

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

SOURCE HOME ENTERTAINMENT, LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 14-11553 (KG)
)
) (Jointly Administered)
)
) Objection Deadline: July 14, 2014 at 4:00 p.m. (ET)
) Bidding Procedures Hearing Date: July 21, 2014 at
) 2:00 p.m. (ET)

**DEBTORS' MOTION FOR ENTRY OF (I) AN ORDER (A) APPROVING
BIDDING PROCEDURES AND BID PROTECTIONS IN CONNECTION WITH
THE SALE OF CERTAIN OF THE DEBTORS' ASSETS, (B) APPROVING THE FORM
AND MANNER OF NOTICE, (C) SCHEDULING AN AUCTION AND A SALE
HEARING, (D) APPROVING PROCEDURES FOR THE ASSUMPTION AND
ASSIGNMENT OF CONTRACTS, AND (E) GRANTING RELATED RELIEF AND
(II) AN ORDER (A) APPROVING THE ASSET PURCHASE AGREEMENT BETWEEN
THE DEBTORS AND THE PURCHASER, (B) AUTHORIZING THE SALE OF
CERTAIN OF THE DEBTORS' ASSETS FREE AND CLEAR OF LIENS, CLAIMS,
ENCUMBRANCES, AND INTERESTS, (C) AUTHORIZING THE ASSUMPTION
AND ASSIGNMENT OF CONTRACTS, AND (D) GRANTING RELATED RELIEF**

The above-captioned debtors and debtors in possession (collectively, the "Debtors") file this motion (this "Motion") for the entry of (I) an order, substantially in the form attached hereto as **Exhibit A** (the "Bidding Procedures Order"): (a) authorizing and approving the bidding procedures attached to the Bidding Procedures Order as **Exhibit 1** (the "Bidding Procedures") and approving the Bid Protections (as defined below) in connection with the sale of certain assets (the "Assets") comprising the Debtors' retail display manufacturing and installation business (the "Retail Display Business"); (b) approving the form and manner of

¹ The Debtors, together with the last four digits of each Debtor's federal tax identification number, are: Source Home Entertainment, LLC (8517); Directtuo, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors' corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.



notice of an auction (the “Auction”) and sale hearing (the “Sale Hearing”) with respect to the sale of the Assets free and clear of liens, claims, encumbrances, and other interests (the “Sale”); (c) scheduling the Auction and Sale Hearing; (d) approving procedures for the assumption and assignment of certain executory contracts and unexpired leases in connection with the Sale (collectively, the “Contracts”); and (e) granting related relief; and (II) at the conclusion of the Sale Hearing, an order, substantially in the form attached hereto as **Exhibit C** (the “Sale Order”): (a) approving that certain asset purchase agreement dated June 22, 2014, by and among the Debtors and Cortland Capital Market Services LLC (the “Purchaser” or “Stalking Horse Bidder”), attached hereto as **Exhibit B** (the “Stalking Horse APA”); (b) authorizing and approving the Sale of all or substantially all of the Assets free and clear of liens, claims, encumbrances, and other interests to the extent set forth in the Stalking Horse APA; (c) authorizing the assumption and assignment of the Contracts; and (d) granting related relief. In support of this Motion, the Debtors respectfully state as follows:

Jurisdiction

1. The United States Bankruptcy Court for the District of Delaware (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 February 29, 2012. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2), and the Court may enter a final order consistent with Article III of the United States Constitution.

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

3. The statutory bases for the relief requested herein are sections 105, 363, 365, and 1146(a) of title 11 of the United States Code, 11 U.S.C. §§ 101–1532

(the “Bankruptcy Code”), Rules 2002, 6004, and 6006 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”).

Preliminary Statement²

4. As previewed at their first day hearing, the Debtors have accepted a stalking horse bid (the “Stalking Horse Bid”) and successfully entered into the Stalking Horse APA for the sale of the Assets comprising the Retail Display Business. This agreement provides significant baseline value for the Debtors’ estates, while also permitting the Debtors to continue seeking higher or better offers through the proposed auction and sale process set forth for approval herein.

5. Under the Stalking Horse APA, the Stalking Horse Bidder has agreed to:

- credit bid approximately \$24 million of its claims under the Debtors’ senior secured prepetition loan, subject to certain purchase price adjustments;
- assume liabilities for, among other things, Contract cure costs and employee- and payroll-related liabilities;
- leave behind a significant number of avoidance actions and other assets for the benefit of these chapter 11 estates; and
- accept an expense reimbursement capped at \$600,000 and **no** break-up fee as its bid protections—a package that is highly favorable to these chapter 11 estates.

6. The Debtors’ ability to capitalize on this bid and to improve creditor recoveries depends on their ability to efficiently proceed on the timeline proposed herein. Specifically, the Debtors respectfully request that the Court approve the following general timeline:

² Capitalized terms used in this Preliminary Statement but not defined herein shall have the meanings set forth elsewhere in the Motion.

- Qualified Bids (as defined in the Bidding Procedures) for the Assets to be submitted by August 22, 2014;
- the Auction to be conducted on September 8, 2014; and
- the Sale Hearing to occur by September 11, 2014.

7. The Debtors believe that this timeline maximizes the prospect of receiving a higher or otherwise better offer for the Assets without unduly prejudicing these chapter 11 estates. Specifically, uncertainty among customers, vendors, and employees regarding the ultimate disposition of the Retail Display Business could impair value to the detriment of these chapter 11 estates. The Stalking Horse Bid also expires on October 21, 2014, if a sale transaction is not consummated by that time. Importantly, the Debtors are also required under their Cash Collateral Order³ to comply with auction and sale-process deadlines consistent with the above timeline. (*See* Cash Collateral Order ¶ 11(e).) And, as noted above, the Debtors believe the transaction proposed herein continues to provide ample opportunities to improve value versus the Stalking Horse Bid—particularly in light of the extensive timeline proposed herein.

8. To ensure that the Debtors' proposed Auction and Sale process maximizes value to the benefit of the Debtors' estates, the Debtors will use this time to actively market the Assets in an attempt to solicit higher or otherwise better bids. In particular, the Debtors, in consultation with their turnaround and crisis management advisors, FTI Consulting, Inc. ("FTI"), have developed a list of approximately 50 potential financial and strategic buyers whom the Debtors believe may be interested in and have the financial resources to consummate a competing

³ "Cash Collateral Order" means the *Order (INTERIM) (A) Authorizing Postpetition Use of Case Collateral, (B) Granting Adequate Protection to the Secured Parties, (C) Scheduling a Final Hearing and (D) Granting Related Relief* [Docket No. 45].

transaction for the Assets. Indeed, FTI has already begun delivering teaser materials and non-disclosure agreements to such potential purchasers.

9. The Stalking Horse APA is instrumental to the Debtors' sale process—not only by establishing a price for the Assets against which other bidders may bid, but also by providing an avenue to preserve the Debtors' manufacturing and retail display operations. Consequently, the Debtors believe the relief requested by this Motion is in the best interests of their creditors, their employees, and all other parties in interest, and should be approved.

Relief Requested

10. By this Motion, the Debtors seek entry of the Bidding Procedures Order:

- (a) authorizing and approving the Bidding Procedures for competitive bidding in connection with the Sale, including the Expense Reimbursement required pursuant to the terms of the Stalking Horse APA;
- (b) approving the form and manner of notice of the Sale by Auction, the Sale Hearing, and related matters, substantially in the form attached as **Exhibit 2** to the Bidding Procedures Order (the "Sale Notice");
- (c) authorizing and approving procedures for the assumption and assignment of Contracts;
- (d) establishing the following dates and deadlines, subject to modification:
 - (i) Contract Cure Objection Deadline: 4:00 p.m. (prevailing Eastern Time) on the later of (a) August 8, 2014, or (b) seven days from service of the Contract Notice (as defined herein), as the deadline to object to the cure amounts listed in the Contract Notice;
 - (ii) Preliminary Bid Deadline: August 15, 2014, at 5:00 p.m. (prevailing Eastern Time), as the deadline by which potential bidders must deliver the bid documents required to participate in the Auction pursuant to the Bidding Procedures (*i.e.*, an executed confidentiality agreement and evidence of financial wherewithal to consummate purchase of the Assets);
 - (iii) Bid Deadline: August 22, 2014, at 5:00 p.m. (prevailing Eastern Time), as the deadline by which bids for the Assets (as well as the deposit and all other documentation required

under the Bidding Procedures for Qualified Bidders (as defined in the Bidding Procedures)) must be actually received pursuant to the Bidding Procedures (the “Bid Deadline”);

- (iv) Sale Objection Deadline: September 4, 2014, at 4:00 p.m. (prevailing Eastern Time), as the deadline to object to the Sale;
- (v) Auction: September 8, 2014, at 10:00 a.m. (prevailing Eastern Time), as the date and time the auction, if one is needed, will be held at the offices of Kirkland & Ellis LLP, located at 601 Lexington Avenue, New York, New York 10022;
- (vi) Sale Hearing: September 11, 2014, at 9:00 a.m. (prevailing Eastern Time), or as soon as reasonably practicable thereafter, as the date and time for the Sale Hearing; and
- (vii) Contract Assignment Objection Deadline: 4:00 p.m. (prevailing Eastern Time) on the later of (a) September 15, 2014, or (b) seven days from service of the Assumption Notice (as defined herein), as the deadline to object to the assignment of the Contracts.

11. By this Motion, the Debtors also seek entry of the Sale Order at the conclusion of the Sale Hearing:

- (a) authorizing and approving the Sale to the Successful Bidder (as defined in the Bidding Procedures) on the terms substantially set forth in the Successful Bidder’s APA; and
- (b) authorizing and approving the assumption and assignment of the Contracts to the Successful Bidder.

12. The Debtors reserve the right to file and serve any supplemental pleading or declaration that the Debtors deem appropriate or necessary in their reasonable business judgment, including any pleading summarizing the competitive bidding and sale process and the results thereof, in support of their request for entry of the Sale Order before the Sale Hearing.

Prepetition Sale Process

13. As set forth more fully in the Debtors' First Day Declaration,⁴ in late May 2014, after suffering an unexpected setback in ongoing negotiations regarding their distribution businesses, the Debtors were forced to make the difficult decision to begin winding down their distribution operations. Since that time, the Debtors' primary goal has been to stabilize their remaining profitable business operations, such as the Retail Display Business, while seeking to maximize stakeholder recoveries through a chapter 11 process. At the same time, the Debtors recognized that the overhang of a chapter 11 filing could cause customers, vendors, and employees of the Retail Display Business to become concerned about the viability of the Debtors' remaining operations, and such uncertainty could materially impair the value of the Debtors' estates. As a result, the Debtors determined that an efficient process to monetize the Debtors' estates was necessary to maximize stakeholder value.

14. Accordingly, immediately upon commencing the wind-down of their distribution operations, the Debtors, along with FTI, began to evaluate strategic alternatives regarding a sale of the Debtors' assets. FTI assisted the Debtors over the next month in diligencing the Debtors' assets, determining whether the Retail Display Business could survive and operate profitably as a going concern independent from the Debtors' distribution operations, assembling the requisite documents and other relevant information for bidders to review in their conduct of due diligence, and compiling the contact information of dozens of parties that expressed an interest or potentially would be interested in acquiring the Assets comprising the Retail Display Business.

15. The Debtors recognized that time was limited and that they would be unable to complete a lengthy prepetition marketing process. At the same time, the Debtors believed it was

⁴ "First Day Declaration" means the *Declaration of Stephen Dubé in Support of First Day Motions* [Docket No. 2].

necessary to enter bankruptcy with a strong message for existing employees and customers that there was a clear path forward for the Retail Display Business. Accordingly, the Debtors and their advisors asked their prepetition term loan lenders to consider serving as the stalking horse bidder for the Assets. Over the following several weeks, the Debtors and their term loan lenders engaged in significant, arm's-length, good-faith negotiations regarding the terms of a sale of the Assets.

16. Through this process, the Debtors determined that the transactions proposed by the Stalking Horse Bidder presented a highly attractive opportunity to maximize value. On the one hand, the Stalking Horse Bid locks in a commitment to credit bid \$24 million of their claims on account of the Debtors' prepetition secured term loan, subject to potential adjustments set forth in the Stalking Horse APA, and to assume certain employee- and vendor-related liabilities. In doing so, the Stalking Horse APA ensures substantial benefit to the Debtors and their stakeholders in the form of continuity in the Retail Display Business's current operations, facilities, and employees. Moreover, the Stalking Horse APA has a relatively low level of contingencies and does not include a "diligence out" or similar termination event. On the other hand, the presence of a committed stalking horse bidder will help attract higher or otherwise better offers for the Assets. To this end, the Debtors successfully negotiated a fair and favorable bid protections package that appropriately protects the Stalking Horse Bidder, while facilitating continued bidding on the Assets. Accordingly, in June 2014, the Debtors and the Stalking Horse Bidder entered into a definitive asset purchase agreement to purchase the Assets, a summary of which is set forth below.

Material Terms of the Stalking Horse APA

17. The following chart summarizes the terms and conditions of the Stalking Horse APA and discloses certain information required pursuant to Local Rule 6004-1:⁵

Stalking Horse APA Provision	Summary Description
APA Parties (Recitals)	<p><u>Sellers:</u> Source Home Entertainment, LLC; Directtuo, Inc.; RDS Logistics, LLC; Retail Vision, LLC; Source Interlink Distribution, LLC; Source Interlink International, Inc.; Source Interlink Manufacturing, LLC; and Source Interlink Retail Services, LLC.</p> <p><u>Purchaser:</u> Cortland Capital Market Services LLC⁶</p>
Purchase Price, Including Credit Bid (§ 3.1) Local Bankr. R. 6004-1(b)(iv)(N)	<p>Aggregate consideration, subject to certain adjustments as set forth in <u>Section 3.1</u>, for the Assets shall be</p> <ul style="list-style-type: none"> • a credit bid of \$24 million; <u>plus</u> • the assumption of, and undertaking to discharge, the Assumed Obligations.
Acquired Assets (§ 2.1(a))	Substantially all of the Manufacturing Seller's assets and assets used in or relating to the operation of the Business as of the Closing Date, except for the Excluded Assets.
Assumed Obligations (§ 2.2(a))	<p>Assumed Obligations shall generally consist of the following:</p> <ul style="list-style-type: none"> • obligations under the Assumed Contracts; • property Taxes, <i>ad valorem</i> Taxes, and Transfer Taxes; • obligations for any Unfulfilled Purchase Order; • obligations or liabilities associated with the Assumed Plans; • obligations with respect to the Rehired Employees' unused vacation and sick leave, and unpaid wages and salary; and • certain liabilities related to the termination of employees of the Sellers or their subsidiaries.
Assumed Contracts (§ 2.1(a)(v))	Contracts listed on <u>Schedule 2.1(a)(v)</u> , ⁷ subject to Section 2.6 of the Agreement.
Excluded Assets (§ 2.3)	<p>Excluded Assets shall generally consist of the following:</p> <ul style="list-style-type: none"> • cash and cash equivalents in excess of the amount to be acquired pursuant to Section 2.1(a)(i) of the Agreement;

⁵ This summary is provided for the convenience of the Court and parties in interest. To the extent there is any conflict between this summary and the Stalking Horse APA, the Stalking Horse APA shall govern in all respects. Capitalized terms used in the following summary shall have the meanings ascribed to them in the Stalking Horse APA. All references to schedules or sections in the following summary shall refer to schedules or sections of the Stalking Horse APA.

⁶ The Stalking Horse Bidder intends to assign its rights and obligations in the Stalking Horse APA to a to-be-formed designee prior to or at closing of the Sale.

⁷ Pursuant to the terms of the Stalking Horse APA, the Debtors shall provide the Stalking Horse Bidder with the disclosure schedules prior to July 7, 2014. The Debtors intend to file a revised form of Stalking Horse APA once the disclosure schedules are finalized.

Stalking Horse APA Provision	Summary Description
	<ul style="list-style-type: none"> • rights under the Agreement; • Excluded Accounts Receivable; • Excluded Contracts; • assets or Contracts set forth on <u>Schedule 2.3(e)</u>; • assets associated with any Employee Benefit Plan that is not an Assumed Plan; • Tax refunds, rebates, credits, and similar items; • income Tax Returns; • the equity securities or other ownership interest of any Seller or any of Sellers' Affiliates; • all assets of the Sellers (other than Manufacturing Seller) other than assets that are Acquired Assets; and • all Excluded Causes of Action (including Avoidance Actions other than the Subject Avoidance Actions).
Excluded Liabilities (§ 2.4)	<p>Excluded Liabilities shall generally consist of liabilities or obligations relating to or arising out of the following:</p> <ul style="list-style-type: none"> • Excluded Assets or Excluded Contracts that are not Assumed Obligations; • Employee Benefit Plans (other than the Assumed Plans), except as otherwise set forth in the Agreement; • liabilities under Indebtedness for borrowed money; • except as set forth in <u>Section 2.6</u>, any amounts due or which may become due or owing under the Assumed Contracts with respect to the period prior to Closing; • litigation and related Claims and liabilities arising out of or in connection with events occurring on or prior to the Closing Date, no matter when raised; • all liabilities relating to any environmental, health, or safety matter (including any liability or obligation under any Environmental Law), arising out of or relating to any Seller's operation of the Business, any handling, exposure to, disposal, or incorporation into any products of any Hazardous Materials, or their leasing, ownership, operation, or occupation of real property on or prior to the Closing Date no matter when raised and all claims discharged by the Bankruptcy Court or dischargeable under the Bankruptcy Code; • all product liability claims against any Seller (including all liabilities arising out of or relating to any such claims), whether currently pending or relating to any product manufactured or sold by any Seller on or prior to the Closing Date; • any and all liabilities of any Seller under any collective bargaining agreement or any agreement with any labor union; • all liabilities of Sellers attributable to, incurred in connection with, arising from, or relating to, a violation of any laws governing employee relations, including anti-discrimination laws, wage and hour laws, labor relations laws, and occupational safety and health laws; • all Claims for indemnification of any present or former officer, director, employee, partner, or member of any Seller whether arising under bylaws, certificates of formation or other formation documents, or Contract, arising

Stalking Horse APA Provision	Summary Description
	<p>prior to the Closing Date; and</p> <ul style="list-style-type: none"> liabilities set forth on <u>Schedule 2.4(l)</u>.
Representations and Warranties (Art. IV–V)	Customary representations and warranties by Purchaser and Seller.
Sale to Insider Local Bankr. R. 6004-1(b)(iv)(A)	<p>The Stalking Horse Bidder is the administrative and collateral agent under the Debtors’ senior secured term loan facility (the “<u>Term Loan Facility</u>”). Approximately 80% of the debt issued under the Term Loan Facility is held by certain funds and accounts for which GoldenTree Asset Management, LP serves as investment advisor. Such funds and accounts also hold approximately 80% of the economic interest in the equity (although less than 80% of voting units) of Source Home Entertainment, LLC, one of the above-captioned Debtors, and has nomination rights for 4 out of 7 of the representatives on the Debtors’ board of directors. Minority lenders under the Term Loan Facility also have nomination rights for 1 other representative on the Debtors’ board of directors. The Debtors’ independent director has approved and ratified both the Sale and the Stalking Horse APA. The Debtors have disclosed these connections out of an abundance of caution and reserve all rights regarding whether or not the Stalking Horse Bidder is an “insider” under section 101(31) of the Bankruptcy Code.</p>
Agreements with Management Local Bankr. R. 6004-1(b)(iv)(B)	None.
Releases Local Bankr. R. 6004-1(b)(iv)(C)	None.
Private Sale/No Competitive Bidding Local Bankr. R. 6004-1(b)(iv)(D)	The Debtors have proposed an open Auction and Sale process.
Closing and Other Deadlines (§§ 6.4(a), 11.1(k)) Local Bankr. R. 6004-1(b)(iv)(E)	<p><u>Entry of the Bidding Procedures Order</u>: July 23, 2014.</p> <p><u>Entry of the Sale Order</u>: September 22, 2014.</p> <p><u>Closing</u>: October 21, 2014.</p>
Good-Faith Deposit Local Bankr. R. 6004-1(b)(iv)(F)	None.
Interim Arrangements with Proposed Buyer (Art. 6) Local Bankr. R. 6004-1(b)(iv)(G)	<p>Prior to closing, the Debtors and Purchaser shall perform and satisfy all conditions to each of their respective obligations to consummate the transactions contemplated by the Agreement that are to be performed or satisfied by such party under the Agreement and to cause the Closing to occur as promptly as possible.</p>
Use of Proceeds	Within thirty (30) days after the Closing Date, Purchaser shall prepare and deliver to

Stalking Horse APA Provision	Summary Description
(§ 3.3) Local Bankr. R. 6004-1(b)(iv)(H)	Sellers an allocation of the Purchase Price, the Assumed Obligations, and any other items that are treated as additional purchase price for income Tax purposes, among the Acquired Assets in accordance with Section 1060 of the Code. Sellers shall have thirty (30) days after receipt of the Proposed Allocation to notify Purchaser in writing of any items of the Proposed Allocation that are not reasonable in Sellers' view.
Tax Exemption Local Bankr. R. 6004-1(b)(iv)(I)	None.
Record Retention (§ 12.5) Local Bankr. R. 6004-1(b)(iv)(J)	<p>During the two (2) years immediately following the Closing Date, Purchaser shall preserve and retain all corporate, accounting, Tax, legal, auditing, and other Books and Records relating to the conduct of the Business and operations of each Seller prior to the Closing Date and shall not transfer, destroy, or discard any such Books and Records without the Sellers' prior written consent.</p> <p>After the Closing Date and during the aforementioned period, Purchaser shall permit Sellers to have reasonable access to, and to inspect and copy, during normal business hours and upon reasonable advance notice, all materials referred to in Section 12.5 of the Agreement; <i>provided</i>, that such access does not unreasonably interfere with the normal operations of Purchaser.</p>
Sale of Avoidance Actions (§ 2.3(I)) Local Bankr. R. 6004-1(b)(iv)(K)	Avoidance Actions, other than the Subject Avoidance Actions (<i>i.e.</i> , avoidance actions against the Retail Display Business's top customers and vendors), are part of the Excluded Assets and are not being sold or transferred to the Purchaser.
Requested Findings as to Successor Liability (§ 2.1) Local Bankr. R. 6004-1(b)(iv)(L)	All of the Acquired Assets shall be sold free and clear of all liens, interests, and other encumbrances (except for the Assumed Obligations and Permitted Liens).
Executory Contracts and Unexpired Leases (§ 2.1) Local Bankr. R. 6004-1(b)(iv)(M)	The Agreement requires the Debtors to transfer the Acquired Assets to the Purchaser free and clear of all liens, interests, and other encumbrances (except for the Assumed Obligations and Permitted Liens).
Relief from Bankruptcy Rule 6004(h) Local Bankr. R. 6004-1(b)(iv)(O)	To maximize the value received for the Assets, the Debtors are seeking to close the transactions contemplated by the Successful Bidder's APA as soon as possible after the Sale Hearing. The Debtors, therefore, have requested a waiver of the fourteen-day stay under Bankruptcy Rule 6004(h).

The Bidding Procedures Order

I. The Bidding Procedures

18. To optimally and expeditiously solicit, receive, and evaluate bids in a fair and accessible manner, the Debtors have developed and proposed the Bidding Procedures, attached

as **Exhibit 1** to the Bidding Procedures Order, to govern the Sale and Auction process. The Debtors designed the Bidding Procedures to encourage all entities to put their best bids forward and to maximize the value of the Debtors' estates. The following describes the salient points of the Bidding Procedures and discloses certain information required pursuant to Local Rule 6004-1:⁸

- (a) **Bid Requirements (Local Bankr. R. 6004-1(c)(i)(A), (B)).** Any bid by an Acceptable Bidder must be submitted in writing and determined by the Debtors, in their reasonable business judgment, to have satisfied the following requirements:
 - (i) Assets: Each bid must be a bulk bid to purchase all or substantially all of the Assets, and must clearly state which liabilities of the Debtors the Acceptable Bidder is agreeing to assume.
 - (ii) Purchase Price: Each bid must clearly set forth the Purchase Price to be paid, including and identifying separately any cash and non-cash components.
 - (iii) Deposit: Each Bid, other than the Stalking Horse Bid, must be accompanied by a cash deposit in the amount equal to 10% of the aggregate cash and non-cash purchase price of the Bid.
 - (iv) Initial Minimum Overbid (Local Bankr. R. 6004-1(c)(i)(C): The aggregate consideration proposed by each bid must equal or exceed the sum of:
 - (A) cash in an amount equal to \$24,000,000; *plus*
 - (B) cash equal to the Expense Reimbursement; *plus*
 - (C) \$250,000 in cash.

Notwithstanding the foregoing, a Bidder may decrease the amount of its Initial Minimum Overbid dollar-for-dollar by the amount of cash such Bidder is not seeking to acquire as part of its Bid, as compared to the Stalking Horse Bid.

⁸ This summary is qualified in its entirety by the Bidding Procedures attached as **Exhibit 1** to the Bidding Procedures Order. All capitalized terms that are used in this summary but not otherwise defined herein shall have the meanings in the Bidding Procedures. To the extent there are any conflicts between this summary and the Bidding Procedures, the terms of the Bidding Procedures shall govern.

- (v) Assumption of Obligations: Each bid must expressly assume all of the Assumed Obligations on terms no less favorable to the Debtors than the Stalking Horse APA.
- (vi) The Same or Better Terms: Each bid must be on the same or better terms than the terms of the Stalking Horse APA. Each bid must include duly executed, non-contingent transaction documents necessary to effectuate the transactions contemplated in the bid (the “Bid Documents”). The Bid Documents shall include a schedule of Assumed Contracts (as defined in the Stalking Horse APA) to the extent applicable to the Bid, and a copy of the Stalking Horse APA clearly marked to show all changes requested by the Acceptable Bidder (including those related to the Purchase Price and Assets to be acquired by such Acceptable Bidder), as well as all other material documents integral to such bid.
- (vii) Committed Financing: To the extent that a Bid is not accompanied by evidence of the Acceptable Bidder’s capacity to consummate the sale set forth in its Bid with cash on hand, each bid must include committed financing documented to the Debtors’ reasonable satisfaction that demonstrates the Acceptable Bidder has: (i) received sufficient debt and/or equity funding commitments to satisfy the Acceptable Bidder’s Purchase Price and other obligations under its Bid; and (ii) adequate working capital financing or resources to finance going concern operations for the Debtors’ Assets and the proposed transactions. Such funding commitments or other financing must unconditional and must not be subject to any internal approvals, syndication requirements, diligence, or credit committee approvals, and shall have covenants and conditions acceptable to the Debtors.
- (viii) Contingencies; No Financing or Diligence Outs: A Bid shall not be conditioned on the obtaining or the sufficiency of financing or any internal approval, or on the outcome or review of due diligence, but may be subject to the accuracy at the closing of specified representations and warranties or the satisfaction at the closing of specified conditions, which shall not be more burdensome, in the Debtors’ business judgment, than those set forth in the Stalking Horse APA.
- (ix) Identity: Each Bid must fully disclose the identity of each entity that will be bidding or otherwise participating in connection with such Bid (including each equity holder or other financial backer of the Acceptable Bidder if such Acceptable Bidder is an entity formed for the purpose of consummating the proposed transaction contemplated by such Bid), and the complete terms of any such participation. Under no circumstances shall any undisclosed

principals, equity holders, or financial backers be associated with any Bid. Each Bid must also include contact information for the specific person(s) and counsel whom FTI and Kirkland & Ellis LLP should contact regarding such Bid.

- (x) Demonstrated Financial Capacity: An Acceptable Bidder must have, in the Debtors' business judgment, the necessary financial capacity to consummate the proposed transactions required by its Bid and provide adequate assurance of future performance under all contracts proposed to be Assumed Contracts by such Bid.
- (xi) Time Frame for Closing: A Bid by an Acceptable Bidder must be reasonably likely (based on availability of financing, antitrust, or other regulatory issues, experience, and other considerations) to be consummated, if selected as the Successful Bid, within a time frame acceptable to the Debtors.
- (xii) Irrevocable: Subject to Section 13 of the Bidding Procedures, an Acceptable Bidder's Bid shall be irrevocable unless and until the Debtors accept a higher Qualified Bid and such Acceptable Bidder is not selected as the Backup Bidder.
- (xiii) Expenses: Each Acceptable Bidder (other than the Stalking Horse Bidder) presenting a Bid or Bids shall bear its own costs and expenses (including legal fees) in connection with the proposed transaction, and by submitting its Bid is agreeing to refrain from and waive any assertion or request for reimbursement on any basis, including under section 503(b) of the Bankruptcy Code.
- (xiv) Authorization: Each Bid must contain evidence that the Acceptable Bidder has obtained authorization or approval from its Board of Directors (or a comparable governing body acceptable to the Debtors) with respect to the submission of its Bid and the consummation of the transactions contemplated in such Bid.
- (xv) As-Is, Where-Is: Each Bid must include a written acknowledgement and representation that the Acceptable Bidder: (i) has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its offer; (ii) has relied solely upon its own independent review, investigation, and/or inspection of any documents and/or the Assets in making its Bid; and (iii) did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied by operation of law, or otherwise, regarding the Assets or the completeness of any information provided in connection

therewith or the Auction, except as expressly stated in the Bidder's proposed purchase agreement for the Assets (each, an "APA").

(xvi) Disclaimer of Fees: Each Bid (other than the Stalking Horse Bid) must disclaim any right to receive a fee analogous to a break-up fee, expense reimbursement, termination fee, or any other similar form of compensation. For the avoidance of doubt, no Qualified Bidder (other than the Stalking Horse Bidder) will be permitted to request, nor be granted by the Debtors, at any time, whether as part of the Auction or otherwise, a break-up fee, expense reimbursement, termination fee, or any other similar form of compensation, and by submitting its Bid is agreeing to refrain from and waive any assertion or request for reimbursement on any basis, including under section 503(b) of the Bankruptcy Code.

(xvii) Adherence to Bid Procedures: By submitting its Bid, each Bidder is agreeing to abide by and honor the terms of the Bidding Procedures and agrees to refrain from submitting a Bid or seeking to reopen the Auction after conclusion of the Auction.

(b) **Bid Deadline.** Each bid must be transmitted via email (in .pdf or similar format) so as to be **actually received** by counsel to the Debtors, the Debtors' financial advisor, the Stalking Horse Bidder, counsel to the Stalking Horse Bidder, and counsel to the Committee (if any), on or before **August 22, 2014 at 5:00 p.m.** (prevailing Eastern Time) (the "Bid Deadline").

(c) **Right to Credit Bid.** At the Auction, any Qualified Bidder who has a valid and perfected lien on any Assets of the Debtors' estates (a "Secured Creditor") shall have the right to credit bid all or a portion of the value of such Secured Creditor's claims within the meaning of section 363(k) of the Bankruptcy Code; *provided*, that a Secured Creditor shall have the right to credit bid its claim only with respect to the collateral by which such Secured Creditor is secured; *provided, further*, that for purposes of such Secured Creditor's Qualified Bid, the Secured Creditor's claim shall be deemed to have the value it possesses on the date of the Auction. Notwithstanding anything in the Bidding Procedures to the contrary, the Stalking Horse Bidder shall (a) have the right (including as part of any Overbid) to credit bid all or a portion of the value of the secured portion of its claims for the assets pursuant to section 363(k) of the Bankruptcy Code, including any secured claims on account of its adequate protection liens, and (b) have the right to credit bid the value of the Expense Reimbursement.

(d) **The Auction.** If the Debtors receive a Qualified Bid, other than the Stalking Horse Bid, the Debtors will conduct the Auction to determine the Successful Bidder with respect to the Debtors' Assets. If the Debtors do

not receive a Qualified Bid (other than the Stalking Horse Bid), the Debtors will not conduct the Auction and shall designate the Stalking Horse Bidder's Qualified Bid as the Successful Bid.

- (e) **Terms of Overbids (Local Bankr. R. 6004-1(c)(i)(C)).** Subsequent to each Overbid Round Deadline, the Debtors shall announce whether the Debtors have identified an Overbid as being higher or otherwise better than the Initial Minimum Overbid, in the initial Overbid round, or, in subsequent rounds, the Overbid previously designated by the Debtors as the prevailing highest or otherwise best Bid (the "Prevailing Highest Bid"). The Debtors shall describe to all Qualified Bidders the material terms of any new Overbid designated by the Debtors as the Prevailing Highest Bid as well as the value attributable by the Debtors to such Prevailing Highest Bid based on, among other things, the Bid Assessment Criteria. Any Overbid following the Initial Minimum Overbid or following any subsequent Prevailing Highest Bid shall be in increments of \$250,000.
- (f) **Backup Bidder (Local Bankr. R. 6004-1(c)(i)(E)).** Notwithstanding anything in the Bidding Procedures to the contrary, if an Auction is conducted, the Qualified Bidder with the next-highest or otherwise second-best Qualified Bid at the Auction for the Assets, as determined by the Debtors in the exercise of their reasonable business judgment, shall be required to serve as a backup bidder (the "Backup Bidder"), and each Qualified Bidder shall agree and be deemed to agree to be the Backup Bidder if so designated by the Debtors.
- (g) **Highest or Otherwise Best Bid.** When determining the highest or otherwise best Qualified Bid, as compared to other Qualified Bids, the Debtors may, in their sole discretion, consider the following factors in addition to any other factors that the Debtors deem appropriate: (a) the number, type, and nature of any changes to the Stalking Horse APA requested by the Qualified Bidder, including the type and amount of Assets sought and obligations to be assumed in the Bid; (b) the amount and nature of the total consideration; (c) the likelihood of the Bidder's ability to close a transaction and the timing thereof; (d) the net economic effect of any changes to the value to be received by the Debtors' estates from the transaction contemplated by the Bid Documents; and (e) the tax consequences of such Qualified Bid; *provided*, in each case, that the fact that the Stalking Horse Bid is comprised of a credit bid shall not be a factor considered by the Debtors in their determination of the highest or otherwise best Qualified Bid.
- (h) **Bidding Protections (Local Bankr. R. 6004-1(c)(i)(C)).** The Stalking Horse Bidder's sole bidding protection is the Expense Reimbursement, which shall not exceed \$600,000.

- (i) **Reservation of Rights (Local Bankr. R. 6004-1(c)(i)(D))**. Except with regard to sections 4(d), 4(h), and 4(q) of the Bidding Procedures, which may not be altered, the Debtors reserve their rights to modify the Bidding Procedures (after consultation with the Stalking Horse Bidder) in their reasonable business judgment in any manner that will best promote the goals of the bidding process, or impose, at or prior to the Auction, additional customary terms and conditions on the sale of the Assets, including, without limitation: (a) extending the deadlines set forth in these Bidding Procedures; (b) adjourning the Auction at the Auction and/or adjourning the Sale Hearing (as defined below) in open court without further notice; (c) adding procedural rules that are reasonably necessary or advisable under the circumstances for conducting the Auction; (d) canceling the Auction; and (e) rejecting any or all Bids or Qualified Bids.

19. Importantly, the Bidding Procedures recognize the Debtors' fiduciary obligations to maximize sale value, and, as such, do not impair the Debtors' ability to consider all qualified bid proposals, and, as noted, preserve the Debtors' right to modify the Bidding Procedures as necessary or appropriate to maximize value for the Debtors' estates.

II. Form and Manner of Sale Notice

20. On or within three business days after entry of the Bidding Procedures Order, the Debtors will cause the Sale Notice to be served on the following parties or their respective counsel, if known: (a) the United States Trustee for the District of Delaware (the "U.S. Trustee"); (b) the official committee of unsecured creditors appointed in these chapter 11 cases (the "Committee"), or, if no Committee has been appointed, the holders of the 35 largest unsecured claims against the Debtors (on a consolidated basis); (c) the Stalking Horse Bidder; (d) counterparties to the Contracts (the "Contract Counterparties"); (e) all parties who have expressed a written interest in some or all of the Assets; (f) all parties who are known or reasonably believed, after reasonable inquiry, to have asserted any lien, encumbrance, claim, or interest in the Assets; (g) the Internal Revenue Service; (h) all applicable state and local taxing authorities; (i) each governmental agency that is an interested party with respect to the Sale and

transactions proposed thereunder; and (j) all parties that have requested or that are required to receive notice pursuant to Bankruptcy Rule 2002. The Debtors will also publish an abbreviated version of the Sale Notice in *USA Today* and the *Chicago Tribune* at least ten days prior to the Auction.

21. The Debtors respectfully submit that the Sale Notice is reasonably calculated to provide all interested parties with timely and proper notice of the proposed Sale, including: (a) the date, time, and place of the Auction (if one is held); (b) the Bidding Procedures; (c) the deadline for filing objections to the Sale and entry of the Sale Order, and the date, time, and place of the Sale Hearing; (d) a reasonably specific identification of the Assets; (e) instructions for promptly obtaining a copy of the Stalking Horse APA; (f) a description of the Sale as being free and clear of liens, claims, interests, and other encumbrances, with all such liens, claims, interests, and other encumbrances attaching with the same validity and priority to the Sale proceeds; and (g) notice of the proposed assumption and assignment of the Contracts to the Stalking Horse Bidder pursuant to the Stalking Horse APA (or to another Successful Bidder arising from the Auction, if any).⁹

22. The Debtors further submit that notice of this Motion and the related hearing to consider entry of the Bidding Procedures Order, coupled with service of the Sale Notice, the Contract Notice, and the Assumption Notice as provided for herein, constitutes good and adequate notice of the Sale and the proceedings with respect thereto in compliance with, and satisfaction of, the applicable requirements of Bankruptcy Rule 2002. The Debtors propose that

⁹ Pursuant to the Bidding Procedures Order, notice of the proposed assumption and assignment of the Contracts to the Stalking Horse Bidder pursuant to the Stalking Horse APA (or to another Successful Bidder arising from the Auction, if any), the proposed cure amounts relating thereto, and the right, procedures, and deadlines for objecting thereto, will be provided in separate notices, attached to the Bidding Procedures Order as **Exhibit 3** (the “Contract Notice”) and **Exhibit 4** (the “Assumption Notice”) to be sent to the applicable Contract Counterparties.

no other or further notice of the Sale shall be required. Accordingly, the Debtors request that this Court approve the form and manner of the Sale Notice.

III. Summary of the Assumption Procedures

23. The Debtors are also seeking approval of certain procedures to facilitate the fair and orderly assumption and assignment of the Contracts in connection with the Sale (the “Assumption Procedures”). Because the Bidding Procedures Order sets forth the Assumption Procedures in detail, they are not restated herein. Generally, however, the Assumption Procedures: (a) outline the process by which the Debtors will serve notice to all Contract Counterparties regarding the proposed assumption and assignment and related cure amounts, if any, informing such parties of their right and the procedures to object thereto; and (b) establish objection and other relevant deadlines and the manner for resolving disputes relating to the assumption and assignment of the Contracts to the extent necessary.

Basis for Relief

I. The Relief Sought in the Bidding Procedures Order Is in the Best Interests of the Debtors’ Estates and Should be Approved.

24. Courts have made clear that a debtor’s business judgment is entitled to substantial deference with respect to the procedures to be used in selling an estate’s assets. *See, e.g., In re Schipper*, 933 F.2d 513, 515 (7th Cir. 1991) (“Under Section 363, the debtor in possession can sell property of the estate . . . if he has an ‘articulated business justification’” (internal citations omitted); *In re Martin*, 91 F.3d 389, 395 (3d Cir. 1996) (quoting *In re Schipper*); *In re Montgomery Ward Holding Corp.*, 242 B.R. 147, 153 (D. Del. 1999) (same); *see also In re Integrated Resources, Inc.*, 147 B.R. 650, 656–7 (S.D.N.Y. 1992) (noting that bidding procedures that have been negotiated by a trustee are to be reviewed according to the deferential

“business judgment” standard, under which such procedures and arrangements are “presumptively valid”).

25. The paramount goal in any proposed sale of property of the estate is to maximize the proceeds received by the estate. *See In re Edwards*, 228 B.R. 552, 561 (Bankr. E.D. Pa. 1998) (“The purpose of procedural bidding orders is to facilitate an open and fair public sale designed to maximize value for the estate.”); *In re Food 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”); *Integrated Resources*, 147 B.R. at 659 (“[I]t is a well-established principle of bankruptcy law that the objective of the bankruptcy rules and the trustee’s duty with respect to such sales is to obtain the highest price or greatest overall benefit possible for the estate.”) (internal citations omitted).

26. To that end, courts uniformly recognize that procedures intended to enhance competitive bidding are consistent with the goal of maximizing the value received by the estate and therefore are appropriate in the context of bankruptcy transactions. *See, e.g., Integrated Resources*, 147 B.R. at 659 (bidding procedures “are important tools to encourage bidding and to maximize the value of the debtor’s assets”); *In re Fin. News Network, Inc.*, 126 B.R. 152, 156 (Bankr. S.D.N.Y. 1991) (“court-imposed rules for the disposition of assets . . . [should] provide an adequate basis for comparison of offers, and [should] provide for a fair and efficient resolution of bankrupt estates”).

27. The Debtors believe that the proposed Bidding Procedures will promote active bidding from seriously interested parties and will elicit the highest or otherwise best offers available for the Assets. The proposed Bidding Procedures will allow the Debtors to conduct the Sale in a controlled, fair, and open fashion that will encourage participation by financially

capable bidders who will offer the best package for the Assets and who can demonstrate the ability to close a transaction. In particular, the Bidding Procedures contemplate an open auction process with minimum barriers to entry and provide potential bidding parties with sufficient time to perform due diligence and acquire the information necessary to submit a timely and well-informed bid.

28. At the same time, the Bidding Procedures provide the Debtors with a robust opportunity to consider competing bids and select the highest or otherwise best offer for the completion of the Sale. Entering into the Stalking Horse APA with the Stalking Horse Bidder ensures that the Debtors obtain fair market value by setting a minimum purchase price for the Assets that will be tested in the marketplace. As such, creditors of the Debtors' estates can be assured that the consideration obtained will be fair and reasonable and at or above market.

29. The Debtors submit that the proposed Bidding Procedures will encourage competitive bidding, are appropriate under the relevant standards governing auction proceedings and bidding incentives in bankruptcy proceedings, and are consistent with other procedures previously approved by this District. *See In re Palm Harbor Homes, Inc.*, No. 10-13850 (Bankr. D. Del. Jan. 6, 2011); *In re Ultimate Escapes Holdings, LLC*, No. 10-12915 (Bankr. D. Del. Oct. 8, 2010); *In re PTC Alliance Corp.*, No. 09-13395 (Bankr. D. Del. Nov. 6, 2009); *In re Hayes Lemmerz Int'l, Inc.*, No. 09-11655 (Bankr. D. Del. Sept. 22, 2009); *In re VeraSun Energy Corp.*, No. 08-12606 (Bankr. D. Del. Feb. 19, 2009); *In re Hines Horticulture, Inc.*, No. 08-11922 (Bankr. D. Del. Dec. 9, 2008).¹⁰

¹⁰ Because of the voluminous nature of the orders cited herein, such orders have not been attached to this Motion. Copies of these orders are available upon request of the Debtors' counsel.

II. The Expense Reimbursement Has a Sound Business Purpose and Should be Approved.

30. The Debtors are also seeking authority to offer customary bid protections, including the Expense Reimbursement capped at \$600,000, or 2.5% of the Purchase Price (excluding the value of any assumed obligations). The Stalking Horse Bidder's bid protections do *not* include either a "breakup fee" or an indemnity. The Debtors have agreed to pay the Expense Reimbursement to the Stalking Horse Bidder upon the occurrence of certain "triggering events" typical for transactions of this kind, including, among other things, if the Stalking Horse Bidder is outbid at the Auction by other bidders. The use of a stalking horse in a public auction process for sales pursuant to section 363 of the Bankruptcy Code is a customary practice in chapter 11 cases, as the use of a stalking horse bid is, in many circumstances, the best way to maximize value in an auction process by "establish[ing] a framework for competitive bidding and facilitat[ing] a realization of that value." *Official Committee of Unsecured Creditors v. Interforum Holding LLC*, 2011 WL 2671254, No. 11-219, *1 (E.D. Wis. July 7, 2011). As a result, stalking horse bidders virtually always require break-up fees, expense reimbursements, and, in many cases, other forms of bidding protections as an inducement for "setting the floor at auction, exposing its bid to competing bidders, and providing other bidders with access to the due diligence necessary to enter into an asset purchase agreement." *Id.* (internal citations omitted). Thus, the use of bidding protections, including expense reimbursements, has become an established practice in chapter 11 cases.

31. Indeed, expense reimbursements, break-up fees, and other forms of bidding protections are a normal and, in many cases, necessary component of significant sales conducted under section 363 of the Bankruptcy Code: "Break-up fees are important tools to encourage bidding and to maximize the value of the debtor's assets In fact, because the . . .

corporation has a duty to encourage bidding, break-up fees can be *necessary* to discharge [such] duties to maximize value.” *Integrated Resources*, 147 B.R. at 659–60 (emphasis added). Specifically, bid protections “may be legitimately necessary to convince a ‘white knight’ bidder to enter the bidding by providing some form of compensation for the risks it is undertaking.” 995 *Fifth Ave.*, 96 B.R. at 28 (quotations omitted); *see also Integrated Resources*, 147 B.R. at 660–61 (bid protections can prompt bidders to commence negotiations and “ensure that a bidder does not retract its bid”); *In re Hupp Int’l Indus., Inc.*, 140 B.R. 191, 194 (Bankr. N.D. Ohio 1992) (“[W]ithout such fees, bidders would be reluctant to make an initial bid for fear that their first bid will be shopped around for a higher bid from another bidder who would capitalize on the initial bidder’s . . . due diligence.”).

32. As a result, courts routinely approve such bidding protections in connection with proposed bankruptcy sales where a proposed fee or reimbursement provides a benefit to the estate. *See In re O’Brien Env’tl. Energy, Inc.*, 181 F.3d 527 (3d Cir. 1999). The Debtors believe that the allowance of the Expense Reimbursement is in the best interests of the Debtors’ estates and their creditors, as the Stalking Horse Bid will establish a floor for further bidding that may increase the consideration given in exchange for the Assets for the benefit of the Debtors’ estates.

33. Here, the Expense Reimbursement was, and remains, a critical component of the Stalking Horse Bidder’s commitment. The Stalking Horse Bidder has expended and will continue to expend time and resources negotiating, drafting, and performing due diligence activities necessitated by the Sale transactions, despite the fact that its bid will be subject not only to Court approval, but also to overbidding by third parties. This is particularly important in the context of these chapter 11 cases, in which many of the Debtors’ senior management are no

longer with the company—resulting in a cumbersome diligence process. The parties negotiated the requested Expense Reimbursement in good faith and at arm’s length with significant give-and-take with respect to proposed Bid Protections. As a result, by agreeing to the Expense Reimbursement, the Debtors ensured that their estates would have the benefit of the transactions with the Stalking Horse Bidder without sacrificing the potential for interested parties to submit overbids at the Auction.

34. If the Court does not approve the Expense Reimbursement, the Stalking Horse Bidder may elect not to serve as the “stalking horse” to the detriment of the Debtors’ estates. Further, if the Expense Reimbursement were to be paid, it will likely be because the Debtors have received higher or otherwise superior offers for the Assets. In short, the proposed Expense Reimbursement is fair and reasonable under the circumstances because it constitutes a “fair and reasonable percentage of the proposed purchase price” and is “reasonably related to the risk, effort, and expenses of the prospective purchaser.” *Integrated Resources*, 147 B.R. at 662 (quoting *995 Fifth Ave.*, 96 B.R. at 28).

35. In this case, the Expense Reimbursement is approximately 2.5% of the value of the Purchase Price, which does not factor in the value of liabilities the Stalking Horse Bidder is assuming, including, among other things, cure costs. As such, the proposed fee is well within the range of such fees approved by this and other courts. *See, e.g., In re Brookstone Holdings Corp.*, No. 14-10752 (BLS) (Bankr. D. Del. April 25, 2014) (approving break-up fee of \$3,700,000 and expense reimbursement up to a maximum of \$500,000 (equal to approximately 3.0% of the purchase price in the aggregate, exclusive of assumed liabilities)); *In re Simplexity, LLC*, No. 14-10569 (KG) (Bankr. D. Del. April 4, 2014) (approving break-up fee of \$300,000 and expense reimbursement of \$500,000 (equal to 8.0% of the purchase price in the aggregate)); *In re OCZ*

Tech. Group, Inc., No. 13-13126 (PJW) (Bankr. D. Del. Dec. 23, 2013) (approving termination fee of \$700,000 and expense reimbursement up to a maximum of \$500,000 (equal to approximately 3.5% of the purchase price in aggregate, prior to various adjustments)); *In re Oncure Holdings Inc.*, No. 13-11540 (KG) (Bankr. D. Del. July 24, 2013) (approving break-up of \$1,000,000 and expense reimbursement up to a maximum of \$2,000,000 (equal to approximately 7.0% of the purchase price in aggregate, prior to various adjustments)); *In re Synagro Tech.'s, Inc.*, No. 13-11041 (BLS) (Bankr. D. Del. May 13, 2013 (approving break-up fee of \$13,800,000 and expense reimbursement up to a maximum of \$4,500,000 (equal to approximately 4.0% of the purchase price in aggregate, prior to various adjustments))).

III. The Form and Manner of the Sale Notice Should Be Approved.

36. Pursuant to Bankruptcy Rule 2002(a), the Debtors are required to provide creditors with 21 days' notice of the Sale Hearing. Pursuant to Bankruptcy Rule 2002(c), such notice must include the time and place of the Auction and the Sale Hearing and the deadline for filing any objections to the relief requested herein.

37. As noted above, within three business days of entry of the Bidding Procedures Order, the Debtors will serve the Sale Notice upon the following parties or their respective counsel, if known: (a) the U.S. Trustee; (b) the Committee, or, if no Committee has been appointed, the holders of the 35 largest unsecured claims against the Debtors (on a consolidated basis); (c) the Stalking Horse Bidder; (d) the Contract Counterparties; (e) all parties who have expressed a written interest in some or all of the Assets; (f) all parties who are known or reasonably believed, after reasonable inquiry, to have asserted any lien, encumbrance, claim, or other interest in the Assets; (g) the Internal Revenue Service; (h) all applicable state and local taxing authorities; (i) each governmental agency that is an interested party with respect to the

Sale and transactions proposed thereunder; and (j) any party that has requested notice pursuant to Bankruptcy Rule 2002. The Debtors shall also publish an abbreviated version of the Sale Notice in USA Today and the Chicago Tribune at least ten days prior to the Auction.

38. The Debtors submit that notice of this Motion and the related hearing to consider entry of the Bidding Procedures Order, coupled with service of the Sale Notice, the Contract Notice, and the Assumption Notice as provided for herein, constitutes good and adequate notice of the Sale and the proceedings with respect thereto in compliance with, and satisfaction of, the applicable requirements of Bankruptcy Rule 2002. Accordingly, the Debtors request that this Court approve the form and manner of the Sale Notice.

IV. The Assumption Procedures Are Appropriate and Should Be Approved.

39. As set forth above, the Sale contemplates the assumption and assignment of the Contracts to the Stalking Horse Bidder or Successful Bidder arising from the Auction, if any. In connection with this process, the Debtors believe it is necessary to establish a process by which: (a) the Debtors and Contract Counterparties can reconcile cure obligations, if any, in accordance with section 365 of the Bankruptcy Code; and (b) such counterparties can object to the assumption and assignment of the Contracts and/or related cure amounts (the “Assumption Procedures”).

40. As set forth in the Bidding Procedures Order, the Debtors also request that any party that fails to object to the proposed assumption and assignment of any Contract be deemed to consent to the assumption and assignment of the applicable Contract pursuant to section 365 of the Bankruptcy Code on the terms set forth in the Sale Order, along with the cure amounts identified in the Contract Notice. *See, e.g., In re Tabone, Inc.*, 175 B.R. 855, 858 (Bankr. D.N.J.

1994) (by not objecting to sale motion, creditor deemed to consent); *Pelican Homestead v. Wooten (In re Gabel)*, 61 B.R. 661, 667 (Bankr. W.D. La. 1985) (same).

41. The Debtors believe that the Assumption Procedures are fair and reasonable, provide sufficient notice to the Contract Counterparties, and provide certainty to all parties in interest regarding their obligations and rights in respect thereof. Accordingly, the Debtors request the Court approve the Assumption Procedures set forth in the Bidding Procedures Order.

V. The Sale Should Be Approved as an Exercise of Sound Business Judgment.

42. Section 363(b)(1) of the Bankruptcy Code provides that a debtor, “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). A sale of the debtor’s assets should be authorized pursuant to section 363 of the Bankruptcy Code if a sound business purpose exists for the proposed transaction. *See, e.g., In re Martin*, 91 F.3d 389, 395 (3d. Cir. 1996) (“Under Section 363, the debtor in possession can sell property of the estate . . . if he has an ‘articulated business justification’”); *see also In re Schipper*, 933 F.2d 513, 515 (7th Cir. 1991) (same); *Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1070 (2d Cir. 1983); *In re Telesphere Communications, Inc.*, 179 B.R. 544, 552 (Bankr. N.D. Ill. 1999).

43. Once the Debtors articulate a valid business justification, “[t]he business judgment rule ‘is a presumption that in making the business decision the directors of a corporation acted on an informed basis, in good faith, and in the honest belief that the action was in the best interests of the company.’” *In re S.N.A. Nut Co.*, 186 B.R. 98, 102 (Bankr. N.D. Ill. 1995) (citations omitted); *In re Filene’s Basement, LLC*, 11-13511 (KJC), 2014 WL 1713416, at *12 (Bankr. D. Del. Apr. 29, 2014) (“If a valid business justification exists, then a strong

presumption follows that the agreement at issue was negotiated in good faith and is in the best interests of the estate”) (citations omitted); *Integrated Resources*, 147 B.R. at 656; *In re Johns-Manville Corp.*, 60 B.R. 612, 615–16 (Bankr. S.D.N.Y. 1986) (“a presumption of reasonableness attaches to a Debtor’s management decisions.”).

A. A Sound Business Purpose Exists for the Sale.

44. As set forth above, the Debtors have a sound business justification for selling the Assets. **First**, the Debtors believe the Sale will maximize the Assets’ going-concern value by allowing a party to bid on business assets that would have substantially less value on a stand-alone basis. Moreover, because the Stalking Horse APA contemplates the assumption of certain of the Debtors’ estates’ Contracts, it will result in payment in full for a number of the Debtors’ estates’ creditors, particularly vendors and landlords.

45. **Second**, the sale of the Assets will be subject to competing bids, enhancing the Debtors’ ability to receive the highest or otherwise best value for the Assets. Consequently, the ultimately successful bid, after being subject to a “market check” in the form of the Auction, will constitute, in the Debtors’ reasonable business judgment, the highest or otherwise best offer for the Assets and will provide a greater recovery for their estates than any known or practicably available alternative. *See, e.g., In re Trans World Airlines, Inc.*, No. 01-00056, 2001 WL 1820326, at *4 (Bankr. D. Del. 2001) (while a “section 363(b) sale transaction does not require an auction procedure,” “the auction procedure has developed over the years as an effective means for producing an arm’s length fair value transaction.”).

46. **Third**, although the Debtors are in the process of pursuing and evaluating various other sources of recoveries for the benefit of the Debtors’ estates’ creditors, the Debtors anticipate that they could begin to lose key employees, vendors, or customers if they cannot

execute on a transaction within the time frame contemplated by the Stalking Horse APA. Thus, the Debtors believe they have a critical window in which to capitalize on a sale, and this determination strongly supports the relief requested herein. *See, e.g., In re Delaware & Hudson Railway*, 124 B.R. 169, 177 (D. Del. 1991) (affirming the bankruptcy court's approval of a sale of substantially all of the debtor's assets where the debtor would have been "in liquidation mode if required to delay a sale until after filing a disclosure statement and obtaining approval for a reorganization plan"); *In re Titusville Country Club*, 128 B.R. 396, 400 (W.D. Pa. 1991) (granting an expedited hearing on a motion to approve a sale as a result of "deterioration" of the debtor's assets); *Coastal Indus., Inc. v. Internal Revenue Service (In re Coastal Indus., Inc.)*, 63 B.R. 361, 366–69 (Bankr. N.D. Ohio 1986) (approving an expedited sale pursuant to section 363(b) five weeks after the petition date where the debtor was suffering operating losses).

47. Thus, the Debtors submit that the Successful Bidder's APA will constitute the highest or otherwise best offer for the Assets and will provide a greater recovery for the Debtors' estates than would be provided by any other available alternative. As such, the Debtors' determination to sell the Assets through an Auction process and subsequently to enter into the Successful Bidder's APA will be a valid and sound exercise of the Debtors' business judgment. The Debtors will submit evidence at the Sale Hearing to support these conclusions. Therefore, the Debtors request that the Court make a finding that the proposed sale of the Assets is a proper exercise of the Debtors' business judgment and is rightly authorized.

B. Adequate and Reasonable Notice of the Sale Will Be Provided

48. As described above, the Sale Notice: (a) will be served in a manner that provides at least 21 days' notice of the date, time, and location of the Sale Hearing; (b) informs parties in interest of the deadlines for objecting to the Sale or the assumption and assignment of the

Contracts; and (c) otherwise includes all information relevant to parties interested in or affected by the Sale. Significantly, the form and manner of the Sale Notice will have been approved by this Court pursuant to the Bidding Procedures Order after notice and a hearing before it is served on parties in interest.

C. The Sale and Purchase Price Reflects a Fair Value Transaction.

49. It is well-settled that, where there is a court-approved auction process, a full and fair price is presumed to have been obtained for the assets sold, as the best way to determine value is exposure to the market. *See Bank of Am. Nat'l Trust & Sav. Ass'n. v. 203 N. LaSalle St. P'ship*, 526 U.S. 434, 457 (1999); *see also In re Trans World Airlines, Inc.*, No. 01-00056, 2001 WL 1820326, *4 (Bankr. D. Del. 2001) (while a “section 363(b) sale transaction does not require an auction procedure,” “the auction procedure has developed over the years as an effective means for producing an arm’s length fair value transaction.”).

50. Moreover, as noted above, even as the Debtors move forward with the Sale, FTI will continue to market the Assets and solicit other offers consistent with the Bidding Procedures, including, for example, by contacting previously solicited parties, continuing to provide acceptable bidders with data room access and requested information, considering a variety of alternative transaction structures, and otherwise assisting the Debtors with all efforts to increase transaction value. In this way, the number of bidders that are eligible to participate in a competitive Auction process will be maximized, or, if no Auction is held because no Auction is necessary, the Stalking Horse APA’s purchase price will, conclusively, be fair value.

D. The Sale Has Been Proposed in Good Faith and Without Collusion, and the Stalking Horse Bidder or Successful Bidder Is a “Good-Faith Purchaser.”

51. The Debtors request that the Court find the Stalking Horse Bidder and/or other Successful Bidder arising from the Auction, if any, are entitled to the benefits and protections provided by section 363(m) of the Bankruptcy Code in connection with the sale of the Assets.

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

[t]he reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal.

11 U.S.C. § 363(m).

53. 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, as long as such purchaser leased or purchased the assets in “good faith.” While the Bankruptcy Code does not define “good faith,” courts have held that a purchaser shows its good faith through the integrity of its conduct during the course of the sale proceedings, finding that where there is a lack of such integrity, a good-faith finding may not be made. *See, e.g., In re Abbotts Dairies of Pa., Inc.* (“Typically, the misconduct that would destroy a [buyer’s] good faith status at a judicial sale involves fraud, collusion between the [proposed buyer] and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders.”); *In the Matter of Andy Frain Services, Inc.*, 798 F.2d 1113 (7th Cir. 1986) (same); *In re Sasson Jeans, Inc.*, 90 B.R. 608, 610 (S.D.N.Y. 1988) (same).

