied under such Executory Contract; and (iii) to the extent the assumption and assignment of the Executory Contract may constitute a default under any related documents, such default shall be deemed to have been irrevocably waived.

PLEASE TAKE FURTHER NOTICE that if you agree with the Cure Amounts, you need not take any further action.

PLEASE TAKE FURTHER NOTICE that the Bankruptcy Court will hear the Objections, if any, at the Sale Hearing. Only those Objections that are timely filed and served will be considered at the Sale Hearing.

PLEASE TAKE FURTHER NOTICE that the Debtors reserve the right to modify the Cure Amounts at any time prior to the Sale Hearing. To the extent that the Debtors modify the

Cure Amounts, the affected party shall receive a separate notice and an additional opportunity to object to such modified Cure Amount.

PLEASE TAKE FURTHER NOTICE THAT, BY LISTING AN EXECUTORY CONTRACT ON THIS NOTICE, (I) THE DEBTORS DO NOT MAKE A REPRESENTATION THAT ANY SUCH AGREEMENT OR OTHER DOCUMENT IS ACTUALLY AN EXECUTORY CONTRACT OR LEASE, AND (II) NO PARTY IS ASSURED THAT ANY EXECUTORY CONTRACT WILL BE ASSUMED AND ASSIGNED.

Dated: _____, 2017
Wilmington, Delaware

YOUNG CONAWAY STARGATT & TAYLOR, LLP

Robert S. Brady (No. 2847)
Michael R. Nestor (No. 3526)
Justin H. Rucki (No. 5304)
Ashley E. Jacobs (No. 5635)
Tara C. Pakrouh (No. 6192)
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253

Proposed Counsel to the Debtors and Debtors in Possession

EXHIBIT B

Sale Order

[To Be Subsequently Filed]

EXHIBIT III

Letter of Intent

**Middleton Management Company,
LLC 400 Skokie Boulevard, Suite 405
Northbrook, IL 60062**

November 19, 2017

Maurice Sporting Goods, Inc.
Attn: Mr. Jory Katlin
1910 Techny Road
Northbrook, IL 60065

Re: Acquisition of Certain Assets of Maurice Sporting Goods, Inc.

Dear Jory:

Thank you for your and your team's cooperation and assistance in our ongoing due diligence efforts. My group continues to spend substantial time and cost analyzing this opportunity and trying to determine if and how the business can succeed going forward, especially in light of the loss of the significant Canadian Tire account. Despite the loss of that account, and based on our due diligence efforts to date, we believe an acquisition pursuant to the following outline in this letter can be successful, in the best interests of all interested parties, and will help the debtor and its secured lenders, with BMO Harris Bank, N.A., as their agent (collectively, the "**Lenders**"), maximize creditor recoveries.

This non-binding letter of intent ("**LOI**") sets forth the terms and conditions upon which Middleton Management Company, LLC, an Illinois limited liability company, or its nominee ("**Buyer**"), will acquire certain assets of Maurice Sporting Goods, Inc. ("**Debtor**"), and certain of its subsidiaries (collectively, "**Seller**"), free and clear of any and all liens, claims, encumbrances and interests, subject to the negotiation and execution of a definitive asset purchase agreement (the "**APA**") and the entry of a bankruptcy court order in a Chapter 11 bankruptcy cases to be filed for each Seller approving the sale pursuant to Sections 363 and 365 of the Bankruptcy Code ("**Section 363 Sale**" or "**Sale Order**").

Buyer is in the business of investing equity capital in a wide variety of operating businesses and real estate. In the past five years, Buyer has invested in excess of \$250MM of private equity in more than 25 distinct transactions, each of which shares a common theme: value-added opportunity offering equity returns that exceed industry or sector comparables. Buyer's operating businesses focus on manufacturers whose principal customer bases are comprised of national or regional "big box" and e-commerce retailers. Buyer's principals have a 30-year history in the acquisition, operation and sale of more than 50 operating companies.