54. The Debtors submit that the Stalking Horse Bidder, or any other Successful Bidder arising from the Auction, is or would be “good faith purchasers” within the meaning of section 363(m) of the Bankruptcy Code, and the Stalking Horse APA, or any marked versions thereof, are or would be good-faith agreements on arm’s-length terms entitled to the protections of section 363(m) of the Bankruptcy Code.¹¹ **First**, as set forth in more detail above, the consideration to be received by the Debtors pursuant to the Stalking Horse APA is substantial, fair, and reasonable. **Second**, the parties entered into the Stalking Horse APA in good faith and after extensive, arm’s-length negotiations, during which all parties were represented by competent counsel, and any sale agreement with a Successful Bidder will be the culmination of a competitive Auction process in which all parties will presumably be represented by counsel and all negotiations will be conducted on an arm’s-length, good-faith basis. **Third**, there is no indication of any “fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders” or similar conduct that would cause or permit the Sale or Stalking Horse APA to be avoided under section 363(n) of the Bankruptcy Code. And, with respect to potential bidders, the Bidding Procedures are designed to ensure that no party is able to exert undue influence over the process. **Finally**, the Stalking Horse Bidder’s offer was evaluated and approved by the Debtors in consultation with their advisors, and any other bids that the Debtors ultimately determine to be a successful bid will have been evaluated in a similar fashion. Accordingly, the Debtors believe that the Stalking Horse Bidder (or other

¹¹ The Debtors believe that a finding of good faith within the meaning of section 363(m) of the Bankruptcy Code will be appropriate for any Successful Bidder arising from the Auction. Pursuant to the Bidding Procedures, any Successful Bidder will have had to present a proposal in accordance with the Bidding Procedures. In addition, the Debtors will not choose as the Successful Bidder or Backup Bidder (as defined in the Bidding Procedures) any entity whose good faith under section 363(m) of the Bankruptcy Code can reasonably be doubted, and will be prepared to present the Court with sufficient evidence to allow the Court to find that the “good faith” standard of section 363(m) of the Bankruptcy Code has been satisfied.

Successful Bidder arising from the Auction, if any) and Stalking Horse APA (or marked version thereof) should be entitled to the full protections of section 363(m) of the Bankruptcy Code.

E. The Sale Should be Approved “Free and Clear” Under § 363(f).

55. Section 363(f) of the Bankruptcy Code permits a debtor to sell property free and clear of another party’s interest in the property if: (a) applicable nonbankruptcy law permits such a free and clear sale; (b) the holder of the interest consents; (c) the interest is a lien and the sale price of the property exceeds the value of all liens on the property; (d) the interest is the subject of a bona fide dispute; or (e) the holder of the interest could be compelled in a legal or equitable proceeding to accept a monetary satisfaction of its interest. *See* 11 U.S.C. § 363(f).

56. Section 363(f) is drafted in the disjunctive. Thus, satisfaction of any of the requirements enumerated therein will suffice to warrant the Debtors’ sale of the Assets free and clear of all interests (*i.e.*, all liens, claims, rights, interests, charges, or encumbrances), except with respect to any interests that may be assumed liabilities under the applicable APA. *See In re Kellstrom Indus., Inc.*, 282 B.R. 787, 793 (Bankr. D. Del. 2002) (“[I]f any of the five conditions are met, the debtor has the authority to conduct the sale free and clear of all liens.”).

57. The Debtors submit that any interest that will not be an assumed liability satisfies or will satisfy at least one of the five conditions of section 363(f) of the Bankruptcy Code, and that any such interest will be adequately protected by either being paid in full at the time of closing, or by having it attach to the net proceeds of the Sale, subject to any claims and defenses the Debtors may possess with respect thereto. The Debtors accordingly request authority to convey the Assets to the Stalking Horse Bidder or other Successful Bidder arising from the Auction, if any, free and clear of all liens, claims, rights, interests, charges, and encumbrances,

with any such liens, claims, rights, interests, charges, and encumbrances to attach to the proceeds of the Sale.

F. Credit Bidding Should be Authorized Under Section 363(k) of the Bankruptcy Code

58. A secured creditor is allowed to “credit bid” the amount of its claim in a sale. Section 363(k) of the Bankruptcy Code provides, in relevant part, that unless the court for cause orders otherwise, the holder of a claim secured by property that is the subject of the sale “may bid at such sale, and, if the holder of such claim purchases such property, such holder may offset such claim against the purchase price of such property.” 11 U.S.C. § 363(k). Even if a secured creditor is undersecured as determined in accordance with section 506(a) of the Bankruptcy Code, section 363(k) allows such secured creditor to bid the total face value of its claim and does not limit the credit bid to the claim’s economic value. *See In re Submicron Sys. Corp.*, 432 F.3d 448, 459-60 (3d Cir. 2006) (explaining that “[i]t is well settled among district court and bankruptcy courts that creditors can bid the full face value of their secured claims under section 363(k)”).

59. In this district, absent cause for restricting an administrative agent to credit bid, courts have consistently ruled in favor of reserving an administrative agent’s right to credit bid its claim in the face amount of the debtor’s obligation in the context of a sale completed outside of a plan of reorganization. *See In re PTC Alliance Corp.*, No. 09-13395 (Bankr. D. Del. Nov. 6, 2009) [Docket No. 226] (order authorizing, but not directing, the administrative agent to credit bid); *In re Hayes Lemmerz Intl, Inc.*, No. 09-11655 (Bankr. D. Del. Sept. 22, 2009) [Docket No. 644] (order authorizing any interested party to exercise its right under Bankruptcy Code section 363(k) to make a credit bid); *In re Foamex Int’l Inc.*, No. 09-10560, (Bankr. D. Del. May 27, 2009) (order authorizing the sale of substantially all of the debtor’s assets in a \$155

million credit bid over a \$151.5 million all-cash bid); *In re GWLS Holdings, Inc.*, 2009 WL 453110 (Bankr. D. Del. Feb. 23, 2009) (order approving the sale of substantially all of the debtor's assets, free and clear, through a credit bid); *see also Cohen v. KB Mezzanine Fund II, LP (In re SubMicron Sys. Corp.)*, 432 F.3d 448, 459-60 (3d Cir. 2006) (citation omitted).

60. The Stalking Horse Bidder, as administrative and collateral agent under the Debtors' senior secured prepetition term loan facility, is entitled to credit bid some or all of the claims secured by its collateral pursuant to section 363(k) of the Bankruptcy Code. Because the Stalking Horse Bidder holds claims that are secured by substantially all of the Assets, the Stalking Horse Bidder should be allowed to credit bid up to the face value of any of its secured claims in order to effectuate the transactions under the Stalking Horse APA.

VI. The Assumption and Assignment of the Contracts Should Be Approved.

A. The Assumption and Assignment of the Contracts Reflects the Debtors' Reasonable Business Judgment.

61. To facilitate and effectuate the sale of the Assets, the Debtors are seeking authority to assign or transfer the Contracts to the Stalking Horse Bidder or other Successful Bidder arising from the Auction, if any, to the extent required by such bidders.

62. Section 365 of the Bankruptcy Code authorizes a debtor to assume and/or assign his executory contracts and unexpired leases, subject to the approval of the court, provided that the defaults under such contracts and leases are cured and adequate assurance of future performance is provided. The Debtors' 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. *See, e.g., Group of Institutional Investors v. Chicago, Milwaukee, St. Paul & Pacific Ry. Co.*, 318 U.S. 523 (1943) (applying Bankr. Act section 77(b), predecessor to Bankruptcy Code section 365, and rejecting

test of whether executory contract was burdensome in favor of whether rejection is within debtor's business judgment); *Sharon Steel Corp. v. Nat'l Fuel Gas Distrib. Corp.*, 872 F.2d 36, 40 (3d Cir. 1989) (describing deference to a debtor's business judgment as "breathing space afforded [to] the debtor to consider whether to reject or assume executory contracts under the Code."); *In re Network Access Solutions, Corp.*, 330 B.R. 67, 75 (Bankr. D. Del. 2005) ("The standard for approving the assumption of an executory contract is the business judgment rule"); *In re Exide Techs.*, 340 B.R. 222, 239 (Bankr. D. Del. 2006) ("The propriety of a decision to reject an executory contract is governed by the business judgment standard").

63. Here, the Court should approve the decision to assume and assign the Contracts in connection with the Sale as a sound exercise of the Debtors' business judgment:

- **First**, the Contracts are necessary to run the Retail Display Business and, as such, they are essential to inducing the best offer for the Assets.
- **Second**, it is unlikely that any purchaser would want to acquire any company on a going-concern basis unless a significant number of the contracts and leases needed to conduct the business and manage the day-to-day operations were included in the transaction.
- **Third**, the Stalking Horse APA provides that the assumption and assignment of the Contracts is integral to, and inextricably integrated in, the Sale.
- **Finally**, the Contracts will be assumed and assigned though the process approved by the Court pursuant to the Bidding Procedures Order and, thus, will be reviewed by key constituents in these chapter 11 cases.

64. Accordingly, the Debtors submit that the assumption and assignment of the Contracts by way of the Assumption Procedures should be approved as an exercise of their business judgment.

B. Defaults Under the Assumed Contracts Will Be Cured Through the Sale.

65. Upon finding that a debtor has exercised its business judgment in determining that assuming an executory contract is in the best interest of its estate, courts must then evaluate

whether the assumption meets the requirements of section 365(b) of the Bankruptcy Code, specifically that a debtor (a) cure, or provide adequate assurance of promptly curing, prepetition defaults in the executory contract, (b) compensate parties for pecuniary losses arising therefrom, and (c) provide adequate assurance of future performance thereunder. This section “attempts to strike a balance between two sometimes competing interests, the right of the contracting non-debtor to get the performance it bargained for and the right of the debtor’s creditors to get the benefit of the debtor’s bargain.” *In re Luce Indus., Inc.*, 8 B.R. 100, 107 (Bankr. S.D.N.Y. 1980).

66. The Debtors submit that the statutory requirements of section 365(b)(1)(A) of the Bankruptcy Code will be promptly satisfied because the Stalking Horse APA requires that the Stalking Horse Bidder cure all defaults associated with, or that are required to properly assume, the Contracts. *See* Stalking Horse APA §2.6(h). Because the Bidding Procedures Order (once approved) provides a clear process by which to resolve disputes over cure amounts or other defaults, the Debtors are confident that if defaults exist that must be cured, such cure will be achieved fairly, efficiently, and properly, consistent with the Bankruptcy Code and with due respect to the rights of non-debtor parties.

C. Non-Debtor Parties Will Be Adequately Assured of Future Performance.

67. Similarly, the Debtors submit that the third requirement of section 365(b) of the Bankruptcy Code—adequate assurance of future performance—is also satisfied given the facts and circumstances present here. “The phrase ‘adequate assurance of future performance’ adopted from section 2-609(1) of the Uniform Commercial Code, is to be given a practical, pragmatic construction based upon the facts and circumstances of each case.” *In re U.L. Radio Corp.*, 19 B.R. 537, 542 (Bankr. S.D.N.Y. 1982). Although no single solution will satisfy every

case, “the required assurance will fall considerably short of an absolute guarantee of performance.” *In re Prime Motor Inns, Inc.*, 166 B.R. 993, 997 (Bankr. S.D. Fla. 1994). 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. *See In re Bygaph, Inc.*, 56 B.R. 596, 605–06 (Bankr. S.D.N.Y. 1986) (adequate assurance of future performance present where a prospective assignee has financial resources and has expressed a willingness to devote sufficient funding to a business to give it a strong likelihood of succeeding).

68. The Debtors believe that they can and will demonstrate that the requirements for assumption and assignment of the Contracts to the Stalking Horse Bidder (or other Successful Bidder arising from the Auction, if any) will be satisfied. As required by the Bidding Procedures, the Debtors will evaluate the financial wherewithal of potential bidders before designating such party a Qualified Bidder (*e.g.*, financial credibility, willingness, and ability of the interested party to perform under the Contracts) and will demonstrate such financial wherewithal, willingness, and ability to perform under the Contracts assigned to the Stalking Horse Bidder or any Successful Bidder arising from the Auction. Further, the Assumption Procedures provide the Court and other interested parties ample opportunity to evaluate and, if necessary, challenge the ability of the Stalking Horse Bidder or any Successful Bidder arising from the Auction to provide adequate assurance of future performance and object to the assumption of the Contracts or proposed cure amounts. The Court therefore should have a sufficient basis to authorize the Debtors to reject or assume and assign the Contracts as set forth in the Stalking Horse APA.

VII. Relief Under Bankruptcy Rules 6004(h) and 6006(d) Is Appropriate.

69. Bankruptcy Rule 6004(h) provides that an “order authorizing the use, sale, or lease of property . . . is stayed until the expiration of fourteen days after the entry of the order, unless the court orders otherwise.” Additionally, 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 fourteen days after the entry of the order, unless the court orders otherwise.” The Debtors request that the Sale Order be effective immediately upon its entry by providing that the fourteen-day stays under Bankruptcy Rules 6004(h) and 6006(d) are waived.

70. 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-day stay period, the leading treatise on bankruptcy suggests that the fourteen-day stay should be eliminated to allow a sale or other transaction to close immediately “where there has been no objection to procedure.” 10 *Collier on Bankruptcy* ¶ 6004.10 (15th rev. ed. 2006). Furthermore, 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.*

71. To maximize the value received for the Assets, the Debtors seek to close the Sale as soon as possible after the Sale Hearing. Accordingly, the Debtors hereby request that the Court waive the fourteen-day stay period under Bankruptcy Rules 6004(h) and 6006(d).

No Prior Request

72. No prior motion for the relief requested herein has been made to this or any other court.

Notice

73. The Debtors have caused notice of this Motion to be given to the following parties: (a) the U.S. Trustee; (b) the holders of the 35 largest unsecured claims against the Debtors (on a consolidated basis); (c) counsel to the Stalking Horse Bidder; (d) all parties who have expressed a written interest in some or all of the Assets; (e) all known holders of liens, encumbrances, and other claims secured by the Assets; (f) the Internal Revenue Service; (g) all applicable state and local taxing authorities; (h) each governmental agency that is an interested party with respect to the Sale and transactions proposed thereunder; and (i) all parties that have requested or that are required to receive notice pursuant to Bankruptcy Rule 2002. Further, after entry of the Bidding Procedures Order, the Sale Notice will be provided in accordance with the notice procedures described herein. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

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WHEREFORE, for the reasons set forth herein, the Debtors respectfully requests that the Court enter (I) an order, substantially in the form attached hereto as **Exhibit A**: (a) authorizing and approving the Bidding Procedures attached to the Bidding Procedures Order as **Exhibit 1** and approving the Bid Protections; (b) approving the form and manner of the Sale Notice with respect to the Sale; (c) scheduling the Auction and Sale Hearing; (d) approving the Assumption Procedures; and (e) granting related relief; and, at the conclusion of the Sale Hearing, (II) an order, substantially in the form attached hereto as **Exhibit C**: (a) approving the Successful Bidder's APA; (b) authorizing and approving the Sale of the Assets free and clear of liens, claims, encumbrances, and other interests pursuant to the Successful Bidder's APA; (c) authorizing the assumption and assignment of the Contracts; and (d) granting certain related relief.

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Wilmington, Delaware

Dated: June 30, 2014

/s/ Maris J. Kandestin

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*Proposed Counsel for the
Debtors and Debtors in Possession*

Exhibit A

Proposed Bidding Procedures Order

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

In re:

SOURCE HOME ENTERTAINMENT, LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 14-11553 (KG)
)
) (Jointly Administered)
)
) **Re: Docket No.**

ORDER (A) APPROVING BIDDING PROCEDURES AND BID PROTECTIONS IN CONNECTION WITH THE SALE OF CERTAIN OF THE DEBTORS' ASSETS, (B) APPROVING THE FORM AND MANNER OF NOTICE, (C) SCHEDULING AN AUCTION AND A SALE HEARING, (D) APPROVING PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF CONTRACTS, AND (E) GRANTING RELATED RELIEF

Upon the motion (the “Motion”) of the above captioned debtors and debtors in possession (the “Debtors”) for the entry of an order (this “Order”): (a) authorizing and approving the bidding procedures attached hereto as **Exhibit 1** (the “Bidding Procedures”) and approving the Bid Protections in connection with the Sale of certain of the Debtors’ assets (the “Assets”); (b) approving the form and manner of notice of the Auction and the Sale Hearing with respect to the Debtors’ Assets; (c) scheduling an Auction and a Sale Hearing; (d) approving procedures for the assumption and assignment of the Contracts (as defined herein); and (e) granting related relief; it appearing that the relief requested is in the best interests of the Debtors’ estates, their creditors, and other parties in interest; the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; consideration of the Motion

¹ The Debtors, together with the last four digits of each Debtor's federal tax identification number, are: Source Home Entertainment, LLC (8517); Directou, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors' corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; notice of the Motion having been adequate and appropriate under the circumstances; and after due deliberation and sufficient cause appearing therefor:

THE COURT HEREBY FINDS 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. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

B. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper in this district and in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

C. The statutory bases for the relief requested in the Motion are: (i) sections 105, 363, 365, 503, and 507 of the Bankruptcy Code, 11 U.S.C. §§ 101–1532 (the “Bankruptcy Code”); (ii) Rules 2002(a)(2), 6004, 6006, 9007, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”); and (iii) Rule 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”).

D. Notice of the Motion has been given to: (i) the U.S. Trustee; (ii) the holders of the 35 largest unsecured claims against the Debtors (on a consolidated basis); (iii) counsel to Cortland Capital Market Services LLC (the “Stalking Horse Bidder”); (iv) all parties who have expressed a written interest in some or all of the Debtors' Assets; (vi) all parties who are known

or reasonably believed, after reasonable inquiry, to have asserted any lien, encumbrance, claim, or other interest in the Debtors' Assets; (vii) the Internal Revenue Service; (viii) all applicable state and local taxing authorities; (ix) each governmental agency that is an interested party with respect to the Sale and transactions proposed thereunder; and (x) all parties who have requested or who are required to receive notice pursuant to Bankruptcy Rule 2002.

E. The Debtors have articulated good and sufficient reasons for this Court to: (i) approve the Bidding Procedures; (ii) schedule the Auction and Sale Hearing and approve the manner of notice of the Auction and Sale Hearing; (iii) approve the procedures for the assumption and assignment of the Contracts, including notice of proposed cure amounts; and (iv) grant certain Bid Protections as provided in the Stalking Horse APA and in this Order.

F. The Expense Reimbursement (referred to herein as the "Bid Protections") (i) shall, if triggered, be deemed an actual and necessary cost and expense of preserving the Debtors' estates, within the meaning of sections 503(b) and 507(a)(2) of the Bankruptcy Code; (ii) are commensurate to the real and substantial benefit conferred upon the Debtors' estates by the Stalking Horse Bidder; (iii) are reasonable and appropriate, including in light of the size and nature of the proposed Sale and comparable transactions, the commitments that have been made, and the efforts that have been and will be expended by the Stalking Horse Bidder, notwithstanding that the proposed Sale is subject to better and higher offers; and (iv) were necessary to induce the Stalking Horse Bidder to pursue the Sale and to be bound by the Stalking Horse APA.

G. The Bid Protections were a material inducement to, and express condition of, the Stalking Horse Bidder's willingness to submit a bid through execution of the Stalking Horse APA that will serve as a minimum or floor bid on which the Debtors, their creditors, suppliers,

vendors, and other bidders may rely. The Stalking Horse Bidder has provided a material benefit to the Debtors and their creditors by increasing the likelihood that, given the circumstances, the best possible price for the Assets will be received. Accordingly, the Bidding Procedures and the Bid Protections are reasonable and appropriate and represent the best method for maximizing value for the benefit of the Debtors' estates.

H. The Bidding Procedures and the Stalking Horse APA were negotiated by the parties at arms' length and in good faith by the Debtors and the Stalking Horse Bidder.

I. **Assumption and Assignment Procedures.** The Motion, this Order, and the assumption and assignment procedures set forth herein are reasonably calculated to provide counterparties to any Contracts to be assumed by the Debtors and assigned to the Successful Bidder with proper notice of the intended assumption and assignment of their Contracts, the procedures in connection therewith, and any cure amounts relating thereto.

J. **Sale Notice.** The sale notice, substantially in the form attached hereto as **Exhibit 2** (the "**Sale Notice**"), is reasonably calculated to provide interested parties with timely and proper notice of the proposed sale, including, without limitation: (i) the date, time, and place of the Auction (if one is held); (ii) the Bidding Procedures; (iii) the deadline for filing objections to the Sale and entry of the Sale Order, and the date, time, and place of the Sale Hearing; (iv) reasonably specific identification of the Assets to be sold; (v) instructions for promptly obtaining copies of the Stalking Horse APA; (vi) a description of the Sale as being free and clear of liens, claims, encumbrances, and other interests (except as set forth in the applicable APA), with all such liens, claims, encumbrances, and other interests attaching with the same validity and priority to the Sale proceeds; (vii) notice of the proposed assumption and assignment of Contracts to the Stalking Horse Bidder pursuant to the Stalking Horse APA (or to another

Successful Bidder arising from the Auction, if any), and no other or further notice of the sale shall be required.

IT IS HEREBY ORDERED THAT:

1. The Motion is granted as provided herein. All capitalized terms used but otherwise not defined herein shall have the meanings set forth in the Motion or the Bidding Procedures, as applicable.

2. All objections to the relief requested in the Motion that have not been withdrawn, waived, or settled as announced to the Court at the hearing on the Motion or by stipulation filed with the Court, are overruled.

I. Important Dates and Deadlines

3. **Sale Hearing.** The Sale Hearing shall commence on September 11, 2014, at 10:00 a.m. (prevailing Eastern Time) before the Honorable Kevin Gross, at the Court, 824 North Market Street, 6th Floor, Courtroom No. 3, Wilmington, Delaware 19801. Upon entry of this Order, the Debtors are authorized to perform any obligations of the Debtors set forth in the Stalking Horse APA or other applicable APA that are intended to be performed prior to the Sale Hearing or entry of the Sale Order. The Sale Hearing may be adjourned without further notice other than by announcement in open Court or on the Court's calendar.

4. **Sale Objection Deadline.** Objections, if any, to the Sale must be made by September 4, 2014, at 4:00 p.m. (prevailing Eastern Time) (the "Sale Objection Deadline"). Objections must: (a) be in writing; (b) conform to the applicable provisions of the Bankruptcy Rules and the Local Rules; (c) state with particularity the legal and factual basis for the objection and the specific grounds therefor; and (d) be filed with the Court and served so as to be **actually received** no later than the Sale Objection Deadline by the following parties (the "Notice Parties"):

Counsel to the Debtors	Counsel to the Stalking Horse Bidder
<p>Kirkland & Ellis LLP 300 North LaSalle Chicago, Illinois 60654 Attn.: David L. Eaton and Michael W. Weitz</p> <p>– and –</p> <p>Young Conaway Stargatt & Taylor, LLP Rodney Square 1000 North King Street Wilmington, Delaware 19801 Attn.: Robert S. Brady, Pauline K. Morgan, and Edmon L. Morton</p>	<p>Ropes & Gray LLP 800 Boylston Street Boston, MA 02199 Attn.: Alyson Allen and Mark Bane</p>
The United States Trustee	
<p>Office of the United States Trustee for the District of Delaware 844 King Street Suite 2207, Lockbox 35 Wilmington, Delaware 19801 Attn.: Mark Kenney</p>	

5. A party's failure to timely file or make an objection in accordance with this Order shall forever bar the assertion of any objection to the Motion, entry of the Sale Order, and/or consummation of the Sale with the Successful Bidder pursuant to the applicable APA, including the assumption and assignment of the Contracts to the Successful Bidder pursuant to the applicable APA, and shall be deemed to constitute any such party's consent to entry of the Sale Order and consummation of the Sale and all transactions related thereto, including, without limitation, such assumption and assignment.

6. **Bid Deadline.** August 22, 2014, at 5:00 p.m. (prevailing Eastern Time), is the deadline by which all Bids for the Debtors' Assets must be **actually received** by the parties specified in the Bidding Procedures (the "**Bid Deadline**").

7. **Auction.** September 8, 2014, at 10:00 a.m. (prevailing Eastern Time), is the date and time the Auction, if one is needed, will be held at the offices of counsel to the Debtors: Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022-4611, or such later time on such day or other place as the Debtors shall notify all Qualified Bidders who have

submitted Qualified Bids. As set forth more fully in the Bidding Procedures, only Qualified Bidders shall be permitted to participate at the Auction.

II. Auction, Bidding Procedures, and Related Relief

8. The Bidding Procedures, substantially in the form attached hereto as **Exhibit 1**, are hereby approved in their entirety, and the Bidding Procedures shall govern the submission, receipt, and analysis of all Bids relating to the proposed sale of the Assets. Any party desiring to bid on the Assets shall comply with the Bidding Procedures and this Order. The Debtors are authorized to take any and all actions necessary to implement the Bidding Procedures.

9. The Stalking Horse Bidder is deemed a Qualified Bidder, and the Stalking Horse Bid as set forth in the Stalking Horse APA is deemed a Qualified Bid.

10. If the Debtors do not receive any Qualified Bids (other than the Stalking Horse Bid): (a) the Debtors will not hold the Auction; (b) the Stalking Horse Bidder will be deemed the Successful Bidder for the Assets; and (c) the Debtors shall be authorized to seek approval of the Stalking Horse APA at the Sale Hearing.

11. If the Debtors receive one or more Qualified Bids from Qualified Bidders (other than the Stalking Horse Bidder), the Debtors shall conduct the Auction in accordance with the Bidding Procedures.

12. Pursuant to Local Rule 6004-1(c)(ii): (a) each bidder participating at the Auction shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the Sale; (b) the Auction shall be conducted openly; and (c) the Auction shall be transcribed or videotaped.

13. In the event of a competing Qualified Bid, the Stalking Horse Bidder will be entitled, but not obligated, to submit overbids and will be entitled in any such overbids to credit

bid: (a) all or a portion of the value of the secured portion of its claims within the meaning of section 363(k) of the Bankruptcy Code; and (b) the value of the Bid Protections.

14. At the Auction, the Debtors may: (a) select, in their business judgment, pursuant to the Bidding Procedures, the highest or otherwise best Bid and the Successful Bidder or Backup Bidder; and (b) reject any Bid (regardless of whether such Bid is a Qualified Bid) that, in the Debtors' business judgment, is (i) inadequate, insufficient, or not the highest or best Bid, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bankruptcy Rules, or the Bidding Procedures, or (iii) contrary to, or otherwise not in the best interests of the Debtors' estates, affected stakeholders, or other parties in interest.

15. No person or entity, other than the Stalking Horse Bidder, shall be entitled to any expense reimbursement, break-up fees, "topping," termination, or other similar fee or payment, and by submitting a bid, such person or entity is deemed to have waived their right to request or to file with this court any request for expense reimbursement or any fee of any nature, whether by virtue of Bankruptcy Code section 503(b) or otherwise.

III. Bid Protections.

16. The Bid Protections are approved on the terms set forth in the Stalking Horse APA. The Debtors are hereby authorized to pay any and all amounts owing to the Stalking Horse Bidder on account of the Bid Protections in accordance with the terms of the Stalking Horse APA without further action or order by the Court.

17. The Bid Protections (if payable under the Stalking Horse APA in accordance with its terms) shall be an allowed administrative expense claim in the Debtors' chapter 11 cases pursuant to sections 503(b)(1) and 507(a)(2) senior to all other administrative expense claims; *provided, that*, the Bid Protections shall be junior to any obligations (collectively, the "Senior Obligations") pursuant to the *Order (A) Authorizing Postpetition Use Of Cash Collateral*,

(B) Granting Adequate Protection To The Secured Parties, And (C) Granting Related Relief [Docket No. 45, as may be amended in final form], which Senior Obligations shall be senior in priority to the Debtors' obligation to pay the Bid Protections.

IV. Assumption and Assignment Procedures.

18. The following procedures regarding the assumption and assignment of the Contracts in connection with the Sale are hereby approved to the extent set forth herein, and shall govern the assumption and assignment of all Contracts proposed to be assumed by the Debtors pursuant to Section 365(b) of the Bankruptcy Code and assigned to the Stalking Horse Bidder (or other Successful Bidder following the Auction, if any) pursuant to section 365(f) of the Bankruptcy Code under the Stalking Horse APA or other applicable APA.

19. **Notices for Contracts.** As soon as practicable, the Debtors shall serve on all non-Debtor counterparties to any Contract (the "Contract Notice Parties") that may be assumed by the Debtors and assigned to the Successful Bidder a "Contract Notice," substantially in the form attached hereto as **Exhibit 3**, that identifies, to the extent applicable: (i) the Contract that may be assumed and assigned; (ii) the name of the non-Debtor counterparty to such Contract; (iii) the Debtors' asserted cure amount for such Contract if it becomes assumed and assigned; and (iv) the deadlines by which any such Contract counterparty must file an objection to the proposed cure amount, assumption and assignment, or adequate assurance (each, a "Contract Objection"); *provided, that* the presence of a Contract on a Contract Notice does not constitute an admission that such Contract is an executory contract or unexpired lease; *provided, further, that* the presence of a Contract on the Contract Notice or Assumption Notice shall not prevent the Debtors from subsequently withdrawing such assumption or rejecting such Contract at any time before such Contract is actually assumed and assigned pursuant to an Order of the Court. Such Contract Notice shall be without prejudice to the Stalking Horse Bidder's

rights under Section 2.6 of the Stalking Horse APA to subsequently exclude such items from assumption and assignment. As soon as practicable after the conclusion of the Auction, the Debtors shall file with the Court and serve on the Contract Notice Parties who are parties to a Contract identified by the Successful Bidder to be assumed and assigned a further notice substantially in the form attached hereto as **Exhibit 4** (the “Assumption Notice”) identifying the Successful Bidder, stating which Contracts will be assumed and assigned, and providing such parties with the Successful Bidder’s assurance of future performance. To the extent the Debtors subsequently identify prior to the Sale Hearing any additional Contracts to be assumed by the Debtors and assigned to the Successful Bidder, the Debtors shall serve on any counterparty to such Contract the Contract Notice and/or Assumption Notice, as applicable, along with the Successful Bidder’s assurance of future performance, as soon as practicable. Such counterparty shall have seven (7) days from service of the Contract Notice and/or Assumption Notice, as applicable, to file an objection to the proposed cure amount or assumption and assignment of its Contract in accordance with the procedures set forth herein.

20. **Objections to Assumption of Contracts.** Any non-Debtor counterparty to a Contract who objects to the cure or assignment of their Contracts (the “Objecting Party”) shall file Contract Objections pursuant to the following procedures:

- **Cure Objection.** All Contract Objections to cure amounts listed in the Contract Notice shall be filed with the Court by 4:00 p.m. (prevailing Eastern Time) on the later of (a) August 8, 2014, or (b) seven days from service of the Contract Notice.
- **Assignment Objection.** All Contract Objections to assignment or adequate assurance of future performance of Contracts shall be filed with the Court by 4:00 p.m. (prevailing Eastern Time) on the later of (a) September 15, 2014, or (b) seven days from service of the Assumption Notice.
- **No Objection.** If no Objection is received in accordance with the deadlines set forth above, such counterparty: (i) shall be deemed to have consented to the cure amounts and assumption and assignment of its Contract to the Successful

Bidder; (ii) shall be forever barred, estopped, and enjoined from asserting any additional cure amount under the Contracts; and (iii) shall be forever barred from objecting to the assignment of the Contracts to the Successful Bidder or the adequacy of the Successful Bidder's assurance of future performance.

- Resolution Period. If any timely filed Contract Objection cannot be resolved by the Successful Bidder and the Objecting Party, the Court shall resolve such Contract Objection prior to assumption and assignment of such designated Contract, and upon entry of an order by the Court resolving such Contract Objection, the assignment, if approved by the Court, shall be deemed effective as of the date such Objecting Party receives the Assumption Notice. To the extent that any Contract Objection cannot be resolved by the parties, such Contract shall be assumed and assigned only upon satisfactory resolution of the Contract Objection, to be determined in the Stalking Horse Bidder's or other Successful Bidder's reasonable discretion, and until such time as the Contract Objection can be resolved, the Contract shall be conditionally assumed and assigned pending a resolution of the Contract Objection after notice and a hearing.
- Form of Objections. Contract Objections must: (a) be in writing; (b) state with specificity the nature of such objection and alleged cure amount, including applicable and appropriate documentation in support of such alleged cure amount; and (c) comply with the Bankruptcy Rules and the Local Rules.

V. Sale Hearing Notice.

21. The Sale Notice is hereby approved. On or within three (3) business days following entry of this Order, the Debtors shall cause the Sale Notice to be served on: (a) the U.S. Trustee; (b) counsel to the Committee, or, if no Committee has been appointed, the holders of the 35 largest unsecured claims against the Debtors (on a consolidated basis); (c) counsel to the Stalking Horse Bidder; (d) the Contract Counterparties; (e) all parties who have expressed a written interest in some or all of the Debtors' Assets; (f) all parties who are known or reasonably believed, after reasonable inquiry, to have asserted any lien, encumbrance, claim, or other interest in the Debtors' Assets; (g) the Internal Revenue Service; (h) all applicable state and local taxing authorities; (i) each governmental agency that is an interested party with respect to the Sale and transactions proposed thereunder; and (j) all parties who have requested or who are required to receive notice pursuant to Bankruptcy Rule 2002.

22. The Debtors shall also publish an abbreviated version of the Sale Notice in USA Today and Chicago Tribune at least ten (10) days prior to the Auction.

VI. Miscellaneous.

23. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

24. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

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

Date: _____, 2014
Wilmington, Delaware

The Honorable Kevin Gross
Chief United States Bankruptcy Judge

Exhibit 1

Bidding Procedures

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

In re:

SOURCE HOME ENTERTAINMENT, LLC, *et al.*,²

Debtors.

)
) Chapter 11
)
) Case No. 14-11553 (KG)
)
) (Jointly Administered)
)

**BIDDING PROCEDURES FOR THE SALE OF CERTAIN
OF THE DEBTORS' ASSETS**

On June 22, 2014, the Debtors entered into an asset purchase agreement (the “Stalking Horse APA”) with Cortland Capital Market Services LLC (the “Stalking Horse Bidder”) pursuant to which the Stalking Horse Bidder proposes to purchase, acquire, and take assignment and delivery of, free and clear of all liens, claims, encumbrances, and other interests (except as otherwise provided in the Stalking Horse APA), certain assets of the Debtors (collectively, the “Assets”). On [____], the United States Bankruptcy Court for the District of Delaware (the “Court”) entered the *Order (A) Approving Bidding Procedures and the Bidding Protections in Connection With the Sale of Certain of the Debtors’ Assets, (B) Approving the Form and Manner of Notice, (C) Scheduling an Auction and a Sale Hearing, (D) Approving Procedures for the Assumption and Assignment of Contracts, and (E) Granting Related Relief* [Docket No. ____] (the “Bidding Procedures Order”),³ by which the Court approved the following procedures (the “Bidding Procedures”).

These Bidding Procedures set forth the process by which the Debtors are authorized to conduct an auction (the “Auction”) for the sale (the “Sale”) of the Assets.

I. Participation Requirements

a. Potential Bidders.

To participate in the bidding process or otherwise be considered for any purpose hereunder, a person interested in the Assets (other than the Stalking Horse Bidder) (a “Potential Bidder”) must, on or before August 15, 2014 (the “Acceptable Bid Deadline”), deliver to each of: (i) proposed counsel to the Debtors, Kirkland & Ellis LLP, 300 North LaSalle

² The Debtors, together with the last four digits of each Debtor’s federal tax identification number, are: Source Home Entertainment, LLC (8517); Directtough, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors’ corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

³ All capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Bidding Procedures Order.

Street, Chicago, Illinois 60654, Attn.: David L. Eaton (david.eaton@kirkland.com) and Michael W. Weitz (michael.weitz@kirkland.com); and (ii) Stephen Dubé, the Debtors' Chief Restructuring Officer, c/o FTI Consulting, Inc., 2001 Ross Avenue, Suite 400, Dallas, Texas 75201, Attn.: Stephen Dubé (Stephen.Dube@fticonsulting.com) and Christopher Post (Chris.Post@fticonsulting.com), the following documents (collectively, the "Preliminary Bid Documents"):

- (i) an executed confidentiality agreement on terms acceptable to the Debtors (a "Confidentiality Agreement"), to the extent not already executed; and
- (ii) ~~preliminary proof by the Potential Bidder of its financial capacity to close a proposed transaction, which may include financial statements of, or verified financial commitments obtained by, the Potential Bidder (or, if the Potential Bidder is an entity formed for the purpose of acquiring the Assets, the party that will bear liability for a breach), the adequacy of which will be assessed by the Debtors and their advisors in their sole discretion.~~

b. Notice of Acceptable Bidder.

Within two business days after a Potential Bidder delivers the Preliminary Bid Documents, the Debtors will determine and notify the Potential Bidder and the Stalking Horse Bidder whether such Potential Bidder has submitted acceptable Preliminary Bid Documents so that the Potential Bidder may conduct due diligence with respect to the Assets. Only those Potential Bidders that have submitted acceptable Preliminary Bid Documents, as determined in the Debtors' sole discretion (each, an "Acceptable Bidder"), may submit Bids. Notwithstanding anything herein to the contrary, the Debtors reserve the right to work with Potential Bidders to aggregate partial Bids into a consolidated Acceptable Bid prior to the Acceptable Bid Deadline. The Stalking Horse Bidder shall be deemed an Acceptable Bidder at all times.

II. Due Diligence

Only Acceptable Bidders shall be eligible to receive due diligence information and access to the Debtors' electronic data room and to additional non-public information regarding the Debtors. The Debtors will provide to each Acceptable Bidder reasonable due diligence information, as requested by such Acceptable Bidder in writing, as soon as reasonably practicable after such request, and the Debtors shall post substantially all written due diligence provided to any Acceptable Bidder to the Debtors' electronic data room. The due diligence period will end on the Bid Deadline (as defined herein) and subsequent to the Bid Deadline the Debtors shall have no obligation to furnish any due diligence information.

In connection with the provision of due diligence information to Acceptable Bidders, the Debtors shall not furnish any confidential information relating to the Assets, liabilities of the Debtors, or the Sale to any person except to an Acceptable Bidder or to such Acceptable Bidder's duly authorized representatives to the extent provided in the applicable Confidentiality Agreement.

The Debtors and their advisors shall coordinate all reasonable requests from Acceptable

Bidders for additional information and due diligence access; *provided that* the Debtors may decline to provide such information to Acceptable Bidders who, at such time and in the Debtors' reasonable business judgment, have not established, or who have raised doubt, that such Acceptable Bidder intends in good faith to, or has the capacity to, consummate the Sale. Except as set forth in the Stalking Horse APA with respect to the Stalking Horse Bidder, no conditions relating to the completion of due diligence shall be permitted to exist after the Bid Deadline.

III. "As Is, Where Is"

The proposed transfer of the Assets will be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Debtors or their estates, except to the extent expressly set forth in the Stalking Horse APA or as specifically accepted or agreed to by the Debtors. Except as otherwise provided in the Stalking Horse APA or, with respect to other Qualified Bids (as defined herein), as specifically accepted or agreed to by the Debtors, all of the Debtors' right, title, and interest in and to the respective Assets will be transferred free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests in accordance with section 363(f) of the Bankruptcy Code.

By submitting a Bid, each Acceptable Bidder for the Assets will be deemed to acknowledge and represent that it (a) has had an opportunity to conduct adequate due diligence regarding the Assets prior to making its Bid, (b) has relied solely on its own independent review, investigation, and inspection of any document including, without limitation, executory contracts and unexpired leases, in making its Bid, and (c) did not rely on or receive from any party any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied by operation of law, or otherwise, with respect to the Assets or the completeness of any information provided in connection with the Sale or the Auction.

IV. Bid Requirements

Any proposal, solicitation, or offer (each, a "Bid") by an Acceptable Bidder must be submitted in writing and determined by the Debtors, in their reasonable business judgment, to have satisfied the following requirements (collectively, the "Bid Requirements"):

- a. Assets: Each Bid must be a bulk bid to purchase all or substantially all of the Assets, and must clearly state which liabilities of the Debtors the Acceptable Bidder is agreeing to assume.
- b. Purchase Price: Each Bid must clearly set forth the purchase price to be paid, including and identifying separately any cash and non-cash components (the "Purchase Price").
- c. Deposit: Each Bid, other than the Bid of the Stalking Horse Bidder (the "Stalking Horse Bid"), must be accompanied by a cash deposit in the amount equal to 10% of the aggregate cash and non-cash purchase price of the Bid to be held in an interest-bearing escrow account to be identified and established by the Debtors (the "Deposit").

- d. Initial Minimum Overbid: The aggregate consideration proposed by each Bid must equal or exceed the sum of (collectively, the “Initial Minimum Overbid”):
 - a. Cash in an amount equal to \$24,000,000; *plus*
 - b. cash equal to the Expense Reimbursement (as defined in the Stalking Horse APA); *plus*
 - c. \$250,000 in cash.

Notwithstanding the foregoing, a Bidder may decrease the amount of its Initial Minimum Overbid dollar-for-dollar by the amount of cash such Bidder is not seeking to acquire as part of its Bid, as compared to the Stalking Horse Bid.

- e. Assumption of Obligations: Each Bid must expressly assume all of the Assumed Obligations on terms no less favorable to the Debtors than the Stalking Horse APA, as determined in the Debtors’ sole business judgment.
- f. The Same or Better Terms: Except as otherwise provided herein, each Bid must be, in the Debtors’ business judgment, on the same or better terms than the terms of the Stalking Horse APA. Each Bid must include duly executed, non-contingent transaction documents necessary to effectuate the transactions contemplated in the Bid (the “Bid Documents”). The Bid Documents shall include a schedule of Assumed Contracts (as defined in the Stalking Horse APA) to the extent applicable to the Bid, and a copy of the Stalking Horse APA clearly marked to show all changes requested by the Acceptable Bidder (including those related to the Purchase Price and Assets to be acquired by such Acceptable Bidder), as well as all other material documents integral to such Bid.
- g. Committed Financing: To the extent that a Bid is not accompanied by evidence of the Acceptable Bidder’s capacity to consummate the sale set forth in its Bid with cash on hand, each Bid must include committed financing documented to the Debtors’ satisfaction that demonstrates that the Acceptable Bidder has: (i) received sufficient debt and/or equity funding commitments to satisfy the Acceptable Bidder’s Purchase Price and other obligations under its Bid; and (ii) adequate working capital financing or resources to finance going concern operations for the Debtors’ Assets and the proposed transactions. Such funding commitments or other financing must be unconditional and must not be subject to any internal approvals, syndication requirements, diligence, or credit committee approvals, and shall have covenants and conditions acceptable to the Debtors.
- h. Contingencies; No Financing or Diligence Outs: A Bid shall not be conditioned on the obtaining or the sufficiency of financing or any internal approval, or on the outcome or review of due diligence, but may be subject to the accuracy at the closing of specified representations and warranties or the satisfaction at the closing of specified conditions, which shall not be more burdensome, in the Debtors’ business judgment, than those set forth in the Stalking Horse APA.

- i. Identity: Each Bid must fully disclose the identity of each entity that will be bidding or otherwise participating in connection with such Bid (including each equity holder or other financial backer of the Acceptable Bidder if such Acceptable Bidder is an entity formed for the purpose of consummating the proposed transaction contemplated by such Bid), and the complete terms of any such participation. Under no circumstances shall any undisclosed principals, equity holders, or financial backers be associated with any Bid. Each Bid must also include contact information for the specific person(s) and counsel whom FTI Consulting, Inc. and Kirkland & Ellis LLP should contact regarding such Bid.
- j. Demonstrated Financial Capacity: An Acceptable Bidder must have, in the Debtors' business judgment, the necessary financial capacity to consummate the proposed transactions required by its Bid and provide adequate assurance of future performance under all contracts proposed to be Assumed Contracts by such Bid.
- k. Time Frame for Closing: A Bid by an Acceptable Bidder must be reasonably likely (based on availability of financing, antitrust, or other regulatory issues, experience, and other considerations) to be consummated, if selected as the Successful Bid, within a time frame acceptable to the Debtors.
- l. Irrevocable: Subject to Section 13 of these Bidding Procedure, an Acceptable Bidder's Bid shall be irrevocable unless and until the Debtors accept a higher Qualified Bid and such Acceptable Bidder is not selected as the Backup Bidder (as defined herein).
- m. Expenses: Each Acceptable Bidder (other than the Stalking Horse Bidder) presenting a Bid or Bids shall bear its own costs and expenses (including legal fees) in connection with the proposed transaction, and by submitting its Bid is agreeing to refrain from and waive any assertion or request for reimbursement on any basis, including under section 503(b) of the Bankruptcy Code.
- n. Authorization: Each Bid must contain evidence that the Acceptable Bidder has obtained authorization or approval from its Board of Directors (or a comparable governing body acceptable to the Debtors) with respect to the submission of its Bid and the consummation of the transactions contemplated in such Bid.
- o. As-Is, Where-Is: Each Bid must include a written acknowledgement and representation that the Acceptable Bidder: (i) has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its offer; (ii) has relied solely upon its own independent review, investigation, and/or inspection of any documents and/or the Assets in making its Bid; and (iii) did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied by operation of law, or otherwise, regarding the Assets or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in the Bidder's proposed purchase agreement for the Assets (each, an "APA").

- p. Disclaimer of Fees: Each Bid (other than the Stalking Horse Bid) must disclaim any right to receive a fee analogous to a break-up fee, expense reimbursement, termination fee, or any other similar form of compensation. For the avoidance of doubt, no Qualified Bidder (as defined herein) (other than the Stalking Horse Bidder) will be permitted to request, nor be granted by the Debtors, at any time, whether as part of the Auction or otherwise, a break-up fee, expense reimbursement, termination fee, or any other similar form of compensation, and by submitting its Bid is agreeing to refrain from and waive any assertion or request for reimbursement on any basis, including under section 503(b) of the Bankruptcy Code.
- q. Adherence to Bid Procedures: By submitting its Bid, each Bidder is agreeing to abide by and honor the terms of these Bidding Procedures and agrees to refrain from submitting a Bid or seeking to reopen the Auction after conclusion of the Auction.
- r. Bid Deadline: Each Bid must be transmitted via email (in .pdf or similar format) so as to be **actually received** on or before **August 22, 2014 at 5:00 p.m.** (prevailing Eastern Time) (the “Bid Deadline”) by:
 - a. FTI Consulting, Inc., 2001 Ross Avenue, Suite 400, Dallas, Texas 75201, Attn.: Stephen Dubé (Stephen.Dube@fticonsulting.com) and Christopher Post (Chris.Post@fticonsulting.com);
 - b. Kirkland & Ellis LLP, 300 North LaSalle Street, Chicago, Illinois 60654, Attn.: David L. Eaton (david.eaton@kirkland.com) and Michael W. Weitz (michael.weitz@kirkland.com);
 - c. Cortland Capital Market Services LLC, 225 West Washington Street, Suite 2100, Chicago, Illinois 60606, Attn.: Joanna Anderson, Chris Capezuti, and Emily Ergang;
 - d. Ropes & Gray LLP, Prudential Tower, 800 Boylston Street, Boston, Massachusetts 02199, Attn.: Alyson Allen (alyson.allen@ropesgray.com) and Mark Bane (mark.bane@ropesgray.com);
 - e. Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801
Attn.: Robert S. Brady, Pauline K. Morgan, and Edmon L. Morton; and
 - f. Counsel to the Committee, if any.

V. **Qualified Bidders**

- a. A Bid that satisfies each of the Bid Requirements, as determined in the Debtors’ business judgment, shall constitute a “Qualified Bid,” and such Acceptable Bidder shall be a “Qualified Bidder.” Within two business days after the Bid Deadline, the Debtors will notify each Qualified Bidder and the Stalking Horse Bidder

whether such party is a Qualified Bidder and shall provide to the Stalking Horse Bidder a copy of each Qualified Bid. For the avoidance of doubt, the Stalking Horse Bidder is deemed a Qualified Bidder and the Stalking Horse APA negotiated with the Stalking Horse Bidder shall constitute a Qualified Bid by the Stalking Horse Bidder.

- b. If any Bid is determined by the Debtors not to be a Qualified Bid, the Debtors will refund such Acceptable Bidder's Deposit and all accumulated interest thereon on or within three business days after the Bid Deadline.
- c. Between the date that the Debtors notify an Acceptable Bidder that it is a Qualified Bidder and the Auction, the Debtors may discuss, negotiate, or seek clarification of any Qualified Bid from a Qualified Bidder. Except as otherwise set forth in the Stalking Horse APA, without the written consent of the Debtors, a Qualified Bidder may not modify, amend, or withdraw its Qualified Bid, except for proposed amendments to increase their consideration contemplated by, or otherwise improve the terms of, the Qualified Bid, during the period that such Qualified Bid remains binding as specified in these Bidding Procedures; *provided that* any Qualified Bid may be improved at the Auction as set forth herein. Any improved Qualified Bid must continue to comply with the requirements for Qualified Bids set forth in these Bidding Procedures.

VI. Right to Credit Bid

At the Auction, any Qualified Bidder who has a valid and perfected lien on any Assets of the Debtors' estates (a "Secured Creditor") shall have the right to credit bid all or a portion of the value of such Secured Creditor's claims within the meaning of section 363(k) of the Bankruptcy Code; *provided that* a Secured Creditor shall have the right to credit bid its claim only with respect to the collateral by which such Secured Creditor is secured; *provided further that* for purposes of such Secured Creditor's Qualified Bid, the Secured Creditor's claim shall be deemed to have the value it possesses on the date of the Auction. Notwithstanding anything herein to the contrary, the Stalking Horse Bidder shall (a) have the right (including as part of any Overbid) to credit bid all or a portion of the value of the secured portion of its claims for the Assets pursuant to section 363(k) of the Bankruptcy Code, including any secured claims on account of its adequate protection liens, and (b) have the right to credit bid the value of the Expense Reimbursement.

VII. Auction

If the Debtors receive a Qualified Bid, other than the Stalking Horse Bid, the Debtors will conduct the Auction to determine the Successful Bidder with respect to the Debtors' Assets. If the Debtors do not receive a Qualified Bid (other than the Stalking Horse Bid), the Debtors will not conduct the Auction and shall designate the Stalking Horse Bidder's Qualified Bid as the Successful Bid.

No later than September 5, 2014 at 12:00 p.m. (prevailing Eastern Time), the Debtors will notify all Qualified Bidders of the highest or otherwise best Qualified Bid, as determined in

the Debtors' reasonable business judgment (the "Baseline Bid"), and provide copies of the Bid Documents supporting the Baseline Bid to all Qualified Bidders. The determination of which Qualified Bid constitutes the Baseline Bid and which Qualified Bid constitutes the Successful Bid shall take into account any factors the Debtors reasonably deem relevant to the value of the Qualified Bid to the Debtors' estates, including, among other things: (a) the number, type, and nature of any changes to the Stalking Horse APA requested by the Qualified Bidder, including the type and amount of Assets sought and Assumed Obligations to be assumed in the Bid; (b) the amount and nature of the total consideration; (c) the likelihood of the Bidder's ability to close a transaction and the timing thereof; (d) the net economic effect of any changes to the value to be received by the Debtors' estates from the transaction contemplated by the Bid Documents; and (e) the tax consequences of such Qualified Bid (collectively, the "Bid Assessment Criteria").

The Auction shall take place at 10:00 a.m. (prevailing Eastern Time) on September 8, 2014, at the offices of Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022-4611, or such later date and time as selected by the Debtors. The Auction shall be conducted in a timely fashion according to the following procedures:

a. The Debtors Shall Conduct the Auction.

The Debtors and their professionals shall direct and preside over the Auction. At the start of the Auction, the Debtors shall describe the terms of the Baseline Bid. All incremental Bids made thereafter shall be Overbids (as defined herein) and shall be made and received on an open basis, and all material terms of each Overbid shall be fully disclosed to all other Qualified Bidders. The Debtors shall maintain a written transcript of all Bids made and announced at the Auction, including the Baseline Bid, all Overbids, and the Successful Bid.

Only Qualified Bidders and their legal and financial advisors shall be entitled to attend the Auction, and the Qualified Bidders shall appear at the Auction in person and may speak or bid themselves or through duly authorized representatives. Only Qualified Bidders shall be entitled to bid at the Auction.

b. Terms of Overbids.

"Overbid" means any bid made at the Auction by a Qualified Bidder subsequent to the Debtors' announcement of the Baseline Bid. Each Overbid must comply with the following conditions:

- (i) Minimum Overbid Increment. Any Overbid following the Initial Minimum Overbid or following any subsequent Prevailing Highest Bid (as defined below) shall be in increments of \$250,000.
- (ii) Conclusion of Each Overbid Round. Upon the solicitation of each round of Overbids, the Debtors may announce a deadline (as the Debtors may, in their business judgment, extend from time to time, the "Overbid Round Deadline") by which time any Overbids must be submitted to the Debtors.
- (iii) Overbid Alterations. An Overbid may contain alterations, modifications, additions, or deletions of any terms of the Bid no less favorable to the

Debtors' estates than any prior Qualified Bid or Overbid, as determined in the Debtors' reasonable business judgment, but shall otherwise comply with the terms of these Bidding Procedures.

- (iv) Announcing Highest Bid. Subsequent to each Overbid Round Deadline, the Debtors shall announce whether the Debtors have identified an Overbid as being higher or otherwise better than the Initial Minimum Overbid, in the initial Overbid round, or, in subsequent rounds, the Overbid previously designated by the Debtors as the prevailing highest or otherwise best Bid (the "Prevailing Highest Bid"). The Debtors shall describe to all Qualified Bidders the material terms of any new Overbid designated by the Debtors as the Prevailing Highest Bid as well as the value attributable by the Debtors to such Prevailing Highest Bid based on, among other things, the Bid Assessment Criteria.

c. Consideration of Overbids.

The Debtors reserve the right, in their reasonable business judgment, and in consultation with the Stalking Horse Bidder, to adjourn the Auction one or more times to, among other things (i) facilitate discussions between the Debtors and Qualified Bidders, (ii) allow Qualified Bidders to consider how they wish to proceed, and (iii) provide Qualified Bidders the opportunity to provide the Debtors with such additional evidence as the Debtors, in their reasonable business judgment, may require, that the Qualified Bidder has sufficient internal resources or has received sufficient non-contingent debt and/or equity funding commitments to consummate the proposed transaction at the prevailing Overbid amount.

d. Closing the Auction.

- (i) The Auction shall continue until there is only one Qualified Bid that the Debtors determine, in their reasonable business judgment, to be the highest or otherwise best Qualified Bid for the Assets. Such Qualified Bid shall be declared the "Successful Bid," and such Qualified Bidder, the "Successful Bidder" and at which point the Auction will be closed. The Auction shall not close unless and until all Qualified Bidders have been given a reasonable opportunity to submit an Overbid at the Auction to the then Prevailing Highest Bid. Such acceptance by the Debtors of the Successful Bid is conditioned upon approval by the Court of the Successful Bid.
- (ii) For the avoidance of doubt, nothing in these Bidding Procedures shall prevent the Debtors from exercising their respective fiduciary duties under applicable law.
- (iii) The Debtors shall not consider any Bids or Overbids submitted after the conclusion of the Auction, and any such Bids or Overbids shall be deemed untimely and shall under no circumstances constitute a Qualified Bid.

- (iv) As soon as reasonably practicable after closing the Auction, the Debtors shall cause the Bid Documents for the Successful Bid and Backup Bid to be filed with the Court.

e. No Collusion; Good-Faith *Bona Fide* Offer.

Each Qualified Bidder participating at the Auction will be required to confirm on the record at the Auction that (i) it has not engaged in any collusion with respect to the bidding, and (ii) its Qualified Bid is a good-faith *bona fide* offer and it intends to consummate the proposed transaction if selected as the Successful Bidder.

VIII. Backup Bidder

- a. Notwithstanding anything in these Bidding Procedures to the contrary, if an Auction is conducted, the Qualified Bidder with the next-highest or otherwise second-best Qualified Bid at the Auction for the Assets, as determined by the Debtors in the exercise of their reasonable business judgment, shall be required to serve as a backup bidder (the “Backup Bidder”), and each Qualified Bidder shall agree and be deemed to agree to be the Backup Bidder if so designated by the Debtors
- b. The identity of the Backup Bidder and the amount and material terms of the Qualified Bid of the Backup Bidder shall be announced by the Debtors at the conclusion of the Auction at the same time the Debtors announce the identity of the Successful Bidder. The Backup Bidder shall be required to keep its Qualified Bid (or if the Backup Bidder submits one or more Overbids at the Auction, its final Overbid) open and irrevocable until the closing of the transaction with the Successful Bidder. The Backup Bidder’s Deposit shall be held in escrow until the closing of the transaction with the Successful Bidder.
- c. If a Successful Bidder fails to consummate the approved transactions contemplated by its Successful Bid, the Debtors may select the Backup Bidder as the Successful Bidder, and such Backup Bidder shall be deemed a Successful Bidder for all purposes. The Debtors will be authorized, but not required, to consummate all transactions contemplated by the Bid of such Backup Bidder without further order of the Court or notice to any party. In such case, the defaulting Successful Bidder’s Deposit shall be forfeited to the Debtors, and the Debtors specifically reserve the right to seek all available remedies against the defaulting Successful Bidder, including with respect to specific performance.

IX. Highest or Otherwise Best Bid

When determining the highest or otherwise best Qualified Bid, as compared to other Qualified Bids, the Debtors may, in their sole discretion, consider the following factors in addition to any other factors that the Debtors deem appropriate: (a) the number, type, and nature of any changes to the Stalking Horse APA requested by the Qualified Bidder, including the type and amount of Assets sought and obligations to be assumed in the Bid; (b) the amount and nature of the total consideration; (c) the likelihood of the Bidder’s ability to close a transaction and the

timing thereof; (d) the net economic effect of any changes to the value to be received by the Debtors' estates from the transaction contemplated by the Bid Documents; and (e) the tax consequences of such Qualified Bid; *provided*, in each case, that the fact the Stalking Horse Bid is comprised of a credit bid shall not be a factor considered by the Debtors in their determination of the highest or otherwise best Qualified Bid.

X. Reservation of Rights

Except with regard to the Bid Requirements set forth above in subparagraphs 4(d), 4(h), and 4(q), which may not be altered, the Debtors reserve their rights to modify these Bidding Procedures (after consultation with the Stalking Horse Bidder) in their reasonable business judgment in any manner that will best promote the goals of the bidding process, or impose, at or prior to the Auction, additional customary terms and conditions on the sale of the Assets, including, without limitation: (a) extending the deadlines set forth in these Bidding Procedures; (b) adjourning the Auction at the Auction and/or adjourning the Sale Hearing (as defined below) in open court without further notice; (c) adding procedural rules that are reasonably necessary or advisable under the circumstances for conducting the Auction; (d) canceling the Auction; and (e) rejecting any or all Bids or Qualified Bids.

Notwithstanding the foregoing and subject in all respects to the Stalking Horse APA, the Debtors may not impair or modify the Stalking Horse Bidder's rights and obligations under the Stalking Horse APA or the Stalking Horse Bidder's right to credit its secured claim and the Bidding Protections as part of any Bid at the Auction or otherwise.

XI. Consent to Jurisdiction

All Qualified Bidders at the Auction shall be deemed to have consented to the jurisdiction of the Court and waived any right to a jury trial in connection with any disputes relating to the Auction, the construction and enforcement of these Bidding Procedures, and/or the Bid Documents, as applicable.

XII. Sale Hearing

A hearing to consider approval of the Sale of all or substantially all of the Debtors' Assets to the Successful Bidder (or to approve the Stalking Horse APA if no Auction is held) (the "Sale Hearing") is currently scheduled to take place on September 11, 2014 at 10:00 a.m. (prevailing Eastern Time), before the Honorable Kevin Gross, at the Court, 824 North Market Street, 6th Floor, Courtroom No. 3, Wilmington, Delaware 19801.

The Sale Hearing may be continued to a later date by the Debtors by sending notice prior to, or making an announcement at, the Sale Hearing. No further notice of any such continuance will be required to be provided to any party (including the Stalking Horse Bidder).

At the Sale Hearing, the Debtors shall present the Successful Bid to the Court for approval.

XIII. Stalking Horse APA

Notwithstanding anything in these Bidding Procedures to the contrary, the Stalking Horse APA and related transaction documents shall remain in full force and effect until such agreements have terminated in accordance with their respective terms and regardless of whether the Stalking Horse Bidder is designated the Successful Bidder or the Backup Bidder.

XIV. Return of Deposit

The Deposit of the Successful Bidder shall be applied to the purchase price of such transaction at closing. The Deposits for each Qualified Bidder shall be held in one or more interest-bearing escrow accounts on terms acceptable to the Debtors in their sole discretion and shall be returned (other than with respect to the Stalking Horse Bidder, the Successful Bidder, and the Backup Bidder) on or within three business days after the Auction. Upon the return of the Deposits, their respective owners shall receive any and all interest that will have accrued thereon.

If a Successful Bidder fails to consummate a proposed transaction because of a breach by such Successful Bidder, the Debtors will not have any obligation to return the Deposit deposited by such Successful Bidder, which may be retained by the Debtors as liquidated damages, in addition to any and all rights, remedies, or causes of action that may be available to the Debtors, and the Debtors shall be free to consummate the proposed transaction with the applicable Backup Bidder without the need for an additional hearing or order of the Court.

XV. No Modification of Bidding Procedures

Except as provided by Section 10 hereof, these Bidding Procedures may not be modified except with the Debtors' express written consent.

* * * * *

Wilmington, Delaware

Dated: [____], 2014

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Pauline K. Morgan (DE Bar No. 3650)
Edmon L. Morton (DE Bar No. 3856)
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*Proposed Counsel for the
Debtors and Debtors in Possession*

Exhibit 2

Sale Notice

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

In re:)	
)	Chapter 11
SOURCE HOME ENTERTAINMENT, LLC, <i>et al.</i> , ¹)	Case No. 14-11553 (KG)
)	
Debtors.)	(Jointly Administered)
)	

NOTICE OF SALE BY AUCTION AND SALE HEARING

PLEASE TAKE NOTICE that on June 30, the above-captioned debtors and debtors in possession (the “Debtors”) filed the *Debtors’ Motion for Entry of (I) an Order (A) Approving Bidding Procedures and Bid Protections in Connection with the Sale of Certain of the Debtors’ Assets, (B) Approving the Form and Manner of Notice, (C) Scheduling an Auction and a Sale Hearing, (D) Approving Procedures for the Assumption and Assignment of Contracts, and (E) Granting Related Relief and (II) an Order (A) Approving the Asset Purchase Agreement Between the Debtors and the Purchaser; (B) Authorizing the Sale of Certain of the Assets of the Debtors Free and Clear of Liens, Claims, Encumbrances, and Interests; (C) Authorizing the Assumption and Assignment of Contracts; and (D) Granting Related Relief* [Docket No. ____] (the “Sale Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Court”) seeking, among other things, entry of an order (the “Sale Order”) authorizing and approving: (a) the sale of certain of the Debtors’ assets (the “Assets”) free and clear of liens, claims, encumbrances, and other interests, with all such liens, claims, encumbrances, and other interests attaching with the same validity and priority to the sale proceeds, to Cortland Capital Market Services LLC (the “Stalking Horse Bidder”), except as set forth in the Stalking Horse APA and subject to higher or otherwise better offers (the “Sale”); and (b) procedures for the assumption and assignment of executory contracts and unexpired leases (collectively, the “Contracts”). Please note that all capitalized terms used but not defined herein shall have the meanings set forth in the Sale Motion.

PLEASE TAKE FURTHER NOTICE that the Debtors are soliciting offers for the purchase of the Assets and assumption of the Assumed Obligations (as defined in the Stalking Horse APA) of the Debtors consistent with the bidding procedures (the “Bidding Procedures”) approved by the Court by entry of an order on [____] [Docket No. ____] (the “Bidding Procedures Order”). **All interested bidders should carefully read the Bidding Procedures and Bidding Procedures Order.** To the extent that there are any inconsistencies

¹ The Debtors, together with the last four digits of each Debtor’s federal tax identification number, are: Source Home Entertainment, LLC (8517); Directtuo, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors’ corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

between this notice and the Bidding Procedures or Bidding Procedures Order, the Bidding Procedures or Bidding Procedures Order, as applicable, shall govern in all respects.

PLEASE TAKE FURTHER NOTICE that, if the Debtors receive qualified competing bids within the requirements and time frame specified by the Bidding Procedures, the Debtors will conduct an auction (the “Auction”) of the Assets on **September 8, 2014, at 10:00 a.m. (prevailing Eastern Time)** at the offices of Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022-4611 (or at any other location as the Debtors may hereafter designate on proper notice).

PLEASE TAKE FURTHER NOTICE that the Debtors will seek approval of the Sale at a hearing scheduled to commence on **September 11, 2014 at 10:00 a.m. (prevailing Eastern Time)** (the “Sale Hearing”) before the Honorable Kevin Gross, United States Bankruptcy Judge for the Bankruptcy Court for the District of Delaware, at 824 North Market Street, 6th Floor, Courtroom No. 3, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE that, except as otherwise set forth in the Bidding Procedures Order with respect to any objections to proposed cure amounts or the assumption and assignment of Contracts, objections to the relief requested in the Sale Motion **must**: (a) be in writing; (b) conform to the applicable provisions of the Bankruptcy Rules and the Local Rules; (c) state with particularity the legal and factual basis for the objection and the specific grounds therefor; and (d) be filed with the Court and served so as to be **actually received** by **4:00 p.m. (prevailing Eastern Time) on September 4, 2014** by the following parties (the “Notice Parties”):

Co-Counsel to the Debtors	Counsel to the Stalking Horse Bidder
<p>Kirkland & Ellis LLP 300 North LaSalle Chicago, Illinois 60654 Attn.: David L. Eaton and Michael W. Weitz – and – Young Conaway Stargatt & Taylor, LLP Rodney Square 1000 North King Street Wilmington, Delaware 19801 Attn.: Robert S. Brady, Pauline K. Morgan, and Edmon L. Morton</p>	<p>Ropes & Gray LLP 800 Boylston Street Boston, MA 02199 Attn.: Alyson Allen and Mark Bane</p>
The United States Trustee	
<p>Office of the United States Trustee for the District of Delaware 844 King Street Suite 2207, Lockbox 35 Wilmington, Delaware 19801 Attn.: Mark Kenney</p>	

CONSEQUENCES OF FAILING TO TIMELY MAKE AN OBJECTION

ANY PARTY OR ENTITY WHO FAILS TO TIMELY MAKE AN OBJECTION TO THE SALE ON OR BEFORE THE SALE OBJECTION DEADLINE IN ACCORDANCE WITH THE BIDDING PROCEDURES ORDER SHALL BE FOREVER BARRED FROM ASSERTING ANY OBJECTION TO THE SALE, INCLUDING WITH RESPECT TO THE TRANSFER OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS, EXCEPT AS SET FORTH IN THE APPLICABLE APA.

NO SUCCESSOR OR TRANSFeree LIABILITY

The Stalking Horse APA and proposed Sale Order provide that the Stalking Horse Bidder and/or Successful Bidder, if applicable, will have no responsibility for, and the Assets will be sold free and clear of, any successor liability, including the following: (a) any liability or other obligation of the Debtors' estates or related to the Assets other than as expressly set forth in the applicable APA; or (b) any claims against the Debtors, their estates, or any of their predecessors or affiliates. Except as expressly provided in the Sale Order or the applicable APA, the Stalking Horse Bidder or Successful Bidder shall have no liability whatsoever with respect to the Debtors' estates' (or their predecessors' or affiliates') respective businesses or operations or any of the Debtors' estates' (or their predecessors' or affiliates') obligations (as described below, "Successor or Transferee Liability") based, in whole or part, directly or indirectly, on any theory of successor or vicarious liabilities of any kind or character, including, but not limited to, any theory of antitrust, environmental, successor or transferee liability, labor law, *de facto* merger, or substantial continuity, whether known or unknown as of the Closing Date (as defined in the applicable APA), now existing or hereafter arising, whether asserted or unasserted, fixed or contingent, liquidated or unliquidated with respect to the Debtors or any obligations of the Debtors arising prior to the closing of the Sale, including, but not limited to, liabilities on account of any taxes arising, accruing, or payable under, out of, in connection with, or in any way relating to the operation of any of the Assets prior to the closing of the Sale.

PLEASE TAKE FURTHER NOTICE that copies of the Sale Motion, Bidding Procedures, and Bidding Procedures Order, as well as all related exhibits, including the Stalking Horse APA and the proposed Sale Order, are available: (a) upon request to Kurtzman Carson Consultants LLC (the notice and claims agent retained in these chapter 11 cases) by calling (877) 759-8815; (b) by visiting the website maintained in these chapter 11 cases at <http://www.kccllc.net/Source>; or (c) for a fee via PACER by visiting <http://www.deb.uscourts.gov>.

PLEASE TAKE FURTHER NOTICE that you may obtain additional information concerning the above-captioned chapter 11 cases at the website maintained in these chapter 11 cases at <http://www.kccllc.net/Source>.

Wilmington, Delaware

Dated: [____], 2014

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Pauline K. Morgan (DE Bar No. 3650)
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*Proposed Counsel for the
Debtors and Debtors in Possession*

Exhibit 3

Contract Notice

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

In re:

SOURCE HOME ENTERTAINMENT, LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 14-11553 (KG)
)
) (Jointly Administered)
)

**NOTICE OF PROPOSED ASSUMPTION AND ASSIGNMENT OF CERTAIN
EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

PLEASE TAKE NOTICE that on June 30, the above-captioned debtors and debtors in possession (the “Debtors”) filed the *Debtors’ Motion for Entry of (I) an Order (A) Approving Bidding Procedures and Bid Protections in Connection with the Sale of Certain of the Debtors’ Assets, (B) Approving the Form and Manner of Notice, (C) Scheduling an Auction and a Sale Hearing, (D) Approving Procedures for the Assumption and Assignment of Contracts, and (E) Granting Related Relief and (II) an Order (A) Approving the Asset Purchase Agreement Between the Debtors and the Purchaser; (B) Authorizing the Sale of Certain of the Assets of the Debtors Free and Clear of Liens, Claims, Encumbrances, and Interests; (C) Authorizing the Assumption and Assignment of Contracts; and (D) Granting Related Relief* [Docket No. ____] (the “Sale Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Court”) seeking, among other things, entry of an order (the “Sale Order”) authorizing and approving: (a) the sale of certain of the Debtors’ assets (the “Assets”) free and clear of liens, claims, encumbrances, and other interests, with all such liens, claims, encumbrances, and other interests attaching with the same validity and priority to the sale proceeds, to Cortland Capital Market Services LLC (the “Stalking Horse Bidder”), except as set forth in the Stalking Horse APA and subject to higher or otherwise better offers (the “Sale”); and (b) procedures for the assumption and assignment of executory contracts and unexpired leases (collectively, the “Contracts”). Please note that all capitalized terms used but not defined herein shall have the meanings set forth in the Sale Motion.

PLEASE TAKE FURTHER NOTICE that on [____], the Court entered an order [Docket No. ____] (the “Bidding Procedures Order”) granting certain of the relief sought in the Sale Motion, including, among other things, approving: (a) the bidding procedures (the “Bidding Procedures”) for the Sale of the Assets; and (b) procedures for the assumption and assignment of the Contracts (the “Assumption Procedures”).

¹ The Debtors, together with the last four digits of each Debtor's federal tax identification number, are: Source Home Entertainment, LLC (8517); Directou, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors' corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

PLEASE TAKE FURTHER NOTICE that the Debtors will seek approval of the Sale at a hearing scheduled to commence at **September 11, 2014, at 10:00 a.m. (prevailing Eastern Time)** (the “Sale Hearing”) before the Honorable Kevin Gross, United States Bankruptcy Judge for the Bankruptcy Court for the District of Delaware, at 824 North Market Street, 6th Floor, Courtroom No. 3, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE that upon the closing of the Sale, the Debtors intend to assume and assign to the Stalking Horse Bidder, or any other Successful Bidder arising from the Auction (as defined in the Bidding Procedures Order) (the “Assignee”), the Contracts and any modifications thereto (collectively, the “Assigned Contracts”) set forth on **Exhibit A** attached hereto, subject to (a) the Stalking Horse Bidder’s right to designate additional Contracts as Assigned Contracts or remove certain Contracts from the list of Assigned Contracts pursuant to Section 2.6 of the Stalking Horse APA or (b) any similar right of any other Successful Bidder arising from the Auction. In addition, the cure amounts, if any, necessary for the assumption and assignment of the Assigned Contracts (the “Cure Amounts”) are set forth on **Exhibit A** attached hereto.

PLEASE TAKE FURTHER NOTICE that the Debtors will separately furnish adequate assurance information demonstrating the Assignee’s ability to comply with the requirements of adequate assurance of future performance under section 365(f)(2)(B) of the Bankruptcy Code, including, without limitation, the Assignee’s financial wherewithal and willingness to perform under the Assigned Contracts.

PARTIES LISTED ON EXHIBIT A ATTACHED HERETO ARE RECEIVING THIS NOTICE BECAUSE THE STALKING HORSE BIDDER HAS IDENTIFIED THEM AS A COUNTERPARTY TO AN ASSIGNED CONTRACT. Under the terms of the Assumption Procedures, the Stalking Horse Bidder or Successful Bidder may modify the list of Assigned Contracts in accordance with the Stalking Horse APA or the Successful Bidder’s APA, as applicable. Any counterparty added to the list of Assigned Contracts by such a modification will receive notice thereof (the “Assumption Notice”) and will have an opportunity to object to the proposed cure amount or assumption and assignment of the Assigned Contract, if applicable.

Obtaining Additional Information

Additional copies of the Bidding Procedures Order, the Bidding Procedures, and any other related documents are available: (a) upon request to Kurtzman Carson Consultants LLC (the notice and claims agent retained in these chapter 11 cases) by calling (877) 759-8815; (b) by visiting the website maintained in these chapter 11 cases at <http://www.kccllc.net/Source>; or (c) for a fee via PACER by visiting <http://www.deb.uscourts.gov>.

Filing Assumption and Assignment Objections

Pursuant to the Assumption Procedures, objections to the proposed assumption and assignment of an Assigned Contract, including any objection relating to the Cure Amount and/or adequate assurance of future performance (collectively, a “Contract Objection”), must: (a) be in writing; (b) state with specificity the nature of such objection and alleged Cure Amount, including applicable and appropriate documentation in support of such alleged Cure Amount;

(c) comply with the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the District of Delaware; (d) for Contract Objections to the Cure Amount, be filed with the Court and served so as to be **actually received** by **4:00 p.m. (prevailing Eastern Time) on the later of** (i) **August 8, 2014**, or (ii) seven days from service of this notice; and (e) for Contract Objections to the proposed assumption and assignment of the Assigned Contract, be filed with the Court and served so as to be **actually received** by **4:00 p.m. (prevailing Eastern Time) on the later of** (i) **September 15, 2014**, or (ii) seven days from service of the Assumption Notice (as defined in the Bidding Procedures Order).

Any timely filed Contract Objections made prior to the Sale Hearing will be considered at the Sale Hearing, or another date agreed to by the parties, and must be served on the following parties:

Co-Counsel to the Debtors	Counsel to the Stalking Horse Bidder
<p style="text-align: center;">Kirkland & Ellis LLP 300 North LaSalle Chicago, Illinois 60654 Attn.: David L. Eaton and Michael W. Weitz – and – Young Conaway Stargatt & Taylor, LLP Rodney Square 1000 North King Street Wilmington, Delaware 19801 Attn.: Robert S. Brady, Pauline K. Morgan, and Edmon L. Morton</p>	<p style="text-align: center;">Ropes & Gray LLP 800 Boylston Street Boston, MA 02199 Attn.: Alyson Allen and Mark Bane</p>
The United States Trustee	
<p style="text-align: center;">Office of the United States Trustee for the District of Delaware 844 King Street Suite 2207, Lockbox 35 Wilmington, Delaware 19801 Attn.: Mark Kenney</p>	

If any timely filed Contract Objection cannot be resolved by the Stalking Horse Bidder or Successful Bidder arising from the Auction, if any, and the objecting party, the Court shall resolve such Contract Objection prior to assumption and assignment of such designated Contract, and upon entry of an order by the Court resolving such Contract Objection, the assignment, if approved by the Court, shall be deemed effective as of the date such objecting party receives the Assumption Notice. To the extent that any Contract Objection cannot be resolved by the parties, such Contract shall be assumed and assigned only upon satisfactory resolution of the Contract Objection, to be determined in the reasonable discretion of the Stalking Horse Bidder or other Successful Bidder arising from the Auction, if any, and until such time as the Contract Objection can be resolved, the Contract shall be conditionally assumed and assigned pending a resolution of the Contract Objection after notice and a hearing.

CONSEQUENCES OF FAILING TO TIMELY FILE AND SERVE AN OBJECTION

ANY COUNTERPARTY TO AN ASSIGNED CONTRACT WHO FAILS TO TIMELY FILE AND SERVE AN OBJECTION TO THE PROPOSED ASSUMPTION AND ASSIGNMENT OF AN ASSIGNED CONTRACT AND/OR THE CURE AMOUNT SET FORTH ON EXHIBIT A ATTACHED HERETO IN ACCORDANCE WITH THE BIDDING PROCEDURES ORDER AND THE ASSUMPTION PROCEDURES SHALL BE FOREVER BARRED FROM ASSERTING ANY OBJECTION TO THE ASSUMPTION AND ASSIGNMENT OF THE ASSIGNED CONTRACT AND/OR THE CURE AMOUNT SET FORTH ON EXHIBIT A ATTACHED HERETO, INCLUDING ASSERTING ADDITIONAL CURE AMOUNTS WITH RESPECT TO THE ASSIGNED CONTRACT RELATING TO ANY PERIOD PRIOR TO THE TIME OF ASSUMPTION AND ASSIGNMENT.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Wilmington, Delaware

Dated: [____], 2014

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*Proposed Counsel for the
Debtors and Debtors in Possession*

Exhibit A

Assigned Contracts

Assigned Contracts¹

Debtor	Counterparty	Description of Assigned Contracts or Leases	Cure Amount

¹ The presence of a contract or lease on this **Exhibit A** does not constitute an admission by the Debtors that such contract is an executory contract or such lease is an unexpired lease pursuant to section 365 of the Bankruptcy Code or any other applicable law, and the Debtors reserve all rights to withdraw any proposed assumption and assignment, or to reject any contract or lease at any time before such contract or lease is assumed and assigned pursuant to an order of the Court.

Exhibit 4

Assumption Notice

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

In re:

SOURCE HOME ENTERTAINMENT, LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 14-11553 (KG)
)
) (Jointly Administered)
)

NOTICE OF ASSIGNMENT OF EXECUTORY CONTRACTS

PLEASE TAKE NOTICE that on June 30, 2014, the above-captioned debtors and debtors in possession (the “Debtors”) filed the *Debtors’ Motion for Entry of (I) an Order (A) Approving Bidding Procedures and Bid Protections in Connection with the Sale of Certain of the Debtors’ Assets, (B) Approving the Form and Manner of Notice, (C) Scheduling an Auction and a Sale Hearing, (D) Approving Procedures for the Assumption and Assignment of Contracts, and (E) Granting Related Relief and (II) an Order (A) Approving the Asset Purchase Agreement Between the Debtors and the Purchaser; (B) Authorizing the Sale of Certain of the Assets of the Debtors Free and Clear of Liens, Claims, Encumbrances, and Interests; (C) Authorizing the Assumption and Assignment of Contracts; and (D) Granting Related Relief* [Docket No. ____] (the “Sale Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Court”) seeking, among other things, entry of an order (the “Sale Order”) authorizing and approving: (a) the sale of certain of the Debtors’ assets (the “Assets”) free and clear of liens, claims, encumbrances, and other interests, with all such liens, claims, encumbrances, and other interests attaching with the same validity and priority to the sale proceeds, to Cortland Capital Market Services LLC (the “Stalking Horse Bidder”), except as set forth in the Stalking Horse APA and subject to higher or otherwise better offers (the “Sale”); and (b) procedures for the assumption and assignment of executory contracts and unexpired leases (collectively, the “Contracts”). Please note that all capitalized terms used but not defined herein shall have the meanings set forth in the Sale Motion.

PLEASE TAKE FURTHER NOTICE that on [____], the Court entered an order [Docket No. ____] (the “Bidding Procedures Order”) granting certain of the relief sought in the Sale Motion, including, among other things, approving: (a) the bidding procedures (the “Bidding Procedures”) for the Sale of the Assets; and (b) procedures for the assumption and assignment of the Contracts (the “Assumption Procedures”). Pursuant to the Assumption Procedures and by this written notice, the Debtors hereby notify you that they have determined, in the exercise of

¹ The Debtors, together with the last four digits of each Debtor’s federal tax identification number, are: Source Home Entertainment, LLC (8517); Directtou, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors’ corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

their business judgment, that the Contracts set forth on **Exhibit A** attached hereto (collectively, the “Assigned Contracts”) shall be hereby assumed and assigned to [_____] (the “Successful Bidder”), subject to the Successful Bidder’s payment of the cure amounts set forth on **Exhibit A**, or such other cure amounts that are agreed to by the parties.

PLEASE TAKE FURTHER NOTICE that upon the closing of the Sale, the Debtors intend to assume and assign to the Successful Bidder the Contracts and any modifications thereto (collectively, the “Assigned Contracts”) set forth on **Exhibit A** attached hereto, subject to the Successful Bidder’s right to designate additional Contracts as Assigned Contracts or remove certain Contracts from the list of Assigned Contracts pursuant to the Successful Bidder’s APA.

PLEASE TAKE FURTHER NOTICE that the Debtors have evaluated the financial wherewithal of the Successful Bidder (*e.g.*, financial credibility, willingness, and ability of the interested party to perform under the Contracts) and believe that the Successful Bidder’s financial health satisfies the requirements of adequate assurance of future performance under section 365(f)(2)(B) of the Bankruptcy Code.

PLEASE TAKE FURTHER NOTICE that copies of the Bidding Procedures Order, the Bidding Procedures, the Successful Bidder’s APA, and any other related documents are available: (a) upon request to Kurtzman Carson Consultants LLC (the notice and claims agent retained in these chapter 11 cases) by calling (877) 759-8815; (b) by visiting the website maintained in these chapter 11 cases at <http://www.kccllc.net/Source>; or (c) for a fee via PACER by visiting <http://www.deb.uscourts.gov>.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Assumption Procedures, objections to the proposed assumption and assignment of an Assigned Contract (a “Contract Objection”), must: (a) be in writing; (b) state with specificity the nature of such objection; (c) comply with the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the District of Delaware; and (d) be filed with the Court and served so as to be **actually received** by **4:00 p.m. (prevailing Eastern Time) on the later of** (i) **September 15, 2014**, or (ii) seven days from service of this notice (either (i) or (ii), as applicable, the “Contract Objection Deadline”).

PLEASE TAKE FURTHER NOTICE that, except as otherwise provided by the Bidding Procedures Order, the time for filing objections to the cure amounts related to the Assigned Contracts has passed and no further notice or action is necessary with respect to such cure amounts.

Any Contract Objections will be considered at a subsequent hearing before the Bankruptcy Court, and must be served on the following parties:

Co-Counsel to the Debtors	Counsel to the Stalking Horse Bidder
<p>Kirkland & Ellis LLP 300 North LaSalle Chicago, Illinois 60654 Attn.: David L. Eaton and Michael W. Weitz – and – Young Conaway Stargatt & Taylor, LLP Rodney Square 1000 North King Street Wilmington, Delaware 19801 Attn.: Robert S. Brady, Pauline K. Morgan, and Edmon L. Morton</p>	<p>Ropes & Gray LLP 800 Boylston Street Boston, MA 02199 Attn.: Alyson Allen and Mark Bane</p>
The United States Trustee	
<p>Office of the United States Trustee for the District of Delaware 844 King Street Suite 2207, Lockbox 35 Wilmington, Delaware 19801 Attn.: Mark Kenney</p>	

If any timely filed Contract Objection cannot be resolved by the parties, the Court shall resolve such Contract Objection prior to assumption and assignment of such designated Contract, and upon entry of an order by the Court resolving such Contract Objection, the assignment, if approved by the Court, shall be deemed effective as of the date you receive this notice. To the extent that any Contract Objection cannot be resolved by the parties, such Contract shall be assumed and assigned only upon satisfactory resolution of the Contract Objection, to be determined in the Successful Bidder's reasonable discretion, and until such time as the Contract Objection can be resolved, the Contract shall be conditionally assumed and assigned pending a resolution of the Contract Objection after notice and a hearing.

CONSEQUENCES OF FAILING TO TIMELY FILE AND SERVE AN OBJECTION

ANY COUNTERPARTY TO AN ASSIGNED CONTRACT WHO FAILS TO TIMELY FILE AND SERVE AN OBJECTION TO THE PROPOSED ASSUMPTION AND ASSIGNMENT OF AN ASSIGNED CONTRACT SET FORTH ON EXHIBIT A ATTACHED HERETO BY THE CONTRACT OBJECTION DEADLINE IN ACCORDANCE WITH THE BIDDING PROCEDURES ORDER AND THE ASSUMPTION PROCEDURES SHALL BE FOREVER BARRED FROM ASSERTING ANY OBJECTION TO THE ASSUMPTION AND ASSIGNMENT OF THE ASSIGNED CONTRACT SET FORTH ON EXHIBIT A ATTACHED HERETO.

Wilmington, Delaware

Dated: [____], 2014

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*Proposed Counsel for the
Debtors and Debtors in Possession*

Exhibit A

Assigned Contracts

Assigned Contracts¹

Debtor	Counterparty	Description of Assigned Contracts or Leases	Assignee

¹ The presence of a contract or lease on this **Exhibit A** does not constitute an admission by the Debtors that such contract is an executory contract or such lease is an unexpired lease pursuant to section 365 of the Bankruptcy Code or any other applicable law, and the Debtors reserve all rights to withdraw any proposed assumption and assignment, or to reject any contract or lease at any time before such contract or lease is assumed and assigned pursuant to an order of the Court.

Exhibit B

Stalking Horse APA

ASSET PURCHASE AGREEMENT

dated as of June 22, 2014

among

**CORTLAND CAPITAL MARKET SERVICES LLC,
as Purchaser**

and

**SOURCE HOME ENTERTAINMENT, LLC,
SOURCE INTERLINK DISTRIBUTION, LLC,
SOURCE INTERLINK MANUFACTURING, LLC,
DIRECTTOU, INC.
RDS LOGISTICS, LLC,
RETAIL VISION, LLC,
SOURCE INTERLINK INTERNATIONAL, INC.,
and
SOURCE INTERLINK RETAIL SERVICES, LLC,
as Sellers**

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EXHIBITS

Exhibit A	-	Form of Bill of Sale
Exhibit B	-	Form of Assignment and Assumption

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (as amended, supplemented, amended and restated or otherwise modified from time to time, this “Agreement”) is made and entered into as of this 22nd day of June, 2014, by and between (i) Cortland Capital Market Services LLC, a Delaware limited liability company (“Purchaser”), and (ii) Source Home Entertainment, LLC, a Delaware limited liability company, Directtou, Inc., a Delaware corporation, RDS Logistics, LLC, a Delaware limited liability company, Retail Vision, LLC, a Delaware limited liability company, Source Interlink Distribution, LLC, a Delaware limited liability company, Source Interlink International, Inc., a Delaware corporation, Source Interlink Manufacturing, LLC, a Delaware limited liability company (“Manufacturing Seller”), and Source Interlink Retail Services, LLC, a Delaware limited liability company (collectively, “Sellers”).

WHEREAS, Sellers intend to file a voluntary petition under chapter 11 of title 11 of the United States Code (as amended, the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) shortly after execution of this Agreement (the date of the commencement of such filing, the “Petition Date”);

WHEREAS, the parties to this Agreement intend to effectuate the transactions contemplated by this Agreement through a sale pursuant to Section 363 of the Bankruptcy Code; and

WHEREAS, the execution and delivery of this Agreement and Sellers’ ability to consummate the transactions set forth below are subject, inter alia, to entry of an order of the Bankruptcy Court approving this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Definitions. Unless otherwise defined herein, terms used herein shall have the meanings set forth below:

“Acquired Assets” shall have the meaning set forth in Section 2.1(a) hereof.

“Affiliate” of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where “control” means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities or otherwise.

“Agreement” means this Asset Purchase Agreement, including all the Exhibits and the Schedules hereto, as the same may be amended, supplemented, amended and restated, or otherwise modified from time to time in accordance with its terms.

“Allocation” shall have the meaning set forth in Section 3.3 hereof.

“Alternative Transaction” means the sale, transfer, or other disposition, directly or indirectly, including through an asset sale, share sale, merger, amalgamation, or other similar transaction, including through a chapter 11 plan approved by the Bankruptcy Court, or resulting from the Auction, of any material portion of the Acquired Assets in a transaction or series of transactions with one or more Persons other than Purchaser.

“Asset Acquisition Statement” shall have the meaning set forth in Section 3.3 hereof.

“Assignment and Assumption” shall have the meaning set forth in Section 10.2(d) hereof.

“Assumed Contracts” means, subject to Section 2.6, all Contracts identified in Schedule 2.1(a)(v) attached hereto under the heading “Assumed Contracts”.

“Assumed Obligations” shall have the meaning set forth in Section 2.2(a) hereof.

“Assumed Plans” means the Employee Benefit Plans identified in Schedule 2.1(a)(xix) attached hereto.

“Auction” shall mean the auction conducted by the Debtors pursuant to the Bidding Procedures Order for substantially all of the Acquired Assets.

“Avoidance Actions” means any and all avoidance, recovery, or subordination actions or remedies that may be brought by or on behalf of Sellers or their chapter 11 estates, including causes of action arising under chapter 5 of the Bankruptcy Code or applicable non-bankruptcy law.

“Bankruptcy Code” shall have the meaning set forth in the Recitals hereto.

“Bankruptcy Court” shall have the meaning set forth in the Recitals hereto.

“Benefit Plan” means any “employee benefit plan” (including, without limitations, “plans” as defined in ERISA §3(3)), profit sharing, deferred compensation, bonus, stock option, stock purchase, vacation pay, holiday pay, pension, retirement plans, medical and any other form of compensation or benefit plan, program or arrangement of any kind regardless of whether any such plan is written or oral or provided under an employment, collective bargaining or other similar arrangement.

“Bankruptcy Rule” or “Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure.

“Bidding Procedures” means the “Bidding Procedures” attached as Exhibit 1 to the Bidding Procedures Order.

“Bidding Procedures Order” means an order of the Bankruptcy Court, reasonably acceptable to Purchaser and Sellers, (i) setting a deadline for the filing of objections to entry of the Sale Order, (ii) scheduling the Sale Hearing, (iii) providing for competitive bidding

procedures pursuant to which Qualified Bids may be solicited, made, and accepted and containing the terms specified in Sections 6.5, 6.6, and 11.2 hereof, (iv) providing for the Auction, (v) approving and implementing the provisions of Sections 6.5, 6.6, and 11.2 hereof, and (vi) approving the right of Purchaser to credit bid the Purchaser Secured Claim (in part or in whole) towards the Purchase Price (including any bidding at the Auction).

“Books and Records” means all books and records of Sellers pertaining to the Acquired Assets or the Business, including (i) all records relating to customers, suppliers or personnel of Sellers (ii) all records relating to all product, business and marketing plans of Sellers, and (iii) all books, ledgers, files, reports, plans, drawings and operating records of every kind of Sellers; *provided, however*, “Books and Records” shall not include the originals of Sellers’ minute books, stock books and Tax Returns.

“Business” means the (i) business conducted by Manufacturing Seller, including design, manufacturing, installation and replacement of retail display fixtures, including related visual merchandising guide (planogram), site planning, survey, logistics and retailer-manufacturer display fixture program management services; and (ii) management, marketing, billing, remittance processing, collection and reporting services to retailers for the sale of rights to place product in a retailer's display fixtures (services included in clause (ii) being sometimes known in the retail industry as “initial pocket offering,” “IPO,” “pay to stay,” “fixture cost recovery” and “wire billing”). For greater certainty, the Business does not include the billing, remittance processing, collection and reporting services relating to payments known in the retail industry as “retail display allowances” or “retail display pocket allowances”.

“Business Day” means each day other than a Saturday, a Sunday, or a day on which banking institutions are not required to be open in the State of Delaware.

“Carve-Out” shall have the meaning ascribed to it in the Cash Collateral Order.

“Cash Collateral Order” means an Order of the Bankruptcy Court governing the Sellers’ use of cash collateral (as that term is used by section 363(a) of the Bankruptcy Code).

“Chapter 11 Cases” means the cases to be commenced by Sellers under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court.

“Claim” shall have the meaning set forth in section 101(5) of the Bankruptcy Code.

“Closing” shall have the meaning set forth in Section 10.1 hereof.

“Closing Date” shall have the meaning set forth in Section 10.1 hereof.

“COBRA” means Part 6 of Subtitle B of Title I of ERISA.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Contract” means any agreement, contract, commitment, purchase order, service order, sale order, indenture, note, bond, license, instrument, or other binding arrangement or

understanding, whether written or oral, to which any Seller is a party or by which the Acquired Assets are bound.

“Copyright” means all U.S. and foreign copyrights and copyrightable subject matter, whether registered or unregistered, including all U.S. copyright registrations and applications for registration and foreign equivalents, all moral rights, all common-law copyright rights and all rights to register and obtain renewals and extensions of copyright registrations, together with all copyright rights accruing by reason of any international copyright convention.

“Cure Costs” means the amounts which must be paid pursuant to section 365 of the Bankruptcy Code in connection with the assumption and/or assignment of any Assumed Contract.

“Debtors” has the meaning set forth in the Bidding Procedures.

“Designated Parties” means a schedule of Persons to be agreed to between Seller and Purchaser.

“Disclosure Schedules” shall have the meaning set forth in Section 4.1 hereof.

“Dollars” or “\$” means dollars of the United States of America.

“Domain Names” means any alphanumeric designation registered with or assigned by a domain name register, registry, or domain name registration authority as part of an electronic address on the Internet. A Domain Name may also be a Trademark.

“Electronic Delivery” shall have the meaning set forth in Section 13.5 hereof.

“Employee Benefit Plan” shall have the meaning set forth in Section 4.7(a) hereof.

“Environmental Laws” means all federal, state, provincial, local and foreign administrative, civil and criminal laws, Permits, statutes, ordinances, codes, rules, standards, decrees, injunctions, directives and regulations, and any legally binding judicial or administrative interpretation thereof including any applicable judicial or administrative order, consent decree, order or judgment and all common and civil law theories (at law or in equity), arising from or relating to pollution, protection, remediation or preservation of human health and safety, the environment, or natural resources, including the regulation of discharges, Releases or threatened Releases of noxious odors or any Hazardous Materials into ambient air, water or land, or otherwise relating to the manufacture, processing, generation, distribution, use, importation, treatment, storage, disposal, cleanup, transport or handling of Hazardous Substances. Environmental Laws include CERCLA; the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); the Toxic Substance Control Act (15 U.S.C. §§ 2601 et seq.); the Clean Air Act (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.); the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.); and the Safe Drinking Water Act (42 U.S.C. §§ 300(f) et seq.), and any and all regulations promulgated thereunder, and all analogous state,

provincial, local and foreign counterparts or equivalents and any transfer of ownership environmental notification or approval statutes.

“ERISA Affiliate” means each entity which is treated as a single employer with any of the Sellers for purposes of Code § 414.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and all Regulations issued thereunder.

“Excluded Accounts Receivable” means all accounts receivable due or owing from any Debtor or their respective subsidiaries to any other Debtor or respective subsidiary.

“Excluded Assets” shall have the meaning set forth in Section 2.3 hereof.

“Excluded Causes of Action” means: (i) all Avoidance Actions other than the Subject Avoidance Actions; (ii) all other causes of action held by Sellers against parties other than the Designated Parties based in whole or in part upon any act or omission occurring prior to the Petition Date or during the course of the Chapter 11 Cases; and (iii) all defenses with respect to claims asserted by any party (including the Designated Parties) against the Sellers’ chapter 11 estates.

“Excluded Contracts” shall have the meaning set forth in Section 2.3(h) hereof.

“Excluded Liabilities” shall have the meaning set forth in Section 2.4 hereof.

“Executive Officer” of a Person means its chairman, chief executive officer, chief financial officer, president, any vice president, controller, treasurer, or general counsel.

“Exhibits” means the exhibits hereto.

“Final Order” means an Order of the Bankruptcy Court or any other court of competent jurisdiction, which has not been modified, amended, reversed, vacated or stayed and as to which the time to file an appeal, a motion for rehearing, reargument, reconsideration or a new trial or a petition for writ of certiorari has expired and no such appeal, motion or petition is pending or, if an appeal, motion or petition is pending, for which Order no stay shall have been entered by the Bankruptcy Court or such other court of competent jurisdiction; *provided*, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure or any comparable rule of the Bankruptcy Rules may be filed related to such Order shall not cause an Order not be a Final Order.

“Governmental Authority” means any United States federal, state or local or any foreign government, governmental regulatory or administrative authority, agency or commission or any court, tribunal or judicial or arbitral body, including the Bankruptcy Court.

“Governmental Authorization” means any approval, consent, Permit, waiver, or other authorization issued, granted, or otherwise made available by or under the authority of any Governmental Authority.

“Hazardous Materials” means any substance, material or waste that is regulated by, or forms the basis of liability under, any Environmental Laws, including, but not limited to, any material or substance that is (a) defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," "contaminant," "hazardous constituent," "special waste," "toxic substance" or other similar term or phrase under any Environmental Laws, or (b) petroleum or any fraction or by-product thereof, asbestos, asbestos-containing materials, polychlorinated biphenyls (PCBs), any radioactive substance, polyvinyl chloride, radon, lead-based paint or toxic mold.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and Regulations thereunder.

“Indebtedness” means, with respect to any Person, without duplication:

(a) obligations of such Person for borrowed money, or otherwise evidenced by bonds, debentures, notes or similar instruments;

(b) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person, other than any such obligation made in the ordinary course of business;

(c) all obligations of such Person issued or assumed as the deferred purchase price of property or services (excluding obligations of such Person to creditors for raw materials, inventory, services and supplies incurred in the ordinary course of such Person's business);

(d) all obligations of such Person under leases which have been or should be treated, in accordance with generally accepted accounting principles of the United States, as capitalized lease obligations of such Person;

(e) all obligations of others secured by any Lien on property or assets owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, other than any such obligation made in the ordinary course of business;

(f) all obligations of such Person under interest rate or currency swap transactions (valued at the termination value thereof);

(g) all letters of credit issued for the account of such Person (excluding letters of credit issued for the benefit of suppliers to support accounts payable to suppliers incurred in the ordinary course of business); and

(h) all guarantees and arrangements having the economic effect of a guarantee of such Person of any Indebtedness of any other Person.

“Intellectual Property” means all intellectual property rights of any kind, including all Software, Copyrights, Patents, Trademarks, Trade Secrets, Domain Names, all rights to privacy and proprietary rights to personal information and all rights and remedies related thereto for past, present or future infringement, misappropriation, or other violation relating to any of the foregoing.

“Inventory” means all inventory of any kind or nature, whether or not prepaid, and wherever located, held, or owned by Sellers in connection with the operation of the Business.

“Knowledge of Sellers” shall mean the actual knowledge, after reasonable inquiry of the employees, consultants, and advisors who report to them directly, of Shaun Starbuck and Frank Bishop.

“Latest Balance Sheet” shall have the meaning set forth in Section 4.5 hereof.

“Lease Agreements” shall have the meaning set forth in Section 10.2(g) hereof.

“Licenses” shall have the meaning set forth in Section 4.14(b).

“Lien” or “Liens” means any lien (statutory or otherwise), hypothecation, encumbrance, Claim, liability, security interest or similar interests, interest, mortgage, deed of trust, pledge, restriction, right, demand, charge, instrument, license, preference, priority, security agreement, title defect, easement, covenant, encroachment, option, right of first refusal, right of recovery, Tax, or Order of any Governmental Authority.

“M&A Qualified Beneficiaries” shall have the meaning set forth in Section 12.2(d) hereof.

“Manufacturing Seller” shall have the meaning set forth in the Preamble.

“Material Contract” means any Contract to which any Seller is a party or by which any of the Acquired Assets are bound that are material to the Business, including the following types of Contracts:

- (i) Contracts pursuant to which any Seller would be required to make or entitled to receive, as applicable, payments in excess of \$100,000 from and after the Closing Date;
- (ii) purchase orders;
- (iii) Contracts relating to Indebtedness (in either case, whether incurred, assumed, guaranteed or secured by any asset);
- (iv) joint venture, partnership, limited liability company or other similar Contracts;
- (v) lease for personal or real property;
- (vi) any Contract relating to any outstanding commitment for capital expenditures in excess of \$100,000 individually or \$300,000 in the aggregate;
- (vii) Contracts (or series of related Contracts) relating to the acquisition, disposition or lease of any Person, business or material real property or other assets (whether by merger, sale of stock, sale of assets or otherwise);

(viii) Contracts that (A) limit the freedom of any Seller or the Business to compete in any line of business or with any Person or in any geographic area or (B) contains exclusivity obligations or restrictions binding on any Sellers or the Business;

(ix) Contracts relating to any interest rate, currency or commodity derivatives or hedging transaction;

(x) Contracts containing any "change of control" or similar provisions;

(xi) Contracts (including any "take-or-pay" or keepwell agreement) under which (A) any Person has directly or indirectly guaranteed any liabilities or obligations of any Seller or (B) any Seller has directly or indirectly guaranteed liabilities or obligations of any other Person;

(xii) Contracts with any current or former employee of any Seller with aggregate payments of at least \$100,000 remaining under such Contract or providing for any severance liabilities; or

(xiii) collective bargaining agreements or any agreement with any labor union.

“Order” means any decree, order, injunction, rule, judgment, or consent of or by any Governmental Authority.

“Owned Real Property” means all land and all buildings, structures, fixtures, and other improvements located thereon owned by any of the Sellers and used in the operation of the Business.

“Patents” means U.S. and foreign patents, patent applications, provisional applications and patents issuing therefrom, as well as any continuations, continuations-in-part, divisions, extensions, reexaminations, reissues, renewals, patent disclosures, inventions, or improvements thereto.

“Permits” means licenses, permits (including environmental, construction and operation permits), approvals, certifications, certificates of occupancy, authorizations, operating permits, registrations, plans, and the like.

“Permitted Liens” means (i) statutory liens for current property Taxes and assessments not yet due and payable, including liens for *ad valorem* Taxes and statutory liens not yet due and payable, (ii) liens that pursuant to section 363(f) or 1123 and 1129 of the Bankruptcy Code will be released from the Acquired Assets upon entry of the Sale Order, (iii) easements, covenants, conditions, restrictions, and other similar matters of record on personalty that do not, individually or in the aggregate, materially detract from the value thereof and do not, individually or in the aggregate, materially interfere with the present use of the property subject thereto, (iv) licenses granted in connection with Assumed Contracts, (v) licenses of Intellectual Property in the ordinary course, and (vi) other liens on the Acquired Assets that will be released on or prior to

Closing or in connection with the Order approving the assumption and assignment of any Assumed Contract.

“Person” means any corporation, partnership, joint venture, limited liability company, organization, entity, authority, or natural person.

“Petition Date” shall have the meaning set forth in the Recitals hereto.

“Proposed Allocation” shall have the meaning set forth in Section 3.3 hereof.

“Purchase Price” shall have the meaning set forth in Section 3.1(a) hereof.

“Purchaser” shall have the meaning set forth in the Preamble hereto.

“Purchaser Secured Claim” means the Claims of Purchaser arising under or in connection with the Term Loan, including the principal amount thereof, and all accrued, but unpaid interest or fees thereunder, secured by Liens granted in connection therewith, including adequate protection liens granted during the pendency of the Chapter 11 Cases.

“Qualified Bids” shall have the meaning set forth in the Bidding Procedures.

“Regulation” means any law, statute, regulation, ruling, or Order of, administered or enforced by or on behalf of, any Governmental Authority.

“Rehired Employees” shall have the meaning set forth in Section 12.1 hereof.

“Reimbursable Expenses” means the reasonable, documented out-of-pocket fees and expenses incurred by Purchaser and its Affiliates prior to termination of this Agreement in connection with this Agreement, the other Transaction Documents, the Sale Order, and the transactions contemplated hereby and thereby, including the reasonable fees and expenses of legal counsel, financial advisors, consultants, and any other advisors that Purchaser engages in its reasonable discretion in an amount not to exceed the lesser of (i) such actual costs and expenses and (ii) \$600,000.

“Release” means any discharge, emission, spilling, leaking, pumping, pouring, injecting, dumping, burying, leaching, migrating, abandoning or disposing into or through the environment of any Hazardous Substance including the abandonment or discarding of barrels, containers and other closed receptacles containing any Hazardous Substance.

“Revised Statements” shall have the meaning set forth in Section 3.3 hereof.

“Sale Hearing” means the hearing of the Bankruptcy Court to approve this Agreement and the transactions contemplated herein, as the same may be continued from time to time.

“Sale Order” means an order of the Bankruptcy Court, in form and substance reasonably acceptable to Sellers and Purchaser, to be entered by the Bankruptcy Court pursuant to sections 363 and 365 of the Bankruptcy Code and otherwise reasonably acceptable to Purchaser and Sellers.

“Schedules” means the schedules attached hereto (including, without limitation, the Disclosure Schedules).

“Sellers” shall have the meaning set forth in the Preamble hereto.

“Seller Financial Statements” shall have the meaning set forth in Section 4.5 hereof.

“Software” means all computer software programs and software systems.

“Subject Avoidance Actions” shall mean all Avoidance Actions against or that may be asserted against any Designated Party.

“Subject Employees” shall have the meaning set forth in Section 4.9 hereof.

“Subject Inventory” shall have the meaning set forth in Section 3.1(c) hereof.

“Tax” means (i) all federal, state, local, county, foreign, and other taxes, assessments, or other government charges, including any interest, penalties, or additions to Tax or additional amounts in respect of the foregoing and (ii) any transferee liability in respect of any of the items described in clause (i) above.

“Tax Return” means any report, return, declaration, claim for refund relating to Taxes, including any schedules or attachments thereto and any amendments thereof.

“Taxable Consideration” shall have the meaning set forth in Section 3.3 hereof.

“Term Loan” means that certain Term Loan Agreement, dated as of October 4, 2013, among Source Interlink Distribution, LLC, a Delaware limited liability company, Source Home Entertainment, LLC, a Delaware limited liability company, Sellers, certain other Affiliates of Sellers, Cortland Capital Market Services LLC, as Administrative and Collateral Agent, and the lenders party thereto from time to time, as amended, restated, supplemented, or otherwise modified from time to time.

“Trade Secrets” means all confidential and proprietary information now owned or hereafter acquired by Sellers and used in or relating to the operation of the Business, including, without limitation, know-how, trade secrets, manufacturing and production processes and techniques, research and development information, databases and data, including, without limitation, technical data, financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information.

“Transaction Documents” means this Agreement and all other agreements, instruments, certificates, and other documents to be entered into or delivered by any party in connection with the transactions contemplated to be consummated pursuant to this Agreement.

“Transfer Taxes” shall have the meaning set forth in Section 6.7(b) hereof.

“Unfulfilled Purchase Order” means any unfulfilled purchase order of any Seller for any goods or services which have not been delivered or provided by such Seller in the operation of the Business as of the Closing.

Section 1.2 Rules of Construction. Unless the context otherwise clearly indicates, in this Agreement:

- (a) the singular includes the plural;
- (b) “includes” and “including” are not limiting;
- (c) “may not” is prohibitive and not permissive; and
- (d) “or” is not exclusive.

ARTICLE II

PURCHASE AND SALE; ASSUMPTION OF CERTAIN LIABILITIES

Section 2.1 Purchase and Sale of Assets.

(a) Subject to the terms and conditions set forth in this Agreement (including the entry of the Sale Order), at the Closing, Sellers shall sell, contribute, convey, assign, transfer, and deliver to Purchaser (or its designated Affiliate or Affiliates), free and clear of all Liens (except for the Assumed Obligations and Permitted Liens), and Purchaser (or its designated Affiliate or Affiliates) shall purchase, acquire, and take assignment and delivery of, for the consideration specified in Section 3.1, (x) all properties, assets, rights, titles, and interests of every kind and nature, owned or leased by Manufacturing Seller and (y) the properties, assets, rights, titles, and interests of every kind and nature, owned or leased by the Sellers (other than the Manufacturing Seller) and used in or relating to the operation of the Business as of the Closing Date, whether tangible or intangible and wherever located and by whomever possessed, including all of the following assets, but excluding the Excluded Assets pursuant to Section 2.3 (all of the assets to be sold, assigned, transferred and delivered to Purchaser hereunder called the “Acquired Assets”):

(i) cash and cash equivalents equal to \$4,000,000, subject to adjustment pursuant to Schedule 3.1(a)(i); *provided*, that in the event Sellers and Purchaser do not agree as to the items set forth Schedule 3.1(a)(i) within ten (10) days after the date hereof, Purchaser shall have the right to terminate the Agreement; *provided, further*, that in no instance shall Purchaser acquire an amount of cash that, after giving effect to such acquisition, would leave Sellers with an amount of cash less than the Carve-Out;

(ii) all accounts and notes receivable generated by the Business (whether current or noncurrent) and all causes of action specifically pertaining to the collection of the foregoing, *other than* the Excluded Accounts Receivable;

(iii) all promotional allowances and similar items related to the Business;

(iv) all of the Intellectual Property set forth on Schedule 4.14(a);

(v) to the extent transferable and/or assignable, after giving effect to the Sale Order and Section 2.6, all of Sellers' rights and benefits (including security deposits) existing under each Assumed Contract listed on Schedule 2.1(a)(v) hereto, as such schedule may be amended or supplemented in accordance with Section 2.6 hereto;

(vi) all bank accounts, safety deposit boxes, lock boxes, and the like used in the Business;

(vii) all the Inventory;

(viii) all machinery, equipment, fixtures, trade fixtures, computer equipment, telephone systems, and furniture used in the Business;

(ix) all office supplies, production supplies, spare parts, other miscellaneous supplies, and other tangible property of any kind wherever located used in the Business;

(x) all deposits and advances and prepaid and other current assets related to the Business (other than those (A) related to any trade accounts payable under Section 2.4(a)(ii) and (B) those deposits or prepaid charges and expenses paid in connection with any Excluded Asset);

(xi) subject to Sellers' access rights set forth in Section 12.5 hereto, all Books and Records;

(xii) all advertising, marketing, and promotional materials pertaining to the Business;

(xiii) all transferable Permits, licenses, certifications, and approvals from all permitting, licensing, accrediting, and certifying agencies, in each case, including pending applications therefor, relating to or used in the operation of the Business;

(xiv) all goodwill and other intangible assets associated with the Business or the Acquired Assets;

(xv) all rights to proceeds under insurance policies that solely pertain to the Business;

(xvi) all Owned Real Property, which is listed on Schedule 2.1(a)(xvi);

(xvii) all leasehold improvements pertaining to the Business;

(xviii) all assets associated with the Assumed Plans;

(xix) all security deposits relating to Assumed Contracts;

(xx) rights with respect to proofs of claim filed in the bankruptcy cases of others, solely with respect to proofs of claim filed on behalf of the Business;

(xxi) all prepayments (including all prepayments made to third party vendors), deferred assets, refunds, credits or overpayments relating to the Business or Acquired Assets;

(xxii) the assets set forth on Schedule 2.1(a)(xxii);

(xxiii) the Subject Avoidance Actions;

(xxiv) that certain factory equipment and furnishings located at Source Interlink Distribution, LLC's McCook distribution center facility, as set forth on Schedule 2.1(a)(xxiv);

(xxv) Customer lists related to the Business;

(xxvi) A copy of the customer data related to the Business that is in Sellers' possession; and

(xxvii) A fully-paid, non-exclusive perpetual license to use the software listed on Schedule 2.1(a)(xxvii), which is sold without warranty or maintenance services.

(b) All of the Acquired Assets shall be sold, assigned, transferred, conveyed, and delivered to Purchaser free and clear of all Liens (other than Permitted Liens), whether arising prior to or subsequent to the Petition Date.

Section 2.2 Assignment and Assumption of Liabilities.

(a) Subject to the terms and conditions set forth in this Agreement, at the Closing, Purchaser shall (or shall cause its designated Affiliate or Affiliates to) assume and agree to discharge when due in accordance with their respective terms and subject to the respective conditions thereof the following (collectively, the "Assumed Obligations"):

(i) obligations under the Assumed Contracts (including Cure Costs to the extent specifically set forth on Schedule 2.1(a)(v) hereof and customer rebate obligations);

(ii) liabilities of the type described in clause (i) of the definition of Permitted Liens;

(iii) any obligations for any Unfulfilled Purchase Order;

(iv) any obligations or liabilities associated with the Assumed Plans;

(v) any obligations with respect to any unused vacation or sick leave earned and accrued (to the extent not paid, and whether recorded or unrecorded) with respect to the Rehired Employees as of the Closing Date;

(vi) all liabilities for which Purchaser is responsible pursuant to Section 12.2(d);

(vii) property Taxes or *ad valorem* Taxes applicable to the Acquired Assets and attributable to periods (or portions thereof) after the Petition Date;

(viii) Transfer Taxes payable by Purchaser pursuant to Section 6.7(b); and

(ix) any obligations with respect to the Rehired Employees' unpaid wages and salary.

(b) Notwithstanding anything in this Agreement to the contrary, each Seller hereby acknowledges and agrees that Purchaser is not assuming from such Seller, or is in any way responsible for, the Excluded Liabilities.

Section 2.3 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, the following assets of Sellers shall be retained by Sellers and are not being sold or assigned to Purchaser hereunder (all of the following are referred to collectively as the "Excluded Assets"):

(a) all cash and cash equivalents in excess of the amount acquired pursuant to Section 2.1(a)(i);

(b) any and all rights under this Agreement;

(c) all Excluded Accounts Receivable;

(d) all Contracts other than the Assumed Contracts (the "Excluded Contracts");

(e) any asset or Contract set forth on Schedule 2.3(e) attached hereto;

(f) any assets associated with any Employee Benefit Plan that is not an Assumed Plan;

(g) all Tax refunds, rebates, credits, and similar items;

(h) income Tax Returns of each Seller and related materials;

(i) the equity securities or other ownership interest of Sellers;

(j) the equity securities or other ownership interest of any Seller's Affiliates;

(k) all assets of the Sellers (other than Manufacturing Seller) other than assets that are Acquired Assets; and

(l) all Excluded Causes of Action.

Section 2.4 Excluded Liabilities. Purchaser shall not and does not assume any liabilities or obligations of any Seller relating to or arising out of the following (collectively, the “Excluded Liabilities”):

(a) all obligations, Claims, or liabilities that relate to any of the Excluded Assets or Excluded Contracts, so long as such obligations, Claims, and liabilities are not Assumed Obligations;

(b) except as set forth herein, any obligations or liabilities associated with any Employee Benefit Plan other than the Assumed Plans;

(c) all liabilities under Indebtedness for borrowed money (including any Indebtedness or accounts payable owing from any Seller to any Affiliate of such Seller);

(d) except as set forth in Section 2.6, any amounts due or which may become due or owing under the Assumed Contracts with respect to the period prior to Closing;

(e) all litigation and related Claims and liabilities arising out of or in connection with events occurring on or prior to the Closing Date, no matter when raised (including liability for breach, misfeasance or under any other theory relating to any Seller’s conduct, performance or non-performance);

(f) all liabilities relating to any environmental, health or safety matter (including any liability or obligation under any Environmental Law), arising out of or relating to any Seller’s operation of the Business, any handling, exposure to, disposal, or incorporation into any products of any Hazardous Materials, or their leasing, ownership, operation, or occupation of real property on or prior to the Closing Date no matter when raised and all claims discharged by the Bankruptcy Court or dischargeable under the Bankruptcy Code;

(g) all product liability claims against any Seller (including all liabilities arising out of or relating to any such claims), whether currently pending or relating to any product manufactured or sold by any Seller on or prior to the Closing Date;

(h) any and all liabilities of any Seller under any collective bargaining agreement or any agreement with any labor union;

(i) all liabilities of Sellers attributable to, incurred in connection with, arising from, or relating to, a violation of any laws governing employee relations, including anti-discrimination laws, wage and hour laws, labor relations laws and occupational safety and health laws;

(j) all Claims for indemnification of any present or former officer, director, employee, partner or member of any Seller whether arising under bylaws, certificates of formation or other formation documents, or Contract arising prior to the Closing Date; and

(k) those other liabilities set forth in Schedule 2.4(k).

Section 2.5 Deemed Consents and Cures. For all purposes of this Agreement (including all representations and warranties of Sellers contained herein), each Seller shall be deemed to have obtained all required consents in respect of the assignment of any Assumed Contract if, and to the extent that, pursuant to the Sale Order or other Bankruptcy Court Order, such Seller is authorized to assume and assign Assumed Contracts to Purchaser pursuant to section 365 of the Bankruptcy Code and any applicable Cure Cost has been satisfied by Purchaser on behalf of such Seller, as provided herein.

Section 2.6 Contract Designation Rights.

(a) On or prior to the date hereof, Sellers shall have delivered to Purchaser a schedule setting forth the amount of the Cure Costs associated with each Material Contract identified in Schedule 4.16 attached hereto. Sellers shall cooperate with and provide such additional information to Purchaser in order to identify and provide to Purchaser as promptly as practicable all Material Contracts related to the Business (and the related Cure Costs), as well as Cure Costs of non-Material Contracts, and subject to assumption or rejection hereunder.

(b) On or before twenty (20) days prior to the Auction, the Sellers shall serve a notice on counterparties to the Assumed Contracts regarding (i) assumption and assignment to Purchaser all of the Assumed Contracts and (ii) fixing of the Cure Costs associated with each Assumed Contract as of the Sale Hearing (or as of such later date reasonably acceptable to Purchaser and Sellers). Counterparties must serve any objection to the assumption and/or assignment of any Assumed Contract by the date that is fifteen (15) days after service of such notice or such other date approved by the Bankruptcy Court in the Bidding Procedures Order. At the Sale Hearing, the Sellers shall seek the approval of the Bankruptcy Court to the assumption and assignment, effective as of Closing, of all Contracts listed on Schedule 2.1(a)(v).