1. Acquired Assets. The assets to be acquired under the APA (collectively, the "**Acquired Assets**") shall be sold, in bulk, AS IS, WHERE IS, with such representations and warranties as are customary in Section 363 sales, and shall consist of all of the assets of Seller necessary and useful in operating Seller's business, including, without limitation: (a) all customer contracts and outstanding customer purchase orders; all intellectual and intangible

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property; all fixed assets; certain books and records; licenses, if assignable; certain executory contracts and unexpired leases; and certain causes of action to be identified by Buyer in the APA, title to all of which assets shall be transferred by Seller to Buyer at the "Closing", as defined below (collectively, the "**Closing Assets**"); and (b) certain inventory, title to which shall be transferred by Seller to Buyer after the Closing, as described below. Notwithstanding anything to the contrary contained herein, the Acquired Assets shall not include any of the: (x) Seller's accounts receivable existing on the Closing ("**A/R**"); and (y) such other "Excluded Assets" as are customary in Section 363 sales and to be set forth in detail in the APA. For purposes of clarification, Buyer is not purchasing Debtor's stock ownership in and to any of its subsidiaries.

2. **Purchase Price.** The purchase price for the Acquired Assets shall be up to approximately Thirty Nine Million Dollars (\$39,000,000.00) ("**Purchase Price**"), consisting of:

(a) \$3 million for the Closing Assets payable by wire transfer in immediately available funds at the Closing ("**Closing Payment**");

(b) "New Inventory", as defined below, to be set forth on an exhibit to the APA, when and as purchased by Buyer following the Closing in an amount equal to the gross amount of New Inventory less the cash collected prior to Closing in the sale of such New Inventory and less the amount of A/R based upon the sale of such New Inventory prior to Closing, and payable within 5 business days from the "Customer Payment", as defined below, but in no event later than 60 days from and after Buyer's shipment of New Inventory items to customers, regardless of whether Buyer receives the underlying Customer Payment. The purchase price payable by Buyer to Seller for New Inventory shall be equal to 90% of Seller's "Cost";

(c) Approximately \$21 million for "Current Inventory", as defined below, to be set forth on an exhibit to the APA, when and as purchased by Buyer following the Closing, and payable within 5 business days from the Customer Payment, but in no event later than 60 days from and after Buyer's shipment of Current Inventory items to customers, regardless of whether Buyer receives the underlying Customer Payment, it being understood that Buyer agrees to: (i) use all reasonable diligence to obtain sufficient customer orders in the ordinary course of its business from and after the Closing to cause Buyer to purchase as much of the Current Inventory as practicable; and (ii) fill its customers' orders from the Current Inventory first to the extent practicable, before shipping similar inventory purchased in 2018 to fulfill any such customer orders; and

(d) Approximately \$10 million for "Non-Current Inventory", as defined below, to be set forth on an exhibit to the APA, when and as purchased by Buyer, and

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payable within 5 business days from the Customer Payment, but in no event later than 60 days from and after Buyer's shipment of Non-Current Inventory items to customers, regardless of whether Buyer receives the underlying Customer Payment, it being understood that Buyer intends to use all reasonable diligence to obtain sufficient customer orders in the ordinary course of its business to cause it to buy as much of the Non-Current Inventory as practicable.

(e) The allocation of the Purchase Price between each Seller shall be determined as part of Buyer's due diligence efforts described below, and set forth in the APA.

3. Inventory Acquisition.

(a) Notwithstanding the exclusion of the New Inventory, Current Inventory and Non-Current Inventory (collectively, the "**Seller's Inventory**") from the Closing Assets, Buyer shall take possession, custody and control of Seller's Inventory from and after the Closing and store Seller's Inventory at Buyer's facilities, at Buyer's sole cost, subject to the terms and conditions of this LOI. Buyer shall, at Buyer's sole cost, appropriately insure the Seller's Inventory while under Buyer's control. The actual inventory count of the Seller's Inventory shall be calculated on the day of Closing through a manual inventory count, consistent with Seller's past practices.

(b) For purposes hereof, "Customer Payment" shall mean the date of Buyer's receipt of good and collected funds from a customer.

(c) "New Inventory" shall mean good and saleable inventory purchased by Seller from and after the date of the first draw down on the post-petition DIP Loan, in the ordinary course of its business pursuant to purchase orders from existing customers, which has not been shipped to such customer by Seller as of the Closing, provided however that: (i) Seller shall not purchase any New Inventory prior to the Closing without the prior written consent of Buyer, which consent shall not be unreasonably withheld; and (ii) under no circumstances shall Buyer have any direct or indirect liability of any kind or nature whatsoever arising out of, under or related to Seller's purchase of any and all such New Inventory. "Seller's Cost" means the fully loaded cost FOB to Seller as calculated in accordance with Seller's past practice.