(c) No later than three (3) days prior to the day of the Auction, Purchaser shall notify Sellers in writing of those Contracts which Purchaser desires to be designated to be assumed by Sellers and assigned to Purchaser on the Closing Date, which such Contracts shall be deemed to be included on Schedule 2.1(a)(v) without further action by any party and shall be Assumed Contracts for all purposes of this Agreement, unless later excluded from Schedule 2.1(a)(v) in accordance with Section 2.6(d) and (f).

(d) Purchaser may exclude from Schedule 2.1(a)(v), by the date that is ten days after service of the counterparty's objection and notification of such objection to Purchaser, any Contract to which an objection from a contract counterparty has been received. In addition, at any time prior to the Closing Date, Purchaser may exclude any

Contract in the event that the Cure Cost submitted by the Sellers in relation to such Contract is adjusted upward by the Bankruptcy Court. If the Cure Cost is not finally determined by the Bankruptcy Court prior to the Closing Date, the assumption and assignment of such Contract to Purchaser shall be deferred until such final determination is made, and (i) at Purchaser's discretion, Sellers shall continue to honor the Contract and make benefits available to Purchaser, with all costs and obligations in connection therewith to be borne by Purchaser until ten days following the later to occur of any decision by Purchaser to defer or exclude such Contract, and (ii) within 10 days after the Bankruptcy Court's final determination, Purchaser may exclude such Contract from Schedule 2.1(a)(v) if the Bankruptcy Court adjusts upward the Cure Cost; provided, however, Purchaser shall bear and be responsible for all costs and obligations associated with such Contract until the date which is the first to occur of (ww) the assumption and assignment thereof by Sellers to Purchaser, (xx) Sellers' successfully rejecting the applicable Contract in accordance with Section 365 of the Bankruptcy Code and (yy) 15 days following Purchaser's written election to exclude such Contract from Schedule 2.1(a)(v). Any Contracts excluded from Schedule 2.1(a)(v) pursuant to this sub-clause (d) shall be Excluded Assets, and all Liabilities thereunder shall be Excluded Liabilities.

(e) Any motions filed by Sellers with, and any proposed orders submitted by Sellers to, the Bankruptcy Court seeking authorization after the date hereof to assume or reject any Contracts related to the Business shall be satisfactory in form and substance to Purchaser in its reasonable discretion. Sellers shall consult with, and give due consideration to the views and concerns of, Purchaser prior to compromising or commencing any Claim with respect to any material payment required to be made under the Bankruptcy Code to effectuate the assumption of any such Contract, including using commercially reasonable efforts to provide five (5) days notice of any such compromise or Claim to Purchasers.

(f) Without limiting any of Purchaser's rights pursuant to this Section 2.6, in the event that the Bankruptcy Court does not approve the assignment or transfer of one or more of the Assumed Contracts to Purchaser as Acquired Assets, Purchaser may, in its sole discretion and at any time prior to the Closing Date, exclude any such Contracts from Schedule 2.1(a)(v). In addition, at any time prior to the Closing Date, Purchaser may exclude any Contract in the event that the Bankruptcy Court demands additional assurance of adequate protection unacceptable to Purchaser, and if the adequacy of such assurance is not determined with finality prior to the Closing Date, the assumption and assignment of such Contract to Purchaser shall be deferred until such final determination is made, and (i) at Purchaser's discretion, Sellers shall continue to honor the Contract and make benefits available to Purchaser, with all costs and obligations in connection therewith to be borne by Purchaser, and (ii) within 10 calendar days after the Bankruptcy Court's final determination, Purchaser may exclude such Contract from Schedule 2.1(a)(v) if the Bankruptcy Court requires additional adequate assurance unacceptable to Purchaser; provided, however, Purchaser shall bear and be responsible for all costs and obligations associated with such Contract until the date which is the first to occur of (ww) the assumption and assignment thereof by Sellers to Purchaser, (xx) Sellers' successfully rejecting the applicable Contract in accordance with Section 365 of the Bankruptcy Code and (yy) 15 days following Purchaser's written election to exclude such Contract and

treat it as an Excluded Asset. Any Contracts excluded from Schedule 2.1(a)(v) pursuant to this sub-clause (f) shall be Excluded Assets, and all Liabilities thereunder shall be Excluded Liabilities.

(g) For the avoidance of doubt, no additions or subtractions to the list of Assumed Contracts on Schedule 2.1(a)(v) shall result in an adjustment to the Purchase Price.

(h) To the extent any Assumed Contract requires the payment of Cure Costs in order to be assumed pursuant to section 365 of the Bankruptcy Code, at the Closing (or as soon as reasonably practicable thereafter) the Cure Costs related to such Assumed Contract shall be paid by Purchaser (after giving effect to the consummation of the transactions contemplated hereby).

ARTICLE III BASIC TRANSACTION

Section 3.1 Payment of Purchase Price.

(a) The aggregate consideration (collectively, the “Purchase Price”) to be paid to the Sellers for the purchase of the Acquired Assets shall be:

(i) the credit bid of \$24,000,000 in principal amount due under the Term Loan the release of Sellers (and their respective successors and assigns), as may be adjusted upwards from time to time as set forth on Schedule 3.1(a)(i) hereof, from the obligations, claims, rights, actions, causes of action, suits, liabilities, damages, debts, costs, expenses and demands whatsoever, in law or in equity, arising under, or otherwise relating to such portion of the principal amount of the Term Loan; and

(ii) the assumption of, and the undertaking to discharge, the Assumed Obligations by Purchaser.

Section 3.2 Further Assurances. From time to time after the Closing and without further consideration, (i) each Seller, upon the request of Purchaser, shall execute and deliver such documents and instruments of conveyance and transfer as Purchaser may reasonably request in order to consummate the purchase and sale of the Acquired Assets as contemplated hereby and to vest in Purchaser title to the Acquired Assets transferred hereunder, or to otherwise more fully consummate the transactions contemplated by this Agreement, and (ii) Purchaser, upon the request of Sellers, shall execute and deliver such documents and instruments of contract or lease assumption as Sellers may reasonably request in order to confirm Purchaser’s liability for the obligations specifically assumed hereunder or otherwise to more fully consummate the transactions contemplated by this Agreement.

Section 3.3 Allocation of Purchase Price. Within thirty (30) days after the Closing Date, Purchaser shall prepare and deliver to Sellers an allocation of the Purchase Price, the Assumed Obligations, and any other items that are treated as additional purchase price for income Tax purposes (the “Taxable Consideration”) among the Acquired Assets in accordance with Section 1060 of the Code (the “Proposed Allocation”). Sellers shall have thirty (30) days

after receipt of the Proposed Allocation to notify Purchaser in writing of any items of the Proposed Allocation that are not reasonable in Sellers' view. If Sellers do not object in writing during such thirty (30) day period, then the Proposed Allocation shall be final and binding on all parties. If Sellers object in writing during such thirty (30) day period, then the parties hereto shall cooperate in good faith to reach a mutually agreeable allocation of the Taxable Consideration, which allocation shall be binding on all parties. If the parties hereto are unable to reach an agreement within sixty (60) days of Sellers' receipt of the Proposed Allocation, then any disputed items shall be disposed of by the Bankruptcy Court, unless otherwise agreed to by Purchaser and Seller. The final allocation as determined pursuant to this Section 3.5 shall be referred to as the "Allocation." In accordance with such binding allocation, Purchaser shall prepare and deliver to Sellers copies of Form 8594 and any required exhibits thereto (the "Asset Acquisition Statement"). Purchaser shall prepare and deliver to Sellers (or their designated successors) from time to time revised copies of the Asset Acquisition Statement (the "Revised Statements") so as to report any matters on the Asset Acquisition Statement that need updating, consistent with the agreed upon allocation. The parties hereto shall, and shall cause their respective controlled Affiliates to, use the allocations set forth in the Asset Acquisition Statement or, if applicable, the last Revised Statement, for all Tax purposes and to file all Tax Returns in a manner consistent with such allocation statement and take no position contrary thereto, in each case, unless required to do so by applicable Tax Laws or good faith resolution of a Tax contest. For the avoidance of doubt, the foregoing Allocation shall not preclude nor shall be deemed to preclude the Sellers from utilizing a different allocation of sale proceeds for non-Tax purposes in connection with one or more chapter 11 plans filed in the Chapter 11 Cases.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLERS

Section 4.1 Sellers' Representations and Warranties. Sellers jointly and severally represent and warrant to Purchaser that, on behalf of Manufacturer Seller and, with respect to the other Sellers, solely as they relate to the Business, the Acquired Assets and/or the Assumed Obligations, as and when applicable, the statements contained in this ARTICLE IV are correct and complete as of the date of this Agreement, except as expressly set forth in the disclosure schedules delivered by Sellers to Purchaser within fifteen (15) days of the date hereof (or within ten (10) days of the date hereof with respect to Schedule 3.1(a)(i)) (the "Disclosure Schedules"). The information disclosed in any numbered part is intended to relate to and to qualify the particular representation or warranty set forth in the corresponding numbered section in this Agreement; *provided*, that any event, fact or circumstance disclosed in the Disclosure Schedules shall be deemed to be a disclosure for each other section of this Agreement to the extent it is reasonably apparent from the face of such disclosure that it would also qualify such other section.

Section 4.2 Power and Authority; Validity of Agreement. Subject to entry of the Sale Order, each Seller has full power and authority to execute and deliver the Transaction Documents to which it is a party and to consummate the transactions contemplated thereby. No other corporate or organizational proceedings on the part of any Seller is necessary to approve and authorize the execution and delivery of the Transaction Documents to which such Person is a party and the consummation of the transactions contemplated thereby. All Transaction Documents to which any Seller is a party have been duly executed and delivered by such Person,

except such Transaction Documents that are required by the terms hereof to be executed and delivered by such Person after the date hereof, in which case such Transaction Documents will be duly executed and delivered by such Person at or prior to the Closing, and, subject to any necessary authorization from the Bankruptcy Court and to the due authorization, execution and delivery of such Transaction Documents by the other parties thereto, all such Transaction Documents constitute, or will constitute, as the case may be, the valid and binding agreements of Sellers, enforceable against each Seller in accordance with their terms.

Section 4.3 Organization and Standing. Each Seller is a company duly organized, validly existing, and in good standing under the laws of the state of Delaware and, except where the failure to obtain such qualification would not reasonably be expected to have a material adverse effect, is qualified to do business in every jurisdiction in which it is required to be qualified.

Section 4.4 No Conflicts or Violations. Subject to any necessary authorization of the Bankruptcy Court, except as set forth on Schedule 4.4 attached hereto, and to the extent any of the foregoing is not enforceable due to operation of the Sale Order, the execution, delivery and performance of the Transaction Documents to which Sellers are a party and the consummation of the transactions contemplated thereby by such Seller do not and shall not (i) require any authorization, consent, approval, exemption, or other action by or notice or declaration to, or filing with, any Governmental Authority or (ii) (A) conflict with or result in any breach of any of the terms, conditions, or provisions of, (B) constitute a default under or (C) result in a violation of (1) the provisions of by-laws or other constitutive documents of Sellers or (2) any Material Contract to which any Seller is bound or affected or any law, statute, rule, Regulation, or Order to which any Seller is subject, except in clause (2), as would not reasonably be expected to have a material adverse effect.

Section 4.5 Financial Statements and Related Matters. Set forth on Schedule 4.5 attached hereto are copies of Manufacturing Seller's unaudited balance sheet (the "Latest Balance Sheet") and statement of income and cash flows for the fiscal year ended 2013 (collectively, the "Seller Financial Statements").

Section 4.6 Title to Assets.

(a) Except as set forth on Schedule 4.6(a) attached hereto, each Seller has title to the Acquired Assets. Since the date of the Latest Balance Sheet, no Seller has purchased any material amount of assets except in the ordinary course of business.

(b) Subject to entry of the Sale Order, each Seller has the power and the right to sell, assign and transfer and each Seller will sell and deliver to Purchaser, and upon consummation of the transactions contemplated by this Agreement, Purchaser will acquire title to the Acquired Assets, free and clear of all Liens other than Permitted Liens.

(c) This Agreement and the documents contemplated hereby, when duly executed and delivered by each Seller to Purchaser at the Closing and in accordance with the Sale Order, will effectively vest in Purchaser title to the Acquired Assets, subject only to the Assumed Obligations and Permitted Liens.

Section 4.7 Employee Benefit Plans.

(a) Schedule 4.7(a) attached hereto, sets forth a complete and accurate list of each Benefit Plan Seller maintains, contributes to, or which is maintained by any other Person for the benefit of any of Sellers' employees or under which any Seller has any liability or potential liability to any employee or former employee ("Employee Benefit Plan"). Each Seller has made available to Purchaser true and correct copies, if applicable, of each Employee Benefit Plan.

(b) The Assumed Plans are in material compliance with all applicable requirements of ERISA, the Code, and other applicable laws and have been administered in all material respects in accordance with their terms and such laws.

(c) No Seller nor any ERISA Affiliate sponsors, maintains, or contributes to, or has any potential liability with respect to any (i) "defined benefit plan" as defined in Section 3(35) of ERISA or any other plan subject to the funding requirements of Section 412 of the Code or Section 302 of Title IV of ERISA, or (ii) any "multiemployer plan" as defined in Section 3(37) or 4001(a)(3) of ERISA. No Assumed Plan is an employee benefit plan, program, or arrangement that provides for post-retirement medical, life insurance or other welfare-type benefits (other than health continuation coverage required by COBRA).

(d) No Acquired Asset is subject to any lien under the Code or ERISA associated with any Employee Benefit Plan.

Section 4.8 Labor Matters. Except as set forth in Schedule 4.8 attached hereto:

(a) No Seller is a party to any collective bargaining agreement;

(b) Each Seller is in compliance in all material respects with all applicable laws relating to employment and employment practices and the employment of labor. In addition, there are no pending or unremedied unfair labor practices against any Seller.

Section 4.9 Personnel Matters. Except as would not reasonably be expected to have a material adverse effect, Schedule 4.9 attached hereto contains an accurate and complete list of the names, dates of hire, and base annual salary for all Persons employed by each Seller in connection with the Business that is subject to a written employment agreement (the "Subject Employees"). Except as set forth on Schedule 4.9, no Seller is in default with respect to any material obligation to any Subject Employee. Each Seller has made available to Purchaser a true and correct copy of all Persons employed by such Seller as of January 1, 2014, except as would not reasonably be expected to have a material adverse effect.

Section 4.10 Litigation, Orders. Except as set forth on Schedule 4.10 attached hereto and except as would not reasonably be expected to have a material adverse effect, there are no actions, suits, complaints, charges, proceedings, Orders, investigations, or claims pending or, to the Knowledge of Sellers, threatened against any Seller or the Business.

Section 4.11 Taxes. Except as set forth on Schedule 4.11 attached hereto, each Seller has filed all material Tax Returns required to be filed with the appropriate Governmental Authority in all jurisdictions in which such Tax Returns are required to be filed by such Seller, and all Taxes shown to be payable on such Tax Returns have been paid or are being contested in good faith by appropriate proceedings.

Section 4.12 Compliance with Law. Except as set forth on Schedule 4.12 attached hereto and except as would not reasonably be expected to have a material adverse effect, each Seller is in compliance with, and are not in default in any respect with, all applicable laws, Regulations, Orders, and ordinances of any Governmental Authority and no claims have been filed against any Seller alleging a material violation of any such laws or Regulations, and no Seller has received written notice of any such violations.

Section 4.13 Absence of Undisclosed Liabilities. Except as would not reasonably be expected to have a material adverse effect, no Seller has any obligations or liabilities arising out of transactions entered into after the date of the Latest Balance Sheet, except (i) obligations under contracts or commitments described on Schedule 4.13 attached hereto or under contracts and commitments which are not required to be disclosed thereon, (ii) liabilities reflected on a Latest Balance Sheet, (iii) liabilities which have arisen after the date of the Latest Balance Sheet in the ordinary course of business or otherwise in accordance with the terms and conditions of this Agreement, and (iv) liabilities which arose on or prior to the date of the Latest Balance Sheet in the ordinary course of business.

Section 4.14 Intellectual Property.

(a) Schedule 4.14(a) sets forth a true, correct and complete list of all U.S. and foreign (i) issued Patents and pending applications for Patents; (ii) registered Trademarks and pending applications for Trademarks; (iii) registered Copyrights and pending applications for Copyrights; and (iv) all Domain Names, in each case which is owned by a Seller and which is material to the Business. Except as set forth on Schedule 4.14(a), each Seller is the sole record owner of all of the Intellectual Property set forth on Schedule 4.14(a) and all such Intellectual Property is subsisting and, to the Knowledge of Sellers, valid and enforceable.

(b) Schedule 4.14(b) sets forth a true, correct, and complete list of all material licenses, sublicenses or other Material Contracts to which a Seller is a party or otherwise bound pursuant to which a Seller has been granted or has obtained any right to use any Intellectual Property that is material to the Business (other than Contracts granting rights to use readily available commercial software that is generally available on nondiscriminatory pricing terms) (each a “License”). Except as otherwise disclosed on Schedule 4.14(b), each License is in full force and effect and is a valid and binding obligation of the applicable Seller party thereto, and to the Knowledge of Sellers, the other parties thereto, in accordance with its terms and conditions, except as enforceability may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors’ rights generally. Upon entry of the Sale Order and payment of the Cure Costs, to the Knowledge of Sellers, (A) no Seller will be in breach or default of its obligations under any License, (B) no condition exists that with notice or lapse of time

or both would constitute a default by a Seller under any of the Licenses, and (C) to the Knowledge of Sellers, no other party to any of the Licenses is in breach or default thereunder, except in the cases of clauses (A), (B), and (C) for any breaches or defaults that would not reasonably be expected to have a material adverse effect.

(c) Except as disclosed on Schedule 4.14(c) and except as would not reasonably be expected to have a material adverse effect, (i) the conduct of the Business by Sellers as currently conducted does not, and there are no actions, suits, complaints, charges, proceedings, Orders, investigations, or Claims pending, or to the Knowledge of Sellers threatened against any Seller, alleging that the conduct of the Business by such Seller as currently conducted does not, infringe, misappropriate, or otherwise violate any Person's Intellectual Property and (ii) to the Knowledge of Sellers, no Person is infringing, misappropriating, or otherwise violating any Intellectual Property owned by any Seller and used in the conduct of the Business.

Section 4.15 Accounts Receivable. Except as set forth on Schedule 4.15 attached hereto and other than the Excluded Accounts Receivable, the account receivables arising from services and/or sales by any Seller is not subject to any valid counterclaim or setoff and are collectible net of any reserves for doubtful accounts.

Section 4.16 Material Contracts. Schedule 4.16 attached hereto identifies each Material Contract. Except as set forth on Schedule 4.16 attached hereto, each Material Contract is in full force and effect and is a valid and binding obligation of the Seller party thereto and, to the Knowledge of Sellers, the other parties thereto, in accordance with its terms and conditions, except as such enforceability may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights generally. Upon entry of the Sale Order and payment of the Cure Costs, no Seller will be in breach of its obligations under any Material Contract, except for any breaches or defaults that would not reasonably be expected to have a material adverse effect.

Section 4.17 Brokers. Except as set forth on Schedule 4.17 attached hereto, no Seller has incurred any liability to any broker, finder, or agent with respect to the payment of any commission regarding the consummation of the transactions contemplated hereby and in the other Transaction Documents.

Section 4.18 Absence of Certain Developments. Except as set forth on Schedule 4.18 attached hereto or as required by applicable law, since the date of the Latest Balance Sheet:

- (a) each Seller has conducted the Business in the ordinary course of business;
and
- (b) there have not occurred any facts or events that have constituted, or which would be reasonably likely to have, a material adverse effect.

Section 4.19 Sufficiency of Assets. The Acquired Assets constitute all of material rights, assets, and tangible properties currently used by Sellers to conduct business operations and provide services in relation to the Business.

Section 4.20 No Other Representations or Warranties.

(a) Except for the representations and warranties contained in this ARTICLE IV, Purchaser acknowledges and agrees that no Seller nor any other Person on behalf of any Seller (including Sellers) makes any other express or implied representation or warranty with respect to Sellers (including representations and warranties as to the condition of the Acquired Assets) with respect to any other information provided to Purchaser. No Seller nor any other Person will have or be subject to any liability or indemnification obligation to Purchaser or any other Person resulting from the distribution to Purchaser, or use by Purchaser of, any such information, including any information, documents, projections, forecasts or other material made available to Purchaser in certain “data rooms”, confidential information memoranda or management presentations in expectation of the transactions contemplated by this Agreement.

(b) In connection with investigation by Purchaser, Purchaser has received or may receive from Sellers or Persons on behalf of Sellers (including Sellers and Sellers’ other representatives) certain projections, forward-looking statements and other forecasts and certain business plan information. Purchaser acknowledges and agrees that (i) there are uncertainties inherent in attempting to make such estimates, projections and other forecasts and plans, (ii) Purchaser is familiar with such uncertainties, (iii) Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections and other forecasts and plans so furnished to it (including the reasonableness of the assumptions underlying such estimates, projections, forecasts or plans) and (iv) that Purchaser shall have no claim against anyone (including Sellers) with respect thereto. Accordingly, Purchaser acknowledges and agrees that no Seller and no Person on behalf of Sellers (including Sellers) makes any representation or warranty with respect to such estimates, projections, forecasts or plans (including the reasonableness of the assumptions underlying such estimates, projections, forecasts or plans).

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Sellers as follows as of the date of this Agreement:

Section 5.1 Power and Authority; Validity of Agreement. Purchaser has full power and authority to execute and deliver the Transaction Documents to which it is a party and to consummate the transactions contemplated thereby. No other corporate or organizational proceedings on the part of Purchaser are necessary to approve and authorize the execution and delivery of the Transaction Documents to which Purchaser is a party and the consummation of the transactions contemplated thereby. All Transaction Documents to which Purchaser is a party have been duly executed and delivered by Purchaser, except such Transaction Documents that are required by the terms hereof to be executed and delivered by Purchaser after the date hereof, in which case such Transaction Documents will be duly executed and delivered by Purchaser at

or prior to the Closing, and, subject to any necessary authorization from the Bankruptcy Court and to the due authorization, execution and delivery of such Transaction Documents by the other parties thereto, all such Transaction Documents constitute, or will constitute, as the case may be, the valid and binding agreements of Purchaser, enforceable against Purchaser in accordance with their terms.

Section 5.2 Organization. Purchaser is a duly organized entity, validly existing and in good standing under the laws of the state of its organization.

Section 5.3 No Conflicts or Violations. Subject to any necessary authorization of the Bankruptcy Court, the execution, delivery and performance of the Transaction Documents to which Purchaser is a party and the consummation of the transactions contemplated thereby by Purchaser do not and shall not (i) require any authorization, consent, approval, exemption, or other action by or notice or declaration to, or filing with, any Governmental Authority or (ii) (A) conflict with or result in any breach of any of the terms, conditions, or provisions of, (B) constitute a default under or (C) result in a violation of (1) the provisions of the articles of incorporation, by-laws, or other constitutive documents of Purchaser or (2) any material indenture, mortgage, lease, loan agreement, or other material agreement or instrument to which Purchaser is bound or affected or any law, statute, rule, Regulation, or Order to which Purchaser is subject, except in clause (2), as would not reasonably be expected to have a material adverse effect.

Section 5.4 Brokers. Purchaser has incurred no liability to any broker, finder, or agent with respect to the payment of any commission regarding the consummation of the transactions contemplated hereby and in the other Transaction Documents.

Section 5.5 Acquired Assets “AS IS”, Purchaser’s Acknowledgment Regarding Same. Purchaser agrees, warrants and represents that, except as set forth in this Agreement, (i) Purchaser is purchasing the Acquired Assets on an “AS IS” and “WITH ALL FAULTS” basis based solely on Purchaser’s own investigation of the Acquired Assets and (ii) neither Sellers, nor any broker, agent, officer, employee, servant, attorney, or representative of any Seller has made any warranties, representations, or guarantees, express, implied, or statutory, written or oral, respecting the Acquired Assets or any part of the Acquired Assets relating to the financial performance of the Acquired Assets, the Business, or the physical condition of the Acquired Assets. Purchaser further acknowledges and agrees that the Purchase Price has been agreed upon by Sellers and Purchaser after good-faith, arms-length negotiation in light of Purchaser’s agreement to purchase the Acquired Assets “AS IS” and “WITH ALL FAULTS”. Purchaser agrees, warrants, and represents that, except as set forth in this Agreement, Purchaser has relied, and shall rely, solely upon Purchaser’s own investigation of all such matters and that Purchaser assume all risks with respect thereto. EXCEPT AS SET FORTH IN THIS AGREEMENT, NO PERSONS ON BEHALF OF SELLERS (INCLUDING THE SELLERS) MAKES ANY EXPRESS WARRANTY, WARRANTY OF MERCHANTABILITY, WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, OR ANY IMPLIED OR STATUTORY WARRANTY WHATSOEVER WITH RESPECT TO ANY REAL OR PERSONAL PROPERTY, ANY FIXTURES OR THE ACQUIRED ASSETS.

ARTICLE VI
COVENANTS OF SELLERS; OTHER AGREEMENTS

Section 6.1 Consents and Approvals.

(a) Sellers shall use commercially reasonable efforts to obtain all necessary consents and approvals to consummate the purchase and sale of the Acquired Assets and the assignment of the Assumed Obligations including, without limitation, obtaining the Bidding Procedures Order and Sale Order.

(b) Sellers and Purchaser shall use commercially reasonable efforts to mutually determine and agree prior to entry of the Bidding Procedures Order whether the transactions contemplated hereby are subject to compliance with the HSR Act. To the extent the parties hereto determine that such compliance is required, at such time following entry of the Bidding Procedures Order on the Bankruptcy Court's docket as Purchaser shall reasonably determine, Sellers shall file or cause to be filed, at Sellers' cost and expense, with the Federal Trade Commission and the United States Department of Justice and with any foreign Governmental Authority any notifications required to be filed under the HSR Act and the rules and Regulations promulgated thereunder (or similar foreign statute or rule) with respect to the transactions contemplated hereby. Sellers shall consult with Purchaser as to the appropriate time of filing such notifications and shall use its commercially reasonable efforts to make such filings at the agreed upon time, to respond promptly to any requests for additional information made by such agencies, and to cause the waiting periods under the HSR Act (or similar foreign statute or rule) to terminate or expire at the earliest possible date after the date of filing.

(c) Each of the parties shall give any other notices to, make any other filings with, and use commercially reasonable efforts to obtain, any other authorizations, consents, and approvals of any Governmental Authority in connection with the matters contemplated by this Agreement and the other Transaction Documents.

Section 6.2 Conduct of the Business Pending the Closing. Except as otherwise expressly contemplated by this Agreement or with the prior written consent of Purchaser (such consent not to be unreasonably withheld) or except as described on Schedule 6.2 attached hereto, from the date hereof until the Closing Date, Sellers shall conduct the Business in the ordinary course of business and not take any action inconsistent with the terms of this Agreement. Without limiting the generality of the foregoing except as otherwise expressly contemplated by this Agreement or with the prior written consent of Purchaser or except as described on Schedule 6.2 attached hereto, from the date hereof until the Closing Date, each Seller shall:

(a) not sell, assign, transfer, convey, pledge, mortgage, lease, license, or otherwise dispose of or encumber any of the Acquired Assets, or any interests therein, other than in the ordinary course of business;

(b) not reject (whether pursuant to section 365 of the Bankruptcy Code or otherwise) any Material Contract;

(c) not grant any increase in the compensation payable or to become payable to any Executive Officer of any Seller, except such increases as are required by contract or are consistent with past practices;

(d) maintain the Books and Records in the usual, regular, and ordinary manner;

(e) not amend its organizational documents;

(f) not incur any Indebtedness for borrowed money;

(g) maintain compliance with all laws, rules, and Regulations of all Governmental Authorities that relate to Sellers, the Business, or the Acquired Assets;

(h) not take or agree or commit to take any action that would make any representation and warranty of any Seller hereunder inaccurate in any material respect at, or as of any time prior to, the Closing Date;

(i) not enter into any settlement of any Claim that (i) is outside the ordinary course of business, (ii) delays the Closing, (iii) relates to a Material Contract or (iv) subjects any Seller to any material non-compete or other similar material restriction on the conduct of its Business that would be binding following the Closing

(j) pay any administrative expenses arising from operation of the Business as and when due from immediately available cash, cash generated from the operation of the Business.

Section 6.3 Notification of Certain Matters; Schedules.

(a) Each Sellers shall give notice to Purchaser of (i) the occurrence of any event that would reasonably be likely to cause any representation or warranty of such Seller contained in this Agreement, or in connection with the transactions contemplated hereunder, to be untrue or inaccurate in any material respect at any time from the date hereof to the Closing, or (ii) any material failure of such Seller to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder.

(b) Purchaser shall give notice to the Sellers of (i) the occurrence of any event that would reasonably be likely to cause any representation or warranty of Purchaser contained in this Agreement, or in connection with the transactions contemplated hereunder, to be untrue or inaccurate in any material respect at any time from the date hereof to the Closing, or (ii) any material failure of Purchaser to comply with or satisfy any covenant, condition, or agreement to be complied with or satisfied by it hereunder.

(c) Purchaser and Sellers acknowledge that (i) certain of the representations and warranties of Sellers affirmatively require that Sellers list certain factual information on the Disclosure Schedules, (ii) Sellers shall be permitted to supplement or amend the Disclosure Schedules from time to time on or prior to the Closing Date by providing written notice of such supplement or amendment to Purchaser and (iii) the Disclosure

Schedules shall be deemed amended by all such supplements and amendments for all purposes, unless within seven (7) days from the receipt of such supplement or amendment Purchaser provides written notice in good faith to the Seller that the facts described in such supplement or amendment are reasonably likely to have a material adverse effect on the Business.

Section 6.4 Further Assurances.

(a) Each Seller shall use commercially reasonable efforts to obtain the entry of the Bidding Procedures Order on the Bankruptcy Court's docket as soon as practicable and no later than July 23, 2014 and the entry of the Sale Order on the Bankruptcy Court's docket as soon as practicable and no later than September 22, 2014 and will use their commercially reasonable efforts to timely obtain any other consent required for the consummation of the transactions contemplated by this Agreement as soon as practicable; *provided*, that any of the foregoing dates may be extended with Purchaser's consent (which consent is not to be unreasonably withheld or delayed).

(b) Each Seller shall execute such documents and use commercially reasonable efforts to take or cause to be taken all action and do or cause to be done all things necessary or proper to consummate the transactions contemplated by this Agreement. Each Seller shall use commercially reasonable efforts to fulfill or obtain the fulfillment of the conditions set forth in ARTICLE VIII of this Agreement.

Section 6.5 Bankruptcy Actions.

(a) As soon as practicable after the Petition Date, Sellers shall file a motion (together with supporting papers) no later than June 27, 2014 seeking entry of the Bidding Procedures Order on the Bankruptcy Court's docket and setting a hearing with respect to the matters set forth in such motion no later than July 23, 2014, and Sellers shall use commercially reasonable efforts to set a hearing with respect to the matters set forth in such motion.

(b) Sellers will provide Purchaser with a reasonable opportunity to review and comment upon all motions, applications, and supporting papers prepared by Sellers (including forms of orders and notices to interested parties) prior to the filing thereof in the Chapter 11 Cases with respect to the transactions contemplated hereby.

(c) Promptly upon the entry of the Bidding Procedures Order or at such earlier time as Sellers shall determine, Sellers shall serve notice on all parties to whom service of the Sale Notice (as defined in the Bidding Procedures Order) is required under the terms of the Bidding Procedures Order or to whom service of notice is advisable pursuant to the Bankruptcy Code, substantially in the form attached as Exhibit 2 to the Bidding Procedures Order.

Section 6.6 Bidding Procedures; Superior Offers. The bidding procedures to be employed with respect to this Agreement shall be those reflected in the Bidding Procedures Order. Purchaser agrees and acknowledges that Sellers and their representatives and Affiliates are and may continue soliciting Qualified Bids for the Acquired Assets in connection with any

Alternative Transaction pursuant to the terms of the Bidding Procedures Order and acknowledges and agrees that the bidding procedures contained in the Bidding Procedures Order may be supplemented by other customary procedures not inconsistent with the matters otherwise set forth herein and the terms of this Agreement.

Section 6.7 Taxes.

(a) Sellers shall timely pay all sales, use, and payroll Taxes, which will be owed by Sellers and attributable to periods prior to the Closing; *provided however*, Sellers shall not be obligated to pay any such Tax that is disputed in good faith by Sellers.

(b) Any sales, use, purchase, transfer, franchise, deed, fixed asset, stamp, documentary stamp, use, or other Taxes and recording charges due and which may be payable by reason of the sale of the Acquired Assets or the assumption of the Assumed Obligations under this Agreement or the transactions contemplated herein (the “Transfer Taxes”) shall be borne and timely paid by Purchaser.

**ARTICLE VII
COVENANTS OF PURCHASER**

Section 7.1 Assumed Obligations. Subsequent to the Closing, Purchaser agrees to be responsible for the payment and performance of the Assumed Obligations (including those set forth in Section 2.6) and shall indemnify and hold Sellers harmless with respect to the Assumed Obligations, including, without limitation, any loss, liability, cost, or expense (including, without limitation, legal fees and court costs) arising out of or in connection with, or otherwise relating to, the Assumed Obligations.

Section 7.2 Further Assurances. Purchaser shall execute such documents and take such further actions as may be reasonably requested by Sellers to carry out the provisions of this Agreement and the transactions contemplated hereby. Purchaser shall use commercially reasonable efforts to fulfill or obtain the fulfillment of the conditions set forth in ARTICLE IX of this Agreement.

Section 7.3 Hart-Scott-Rodino. Sellers and Purchaser shall use commercially reasonable efforts to mutually determine and agree prior to entry of the Bidding Procedures Order whether the transactions contemplated hereby are subject to compliance with the HSR Act. To the extent the parties hereto determine that such compliance is required, at such time following entry of the Bidding Procedures Order on the Bankruptcy Court’s docket as Purchaser shall reasonably determine, Purchaser shall file or cause to be filed, at Purchaser’s cost and expense, with the Federal Trade Commission and the United States Department of Justice and with any foreign governmental authority any notifications required to be filed under the HSR Act and the rules and Regulations promulgated thereunder (or similar foreign statute or rule) with respect to the transactions contemplated hereby. Purchaser shall consult with Sellers as to the appropriate time of filing such notifications and shall use its reasonable best efforts to make such filings at the agreed upon time, to respond promptly to any requests for additional information made by such agencies, and to cause the waiting periods under the HSR Act to terminate or expire at the earliest possible date after the date of filing.

ARTICLE VIII
CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser under this Agreement are, at the option of Purchaser, subject to satisfaction or waiver of the following conditions precedent on or before the Closing Date.

Section 8.1 Warranties True as of Both Present Date and Closing Date; Covenants.

(a) Each of the representations and warranties of each Seller contained herein shall be true and correct in all material respects (except with respect to representations and warranties of Sellers qualified as to materiality, which shall be true and correct in all respects) on and as of the Closing Date (except for representations and warranties made as of a specified date, which shall be true and correct as of that date) with the same force and effect as though made on and as of the Closing Date.

(b) Each Seller shall have performed and complied in all material respects with the obligations and covenants required by this Agreement to be performed or complied with by such Seller on or prior to the Closing Date.

Section 8.2 Bankruptcy Condition. The Bankruptcy Court shall have entered the Bidding Procedures Order and Sale Order (as provided in Article VI) and each of such orders shall be a Final Order and in form and substance reasonably satisfactory to Sellers and Purchaser.

Section 8.3 No Order. No Governmental Authority shall have enacted, issued, promulgated, or entered any Order which is in effect and has the effect of making illegal or otherwise prohibiting the consummation of the transactions contemplated hereby.

Section 8.4 Approvals. Sellers shall have used reasonable commercial efforts to begin obtaining all authorizations, consents, filings, and approvals reasonably necessary to permit Sellers to perform the transactions contemplated in this Agreement. All terminations or expirations of waiting periods imposed (and any extension thereof) by any Governmental Authority necessary for the transactions contemplated under this Agreement, if any, shall have occurred.

Section 8.5 Closing Deliveries. Each Seller shall have delivered to Purchaser a certificate signed by an authorized officer of each Seller, dated the date of the Closing Date (in form and substance reasonably satisfactory to Purchaser), certifying that the conditions specified in Section 8.1 have been satisfied as of the Closing.

ARTICLE IX
CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS

The obligations of Sellers under this Agreement are, at the option of Sellers, subject to the satisfaction or waiver of the following conditions precedent on or before the Closing Date.

Section 9.1 Warranties True as of Both Present Date and Closing Date. The representations and warranties of Purchaser contained herein shall be true and correct in all material respects (except with respect to representations and warranties of Sellers qualified as to materiality, which shall be true and correct in all respects) on and as of the Closing Date (except for representations and warranties made as of a specified date, which shall be true and correct as of that date in all material respects) with the same force and effect as though made by Purchaser on and as of the Closing Date. Purchaser shall have performed and complied in all material respects with the obligations and covenants required by this Agreement to be performed or complied with by Purchaser on or prior to the Closing Date.

Section 9.2 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order.

Section 9.3 No Order. No Governmental Authority shall have enacted, issued, promulgated, or entered any Order which is in effect and has the effect of making illegal or otherwise prohibiting the consummation of the transactions contemplated hereby.

Section 9.4 Consideration. Purchaser shall have delivered to Sellers the Purchase Price.

Section 9.5 Approvals. Purchaser shall have used reasonable commercial efforts to begin obtaining all authorizations, consents, filings, and approvals reasonably necessary to permit Purchaser to perform the transactions contemplated in this Agreement. All terminations or expirations of waiting periods (and any extension thereof) imposed by any Governmental Authority necessary for the transactions contemplated under this Agreement, if any, shall have occurred.

Section 9.6 Closing Deliveries. Purchaser shall have delivered to Sellers a certificate signed by an authorized officer of Purchaser, dated the date of the Closing Date (in form and substance reasonably satisfactory to Sellers), certifying that the conditions specified in Section 9.1 above have been satisfied as of the Closing.

ARTICLE X CLOSING

Section 10.1 Closing. Upon the terms and subject to the satisfaction of the conditions set forth in ARTICLE VIII and ARTICLE IX in this Agreement, the closing of the transaction contemplated by this Agreement (the “Closing”) will take place at the offices of Kirkland & Ellis, 300 North LaSalle, Chicago, IL 60654 at 10:00 A.M. Central Standard Time no later than the first Business Day after the date on which the conditions set forth in ARTICLE VIII and ARTICLE IX have been satisfied or waived; or on such other date or place as Purchaser and Sellers may determine (the “Closing Date”).

Section 10.2 Deliveries by Sellers. At the Closing, Sellers shall deliver or procure delivery to Purchaser of the following:

- (a) physical possession of all of the Acquired Assets (other than any Intellectual Property);

(b) one or more bills of sale, in the form attached hereto as **Exhibit A**, assignment agreements and other customary transfer documents conveying in the aggregate all right, title and interest of each Seller to or in the Acquired Assets, duly executed by such Seller;

(c) one or more Intellectual Property assignments for registered Intellectual Property set forth on **Schedule 4.14(a)**, duly executed by the relevant Seller or Sellers;

(d) one or more assignments and assumptions of the Assumed Obligations, in the form attached hereto as **Exhibit B** (collectively, the “**Assignment and Assumption**”), duly executed by the relevant Seller or Sellers;

(e) all the Books and Records;

(f) such documentation as may be necessary to change the authorized signatories on any bank accounts or powers of attorney relating (directly or indirectly) to the Acquired Assets;

(g) copies of the certificate set forth in **Section 8.5**;

(h) evidence reasonably satisfactory to Purchaser that all notices of the assumption and assignment of the Assumed Contracts and of the assumption of the Assumed Obligations, and all required consents to, and approvals of, such assumptions and assignments have been given and received in accordance with applicable law;

(i) a certified copy of the Sale Order; and

(j) such other instruments as are reasonably requested by Purchaser and otherwise necessary to consummate the transactions contemplated hereby.

Section 10.3 Deliveries by Purchaser. At the Closing, Purchaser will deliver to Sellers:

(a) the Assignment and Assumption duly executed by Purchaser;

(b) evidence that the amount of principal due under the Term Loan has been credited by \$24,000,000 (or such other amount as determined in accordance **Schedule 3.1(a)(i)** hereof);

(c) copies of the certificate set forth in **Section 9.6** and

(d) such other instruments as are reasonably requested by Sellers and otherwise necessary to consummate the transactions contemplated hereby.

Section 10.4 Form of Instruments. To the extent that a form of any document to be delivered hereunder is not attached as an Exhibit hereto, such documents shall be in form and substance, and shall be executed and delivered in a manner, reasonably satisfactory to Purchaser and Sellers.

ARTICLE XI TERMINATION

Section 11.1 Termination. This Agreement may be terminated prior to the Closing as follows:

- (a) by mutual written agreement of Purchaser and Sellers;
- (b) by either Purchaser or Sellers if there shall be in effect an applicable law or Final Order restraining, enjoining, or otherwise prohibiting the consummation of the transactions contemplated hereby; *provided*, that the right to terminate this Agreement under this Section 11.1(b) shall not be available to any party whose breach of this Agreement shall have been the cause of, or shall have resulted in the Final Order that restrains, enjoins or prohibits the consummation of the transactions contemplated hereby;
- (c) by Purchaser (*provided* that Purchaser is not then in material breach of any representation, warranty, covenant, or other agreement contained herein), if there shall have been a material breach or misrepresentation of any of the representations or warranties or a material breach of any of the covenants set forth in this Agreement on the part of Sellers, which breach is not cured within fifteen Business Days following written notice to Sellers or which breach, by its nature, cannot be cured prior to the Closing;
- (d) by Sellers (*provided* that no Seller is then in material breach of any representation, warranty, covenant, or other agreement contained herein), if there shall have been a material breach or misrepresentation of any of the representations or warranties or a material breach of any of the covenants set forth in this Agreement on the part of Purchaser, which breach is not cured within fifteen Business Days following written notice to Purchaser or which breach, by its nature, cannot be cured prior to the Closing;
- (e) by Purchaser (*provided* that Purchaser is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if it shall have reasonably determined that one or more conditions set forth in ARTICLE VIII has not been or cannot be fulfilled or satisfied prior to the date specified in such condition (if such condition specifies a date other than the Closing Date by which such condition must be satisfied);
- (f) by Purchaser if Sellers consummate an Alternative Transaction (other than to or by Purchaser);
- (g) by Sellers (*provided* that no Seller is then in material breach of any representation, warranty, covenant, or other agreement contained herein) if it shall have reasonably determined that one or more conditions set forth in ARTICLE IX has not been or cannot be fulfilled or satisfied prior to the date specified in such condition (if such condition specifies a date other than the Closing Date by which such condition must be satisfied);

(h) by Purchaser, if (A) the Bidding Procedures Order shall not have been entered by the Bankruptcy Court by the close of business on the date that is thirty days following the Petition Date (or by such later date as shall be mutually agreed to by Purchaser and Sellers in writing) or (B) following its entry, the Bidding Procedures Order shall fail to be in full force and effect or shall have been stayed, reversed, modified or amended in any material respect without the prior written consent of Purchaser;

(i) by Purchaser, if (A) the Sale Order shall not have been entered by the Bankruptcy Court by the close of business on the date that is ninety days following the Petition Date (or by such later date as shall be mutually agreed to by Purchaser and Sellers in writing) or (B) following its entry, the Sale Order shall fail to be in full force and effect or shall have been stayed, reversed, modified or amended in any material respect without the prior written consent of Purchaser;

(j) by Sellers if the Sellers reasonably determine in good faith and upon the advice of outside counsel that continued performance under this Agreement would be inconsistent with the exercise of its fiduciary duties under applicable law;

(k) by either Purchaser or Sellers on any day on or after October 21, 2014 if the Closing shall not have been consummated by such date (or by such later date as shall be mutually agreed to by Purchaser and Sellers in writing), *provided, however*, that the right to terminate this Agreement under this Section 11.1(k) shall not be available to any party whose failure to fulfill any material obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date;

(l) by Purchaser, in the event that any Chapter 11 Case is dismissed or converted to a case or cases under Chapter 7 of the Bankruptcy Code, or if a trustee or examiner with expanded powers to operate or manage the financial affairs, the business or the reorganization of Sellers is appointed in any Chapter 11 Case; and

(m) by Purchaser, in the event Sellers and Purchaser do not mutually agree as to the items set forth on Schedule 3.1(a)(i) within ten (10) days after the date hereof.

Section 11.2 Bid Protections.

(a) In the event that this Agreement is terminated pursuant to Section 11.1(b), (c), (e), (f), (i), (j), (k), or (l), Sellers shall pay to Purchaser the Reimbursable Expenses within five (5) Business Days after the delivery by Purchaser to Sellers of notice of demand for payment setting forth a reasonable description of the Reimbursable Expenses.

(b) Any obligation to pay the Reimbursable Expenses hereunder shall be absolute and unconditional. The Reimbursable Expenses, if payable upon the consummation of an Alternative Transaction, shall be paid to the Purchaser from the first cash proceeds of an Alternative Transaction received upon the closing of such transaction, which such portion of the proceeds representing the Reimbursable Expenses amount shall be held in trust by the Sellers for the benefit of the Purchaser until such payment is made. In all other circumstances, such payment shall constitute an administrative expense of Sellers' estates under sections 503(b)(1)(A) and 507(a)(2) of

the Bankruptcy Code and shall be payable as specified herein, and not subject to any defense, claim, counterclaim, offset, recoupment, or reduction of any kind whatsoever. Sellers and Purchaser agree that the Reimbursable Expenses were a material inducement to Purchaser to enter into this Agreement and to consummate the transactions contemplated hereby and shall be payable as specified herein and not subject to any defense, claim, counterclaim, offset, recoupment, or reduction of any kind whatsoever.

(c) This Section 11.2, and the rights and obligations created hereunder, shall survive termination of this Agreement.

Section 11.3 Effect of Termination. In the event of termination of this Agreement by Purchaser or Sellers, except as otherwise provided in this Section 11.3, all rights and obligations of the parties under this Agreement shall terminate without any liability of any party to any other party. The provisions of Section 3.3, Section 11.2, Section 11.3, Section 12.4, Section 13.1, Section 13.7, Section 13.8, Section 13.9, Section 13.10, Section 13.11, and Section 13.12 shall expressly survive the termination or expiration of this Agreement.

ARTICLE XII ADDITIONAL POST-CLOSING COVENANTS

Section 12.1 Employees. As of the Closing Date, Purchaser shall offer employment to all employees of the business (including those employees, on vacation and other approved leaves of absence) (the “Business Employees”) other than such employees set forth on Schedule 12.1 and such offers of employment shall contain terms and conditions of employment (including base salary, base wages and employee benefits) that are consistent with the requirements set forth in Section 12.2 below. On the Closing Date, Sellers shall take all steps necessary to terminate the employment of each Business Employee who is offered employment by Purchaser as set forth in the immediately preceding sentence. The Business Employees who accept Buyer’s offer of employment and who become employed by Buyer shall be referred to herein as “Rehired Employees.”

Section 12.2 Rehired Employees.

(a) Until at least the twelve month anniversary of the Closing, Purchaser shall provide or cause an Affiliate to provide the Rehired Employees with base salaries or base wages, incentive opportunities (excluding equity and equity-based compensation or non-qualified retirement plans or arrangements) and benefit plans, programs, and arrangements that are substantially similar in the aggregate to either (i) the base salaries or base wages, incentive opportunities (excluding equity and equity-based compensation or non-qualified retirement plans or arrangements) and benefit plans, programs, and arrangements provided to Rehired Employees as of the Closing Date or (ii) the base salaries or base wages, incentive opportunities (excluding equity and equity-based compensation or non-qualified retirement plans or arrangements) and benefit plans, programs, and arrangements that Sellers or their Affiliates provide to similarly situated employees.

(b) With respect to each employee benefit plan, practice, or policy of Purchaser or any of its Affiliates under which Rehired Employees participate following the Closing Date, each Rehired Employee shall be given credit under such plan for all service prior to the Closing Date with the applicable Seller or any predecessor employer (but only to the extent such credit was given by such Seller or any predecessor employer under a comparable Employee Benefit Plan as of the Closing Date), for purposes of determining eligibility and vesting and for all other purposes for which such service is either taken into account or recognized; *provided, however*, such service need not be credited to the extent it would result in a duplication of benefits or benefit accrual under any defined benefit plan. Such service also shall apply for purposes of satisfying any waiting periods, evidence of insurability requirements, or the application of any preexisting condition limitations to the same extent such service was recognized under a comparable Employee Benefit Plan as of the Closing Date. In the plan year that includes the Closing Date, Rehired Employees shall be given credit for amounts paid under a corresponding Employee Benefit Plan during the same period for purposes of applying deductibles, co-payments, and out-of-pocket maximums as though such amounts had been paid in accordance with the terms and conditions of the comparable employee benefit plan of Purchaser.

(c) Purchaser shall credit or shall cause an Affiliate to continue to credit to each Rehired Employee all vacation, sick, and personal holiday pay that the Rehired Employee is entitled to use but has not used as of the Closing Date (including any earned vacation or personal holiday pay to be used in future years), and shall assume all liability for the payment of such amounts.

(d) Purchaser and the buying group (as defined in Treasury Regulation Section 54.4980B-9, Q&A-2(c)) of which it is a part shall be solely responsible for providing COBRA continuation coverage pursuant to (i) Section 4980B(f) of the Code, Part 6 of Subtitle B of Title I of ERISA and similar state Law to those individuals who are M&A qualified beneficiaries (as defined in Treasury Regulation Section 54.4980B-9, Q&A-4(b)) with respect to the transactions contemplated by this Agreement (collectively, the “M&A Qualified Beneficiaries”), and (ii) Title III of Division B of the American Recovery and Reinvestment Act of 2009, as amended, and all guidance promulgated thereunder, to the extent applicable with respect to the M&A Qualified Beneficiaries.

(e) Nothing in this Section 12.2 or any other provision of this Agreement shall be construed to modify, amend or establish any benefit plan, program or arrangement or affect the ability of the parties hereto or any other person to modify, amend or terminate any of its benefit plans, programs or arrangements. This Section 12.2 is not intended to, and shall not be construed to, confer upon any person other than the parties to this Agreement any rights or remedies hereunder or is intended to confer upon any current or former employee any right to employment or continued employment for any period of time by reason of this Agreement, or any right to a particular term or condition of employment.

Section 12.3 Joint Post-Closing Covenant of Purchaser and Seller. Purchaser and Sellers jointly covenant and agree that, from and after the Closing Date, Purchaser and each

Seller will each use commercially reasonable efforts to cooperate with each other in connection with any action, suit, proceeding, investigation, or audit of the other relating to (a) the preparation of an audit of any Tax Return of each Seller or Purchaser for all periods prior to or including the Closing Date and (b) any audit of Purchaser and/or any audit of each Seller with respect to the sales, transfer, and similar Taxes imposed by the laws of any state or political subdivision thereof, relating to the transactions contemplated by this Agreement. In furtherance hereof, Purchaser and each Seller further covenant and agree to promptly respond to all reasonable inquiries related to such matters and to provide, to the extent reasonably possible, substantiation of transactions and to make available and furnish appropriate documents and personnel in connection therewith. All costs and expenses incurred in connection with this Section 12.3 referred to herein shall be borne by the party who is subject to such action.

Section 12.4 Tax Matters. Purchaser and each Seller shall report and file all Tax Returns (including amended Tax Returns and claims for refund) consistent with the Allocation, and shall take no position contrary thereto or inconsistent therewith (including, without limitation, in any audits or examinations by any Governmental Authority or any other proceeding). Purchaser and each Seller shall cooperate in the filing of any forms (including Form 8594 under section 1060 of the Code) with respect to the Allocation. Notwithstanding any other provision of this Agreement, the terms and provisions of this Section 12.4 shall survive the Closing without limitation.

Section 12.5 Post-Closing Access. During the two (2) years immediately following the Closing Date, Purchaser shall preserve and retain all corporate, accounting, Tax, legal, auditing, and other Books and Records relating to the conduct of the Business and operations of each Seller prior to the Closing Date and shall not transfer, destroy, or discard any such Books and Records without the Sellers' prior written consent. After the Closing Date and during the aforementioned period, Purchaser shall permit Sellers to have reasonable access to, and to inspect and copy, during normal business hours and upon reasonable advance notice, all materials referred to in this Section 12.5; *provided*, that such access does not unreasonably interfere with the normal operations of Purchaser.

ARTICLE XIII MISCELLANEOUS

Section 13.1 Expenses. Except as set forth in Section 11.2, each party hereto shall bear its own costs and expenses, including attorneys' fees, with respect to the transactions contemplated hereby. Notwithstanding the foregoing, in the event of any action or proceeding to interpret or enforce this Agreement, the prevailing party in such action or proceeding (i.e., the party who, in light of the issues contested or determined in the action or proceeding, was more successful) shall be entitled to have and recover from the non-prevailing party such costs and expenses (including, without limitation, all court costs and reasonable attorneys' fees) as the prevailing party may incur in the pursuit or defense thereof.

Section 13.2 Amendment. This Agreement may not be amended, modified, or supplemented except by a written instrument signed by Sellers and Purchaser.

Section 13.3 Notices. All notices, requests, demands, and other communications permitted or required to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed conclusively to have been given (i) when personally delivered, (ii) when sent by facsimile (with hard copy to follow) during a Business Day (or on the next Business Day if sent after the close of normal business hours or on any non-Business Day), (iii) when sent by electronic mail (with hard copy to follow) during a Business Day (or on the next Business Day if sent after the close of normal business hours or on any non-Business Day), (iv) one (1) Business Day after being sent by reputable overnight express courier (charges prepaid), or (v) three (3) Business Days following mailing by certified or registered mail, postage prepaid, and return receipt requested. Unless another address is specified in writing, notices, requests, demands and communications to the parties shall be sent to the addresses indicated below:

To Sellers: FTI Consulting
 2001 Ross Avenue, Suite 400
 Dallas, TX 75201
 Attn: Stephen Dubé
 Attn: Chris Post
 Fax: (214) 853-5601
 E-mail: stephen.dube@fticonsulting.com
 E-mail: chris.post@fticonsulting.com

with copy to: Kirkland & Ellis LLP
 300 North LaSalle
 Chicago, Illinois 60654
 Attn: David L. Eaton
 Attn: Michael Weitz
 Fax: (312) 862-2200
 E-mail: david.eaton@kirkland.com
 E-mail: michael.weitz@kirkland.com

To Purchaser, to: Cortland Capital Market Services LLC
 225 West Washington Street, Suite 2100
 Chicago, IL 60606
 Attn: Joanna Anderson
 E-mail: joanna.anderson@cortlandglobal.com

with copy to: Ropes & Gray LLP
 Prudential Tower, 800 Boylston Street
 Boston, MA 02199-3600
 Attn: Alyson Allen and Mark Bane
 E-mail: alyson.allen@ropesgray.com
 mark.bane@ropesgray.com

Section 13.4 Waivers. The failure of a party hereto at any time or times to require performance of any provision hereof shall in no manner affect its right at a later time to enforce

the same. No waiver by a party of any condition or of any breach of any term, covenant, representation, or warranty contained in this Agreement shall be effective unless in writing by Sellers, in the case of a waiver by Sellers, or Purchaser, in the case of any waiver by Purchaser, and no waiver in any one or more instances shall be deemed to be a further or continuing waiver of any such condition or breach of other instances or a waiver of any other condition or breach of any other term, covenant, representation, or warranty.

Section 13.5 Electronic Delivery; Counterparts. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, may be executed in one or more counterparts, all of which shall constitute one and the same instrument. Any such counterpart, to the extent delivered by means of a facsimile machine or by .pdf, .tif, .gif, .peg, or similar attachment to electronic mail (any such delivery, an “Electronic Delivery”) shall be treated in all manner and respects as an original executed counterpart and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto, each other party hereto or thereto shall re-execute the original form of this Agreement and deliver such form to all other parties. No party hereto shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract and each such party forever waives any such defense, except to the extent such defense relates to lack of authenticity.

Section 13.6 Headings. The headings preceding the text of the Articles and Sections of this Agreement and the Exhibits and the Schedules are for convenience only and shall not be deemed part of this Agreement.

Section 13.7 SUBMISSION TO JURISDICTION. THE PARTIES HEREBY AGREE THAT ANY AND ALL CLAIMS, ACTIONS, CAUSES OF ACTION, SUITS, AND PROCEEDINGS RELATING TO THIS AGREEMENT OR THE OTHER AGREEMENTS CONTEMPLATED HEREIN SHALL BE FILED AND MAINTAINED ONLY IN THE BANKRUPTCY COURT, AND THE PARTIES HEREBY CONSENT TO THE JURISDICTION OF THE BANKRUPTCY COURT.

Section 13.8 Specific Performance. Purchaser acknowledges and agrees that (i) irreparable damage would occur in the event that any of the provisions of this Agreement are not performed in accordance with specific terms or are otherwise breached and (ii) remedies at law would not be adequate to compensate Sellers. Accordingly, Purchaser agrees that each Seller shall have the right, in addition to any other rights and remedies existing in its favor (including the release of the Deposit to Seller, if applicable), to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce its rights and obligations hereunder not only by an action or actions for damages but also by an action or actions for specific performance, injunctive relief, and/or other equitable relief. The right to equitable relief, including specific performance or injunctive relief, shall exist notwithstanding, and shall not be limited by, any other provision of this Agreement. Purchaser hereby waives any defense that a remedy at law is adequate and any requirement to post bond or other security in connection with actions instituted for injunctive relief, specific performance or other equitable remedies.

Section 13.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (regardless of the laws that might otherwise govern under applicable Illinois principles of conflicts of law) as to all matters, including matters of validity, construction, effect, performance, and remedies.

Section 13.10 Binding Nature; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by any of the parties hereto without prior written consent of the other parties (which shall not be unreasonably withheld or delayed).

Section 13.11 No Third Party Beneficiaries. Except as set forth herein, this Agreement is solely for the benefit of the parties hereto and nothing contained herein, express or implied, is intended to confer on any Person other than (i) the parties hereto or their successors and permitted assigns and (ii) the Seller, any rights, remedies, obligations, Claims, or causes of action under or by reason of this Agreement.

Section 13.12 Materiality; Disclosure Schedules. As used in this Agreement, unless the context would require otherwise, the terms “material” or “material to Seller” and the concept of “material” nature of an effect upon Sellers shall be measured relative to the entire Business, taken as a whole. There likely will be, however, included in the Disclosure Schedules and may be included elsewhere in this Agreement, items which are not “material” within the meaning of the immediately preceding sentence in order to avoid any misunderstanding, and such inclusion shall not be deemed to be an agreement by Sellers that such items are “material” or to further define the meaning of such term for purposes of this Agreement.

Section 13.13 Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to this Agreement to express their mutual intent, and no rule of strict construction shall be applied against any party. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and Regulations promulgated thereunder, unless the context requires otherwise.

Section 13.14 Entire Understanding. This Agreement, the Exhibits, and the Schedules set forth the entire agreement and understanding of the parties hereto in respect to the transactions contemplated hereby and the Agreement, the Exhibits and the Schedules supersede all prior agreements, arrangements and understandings relating to the subject matter hereof and are not intended to confer upon any other Person any rights or remedies hereunder.

Section 13.15 Closing Actions. All deliveries, payments and other transactions and documents relating to the Closing shall be interdependent, and none shall be effective unless and until all are effective (except to the extent that the party entitled to the benefit thereof has waived satisfaction or performance thereof as a condition precedent to the Closing).