(d) For purposes hereof, "Current Inventory" shall mean good and saleable inventory purchased by Seller prior to the date of the first draw down on the post-petition DIP Loan, in the ordinary course of its business. Buyer shall purchase Current Inventory on an as needed basis only for the 2018 selling season, as determined by Buyer, in its sole and absolute discretion, for an amount equal to 90% of Seller's Cost.

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(e) For purposes hereof, "Non-Current Inventory" shall mean all of Seller's Inventory, other than New Inventory and Current Inventory. Buyer shall purchase Non-Current Inventory on an as needed basis only, as determined by Buyer, in its sole and absolute discretion, for an amount equal to 90% of Buyer's sales price to its customers of such Non-Current Inventory, provided however, that Buyer shall not sell any of the Non-Current Inventory for less than 40% of Seller's Cost without Seller's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

(f) Notwithstanding anything to the contrary contained herein, Buyer shall have the right at any time after one year from Closing to notify Seller of any Current Inventory and/or Non-Current Inventory which Buyer no longer wants to purchase ("**Unsold Inventory**"), in which case, Seller shall promptly make such arrangements to have the Unsold Inventory removed from Buyer's facilities, at Seller's sole cost. Buyer shall reasonably cooperate with Seller in the removal or disposal of the Unsold Inventory.

4. **Collection of A/R.** Buyer shall use reasonable diligence to collect Seller's A/R on behalf of Seller from and after the Closing and remit 95% of such proceeds to Seller on a monthly basis within 5 business days following the month in which such A/R proceeds are collected by Buyer in good and collectible funds (the 5% to be retained by Buyer as a collection fee), provided however, that under no circumstances, shall Buyer have any: (a) liability of any kind whatsoever for any amounts owing by Seller to the account debtor, in the form of refunds, rebates, offsets or otherwise; and (b) responsibility or obligation to institute legal proceedings to collect any of the A/R. The commencement, prosecution and/or settlement of any and all such legal proceedings shall within Seller's sole discretion, and if commenced, shall be brought by, and in the name of, Seller, at Seller's sole cost. Buyer will be entitled to notify Seller in writing from time to time that Buyer, in its sole and absolute discretion, is terminating its collection activities as to the identified A/R, in which case, all further collections efforts for such A/R shall be Seller's sole responsibility.

5. **Chapter 11 Case.**

(a) It is contemplated that each Seller shall file a voluntary petition under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware (collectively, the "**Chapter 11 Case**" or "**Bankruptcy Court**") within five (5) days from and after the acceptance of this LOI by Seller ("**Petition Date**"). Within one (1) business day from the Petition Date, Seller shall file and present an emergency motion in the Chapter 11 Case, in form and substance reasonably acceptable to Buyer, seeking the entry of an order authorizing Seller to sell the Acquired Assets free and clear of all liens, claims, encumbrances and interests; establishing the sales and bidding procedures for the Acquired Assets, including the provisions set forth in (b) below; and providing such other relief as is necessary and customary in Section 363

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sales ("**Bidding Procedures Order**"). The Bidding Procedures Order shall be entered no later than December 1, 2017. Each Seller's Chapter 11 Case shall be related and jointly administered, and the motion above and Bidding Procedures Order shall provide for the combined and simultaneous sale of Acquired Assets owned by each Seller.