Section 13.16 Conflict Between Transaction Documents. The parties hereto agree and acknowledge that to the extent any terms and provisions of this Agreement are in any way inconsistent with or in conflict with any term, condition or provision of any other agreement or document referred to herein, this Agreement shall govern and control.

Section 13.17 No Survival. Except as set forth in this Section 13.17, the representations, warranties and covenants of Sellers and Purchaser contained in this Agreement or in any instrument delivered in connection herewith shall not survive the Closing. Notwithstanding the foregoing, the following covenants shall survive the Closing: (i) Purchaser's obligations under ARTICLES VII and XII and Sections 12.5 and 13.1 and (ii) Sellers' obligations under ARTICLE XII and Section 13.1

* * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Asset Purchase Agreement to be executed and delivered on the date first above written.

PURCHASER:

**CORTLAND CAPITAL MARKET
SERVICES LLC**

By: _____

Name: _____

Its: _____

A handwritten signature in black ink, appearing to read "Christopher Capezuti", written over a horizontal line.

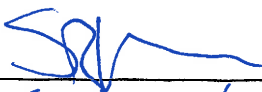
**Christopher Capezuti
Director**

SELLERS

By: _____

Name: _____

Their: _____


STEPHEN DUSE
C.R.O.

[Signature Page to Asset Purchase Agreement]

SCHEDULES¹

to the

ASSET PURCHASE AGREEMENT

dated as of June 22, 2014

among

Cortland Capital Market Services, LLC,
as Purchaser

and

Source Home Entertainment, LLC,

Source Interlink Distribution, LLC,

Source Interlink Manufacturing, LLC,

Directtou, Inc.,

RDS Logistics, LLC,

Retail Vision, LLC,

Source Interlink International, Inc., and

Source Interlink Retail Services, LLC

as Sellers

¹ Pursuant to the terms of the Stalking Horse APA, the Debtors shall provide the Stalking Horse Bidder with complete Disclosure Schedules prior to July 7, 2014. The Debtors intend to file a revised form of Stalking Horse APA incorporating complete Disclosure Schedules once the Disclosure Schedules are finalized.

Schedule 2.1(a)(v) - Assumed Contracts

1. [TO COME]

Schedule 2.1(a)(xvi) - Owned Real Property

1. [TO COME]

Schedule 2.1(a)(xix) - Employee Benefit Plans

1. [TO COME]

Schedule 2.1(a)(xxii) - Other Assets

1. [TO COME]

Schedule 2.1(a)(xxiv) - Factory Equipment and Furnishings

1. [TO COME]

Schedule 2.1(a)(xxvii) - License

1. [TO COME]

Schedule 2.3(e) - Excluded Assets

1. [TO COME]

Schedule 2.4(k) - Other Excluded Liabilities

1. [TO COME]

Schedule 3.1(a)(i) - Purchase Price Adjustment

- A. Purchase Price Adjustment. If the Closing Date occurs on or following September 30, 2014, the Purchase Price shall be calculated as follows:
1. A credit bid of \$24,000,000 in principal amount due under the Term Loan; *plus*
 2. the assumption of, and the undertaking to discharge, the Assumed Obligations by Purchaser; *plus*
 3. the amount, if any, by which the Estimated Working Capital (defined below) exceeds the Working Capital Target (defined below).
- B. Assumed Cash. Pursuant to Section 2.1(a)(i), and subject in all respects to the limitations contained therein), the amount of cash and cash equivalents to be assumed by Purchaser pursuant to Section 2.1 (the “Assumed Cash”) shall be adjusted as follows:
1. If the Closing Date occurs on or following August 25, 2014, but prior to September 8, 2014, the Assumed Cash shall equal \$4,000,000 *plus* \$1,000,000.
 2. If the Closing Date occurs on or following September 8, 2014, but prior to September 22, 2014, the Assumed Cash shall equal \$4,000,000 *plus* \$500,000.
 3. If the Closing Date occurs on or following September 22, 2014, but prior to September 30, 2014, there shall be no adjustment to Assumed Cash (i.e., Assumed Cash shall equal \$4,000,000).
 4. If the Closing Date occurs on or following September 30, 2014, the Assumed Cash shall equal \$4,000,000 *plus* the amount, if any, by which the Working Capital Target exceeds the Estimated Working Capital.
- C. Closing Estimates. If the Closing Date is reasonably expected to occur on or following September 30, 2014, Sellers will furnish to Purchaser no less than five Business Days prior to the Closing Date, (a) a written statement (the “Estimated Closing Statement”) setting forth in reasonable detail their reasonable, good faith estimate of, as of the close of business on the Business Day immediately prior to the Closing, the Working Capital (as defined below) of the Business (the “Estimated Working Capital Amount”) and (b) an unaudited estimated consolidated balance sheet of Manufacturing Seller as of the close of business on the Business Day immediately prior to the Closing. Sellers will make available to Purchaser and its auditors and advisors access to the personnel, books, records, work papers, documents and other information used in preparing the Estimated Closing Statement.
- D. Post-Closing Adjustment Mechanics.
1. At the election of Purchaser, Purchaser may, within 60 days of the Closing Date, prepare and furnish to Sellers (i) an unaudited consolidated balance sheet of Manufacturing Seller as of the close of business on the Business Day immediately prior to the Closing Date (the “Proposed Closing Balance Sheet”) and (ii) a written statement (the “Proposed

Closing Statement”) setting forth in reasonable detail the actual amount of the Working Capital of the Business as of the close of business on the Business Day immediately prior to the Closing Date as reflected on the Proposed Closing Balance Sheet, and based on such estimates, a reasonable, good faith estimate of the adjusted Purchase Price or the adjusted Assumed Cash. If Purchaser furnishes the Proposed Closing Balance Sheet and Proposed Closing Statement in accordance with the proceeding sentence, Purchaser shall be deemed to have made a “Post-Closing Adjustment Election.” Purchaser will provide Sellers and their representatives with reasonable access to the personnel, books, records, documents and other information of the Business, in order to permit its review of the Proposed Closing Balance Sheet and the Proposed Closing Statement.

2. The Proposed Closing Balance Sheet, the Proposed Closing Statement and the determinations and calculations contained therein will be final, conclusive and binding on the parties unless Sellers provide a written notice (a “Dispute Notice”) to Purchaser no later than 15 days after delivery to Sellers of the Proposed Closing Balance Sheet and Proposed Closing Statement setting forth in reasonable detail the nature of such disagreement. If a Dispute Notice complying with the preceding sentence is received by Purchaser in a timely manner, then the Proposed Closing Statement and the Proposed Closing Balance Sheet (each, as revised in accordance with clause (x) or (y) below) shall become final, binding and non-appealable (after complying with Section D(3)) upon the earlier of (x) the date on which the parties resolve in writing any disputes with respect to the matters specified in the Dispute Notice or (y) the date on which any such disputes are finally resolved in writing by the Accounting Firm (as defined below). As used herein, the Proposed Closing Balance Sheet and the Proposed Closing Statement, as adjusted to reflect any changes agreed to by the parties and the decisions of the Accounting Firm, are referred to herein as the “Final Closing Balance Sheet” and the “Final Closing Statement,” respectively.
 3. During the thirty (30) day period following the delivery of a Dispute Notice in compliance with paragraph (2) above, the parties shall seek in good faith to resolve any disputes with respect to the matters specified in the Dispute Notice. If, at the end of such thirty (30) day period, the parties have not resolved such disputes, the parties shall submit to the national office of a mutually acceptable "big four" accounting firm (the “Accounting Firm”) for review and resolution of any and all matters that remain in dispute. The parties shall use their respective good faith efforts to cause the Accounting Firm to render a decision resolving the matters in dispute within thirty (30) days following the submission of such matters to the Accounting Firm. The Accounting Firm's determination shall be set forth in a written statement delivered to the parties and shall be final, binding and non-appealable, absent manifest or mathematical errors. All fees and expenses of the Accounting Firm shall be borne equally by Sellers and Purchaser.
- E. Post-Closing Adjustments to the Purchase Price. If Purchaser has exercised its Post-Closing Adjustment Election, (i) Purchaser shall adjust the credit bid portion of the Purchase Price by the amount, if any, by which the Working Capital (as finally determined in accordance with Section D and as set forth in the Final Closing Statement and Final Closing Balance Sheet) exceeds the Estimated Working Capital or (ii) subject to the limitations set forth in Section

2.1(a)(i) of the APA, and only if the Closing Date occurs on or after September 30, 2014, Sellers shall pay to Purchaser by wire transfer of immediately available funds the amount, if any, by which the Estimated Working Capital exceeds the Working Capital (as finally determined in accordance with Section D hereof and as set forth in the Final Closing Statement and Final Closing Balance Sheet).

- F. Definitions. Capitalized terms not otherwise defined in this Schedule 3.1(a)(i) shall have the meanings set forth below.

“Accounts Receivable” means as of the Closing Date, all accounts receivables, trade receivables, notes receivables, and other miscellaneous receivables, whether current or overdue, of any Seller relating to the Business.

“Working Capital” means the amount equal to (i) Accounts Receivable (net of reserves for doubtful accounts) (excluding than Excluded Accounts Receivable), *plus* (ii) Inventories (net of obsolete, excess or discontinued inventory), *minus* (iii) trade account payables that are Assumed Obligations *minus* (iv) accrued purchases that are Assumed Obligations, each calculated in accordance with generally accepted accounting principles of the United States, consistently applied, and consistent with the principles, policies, methods and procedures as those used in preparation of the Sellers’ balance sheets provided to Purchaser by Sellers prior to the date hereof.

“Working Capital Target” means an amount equal to \$10,558,000.

Schedule 4.4 - No Conflicts or Violations

1. [TO COME]

Schedule 4.5 - Seller Financial Statements

1. [TO COME]

Schedule 4.6(a) - Title to Assets

1. [TO COME]

Schedule 4.7(a) - Employee Benefit Plans

1. [TO COME]

Schedule 4.8 - Labor Matters

1. [TO COME]

Schedule 4.9 - Personnel Matters

1. [TO COME]

Schedule 4.10 - Litigation

1. [TO COME]

Schedule 4.11 - Taxes

1. [TO COME]

Schedule 4.12 - Compliance With Law

1. [TO COME]

Schedule 4.13 - Undisclosed Liabilities

1. [TO COME]

Schedule 4.14 - Intellectual Property

Schedule 4.14(a)

1. [TO COME]

Schedule 4.14(b)

1. [TO COME]

Schedule 4.14(c)

1. [TO COME]

Schedule 4.15 - Accounts Receivable

1. [TO COME]

Schedule 4.16 - Material Contracts

1. [TO COME]

Schedule 4.17 - Brokers

1. [TO COME]

Schedule 4.18 - Certain Developments

1. [TO COME]

Schedule 6.2 - Conduct of the Business Pending Closing

1. [NONE]

Schedule 12.1 - Employees

1. [TO COME]

Exhibit C

Proposed Sale Order

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

In re:

SOURCE HOME ENTERTAINMENT, LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 14-11553 (KG)
)
) (Jointly Administered)
)
) **Re: Docket Nos.**

**ORDER (A) APPROVING THE ASSET PURCHASE AGREEMENT BETWEEN THE
DEBTORS AND THE PURCHASER, (B) AUTHORIZING THE SALE OF CERTAIN OF
THE ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES, AND
INTERESTS, (C) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF
CONTRACTS, AND (D) GRANTING RELATED RELIEF**

Upon the motion (the “Sale Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”), for entry of an order (the “Sale Order”): (a) approving that certain asset purchase agreement, dated as of June 22, 2014 (as the same may have been amended from time to time and attached hereto as **Exhibit 1**, the “Agreement”) by and between the Debtors and Cortland Capital Market Services, LLC (the “Purchaser”); (b) authorizing and approving the sale (the “Sale”) of the Assets free and clear of all liens, liabilities, claims, interests, and other encumbrances as set forth in the Agreement; (c) authorizing the Debtors to assume and assign the contracts set forth on **Exhibit 2** hereto (the “Assumed Contracts”) to the Purchaser, and (d) granting certain related relief; and this Court, in furtherance of the Motion, having entered an order on [•], 2014 (the “Bidding Procedures Order”) approving, among other

¹ The Debtors, together with the last four digits of each Debtor’s federal tax identification number, are: Source Home Entertainment, LLC (8517); Directtou, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors’ corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Sale Motion or the Agreement, as applicable.

things, the proposed Bidding Procedures appended to the Bidding Procedures Order, the Reimbursable Expenses for the Purchaser, notice of the Sale, and procedures for determining and fixing cure costs to be paid in respect of Assumed Contracts; and the Debtors having determined, after an extensive marketing process, that the Purchaser has submitted the highest and best bid for the Assets; and upon adequate and sufficient notice of the Sale Motion, the Bidding Procedures, the Auction, the Agreement, and all other related transactions contemplated thereunder and in this Sale Order having been given in the manner directed by the Court in the Bidding Procedures Order; and all interested parties having been afforded an opportunity to be heard with respect to the Sale Motion and all relief related thereto; and the Court having reviewed and considered (i) the Sale Motion and all relief related thereto, (ii) the objections thereto and (iii) the Court having heard statements of counsel and the evidence presented in support of the relief requested by the Debtors in the Sale Motion at a hearing before the Court on [•], 2014 (the “Sale Hearing”); and it appearing that the Court has jurisdiction over this matter; and it further appearing that the legal and factual bases set forth in the Sale Motion and at the Sale Hearing establish just cause for the relief granted herein; and it appearing that the relief requested in the Sale Motion is in the best interests of the Debtors, their estates, their creditors, and all other parties in interest; and upon the record of the Sale Hearing and all other pleadings and proceedings in these chapter 11 cases, including the Sale Motion; and after due deliberation thereon; and good and sufficient cause appearing therefor,

THE COURT HEREBY FINDS AND DETERMINES THAT:³

Jurisdiction, Final Order, and Statutory Predicates

A. This Court has jurisdiction to hear and determine the Sale Motion pursuant to 28 U.S.C. §§ 157(b)(1) and 1334(a). This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O). Venue is proper in this District and in the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. The statutory predicates for the relief requested in the Sale Motion are sections 105(a), 363, and 365 of the Bankruptcy Code and Bankruptcy Rules 2002(a)(2), 6004, 6006, 9007 and 9014.

C. This Sale Order constitutes a final order within the meaning of 28 U.S.C. § 158(a). Notwithstanding Bankruptcy Rules 6004(h) and 6006(d), and to any extent necessary under Bankruptcy Rule 9014 and Rule 54(b) of the Federal Rules of Civil Procedure, as made applicable by Bankruptcy Rule 7054, the Court expressly finds that there is no just reason for delay in the implementation of this Sale Order, waives any stay and expressly directs entry of judgment as set forth herein.

Notice of the Sale, Auction, and Cure Amounts

D. Actual written notice of the Sale Motion, and a reasonable opportunity to object or be heard with respect to the Sale Motion and the relief requested therein, has been afforded to all known interested entities, including, but not limited to the following parties (the “Notice Parties”): (i) the U.S. Trustee; (ii) the holders of the 35 largest unsecured claims

³ 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. All findings of fact and conclusions of law announced by the Court at the Sale Hearing in relation to the Sale Motion are hereby incorporated herein to the extent not inconsistent herewith. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

against the Debtors (on a consolidated basis); (iii) counsel to the Stalking Horse Bidder; (iv) all parties who have expressed a written interest in some or all of the Assets; (v) all known holders of liens, encumbrances, and other claims secured by the Assets; (vi) the Internal Revenue Service; (vii) all applicable state and local taxing authorities; (viii) each governmental agency that is an interested party with respect to the Sale and transactions proposed thereunder; (ix) counsel to any committees formed in these chapter 11 cases; and (x) all parties that have requested or that are required to receive notice pursuant to Bankruptcy Rule 2002.

E. Actual written notice of the auction for the Sale of the Assets that was scheduled for [•], 2014 (the “Auction”), the Sale Hearing, the Sale of the Assets, and a reasonable opportunity to object or be heard with respect thereto, has been afforded to all known interested entities, including, but not limited to the following parties: (i) the U.S. Trustee; (ii) counsel to the Committee of Unsecured Creditors (the “Committee,” or, if no Committee has been appointed, the holders of the 35 largest unsecured claims against the Debtors (on a consolidated basis); (iii) counsel to the Stalking Horse Bidder; (iv) counterparties to the Contracts (the “Contract Counterparties”); (v) all parties who have expressed a written interest in some or all of the Assets; (vi) all parties who are known or reasonably believed, after reasonable inquiry, to have asserted any lien, encumbrance, claim, or interest in the Assets; (vii) the Internal Revenue Service; (viii) all applicable state and local taxing authorities; (ix) each governmental agency that is an interested party with respect to the Sale and transactions proposed thereunder; and (x) all parties that have requested or that are required to receive notice pursuant to Bankruptcy Rule 2002 (collectively, the “Notice Parties”).

F. The Debtors caused notice of the Auction, the Sale, and the Sale Hearing to be published in USA Today and the Chicago Tribune, as provided by the Bidding Procedures Order.

G. Notice of the Auction, Sale Hearing, and Sale was was timely, proper, and reasonably calculated to provide the Notice Parties and all other interested parties with timely and proper notice of the Auction, the Sale, and the Sale Hearing.

H. In accordance with the provisions of the Bidding Procedures Order, the Debtors have served notice upon the Contract Counterparties: (i) that the Debtors seek to assume and assign to the Purchaser the Contracts on the Closing Date (as defined in the Agreement); and (ii) of the relevant Cure Amounts (defined below). The service of such notice was good, sufficient, and appropriate under the circumstances, and no further notice need be given in respect of establishing a Cure Amount for the Contracts. Each of the Contract Counterparties has had or will have had an opportunity to object to the Cure Amounts set forth in the notice and to the assumption and assignment to the Purchaser of the applicable Contract.

I. As evidenced by the affidavits of service and affidavits of publication previously filed with the Court, proper, timely, adequate, and sufficient notice of the Sale Motion, the Auction, the Sale Hearing, the Sale, and the transactions contemplated thereby, including without limitation, the assumption and assignment of the Contracts to the Purchaser, has been provided in accordance with the Bidding Procedures Order and sections 105(a), 363, and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006, 9007, and 9008. The notices described herein were good, sufficient, and appropriate under the circumstances, and no other or further notice of the Sale Motion, the Auction, the Sale Hearing, the Sale, or the assumption and assignment of the Assumed Contracts to the Purchaser is or shall be required.

J. The disclosures made by the Debtors concerning the Sale Motion, the Agreement, the Auction, the Sale Hearing, the Sale, and the assumption and assignment of the Assumed Contracts to the Purchaser were good, complete and adequate.

K. A reasonable opportunity to object and be heard with respect to the Sale and the Sale Motion and the relief requested therein (including the assumption and assignment of Assumed Contracts to the Purchaser and any Cure Costs related thereto), has been afforded to all interested persons and entities, including the Notice Parties.

Good Faith of Purchaser

L. The Agreement was negotiated, proposed, and entered into by the Debtors and the Purchaser without collusion, in good faith, and from arms'-length bargaining positions.

M. Neither the Debtors nor the Purchaser have engaged in any conduct that would cause or permit the Agreement to be avoided under Bankruptcy Code section 363(n). Specifically, the Purchaser has not acted in a collusive manner with any person and the Purchase Price was not controlled by any agreement among the bidders.

N. The Purchaser is purchasing the Assets in good faith and is a good faith buyer within the meaning of section 363(m) of the Bankruptcy Code. The Purchaser has proceeded in good faith in all respects in connection with the Sale including, but not limited to: (a) agreeing to subject its bid to the competitive bidding process contemplated in the Bidding Procedures Order in good faith; (b) complying with the provisions in the Bidding Procedures Order; (c) neither inducing nor causing the chapter 11 filings by the Debtors; and (d) disclosing all payments to be made by the Purchaser in connection with the Sale. The Purchaser is therefore entitled to all of the protections afforded under section 363(m) of the Bankruptcy Code.

Highest and Best Offer

O. The Debtors conducted an auction and sale process in accordance with, and have otherwise complied in all respects with, the Bidding Procedures Order. The auction process set forth in the Bidding Procedures Order afforded a full, fair, and reasonable opportunity for any person or entity to make a higher or otherwise better offer to purchase the Assets. The Auction was duly noticed and conducted in a noncollusive, fair, and good faith manner, and a reasonable opportunity has been given to any interested party to make a higher and better offer for the Assets.

P. The Debtors are indebted to certain lenders (the “Term Loan Lenders”) under the Debtors’ prepetition secured first lien term loan agreement dated as of October 4, 2013 (as amended, the “Term Loan Agreement”). As of the Petition Date, the Debtors’ obligations to the Term Loan Lenders under the Term Loan Agreement were approximately \$51.9 million in principal, plus accrued and unpaid interest thereon and fees and expenses.

Q. In connection with the Sale and the Agreement, the Term Loan Lenders holding a majority of the debt outstanding under the Term Loan Agreement (the “Required Lenders”) directed the Purchaser (as the agent under the Term Loan Agreement) to make a credit bid of \$[•] on behalf of the Term Loan Lenders (the “Credit Bid”). The Purchaser, pursuant to the direction from Required Lenders, submitted the Credit Bid. The Credit Bid was accepted by the Debtors, complied with the provisions of section 363(k) of the Bankruptcy Code and was a valid exercise of the Purchaser’s rights, responsibilities, and obligations under the Term Loan Agreement. The Credit Bid shall be consummated as set forth in the Agreement and as authorized in this Sale Order.

R. The Agreement constitutes the highest and best offer for the Assets, and will provide a greater recovery for the Debtors’ estates than would be provided by any other

available alternative. The Debtors' determination that the Agreement constitutes the highest and best offer for the Assets constitutes a valid and sound exercise of the Debtors' business judgment.

S. The Agreement represents a fair and reasonable offer to purchase the Assets under the circumstances of this chapter 11 case. No other entity or group of entities has offered to purchase the Assets for greater overall value to the Debtor's estates than the Purchaser.

T. Approval of the Sale Motion and the Agreement and the consummation of the transactions contemplated thereby is in the best interests of the Debtors' chapter 11 estates, their creditors, and other parties in interest.

No Fraudulent Transfer or Merger

U. The consideration provided by the Purchaser pursuant to the Agreement (i) is fair and reasonable, (ii) is the highest or best offer for the Assets, and (iii) constitutes reasonably equivalent value (as those terms are defined in each of the Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act, and section 548 of the Bankruptcy Code) and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia. No other person or entity or group of entities has offered to purchase the Assets for greater overall value to the Debtors' estates than the Purchaser. Approval of the Sale Motion and the Agreement and the consummation of the transactions contemplated thereby is in the best interests of the Debtors, their estates, creditors and other parties in interest.

V. The Purchaser is not a mere continuation of the Debtors or their estates and there is no continuity of enterprise between the Purchaser and the Debtors. The Purchaser is not holding itself out to the public as a continuation of the Debtors. The Purchaser is not a successor to the Debtors or their estates and the Sale does not amount to a consolidation, merger, or de facto merger of Purchaser and the Debtors.

Validity of Transfer

W. Each Debtor has, to the extent necessary or applicable, (i) full corporate power and authority to execute and deliver the Agreement and all other documents contemplated thereby, (ii) all corporate authority necessary to consummate the transactions contemplated by the Agreement, and (iii) taken all corporate action necessary to authorize and approve the Agreement and the consummation of the transactions contemplated thereby. The Sale has been duly and validly authorized by all necessary corporate action. No consents or approvals, other than those expressly provided for in the Agreement, are required for the Debtors to consummate the Sale, the Agreement, or the transactions contemplated thereby.

X. The Agreement was not entered into for the purpose of hindering, delaying or defrauding creditors under the Bankruptcy Code or under the laws of the United States, any state, territory, possession or the District of Columbia. Neither the Debtors nor the Purchaser is entering into the transactions contemplated by the Agreement fraudulently for the purpose of statutory and common law fraudulent conveyance and fraudulent transfer claims.

Y. The Debtors are the sole and lawful owners of the Assets. Subject to section 363(f) of the Bankruptcy Code, the transfer of each of the Assets to the Purchaser will be, as of the Closing Date, a legal, valid, and effective transfer of the Assets, which transfer vests or will vest the Purchaser with all right, title, and interest of the Debtors to the Assets free and clear of (i) all liens and encumbrances relating to, accruing, or arising any time prior to the Closing Date (collectively, the “Liens”) and (ii) all debts arising under, relating to, or in connection with any act of the Debtors or claims (as that term is defined in Section 101(5) of the Bankruptcy Code), liabilities, obligations, demands, guaranties, options in favor of third parties, rights, contractual commitments, restrictions, interests, and matters of any kind and nature, whether arising prior to or subsequent to the commencement of these cases, and whether imposed by

agreement, understanding, law, equity or otherwise (including, without limitation, rights with respect to Claims (as defined below) and Liens (A) that purport to give to any party a right of setoff or recoupment against, or a right or option to effect any forfeiture, modification, profit sharing interest, right of first refusal, purchase or repurchase right or option, or termination of, any of the Debtors' or the Purchaser's interests in the Assets, or any similar rights, or (B) in respect of taxes, restrictions, rights of first refusal, charges of interests of any kind or nature, if any, including, without limitation, any restriction of use, voting, transfer, receipt of income or other exercise of any attributes of ownership) (collectively, as defined in this clause (ii), "Claims"), relating to, accruing or arising any time prior to the Closing Date, with the exception of Permitted Liens and Assumed Obligations that are expressly assumed by Purchaser under the Agreement, including, for the avoidance of doubt, Cure Costs or any obligations arising at or after Closing arising under the Contracts.

Section 363(f) is Satisfied

Z. The conditions of Section 363(f) of the Bankruptcy Code have been satisfied in full; therefore, the Debtors may sell the Assets free and clear of any interest in the property other than the Permitted Liens and Assumed Obligations.

AA. The Purchaser would not have entered into the Agreement and would not consummate the transactions contemplated thereby if the sale of the Assets to the Purchaser and the assumption of any Assumed Obligations by the Purchaser were not free and clear of all Liens and Claims, other than Permitted Liens and the Assumed Obligations, or if the Purchaser would, or in the future could, be liable for any of such Liens and Claims (other than Permitted Liens and the Assumed Obligations). Unless otherwise expressly included in Permitted Liens or Assumed Obligations, the Purchaser shall not be responsible for any Liens or Claims, including in respect of the following: (i) any labor or employment agreements; (ii) all mortgages, deeds of trust and

security interests; (iii) intercompany loans and receivables among the Debtors, (iv) any pension, welfare, compensation, or other employee benefit plans, agreements, practices, and programs, including, without limitation, any pension plan of any Debtor; (v) any other employee, worker's compensation, occupational disease, or unemployment or temporary disability related claim, including, without limitation, claims that might otherwise arise under or pursuant to (A) the Employee Retirement Income Security Act of 1974, as amended, (B) the Fair Labor Standards Act, (C) Title VII of the Civil Rights Act of 1964, (D) the Federal Rehabilitation Act of 1973, (E) the National Labor Relations Act, (F) the Worker Adjustment and Retraining Act of 1988, (G) the Age Discrimination and Employee Act of 1967 and Age Discrimination in Employment Act, as amended, (H) the Americans with Disabilities Act of 1990, (I) the Consolidated Omnibus Budget Reconciliation Act of 1985, (J) state discrimination laws, (K) state unemployment compensation laws or any other similar state laws, or (L) any other state or federal benefits or claims relating to any employment with any of the Debtors or any of their respective predecessors; (vi) Claims or Liens arising under any Environmental Law (as defined in the Agreement) with respect to the Business, Excluded Liabilities, the Assets, Excluded Assets, or assets owned or operated by Debtors or any corporate predecessor at any time prior to the Closing Date; (vii) any bulk sales or similar law; (viii) any tax statutes or ordinances, including, without limitation, the Internal Revenue Code of 1986, as amended; and (ix) any theories of successor liability.

BB. The Debtors may sell the Assets free and clear of all Liens and Claims against the Debtors, their estates or any of the Assets (except the Permitted Liens and Assumed Obligations) because, in each case, one or more of the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code has been satisfied. Those holders of Liens or Claims against the

Debtors, their estates, or any of the Assets who did not object, or who withdrew their objections, to the Sale or the Sale Motion are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code. All other holders of Liens or Claims (except to the extent that such Liens or Claims are Assumed Obligations or Permitted Liens) are adequately protected by having their Liens or Claims, if any, in each instance against the Debtors, their estates, or any of the Assets, attach to the net cash proceeds of the Sale ultimately attributable to the Assets in which such creditor alleges a Lien or Claims, in the same order of priority, with the same validity, force, and effect that such Liens or Claims had prior to the Sale, subject to any claims and defenses the Debtors and their estates may possess with respect thereto.

Cure/Adequate Protection

CC. The assumption and assignment of the Contracts pursuant to the terms of this Sale Order is integral to the Agreement and is in the best interests of the Debtors and their estates, their creditors, and all other parties in interest, and represents the reasonable exercise of sound and prudent business judgment by the Debtors. Subject to Section 2.6 of the Agreement, the Purchaser shall: (i) to the extent necessary, cure or provide adequate assurance of cure, of any default existing prior to the date hereof with respect to the Contracts, within the meaning of 11 U.S.C. §§ 365(b)(1)(A) and 365(f)(2)(A), and (ii) to the extent necessary, provide compensation or adequate assurance of compensation to any party for any actual pecuniary loss to such party resulting from a default prior to the date hereof with respect to the Assumed Contracts, within the meaning of 11 U.S.C. § 365(b)(1)(B) and 365(f)(2)(A). The Purchaser's promise to pay the Cure Amounts and to perform the obligations under the Contracts after the Closing Date shall constitute adequate assurance of future performance within the meaning of 11 U.S.C. §§ 365(b)(1)(C) and 365(f)(2)(B).

DD. Any objections to the assumption and assignment of any of the Contracts to the Purchaser are hereby overruled. Any objections to the Cure Amounts are hereby overruled. To the extent that any counterparty failed to timely object to its Cure Amount, such counterparty is deemed to have consented to such Cure Amount and the assignments of its respective Contracts to the Purchaser.

Compelling Circumstances for an Immediate Sale

EE. Good and sufficient reasons for approval of the Agreement and the Sale have been articulated. The relief requested in the Sale Motion is in the best interests of the Debtors, their estates, their creditors and other parties in interest. The Debtors have demonstrated both (i) good, sufficient and sound business purposes and justifications for approving the Agreement and (ii) compelling circumstances for the Sale outside the ordinary course of business, pursuant to section 363(b) of the Bankruptcy Code before, and outside of, a plan of reorganization, in that, among other things, the immediate consummation of the Sale to the Purchaser is necessary and appropriate to maximize the value of the Debtors' estates and the Sale will provide the means for the Debtors to maximize distributions to creditors.

FF. To maximize the value of the Assets and preserve the viability of the business to which the Assets relate, it is essential that the Sale of the Assets occur within the time constraints set forth in the Agreement. Time is of the essence in consummating the Sale.

GG. Given all of the circumstances of these chapter 11 cases and the adequacy and fair value of the Purchase Price under the Agreement, the proposed Sale of the Assets to Purchaser constitutes a reasonable and sound exercise of the Debtors' business judgment and should be approved.

HH. The Sale does not constitute a *sub rosa* chapter 11 plan for which approval has been sought without the protections that a disclosure statement would afford. The Sale

neither impermissibly restructures the rights of the Debtors' creditors nor impermissibly dictates a liquidating chapter 11 plan for the Debtors.

II. The consummation of the Sale and the assumption and assignment of the Contracts is legal, valid and properly authorized under all applicable provisions of the Bankruptcy Code, including, without limitation, sections 105(a), 363(b), 363(f), 363(m), and 365, and all of the applicable requirements of such sections have been complied with in respect of the transaction.

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

General Provisions

1. 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 these chapter 11 cases pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

2. The relief requested in the Sale Motion and the transactions contemplated thereby and by the Agreement are approved as set forth in this Sale Order and on the record of the Sale Hearing, which is incorporated herein as if set forth fully in this Sale Order, and the Sale contemplated thereby is approved.

3. All objections to the Sale Motion or the relief requested therein that have not been withdrawn, waived, or settled by announcement to the Court during the Sale Hearing or by stipulation filed with the Court, including any and all reservations of rights included in such objections or otherwise, are hereby denied and overruled on the merits with prejudice. Those

parties who did not object or withdrew their objections to the Sale Motion are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code.

4. This Court's findings of fact and conclusions of law set forth in the Bidding Procedures Order are incorporated herein by reference.

Approval of the Agreement

5. The Agreement and all other ancillary documents, and all of the terms and conditions thereof, are hereby approved.

6. Pursuant to sections 363(b) and (f) of the Bankruptcy Code, the Debtors are authorized and empowered to take any and all actions necessary or appropriate to (i) consummate the Sale pursuant to and in accordance with the terms and conditions of the Agreement, (ii) close the Sale as contemplated in the Agreement and this Sale Order, and (iii) execute and deliver, perform under, consummate, implement, and fully close the Agreement, including the assumption and assignment to the Purchaser of the Contracts, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Agreement and the Sale. The Purchaser shall not be required to seek or obtain relief from the automatic stay under section 362 of the Bankruptcy Code to enforce any of its remedies under the Agreement or any other Sale related document. The automatic stay imposed by section 362 of the Bankruptcy Code is modified solely to the extent necessary to implement the preceding sentence and the other provisions of this Sale Order.

7. This Sale Order shall be binding in all respects upon the Debtors, their estates, all creditors of, and holders of equity interests in, any Debtor, any holders of Liens, Claims, or other interests (whether known or unknown) in, against or on all or any portion of the Assets, all Contract Counterparties, the Purchaser and all successors and assigns of the Purchaser, the Assets, and any trustees, if any, subsequently appointed in any of the Debtors'

chapter 11 cases or upon a conversion to chapter 7 under the Bankruptcy Code of any of the Debtors' cases. This Sale Order and the Agreement shall inure to the benefit of the Debtors, their estates and creditors, the Purchaser, and the respective successors and assigns of each of the foregoing.

Transfer of the Assets

8. Pursuant to sections 105(a), 363(b), and 363(f) of the Bankruptcy Code, the Debtors are authorized to transfer the Assets to the Purchaser on the Closing Date and such transfer shall constitute a legal, valid, binding, and effective transfer of such Assets and shall vest Purchaser with title to the Assets and, upon the Debtors' receipt of the Purchase Price, other than Permitted Liens and Assumed Obligations, shall be free and clear of all Liens, Claims, and other interests of any kind or nature whatsoever, including but not limited to, successor or successor-in-interest liability and Claims in respect of the Excluded Liabilities, with all such Liens, Claims, or other interests to attach to the net cash proceeds ultimately attributable to the property against or in which such Liens, Claims, or other interests are asserted, subject to the terms thereof, with the same validity, force, and effect, and in the same order of priority, which such Liens, Claims, or other interests now have against the Assets, subject to any rights, claims, and defenses the Debtors or their estates, as applicable, may possess with respect thereto. Upon the Closing, the Purchaser shall take title to and possession of the Assets subject only to the Permitted Liens and Assumed Obligations.

9. All persons and entities that are in possession of some or all of the Assets on the Closing Date are directed to surrender possession of such Assets to the Purchaser or its assignee at the Closing. On the Closing Date, each of the Debtors' creditors is authorized and directed to execute such documents and take all other actions as may be reasonably necessary to

release its Liens, Claims, or other interests in the Assets, if any, as such Liens, Claims or interests may have been recorded or may otherwise exist.

10. The Debtors are hereby authorized to take any and all actions necessary to consummate the Agreement, including any actions that otherwise would require further approval by shareholders, members, or its board of directors, as the case may be, without the need of obtaining such approvals.

11. The transfer of the Acquired Assets to the Purchaser pursuant to the Agreement does not require any consents other than as specifically provided for in the Agreement. On the Closing Date, this Sale Order shall be construed and shall constitute for any and all purposes a full and complete general assignment, conveyance and transfer of the Sellers' interests in the Assets. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Agreement.

12. A certified copy of this Sale Order may be filed with the appropriate clerk and/or recorded with the recorder of any state, county, or local authority to act to cancel any of the Liens, Claims, and other encumbrances of record except those assumed as Assumed Obligations or Permitted Liens.

13. If any person or entity which has filed statements or other documents or agreements evidencing Claims or Liens on, or interests in, all or any portion of the Assets (other than statements or documents with respect to Permitted Liens) shall not have delivered to the Debtors prior to the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of liens and easements, and any other documents necessary for the purpose of documenting the release of all Claims, Liens, or

interests which the person or entity has or may assert with respect to all or any portion of the Assets, the Debtors are hereby authorized and directed, and the Purchaser is hereby authorized, on behalf of the Debtors and the Debtors' creditors, to execute and file such statements, instruments, releases and other documents on behalf of such person or entity with respect to the Assets; *provided*, that the provisions of this Sale Order authorizing the transfer of the Acquired Assets free and clear of all Claims and Interests (except only Permitted Liens and Assumed Liabilities) shall be self-executing, and the Debtors, the Purchaser, and creditors shall not be required to execute or file releases, termination statements, assignments, consents, or other instruments in order for the provisions of this Sale Order to be effectuated, consummated and/or implemented.

14. On the Closing Date, this Sale Order shall be construed and shall constitute for any and all purposes a full and complete general assignment, conveyance, and transfer of the Debtor's interests in the Assets and/or a bill of sale or assignment transferring good and marketable, indefeasible title and interest in the Assets to the Purchaser. This Sale Order is and shall be effective as a determination that, on the Closing Date, all Liens, Claims or other interest of any kind or nature whatsoever existing as to the Assets prior to the Closing Date, other than Permitted Liens and Assumed Obligations, shall have been unconditionally released, discharged, and terminated, and that the conveyances described herein have been effected.

15. This Sale Order is and shall be binding upon and govern the acts of all persons and entities, including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or

contract, to accept, file, register, or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any lease; and each of the foregoing persons and entities is hereby directed to accept for filing any and all of the documents and instruments necessary and appropriate to consummate the transactions contemplated by the Agreement.

16. Subject to the terms, conditions, and provisions of this Sale Order, all persons and entities are hereby forever prohibited and enjoined from taking any action that would adversely affect or interfere with the ability of the Debtors to sell and transfer the Acquired Assets to the Purchaser in accordance with the terms of this Agreement and this Sale Order.

17. To the greatest extent available under applicable law, the Purchaser shall be authorized, as of the Closing Date, to operate under any license, permit, registration, and governmental authorization or approval of the Debtors with respect to the Assets, and all such licenses, permits, registrations, and governmental authorizations and approvals are deemed to have been, and hereby are, deemed to be transferred to the Purchaser as of the Closing Date.

18. To the extent permitted by section 525 of the Bankruptcy Code, no governmental unit may revoke or suspend any permit or license relating to the operation of the Assets sold, transferred, or conveyed to the Purchaser on account of the filing or pendency of the Debtors' chapter 11 cases or the consummation of the transactions contemplated by the Agreement.

Assumption and Assignment of Contracts.

19. The Debtors are hereby authorized and directed in accordance with sections 105(a) and 365 of the Bankruptcy Code to (i) assume and assign to Purchaser, effective

upon the Closing of the Sale, the Contracts free and clear of all Liens, Claims, and other interests of any kind or nature whatsoever (other than the Permitted Liens and Assumed Obligations), and (ii) execute and deliver to Purchaser such documents or other instruments as Purchaser deems may be necessary to assign and transfer the Assumed Contracts, Permitted Liens, and Assumed Obligations to Purchaser.

20. With respect to the Contracts: (i) the Debtors may assume each of the Contracts in accordance with section 365 of the Bankruptcy Code; (ii) the Debtors may assign each Contract in accordance with sections 363 and 365 of the Bankruptcy Code, and any provisions in any Contract that prohibit or condition the assignment of such Contract or allow the party to such Contract to terminate, recapture, impose any penalty, condition renewal or extension, or modify any term or condition upon the assignment of such Contract, constitute unenforceable anti-assignment provisions which are void and of no force and effect; (iv) all other requirements and conditions under sections 363 and 365 of the Bankruptcy Code for the assumption by the Debtors and assignment to Purchaser of each Contract have been satisfied; (v) the Contracts shall be transferred and assigned to, and following the closing of the Sale remain in full force and effect for the benefit of, Purchaser, notwithstanding any provision in any such Contract (including those of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer and, pursuant to section 365(k) of the Bankruptcy Code, the Debtors shall be relieved from any further liability with respect to the Contracts after such assignment to and assumption by Purchaser; and (vi) upon Closing, in accordance with sections 363 and 365 of the Bankruptcy Code, Purchaser shall be fully and irrevocably vested in all right, title and interest of each Assumed Contract.

21. Unless otherwise agreed and stated on the record at the Sale Hearing, the respective amounts set forth under the “Cure Amount” column on Exhibit 2 attached hereto reflects the sole amounts necessary under section 365(b) of the Bankruptcy Code to cure all monetary defaults and pay all pecuniary losses under the Assumed Contracts (collectively, the “Cure Amounts”), and no other amounts are or shall be due in connection with the assumption by the Debtors and the assignment to Purchaser of the Contracts.

22. All defaults or other obligations of the Debtors under the Contracts arising or accruing prior to the Closing (without giving effect to any acceleration clauses or any default provisions of the kind specified in section 365(b)(2) of the Bankruptcy Code) shall be cured by the Purchaser at the Closing or as soon thereafter as practicable by payment of the Cure Amounts.

23. Except for a Contract Counterparty who files a timely objection to the Cure Amount by August 8, 2014, at 4:00 p.m. (prevailing Central Time) (whose objection shall be resolved in accordance with the procedures set forth in the Bidding Procedures Order) (a “Contract Objection”), such counterparty is deemed to have consented to such Cure Amount.

24. Except for a Contract Counterparty who files a Contract Objection to the Debtors’ proposed assignment of such Contract to the Purchaser by September 15, 2014, at 4:00 p.m. (prevailing Central Time) (whose objection shall be resolved in accordance with the procedures set forth in the Bidding Procedures Order), such counterparty is deemed to have consented to assumption and assignment, and the Purchaser shall be deemed to have demonstrated adequate assurance of future performance with respect to such Contract pursuant to sections 365(b)(1)(C) and 365(f)(2)(B) of the Bankruptcy Code.

25. With respect to any timely-filed Contract Objections, such objections shall be resolved in accordance with the procedures set forth in the Bidding Procedures Order. The provisions of this Sale Order shall be effective and binding upon Contract Counterparties to the extent set forth in, and in accordance with, such procedures. Nothing in this Sale Order, the Sale Motion, or in any notice or any other document is or shall be deemed an admission by the Debtors that any contract or Contract is an executory contract or unexpired lease or must be assumed and assigned pursuant to the Agreement or in order to consummate the Sale.

26. Upon the Debtors' assignment of the Assumed Contracts to the Purchaser under the provisions of this Sale Order and any additional orders of this Court and Purchaser's payment of any Cure Amounts pursuant to the terms hereof, no default shall exist under any Contract, and no counterparty to any Contract shall be permitted (i) to declare a default by the Purchaser under such Contract or (ii) otherwise take action against the Purchaser as a result of any Debtor's financial condition, bankruptcy, or failure to perform any of its obligations under the relevant Assumed Contract. Each non-Debtor party to a Contract hereby is also forever barred, estopped, and permanently enjoined from (i) asserting against the Debtors or Purchaser, or the property of any of them, any default or Claim arising out of any indemnity obligation or warranties for acts or occurrences arising prior to or existing as of the Closing, including those constituting Excluded Liabilities, or, against Purchaser, any counterclaim, defense, setoff, or any other Claim asserted or assertable against the Debtors and (ii) imposing or charging against Purchaser or its affiliates any rent accelerations, assignment fees, increases, or any other fees as a result of the Debtors' assumption and assignments to Purchaser of the Contracts. The validity of such assumption and assignments of the Contracts shall not be affected by any dispute between

the Debtors and any non-Debtor party to a Contract relating to such Contract's respective Cure Amount.

27. Except as provided in the Agreement or this Sale Order, after the Closing, the Debtors and their estates shall have no further liabilities or obligations with respect to any Assumed Obligations and all holders of such Claims are forever barred and estopped from asserting such Claims against the Debtors, their successors or assigns, their property or their assets or estates.

28. The failure of the Debtors or Purchaser to enforce at any time one or more terms or conditions of any Contract shall not be a waiver of such terms or conditions, or of the Debtors' and Purchaser's rights to enforce every term and condition of the Contracts.

Prohibition of Actions Against the Purchaser

29. Except for the Permitted Liens and Assumed Obligations, or as otherwise expressly provided for in this Sale Order or the Agreement, the Purchaser shall not have any liability or other obligation of the Debtors arising under or related to any of the Assets. Without limiting the generality of the foregoing, and except as otherwise specifically provided herein or in the Agreement, the Purchaser shall not be liable for any Claims against the Debtors or any of their predecessors or affiliates, and the Purchaser shall have no successor or vicarious liabilities of any kind or character, including, but not limited to, under any theory of antitrust, environmental, successor, or transferee liability, labor law, de facto merger, mere continuation, or substantial continuity, whether known or unknown as of the Closing Date, now existing or hereafter arising, whether fixed or contingent, whether asserted or unasserted, whether legal or equitable, whether liquidated or unliquidated, including, but not limited to, liabilities on account of warranties, intercompany loans, and receivables among the Debtors, Environmental

Liabilities, and any taxes arising, accruing, or payable under, out of, in connection with, or in any way relating to the operation of any of the Assets prior to the Closing.

30. Except with respect to Permitted Liens and Assumed Obligations, or as otherwise permitted by the Agreement or this Sale Order, all persons and entities, including, but not limited to, all debt security holders, equity security holders, governmental, tax and regulatory authorities, lenders, trade creditors, litigation claimants, and other creditors, holding Liens, Claims, or other interests of any kind or nature whatsoever against or in all or any portion of the Assets (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or non-contingent, liquidated or unliquidated, senior or subordinate), arising under or out of, in connection with, or in any way relating to the Debtors, the Assets, the operation of the Debtors' Business prior to the Closing Date, or the transfer of the Assets to the Purchaser, hereby are forever barred, estopped and permanently enjoined from asserting against the Purchaser, any of the foregoing's affiliates, successors, or assigns, their property or the Assets, such persons' or entities' Liens, Claims, or interests in and to the Assets, including, without limitation, the following actions: (i) commencing or continuing in any manner any action or other proceeding against the Purchaser, its Affiliates, its successors, assets or properties; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the Purchaser, its Affiliates, its successors, assets or properties; (iii) creating, perfecting, or enforcing any Lien or other Claim against the Purchaser, its Affiliates, its successors, assets, or properties; (iv) asserting any setoff, right of subrogation, or recoupment of any kind against any obligation due the Purchaser, its Affiliates or its successors; (v) commencing or continuing any action, in any manner or place, that does not comply or is inconsistent with the provisions of this Sale Order or other orders of the Court, or the agreements or actions contemplated or taken in respect

thereof; or (vi) revoking, terminating or failing or refusing to transfer or renew any license, permit or authorization to operate any of the Assets or conduct any of the businesses operated with the Assets. On the Closing Date, each creditor is authorized and directed, and the Purchaser is hereby authorized, on behalf of each of the Debtors' creditors, to execute such documents and take all other actions as may be necessary to release Liens, Claims, and other interests in or on the Assets (except Permitted Liens and Assumed Obligations), if any, as provided for herein, as such Liens, Claims, and other interests may have been recorded or may otherwise exist.

31. All persons and entities are hereby forever prohibited and enjoined from taking any action that would adversely affect or interfere with the ability of the Debtors to sell and transfer the Assets to the Purchaser in accordance with the terms of the Agreement and this Sale Order.

32. The Purchaser has given substantial consideration under the Agreement for the benefit of the Debtors, their estates, and their creditors. The consideration given by the Purchaser shall constitute valid and valuable consideration for the releases of any potential Claims and Liens pursuant to this Sale Order, including under Paragraphs 20-22 hereof, which releases shall be deemed to have been given in favor of the Purchaser by all holders of Liens against or interests in, or Claims against any of the Debtors or any of the Assets, other than holders of Liens or Claims relating to the Permitted Liens or Assumed Obligations. The consideration provided by the Purchaser for the Assets under the Agreement is fair and reasonable and, accordingly, the Sale may not be avoided under section 363(n) of the Bankruptcy Code.

33. Unless otherwise set forth in this Sale Order, notwithstanding any provision in the Agreement to the contrary, nothing therein or in this Sale Order shall be deemed

to impair valid outstanding liabilities of any affiliate of the Debtors whose equity is being sold to the Purchaser.

Other Provisions

34. The consideration provided by the Purchaser to the Debtors pursuant to the Agreement for the Assets constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code, Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act, and under the laws of the United States, any state, territory, possession or the District of Columbia.

35. The transactions contemplated by the Agreement are undertaken by the Purchaser without collusion and in good faith, as that term is defined in section 363(m) of the Bankruptcy Code, and, accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Sale shall not affect the validity of the Sale, unless such authorization and such Sale are duly stayed pending such appeal. The Purchaser is a good faith buyer within the meaning of section 363(m) of the Bankruptcy Code and, as such, is entitled to the full protections of section 363(m) of the Bankruptcy Code.

36. Nothing contained in any plan of reorganization or liquidation, or order of any type or kind entered in (i) these chapter 11 cases, (ii) any subsequent chapter 7 case into which any such chapter 11 case may be converted, or (ii) any related proceeding subsequent to entry of this Sale Order, shall conflict with or derogate from the provisions of the Agreement or the terms of this Sale Order.

37. For cause shown, pursuant to Bankruptcy Rules 6004(h) and 7062(g), this Sale Order shall not be stayed, shall be effective immediately upon entry, and the Debtors and Purchaser are authorized to close the Sale immediately upon entry of this Sale Order.

38. No bulk sales law or any similar law of any state or other jurisdiction applies in any way to the Sale.

39. The failure to specifically include any particular provision of the Agreement in this Sale Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Agreement be authorized and approved in its entirety; *provided*, that this Sale Order shall govern if there is any inconsistency between the Agreement (including all ancillary documents executed in connection therewith) and this Sale Order. Likewise, all of the provisions of this Sale Order are non-severable and mutually dependent.

40. The Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto and in accordance with the terms thereof, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates.

41. The Court shall retain jurisdiction to, among other things, interpret, implement, and enforce the terms and provisions of this Sale Order and the Agreement, all amendments thereto and any waivers and consents thereunder and each of the agreements executed in connection therewith to which any Debtor is a party or which has been assigned by the Debtors to the Purchaser, and to adjudicate, if necessary, any and all disputes concerning or relating in any way to the Sale, including, but not limited to, retaining jurisdiction to (i) compel delivery of the Assets to the Purchaser, (ii) interpret, implement, and enforce the provisions of this Sale Order; (iii) protect Purchaser against any Liens, Claims, or other interest in or against the Sellers or the Assets of any kind or nature whatsoever, attaching to the proceeds of the Sale, and (iv) enter any orders under sections 363 and 365 of the Bankruptcy Code with respect to the Assumed Contracts.

42. Any amounts payable by the Debtors under the Agreement or any of the documents delivered by the Debtors in connection with the Agreement, including, but not limited to the Reimbursable Expenses, shall be paid in the manner provided for in the Bidding Procedures Order, without further order of this Court, shall be an allowed administrative claim in an amount equal to such payments in accordance with sections 503(b) and 507(a)(2) of the Bankruptcy Code, shall have the other protections provided in the Bidding Procedures Order, and shall not be discharged, modified, or otherwise affected by any reorganization plan for the Debtors, except by an express agreement with Purchaser, its successors, or assigns.

43. All time periods set forth in this Sale Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

44. Nothing in this Sale Order or the Agreement (i) releases, nullifies, or enjoins the enforcement of any liability to a governmental unit under police and regulatory statutes or regulations that any entity would be subject to as the owner or operator of property after the date of entry of this Sale Order and (ii) authorizes the transfer or assignment to Purchaser of any license, permit, registration, authorization, or approval of or with respect to a governmental unit without Purchaser's complying with all applicable legal requirements under non-bankruptcy law governing such transfers or assignments.

45. To the extent that this Sale Order is inconsistent with any prior order or pleading with respect to the Sale Motion in these chapter 11 cases, the terms of this Sale Order shall govern.

DATE: _____, 2014
Wilmington, Delaware

KEVIN GROSS
CHIEF UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Agreement

(not attached)

Exhibit 2

Contracts

Contracts

Debtor	Counterparty	Description of Contract	Cure Amount

Exhibit A

Proposed Bidding Procedures Order

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

In re:

SOURCE HOME ENTERTAINMENT, LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 14-11553 (KG)
)
) (Jointly Administered)
)
) **Re: Docket No.**

**ORDER (A) APPROVING BIDDING PROCEDURES AND BID
PROTECTIONS IN CONNECTION WITH THE SALE OF CERTAIN
OF THE DEBTORS' ASSETS, (B) APPROVING THE FORM AND MANNER
OF NOTICE, (C) SCHEDULING AN AUCTION AND A SALE HEARING,
(D) APPROVING PROCEDURES FOR THE ASSUMPTION AND
ASSIGNMENT OF CONTRACTS, AND (E) GRANTING RELATED RELIEF**

Upon the motion (the "Motion") of the above captioned debtors and debtors in possession (the "Debtors") for the entry of an order (this "Order"): (a) authorizing and approving the bidding procedures attached hereto as **Exhibit 1** (the "Bidding Procedures") and approving the Bid Protections in connection with the Sale of certain of the Debtors' assets (the "Assets"); (b) approving the form and manner of notice of the Auction and the Sale Hearing with respect to the Debtors' Assets; (c) scheduling an Auction and a Sale Hearing; (d) approving procedures for the assumption and assignment of the Contracts (as defined herein); and (e) granting related relief; it appearing that the relief requested is in the best interests of the Debtors' estates, their creditors, and other parties in interest; the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; consideration of the Motion

¹ The Debtors, together with the last four digits of each Debtor's federal tax identification number, are: Source Home Entertainment, LLC (8517); Directtuo, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors' corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; notice of the Motion having been adequate and appropriate under the circumstances; and after due deliberation and sufficient cause appearing therefor:

THE COURT HEREBY FINDS 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. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

B. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334. This proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper in this district and in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

C. The statutory bases for the relief requested in the Motion are: (i) sections 105, 363, 365, 503, and 507 of the Bankruptcy Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code"); (ii) Rules 2002(a)(2), 6004, 6006, 9007, and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"); and (iii) Rule 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules").

D. Notice of the Motion has been given to: (i) the U.S. Trustee; (ii) the holders of the 35 largest unsecured claims against the Debtors (on a consolidated basis); (iii) counsel to Cortland Capital Market Services LLC (the "Stalking Horse Bidder"); (iv) all parties who have expressed a written interest in some or all of the Debtors' Assets; (vi) all parties who are known

or reasonably believed, after reasonable inquiry, to have asserted any lien, encumbrance, claim, or other interest in the Debtors' Assets; (vii) the Internal Revenue Service; (viii) all applicable state and local taxing authorities; (ix) each governmental agency that is an interested party with respect to the Sale and transactions proposed thereunder; and (x) all parties who have requested or who are required to receive notice pursuant to Bankruptcy Rule 2002.

E. The Debtors have articulated good and sufficient reasons for this Court to: (i) approve the Bidding Procedures; (ii) schedule the Auction and Sale Hearing and approve the manner of notice of the Auction and Sale Hearing; (iii) approve the procedures for the assumption and assignment of the Contracts, including notice of proposed cure amounts; and (iv) grant certain Bid Protections as provided in the Stalking Horse APA and in this Order.

F. The Expense Reimbursement (referred to herein as the "Bid Protections") (i) shall, if triggered, be deemed an actual and necessary cost and expense of preserving the Debtors' estates, within the meaning of sections 503(b) and 507(a)(2) of the Bankruptcy Code; (ii) are commensurate to the real and substantial benefit conferred upon the Debtors' estates by the Stalking Horse Bidder; (iii) are reasonable and appropriate, including in light of the size and nature of the proposed Sale and comparable transactions, the commitments that have been made, and the efforts that have been and will be expended by the Stalking Horse Bidder, notwithstanding that the proposed Sale is subject to better and higher offers; and (iv) were necessary to induce the Stalking Horse Bidder to pursue the Sale and to be bound by the Stalking Horse APA.

G. The Bid Protections were a material inducement to, and express condition of, the Stalking Horse Bidder's willingness to submit a bid through execution of the Stalking Horse APA that will serve as a minimum or floor bid on which the Debtors, their creditors, suppliers,

vendors, and other bidders may rely. The Stalking Horse Bidder has provided a material benefit to the Debtors and their creditors by increasing the likelihood that, given the circumstances, the best possible price for the Assets will be received. Accordingly, the Bidding Procedures and the Bid Protections are reasonable and appropriate and represent the best method for maximizing value for the benefit of the Debtors' estates.

H. The Bidding Procedures and the Stalking Horse APA were negotiated by the parties at arms' length and in good faith by the Debtors and the Stalking Horse Bidder.

I. **Assumption and Assignment Procedures.** The Motion, this Order, and the assumption and assignment procedures set forth herein are reasonably calculated to provide counterparties to any Contracts to be assumed by the Debtors and assigned to the Successful Bidder with proper notice of the intended assumption and assignment of their Contracts, the procedures in connection therewith, and any cure amounts relating thereto.

J. **Sale Notice.** The sale notice, substantially in the form attached hereto as **Exhibit 2** (the "**Sale Notice**"), is reasonably calculated to provide interested parties with timely and proper notice of the proposed sale, including, without limitation: (i) the date, time, and place of the Auction (if one is held); (ii) the Bidding Procedures; (iii) the deadline for filing objections to the Sale and entry of the Sale Order, and the date, time, and place of the Sale Hearing; (iv) reasonably specific identification of the Assets to be sold; (v) instructions for promptly obtaining copies of the Stalking Horse APA; (vi) a description of the Sale as being free and clear of liens, claims, encumbrances, and other interests (except as set forth in the applicable APA), with all such liens, claims, encumbrances, and other interests attaching with the same validity and priority to the Sale proceeds; (vii) notice of the proposed assumption and assignment of Contracts to the Stalking Horse Bidder pursuant to the Stalking Horse APA (or to another

Successful Bidder arising from the Auction, if any), and no other or further notice of the sale shall be required.

IT IS HEREBY ORDERED THAT:

1. The Motion is granted as provided herein. All capitalized terms used but otherwise not defined herein shall have the meanings set forth in the Motion or the Bidding Procedures, as applicable.

2. All objections to the relief requested in the Motion that have not been withdrawn, waived, or settled as announced to the Court at the hearing on the Motion or by stipulation filed with the Court, are overruled.

I. Important Dates and Deadlines

3. **Sale Hearing.** The Sale Hearing shall commence on September 11, 2014, at 10:00 a.m. (prevailing Eastern Time) before the Honorable Kevin Gross, at the Court, 824 North Market Street, 6th Floor, Courtroom No. 3, Wilmington, Delaware 19801. Upon entry of this Order, the Debtors are authorized to perform any obligations of the Debtors set forth in the Stalking Horse APA or other applicable APA that are intended to be performed prior to the Sale Hearing or entry of the Sale Order. The Sale Hearing may be adjourned without further notice other than by announcement in open Court or on the Court's calendar.

4. **Sale Objection Deadline.** Objections, if any, to the Sale must be made by September 4, 2014, at 4:00 p.m. (prevailing Eastern Time) (the "Sale Objection Deadline"). Objections must: (a) be in writing; (b) conform to the applicable provisions of the Bankruptcy Rules and the Local Rules; (c) state with particularity the legal and factual basis for the objection and the specific grounds therefor; and (d) be filed with the Court and served so as to be **actually received** no later than the Sale Objection Deadline by the following parties (the "Notice Parties"):

Counsel to the Debtors	Counsel to the Stalking Horse Bidder
<p>Kirkland & Ellis LLP 300 North LaSalle Chicago, Illinois 60654 Attn.: David L. Eaton and Michael W. Weitz</p> <p>– and –</p> <p>Young Conaway Stargatt & Taylor, LLP Rodney Square 1000 North King Street Wilmington, Delaware 19801 Attn.: Robert S. Brady, Pauline K. Morgan, and Edmon L. Morton</p>	<p>Ropes & Gray LLP 800 Boylston Street Boston, MA 02199 Attn.: Alyson Allen and Mark Bane</p>
The United States Trustee	
<p>Office of the United States Trustee for the District of Delaware 844 King Street Suite 2207, Lockbox 35 Wilmington, Delaware 19801 Attn.: Mark Kenney</p>	

5. A party's failure to timely file or make an objection in accordance with this Order shall forever bar the assertion of any objection to the Motion, entry of the Sale Order, and/or consummation of the Sale with the Successful Bidder pursuant to the applicable APA, including the assumption and assignment of the Contracts to the Successful Bidder pursuant to the applicable APA, and shall be deemed to constitute any such party's consent to entry of the Sale Order and consummation of the Sale and all transactions related thereto, including, without limitation, such assumption and assignment.

6. **Bid Deadline.** August 22, 2014, at 5:00 p.m. (prevailing Eastern Time), is the deadline by which all Bids for the Debtors' Assets must be **actually received** by the parties specified in the Bidding Procedures (the "**Bid Deadline**").

7. **Auction.** September 8, 2014, at 10:00 a.m. (prevailing Eastern Time), is the date and time the Auction, if one is needed, will be held at the offices of counsel to the Debtors: Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022-4611, or such later time on such day or other place as the Debtors shall notify all Qualified Bidders who have

submitted Qualified Bids. As set forth more fully in the Bidding Procedures, only Qualified Bidders shall be permitted to participate at the Auction.

II. Auction, Bidding Procedures, and Related Relief

8. The Bidding Procedures, substantially in the form attached hereto as **Exhibit 1**, are hereby approved in their entirety, and the Bidding Procedures shall govern the submission, receipt, and analysis of all Bids relating to the proposed sale of the Assets. Any party desiring to bid on the Assets shall comply with the Bidding Procedures and this Order. The Debtors are authorized to take any and all actions necessary to implement the Bidding Procedures.

9. The Stalking Horse Bidder is deemed a Qualified Bidder, and the Stalking Horse Bid as set forth in the Stalking Horse APA is deemed a Qualified Bid.

10. If the Debtors do not receive any Qualified Bids (other than the Stalking Horse Bid): (a) the Debtors will not hold the Auction; (b) the Stalking Horse Bidder will be deemed the Successful Bidder for the Assets; and (c) the Debtors shall be authorized to seek approval of the Stalking Horse APA at the Sale Hearing.

11. If the Debtors receive one or more Qualified Bids from Qualified Bidders (other than the Stalking Horse Bidder), the Debtors shall conduct the Auction in accordance with the Bidding Procedures.

12. Pursuant to Local Rule 6004-1(c)(ii): (a) each bidder participating at the Auction shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the Sale; (b) the Auction shall be conducted openly; and (c) the Auction shall be transcribed or videotaped.

13. In the event of a competing Qualified Bid, the Stalking Horse Bidder will be entitled, but not obligated, to submit overbids and will be entitled in any such overbids to credit

bid: (a) all or a portion of the value of the secured portion of its claims within the meaning of section 363(k) of the Bankruptcy Code; and (b) the value of the Bid Protections.

14. At the Auction, the Debtors may: (a) select, in their business judgment, pursuant to the Bidding Procedures, the highest or otherwise best Bid and the Successful Bidder or Backup Bidder; and (b) reject any Bid (regardless of whether such Bid is a Qualified Bid) that, in the Debtors' business judgment, is (i) inadequate, insufficient, or not the highest or best Bid, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bankruptcy Rules, or the Bidding Procedures, or (iii) contrary to, or otherwise not in the best interests of the Debtors' estates, affected stakeholders, or other parties in interest.

15. No person or entity, other than the Stalking Horse Bidder, shall be entitled to any expense reimbursement, break-up fees, "topping," termination, or other similar fee or payment, and by submitting a bid, such person or entity is deemed to have waived their right to request or to file with this court any request for expense reimbursement or any fee of any nature, whether by virtue of Bankruptcy Code section 503(b) or otherwise.

III. Bid Protections.

16. The Bid Protections are approved on the terms set forth in the Stalking Horse APA. The Debtors are hereby authorized to pay any and all amounts owing to the Stalking Horse Bidder on account of the Bid Protections in accordance with the terms of the Stalking Horse APA without further action or order by the Court.

17. The Bid Protections (if payable under the Stalking Horse APA in accordance with its terms) shall be an allowed administrative expense claim in the Debtors' chapter 11 cases pursuant to sections 503(b)(1) and 507(a)(2) senior to all other administrative expense claims; *provided, that*, the Bid Protections shall be junior to any obligations (collectively, the "Senior Obligations") pursuant to the *Order (A) Authorizing Postpetition Use Of Cash Collateral*,

(B) Granting Adequate Protection To The Secured Parties, And (C) Granting Related Relief [Docket No. 45, as may be amended in final form], which Senior Obligations shall be senior in priority to the Debtors' obligation to pay the Bid Protections.

IV. Assumption and Assignment Procedures.

18. The following procedures regarding the assumption and assignment of the Contracts in connection with the Sale are hereby approved to the extent set forth herein, and shall govern the assumption and assignment of all Contracts proposed to be assumed by the Debtors pursuant to Section 365(b) of the Bankruptcy Code and assigned to the Stalking Horse Bidder (or other Successful Bidder following the Auction, if any) pursuant to section 365(f) of the Bankruptcy Code under the Stalking Horse APA or other applicable APA.

19. **Notices for Contracts.** As soon as practicable, the Debtors shall serve on all non-Debtor counterparties to any Contract (the "Contract Notice Parties") that may be assumed by the Debtors and assigned to the Successful Bidder a "Contract Notice," substantially in the form attached hereto as **Exhibit 3**, that identifies, to the extent applicable: (i) the Contract that may be assumed and assigned; (ii) the name of the non-Debtor counterparty to such Contract; (iii) the Debtors' asserted cure amount for such Contract if it becomes assumed and assigned; and (iv) the deadlines by which any such Contract counterparty must file an objection to the proposed cure amount, assumption and assignment, or adequate assurance (each, a "Contract Objection"); *provided, that* the presence of a Contract on a Contract Notice does not constitute an admission that such Contract is an executory contract or unexpired lease; *provided, further, that* the presence of a Contract on the Contract Notice or Assumption Notice shall not prevent the Debtors from subsequently withdrawing such assumption or rejecting such Contract at any time before such Contract is actually assumed and assigned pursuant to an Order of the Court. Such Contract Notice shall be without prejudice to the Stalking Horse Bidder's

rights under Section 2.6 of the Stalking Horse APA to subsequently exclude such items from assumption and assignment. As soon as practicable after the conclusion of the Auction, the Debtors shall file with the Court and serve on the Contract Notice Parties who are parties to a Contract identified by the Successful Bidder to be assumed and assigned a further notice substantially in the form attached hereto as **Exhibit 4** (the “Assumption Notice”) identifying the Successful Bidder, stating which Contracts will be assumed and assigned, and providing such parties with the Successful Bidder’s assurance of future performance. To the extent the Debtors subsequently identify prior to the Sale Hearing any additional Contracts to be assumed by the Debtors and assigned to the Successful Bidder, the Debtors shall serve on any counterparty to such Contract the Contract Notice and/or Assumption Notice, as applicable, along with the Successful Bidder’s assurance of future performance, as soon as practicable. Such counterparty shall have seven (7) days from service of the Contract Notice and/or Assumption Notice, as applicable, to file an objection to the proposed cure amount or assumption and assignment of its Contract in accordance with the procedures set forth herein.

20. **Objections to Assumption of Contracts.** Any non-Debtor counterparty to a Contract who objects to the cure or assignment of their Contracts (the “Objecting Party”) shall file Contract Objections pursuant to the following procedures:

- **Cure Objection.** All Contract Objections to cure amounts listed in the Contract Notice shall be filed with the Court by 4:00 p.m. (prevailing Eastern Time) on the later of (a) August 8, 2014, or (b) seven days from service of the Contract Notice.
- **Assignment Objection.** All Contract Objections to assignment or adequate assurance of future performance of Contracts shall be filed with the Court by 4:00 p.m. (prevailing Eastern Time) on the later of (a) September 15, 2014, or (b) seven days from service of the Assumption Notice.
- **No Objection.** If no Objection is received in accordance with the deadlines set forth above, such counterparty: (i) shall be deemed to have consented to the cure amounts and assumption and assignment of its Contract to the Successful

Bidder; (ii) shall be forever barred, estopped, and enjoined from asserting any additional cure amount under the Contracts; and (iii) shall be forever barred from objecting to the assignment of the Contracts to the Successful Bidder or the adequacy of the Successful Bidder's assurance of future performance.

- Resolution Period. If any timely filed Contract Objection cannot be resolved by the Successful Bidder and the Objecting Party, the Court shall resolve such Contract Objection prior to assumption and assignment of such designated Contract, and upon entry of an order by the Court resolving such Contract Objection, the assignment, if approved by the Court, shall be deemed effective as of the date such Objecting Party receives the Assumption Notice. To the extent that any Contract Objection cannot be resolved by the parties, such Contract shall be assumed and assigned only upon satisfactory resolution of the Contract Objection, to be determined in the Stalking Horse Bidder's or other Successful Bidder's reasonable discretion, and until such time as the Contract Objection can be resolved, the Contract shall be conditionally assumed and assigned pending a resolution of the Contract Objection after notice and a hearing.
- Form of Objections. Contract Objections must: (a) be in writing; (b) state with specificity the nature of such objection and alleged cure amount, including applicable and appropriate documentation in support of such alleged cure amount; and (c) comply with the Bankruptcy Rules and the Local Rules.

V. Sale Hearing Notice.

21. The Sale Notice is hereby approved. On or within three (3) business days following entry of this Order, the Debtors shall cause the Sale Notice to be served on: (a) the U.S. Trustee; (b) counsel to the Committee, or, if no Committee has been appointed, the holders of the 35 largest unsecured claims against the Debtors (on a consolidated basis); (c) counsel to the Stalking Horse Bidder; (d) the Contract Counterparties; (e) all parties who have expressed a written interest in some or all of the Debtors' Assets; (f) all parties who are known or reasonably believed, after reasonable inquiry, to have asserted any lien, encumbrance, claim, or other interest in the Debtors' Assets; (g) the Internal Revenue Service; (h) all applicable state and local taxing authorities; (i) each governmental agency that is an interested party with respect to the Sale and transactions proposed thereunder; and (j) all parties who have requested or who are required to receive notice pursuant to Bankruptcy Rule 2002.

22. The Debtors shall also publish an abbreviated version of the Sale Notice in USA Today and Chicago Tribune at least ten (10) days prior to the Auction.

VI. Miscellaneous.

23. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

24. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

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

Date: _____, 2014
Wilmington, Delaware

The Honorable Kevin Gross
Chief United States Bankruptcy Judge

Exhibit 1

Bidding Procedures

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

In re:

SOURCE HOME ENTERTAINMENT, LLC, *et al.*,²

Debtors.

)
) Chapter 11
)
) Case No. 14-11553 (KG)
)
) (Jointly Administered)
)

**BIDDING PROCEDURES FOR THE SALE OF CERTAIN
OF THE DEBTORS' ASSETS**

On June 22, 2014, the Debtors entered into an asset purchase agreement (the “Stalking Horse APA”) with Cortland Capital Market Services LLC (the “Stalking Horse Bidder”) pursuant to which the Stalking Horse Bidder proposes to purchase, acquire, and take assignment and delivery of, free and clear of all liens, claims, encumbrances, and other interests (except as otherwise provided in the Stalking Horse APA), certain assets of the Debtors (collectively, the “Assets”). On [____], the United States Bankruptcy Court for the District of Delaware (the “Court”) entered the *Order (A) Approving Bidding Procedures and the Bidding Protections in Connection With the Sale of Certain of the Debtors' Assets, (B) Approving the Form and Manner of Notice, (C) Scheduling an Auction and a Sale Hearing, (D) Approving Procedures for the Assumption and Assignment of Contracts, and (E) Granting Related Relief* [Docket No. ____] (the “Bidding Procedures Order”),³ by which the Court approved the following procedures (the “Bidding Procedures”).

These Bidding Procedures set forth the process by which the Debtors are authorized to conduct an auction (the “Auction”) for the sale (the “Sale”) of the Assets.

I. Participation Requirements

a. Potential Bidders.

To participate in the bidding process or otherwise be considered for any purpose hereunder, a person interested in the Assets (other than the Stalking Horse Bidder) (a “Potential Bidder”) must, on or before August 15, 2014 (the “Acceptable Bid Deadline”), deliver to each of: (i) proposed counsel to the Debtors, Kirkland & Ellis LLP, 300 North LaSalle

² The Debtors, together with the last four digits of each Debtor’s federal tax identification number, are: Source Home Entertainment, LLC (8517); Directtough, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors’ corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

³ All capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Bidding Procedures Order.

Street, Chicago, Illinois 60654, Attn.: David L. Eaton (david.eaton@kirkland.com) and Michael W. Weitz (michael.weitz@kirkland.com); and (ii) Stephen Dubé, the Debtors' Chief Restructuring Officer, c/o FTI Consulting, Inc., 2001 Ross Avenue, Suite 400, Dallas, Texas 75201, Attn.: Stephen Dubé (Stephen.Dube@fticonsulting.com) and Christopher Post (Chris.Post@fticonsulting.com), the following documents (collectively, the "Preliminary Bid Documents"):

- (i) an executed confidentiality agreement on terms acceptable to the Debtors (a "Confidentiality Agreement"), to the extent not already executed; and
- (ii) ~~preliminary proof by the Potential Bidder of its financial capacity to close a proposed transaction, which may include financial statements of, or verified financial commitments obtained by, the Potential Bidder (or, if the Potential Bidder is an entity formed for the purpose of acquiring the Assets, the party that will bear liability for a breach), the adequacy of which will be assessed by the Debtors and their advisors in their sole discretion.~~

b. Notice of Acceptable Bidder.

Within two business days after a Potential Bidder delivers the Preliminary Bid Documents, the Debtors will determine and notify the Potential Bidder and the Stalking Horse Bidder whether such Potential Bidder has submitted acceptable Preliminary Bid Documents so that the Potential Bidder may conduct due diligence with respect to the Assets. Only those Potential Bidders that have submitted acceptable Preliminary Bid Documents, as determined in the Debtors' sole discretion (each, an "Acceptable Bidder"), may submit Bids. Notwithstanding anything herein to the contrary, the Debtors reserve the right to work with Potential Bidders to aggregate partial Bids into a consolidated Acceptable Bid prior to the Acceptable Bid Deadline. The Stalking Horse Bidder shall be deemed an Acceptable Bidder at all times.

II. Due Diligence

Only Acceptable Bidders shall be eligible to receive due diligence information and access to the Debtors' electronic data room and to additional non-public information regarding the Debtors. The Debtors will provide to each Acceptable Bidder reasonable due diligence information, as requested by such Acceptable Bidder in writing, as soon as reasonably practicable after such request, and the Debtors shall post substantially all written due diligence provided to any Acceptable Bidder to the Debtors' electronic data room. The due diligence period will end on the Bid Deadline (as defined herein) and subsequent to the Bid Deadline the Debtors shall have no obligation to furnish any due diligence information.

In connection with the provision of due diligence information to Acceptable Bidders, the Debtors shall not furnish any confidential information relating to the Assets, liabilities of the Debtors, or the Sale to any person except to an Acceptable Bidder or to such Acceptable Bidder's duly authorized representatives to the extent provided in the applicable Confidentiality Agreement.

The Debtors and their advisors shall coordinate all reasonable requests from Acceptable

Bidders for additional information and due diligence access; *provided that* the Debtors may decline to provide such information to Acceptable Bidders who, at such time and in the Debtors' reasonable business judgment, have not established, or who have raised doubt, that such Acceptable Bidder intends in good faith to, or has the capacity to, consummate the Sale. Except as set forth in the Stalking Horse APA with respect to the Stalking Horse Bidder, no conditions relating to the completion of due diligence shall be permitted to exist after the Bid Deadline.

III. "As Is, Where Is"

The proposed transfer of the Assets will be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Debtors or their estates, except to the extent expressly set forth in the Stalking Horse APA or as specifically accepted or agreed to by the Debtors. Except as otherwise provided in the Stalking Horse APA or, with respect to other Qualified Bids (as defined herein), as specifically accepted or agreed to by the Debtors, all of the Debtors' right, title, and interest in and to the respective Assets will be transferred free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests in accordance with section 363(f) of the Bankruptcy Code.

By submitting a Bid, each Acceptable Bidder for the Assets will be deemed to acknowledge and represent that it (a) has had an opportunity to conduct adequate due diligence regarding the Assets prior to making its Bid, (b) has relied solely on its own independent review, investigation, and inspection of any document including, without limitation, executory contracts and unexpired leases, in making its Bid, and (c) did not rely on or receive from any party any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied by operation of law, or otherwise, with respect to the Assets or the completeness of any information provided in connection with the Sale or the Auction.

IV. Bid Requirements

Any proposal, solicitation, or offer (each, a "Bid") by an Acceptable Bidder must be submitted in writing and determined by the Debtors, in their reasonable business judgment, to have satisfied the following requirements (collectively, the "Bid Requirements"):

- a. Assets: Each Bid must be a bulk bid to purchase all or substantially all of the Assets, and must clearly state which liabilities of the Debtors the Acceptable Bidder is agreeing to assume.
- b. Purchase Price: Each Bid must clearly set forth the purchase price to be paid, including and identifying separately any cash and non-cash components (the "Purchase Price").
- c. Deposit: Each Bid, other than the Bid of the Stalking Horse Bidder (the "Stalking Horse Bid"), must be accompanied by a cash deposit in the amount equal to 10% of the aggregate cash and non-cash purchase price of the Bid to be held in an interest-bearing escrow account to be identified and established by the Debtors (the "Deposit").

- d. Initial Minimum Overbid: The aggregate consideration proposed by each Bid must equal or exceed the sum of (collectively, the “Initial Minimum Overbid”):
 - a. Cash in an amount equal to \$24,000,000; *plus*
 - b. cash equal to the Expense Reimbursement (as defined in the Stalking Horse APA); *plus*
 - c. \$250,000 in cash.

Notwithstanding the foregoing, a Bidder may decrease the amount of its Initial Minimum Overbid dollar-for-dollar by the amount of cash such Bidder is not seeking to acquire as part of its Bid, as compared to the Stalking Horse Bid.

- e. Assumption of Obligations: Each Bid must expressly assume all of the Assumed Obligations on terms no less favorable to the Debtors than the Stalking Horse APA, as determined in the Debtors’ sole business judgment.
- f. The Same or Better Terms: Except as otherwise provided herein, each Bid must be, in the Debtors’ business judgment, on the same or better terms than the terms of the Stalking Horse APA. Each Bid must include duly executed, non-contingent transaction documents necessary to effectuate the transactions contemplated in the Bid (the “Bid Documents”). The Bid Documents shall include a schedule of Assumed Contracts (as defined in the Stalking Horse APA) to the extent applicable to the Bid, and a copy of the Stalking Horse APA clearly marked to show all changes requested by the Acceptable Bidder (including those related to the Purchase Price and Assets to be acquired by such Acceptable Bidder), as well as all other material documents integral to such Bid.
- g. Committed Financing: To the extent that a Bid is not accompanied by evidence of the Acceptable Bidder’s capacity to consummate the sale set forth in its Bid with cash on hand, each Bid must include committed financing documented to the Debtors’ satisfaction that demonstrates that the Acceptable Bidder has:
 - (i) received sufficient debt and/or equity funding commitments to satisfy the Acceptable Bidder’s Purchase Price and other obligations under its Bid; and
 - (ii) adequate working capital financing or resources to finance going concern operations for the Debtors’ Assets and the proposed transactions. Such funding commitments or other financing must be unconditional and must not be subject to any internal approvals, syndication requirements, diligence, or credit committee approvals, and shall have covenants and conditions acceptable to the Debtors.
- h. Contingencies; No Financing or Diligence Outs: A Bid shall not be conditioned on the obtaining or the sufficiency of financing or any internal approval, or on the outcome or review of due diligence, but may be subject to the accuracy at the closing of specified representations and warranties or the satisfaction at the closing of specified conditions, which shall not be more burdensome, in the Debtors’ business judgment, than those set forth in the Stalking Horse APA.

- i. Identity: Each Bid must fully disclose the identity of each entity that will be bidding or otherwise participating in connection with such Bid (including each equity holder or other financial backer of the Acceptable Bidder if such Acceptable Bidder is an entity formed for the purpose of consummating the proposed transaction contemplated by such Bid), and the complete terms of any such participation. Under no circumstances shall any undisclosed principals, equity holders, or financial backers be associated with any Bid. Each Bid must also include contact information for the specific person(s) and counsel whom FTI Consulting, Inc. and Kirkland & Ellis LLP should contact regarding such Bid.
- j. Demonstrated Financial Capacity: An Acceptable Bidder must have, in the Debtors' business judgment, the necessary financial capacity to consummate the proposed transactions required by its Bid and provide adequate assurance of future performance under all contracts proposed to be Assumed Contracts by such Bid.
- k. Time Frame for Closing: A Bid by an Acceptable Bidder must be reasonably likely (based on availability of financing, antitrust, or other regulatory issues, experience, and other considerations) to be consummated, if selected as the Successful Bid, within a time frame acceptable to the Debtors.
- l. Irrevocable: Subject to Section 13 of these Bidding Procedure, an Acceptable Bidder's Bid shall be irrevocable unless and until the Debtors accept a higher Qualified Bid and such Acceptable Bidder is not selected as the Backup Bidder (as defined herein).
- m. Expenses: Each Acceptable Bidder (other than the Stalking Horse Bidder) presenting a Bid or Bids shall bear its own costs and expenses (including legal fees) in connection with the proposed transaction, and by submitting its Bid is agreeing to refrain from and waive any assertion or request for reimbursement on any basis, including under section 503(b) of the Bankruptcy Code.
- n. Authorization: Each Bid must contain evidence that the Acceptable Bidder has obtained authorization or approval from its Board of Directors (or a comparable governing body acceptable to the Debtors) with respect to the submission of its Bid and the consummation of the transactions contemplated in such Bid.
- o. As-Is, Where-Is: Each Bid must include a written acknowledgement and representation that the Acceptable Bidder: (i) has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its offer; (ii) has relied solely upon its own independent review, investigation, and/or inspection of any documents and/or the Assets in making its Bid; and (iii) did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied by operation of law, or otherwise, regarding the Assets or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in the Bidder's proposed purchase agreement for the Assets (each, an "APA").

- p. Disclaimer of Fees: Each Bid (other than the Stalking Horse Bid) must disclaim any right to receive a fee analogous to a break-up fee, expense reimbursement, termination fee, or any other similar form of compensation. For the avoidance of doubt, no Qualified Bidder (as defined herein) (other than the Stalking Horse Bidder) will be permitted to request, nor be granted by the Debtors, at any time, whether as part of the Auction or otherwise, a break-up fee, expense reimbursement, termination fee, or any other similar form of compensation, and by submitting its Bid is agreeing to refrain from and waive any assertion or request for reimbursement on any basis, including under section 503(b) of the Bankruptcy Code.
- q. Adherence to Bid Procedures: By submitting its Bid, each Bidder is agreeing to abide by and honor the terms of these Bidding Procedures and agrees to refrain from submitting a Bid or seeking to reopen the Auction after conclusion of the Auction.
- r. Bid Deadline: Each Bid must be transmitted via email (in .pdf or similar format) so as to be **actually received** on or before **August 22, 2014 at 5:00 p.m.** (prevailing Eastern Time) (the “Bid Deadline”) by:
 - a. FTI Consulting, Inc., 2001 Ross Avenue, Suite 400, Dallas, Texas 75201, Attn.: Stephen Dubé (Stephen.Dube@fticonsulting.com) and Christopher Post (Chris.Post@fticonsulting.com);
 - b. Kirkland & Ellis LLP, 300 North LaSalle Street, Chicago, Illinois 60654, Attn.: David L. Eaton (david.eaton@kirkland.com) and Michael W. Weitz (michael.weitz@kirkland.com);
 - c. Cortland Capital Market Services LLC, 225 West Washington Street, Suite 2100, Chicago, Illinois 60606, Attn.: Joanna Anderson, Chris Capezuti, and Emily Ergang;
 - d. Ropes & Gray LLP, Prudential Tower, 800 Boylston Street, Boston, Massachusetts 02199, Attn.: Alyson Allen (alyson.allen@ropesgray.com) and Mark Bane (mark.bane@ropesgray.com);
 - e. Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801
Attn.: Robert S. Brady, Pauline K. Morgan, and Edmon L. Morton; and
 - f. Counsel to the Committee, if any.

V. **Qualified Bidders**

- a. A Bid that satisfies each of the Bid Requirements, as determined in the Debtors’ business judgment, shall constitute a “Qualified Bid,” and such Acceptable Bidder shall be a “Qualified Bidder.” Within two business days after the Bid Deadline, the Debtors will notify each Qualified Bidder and the Stalking Horse Bidder

whether such party is a Qualified Bidder and shall provide to the Stalking Horse Bidder a copy of each Qualified Bid. For the avoidance of doubt, the Stalking Horse Bidder is deemed a Qualified Bidder and the Stalking Horse APA negotiated with the Stalking Horse Bidder shall constitute a Qualified Bid by the Stalking Horse Bidder.

- b. If any Bid is determined by the Debtors not to be a Qualified Bid, the Debtors will refund such Acceptable Bidder's Deposit and all accumulated interest thereon on or within three business days after the Bid Deadline.
- c. Between the date that the Debtors notify an Acceptable Bidder that it is a Qualified Bidder and the Auction, the Debtors may discuss, negotiate, or seek clarification of any Qualified Bid from a Qualified Bidder. Except as otherwise set forth in the Stalking Horse APA, without the written consent of the Debtors, a Qualified Bidder may not modify, amend, or withdraw its Qualified Bid, except for proposed amendments to increase their consideration contemplated by, or otherwise improve the terms of, the Qualified Bid, during the period that such Qualified Bid remains binding as specified in these Bidding Procedures; *provided that* any Qualified Bid may be improved at the Auction as set forth herein. Any improved Qualified Bid must continue to comply with the requirements for Qualified Bids set forth in these Bidding Procedures.

VI. Right to Credit Bid

At the Auction, any Qualified Bidder who has a valid and perfected lien on any Assets of the Debtors' estates (a "Secured Creditor") shall have the right to credit bid all or a portion of the value of such Secured Creditor's claims within the meaning of section 363(k) of the Bankruptcy Code; *provided that* a Secured Creditor shall have the right to credit bid its claim only with respect to the collateral by which such Secured Creditor is secured; *provided further that* for purposes of such Secured Creditor's Qualified Bid, the Secured Creditor's claim shall be deemed to have the value it possesses on the date of the Auction. Notwithstanding anything herein to the contrary, the Stalking Horse Bidder shall (a) have the right (including as part of any Overbid) to credit bid all or a portion of the value of the secured portion of its claims for the Assets pursuant to section 363(k) of the Bankruptcy Code, including any secured claims on account of its adequate protection liens, and (b) have the right to credit bid the value of the Expense Reimbursement.

VII. Auction

If the Debtors receive a Qualified Bid, other than the Stalking Horse Bid, the Debtors will conduct the Auction to determine the Successful Bidder with respect to the Debtors' Assets. If the Debtors do not receive a Qualified Bid (other than the Stalking Horse Bid), the Debtors will not conduct the Auction and shall designate the Stalking Horse Bidder's Qualified Bid as the Successful Bid.

No later than September 5, 2014 at 12:00 p.m. (prevailing Eastern Time), the Debtors will notify all Qualified Bidders of the highest or otherwise best Qualified Bid, as determined in

the Debtors' reasonable business judgment (the "Baseline Bid"), and provide copies of the Bid Documents supporting the Baseline Bid to all Qualified Bidders. The determination of which Qualified Bid constitutes the Baseline Bid and which Qualified Bid constitutes the Successful Bid shall take into account any factors the Debtors reasonably deem relevant to the value of the Qualified Bid to the Debtors' estates, including, among other things: (a) the number, type, and nature of any changes to the Stalking Horse APA requested by the Qualified Bidder, including the type and amount of Assets sought and Assumed Obligations to be assumed in the Bid; (b) the amount and nature of the total consideration; (c) the likelihood of the Bidder's ability to close a transaction and the timing thereof; (d) the net economic effect of any changes to the value to be received by the Debtors' estates from the transaction contemplated by the Bid Documents; and (e) the tax consequences of such Qualified Bid (collectively, the "Bid Assessment Criteria").

The Auction shall take place at 10:00 a.m. (prevailing Eastern Time) on September 8, 2014, at the offices of Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022-4611, or such later date and time as selected by the Debtors. The Auction shall be conducted in a timely fashion according to the following procedures:

a. The Debtors Shall Conduct the Auction.

The Debtors and their professionals shall direct and preside over the Auction. At the start of the Auction, the Debtors shall describe the terms of the Baseline Bid. All incremental Bids made thereafter shall be Overbids (as defined herein) and shall be made and received on an open basis, and all material terms of each Overbid shall be fully disclosed to all other Qualified Bidders. The Debtors shall maintain a written transcript of all Bids made and announced at the Auction, including the Baseline Bid, all Overbids, and the Successful Bid.

Only Qualified Bidders and their legal and financial advisors shall be entitled to attend the Auction, and the Qualified Bidders shall appear at the Auction in person and may speak or bid themselves or through duly authorized representatives. Only Qualified Bidders shall be entitled to bid at the Auction.

b. Terms of Overbids.

"Overbid" means any bid made at the Auction by a Qualified Bidder subsequent to the Debtors' announcement of the Baseline Bid. Each Overbid must comply with the following conditions:

- (i) Minimum Overbid Increment. Any Overbid following the Initial Minimum Overbid or following any subsequent Prevailing Highest Bid (as defined below) shall be in increments of \$250,000.
- (ii) Conclusion of Each Overbid Round. Upon the solicitation of each round of Overbids, the Debtors may announce a deadline (as the Debtors may, in their business judgment, extend from time to time, the "Overbid Round Deadline") by which time any Overbids must be submitted to the Debtors.
- (iii) Overbid Alterations. An Overbid may contain alterations, modifications, additions, or deletions of any terms of the Bid no less favorable to the

Debtors' estates than any prior Qualified Bid or Overbid, as determined in the Debtors' reasonable business judgment, but shall otherwise comply with the terms of these Bidding Procedures.

- (iv) Announcing Highest Bid. Subsequent to each Overbid Round Deadline, the Debtors shall announce whether the Debtors have identified an Overbid as being higher or otherwise better than the Initial Minimum Overbid, in the initial Overbid round, or, in subsequent rounds, the Overbid previously designated by the Debtors as the prevailing highest or otherwise best Bid (the "Prevailing Highest Bid"). The Debtors shall describe to all Qualified Bidders the material terms of any new Overbid designated by the Debtors as the Prevailing Highest Bid as well as the value attributable by the Debtors to such Prevailing Highest Bid based on, among other things, the Bid Assessment Criteria.

c. Consideration of Overbids.

The Debtors reserve the right, in their reasonable business judgment, and in consultation with the Stalking Horse Bidder, to adjourn the Auction one or more times to, among other things (i) facilitate discussions between the Debtors and Qualified Bidders, (ii) allow Qualified Bidders to consider how they wish to proceed, and (iii) provide Qualified Bidders the opportunity to provide the Debtors with such additional evidence as the Debtors, in their reasonable business judgment, may require, that the Qualified Bidder has sufficient internal resources or has received sufficient non-contingent debt and/or equity funding commitments to consummate the proposed transaction at the prevailing Overbid amount.

d. Closing the Auction.

- (i) The Auction shall continue until there is only one Qualified Bid that the Debtors determine, in their reasonable business judgment, to be the highest or otherwise best Qualified Bid for the Assets. Such Qualified Bid shall be declared the "Successful Bid," and such Qualified Bidder, the "Successful Bidder" and at which point the Auction will be closed. The Auction shall not close unless and until all Qualified Bidders have been given a reasonable opportunity to submit an Overbid at the Auction to the then Prevailing Highest Bid. Such acceptance by the Debtors of the Successful Bid is conditioned upon approval by the Court of the Successful Bid.
- (ii) For the avoidance of doubt, nothing in these Bidding Procedures shall prevent the Debtors from exercising their respective fiduciary duties under applicable law.
- (iii) The Debtors shall not consider any Bids or Overbids submitted after the conclusion of the Auction, and any such Bids or Overbids shall be deemed untimely and shall under no circumstances constitute a Qualified Bid.

- (iv) As soon as reasonably practicable after closing the Auction, the Debtors shall cause the Bid Documents for the Successful Bid and Backup Bid to be filed with the Court.

e. No Collusion; Good-Faith *Bona Fide* Offer.

Each Qualified Bidder participating at the Auction will be required to confirm on the record at the Auction that (i) it has not engaged in any collusion with respect to the bidding, and (ii) its Qualified Bid is a good-faith *bona fide* offer and it intends to consummate the proposed transaction if selected as the Successful Bidder.

VIII. Backup Bidder

- a. Notwithstanding anything in these Bidding Procedures to the contrary, if an Auction is conducted, the Qualified Bidder with the next-highest or otherwise second-best Qualified Bid at the Auction for the Assets, as determined by the Debtors in the exercise of their reasonable business judgment, shall be required to serve as a backup bidder (the “Backup Bidder”), and each Qualified Bidder shall agree and be deemed to agree to be the Backup Bidder if so designated by the Debtors
- b. The identity of the Backup Bidder and the amount and material terms of the Qualified Bid of the Backup Bidder shall be announced by the Debtors at the conclusion of the Auction at the same time the Debtors announce the identity of the Successful Bidder. The Backup Bidder shall be required to keep its Qualified Bid (or if the Backup Bidder submits one or more Overbids at the Auction, its final Overbid) open and irrevocable until the closing of the transaction with the Successful Bidder. The Backup Bidder’s Deposit shall be held in escrow until the closing of the transaction with the Successful Bidder.
- c. If a Successful Bidder fails to consummate the approved transactions contemplated by its Successful Bid, the Debtors may select the Backup Bidder as the Successful Bidder, and such Backup Bidder shall be deemed a Successful Bidder for all purposes. The Debtors will be authorized, but not required, to consummate all transactions contemplated by the Bid of such Backup Bidder without further order of the Court or notice to any party. In such case, the defaulting Successful Bidder’s Deposit shall be forfeited to the Debtors, and the Debtors specifically reserve the right to seek all available remedies against the defaulting Successful Bidder, including with respect to specific performance.

IX. Highest or Otherwise Best Bid

When determining the highest or otherwise best Qualified Bid, as compared to other Qualified Bids, the Debtors may, in their sole discretion, consider the following factors in addition to any other factors that the Debtors deem appropriate: (a) the number, type, and nature of any changes to the Stalking Horse APA requested by the Qualified Bidder, including the type and amount of Assets sought and obligations to be assumed in the Bid; (b) the amount and nature of the total consideration; (c) the likelihood of the Bidder’s ability to close a transaction and the

timing thereof; (d) the net economic effect of any changes to the value to be received by the Debtors' estates from the transaction contemplated by the Bid Documents; and (e) the tax consequences of such Qualified Bid; *provided*, in each case, that the fact the Stalking Horse Bid is comprised of a credit bid shall not be a factor considered by the Debtors in their determination of the highest or otherwise best Qualified Bid.

X. Reservation of Rights

Except with regard to the Bid Requirements set forth above in subparagraphs 4(d), 4(h), and 4(q), which may not be altered, the Debtors reserve their rights to modify these Bidding Procedures (after consultation with the Stalking Horse Bidder) in their reasonable business judgment in any manner that will best promote the goals of the bidding process, or impose, at or prior to the Auction, additional customary terms and conditions on the sale of the Assets, including, without limitation: (a) extending the deadlines set forth in these Bidding Procedures; (b) adjourning the Auction at the Auction and/or adjourning the Sale Hearing (as defined below) in open court without further notice; (c) adding procedural rules that are reasonably necessary or advisable under the circumstances for conducting the Auction; (d) canceling the Auction; and (e) rejecting any or all Bids or Qualified Bids.

Notwithstanding the foregoing and subject in all respects to the Stalking Horse APA, the Debtors may not impair or modify the Stalking Horse Bidder's rights and obligations under the Stalking Horse APA or the Stalking Horse Bidder's right to credit its secured claim and the Bidding Protections as part of any Bid at the Auction or otherwise.

XI. Consent to Jurisdiction

All Qualified Bidders at the Auction shall be deemed to have consented to the jurisdiction of the Court and waived any right to a jury trial in connection with any disputes relating to the Auction, the construction and enforcement of these Bidding Procedures, and/or the Bid Documents, as applicable.

XII. Sale Hearing

A hearing to consider approval of the Sale of all or substantially all of the Debtors' Assets to the Successful Bidder (or to approve the Stalking Horse APA if no Auction is held) (the "Sale Hearing") is currently scheduled to take place on September 11, 2014 at 10:00 a.m. (prevailing Eastern Time), before the Honorable Kevin Gross, at the Court, 824 North Market Street, 6th Floor, Courtroom No. 3, Wilmington, Delaware 19801.

The Sale Hearing may be continued to a later date by the Debtors by sending notice prior to, or making an announcement at, the Sale Hearing. No further notice of any such continuance will be required to be provided to any party (including the Stalking Horse Bidder).

At the Sale Hearing, the Debtors shall present the Successful Bid to the Court for approval.

XIII. Stalking Horse APA

Notwithstanding anything in these Bidding Procedures to the contrary, the Stalking Horse APA and related transaction documents shall remain in full force and effect until such agreements have terminated in accordance with their respective terms and regardless of whether the Stalking Horse Bidder is designated the Successful Bidder or the Backup Bidder.

XIV. Return of Deposit

The Deposit of the Successful Bidder shall be applied to the purchase price of such transaction at closing. The Deposits for each Qualified Bidder shall be held in one or more interest-bearing escrow accounts on terms acceptable to the Debtors in their sole discretion and shall be returned (other than with respect to the Stalking Horse Bidder, the Successful Bidder, and the Backup Bidder) on or within three business days after the Auction. Upon the return of the Deposits, their respective owners shall receive any and all interest that will have accrued thereon.

If a Successful Bidder fails to consummate a proposed transaction because of a breach by such Successful Bidder, the Debtors will not have any obligation to return the Deposit deposited by such Successful Bidder, which may be retained by the Debtors as liquidated damages, in addition to any and all rights, remedies, or causes of action that may be available to the Debtors, and the Debtors shall be free to consummate the proposed transaction with the applicable Backup Bidder without the need for an additional hearing or order of the Court.

XV. No Modification of Bidding Procedures

Except as provided by Section 10 hereof, these Bidding Procedures may not be modified except with the Debtors' express written consent.

* * * * *

Wilmington, Delaware

Dated: [____], 2014

Robert S. Brady (DE Bar No. 2847)
Pauline K. Morgan (DE Bar No. 3650)
Edmon L. Morton (DE Bar No. 3856)
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*Proposed Counsel for the
Debtors and Debtors in Possession*

Exhibit 2

Sale Notice

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

In re:)	
)	Chapter 11
SOURCE HOME ENTERTAINMENT, LLC, <i>et al.</i> , ¹)	Case No. 14-11553 (KG)
)	
Debtors.)	(Jointly Administered)
)	

NOTICE OF SALE BY AUCTION AND SALE HEARING

PLEASE TAKE NOTICE that on June 30, the above-captioned debtors and debtors in possession (the “Debtors”) filed the *Debtors’ Motion for Entry of (I) an Order (A) Approving Bidding Procedures and Bid Protections in Connection with the Sale of Certain of the Debtors’ Assets, (B) Approving the Form and Manner of Notice, (C) Scheduling an Auction and a Sale Hearing, (D) Approving Procedures for the Assumption and Assignment of Contracts, and (E) Granting Related Relief and (II) an Order (A) Approving the Asset Purchase Agreement Between the Debtors and the Purchaser; (B) Authorizing the Sale of Certain of the Assets of the Debtors Free and Clear of Liens, Claims, Encumbrances, and Interests; (C) Authorizing the Assumption and Assignment of Contracts; and (D) Granting Related Relief* [Docket No. ____] (the “Sale Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Court”) seeking, among other things, entry of an order (the “Sale Order”) authorizing and approving: (a) the sale of certain of the Debtors’ assets (the “Assets”) free and clear of liens, claims, encumbrances, and other interests, with all such liens, claims, encumbrances, and other interests attaching with the same validity and priority to the sale proceeds, to Cortland Capital Market Services LLC (the “Stalking Horse Bidder”), except as set forth in the Stalking Horse APA and subject to higher or otherwise better offers (the “Sale”); and (b) procedures for the assumption and assignment of executory contracts and unexpired leases (collectively, the “Contracts”). Please note that all capitalized terms used but not defined herein shall have the meanings set forth in the Sale Motion.

PLEASE TAKE FURTHER NOTICE that the Debtors are soliciting offers for the purchase of the Assets and assumption of the Assumed Obligations (as defined in the Stalking Horse APA) of the Debtors consistent with the bidding procedures (the “Bidding Procedures”) approved by the Court by entry of an order on [____] [Docket No. ____] (the “Bidding Procedures Order”). **All interested bidders should carefully read the Bidding Procedures and Bidding Procedures Order.** To the extent that there are any inconsistencies

¹ The Debtors, together with the last four digits of each Debtor’s federal tax identification number, are: Source Home Entertainment, LLC (8517); Directtou, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors’ corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

between this notice and the Bidding Procedures or Bidding Procedures Order, the Bidding Procedures or Bidding Procedures Order, as applicable, shall govern in all respects.

PLEASE TAKE FURTHER NOTICE that, if the Debtors receive qualified competing bids within the requirements and time frame specified by the Bidding Procedures, the Debtors will conduct an auction (the “Auction”) of the Assets on **September 8, 2014, at 10:00 a.m. (prevailing Eastern Time)** at the offices of Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022-4611 (or at any other location as the Debtors may hereafter designate on proper notice).

PLEASE TAKE FURTHER NOTICE that the Debtors will seek approval of the Sale at a hearing scheduled to commence on **September 11, 2014 at 10:00 a.m. (prevailing Eastern Time)** (the “Sale Hearing”) before the Honorable Kevin Gross, United States Bankruptcy Judge for the Bankruptcy Court for the District of Delaware, at 824 North Market Street, 6th Floor, Courtroom No. 3, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE that, except as otherwise set forth in the Bidding Procedures Order with respect to any objections to proposed cure amounts or the assumption and assignment of Contracts, objections to the relief requested in the Sale Motion **must**: (a) be in writing; (b) conform to the applicable provisions of the Bankruptcy Rules and the Local Rules; (c) state with particularity the legal and factual basis for the objection and the specific grounds therefor; and (d) be filed with the Court and served so as to be **actually received** by **4:00 p.m. (prevailing Eastern Time) on September 4, 2014** by the following parties (the “Notice Parties”):

Co-Counsel to the Debtors	Counsel to the Stalking Horse Bidder
<p>Kirkland & Ellis LLP 300 North LaSalle Chicago, Illinois 60654 Attn.: David L. Eaton and Michael W. Weitz – and – Young Conaway Stargatt & Taylor, LLP Rodney Square 1000 North King Street Wilmington, Delaware 19801 Attn.: Robert S. Brady, Pauline K. Morgan, and Edmon L. Morton</p>	<p>Ropes & Gray LLP 800 Boylston Street Boston, MA 02199 Attn.: Alyson Allen and Mark Bane</p>
The United States Trustee	
<p>Office of the United States Trustee for the District of Delaware 844 King Street Suite 2207, Lockbox 35 Wilmington, Delaware 19801 Attn.: Mark Kenney</p>	

CONSEQUENCES OF FAILING TO TIMELY MAKE AN OBJECTION

ANY PARTY OR ENTITY WHO FAILS TO TIMELY MAKE AN OBJECTION TO THE SALE ON OR BEFORE THE SALE OBJECTION DEADLINE IN ACCORDANCE WITH THE BIDDING PROCEDURES ORDER SHALL BE FOREVER BARRED FROM ASSERTING ANY OBJECTION TO THE SALE, INCLUDING WITH RESPECT TO THE TRANSFER OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS, EXCEPT AS SET FORTH IN THE APPLICABLE APA.

NO SUCCESSOR OR TRANSFeree LIABILITY

The Stalking Horse APA and proposed Sale Order provide that the Stalking Horse Bidder and/or Successful Bidder, if applicable, will have no responsibility for, and the Assets will be sold free and clear of, any successor liability, including the following: (a) any liability or other obligation of the Debtors' estates or related to the Assets other than as expressly set forth in the applicable APA; or (b) any claims against the Debtors, their estates, or any of their predecessors or affiliates. Except as expressly provided in the Sale Order or the applicable APA, the Stalking Horse Bidder or Successful Bidder shall have no liability whatsoever with respect to the Debtors' estates' (or their predecessors' or affiliates') respective businesses or operations or any of the Debtors' estates' (or their predecessors' or affiliates') obligations (as described below, "Successor or Transferee Liability") based, in whole or part, directly or indirectly, on any theory of successor or vicarious liabilities of any kind or character, including, but not limited to, any theory of antitrust, environmental, successor or transferee liability, labor law, *de facto* merger, or substantial continuity, whether known or unknown as of the Closing Date (as defined in the applicable APA), now existing or hereafter arising, whether asserted or unasserted, fixed or contingent, liquidated or unliquidated with respect to the Debtors or any obligations of the Debtors arising prior to the closing of the Sale, including, but not limited to, liabilities on account of any taxes arising, accruing, or payable under, out of, in connection with, or in any way relating to the operation of any of the Assets prior to the closing of the Sale.

PLEASE TAKE FURTHER NOTICE that copies of the Sale Motion, Bidding Procedures, and Bidding Procedures Order, as well as all related exhibits, including the Stalking Horse APA and the proposed Sale Order, are available: (a) upon request to Kurtzman Carson Consultants LLC (the notice and claims agent retained in these chapter 11 cases) by calling (877) 759-8815; (b) by visiting the website maintained in these chapter 11 cases at <http://www.kccllc.net/Source>; or (c) for a fee via PACER by visiting <http://www.deb.uscourts.gov>.

PLEASE TAKE FURTHER NOTICE that you may obtain additional information concerning the above-captioned chapter 11 cases at the website maintained in these chapter 11 cases at <http://www.kccllc.net/Source>.

Wilmington, Delaware

Dated: [____], 2014

Robert S. Brady (DE Bar No. 2847)
Pauline K. Morgan (DE Bar No. 3650)
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*Proposed Counsel for the
Debtors and Debtors in Possession*

Exhibit 3

Contract Notice

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

In re:

SOURCE HOME ENTERTAINMENT, LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 14-11553 (KG)
)
) (Jointly Administered)
)

**NOTICE OF PROPOSED ASSUMPTION AND ASSIGNMENT OF CERTAIN
EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

PLEASE TAKE NOTICE that on June 30, the above-captioned debtors and debtors in possession (the “Debtors”) filed the *Debtors’ Motion for Entry of (I) an Order (A) Approving Bidding Procedures and Bid Protections in Connection with the Sale of Certain of the Debtors’ Assets, (B) Approving the Form and Manner of Notice, (C) Scheduling an Auction and a Sale Hearing, (D) Approving Procedures for the Assumption and Assignment of Contracts, and (E) Granting Related Relief and (II) an Order (A) Approving the Asset Purchase Agreement Between the Debtors and the Purchaser; (B) Authorizing the Sale of Certain of the Assets of the Debtors Free and Clear of Liens, Claims, Encumbrances, and Interests; (C) Authorizing the Assumption and Assignment of Contracts; and (D) Granting Related Relief* [Docket No. ____] (the “Sale Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Court”) seeking, among other things, entry of an order (the “Sale Order”) authorizing and approving: (a) the sale of certain of the Debtors’ assets (the “Assets”) free and clear of liens, claims, encumbrances, and other interests, with all such liens, claims, encumbrances, and other interests attaching with the same validity and priority to the sale proceeds, to Cortland Capital Market Services LLC (the “Stalking Horse Bidder”), except as set forth in the Stalking Horse APA and subject to higher or otherwise better offers (the “Sale”); and (b) procedures for the assumption and assignment of executory contracts and unexpired leases (collectively, the “Contracts”). Please note that all capitalized terms used but not defined herein shall have the meanings set forth in the Sale Motion.

PLEASE TAKE FURTHER NOTICE that on [____], the Court entered an order [Docket No. ____] (the “Bidding Procedures Order”) granting certain of the relief sought in the Sale Motion, including, among other things, approving: (a) the bidding procedures (the “Bidding Procedures”) for the Sale of the Assets; and (b) procedures for the assumption and assignment of the Contracts (the “Assumption Procedures”).

¹ The Debtors, together with the last four digits of each Debtor's federal tax identification number, are: Source Home Entertainment, LLC (8517); Directtou, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors' corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

PLEASE TAKE FURTHER NOTICE that the Debtors will seek approval of the Sale at a hearing scheduled to commence at **September 11, 2014, at 10:00 a.m. (prevailing Eastern Time)** (the “Sale Hearing”) before the Honorable Kevin Gross, United States Bankruptcy Judge for the Bankruptcy Court for the District of Delaware, at 824 North Market Street, 6th Floor, Courtroom No. 3, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE that upon the closing of the Sale, the Debtors intend to assume and assign to the Stalking Horse Bidder, or any other Successful Bidder arising from the Auction (as defined in the Bidding Procedures Order) (the “Assignee”), the Contracts and any modifications thereto (collectively, the “Assigned Contracts”) set forth on **Exhibit A** attached hereto, subject to (a) the Stalking Horse Bidder’s right to designate additional Contracts as Assigned Contracts or remove certain Contracts from the list of Assigned Contracts pursuant to Section 2.6 of the Stalking Horse APA or (b) any similar right of any other Successful Bidder arising from the Auction. In addition, the cure amounts, if any, necessary for the assumption and assignment of the Assigned Contracts (the “Cure Amounts”) are set forth on **Exhibit A** attached hereto.

PLEASE TAKE FURTHER NOTICE that the Debtors will separately furnish adequate assurance information demonstrating the Assignee’s ability to comply with the requirements of adequate assurance of future performance under section 365(f)(2)(B) of the Bankruptcy Code, including, without limitation, the Assignee’s financial wherewithal and willingness to perform under the Assigned Contracts.

PARTIES LISTED ON EXHIBIT A ATTACHED HERETO ARE RECEIVING THIS NOTICE BECAUSE THE STALKING HORSE BIDDER HAS IDENTIFIED THEM AS A COUNTERPARTY TO AN ASSIGNED CONTRACT. Under the terms of the Assumption Procedures, the Stalking Horse Bidder or Successful Bidder may modify the list of Assigned Contracts in accordance with the Stalking Horse APA or the Successful Bidder’s APA, as applicable. Any counterparty added to the list of Assigned Contracts by such a modification will receive notice thereof (the “Assumption Notice”) and will have an opportunity to object to the proposed cure amount or assumption and assignment of the Assigned Contract, if applicable.

Obtaining Additional Information

Additional copies of the Bidding Procedures Order, the Bidding Procedures, and any other related documents are available: (a) upon request to Kurtzman Carson Consultants LLC (the notice and claims agent retained in these chapter 11 cases) by calling (877) 759-8815; (b) by visiting the website maintained in these chapter 11 cases at <http://www.kccllc.net/Source>; or (c) for a fee via PACER by visiting <http://www.deb.uscourts.gov>.

Filing Assumption and Assignment Objections

Pursuant to the Assumption Procedures, objections to the proposed assumption and assignment of an Assigned Contract, including any objection relating to the Cure Amount and/or adequate assurance of future performance (collectively, a “Contract Objection”), must: (a) be in writing; (b) state with specificity the nature of such objection and alleged Cure Amount, including applicable and appropriate documentation in support of such alleged Cure Amount;

(c) comply with the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the District of Delaware; (d) for Contract Objections to the Cure Amount, be filed with the Court and served so as to be **actually received** by **4:00 p.m. (prevailing Eastern Time) on the later of (i) August 8, 2014,** or (ii) seven days from service of this notice; and (e) for Contract Objections to the proposed assumption and assignment of the Assigned Contract, be filed with the Court and served so as to be **actually received** by **4:00 p.m. (prevailing Eastern Time) on the later of (i) September 15, 2014,** or (ii) seven days from service of the Assumption Notice (as defined in the Bidding Procedures Order).

Any timely filed Contract Objections made prior to the Sale Hearing will be considered at the Sale Hearing, or another date agreed to by the parties, and must be served on the following parties:

Co-Counsel to the Debtors	Counsel to the Stalking Horse Bidder
<p style="text-align: center;">Kirkland & Ellis LLP 300 North LaSalle Chicago, Illinois 60654 Attn.: David L. Eaton and Michael W. Weitz – and – Young Conaway Stargatt & Taylor, LLP Rodney Square 1000 North King Street Wilmington, Delaware 19801 Attn.: Robert S. Brady, Pauline K. Morgan, and Edmon L. Morton</p>	<p style="text-align: center;">Ropes & Gray LLP 800 Boylston Street Boston, MA 02199 Attn.: Alyson Allen and Mark Bane</p>
The United States Trustee	
<p style="text-align: center;">Office of the United States Trustee for the District of Delaware 844 King Street Suite 2207, Lockbox 35 Wilmington, Delaware 19801 Attn.: Mark Kenney</p>	

If any timely filed Contract Objection cannot be resolved by the Stalking Horse Bidder or Successful Bidder arising from the Auction, if any, and the objecting party, the Court shall resolve such Contract Objection prior to assumption and assignment of such designated Contract, and upon entry of an order by the Court resolving such Contract Objection, the assignment, if approved by the Court, shall be deemed effective as of the date such objecting party receives the Assumption Notice. To the extent that any Contract Objection cannot be resolved by the parties, such Contract shall be assumed and assigned only upon satisfactory resolution of the Contract Objection, to be determined in the reasonable discretion of the Stalking Horse Bidder or other Successful Bidder arising from the Auction, if any, and until such time as the Contract Objection can be resolved, the Contract shall be conditionally assumed and assigned pending a resolution of the Contract Objection after notice and a hearing.

CONSEQUENCES OF FAILING TO TIMELY FILE AND SERVE AN OBJECTION

ANY COUNTERPARTY TO AN ASSIGNED CONTRACT WHO FAILS TO TIMELY FILE AND SERVE AN OBJECTION TO THE PROPOSED ASSUMPTION AND ASSIGNMENT OF AN ASSIGNED CONTRACT AND/OR THE CURE AMOUNT SET FORTH ON EXHIBIT A ATTACHED HERETO IN ACCORDANCE WITH THE BIDDING PROCEDURES ORDER AND THE ASSUMPTION PROCEDURES SHALL BE FOREVER BARRED FROM ASSERTING ANY OBJECTION TO THE ASSUMPTION AND ASSIGNMENT OF THE ASSIGNED CONTRACT AND/OR THE CURE AMOUNT SET FORTH ON EXHIBIT A ATTACHED HERETO, INCLUDING ASSERTING ADDITIONAL CURE AMOUNTS WITH RESPECT TO THE ASSIGNED CONTRACT RELATING TO ANY PERIOD PRIOR TO THE TIME OF ASSUMPTION AND ASSIGNMENT.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Wilmington, Delaware

Dated: [____], 2014

Robert S. Brady (DE Bar No. 2847)
Pauline K. Morgan (DE Bar No. 3650)
Edmon L. Morton (DE Bar No. 3856)
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michael.weitz@kirkland.com

*Proposed Counsel for the
Debtors and Debtors in Possession*

Exhibit A

Assigned Contracts

Assigned Contracts¹

Debtor	Counterparty	Description of Assigned Contracts or Leases	Cure Amount

¹ The presence of a contract or lease on this **Exhibit A** does not constitute an admission by the Debtors that such contract is an executory contract or such lease is an unexpired lease pursuant to section 365 of the Bankruptcy Code or any other applicable law, and the Debtors reserve all rights to withdraw any proposed assumption and assignment, or to reject any contract or lease at any time before such contract or lease is assumed and assigned pursuant to an order of the Court.

Exhibit 4

Assumption Notice

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

In re:

SOURCE HOME ENTERTAINMENT, LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 14-11553 (KG)
)
) (Jointly Administered)
)

NOTICE OF ASSIGNMENT OF EXECUTORY CONTRACTS

PLEASE TAKE NOTICE that on June 30, 2014, the above-captioned debtors and debtors in possession (the “Debtors”) filed the *Debtors’ Motion for Entry of (I) an Order (A) Approving Bidding Procedures and Bid Protections in Connection with the Sale of Certain of the Debtors’ Assets, (B) Approving the Form and Manner of Notice, (C) Scheduling an Auction and a Sale Hearing, (D) Approving Procedures for the Assumption and Assignment of Contracts, and (E) Granting Related Relief and (II) an Order (A) Approving the Asset Purchase Agreement Between the Debtors and the Purchaser; (B) Authorizing the Sale of Certain of the Assets of the Debtors Free and Clear of Liens, Claims, Encumbrances, and Interests; (C) Authorizing the Assumption and Assignment of Contracts; and (D) Granting Related Relief* [Docket No. ____] (the “Sale Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Court”) seeking, among other things, entry of an order (the “Sale Order”) authorizing and approving: (a) the sale of certain of the Debtors’ assets (the “Assets”) free and clear of liens, claims, encumbrances, and other interests, with all such liens, claims, encumbrances, and other interests attaching with the same validity and priority to the sale proceeds, to Cortland Capital Market Services LLC (the “Stalking Horse Bidder”), except as set forth in the Stalking Horse APA and subject to higher or otherwise better offers (the “Sale”); and (b) procedures for the assumption and assignment of executory contracts and unexpired leases (collectively, the “Contracts”). Please note that all capitalized terms used but not defined herein shall have the meanings set forth in the Sale Motion.

PLEASE TAKE FURTHER NOTICE that on [____], the Court entered an order [Docket No. ____] (the “Bidding Procedures Order”) granting certain of the relief sought in the Sale Motion, including, among other things, approving: (a) the bidding procedures (the “Bidding Procedures”) for the Sale of the Assets; and (b) procedures for the assumption and assignment of the Contracts (the “Assumption Procedures”). Pursuant to the Assumption Procedures and by this written notice, the Debtors hereby notify you that they have determined, in the exercise of

¹ The Debtors, together with the last four digits of each Debtor's federal tax identification number, are: Source Home Entertainment, LLC (8517); Directou, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors' corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

their business judgment, that the Contracts set forth on **Exhibit A** attached hereto (collectively, the “**Assigned Contracts**”) shall be hereby assumed and assigned to [_____] (the “**Successful Bidder**”), subject to the Successful Bidder’s payment of the cure amounts set forth on **Exhibit A**, or such other cure amounts that are agreed to by the parties.

PLEASE TAKE FURTHER NOTICE that upon the closing of the Sale, the Debtors intend to assume and assign to the Successful Bidder the Contracts and any modifications thereto (collectively, the “**Assigned Contracts**”) set forth on **Exhibit A** attached hereto, subject to the Successful Bidder’s right to designate additional Contracts as Assigned Contracts or remove certain Contracts from the list of Assigned Contracts pursuant to the Successful Bidder’s APA.