(b) Among other things, the Bidding Procedures Order shall: (i) approve the APA as the stalking horse bid with bid protection of \$1.5 million ("**Bid Protection**") and a break-up fee of \$500,000 ("**Break-Up Fee**") in favor of Buyer; (ii) permit only "Qualified Bids" to be considered by Seller for purposes of the "Auction" and "Sale Hearing", as those terms are defined below; (iii) provide that in order for a bid to be a "**Qualified Bid**", it must: (A) be on terms substantially similar or better to the APA; (B) not contain any financing or due diligence contingencies; (C) be accompanied by such information as is necessary to support the bidder's financial wherewithal to close the transactions contemplated herein; and (D) be accompanied by an earnest money deposit payable to Seller of at least \$500,000; (iv) set a bid deadline for the submission of Qualifying Bids no later than December 13, 2017 ("**Bid Deadline**"); (v) require an auction no later than December 18, 2017 ("**Auction**"); (vi) require a sale hearing in the Chapter 11 Case to approve the highest and best Qualifying Bid for the Acquired Assets and Inventory no later than December 20, 2017 ("**Sale Hearing**"); (vii) provide that the APA shall be considered a Qualifying Bid, and shall be the opening bid at the Auction; and (viii) require a closing of the prevailing bid at the Auction no later than December 22, 2017 ("**Closing**").

(c) Within three (3) business days of the filing of the Chapter 11 Case, Seller shall obtain the entry of an interim order in the Chapter 11 Case, in form and substance acceptable to Buyer, in its sole discretion, approving such debtor in possession financing accommodations from the Seller's secured lenders (collectively, the "**Lender**"), in such amount and manner as are necessary for Seller to operate its business in the ordinary course to the reasonable satisfaction of Buyer from the commencement of the Chapter 11 Case and through the Closing, including, without limitation, Seller's placing of purchase orders with its vendors necessary to satisfy in full all outstanding and projected customer orders during the 90 days following Closing ("**DIP Loan**" or "**DIP Order**"). The final DIP Order shall include same.

(d) Subject to the written approval of this LOI by the Lenders, and the execution of this LOI by Seller, within three (3) business days from the entry of the DIP Order and the execution of an escrow agreement between Buyer and the Lenders, in form and substance acceptable to Buyer in its sole discretion, Buyer shall deposit the sum of \$500,000 into an escrow account to be established at CIBC Bank USA ("**Deposit**"). The Deposit shall be immediately and fully refundable to Buyer in the event for any reason whatsoever, Buyer terminates its interest in the Acquired Assets in writing, in its sole discretion, whether as a result of Buyer's due diligence

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review, inability to negotiate an acceptable APA, or for any other reason of any kind or nature whatsoever. If and when an APA consistent with the terms of this LOI is executed by all parties thereto, the Deposit shall serve as an earnest money deposit thereunder pursuant to the terms and conditions of the APA and the Bidding Procedures Order.

(e) Seller shall obtain the entry of orders in the Chapter 11 Case prior to Closing providing for the payment of amounts owing to its critical vendors, Signet and Verko, on terms and conditions satisfactory to Buyer and such critical vendors (collectively, the "**Critical Vendor Funding**").

6. Due Diligence. Buyer shall complete its due diligence efforts or shall have waived further due diligence on or before the date of the hearing on Seller's motion for the entry of the Bidding Procedures Order ("**Bidding Procedures Hearing**"). Buyer will continue its due diligence efforts after Seller's acceptance of this LOI, at Buyer's sole cost, which due diligence will include, without limitation, facility visits, meetings with senior management, customer and vendor calls or meetings, and a review of Seller's books, records, loan documentation, and other legal documents by Buyer and its legal and accounting advisors. Seller shall use reasonable diligence in facilitating Buyer's due diligence efforts. If the results of Buyer's due diligence efforts, at any time prior to the entry of the Bidding Procedures Order are unacceptable for any reason whatsoever to Buyer in its sole discretion, Buyer shall not be under any obligation to take any further action in connection with this LOI, or otherwise, including, without limitation, executing the APA or consummating the transactions set forth therein, and no party shall have any further right or obligation under this LOI except as expressly set forth in paragraph 14 below.

7. Definitive Asset Purchase Agreement. The parties shall use all reasonable diligence to cause an APA, consistent with the general substance of the terms and conditions set forth herein, and such other terms and conditions as are customary for a transaction of this size and nature in a Section 363 sale, in accordance with the Bidding Procedures Order, to be executed before the date of the Bidding Procedures Hearing. The sale of the Acquired Assets shall be set forth in one APA signed by each Seller. The parties acknowledge that the APA will be subject to higher and better Qualifying Bids by the Bid Deadline, the outcome of the Auction, and the entry of the Sale Order. Within seven (7) days from Seller's acceptance and execution of this LOI, and Lenders' written consent thereto, Buyer's counsel shall prepare and send the initial draft of the APA to Seller's counsel. The earnest money under the APA shall be as set forth in paragraph 5(d) above. Seller agrees to include a provision in the DIP Order providing that if Buyer makes the Deposit in accordance with paragraph 5(d) above, and Buyer executes the APA consistent with the terms of this LOI on or before the date of the Bidding Procedures Hearing, and Seller is unable to obtain the entry of the Bidding Procedures Order which includes the requirements of paragraph 5(b) above, then within two (2) business days thereafter, Seller shall pay Buyer the sum of \$150,000 via wire transfer in good and

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collectible funds, to reimburse Buyer for its costs and expenses incurred in connection with this LOI, the APA, due diligence and the Section 363 Sale ("**Expense Reimbursement**"), and Buyer shall have no further duties or responsibilities in connection with this LOI, the Acquired Assets and/or the Chapter 11 Case of any kind or nature whatsoever.

8. Conditions to Close. The obligations of Seller and Buyer to consummate the Section 363 Sale will be subject to customary matters such as those seen in other transactions of this size and nature, but also including, but not limited to:

(a) The timely commencement of the Chapter 11 Case and timely entry of the Bidding Procedures Order;

(b) Seller's continued operation of its business in the ordinary course consistent with past practices, without material adverse changes, which continued operation includes, without limitation, Seller's: (i) receiving sufficient financing from the Lenders, including, without limitation, a sufficient DIP Loan in the Chapter 11 Case, to permit Seller, to purchase such amount of New Inventory necessary to fill all outstanding and new customer purchase orders for which New Inventory is required to be delivered to such customers prior to the Closing, including, without limitation, all purchase orders received for the week of November 12, 2017 continuing through and including the Closing ("**Pre-Closing Orders**"); (ii) timely shipping New Inventory for such Pre-Closing Orders; and (iii) retaining such customers and vendors, and upon such terms and conditions, that Buyer deems necessary, in its sole discretion;

(c) Seller's ability to purchase prior to, and have on hand as of the, Closing all New Inventory necessary to fill all outstanding and projected customer purchase orders for which New Inventory would be due to be delivered to such customers during the first 90 days from and after the Closing;

(d) Buyer's entry into or assumption of, as applicable, at Closing the two following commercial leases, upon such terms as are acceptable to Buyer in its sole discretion, with the owners of such properties: (i) approximately 36,000 square feet (at \$10/sf) of Seller's current corporate headquarters located at 1910 Techny Road, Northbrook, IL; and (ii) those facilities located at 1825 Shermer Rd., Northbrook, IL consisting of approximately 105,000 square feet (at \$4/sf triple net), with BMO Harris Bank, N.A., as the Lenders' agent, receiving an assignment of such rents;

(e) The entry of orders in the Chapter 11 Case rejecting Seller's leases of its Atlanta, GA and Toronto, Ontario, Canada facilities, and Buyer's entry at Closing of written month to month leases for such facilities (Atlanta - not to exceed 6 months) and (Toronto - not to exceed 3 months) upon such terms as are acceptable to Buyer in its sole

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discretion;

(f) The Sale Order shall include the authorization for Seller's assumption and assignment to Buyer at Closing of the leases for Seller's sales offices located in Miami FL, Bentonville, AR; Washington-Danielson, WA; Fort Myers, FL; St. Claire, MO - Rivers Edge; and China. For purposes of clarification, Buyer does not want the Pittsburgh, PA; Denver, CO; and South Sioux Falls, SD sales offices;

(g) The execution of a services agreement between Buyer and Patrick Wrob, former owner and current manager of Debtor's wholly owned subsidiary, Rivers Edge, in such form and substance as Buyer deems necessary, in Buyer's sole discretion;

(h) The execution of a services agreement between Buyer and Steve Arnold ("**Arnold**"), former owner of Debtor's subsidiary, First Source, in such form as Buyer deems necessary, in Buyer's sole discretion, whereby, in consideration of services to be rendered by Arnold to Buyer, Buyer shall pay Arnold the sum of \$750,000 per year for 3 years, commencing on June 30, 2018, and continuing on the 30th day of June, 2019 and 2020, for a total of \$2.25 million;

(i) The timely entry of the Sale Order;

(j) Buyer's execution of an asset based lending arrangement prior to Closing with a financial institution, upon terms and conditions satisfactory to Buyer, in its sole and absolute discretion, providing Buyer with advances based on 85% of accounts receivable and 60% of inventory, plus a seasonal over advance of \$5 million. Buyer agrees to use reasonable diligence to satisfy such financing contingency prior to a Closing; and

(k) The entry of a court order(s) providing for the Critical Vendor Funding in form and substance satisfactory to Buyer in its sole discretion.