PLEASE TAKE FURTHER NOTICE that the Debtors have evaluated the financial wherewithal of the Successful Bidder (*e.g.*, financial credibility, willingness, and ability of the interested party to perform under the Contracts) and believe that the Successful Bidder’s financial health satisfies the requirements of adequate assurance of future performance under section 365(f)(2)(B) of the Bankruptcy Code.

PLEASE TAKE FURTHER NOTICE that copies of the Bidding Procedures Order, the Bidding Procedures, the Successful Bidder’s APA, and any other related documents are available: (a) upon request to Kurtzman Carson Consultants LLC (the notice and claims agent retained in these chapter 11 cases) by calling (877) 759-8815; (b) by visiting the website maintained in these chapter 11 cases at <http://www.kccllc.net/Source>; or (c) for a fee via PACER by visiting <http://www.deb.uscourts.gov>.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Assumption Procedures, objections to the proposed assumption and assignment of an Assigned Contract (a “**Contract Objection**”), must: (a) be in writing; (b) state with specificity the nature of such objection; (c) comply with the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the District of Delaware; and (d) be filed with the Court and served so as to be **actually received** by **4:00 p.m. (prevailing Eastern Time) on the later of** (i) **September 15, 2014**, or (ii) seven days from service of this notice (either (i) or (ii), as applicable, the “**Contract Objection Deadline**”).

PLEASE TAKE FURTHER NOTICE that, except as otherwise provided by the Bidding Procedures Order, the time for filing objections to the cure amounts related to the Assigned Contracts has passed and no further notice or action is necessary with respect to such cure amounts.

Any Contract Objections will be considered at a subsequent hearing before the Bankruptcy Court, and must be served on the following parties:

Co-Counsel to the Debtors	Counsel to the Stalking Horse Bidder
<p>Kirkland & Ellis LLP 300 North LaSalle Chicago, Illinois 60654 Attn.: David L. Eaton and Michael W. Weitz – and – Young Conaway Stargatt & Taylor, LLP Rodney Square 1000 North King Street Wilmington, Delaware 19801 Attn.: Robert S. Brady, Pauline K. Morgan, and Edmon L. Morton</p>	<p>Ropes & Gray LLP 800 Boylston Street Boston, MA 02199 Attn.: Alyson Allen and Mark Bane</p>
The United States Trustee	
<p>Office of the United States Trustee for the District of Delaware 844 King Street Suite 2207, Lockbox 35 Wilmington, Delaware 19801 Attn.: Mark Kenney</p>	

If any timely filed Contract Objection cannot be resolved by the parties, the Court shall resolve such Contract Objection prior to assumption and assignment of such designated Contract, and upon entry of an order by the Court resolving such Contract Objection, the assignment, if approved by the Court, shall be deemed effective as of the date you receive this notice. To the extent that any Contract Objection cannot be resolved by the parties, such Contract shall be assumed and assigned only upon satisfactory resolution of the Contract Objection, to be determined in the Successful Bidder's reasonable discretion, and until such time as the Contract Objection can be resolved, the Contract shall be conditionally assumed and assigned pending a resolution of the Contract Objection after notice and a hearing.

CONSEQUENCES OF FAILING TO TIMELY FILE AND SERVE AN OBJECTION

ANY COUNTERPARTY TO AN ASSIGNED CONTRACT WHO FAILS TO TIMELY FILE AND SERVE AN OBJECTION TO THE PROPOSED ASSUMPTION AND ASSIGNMENT OF AN ASSIGNED CONTRACT SET FORTH ON EXHIBIT A ATTACHED HERETO BY THE CONTRACT OBJECTION DEADLINE IN ACCORDANCE WITH THE BIDDING PROCEDURES ORDER AND THE ASSUMPTION PROCEDURES SHALL BE FOREVER BARRED FROM ASSERTING ANY OBJECTION TO THE ASSUMPTION AND ASSIGNMENT OF THE ASSIGNED CONTRACT SET FORTH ON EXHIBIT A ATTACHED HERETO.

Wilmington, Delaware

Dated: [____], 2014

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*Proposed Counsel for the
Debtors and Debtors in Possession*

Exhibit A

Assigned Contracts

Assigned Contracts¹

Debtor	Counterparty	Description of Assigned Contracts or Leases	Assignee

¹ The presence of a contract or lease on this **Exhibit A** does not constitute an admission by the Debtors that such contract is an executory contract or such lease is an unexpired lease pursuant to section 365 of the Bankruptcy Code or any other applicable law, and the Debtors reserve all rights to withdraw any proposed assumption and assignment, or to reject any contract or lease at any time before such contract or lease is assumed and assigned pursuant to an order of the Court.

ASSET PURCHASE AGREEMENT

dated as of June 22, 2014

among

**CORTLAND CAPITAL MARKET SERVICES LLC,
as Purchaser**

and

**SOURCE HOME ENTERTAINMENT, LLC,
SOURCE INTERLINK DISTRIBUTION, LLC,
SOURCE INTERLINK MANUFACTURING, LLC,
DIRECTTOU, INC.
RDS LOGISTICS, LLC,
RETAIL VISION, LLC,
SOURCE INTERLINK INTERNATIONAL, INC.,
and
SOURCE INTERLINK RETAIL SERVICES, LLC,
as Sellers**

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EXHIBITS

Exhibit A	-	Form of Bill of Sale
Exhibit B	-	Form of Assignment and Assumption

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (as amended, supplemented, amended and restated or otherwise modified from time to time, this “Agreement”) is made and entered into as of this 22nd day of June, 2014, by and between (i) Cortland Capital Market Services LLC, a Delaware limited liability company (“Purchaser”), and (ii) Source Home Entertainment, LLC, a Delaware limited liability company, Directtou, Inc., a Delaware corporation, RDS Logistics, LLC, a Delaware limited liability company, Retail Vision, LLC, a Delaware limited liability company, Source Interlink Distribution, LLC, a Delaware limited liability company, Source Interlink International, Inc., a Delaware corporation, Source Interlink Manufacturing, LLC, a Delaware limited liability company (“Manufacturing Seller”), and Source Interlink Retail Services, LLC, a Delaware limited liability company (collectively, “Sellers”).

WHEREAS, Sellers intend to file a voluntary petition under chapter 11 of title 11 of the United States Code (as amended, the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) shortly after execution of this Agreement (the date of the commencement of such filing, the “Petition Date”);

WHEREAS, the parties to this Agreement intend to effectuate the transactions contemplated by this Agreement through a sale pursuant to Section 363 of the Bankruptcy Code; and

WHEREAS, the execution and delivery of this Agreement and Sellers’ ability to consummate the transactions set forth below are subject, inter alia, to entry of an order of the Bankruptcy Court approving this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Definitions. Unless otherwise defined herein, terms used herein shall have the meanings set forth below:

“Acquired Assets” shall have the meaning set forth in Section 2.1(a) hereof.

“Affiliate” of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where “control” means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities or otherwise.

“Agreement” means this Asset Purchase Agreement, including all the Exhibits and the Schedules hereto, as the same may be amended, supplemented, amended and restated, or otherwise modified from time to time in accordance with its terms.

“Allocation” shall have the meaning set forth in Section 3.3 hereof.

“Alternative Transaction” means the sale, transfer, or other disposition, directly or indirectly, including through an asset sale, share sale, merger, amalgamation, or other similar transaction, including through a chapter 11 plan approved by the Bankruptcy Court, or resulting from the Auction, of any material portion of the Acquired Assets in a transaction or series of transactions with one or more Persons other than Purchaser.

“Asset Acquisition Statement” shall have the meaning set forth in Section 3.3 hereof.

“Assignment and Assumption” shall have the meaning set forth in Section 10.2(d) hereof.

“Assumed Contracts” means, subject to Section 2.6, all Contracts identified in Schedule 2.1(a)(v) attached hereto under the heading “Assumed Contracts”.

“Assumed Obligations” shall have the meaning set forth in Section 2.2(a) hereof.

“Assumed Plans” means the Employee Benefit Plans identified in Schedule 2.1(a)(xix) attached hereto.

“Auction” shall mean the auction conducted by the Debtors pursuant to the Bidding Procedures Order for substantially all of the Acquired Assets.

“Avoidance Actions” means any and all avoidance, recovery, or subordination actions or remedies that may be brought by or on behalf of Sellers or their chapter 11 estates, including causes of action arising under chapter 5 of the Bankruptcy Code or applicable non-bankruptcy law.

“Bankruptcy Code” shall have the meaning set forth in the Recitals hereto.

“Bankruptcy Court” shall have the meaning set forth in the Recitals hereto.

“Benefit Plan” means any “employee benefit plan” (including, without limitations, “plans” as defined in ERISA §3(3)), profit sharing, deferred compensation, bonus, stock option, stock purchase, vacation pay, holiday pay, pension, retirement plans, medical and any other form of compensation or benefit plan, program or arrangement of any kind regardless of whether any such plan is written or oral or provided under an employment, collective bargaining or other similar arrangement.

“Bankruptcy Rule” or “Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure.

“Bidding Procedures” means the “Bidding Procedures” attached as Exhibit 1 to the Bidding Procedures Order.

“Bidding Procedures Order” means an order of the Bankruptcy Court, reasonably acceptable to Purchaser and Sellers, (i) setting a deadline for the filing of objections to entry of the Sale Order, (ii) scheduling the Sale Hearing, (iii) providing for competitive bidding

procedures pursuant to which Qualified Bids may be solicited, made, and accepted and containing the terms specified in Sections 6.5, 6.6, and 11.2 hereof, (iv) providing for the Auction, (v) approving and implementing the provisions of Sections 6.5, 6.6, and 11.2 hereof, and (vi) approving the right of Purchaser to credit bid the Purchaser Secured Claim (in part or in whole) towards the Purchase Price (including any bidding at the Auction).

“Books and Records” means all books and records of Sellers pertaining to the Acquired Assets or the Business, including (i) all records relating to customers, suppliers or personnel of Sellers (ii) all records relating to all product, business and marketing plans of Sellers, and (iii) all books, ledgers, files, reports, plans, drawings and operating records of every kind of Sellers; *provided, however*, “Books and Records” shall not include the originals of Sellers’ minute books, stock books and Tax Returns.

“Business” means the (i) business conducted by Manufacturing Seller, including design, manufacturing, installation and replacement of retail display fixtures, including related visual merchandising guide (planogram), site planning, survey, logistics and retailer-manufacturer display fixture program management services; and (ii) management, marketing, billing, remittance processing, collection and reporting services to retailers for the sale of rights to place product in a retailer's display fixtures (services included in clause (ii) being sometimes known in the retail industry as “initial pocket offering,” “IPO,” “pay to stay,” “fixture cost recovery” and “wire billing”). For greater certainty, the Business does not include the billing, remittance processing, collection and reporting services relating to payments known in the retail industry as “retail display allowances” or “retail display pocket allowances”.

“Business Day” means each day other than a Saturday, a Sunday, or a day on which banking institutions are not required to be open in the State of Delaware.

“Carve-Out” shall have the meaning ascribed to it in the Cash Collateral Order.

“Cash Collateral Order” means an Order of the Bankruptcy Court governing the Sellers’ use of cash collateral (as that term is used by section 363(a) of the Bankruptcy Code).

“Chapter 11 Cases” means the cases to be commenced by Sellers under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court.

“Claim” shall have the meaning set forth in section 101(5) of the Bankruptcy Code.

“Closing” shall have the meaning set forth in Section 10.1 hereof.

“Closing Date” shall have the meaning set forth in Section 10.1 hereof.

“COBRA” means Part 6 of Subtitle B of Title I of ERISA.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Contract” means any agreement, contract, commitment, purchase order, service order, sale order, indenture, note, bond, license, instrument, or other binding arrangement or

understanding, whether written or oral, to which any Seller is a party or by which the Acquired Assets are bound.

“Copyright” means all U.S. and foreign copyrights and copyrightable subject matter, whether registered or unregistered, including all U.S. copyright registrations and applications for registration and foreign equivalents, all moral rights, all common-law copyright rights and all rights to register and obtain renewals and extensions of copyright registrations, together with all copyright rights accruing by reason of any international copyright convention.

“Cure Costs” means the amounts which must be paid pursuant to section 365 of the Bankruptcy Code in connection with the assumption and/or assignment of any Assumed Contract.

“Debtors” has the meaning set forth in the Bidding Procedures.

“Designated Parties” means a schedule of Persons to be agreed to between Seller and Purchaser.

“Disclosure Schedules” shall have the meaning set forth in Section 4.1 hereof.

“Dollars” or “\$” means dollars of the United States of America.

“Domain Names” means any alphanumeric designation registered with or assigned by a domain name register, registry, or domain name registration authority as part of an electronic address on the Internet. A Domain Name may also be a Trademark.

“Electronic Delivery” shall have the meaning set forth in Section 13.5 hereof.

“Employee Benefit Plan” shall have the meaning set forth in Section 4.7(a) hereof.

“Environmental Laws” means all federal, state, provincial, local and foreign administrative, civil and criminal laws, Permits, statutes, ordinances, codes, rules, standards, decrees, injunctions, directives and regulations, and any legally binding judicial or administrative interpretation thereof including any applicable judicial or administrative order, consent decree, order or judgment and all common and civil law theories (at law or in equity), arising from or relating to pollution, protection, remediation or preservation of human health and safety, the environment, or natural resources, including the regulation of discharges, Releases or threatened Releases of noxious odors or any Hazardous Materials into ambient air, water or land, or otherwise relating to the manufacture, processing, generation, distribution, use, importation, treatment, storage, disposal, cleanup, transport or handling of Hazardous Substances. Environmental Laws include CERCLA; the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); the Toxic Substance Control Act (15 U.S.C. §§ 2601 et seq.); the Clean Air Act (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.); the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.); and the Safe Drinking Water Act (42 U.S.C. §§ 300(f) et seq.), and any and all regulations promulgated thereunder, and all analogous state,

provincial, local and foreign counterparts or equivalents and any transfer of ownership environmental notification or approval statutes.

“ERISA Affiliate” means each entity which is treated as a single employer with any of the Sellers for purposes of Code § 414.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and all Regulations issued thereunder.

“Excluded Accounts Receivable” means all accounts receivable due or owing from any Debtor or their respective subsidiaries to any other Debtor or respective subsidiary.

“Excluded Assets” shall have the meaning set forth in Section 2.3 hereof.

“Excluded Causes of Action” means: (i) all Avoidance Actions other than the Subject Avoidance Actions; (ii) all other causes of action held by Sellers against parties other than the Designated Parties based in whole or in part upon any act or omission occurring prior to the Petition Date or during the course of the Chapter 11 Cases; and (iii) all defenses with respect to claims asserted by any party (including the Designated Parties) against the Sellers’ chapter 11 estates.

“Excluded Contracts” shall have the meaning set forth in Section 2.3(h) hereof.

“Excluded Liabilities” shall have the meaning set forth in Section 2.4 hereof.

“Executive Officer” of a Person means its chairman, chief executive officer, chief financial officer, president, any vice president, controller, treasurer, or general counsel.

“Exhibits” means the exhibits hereto.

“Final Order” means an Order of the Bankruptcy Court or any other court of competent jurisdiction, which has not been modified, amended, reversed, vacated or stayed and as to which the time to file an appeal, a motion for rehearing, reargument, reconsideration or a new trial or a petition for writ of certiorari has expired and no such appeal, motion or petition is pending or, if an appeal, motion or petition is pending, for which Order no stay shall have been entered by the Bankruptcy Court or such other court of competent jurisdiction; *provided*, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure or any comparable rule of the Bankruptcy Rules may be filed related to such Order shall not cause an Order not be a Final Order.

“Governmental Authority” means any United States federal, state or local or any foreign government, governmental regulatory or administrative authority, agency or commission or any court, tribunal or judicial or arbitral body, including the Bankruptcy Court.

“Governmental Authorization” means any approval, consent, Permit, waiver, or other authorization issued, granted, or otherwise made available by or under the authority of any Governmental Authority.

“Hazardous Materials” means any substance, material or waste that is regulated by, or forms the basis of liability under, any Environmental Laws, including, but not limited to, any material or substance that is (a) defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," "contaminant," "hazardous constituent," "special waste," "toxic substance" or other similar term or phrase under any Environmental Laws, or (b) petroleum or any fraction or by-product thereof, asbestos, asbestos-containing materials, polychlorinated biphenyls (PCBs), any radioactive substance, polyvinyl chloride, radon, lead-based paint or toxic mold.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and Regulations thereunder.

“Indebtedness” means, with respect to any Person, without duplication:

(a) obligations of such Person for borrowed money, or otherwise evidenced by bonds, debentures, notes or similar instruments;

(b) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person, other than any such obligation made in the ordinary course of business;

(c) all obligations of such Person issued or assumed as the deferred purchase price of property or services (excluding obligations of such Person to creditors for raw materials, inventory, services and supplies incurred in the ordinary course of such Person's business);

(d) all obligations of such Person under leases which have been or should be treated, in accordance with generally accepted accounting principles of the United States, as capitalized lease obligations of such Person;

(e) all obligations of others secured by any Lien on property or assets owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, other than any such obligation made in the ordinary course of business;

(f) all obligations of such Person under interest rate or currency swap transactions (valued at the termination value thereof);

(g) all letters of credit issued for the account of such Person (excluding letters of credit issued for the benefit of suppliers to support accounts payable to suppliers incurred in the ordinary course of business); and

(h) all guarantees and arrangements having the economic effect of a guarantee of such Person of any Indebtedness of any other Person.

“Intellectual Property” means all intellectual property rights of any kind, including all Software, Copyrights, Patents, Trademarks, Trade Secrets, Domain Names, all rights to privacy and proprietary rights to personal information and all rights and remedies related thereto for past, present or future infringement, misappropriation, or other violation relating to any of the foregoing.

“Inventory” means all inventory of any kind or nature, whether or not prepaid, and wherever located, held, or owned by Sellers in connection with the operation of the Business.

“Knowledge of Sellers” shall mean the actual knowledge, after reasonable inquiry of the employees, consultants, and advisors who report to them directly, of Shaun Starbuck and Frank Bishop.

“Latest Balance Sheet” shall have the meaning set forth in Section 4.5 hereof.

“Lease Agreements” shall have the meaning set forth in Section 10.2(g) hereof.

“Licenses” shall have the meaning set forth in Section 4.14(b).

“Lien” or “Liens” means any lien (statutory or otherwise), hypothecation, encumbrance, Claim, liability, security interest or similar interests, interest, mortgage, deed of trust, pledge, restriction, right, demand, charge, instrument, license, preference, priority, security agreement, title defect, easement, covenant, encroachment, option, right of first refusal, right of recovery, Tax, or Order of any Governmental Authority.

“M&A Qualified Beneficiaries” shall have the meaning set forth in Section 12.2(d) hereof.

“Manufacturing Seller” shall have the meaning set forth in the Preamble.

“Material Contract” means any Contract to which any Seller is a party or by which any of the Acquired Assets are bound that are material to the Business, including the following types of Contracts:

- (i) Contracts pursuant to which any Seller would be required to make or entitled to receive, as applicable, payments in excess of \$100,000 from and after the Closing Date;
- (ii) purchase orders;
- (iii) Contracts relating to Indebtedness (in either case, whether incurred, assumed, guaranteed or secured by any asset);
- (iv) joint venture, partnership, limited liability company or other similar Contracts;
- (v) lease for personal or real property;
- (vi) any Contract relating to any outstanding commitment for capital expenditures in excess of \$100,000 individually or \$300,000 in the aggregate;
- (vii) Contracts (or series of related Contracts) relating to the acquisition, disposition or lease of any Person, business or material real property or other assets (whether by merger, sale of stock, sale of assets or otherwise);

(viii) Contracts that (A) limit the freedom of any Seller or the Business to compete in any line of business or with any Person or in any geographic area or (B) contains exclusivity obligations or restrictions binding on any Sellers or the Business;

(ix) Contracts relating to any interest rate, currency or commodity derivatives or hedging transaction;

(x) Contracts containing any "change of control" or similar provisions;

(xi) Contracts (including any "take-or-pay" or keepwell agreement) under which (A) any Person has directly or indirectly guaranteed any liabilities or obligations of any Seller or (B) any Seller has directly or indirectly guaranteed liabilities or obligations of any other Person;

(xii) Contracts with any current or former employee of any Seller with aggregate payments of at least \$100,000 remaining under such Contract or providing for any severance liabilities; or

(xiii) collective bargaining agreements or any agreement with any labor union.

“Order” means any decree, order, injunction, rule, judgment, or consent of or by any Governmental Authority.

“Owned Real Property” means all land and all buildings, structures, fixtures, and other improvements located thereon owned by any of the Sellers and used in the operation of the Business.

“Patents” means U.S. and foreign patents, patent applications, provisional applications and patents issuing therefrom, as well as any continuations, continuations-in-part, divisions, extensions, reexaminations, reissues, renewals, patent disclosures, inventions, or improvements thereto.

“Permits” means licenses, permits (including environmental, construction and operation permits), approvals, certifications, certificates of occupancy, authorizations, operating permits, registrations, plans, and the like.

“Permitted Liens” means (i) statutory liens for current property Taxes and assessments not yet due and payable, including liens for *ad valorem* Taxes and statutory liens not yet due and payable, (ii) liens that pursuant to section 363(f) or 1123 and 1129 of the Bankruptcy Code will be released from the Acquired Assets upon entry of the Sale Order, (iii) easements, covenants, conditions, restrictions, and other similar matters of record on personalty that do not, individually or in the aggregate, materially detract from the value thereof and do not, individually or in the aggregate, materially interfere with the present use of the property subject thereto, (iv) licenses granted in connection with Assumed Contracts, (v) licenses of Intellectual Property in the ordinary course, and (vi) other liens on the Acquired Assets that will be released on or prior to

Closing or in connection with the Order approving the assumption and assignment of any Assumed Contract.

“Person” means any corporation, partnership, joint venture, limited liability company, organization, entity, authority, or natural person.

“Petition Date” shall have the meaning set forth in the Recitals hereto.

“Proposed Allocation” shall have the meaning set forth in Section 3.3 hereof.

“Purchase Price” shall have the meaning set forth in Section 3.1(a) hereof.

“Purchaser” shall have the meaning set forth in the Preamble hereto.

“Purchaser Secured Claim” means the Claims of Purchaser arising under or in connection with the Term Loan, including the principal amount thereof, and all accrued, but unpaid interest or fees thereunder, secured by Liens granted in connection therewith, including adequate protection liens granted during the pendency of the Chapter 11 Cases.

“Qualified Bids” shall have the meaning set forth in the Bidding Procedures.

“Regulation” means any law, statute, regulation, ruling, or Order of, administered or enforced by or on behalf of, any Governmental Authority.

“Rehired Employees” shall have the meaning set forth in Section 12.1 hereof.

“Reimbursable Expenses” means the reasonable, documented out-of-pocket fees and expenses incurred by Purchaser and its Affiliates prior to termination of this Agreement in connection with this Agreement, the other Transaction Documents, the Sale Order, and the transactions contemplated hereby and thereby, including the reasonable fees and expenses of legal counsel, financial advisors, consultants, and any other advisors that Purchaser engages in its reasonable discretion in an amount not to exceed the lesser of (i) such actual costs and expenses and (ii) \$600,000.

“Release” means any discharge, emission, spilling, leaking, pumping, pouring, injecting, dumping, burying, leaching, migrating, abandoning or disposing into or through the environment of any Hazardous Substance including the abandonment or discarding of barrels, containers and other closed receptacles containing any Hazardous Substance.

“Revised Statements” shall have the meaning set forth in Section 3.3 hereof.

“Sale Hearing” means the hearing of the Bankruptcy Court to approve this Agreement and the transactions contemplated herein, as the same may be continued from time to time.

“Sale Order” means an order of the Bankruptcy Court, in form and substance reasonably acceptable to Sellers and Purchaser, to be entered by the Bankruptcy Court pursuant to sections 363 and 365 of the Bankruptcy Code and otherwise reasonably acceptable to Purchaser and Sellers.

“Schedules” means the schedules attached hereto (including, without limitation, the Disclosure Schedules).

“Sellers” shall have the meaning set forth in the Preamble hereto.

“Seller Financial Statements” shall have the meaning set forth in Section 4.5 hereof.

“Software” means all computer software programs and software systems.

“Subject Avoidance Actions” shall mean all Avoidance Actions against or that may be asserted against any Designated Party.

“Subject Employees” shall have the meaning set forth in Section 4.9 hereof.

“Subject Inventory” shall have the meaning set forth in Section 3.1(c) hereof.

“Tax” means (i) all federal, state, local, county, foreign, and other taxes, assessments, or other government charges, including any interest, penalties, or additions to Tax or additional amounts in respect of the foregoing and (ii) any transferee liability in respect of any of the items described in clause (i) above.

“Tax Return” means any report, return, declaration, claim for refund relating to Taxes, including any schedules or attachments thereto and any amendments thereof.

“Taxable Consideration” shall have the meaning set forth in Section 3.3 hereof.

“Term Loan” means that certain Term Loan Agreement, dated as of October 4, 2013, among Source Interlink Distribution, LLC, a Delaware limited liability company, Source Home Entertainment, LLC, a Delaware limited liability company, Sellers, certain other Affiliates of Sellers, Cortland Capital Market Services LLC, as Administrative and Collateral Agent, and the lenders party thereto from time to time, as amended, restated, supplemented, or otherwise modified from time to time.

“Trade Secrets” means all confidential and proprietary information now owned or hereafter acquired by Sellers and used in or relating to the operation of the Business, including, without limitation, know-how, trade secrets, manufacturing and production processes and techniques, research and development information, databases and data, including, without limitation, technical data, financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information.

“Transaction Documents” means this Agreement and all other agreements, instruments, certificates, and other documents to be entered into or delivered by any party in connection with the transactions contemplated to be consummated pursuant to this Agreement.

“Transfer Taxes” shall have the meaning set forth in Section 6.7(b) hereof.

“Unfulfilled Purchase Order” means any unfulfilled purchase order of any Seller for any goods or services which have not been delivered or provided by such Seller in the operation of the Business as of the Closing.

Section 1.2 Rules of Construction. Unless the context otherwise clearly indicates, in this Agreement:

- (a) the singular includes the plural;
- (b) “includes” and “including” are not limiting;
- (c) “may not” is prohibitive and not permissive; and
- (d) “or” is not exclusive.

ARTICLE II

PURCHASE AND SALE; ASSUMPTION OF CERTAIN LIABILITIES

Section 2.1 Purchase and Sale of Assets.

(a) Subject to the terms and conditions set forth in this Agreement (including the entry of the Sale Order), at the Closing, Sellers shall sell, contribute, convey, assign, transfer, and deliver to Purchaser (or its designated Affiliate or Affiliates), free and clear of all Liens (except for the Assumed Obligations and Permitted Liens), and Purchaser (or its designated Affiliate or Affiliates) shall purchase, acquire, and take assignment and delivery of, for the consideration specified in Section 3.1, (x) all properties, assets, rights, titles, and interests of every kind and nature, owned or leased by Manufacturing Seller and (y) the properties, assets, rights, titles, and interests of every kind and nature, owned or leased by the Sellers (other than the Manufacturing Seller) and used in or relating to the operation of the Business as of the Closing Date, whether tangible or intangible and wherever located and by whomever possessed, including all of the following assets, but excluding the Excluded Assets pursuant to Section 2.3 (all of the assets to be sold, assigned, transferred and delivered to Purchaser hereunder called the “Acquired Assets”):

(i) cash and cash equivalents equal to \$4,000,000, subject to adjustment pursuant to Schedule 3.1(a)(i); *provided*, that in the event Sellers and Purchaser do not agree as to the items set forth Schedule 3.1(a)(i) within ten (10) days after the date hereof, Purchaser shall have the right to terminate the Agreement; *provided, further*, that in no instance shall Purchaser acquire an amount of cash that, after giving effect to such acquisition, would leave Sellers with an amount of cash less than the Carve-Out;

(ii) all accounts and notes receivable generated by the Business (whether current or noncurrent) and all causes of action specifically pertaining to the collection of the foregoing, *other than* the Excluded Accounts Receivable;

(iii) all promotional allowances and similar items related to the Business;

(iv) all of the Intellectual Property set forth on Schedule 4.14(a);

(v) to the extent transferable and/or assignable, after giving effect to the Sale Order and Section 2.6, all of Sellers' rights and benefits (including security deposits) existing under each Assumed Contract listed on Schedule 2.1(a)(v) hereto, as such schedule may be amended or supplemented in accordance with Section 2.6 hereto;

(vi) all bank accounts, safety deposit boxes, lock boxes, and the like used in the Business;

(vii) all the Inventory;

(viii) all machinery, equipment, fixtures, trade fixtures, computer equipment, telephone systems, and furniture used in the Business;

(ix) all office supplies, production supplies, spare parts, other miscellaneous supplies, and other tangible property of any kind wherever located used in the Business;

(x) all deposits and advances and prepaid and other current assets related to the Business (other than those (A) related to any trade accounts payable under Section 2.4(a)(ii) and (B) those deposits or prepaid charges and expenses paid in connection with any Excluded Asset);

(xi) subject to Sellers' access rights set forth in Section 12.5 hereto, all Books and Records;

(xii) all advertising, marketing, and promotional materials pertaining to the Business;

(xiii) all transferable Permits, licenses, certifications, and approvals from all permitting, licensing, accrediting, and certifying agencies, in each case, including pending applications therefor, relating to or used in the operation of the Business;

(xiv) all goodwill and other intangible assets associated with the Business or the Acquired Assets;

(xv) all rights to proceeds under insurance policies that solely pertain to the Business;

(xvi) all Owned Real Property, which is listed on Schedule 2.1(a)(xvi);

(xvii) all leasehold improvements pertaining to the Business;

(xviii) all assets associated with the Assumed Plans;

(xix) all security deposits relating to Assumed Contracts;

(xx) rights with respect to proofs of claim filed in the bankruptcy cases of others, solely with respect to proofs of claim filed on behalf of the Business;

(xxi) all prepayments (including all prepayments made to third party vendors), deferred assets, refunds, credits or overpayments relating to the Business or Acquired Assets;

(xxii) the assets set forth on Schedule 2.1(a)(xxii);

(xxiii) the Subject Avoidance Actions;

(xxiv) that certain factory equipment and furnishings located at Source Interlink Distribution, LLC's McCook distribution center facility, as set forth on Schedule 2.1(a)(xxiv);

(xxv) Customer lists related to the Business;

(xxvi) A copy of the customer data related to the Business that is in Sellers' possession; and

(xxvii) A fully-paid, non-exclusive perpetual license to use the software listed on Schedule 2.1(a)(xxvii), which is sold without warranty or maintenance services.

(b) All of the Acquired Assets shall be sold, assigned, transferred, conveyed, and delivered to Purchaser free and clear of all Liens (other than Permitted Liens), whether arising prior to or subsequent to the Petition Date.

Section 2.2 Assignment and Assumption of Liabilities.

(a) Subject to the terms and conditions set forth in this Agreement, at the Closing, Purchaser shall (or shall cause its designated Affiliate or Affiliates to) assume and agree to discharge when due in accordance with their respective terms and subject to the respective conditions thereof the following (collectively, the "Assumed Obligations"):

(i) obligations under the Assumed Contracts (including Cure Costs to the extent specifically set forth on Schedule 2.1(a)(v) hereof and customer rebate obligations);

(ii) liabilities of the type described in clause (i) of the definition of Permitted Liens;

(iii) any obligations for any Unfulfilled Purchase Order;

(iv) any obligations or liabilities associated with the Assumed Plans;

(v) any obligations with respect to any unused vacation or sick leave earned and accrued (to the extent not paid, and whether recorded or unrecorded) with respect to the Rehired Employees as of the Closing Date;

(vi) all liabilities for which Purchaser is responsible pursuant to Section 12.2(d);

(vii) property Taxes or *ad valorem* Taxes applicable to the Acquired Assets and attributable to periods (or portions thereof) after the Petition Date;

(viii) Transfer Taxes payable by Purchaser pursuant to Section 6.7(b); and

(ix) any obligations with respect to the Rehired Employees' unpaid wages and salary.

(b) Notwithstanding anything in this Agreement to the contrary, each Seller hereby acknowledges and agrees that Purchaser is not assuming from such Seller, or is in any way responsible for, the Excluded Liabilities.

Section 2.3 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, the following assets of Sellers shall be retained by Sellers and are not being sold or assigned to Purchaser hereunder (all of the following are referred to collectively as the "Excluded Assets"):

(a) all cash and cash equivalents in excess of the amount acquired pursuant to Section 2.1(a)(i);

(b) any and all rights under this Agreement;

(c) all Excluded Accounts Receivable;

(d) all Contracts other than the Assumed Contracts (the "Excluded Contracts");

(e) any asset or Contract set forth on Schedule 2.3(e) attached hereto;

(f) any assets associated with any Employee Benefit Plan that is not an Assumed Plan;

(g) all Tax refunds, rebates, credits, and similar items;

(h) income Tax Returns of each Seller and related materials;

(i) the equity securities or other ownership interest of Sellers;

(j) the equity securities or other ownership interest of any Seller's Affiliates;

(k) all assets of the Sellers (other than Manufacturing Seller) other than assets that are Acquired Assets; and

(l) all Excluded Causes of Action.

Section 2.4 Excluded Liabilities. Purchaser shall not and does not assume any liabilities or obligations of any Seller relating to or arising out of the following (collectively, the “Excluded Liabilities”):

(a) all obligations, Claims, or liabilities that relate to any of the Excluded Assets or Excluded Contracts, so long as such obligations, Claims, and liabilities are not Assumed Obligations;

(b) except as set forth herein, any obligations or liabilities associated with any Employee Benefit Plan other than the Assumed Plans;

(c) all liabilities under Indebtedness for borrowed money (including any Indebtedness or accounts payable owing from any Seller to any Affiliate of such Seller);

(d) except as set forth in Section 2.6, any amounts due or which may become due or owing under the Assumed Contracts with respect to the period prior to Closing;

(e) all litigation and related Claims and liabilities arising out of or in connection with events occurring on or prior to the Closing Date, no matter when raised (including liability for breach, misfeasance or under any other theory relating to any Seller’s conduct, performance or non-performance);

(f) all liabilities relating to any environmental, health or safety matter (including any liability or obligation under any Environmental Law), arising out of or relating to any Seller’s operation of the Business, any handling, exposure to, disposal, or incorporation into any products of any Hazardous Materials, or their leasing, ownership, operation, or occupation of real property on or prior to the Closing Date no matter when raised and all claims discharged by the Bankruptcy Court or dischargeable under the Bankruptcy Code;

(g) all product liability claims against any Seller (including all liabilities arising out of or relating to any such claims), whether currently pending or relating to any product manufactured or sold by any Seller on or prior to the Closing Date;

(h) any and all liabilities of any Seller under any collective bargaining agreement or any agreement with any labor union;

(i) all liabilities of Sellers attributable to, incurred in connection with, arising from, or relating to, a violation of any laws governing employee relations, including anti-discrimination laws, wage and hour laws, labor relations laws and occupational safety and health laws;

(j) all Claims for indemnification of any present or former officer, director, employee, partner or member of any Seller whether arising under bylaws, certificates of formation or other formation documents, or Contract arising prior to the Closing Date; and

(k) those other liabilities set forth in Schedule 2.4(k).

Section 2.5 Deemed Consents and Cures. For all purposes of this Agreement (including all representations and warranties of Sellers contained herein), each Seller shall be deemed to have obtained all required consents in respect of the assignment of any Assumed Contract if, and to the extent that, pursuant to the Sale Order or other Bankruptcy Court Order, such Seller is authorized to assume and assign Assumed Contracts to Purchaser pursuant to section 365 of the Bankruptcy Code and any applicable Cure Cost has been satisfied by Purchaser on behalf of such Seller, as provided herein.

Section 2.6 Contract Designation Rights.

(a) On or prior to the date hereof, Sellers shall have delivered to Purchaser a schedule setting forth the amount of the Cure Costs associated with each Material Contract identified in Schedule 4.16 attached hereto. Sellers shall cooperate with and provide such additional information to Purchaser in order to identify and provide to Purchaser as promptly as practicable all Material Contracts related to the Business (and the related Cure Costs), as well as Cure Costs of non-Material Contracts, and subject to assumption or rejection hereunder.

(b) On or before twenty (20) days prior to the Auction, the Sellers shall serve a notice on counterparties to the Assumed Contracts regarding (i) assumption and assignment to Purchaser all of the Assumed Contracts and (ii) fixing of the Cure Costs associated with each Assumed Contract as of the Sale Hearing (or as of such later date reasonably acceptable to Purchaser and Sellers). Counterparties must serve any objection to the assumption and/or assignment of any Assumed Contract by the date that is fifteen (15) days after service of such notice or such other date approved by the Bankruptcy Court in the Bidding Procedures Order. At the Sale Hearing, the Sellers shall seek the approval of the Bankruptcy Court to the assumption and assignment, effective as of Closing, of all Contracts listed on Schedule 2.1(a)(v).

(c) No later than three (3) days prior to the day of the Auction, Purchaser shall notify Sellers in writing of those Contracts which Purchaser desires to be designated to be assumed by Sellers and assigned to Purchaser on the Closing Date, which such Contracts shall be deemed to be included on Schedule 2.1(a)(v) without further action by any party and shall be Assumed Contracts for all purposes of this Agreement, unless later excluded from Schedule 2.1(a)(v) in accordance with Section 2.6(d) and (f).

(d) Purchaser may exclude from Schedule 2.1(a)(v), by the date that is ten days after service of the counterparty's objection and notification of such objection to Purchaser, any Contract to which an objection from a contract counterparty has been received. In addition, at any time prior to the Closing Date, Purchaser may exclude any

Contract in the event that the Cure Cost submitted by the Sellers in relation to such Contract is adjusted upward by the Bankruptcy Court. If the Cure Cost is not finally determined by the Bankruptcy Court prior to the Closing Date, the assumption and assignment of such Contract to Purchaser shall be deferred until such final determination is made, and (i) at Purchaser's discretion, Sellers shall continue to honor the Contract and make benefits available to Purchaser, with all costs and obligations in connection therewith to be borne by Purchaser until ten days following the later to occur of any decision by Purchaser to defer or exclude such Contract, and (ii) within 10 days after the Bankruptcy Court's final determination, Purchaser may exclude such Contract from Schedule 2.1(a)(v) if the Bankruptcy Court adjusts upward the Cure Cost; provided, however, Purchaser shall bear and be responsible for all costs and obligations associated with such Contract until the date which is the first to occur of (ww) the assumption and assignment thereof by Sellers to Purchaser, (xx) Sellers' successfully rejecting the applicable Contract in accordance with Section 365 of the Bankruptcy Code and (yy) 15 days following Purchaser's written election to exclude such Contract from Schedule 2.1(a)(v). Any Contracts excluded from Schedule 2.1(a)(v) pursuant to this sub-clause (d) shall be Excluded Assets, and all Liabilities thereunder shall be Excluded Liabilities.

(e) Any motions filed by Sellers with, and any proposed orders submitted by Sellers to, the Bankruptcy Court seeking authorization after the date hereof to assume or reject any Contracts related to the Business shall be satisfactory in form and substance to Purchaser in its reasonable discretion. Sellers shall consult with, and give due consideration to the views and concerns of, Purchaser prior to compromising or commencing any Claim with respect to any material payment required to be made under the Bankruptcy Code to effectuate the assumption of any such Contract, including using commercially reasonable efforts to provide five (5) days notice of any such compromise or Claim to Purchasers.

(f) Without limiting any of Purchaser's rights pursuant to this Section 2.6, in the event that the Bankruptcy Court does not approve the assignment or transfer of one or more of the Assumed Contracts to Purchaser as Acquired Assets, Purchaser may, in its sole discretion and at any time prior to the Closing Date, exclude any such Contracts from Schedule 2.1(a)(v). In addition, at any time prior to the Closing Date, Purchaser may exclude any Contract in the event that the Bankruptcy Court demands additional assurance of adequate protection unacceptable to Purchaser, and if the adequacy of such assurance is not determined with finality prior to the Closing Date, the assumption and assignment of such Contract to Purchaser shall be deferred until such final determination is made, and (i) at Purchaser's discretion, Sellers shall continue to honor the Contract and make benefits available to Purchaser, with all costs and obligations in connection therewith to be borne by Purchaser, and (ii) within 10 calendar days after the Bankruptcy Court's final determination, Purchaser may exclude such Contract from Schedule 2.1(a)(v) if the Bankruptcy Court requires additional adequate assurance unacceptable to Purchaser; provided, however, Purchaser shall bear and be responsible for all costs and obligations associated with such Contract until the date which is the first to occur of (ww) the assumption and assignment thereof by Sellers to Purchaser, (xx) Sellers' successfully rejecting the applicable Contract in accordance with Section 365 of the Bankruptcy Code and (yy) 15 days following Purchaser's written election to exclude such Contract and

treat it as an Excluded Asset. Any Contracts excluded from Schedule 2.1(a)(v) pursuant to this sub-clause (f) shall be Excluded Assets, and all Liabilities thereunder shall be Excluded Liabilities.

(g) For the avoidance of doubt, no additions or subtractions to the list of Assumed Contracts on Schedule 2.1(a)(v) shall result in an adjustment to the Purchase Price.

(h) To the extent any Assumed Contract requires the payment of Cure Costs in order to be assumed pursuant to section 365 of the Bankruptcy Code, at the Closing (or as soon as reasonably practicable thereafter) the Cure Costs related to such Assumed Contract shall be paid by Purchaser (after giving effect to the consummation of the transactions contemplated hereby).

ARTICLE III BASIC TRANSACTION

Section 3.1 Payment of Purchase Price.

(a) The aggregate consideration (collectively, the “Purchase Price”) to be paid to the Sellers for the purchase of the Acquired Assets shall be:

(i) the credit bid of \$24,000,000 in principal amount due under the Term Loan the release of Sellers (and their respective successors and assigns), as may be adjusted upwards from time to time as set forth on Schedule 3.1(a)(i) hereof, from the obligations, claims, rights, actions, causes of action, suits, liabilities, damages, debts, costs, expenses and demands whatsoever, in law or in equity, arising under, or otherwise relating to such portion of the principal amount of the Term Loan; and

(ii) the assumption of, and the undertaking to discharge, the Assumed Obligations by Purchaser.

Section 3.2 Further Assurances. From time to time after the Closing and without further consideration, (i) each Seller, upon the request of Purchaser, shall execute and deliver such documents and instruments of conveyance and transfer as Purchaser may reasonably request in order to consummate the purchase and sale of the Acquired Assets as contemplated hereby and to vest in Purchaser title to the Acquired Assets transferred hereunder, or to otherwise more fully consummate the transactions contemplated by this Agreement, and (ii) Purchaser, upon the request of Sellers, shall execute and deliver such documents and instruments of contract or lease assumption as Sellers may reasonably request in order to confirm Purchaser’s liability for the obligations specifically assumed hereunder or otherwise to more fully consummate the transactions contemplated by this Agreement.

Section 3.3 Allocation of Purchase Price. Within thirty (30) days after the Closing Date, Purchaser shall prepare and deliver to Sellers an allocation of the Purchase Price, the Assumed Obligations, and any other items that are treated as additional purchase price for income Tax purposes (the “Taxable Consideration”) among the Acquired Assets in accordance with Section 1060 of the Code (the “Proposed Allocation”). Sellers shall have thirty (30) days

after receipt of the Proposed Allocation to notify Purchaser in writing of any items of the Proposed Allocation that are not reasonable in Sellers' view. If Sellers do not object in writing during such thirty (30) day period, then the Proposed Allocation shall be final and binding on all parties. If Sellers object in writing during such thirty (30) day period, then the parties hereto shall cooperate in good faith to reach a mutually agreeable allocation of the Taxable Consideration, which allocation shall be binding on all parties. If the parties hereto are unable to reach an agreement within sixty (60) days of Sellers' receipt of the Proposed Allocation, then any disputed items shall be disposed of by the Bankruptcy Court, unless otherwise agreed to by Purchaser and Seller. The final allocation as determined pursuant to this Section 3.5 shall be referred to as the "Allocation." In accordance with such binding allocation, Purchaser shall prepare and deliver to Sellers copies of Form 8594 and any required exhibits thereto (the "Asset Acquisition Statement"). Purchaser shall prepare and deliver to Sellers (or their designated successors) from time to time revised copies of the Asset Acquisition Statement (the "Revised Statements") so as to report any matters on the Asset Acquisition Statement that need updating, consistent with the agreed upon allocation. The parties hereto shall, and shall cause their respective controlled Affiliates to, use the allocations set forth in the Asset Acquisition Statement or, if applicable, the last Revised Statement, for all Tax purposes and to file all Tax Returns in a manner consistent with such allocation statement and take no position contrary thereto, in each case, unless required to do so by applicable Tax Laws or good faith resolution of a Tax contest. For the avoidance of doubt, the foregoing Allocation shall not preclude nor shall be deemed to preclude the Sellers from utilizing a different allocation of sale proceeds for non-Tax purposes in connection with one or more chapter 11 plans filed in the Chapter 11 Cases.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLERS

Section 4.1 Sellers' Representations and Warranties. Sellers jointly and severally represent and warrant to Purchaser that, on behalf of Manufacturer Seller and, with respect to the other Sellers, solely as they relate to the Business, the Acquired Assets and/or the Assumed Obligations, as and when applicable, the statements contained in this ARTICLE IV are correct and complete as of the date of this Agreement, except as expressly set forth in the disclosure schedules delivered by Sellers to Purchaser within fifteen (15) days of the date hereof (or within ten (10) days of the date hereof with respect to Schedule 3.1(a)(i)) (the "Disclosure Schedules"). The information disclosed in any numbered part is intended to relate to and to qualify the particular representation or warranty set forth in the corresponding numbered section in this Agreement; *provided*, that any event, fact or circumstance disclosed in the Disclosure Schedules shall be deemed to be a disclosure for each other section of this Agreement to the extent it is reasonably apparent from the face of such disclosure that it would also qualify such other section.

Section 4.2 Power and Authority; Validity of Agreement. Subject to entry of the Sale Order, each Seller has full power and authority to execute and deliver the Transaction Documents to which it is a party and to consummate the transactions contemplated thereby. No other corporate or organizational proceedings on the part of any Seller is necessary to approve and authorize the execution and delivery of the Transaction Documents to which such Person is a party and the consummation of the transactions contemplated thereby. All Transaction Documents to which any Seller is a party have been duly executed and delivered by such Person,

except such Transaction Documents that are required by the terms hereof to be executed and delivered by such Person after the date hereof, in which case such Transaction Documents will be duly executed and delivered by such Person at or prior to the Closing, and, subject to any necessary authorization from the Bankruptcy Court and to the due authorization, execution and delivery of such Transaction Documents by the other parties thereto, all such Transaction Documents constitute, or will constitute, as the case may be, the valid and binding agreements of Sellers, enforceable against each Seller in accordance with their terms.

Section 4.3 Organization and Standing. Each Seller is a company duly organized, validly existing, and in good standing under the laws of the state of Delaware and, except where the failure to obtain such qualification would not reasonably be expected to have a material adverse effect, is qualified to do business in every jurisdiction in which it is required to be qualified.

Section 4.4 No Conflicts or Violations. Subject to any necessary authorization of the Bankruptcy Court, except as set forth on Schedule 4.4 attached hereto, and to the extent any of the foregoing is not enforceable due to operation of the Sale Order, the execution, delivery and performance of the Transaction Documents to which Sellers are a party and the consummation of the transactions contemplated thereby by such Seller do not and shall not (i) require any authorization, consent, approval, exemption, or other action by or notice or declaration to, or filing with, any Governmental Authority or (ii) (A) conflict with or result in any breach of any of the terms, conditions, or provisions of, (B) constitute a default under or (C) result in a violation of (1) the provisions of by-laws or other constitutive documents of Sellers or (2) any Material Contract to which any Seller is bound or affected or any law, statute, rule, Regulation, or Order to which any Seller is subject, except in clause (2), as would not reasonably be expected to have a material adverse effect.

Section 4.5 Financial Statements and Related Matters. Set forth on Schedule 4.5 attached hereto are copies of Manufacturing Seller's unaudited balance sheet (the "Latest Balance Sheet") and statement of income and cash flows for the fiscal year ended 2013 (collectively, the "Seller Financial Statements").

Section 4.6 Title to Assets.

(a) Except as set forth on Schedule 4.6(a) attached hereto, each Seller has title to the Acquired Assets. Since the date of the Latest Balance Sheet, no Seller has purchased any material amount of assets except in the ordinary course of business.

(b) Subject to entry of the Sale Order, each Seller has the power and the right to sell, assign and transfer and each Seller will sell and deliver to Purchaser, and upon consummation of the transactions contemplated by this Agreement, Purchaser will acquire title to the Acquired Assets, free and clear of all Liens other than Permitted Liens.

(c) This Agreement and the documents contemplated hereby, when duly executed and delivered by each Seller to Purchaser at the Closing and in accordance with the Sale Order, will effectively vest in Purchaser title to the Acquired Assets, subject only to the Assumed Obligations and Permitted Liens.

Section 4.7 Employee Benefit Plans.

(a) Schedule 4.7(a) attached hereto, sets forth a complete and accurate list of each Benefit Plan Seller maintains, contributes to, or which is maintained by any other Person for the benefit of any of Sellers' employees or under which any Seller has any liability or potential liability to any employee or former employee ("Employee Benefit Plan"). Each Seller has made available to Purchaser true and correct copies, if applicable, of each Employee Benefit Plan.

(b) The Assumed Plans are in material compliance with all applicable requirements of ERISA, the Code, and other applicable laws and have been administered in all material respects in accordance with their terms and such laws.

(c) No Seller nor any ERISA Affiliate sponsors, maintains, or contributes to, or has any potential liability with respect to any (i) "defined benefit plan" as defined in Section 3(35) of ERISA or any other plan subject to the funding requirements of Section 412 of the Code or Section 302 of Title IV of ERISA, or (ii) any "multiemployer plan" as defined in Section 3(37) or 4001(a)(3) of ERISA. No Assumed Plan is an employee benefit plan, program, or arrangement that provides for post-retirement medical, life insurance or other welfare-type benefits (other than health continuation coverage required by COBRA).

(d) No Acquired Asset is subject to any lien under the Code or ERISA associated with any Employee Benefit Plan.

Section 4.8 Labor Matters. Except as set forth in Schedule 4.8 attached hereto:

(a) No Seller is a party to any collective bargaining agreement;

(b) Each Seller is in compliance in all material respects with all applicable laws relating to employment and employment practices and the employment of labor. In addition, there are no pending or unremedied unfair labor practices against any Seller.

Section 4.9 Personnel Matters. Except as would not reasonably be expected to have a material adverse effect, Schedule 4.9 attached hereto contains an accurate and complete list of the names, dates of hire, and base annual salary for all Persons employed by each Seller in connection with the Business that is subject to a written employment agreement (the "Subject Employees"). Except as set forth on Schedule 4.9, no Seller is in default with respect to any material obligation to any Subject Employee. Each Seller has made available to Purchaser a true and correct copy of all Persons employed by such Seller as of January 1, 2014, except as would not reasonably be expected to have a material adverse effect.

Section 4.10 Litigation, Orders. Except as set forth on Schedule 4.10 attached hereto and except as would not reasonably be expected to have a material adverse effect, there are no actions, suits, complaints, charges, proceedings, Orders, investigations, or claims pending or, to the Knowledge of Sellers, threatened against any Seller or the Business.

Section 4.11 Taxes. Except as set forth on Schedule 4.11 attached hereto, each Seller has filed all material Tax Returns required to be filed with the appropriate Governmental Authority in all jurisdictions in which such Tax Returns are required to be filed by such Seller, and all Taxes shown to be payable on such Tax Returns have been paid or are being contested in good faith by appropriate proceedings.

Section 4.12 Compliance with Law. Except as set forth on Schedule 4.12 attached hereto and except as would not reasonably be expected to have a material adverse effect, each Seller is in compliance with, and are not in default in any respect with, all applicable laws, Regulations, Orders, and ordinances of any Governmental Authority and no claims have been filed against any Seller alleging a material violation of any such laws or Regulations, and no Seller has received written notice of any such violations.

Section 4.13 Absence of Undisclosed Liabilities. Except as would not reasonably be expected to have a material adverse effect, no Seller has any obligations or liabilities arising out of transactions entered into after the date of the Latest Balance Sheet, except (i) obligations under contracts or commitments described on Schedule 4.13 attached hereto or under contracts and commitments which are not required to be disclosed thereon, (ii) liabilities reflected on a Latest Balance Sheet, (iii) liabilities which have arisen after the date of the Latest Balance Sheet in the ordinary course of business or otherwise in accordance with the terms and conditions of this Agreement, and (iv) liabilities which arose on or prior to the date of the Latest Balance Sheet in the ordinary course of business.

Section 4.14 Intellectual Property.

(a) Schedule 4.14(a) sets forth a true, correct and complete list of all U.S. and foreign (i) issued Patents and pending applications for Patents; (ii) registered Trademarks and pending applications for Trademarks; (iii) registered Copyrights and pending applications for Copyrights; and (iv) all Domain Names, in each case which is owned by a Seller and which is material to the Business. Except as set forth on Schedule 4.14(a), each Seller is the sole record owner of all of the Intellectual Property set forth on Schedule 4.14(a) and all such Intellectual Property is subsisting and, to the Knowledge of Sellers, valid and enforceable.

(b) Schedule 4.14(b) sets forth a true, correct, and complete list of all material licenses, sublicenses or other Material Contracts to which a Seller is a party or otherwise bound pursuant to which a Seller has been granted or has obtained any right to use any Intellectual Property that is material to the Business (other than Contracts granting rights to use readily available commercial software that is generally available on nondiscriminatory pricing terms) (each a “License”). Except as otherwise disclosed on Schedule 4.14(b), each License is in full force and effect and is a valid and binding obligation of the applicable Seller party thereto, and to the Knowledge of Sellers, the other parties thereto, in accordance with its terms and conditions, except as enforceability may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors’ rights generally. Upon entry of the Sale Order and payment of the Cure Costs, to the Knowledge of Sellers, (A) no Seller will be in breach or default of its obligations under any License, (B) no condition exists that with notice or lapse of time

or both would constitute a default by a Seller under any of the Licenses, and (C) to the Knowledge of Sellers, no other party to any of the Licenses is in breach or default thereunder, except in the cases of clauses (A), (B), and (C) for any breaches or defaults that would not reasonably be expected to have a material adverse effect.

(c) Except as disclosed on Schedule 4.14(c) and except as would not reasonably be expected to have a material adverse effect, (i) the conduct of the Business by Sellers as currently conducted does not, and there are no actions, suits, complaints, charges, proceedings, Orders, investigations, or Claims pending, or to the Knowledge of Sellers threatened against any Seller, alleging that the conduct of the Business by such Seller as currently conducted does not, infringe, misappropriate, or otherwise violate any Person's Intellectual Property and (ii) to the Knowledge of Sellers, no Person is infringing, misappropriating, or otherwise violating any Intellectual Property owned by any Seller and used in the conduct of the Business.

Section 4.15 Accounts Receivable. Except as set forth on Schedule 4.15 attached hereto and other than the Excluded Accounts Receivable, the account receivables arising from services and/or sales by any Seller is not subject to any valid counterclaim or setoff and are collectible net of any reserves for doubtful accounts.

Section 4.16 Material Contracts. Schedule 4.16 attached hereto identifies each Material Contract. Except as set forth on Schedule 4.16 attached hereto, each Material Contract is in full force and effect and is a valid and binding obligation of the Seller party thereto and, to the Knowledge of Sellers, the other parties thereto, in accordance with its terms and conditions, except as such enforceability may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights generally. Upon entry of the Sale Order and payment of the Cure Costs, no Seller will be in breach of its obligations under any Material Contract, except for any breaches or defaults that would not reasonably be expected to have a material adverse effect.

Section 4.17 Brokers. Except as set forth on Schedule 4.17 attached hereto, no Seller has incurred any liability to any broker, finder, or agent with respect to the payment of any commission regarding the consummation of the transactions contemplated hereby and in the other Transaction Documents.

Section 4.18 Absence of Certain Developments. Except as set forth on Schedule 4.18 attached hereto or as required by applicable law, since the date of the Latest Balance Sheet:

- (a) each Seller has conducted the Business in the ordinary course of business;
and
- (b) there have not occurred any facts or events that have constituted, or which would be reasonably likely to have, a material adverse effect.

Section 4.19 Sufficiency of Assets. The Acquired Assets constitute all of material rights, assets, and tangible properties currently used by Sellers to conduct business operations and provide services in relation to the Business.

Section 4.20 No Other Representations or Warranties.

(a) Except for the representations and warranties contained in this ARTICLE IV, Purchaser acknowledges and agrees that no Seller nor any other Person on behalf of any Seller (including Sellers) makes any other express or implied representation or warranty with respect to Sellers (including representations and warranties as to the condition of the Acquired Assets) with respect to any other information provided to Purchaser. No Seller nor any other Person will have or be subject to any liability or indemnification obligation to Purchaser or any other Person resulting from the distribution to Purchaser, or use by Purchaser of, any such information, including any information, documents, projections, forecasts or other material made available to Purchaser in certain “data rooms”, confidential information memoranda or management presentations in expectation of the transactions contemplated by this Agreement.

(b) In connection with investigation by Purchaser, Purchaser has received or may receive from Sellers or Persons on behalf of Sellers (including Sellers and Sellers’ other representatives) certain projections, forward-looking statements and other forecasts and certain business plan information. Purchaser acknowledges and agrees that (i) there are uncertainties inherent in attempting to make such estimates, projections and other forecasts and plans, (ii) Purchaser is familiar with such uncertainties, (iii) Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections and other forecasts and plans so furnished to it (including the reasonableness of the assumptions underlying such estimates, projections, forecasts or plans) and (iv) that Purchaser shall have no claim against anyone (including Sellers) with respect thereto. Accordingly, Purchaser acknowledges and agrees that no Seller and no Person on behalf of Sellers (including Sellers) makes any representation or warranty with respect to such estimates, projections, forecasts or plans (including the reasonableness of the assumptions underlying such estimates, projections, forecasts or plans).

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Sellers as follows as of the date of this Agreement:

Section 5.1 Power and Authority; Validity of Agreement. Purchaser has full power and authority to execute and deliver the Transaction Documents to which it is a party and to consummate the transactions contemplated thereby. No other corporate or organizational proceedings on the part of Purchaser are necessary to approve and authorize the execution and delivery of the Transaction Documents to which Purchaser is a party and the consummation of the transactions contemplated thereby. All Transaction Documents to which Purchaser is a party have been duly executed and delivered by Purchaser, except such Transaction Documents that are required by the terms hereof to be executed and delivered by Purchaser after the date hereof, in which case such Transaction Documents will be duly executed and delivered by Purchaser at

or prior to the Closing, and, subject to any necessary authorization from the Bankruptcy Court and to the due authorization, execution and delivery of such Transaction Documents by the other parties thereto, all such Transaction Documents constitute, or will constitute, as the case may be, the valid and binding agreements of Purchaser, enforceable against Purchaser in accordance with their terms.

Section 5.2 Organization. Purchaser is a duly organized entity, validly existing and in good standing under the laws of the state of its organization.