9. Cooperation. The parties will diligently cooperate in obtaining all necessary judicial and regulatory approvals from applicable federal, state and local authorities and will diligently pursue all necessary corporate or other organizational action to authorize and consummate the transactions contemplated herein in accordance with the terms of the APA.

10. Fees and Expenses. Except as otherwise set forth in this LOI regarding the Expense Reimbursement, each party agrees that it will pay its respective expenses (including fees and expenses of legal counsel, accountants, investment bankers, brokers, or other representatives or consultants) in connection with the transactions contemplated hereby regardless of whether such transactions are consummated or whether the APA is executed. Seller

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shall be solely responsible for the payment of all sums owing to Livingstone Partners, LLC.

11. Exclusive Dealing. Upon execution of this LOI, Seller agrees that it shall not prior to the hearing on the Bidding Procedures Order, directly or indirectly, solicit and/or seek to have any other offer(s) approved in the Chapter 11 Case as a stalking horse bid, and shall not offer any third party with such stalking horse bidder status or any Bid Protection or a Break-Up Fee in any amounts whatsoever, provided however, that if Buyer terminates its efforts regarding the Acquired Assets for any reason whatsoever prior to the hearing on the Bidding Procedures Order, Seller may thereafter solicit other stalking horse offers.

12. Confidentiality. The parties agree that from and after the date of this LOI and continuing to the Petition Date, the terms and conditions contained in this LOI, and the discussions and negotiations leading hereto, shall be confidential and shall not be disclosed by them, their agents and representatives, to any third party, except for the parties' respective advisers, agents, representatives, lenders or potential lenders, as necessary, that agree to be bound by this confidentiality provision. Upon the commencement of the Chapter 11 Case, the terms and conditions of this LOI may be disclosed by Seller as required therein.

13. Business Operations. Each party understands and agrees that Seller is solely responsible for operating its business prior to the Closing, and in no event will Buyer have any authority to operate Seller's business, nor shall Buyer be, or deemed to be, in control of Seller's business prior to the Closing. Neither Buyer nor any of its affiliates, partners, members, officers, employees or agents shall be liable to Seller, its creditors, equity security holders and any other interested parties for any claims, loss, liability, damage or expense of any kind or nature whatsoever arising out of, under or related to Seller's assets and business, including, without limitation, the Acquired Assets.

14. Binding Effect; Counterparts; Miscellaneous. Except as set forth in paragraph 7 regarding payment of the Expense Reimbursement, paragraphs 10 - 13 and this paragraph 14, which such paragraphs shall constitute binding agreements between the parties hereto and their respective successors and assigns, neither party shall have any legally binding obligation to the other unless and until an APA is executed by each of the Buyer and Seller and approved by the Sale Order. This LOI may be signed in two or more counterparts, including by way of email authorization, any one of which need not contain the signature of more than one party, but all such counterparts taken together will constitute the one and the same agreement and shall be governed by the laws of the State of Delaware.

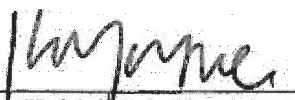
If the foregoing reflects your understanding of our agreement, please cause a counterpart of this LOI to be executed by an authorized representative of Seller and delivered and returned to the undersigned by no later than 12:01 p.m. (Central time) on November 20,

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2017. If an executed copy of this LOI is not received by such time, this LOI shall be null and void and of no legal effect whatsoever.

Sincerely,

MIDDLETON MANAGEMENT GROUP, LLC

By: 
Name: Keith W. Jaffee
Its: Authorized Representative

Agreed and accepted as of November __, 2017 by:

MAURICE SPORTING GOODS, INC.

By: _____
Name: Jory Katlin
Its: President and CEO

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By: 
Name: Jory Katlin
Its: President and CEO