Section 5.3 No Conflicts or Violations. Subject to any necessary authorization of the Bankruptcy Court, the execution, delivery and performance of the Transaction Documents to which Purchaser is a party and the consummation of the transactions contemplated thereby by Purchaser do not and shall not (i) require any authorization, consent, approval, exemption, or other action by or notice or declaration to, or filing with, any Governmental Authority or (ii) (A) conflict with or result in any breach of any of the terms, conditions, or provisions of, (B) constitute a default under or (C) result in a violation of (1) the provisions of the articles of incorporation, by-laws, or other constitutive documents of Purchaser or (2) any material indenture, mortgage, lease, loan agreement, or other material agreement or instrument to which Purchaser is bound or affected or any law, statute, rule, Regulation, or Order to which Purchaser is subject, except in clause (2), as would not reasonably be expected to have a material adverse effect.

Section 5.4 Brokers. Purchaser has incurred no liability to any broker, finder, or agent with respect to the payment of any commission regarding the consummation of the transactions contemplated hereby and in the other Transaction Documents.

Section 5.5 Acquired Assets “AS IS”, Purchaser’s Acknowledgment Regarding Same. Purchaser agrees, warrants and represents that, except as set forth in this Agreement, (i) Purchaser is purchasing the Acquired Assets on an “AS IS” and “WITH ALL FAULTS” basis based solely on Purchaser’s own investigation of the Acquired Assets and (ii) neither Sellers, nor any broker, agent, officer, employee, servant, attorney, or representative of any Seller has made any warranties, representations, or guarantees, express, implied, or statutory, written or oral, respecting the Acquired Assets or any part of the Acquired Assets relating to the financial performance of the Acquired Assets, the Business, or the physical condition of the Acquired Assets. Purchaser further acknowledges and agrees that the Purchase Price has been agreed upon by Sellers and Purchaser after good-faith, arms-length negotiation in light of Purchaser’s agreement to purchase the Acquired Assets “AS IS” and “WITH ALL FAULTS”. Purchaser agrees, warrants, and represents that, except as set forth in this Agreement, Purchaser has relied, and shall rely, solely upon Purchaser’s own investigation of all such matters and that Purchaser assume all risks with respect thereto. EXCEPT AS SET FORTH IN THIS AGREEMENT, NO PERSONS ON BEHALF OF SELLERS (INCLUDING THE SELLERS) MAKES ANY EXPRESS WARRANTY, WARRANTY OF MERCHANTABILITY, WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, OR ANY IMPLIED OR STATUTORY WARRANTY WHATSOEVER WITH RESPECT TO ANY REAL OR PERSONAL PROPERTY, ANY FIXTURES OR THE ACQUIRED ASSETS.

ARTICLE VI
COVENANTS OF SELLERS; OTHER AGREEMENTS

Section 6.1 Consents and Approvals.

(a) Sellers shall use commercially reasonable efforts to obtain all necessary consents and approvals to consummate the purchase and sale of the Acquired Assets and the assignment of the Assumed Obligations including, without limitation, obtaining the Bidding Procedures Order and Sale Order.

(b) Sellers and Purchaser shall use commercially reasonable efforts to mutually determine and agree prior to entry of the Bidding Procedures Order whether the transactions contemplated hereby are subject to compliance with the HSR Act. To the extent the parties hereto determine that such compliance is required, at such time following entry of the Bidding Procedures Order on the Bankruptcy Court's docket as Purchaser shall reasonably determine, Sellers shall file or cause to be filed, at Sellers' cost and expense, with the Federal Trade Commission and the United States Department of Justice and with any foreign Governmental Authority any notifications required to be filed under the HSR Act and the rules and Regulations promulgated thereunder (or similar foreign statute or rule) with respect to the transactions contemplated hereby. Sellers shall consult with Purchaser as to the appropriate time of filing such notifications and shall use its commercially reasonable efforts to make such filings at the agreed upon time, to respond promptly to any requests for additional information made by such agencies, and to cause the waiting periods under the HSR Act (or similar foreign statute or rule) to terminate or expire at the earliest possible date after the date of filing.

(c) Each of the parties shall give any other notices to, make any other filings with, and use commercially reasonable efforts to obtain, any other authorizations, consents, and approvals of any Governmental Authority in connection with the matters contemplated by this Agreement and the other Transaction Documents.

Section 6.2 Conduct of the Business Pending the Closing. Except as otherwise expressly contemplated by this Agreement or with the prior written consent of Purchaser (such consent not to be unreasonably withheld) or except as described on Schedule 6.2 attached hereto, from the date hereof until the Closing Date, Sellers shall conduct the Business in the ordinary course of business and not take any action inconsistent with the terms of this Agreement. Without limiting the generality of the foregoing except as otherwise expressly contemplated by this Agreement or with the prior written consent of Purchaser or except as described on Schedule 6.2 attached hereto, from the date hereof until the Closing Date, each Seller shall:

(a) not sell, assign, transfer, convey, pledge, mortgage, lease, license, or otherwise dispose of or encumber any of the Acquired Assets, or any interests therein, other than in the ordinary course of business;

(b) not reject (whether pursuant to section 365 of the Bankruptcy Code or otherwise) any Material Contract;

(c) not grant any increase in the compensation payable or to become payable to any Executive Officer of any Seller, except such increases as are required by contract or are consistent with past practices;

(d) maintain the Books and Records in the usual, regular, and ordinary manner;

(e) not amend its organizational documents;

(f) not incur any Indebtedness for borrowed money;

(g) maintain compliance with all laws, rules, and Regulations of all Governmental Authorities that relate to Sellers, the Business, or the Acquired Assets;

(h) not take or agree or commit to take any action that would make any representation and warranty of any Seller hereunder inaccurate in any material respect at, or as of any time prior to, the Closing Date;

(i) not enter into any settlement of any Claim that (i) is outside the ordinary course of business, (ii) delays the Closing, (iii) relates to a Material Contract or (iv) subjects any Seller to any material non-compete or other similar material restriction on the conduct of its Business that would be binding following the Closing

(j) pay any administrative expenses arising from operation of the Business as and when due from immediately available cash, cash generated from the operation of the Business.

Section 6.3 Notification of Certain Matters; Schedules.

(a) Each Sellers shall give notice to Purchaser of (i) the occurrence of any event that would reasonably be likely to cause any representation or warranty of such Seller contained in this Agreement, or in connection with the transactions contemplated hereunder, to be untrue or inaccurate in any material respect at any time from the date hereof to the Closing, or (ii) any material failure of such Seller to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder.

(b) Purchaser shall give notice to the Sellers of (i) the occurrence of any event that would reasonably be likely to cause any representation or warranty of Purchaser contained in this Agreement, or in connection with the transactions contemplated hereunder, to be untrue or inaccurate in any material respect at any time from the date hereof to the Closing, or (ii) any material failure of Purchaser to comply with or satisfy any covenant, condition, or agreement to be complied with or satisfied by it hereunder.

(c) Purchaser and Sellers acknowledge that (i) certain of the representations and warranties of Sellers affirmatively require that Sellers list certain factual information on the Disclosure Schedules, (ii) Sellers shall be permitted to supplement or amend the Disclosure Schedules from time to time on or prior to the Closing Date by providing written notice of such supplement or amendment to Purchaser and (iii) the Disclosure

Schedules shall be deemed amended by all such supplements and amendments for all purposes, unless within seven (7) days from the receipt of such supplement or amendment Purchaser provides written notice in good faith to the Seller that the facts described in such supplement or amendment are reasonably likely to have a material adverse effect on the Business.

Section 6.4 Further Assurances.

(a) Each Seller shall use commercially reasonable efforts to obtain the entry of the Bidding Procedures Order on the Bankruptcy Court's docket as soon as practicable and no later than July 23, 2014 and the entry of the Sale Order on the Bankruptcy Court's docket as soon as practicable and no later than September 22, 2014 and will use their commercially reasonable efforts to timely obtain any other consent required for the consummation of the transactions contemplated by this Agreement as soon as practicable; *provided*, that any of the foregoing dates may be extended with Purchaser's consent (which consent is not to be unreasonably withheld or delayed).

(b) Each Seller shall execute such documents and use commercially reasonable efforts to take or cause to be taken all action and do or cause to be done all things necessary or proper to consummate the transactions contemplated by this Agreement. Each Seller shall use commercially reasonable efforts to fulfill or obtain the fulfillment of the conditions set forth in ARTICLE VIII of this Agreement.

Section 6.5 Bankruptcy Actions.

(a) As soon as practicable after the Petition Date, Sellers shall file a motion (together with supporting papers) no later than June 27, 2014 seeking entry of the Bidding Procedures Order on the Bankruptcy Court's docket and setting a hearing with respect to the matters set forth in such motion no later than July 23, 2014, and Sellers shall use commercially reasonable efforts to set a hearing with respect to the matters set forth in such motion.

(b) Sellers will provide Purchaser with a reasonable opportunity to review and comment upon all motions, applications, and supporting papers prepared by Sellers (including forms of orders and notices to interested parties) prior to the filing thereof in the Chapter 11 Cases with respect to the transactions contemplated hereby.

(c) Promptly upon the entry of the Bidding Procedures Order or at such earlier time as Sellers shall determine, Sellers shall serve notice on all parties to whom service of the Sale Notice (as defined in the Bidding Procedures Order) is required under the terms of the Bidding Procedures Order or to whom service of notice is advisable pursuant to the Bankruptcy Code, substantially in the form attached as Exhibit 2 to the Bidding Procedures Order.

Section 6.6 Bidding Procedures; Superior Offers. The bidding procedures to be employed with respect to this Agreement shall be those reflected in the Bidding Procedures Order. Purchaser agrees and acknowledges that Sellers and their representatives and Affiliates are and may continue soliciting Qualified Bids for the Acquired Assets in connection with any

Alternative Transaction pursuant to the terms of the Bidding Procedures Order and acknowledges and agrees that the bidding procedures contained in the Bidding Procedures Order may be supplemented by other customary procedures not inconsistent with the matters otherwise set forth herein and the terms of this Agreement.

Section 6.7 Taxes.

(a) Sellers shall timely pay all sales, use, and payroll Taxes, which will be owed by Sellers and attributable to periods prior to the Closing; *provided however*, Sellers shall not be obligated to pay any such Tax that is disputed in good faith by Sellers.

(b) Any sales, use, purchase, transfer, franchise, deed, fixed asset, stamp, documentary stamp, use, or other Taxes and recording charges due and which may be payable by reason of the sale of the Acquired Assets or the assumption of the Assumed Obligations under this Agreement or the transactions contemplated herein (the “Transfer Taxes”) shall be borne and timely paid by Purchaser.

**ARTICLE VII
COVENANTS OF PURCHASER**

Section 7.1 Assumed Obligations. Subsequent to the Closing, Purchaser agrees to be responsible for the payment and performance of the Assumed Obligations (including those set forth in Section 2.6) and shall indemnify and hold Sellers harmless with respect to the Assumed Obligations, including, without limitation, any loss, liability, cost, or expense (including, without limitation, legal fees and court costs) arising out of or in connection with, or otherwise relating to, the Assumed Obligations.

Section 7.2 Further Assurances. Purchaser shall execute such documents and take such further actions as may be reasonably requested by Sellers to carry out the provisions of this Agreement and the transactions contemplated hereby. Purchaser shall use commercially reasonable efforts to fulfill or obtain the fulfillment of the conditions set forth in ARTICLE IX of this Agreement.

Section 7.3 Hart-Scott-Rodino. Sellers and Purchaser shall use commercially reasonable efforts to mutually determine and agree prior to entry of the Bidding Procedures Order whether the transactions contemplated hereby are subject to compliance with the HSR Act. To the extent the parties hereto determine that such compliance is required, at such time following entry of the Bidding Procedures Order on the Bankruptcy Court’s docket as Purchaser shall reasonably determine, Purchaser shall file or cause to be filed, at Purchaser’s cost and expense, with the Federal Trade Commission and the United States Department of Justice and with any foreign governmental authority any notifications required to be filed under the HSR Act and the rules and Regulations promulgated thereunder (or similar foreign statute or rule) with respect to the transactions contemplated hereby. Purchaser shall consult with Sellers as to the appropriate time of filing such notifications and shall use its reasonable best efforts to make such filings at the agreed upon time, to respond promptly to any requests for additional information made by such agencies, and to cause the waiting periods under the HSR Act to terminate or expire at the earliest possible date after the date of filing.

ARTICLE VIII
CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser under this Agreement are, at the option of Purchaser, subject to satisfaction or waiver of the following conditions precedent on or before the Closing Date.

Section 8.1 Warranties True as of Both Present Date and Closing Date; Covenants.

(a) Each of the representations and warranties of each Seller contained herein shall be true and correct in all material respects (except with respect to representations and warranties of Sellers qualified as to materiality, which shall be true and correct in all respects) on and as of the Closing Date (except for representations and warranties made as of a specified date, which shall be true and correct as of that date) with the same force and effect as though made on and as of the Closing Date.

(b) Each Seller shall have performed and complied in all material respects with the obligations and covenants required by this Agreement to be performed or complied with by such Seller on or prior to the Closing Date.

Section 8.2 Bankruptcy Condition. The Bankruptcy Court shall have entered the Bidding Procedures Order and Sale Order (as provided in Article VI) and each of such orders shall be a Final Order and in form and substance reasonably satisfactory to Sellers and Purchaser.

Section 8.3 No Order. No Governmental Authority shall have enacted, issued, promulgated, or entered any Order which is in effect and has the effect of making illegal or otherwise prohibiting the consummation of the transactions contemplated hereby.

Section 8.4 Approvals. Sellers shall have used reasonable commercial efforts to begin obtaining all authorizations, consents, filings, and approvals reasonably necessary to permit Sellers to perform the transactions contemplated in this Agreement. All terminations or expirations of waiting periods imposed (and any extension thereof) by any Governmental Authority necessary for the transactions contemplated under this Agreement, if any, shall have occurred.

Section 8.5 Closing Deliveries. Each Seller shall have delivered to Purchaser a certificate signed by an authorized officer of each Seller, dated the date of the Closing Date (in form and substance reasonably satisfactory to Purchaser), certifying that the conditions specified in Section 8.1 have been satisfied as of the Closing.

ARTICLE IX
CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS

The obligations of Sellers under this Agreement are, at the option of Sellers, subject to the satisfaction or waiver of the following conditions precedent on or before the Closing Date.

Section 9.1 Warranties True as of Both Present Date and Closing Date. The representations and warranties of Purchaser contained herein shall be true and correct in all material respects (except with respect to representations and warranties of Sellers qualified as to materiality, which shall be true and correct in all respects) on and as of the Closing Date (except for representations and warranties made as of a specified date, which shall be true and correct as of that date in all material respects) with the same force and effect as though made by Purchaser on and as of the Closing Date. Purchaser shall have performed and complied in all material respects with the obligations and covenants required by this Agreement to be performed or complied with by Purchaser on or prior to the Closing Date.

Section 9.2 Bankruptcy Court Approval. The Bankruptcy Court shall have entered the Sale Order.

Section 9.3 No Order. No Governmental Authority shall have enacted, issued, promulgated, or entered any Order which is in effect and has the effect of making illegal or otherwise prohibiting the consummation of the transactions contemplated hereby.

Section 9.4 Consideration. Purchaser shall have delivered to Sellers the Purchase Price.

Section 9.5 Approvals. Purchaser shall have used reasonable commercial efforts to begin obtaining all authorizations, consents, filings, and approvals reasonably necessary to permit Purchaser to perform the transactions contemplated in this Agreement. All terminations or expirations of waiting periods (and any extension thereof) imposed by any Governmental Authority necessary for the transactions contemplated under this Agreement, if any, shall have occurred.

Section 9.6 Closing Deliveries. Purchaser shall have delivered to Sellers a certificate signed by an authorized officer of Purchaser, dated the date of the Closing Date (in form and substance reasonably satisfactory to Sellers), certifying that the conditions specified in Section 9.1 above have been satisfied as of the Closing.

ARTICLE X CLOSING

Section 10.1 Closing. Upon the terms and subject to the satisfaction of the conditions set forth in ARTICLE VIII and ARTICLE IX in this Agreement, the closing of the transaction contemplated by this Agreement (the “Closing”) will take place at the offices of Kirkland & Ellis, 300 North LaSalle, Chicago, IL 60654 at 10:00 A.M. Central Standard Time no later than the first Business Day after the date on which the conditions set forth in ARTICLE VIII and ARTICLE IX have been satisfied or waived; or on such other date or place as Purchaser and Sellers may determine (the “Closing Date”).

Section 10.2 Deliveries by Sellers. At the Closing, Sellers shall deliver or procure delivery to Purchaser of the following:

- (a) physical possession of all of the Acquired Assets (other than any Intellectual Property);

(b) one or more bills of sale, in the form attached hereto as **Exhibit A**, assignment agreements and other customary transfer documents conveying in the aggregate all right, title and interest of each Seller to or in the Acquired Assets, duly executed by such Seller;

(c) one or more Intellectual Property assignments for registered Intellectual Property set forth on Schedule 4.14(a), duly executed by the relevant Seller or Sellers;

(d) one or more assignments and assumptions of the Assumed Obligations, in the form attached hereto as **Exhibit B** (collectively, the “Assignment and Assumption”), duly executed by the relevant Seller or Sellers;

(e) all the Books and Records;

(f) such documentation as may be necessary to change the authorized signatories on any bank accounts or powers of attorney relating (directly or indirectly) to the Acquired Assets;

(g) copies of the certificate set forth in Section 8.5;

(h) evidence reasonably satisfactory to Purchaser that all notices of the assumption and assignment of the Assumed Contracts and of the assumption of the Assumed Obligations, and all required consents to, and approvals of, such assumptions and assignments have been given and received in accordance with applicable law;

(i) a certified copy of the Sale Order; and

(j) such other instruments as are reasonably requested by Purchaser and otherwise necessary to consummate the transactions contemplated hereby.

Section 10.3 Deliveries by Purchaser. At the Closing, Purchaser will deliver to Sellers:

(a) the Assignment and Assumption duly executed by Purchaser;

(b) evidence that the amount of principal due under the Term Loan has been credited by \$24,000,000 (or such other amount as determined in accordance Schedule 3.1(a)(i) hereof);

(c) copies of the certificate set forth in Section 9.6 and

(d) such other instruments as are reasonably requested by Sellers and otherwise necessary to consummate the transactions contemplated hereby.

Section 10.4 Form of Instruments. To the extent that a form of any document to be delivered hereunder is not attached as an Exhibit hereto, such documents shall be in form and substance, and shall be executed and delivered in a manner, reasonably satisfactory to Purchaser and Sellers.

ARTICLE XI TERMINATION

Section 11.1 Termination. This Agreement may be terminated prior to the Closing as follows:

- (a) by mutual written agreement of Purchaser and Sellers;
- (b) by either Purchaser or Sellers if there shall be in effect an applicable law or Final Order restraining, enjoining, or otherwise prohibiting the consummation of the transactions contemplated hereby; *provided*, that the right to terminate this Agreement under this Section 11.1(b) shall not be available to any party whose breach of this Agreement shall have been the cause of, or shall have resulted in the Final Order that restrains, enjoins or prohibits the consummation of the transactions contemplated hereby;
- (c) by Purchaser (*provided* that Purchaser is not then in material breach of any representation, warranty, covenant, or other agreement contained herein), if there shall have been a material breach or misrepresentation of any of the representations or warranties or a material breach of any of the covenants set forth in this Agreement on the part of Sellers, which breach is not cured within fifteen Business Days following written notice to Sellers or which breach, by its nature, cannot be cured prior to the Closing;
- (d) by Sellers (*provided* that no Seller is then in material breach of any representation, warranty, covenant, or other agreement contained herein), if there shall have been a material breach or misrepresentation of any of the representations or warranties or a material breach of any of the covenants set forth in this Agreement on the part of Purchaser, which breach is not cured within fifteen Business Days following written notice to Purchaser or which breach, by its nature, cannot be cured prior to the Closing;
- (e) by Purchaser (*provided* that Purchaser is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if it shall have reasonably determined that one or more conditions set forth in ARTICLE VIII has not been or cannot be fulfilled or satisfied prior to the date specified in such condition (if such condition specifies a date other than the Closing Date by which such condition must be satisfied);
- (f) by Purchaser if Sellers consummate an Alternative Transaction (other than to or by Purchaser);
- (g) by Sellers (*provided* that no Seller is then in material breach of any representation, warranty, covenant, or other agreement contained herein) if it shall have reasonably determined that one or more conditions set forth in ARTICLE IX has not been or cannot be fulfilled or satisfied prior to the date specified in such condition (if such condition specifies a date other than the Closing Date by which such condition must be satisfied);

(h) by Purchaser, if (A) the Bidding Procedures Order shall not have been entered by the Bankruptcy Court by the close of business on the date that is thirty days following the Petition Date (or by such later date as shall be mutually agreed to by Purchaser and Sellers in writing) or (B) following its entry, the Bidding Procedures Order shall fail to be in full force and effect or shall have been stayed, reversed, modified or amended in any material respect without the prior written consent of Purchaser;

(i) by Purchaser, if (A) the Sale Order shall not have been entered by the Bankruptcy Court by the close of business on the date that is ninety days following the Petition Date (or by such later date as shall be mutually agreed to by Purchaser and Sellers in writing) or (B) following its entry, the Sale Order shall fail to be in full force and effect or shall have been stayed, reversed, modified or amended in any material respect without the prior written consent of Purchaser;

(j) by Sellers if the Sellers reasonably determine in good faith and upon the advice of outside counsel that continued performance under this Agreement would be inconsistent with the exercise of its fiduciary duties under applicable law;

(k) by either Purchaser or Sellers on any day on or after October 21, 2014 if the Closing shall not have been consummated by such date (or by such later date as shall be mutually agreed to by Purchaser and Sellers in writing), *provided, however*, that the right to terminate this Agreement under this Section 11.1(k) shall not be available to any party whose failure to fulfill any material obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date;

(l) by Purchaser, in the event that any Chapter 11 Case is dismissed or converted to a case or cases under Chapter 7 of the Bankruptcy Code, or if a trustee or examiner with expanded powers to operate or manage the financial affairs, the business or the reorganization of Sellers is appointed in any Chapter 11 Case; and

(m) by Purchaser, in the event Sellers and Purchaser do not mutually agree as to the items set forth on Schedule 3.1(a)(i) within ten (10) days after the date hereof.

Section 11.2 Bid Protections.

(a) In the event that this Agreement is terminated pursuant to Section 11.1(b), (c), (e), (f), (i), (j), (k), or (l), Sellers shall pay to Purchaser the Reimbursable Expenses within five (5) Business Days after the delivery by Purchaser to Sellers of notice of demand for payment setting forth a reasonable description of the Reimbursable Expenses.

(b) Any obligation to pay the Reimbursable Expenses hereunder shall be absolute and unconditional. The Reimbursable Expenses, if payable upon the consummation of an Alternative Transaction, shall be paid to the Purchaser from the first cash proceeds of an Alternative Transaction received upon the closing of such transaction, which such portion of the proceeds representing the Reimbursable Expenses amount shall be held in trust by the Sellers for the benefit of the Purchaser until such payment is made. In all other circumstances, such payment shall constitute an administrative expense of Sellers' estates under sections 503(b)(1)(A) and 507(a)(2) of

the Bankruptcy Code and shall be payable as specified herein, and not subject to any defense, claim, counterclaim, offset, recoupment, or reduction of any kind whatsoever. Sellers and Purchaser agree that the Reimbursable Expenses were a material inducement to Purchaser to enter into this Agreement and to consummate the transactions contemplated hereby and shall be payable as specified herein and not subject to any defense, claim, counterclaim, offset, recoupment, or reduction of any kind whatsoever.

(c) This Section 11.2, and the rights and obligations created hereunder, shall survive termination of this Agreement.

Section 11.3 Effect of Termination. In the event of termination of this Agreement by Purchaser or Sellers, except as otherwise provided in this Section 11.3, all rights and obligations of the parties under this Agreement shall terminate without any liability of any party to any other party. The provisions of Section 3.3, Section 11.2, Section 11.3, Section 12.4, Section 13.1, Section 13.7, Section 13.8, Section 13.9, Section 13.10, Section 13.11, and Section 13.12 shall expressly survive the termination or expiration of this Agreement.

ARTICLE XII ADDITIONAL POST-CLOSING COVENANTS

Section 12.1 Employees. As of the Closing Date, Purchaser shall offer employment to all employees of the business (including those employees, on vacation and other approved leaves of absence) (the “Business Employees”) other than such employees set forth on Schedule 12.1 and such offers of employment shall contain terms and conditions of employment (including base salary, base wages and employee benefits) that are consistent with the requirements set forth in Section 12.2 below. On the Closing Date, Sellers shall take all steps necessary to terminate the employment of each Business Employee who is offered employment by Purchaser as set forth in the immediately preceding sentence. The Business Employees who accept Buyer’s offer of employment and who become employed by Buyer shall be referred to herein as “Rehired Employees.”

Section 12.2 Rehired Employees.

(a) Until at least the twelve month anniversary of the Closing, Purchaser shall provide or cause an Affiliate to provide the Rehired Employees with base salaries or base wages, incentive opportunities (excluding equity and equity-based compensation or non-qualified retirement plans or arrangements) and benefit plans, programs, and arrangements that are substantially similar in the aggregate to either (i) the base salaries or base wages, incentive opportunities (excluding equity and equity-based compensation or non-qualified retirement plans or arrangements) and benefit plans, programs, and arrangements provided to Rehired Employees as of the Closing Date or (ii) the base salaries or base wages, incentive opportunities (excluding equity and equity-based compensation or non-qualified retirement plans or arrangements) and benefit plans, programs, and arrangements that Sellers or their Affiliates provide to similarly situated employees.

(b) With respect to each employee benefit plan, practice, or policy of Purchaser or any of its Affiliates under which Rehired Employees participate following the Closing Date, each Rehired Employee shall be given credit under such plan for all service prior to the Closing Date with the applicable Seller or any predecessor employer (but only to the extent such credit was given by such Seller or any predecessor employer under a comparable Employee Benefit Plan as of the Closing Date), for purposes of determining eligibility and vesting and for all other purposes for which such service is either taken into account or recognized; *provided, however*, such service need not be credited to the extent it would result in a duplication of benefits or benefit accrual under any defined benefit plan. Such service also shall apply for purposes of satisfying any waiting periods, evidence of insurability requirements, or the application of any preexisting condition limitations to the same extent such service was recognized under a comparable Employee Benefit Plan as of the Closing Date. In the plan year that includes the Closing Date, Rehired Employees shall be given credit for amounts paid under a corresponding Employee Benefit Plan during the same period for purposes of applying deductibles, co-payments, and out-of-pocket maximums as though such amounts had been paid in accordance with the terms and conditions of the comparable employee benefit plan of Purchaser.

(c) Purchaser shall credit or shall cause an Affiliate to continue to credit to each Rehired Employee all vacation, sick, and personal holiday pay that the Rehired Employee is entitled to use but has not used as of the Closing Date (including any earned vacation or personal holiday pay to be used in future years), and shall assume all liability for the payment of such amounts.

(d) Purchaser and the buying group (as defined in Treasury Regulation Section 54.4980B-9, Q&A-2(c)) of which it is a part shall be solely responsible for providing COBRA continuation coverage pursuant to (i) Section 4980B(f) of the Code, Part 6 of Subtitle B of Title I of ERISA and similar state Law to those individuals who are M&A qualified beneficiaries (as defined in Treasury Regulation Section 54.4980B-9, Q&A-4(b)) with respect to the transactions contemplated by this Agreement (collectively, the “M&A Qualified Beneficiaries”), and (ii) Title III of Division B of the American Recovery and Reinvestment Act of 2009, as amended, and all guidance promulgated thereunder, to the extent applicable with respect to the M&A Qualified Beneficiaries.

(e) Nothing in this Section 12.2 or any other provision of this Agreement shall be construed to modify, amend or establish any benefit plan, program or arrangement or affect the ability of the parties hereto or any other person to modify, amend or terminate any of its benefit plans, programs or arrangements. This Section 12.2 is not intended to, and shall not be construed to, confer upon any person other than the parties to this Agreement any rights or remedies hereunder or is intended to confer upon any current or former employee any right to employment or continued employment for any period of time by reason of this Agreement, or any right to a particular term or condition of employment.

Section 12.3 Joint Post-Closing Covenant of Purchaser and Seller. Purchaser and Sellers jointly covenant and agree that, from and after the Closing Date, Purchaser and each

Seller will each use commercially reasonable efforts to cooperate with each other in connection with any action, suit, proceeding, investigation, or audit of the other relating to (a) the preparation of an audit of any Tax Return of each Seller or Purchaser for all periods prior to or including the Closing Date and (b) any audit of Purchaser and/or any audit of each Seller with respect to the sales, transfer, and similar Taxes imposed by the laws of any state or political subdivision thereof, relating to the transactions contemplated by this Agreement. In furtherance hereof, Purchaser and each Seller further covenant and agree to promptly respond to all reasonable inquiries related to such matters and to provide, to the extent reasonably possible, substantiation of transactions and to make available and furnish appropriate documents and personnel in connection therewith. All costs and expenses incurred in connection with this Section 12.3 referred to herein shall be borne by the party who is subject to such action.

Section 12.4 Tax Matters. Purchaser and each Seller shall report and file all Tax Returns (including amended Tax Returns and claims for refund) consistent with the Allocation, and shall take no position contrary thereto or inconsistent therewith (including, without limitation, in any audits or examinations by any Governmental Authority or any other proceeding). Purchaser and each Seller shall cooperate in the filing of any forms (including Form 8594 under section 1060 of the Code) with respect to the Allocation. Notwithstanding any other provision of this Agreement, the terms and provisions of this Section 12.4 shall survive the Closing without limitation.

Section 12.5 Post-Closing Access. During the two (2) years immediately following the Closing Date, Purchaser shall preserve and retain all corporate, accounting, Tax, legal, auditing, and other Books and Records relating to the conduct of the Business and operations of each Seller prior to the Closing Date and shall not transfer, destroy, or discard any such Books and Records without the Sellers' prior written consent. After the Closing Date and during the aforementioned period, Purchaser shall permit Sellers to have reasonable access to, and to inspect and copy, during normal business hours and upon reasonable advance notice, all materials referred to in this Section 12.5; *provided*, that such access does not unreasonably interfere with the normal operations of Purchaser.

ARTICLE XIII MISCELLANEOUS

Section 13.1 Expenses. Except as set forth in Section 11.2, each party hereto shall bear its own costs and expenses, including attorneys' fees, with respect to the transactions contemplated hereby. Notwithstanding the foregoing, in the event of any action or proceeding to interpret or enforce this Agreement, the prevailing party in such action or proceeding (i.e., the party who, in light of the issues contested or determined in the action or proceeding, was more successful) shall be entitled to have and recover from the non-prevailing party such costs and expenses (including, without limitation, all court costs and reasonable attorneys' fees) as the prevailing party may incur in the pursuit or defense thereof.

Section 13.2 Amendment. This Agreement may not be amended, modified, or supplemented except by a written instrument signed by Sellers and Purchaser.

Section 13.3 Notices. All notices, requests, demands, and other communications permitted or required to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed conclusively to have been given (i) when personally delivered, (ii) when sent by facsimile (with hard copy to follow) during a Business Day (or on the next Business Day if sent after the close of normal business hours or on any non-Business Day), (iii) when sent by electronic mail (with hard copy to follow) during a Business Day (or on the next Business Day if sent after the close of normal business hours or on any non-Business Day), (iv) one (1) Business Day after being sent by reputable overnight express courier (charges prepaid), or (v) three (3) Business Days following mailing by certified or registered mail, postage prepaid, and return receipt requested. Unless another address is specified in writing, notices, requests, demands and communications to the parties shall be sent to the addresses indicated below:

To Sellers: FTI Consulting
 2001 Ross Avenue, Suite 400
 Dallas, TX 75201
 Attn: Stephen Dubé
 Attn: Chris Post
 Fax: (214) 853-5601
 E-mail: stephen.dube@fticonsulting.com
 E-mail: chris.post@fticonsulting.com

with copy to: Kirkland & Ellis LLP
 300 North LaSalle
 Chicago, Illinois 60654
 Attn: David L. Eaton
 Attn: Michael Weitz
 Fax: (312) 862-2200
 E-mail: david.eaton@kirkland.com
 E-mail: michael.weitz@kirkland.com

To Purchaser, to: Cortland Capital Market Services LLC
 225 West Washington Street, Suite 2100
 Chicago, IL 60606
 Attn: Joanna Anderson
 E-mail: joanna.anderson@cortlandglobal.com

with copy to: Ropes & Gray LLP
 Prudential Tower, 800 Boylston Street
 Boston, MA 02199-3600
 Attn: Alyson Allen and Mark Bane
 E-mail: alyson.allen@ropesgray.com
 mark.bane@ropesgray.com

Section 13.4 Waivers. The failure of a party hereto at any time or times to require performance of any provision hereof shall in no manner affect its right at a later time to enforce

the same. No waiver by a party of any condition or of any breach of any term, covenant, representation, or warranty contained in this Agreement shall be effective unless in writing by Sellers, in the case of a waiver by Sellers, or Purchaser, in the case of any waiver by Purchaser, and no waiver in any one or more instances shall be deemed to be a further or continuing waiver of any such condition or breach of other instances or a waiver of any other condition or breach of any other term, covenant, representation, or warranty.

Section 13.5 Electronic Delivery; Counterparts. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, may be executed in one or more counterparts, all of which shall constitute one and the same instrument. Any such counterpart, to the extent delivered by means of a facsimile machine or by .pdf, .tif, .gif, .peg, or similar attachment to electronic mail (any such delivery, an “Electronic Delivery”) shall be treated in all manner and respects as an original executed counterpart and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto, each other party hereto or thereto shall re-execute the original form of this Agreement and deliver such form to all other parties. No party hereto shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract and each such party forever waives any such defense, except to the extent such defense relates to lack of authenticity.

Section 13.6 Headings. The headings preceding the text of the Articles and Sections of this Agreement and the Exhibits and the Schedules are for convenience only and shall not be deemed part of this Agreement.

Section 13.7 SUBMISSION TO JURISDICTION. THE PARTIES HEREBY AGREE THAT ANY AND ALL CLAIMS, ACTIONS, CAUSES OF ACTION, SUITS, AND PROCEEDINGS RELATING TO THIS AGREEMENT OR THE OTHER AGREEMENTS CONTEMPLATED HEREIN SHALL BE FILED AND MAINTAINED ONLY IN THE BANKRUPTCY COURT, AND THE PARTIES HEREBY CONSENT TO THE JURISDICTION OF THE BANKRUPTCY COURT.

Section 13.8 Specific Performance. Purchaser acknowledges and agrees that (i) irreparable damage would occur in the event that any of the provisions of this Agreement are not performed in accordance with specific terms or are otherwise breached and (ii) remedies at law would not be adequate to compensate Sellers. Accordingly, Purchaser agrees that each Seller shall have the right, in addition to any other rights and remedies existing in its favor (including the release of the Deposit to Seller, if applicable), to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce its rights and obligations hereunder not only by an action or actions for damages but also by an action or actions for specific performance, injunctive relief, and/or other equitable relief. The right to equitable relief, including specific performance or injunctive relief, shall exist notwithstanding, and shall not be limited by, any other provision of this Agreement. Purchaser hereby waives any defense that a remedy at law is adequate and any requirement to post bond or other security in connection with actions instituted for injunctive relief, specific performance or other equitable remedies.

Section 13.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (regardless of the laws that might otherwise govern under applicable Illinois principles of conflicts of law) as to all matters, including matters of validity, construction, effect, performance, and remedies.

Section 13.10 Binding Nature; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by any of the parties hereto without prior written consent of the other parties (which shall not be unreasonably withheld or delayed).

Section 13.11 No Third Party Beneficiaries. Except as set forth herein, this Agreement is solely for the benefit of the parties hereto and nothing contained herein, express or implied, is intended to confer on any Person other than (i) the parties hereto or their successors and permitted assigns and (ii) the Seller, any rights, remedies, obligations, Claims, or causes of action under or by reason of this Agreement.

Section 13.12 Materiality; Disclosure Schedules. As used in this Agreement, unless the context would require otherwise, the terms “material” or “material to Seller” and the concept of “material” nature of an effect upon Sellers shall be measured relative to the entire Business, taken as a whole. There likely will be, however, included in the Disclosure Schedules and may be included elsewhere in this Agreement, items which are not “material” within the meaning of the immediately preceding sentence in order to avoid any misunderstanding, and such inclusion shall not be deemed to be an agreement by Sellers that such items are “material” or to further define the meaning of such term for purposes of this Agreement.

Section 13.13 Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to this Agreement to express their mutual intent, and no rule of strict construction shall be applied against any party. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and Regulations promulgated thereunder, unless the context requires otherwise.

Section 13.14 Entire Understanding. This Agreement, the Exhibits, and the Schedules set forth the entire agreement and understanding of the parties hereto in respect to the transactions contemplated hereby and the Agreement, the Exhibits and the Schedules supersede all prior agreements, arrangements and understandings relating to the subject matter hereof and are not intended to confer upon any other Person any rights or remedies hereunder.

Section 13.15 Closing Actions. All deliveries, payments and other transactions and documents relating to the Closing shall be interdependent, and none shall be effective unless and until all are effective (except to the extent that the party entitled to the benefit thereof has waived satisfaction or performance thereof as a condition precedent to the Closing).

Section 13.16 Conflict Between Transaction Documents. The parties hereto agree and acknowledge that to the extent any terms and provisions of this Agreement are in any way inconsistent with or in conflict with any term, condition or provision of any other agreement or document referred to herein, this Agreement shall govern and control.

Section 13.17 No Survival. Except as set forth in this Section 13.17, the representations, warranties and covenants of Sellers and Purchaser contained in this Agreement or in any instrument delivered in connection herewith shall not survive the Closing. Notwithstanding the foregoing, the following covenants shall survive the Closing: (i) Purchaser's obligations under ARTICLES VII and XII and Sections 12.5 and 13.1 and (ii) Sellers' obligations under ARTICLE XII and Section 13.1

* * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Asset Purchase Agreement to be executed and delivered on the date first above written.

PURCHASER:

**CORTLAND CAPITAL MARKET
SERVICES LLC**

By: _____

Name: _____

Its: _____

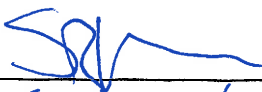

Christopher Capezuti
Director

SELLERS

By: _____

Name: _____

Their: _____


STEPHEN DUSE
C.R.O.

[Signature Page to Asset Purchase Agreement]

SCHEDULES¹

to the

ASSET PURCHASE AGREEMENT

dated as of June 22, 2014

among

Cortland Capital Market Services, LLC,
as Purchaser

and

Source Home Entertainment, LLC,

Source Interlink Distribution, LLC,

Source Interlink Manufacturing, LLC,

Directtou, Inc.,

RDS Logistics, LLC,

Retail Vision, LLC,

Source Interlink International, Inc., and

Source Interlink Retail Services, LLC

as Sellers

¹ Pursuant to the terms of the Stalking Horse APA, the Debtors shall provide the Stalking Horse Bidder with complete Disclosure Schedules prior to July 7, 2014. The Debtors intend to file a revised form of Stalking Horse APA incorporating complete Disclosure Schedules once the Disclosure Schedules are finalized.

Schedule 2.1(a)(v) - Assumed Contracts

1. [TO COME]

Schedule 2.1(a)(xvi) - Owned Real Property

1. [TO COME]

Schedule 2.1(a)(xix) - Employee Benefit Plans

1. [TO COME]

Schedule 2.1(a)(xxii) - Other Assets

1. [TO COME]

Schedule 2.1(a)(xxiv) - Factory Equipment and Furnishings

1. [TO COME]

Schedule 2.1(a)(xxvii) - License

1. [TO COME]

Schedule 2.3(e) - Excluded Assets

1. [TO COME]

Schedule 2.4(k) - Other Excluded Liabilities

1. [TO COME]

Schedule 3.1(a)(i) - Purchase Price Adjustment

- A. Purchase Price Adjustment. If the Closing Date occurs on or following September 30, 2014, the Purchase Price shall be calculated as follows:
1. A credit bid of \$24,000,000 in principal amount due under the Term Loan; *plus*
 2. the assumption of, and the undertaking to discharge, the Assumed Obligations by Purchaser; *plus*
 3. the amount, if any, by which the Estimated Working Capital (defined below) exceeds the Working Capital Target (defined below).
- B. Assumed Cash. Pursuant to Section 2.1(a)(i), and subject in all respects to the limitations contained therein), the amount of cash and cash equivalents to be assumed by Purchaser pursuant to Section 2.1 (the “Assumed Cash”) shall be adjusted as follows:
1. If the Closing Date occurs on or following August 25, 2014, but prior to September 8, 2014, the Assumed Cash shall equal \$4,000,000 *plus* \$1,000,000.
 2. If the Closing Date occurs on or following September 8, 2014, but prior to September 22, 2014, the Assumed Cash shall equal \$4,000,000 *plus* \$500,000.
 3. If the Closing Date occurs on or following September 22, 2014, but prior to September 30, 2014, there shall be no adjustment to Assumed Cash (i.e., Assumed Cash shall equal \$4,000,000).
 4. If the Closing Date occurs on or following September 30, 2014, the Assumed Cash shall equal \$4,000,000 *plus* the amount, if any, by which the Working Capital Target exceeds the Estimated Working Capital.
- C. Closing Estimates. If the Closing Date is reasonably expected to occur on or following September 30, 2014, Sellers will furnish to Purchaser no less than five Business Days prior to the Closing Date, (a) a written statement (the “Estimated Closing Statement”) setting forth in reasonable detail their reasonable, good faith estimate of, as of the close of business on the Business Day immediately prior to the Closing, the Working Capital (as defined below) of the Business (the “Estimated Working Capital Amount”) and (b) an unaudited estimated consolidated balance sheet of Manufacturing Seller as of the close of business on the Business Day immediately prior to the Closing. Sellers will make available to Purchaser and its auditors and advisors access to the personnel, books, records, work papers, documents and other information used in preparing the Estimated Closing Statement.
- D. Post-Closing Adjustment Mechanics.
1. At the election of Purchaser, Purchaser may, within 60 days of the Closing Date, prepare and furnish to Sellers (i) an unaudited consolidated balance sheet of Manufacturing Seller as of the close of business on the Business Day immediately prior to the Closing Date (the “Proposed Closing Balance Sheet”) and (ii) a written statement (the “Proposed

Closing Statement”) setting forth in reasonable detail the actual amount of the Working Capital of the Business as of the close of business on the Business Day immediately prior to the Closing Date as reflected on the Proposed Closing Balance Sheet, and based on such estimates, a reasonable, good faith estimate of the adjusted Purchase Price or the adjusted Assumed Cash. If Purchaser furnishes the Proposed Closing Balance Sheet and Proposed Closing Statement in accordance with the preceding sentence, Purchaser shall be deemed to have made a “Post-Closing Adjustment Election.” Purchaser will provide Sellers and their representatives with reasonable access to the personnel, books, records, documents and other information of the Business, in order to permit its review of the Proposed Closing Balance Sheet and the Proposed Closing Statement.

2. The Proposed Closing Balance Sheet, the Proposed Closing Statement and the determinations and calculations contained therein will be final, conclusive and binding on the parties unless Sellers provide a written notice (a “Dispute Notice”) to Purchaser no later than 15 days after delivery to Sellers of the Proposed Closing Balance Sheet and Proposed Closing Statement setting forth in reasonable detail the nature of such disagreement. If a Dispute Notice complying with the preceding sentence is received by Purchaser in a timely manner, then the Proposed Closing Statement and the Proposed Closing Balance Sheet (each, as revised in accordance with clause (x) or (y) below) shall become final, binding and non-appealable (after complying with Section D(3)) upon the earlier of (x) the date on which the parties resolve in writing any disputes with respect to the matters specified in the Dispute Notice or (y) the date on which any such disputes are finally resolved in writing by the Accounting Firm (as defined below). As used herein, the Proposed Closing Balance Sheet and the Proposed Closing Statement, as adjusted to reflect any changes agreed to by the parties and the decisions of the Accounting Firm, are referred to herein as the “Final Closing Balance Sheet” and the “Final Closing Statement,” respectively.
 3. During the thirty (30) day period following the delivery of a Dispute Notice in compliance with paragraph (2) above, the parties shall seek in good faith to resolve any disputes with respect to the matters specified in the Dispute Notice. If, at the end of such thirty (30) day period, the parties have not resolved such disputes, the parties shall submit to the national office of a mutually acceptable "big four" accounting firm (the “Accounting Firm”) for review and resolution of any and all matters that remain in dispute. The parties shall use their respective good faith efforts to cause the Accounting Firm to render a decision resolving the matters in dispute within thirty (30) days following the submission of such matters to the Accounting Firm. The Accounting Firm's determination shall be set forth in a written statement delivered to the parties and shall be final, binding and non-appealable, absent manifest or mathematical errors. All fees and expenses of the Accounting Firm shall be borne equally by Sellers and Purchaser.
- E. Post-Closing Adjustments to the Purchase Price. If Purchaser has exercised its Post-Closing Adjustment Election, (i) Purchaser shall adjust the credit bid portion of the Purchase Price by the amount, if any, by which the Working Capital (as finally determined in accordance with Section D and as set forth in the Final Closing Statement and Final Closing Balance Sheet) exceeds the Estimated Working Capital or (ii) subject to the limitations set forth in Section

2.1(a)(i) of the APA, and only if the Closing Date occurs on or after September 30, 2014, Sellers shall pay to Purchaser by wire transfer of immediately available funds the amount, if any, by which the Estimated Working Capital exceeds the Working Capital (as finally determined in accordance with Section D hereof and as set forth in the Final Closing Statement and Final Closing Balance Sheet).

- F. Definitions. Capitalized terms not otherwise defined in this Schedule 3.1(a)(i) shall have the meanings set forth below.

“Accounts Receivable” means as of the Closing Date, all accounts receivables, trade receivables, notes receivables, and other miscellaneous receivables, whether current or overdue, of any Seller relating to the Business.

“Working Capital” means the amount equal to (i) Accounts Receivable (net of reserves for doubtful accounts) (excluding than Excluded Accounts Receivable), *plus* (ii) Inventories (net of obsolete, excess or discontinued inventory), *minus* (iii) trade account payables that are Assumed Obligations *minus* (iv) accrued purchases that are Assumed Obligations, each calculated in accordance with generally accepted accounting principles of the United States, consistently applied, and consistent with the principles, policies, methods and procedures as those used in preparation of the Sellers’ balance sheets provided to Purchaser by Sellers prior to the date hereof.

“Working Capital Target” means an amount equal to \$10,558,000.

Schedule 4.4 - No Conflicts or Violations

1. [TO COME]

Schedule 4.5 - Seller Financial Statements

1. [TO COME]

Schedule 4.6(a) - Title to Assets

1. [TO COME]

Schedule 4.7(a) - Employee Benefit Plans

1. [TO COME]

Schedule 4.8 - Labor Matters

1. [TO COME]

Schedule 4.9 - Personnel Matters

1. [TO COME]

Schedule 4.10 - Litigation

1. [TO COME]

Schedule 4.11 - Taxes

1. [TO COME]

Schedule 4.12 - Compliance With Law

1. [TO COME]

Schedule 4.13 - Undisclosed Liabilities

1. [TO COME]

Schedule 4.14 - Intellectual Property

Schedule 4.14(a)

1. [TO COME]

Schedule 4.14(b)

1. [TO COME]

Schedule 4.14(c)

1. [TO COME]

Schedule 4.15 - Accounts Receivable

1. [TO COME]

Schedule 4.16 - Material Contracts

1. [TO COME]

Schedule 4.17 - Brokers

1. [TO COME]

Schedule 4.18 - Certain Developments

1. [TO COME]

Schedule 6.2 - Conduct of the Business Pending Closing

1. [NONE]

Schedule 12.1 - Employees

1. [TO COME]

Exhibit C

Proposed Sale Order

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

In re:

SOURCE HOME ENTERTAINMENT, LLC, *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 14-11553 (KG)
)
) (Jointly Administered)
)
) **Re: Docket Nos.**

**ORDER (A) APPROVING THE ASSET PURCHASE AGREEMENT BETWEEN THE
DEBTORS AND THE PURCHASER, (B) AUTHORIZING THE SALE OF CERTAIN OF
THE ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES, AND
INTERESTS, (C) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF
CONTRACTS, AND (D) GRANTING RELATED RELIEF**

Upon the motion (the “Sale Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”), for entry of an order (the “Sale Order”): (a) approving that certain asset purchase agreement, dated as of June 22, 2014 (as the same may have been amended from time to time and attached hereto as **Exhibit 1**, the “Agreement”) by and between the Debtors and Cortland Capital Market Services, LLC (the “Purchaser”); (b) authorizing and approving the sale (the “Sale”) of the Assets free and clear of all liens, liabilities, claims, interests, and other encumbrances as set forth in the Agreement; (c) authorizing the Debtors to assume and assign the contracts set forth on **Exhibit 2** hereto (the “Assumed Contracts”) to the Purchaser, and (d) granting certain related relief; and this Court, in furtherance of the Motion, having entered an order on [•], 2014 (the “Bidding Procedures Order”) approving, among other

¹ The Debtors, together with the last four digits of each Debtor’s federal tax identification number, are: Source Home Entertainment, LLC (8517); Directtou, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors’ corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Sale Motion or the Agreement, as applicable.

things, the proposed Bidding Procedures appended to the Bidding Procedures Order, the Reimbursable Expenses for the Purchaser, notice of the Sale, and procedures for determining and fixing cure costs to be paid in respect of Assumed Contracts; and the Debtors having determined, after an extensive marketing process, that the Purchaser has submitted the highest and best bid for the Assets; and upon adequate and sufficient notice of the Sale Motion, the Bidding Procedures, the Auction, the Agreement, and all other related transactions contemplated thereunder and in this Sale Order having been given in the manner directed by the Court in the Bidding Procedures Order; and all interested parties having been afforded an opportunity to be heard with respect to the Sale Motion and all relief related thereto; and the Court having reviewed and considered (i) the Sale Motion and all relief related thereto, (ii) the objections thereto and (iii) the Court having heard statements of counsel and the evidence presented in support of the relief requested by the Debtors in the Sale Motion at a hearing before the Court on [•], 2014 (the “Sale Hearing”); and it appearing that the Court has jurisdiction over this matter; and it further appearing that the legal and factual bases set forth in the Sale Motion and at the Sale Hearing establish just cause for the relief granted herein; and it appearing that the relief requested in the Sale Motion is in the best interests of the Debtors, their estates, their creditors, and all other parties in interest; and upon the record of the Sale Hearing and all other pleadings and proceedings in these chapter 11 cases, including the Sale Motion; and after due deliberation thereon; and good and sufficient cause appearing therefor,

THE COURT HEREBY FINDS AND DETERMINES THAT:³

Jurisdiction, Final Order, and Statutory Predicates

A. This Court has jurisdiction to hear and determine the Sale Motion pursuant to 28 U.S.C. §§ 157(b)(1) and 1334(a). This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (N) and (O). Venue is proper in this District and in the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. The statutory predicates for the relief requested in the Sale Motion are sections 105(a), 363, and 365 of the Bankruptcy Code and Bankruptcy Rules 2002(a)(2), 6004, 6006, 9007 and 9014.

C. This Sale Order constitutes a final order within the meaning of 28 U.S.C. § 158(a). Notwithstanding Bankruptcy Rules 6004(h) and 6006(d), and to any extent necessary under Bankruptcy Rule 9014 and Rule 54(b) of the Federal Rules of Civil Procedure, as made applicable by Bankruptcy Rule 7054, the Court expressly finds that there is no just reason for delay in the implementation of this Sale Order, waives any stay and expressly directs entry of judgment as set forth herein.

Notice of the Sale, Auction, and Cure Amounts

D. Actual written notice of the Sale Motion, and a reasonable opportunity to object or be heard with respect to the Sale Motion and the relief requested therein, has been afforded to all known interested entities, including, but not limited to the following parties (the “Notice Parties”): (i) the U.S. Trustee; (ii) the holders of the 35 largest unsecured claims

³ 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. All findings of fact and conclusions of law announced by the Court at the Sale Hearing in relation to the Sale Motion are hereby incorporated herein to the extent not inconsistent herewith. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

against the Debtors (on a consolidated basis); (iii) counsel to the Stalking Horse Bidder; (iv) all parties who have expressed a written interest in some or all of the Assets; (v) all known holders of liens, encumbrances, and other claims secured by the Assets; (vi) the Internal Revenue Service; (vii) all applicable state and local taxing authorities; (viii) each governmental agency that is an interested party with respect to the Sale and transactions proposed thereunder; (ix) counsel to any committees formed in these chapter 11 cases; and (x) all parties that have requested or that are required to receive notice pursuant to Bankruptcy Rule 2002.

E. Actual written notice of the auction for the Sale of the Assets that was scheduled for [•], 2014 (the “Auction”), the Sale Hearing, the Sale of the Assets, and a reasonable opportunity to object or be heard with respect thereto, has been afforded to all known interested entities, including, but not limited to the following parties: (i) the U.S. Trustee; (ii) counsel to the Committee of Unsecured Creditors (the “Committee,” or, if no Committee has been appointed, the holders of the 35 largest unsecured claims against the Debtors (on a consolidated basis); (iii) counsel to the Stalking Horse Bidder; (iv) counterparties to the Contracts (the “Contract Counterparties”); (v) all parties who have expressed a written interest in some or all of the Assets; (vi) all parties who are known or reasonably believed, after reasonable inquiry, to have asserted any lien, encumbrance, claim, or interest in the Assets; (vii) the Internal Revenue Service; (viii) all applicable state and local taxing authorities; (ix) each governmental agency that is an interested party with respect to the Sale and transactions proposed thereunder; and (x) all parties that have requested or that are required to receive notice pursuant to Bankruptcy Rule 2002 (collectively, the “Notice Parties”).

F. The Debtors caused notice of the Auction, the Sale, and the Sale Hearing to be published in USA Today and the Chicago Tribune, as provided by the Bidding Procedures Order.

G. Notice of the Auction, Sale Hearing, and Sale was was timely, proper, and reasonably calculated to provide the Notice Parties and all other interested parties with timely and proper notice of the Auction, the Sale, and the Sale Hearing.

H. In accordance with the provisions of the Bidding Procedures Order, the Debtors have served notice upon the Contract Counterparties: (i) that the Debtors seek to assume and assign to the Purchaser the Contracts on the Closing Date (as defined in the Agreement); and (ii) of the relevant Cure Amounts (defined below). The service of such notice was good, sufficient, and appropriate under the circumstances, and no further notice need be given in respect of establishing a Cure Amount for the Contracts. Each of the Contract Counterparties has had or will have had an opportunity to object to the Cure Amounts set forth in the notice and to the assumption and assignment to the Purchaser of the applicable Contract.

I. As evidenced by the affidavits of service and affidavits of publication previously filed with the Court, proper, timely, adequate, and sufficient notice of the Sale Motion, the Auction, the Sale Hearing, the Sale, and the transactions contemplated thereby, including without limitation, the assumption and assignment of the Contracts to the Purchaser, has been provided in accordance with the Bidding Procedures Order and sections 105(a), 363, and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006, 9007, and 9008. The notices described herein were good, sufficient, and appropriate under the circumstances, and no other or further notice of the Sale Motion, the Auction, the Sale Hearing, the Sale, or the assumption and assignment of the Assumed Contracts to the Purchaser is or shall be required.

J. The disclosures made by the Debtors concerning the Sale Motion, the Agreement, the Auction, the Sale Hearing, the Sale, and the assumption and assignment of the Assumed Contracts to the Purchaser were good, complete and adequate.

K. A reasonable opportunity to object and be heard with respect to the Sale and the Sale Motion and the relief requested therein (including the assumption and assignment of Assumed Contracts to the Purchaser and any Cure Costs related thereto), has been afforded to all interested persons and entities, including the Notice Parties.

Good Faith of Purchaser

L. The Agreement was negotiated, proposed, and entered into by the Debtors and the Purchaser without collusion, in good faith, and from arms'-length bargaining positions.

M. Neither the Debtors nor the Purchaser have engaged in any conduct that would cause or permit the Agreement to be avoided under Bankruptcy Code section 363(n). Specifically, the Purchaser has not acted in a collusive manner with any person and the Purchase Price was not controlled by any agreement among the bidders.

N. The Purchaser is purchasing the Assets in good faith and is a good faith buyer within the meaning of section 363(m) of the Bankruptcy Code. The Purchaser has proceeded in good faith in all respects in connection with the Sale including, but not limited to: (a) agreeing to subject its bid to the competitive bidding process contemplated in the Bidding Procedures Order in good faith; (b) complying with the provisions in the Bidding Procedures Order; (c) neither inducing nor causing the chapter 11 filings by the Debtors; and (d) disclosing all payments to be made by the Purchaser in connection with the Sale. The Purchaser is therefore entitled to all of the protections afforded under section 363(m) of the Bankruptcy Code.

Highest and Best Offer

O. The Debtors conducted an auction and sale process in accordance with, and have otherwise complied in all respects with, the Bidding Procedures Order. The auction process set forth in the Bidding Procedures Order afforded a full, fair, and reasonable opportunity for any person or entity to make a higher or otherwise better offer to purchase the Assets. The Auction was duly noticed and conducted in a noncollusive, fair, and good faith manner, and a reasonable opportunity has been given to any interested party to make a higher and better offer for the Assets.

P. The Debtors are indebted to certain lenders (the “Term Loan Lenders”) under the Debtors’ prepetition secured first lien term loan agreement dated as of October 4, 2013 (as amended, the “Term Loan Agreement”). As of the Petition Date, the Debtors’ obligations to the Term Loan Lenders under the Term Loan Agreement were approximately \$51.9 million in principal, plus accrued and unpaid interest thereon and fees and expenses.

Q. In connection with the Sale and the Agreement, the Term Loan Lenders holding a majority of the debt outstanding under the Term Loan Agreement (the “Required Lenders”) directed the Purchaser (as the agent under the Term Loan Agreement) to make a credit bid of \$[•] on behalf of the Term Loan Lenders (the “Credit Bid”). The Purchaser, pursuant to the direction from Required Lenders, submitted the Credit Bid. The Credit Bid was accepted by the Debtors, complied with the provisions of section 363(k) of the Bankruptcy Code and was a valid exercise of the Purchaser’s rights, responsibilities, and obligations under the Term Loan Agreement. The Credit Bid shall be consummated as set forth in the Agreement and as authorized in this Sale Order.

R. The Agreement constitutes the highest and best offer for the Assets, and will provide a greater recovery for the Debtors’ estates than would be provided by any other

available alternative. The Debtors' determination that the Agreement constitutes the highest and best offer for the Assets constitutes a valid and sound exercise of the Debtors' business judgment.

S. The Agreement represents a fair and reasonable offer to purchase the Assets under the circumstances of this chapter 11 case. No other entity or group of entities has offered to purchase the Assets for greater overall value to the Debtor's estates than the Purchaser.

T. Approval of the Sale Motion and the Agreement and the consummation of the transactions contemplated thereby is in the best interests of the Debtors' chapter 11 estates, their creditors, and other parties in interest.

No Fraudulent Transfer or Merger

U. The consideration provided by the Purchaser pursuant to the Agreement (i) is fair and reasonable, (ii) is the highest or best offer for the Assets, and (iii) constitutes reasonably equivalent value (as those terms are defined in each of the Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act, and section 548 of the Bankruptcy Code) and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia. No other person or entity or group of entities has offered to purchase the Assets for greater overall value to the Debtors' estates than the Purchaser. Approval of the Sale Motion and the Agreement and the consummation of the transactions contemplated thereby is in the best interests of the Debtors, their estates, creditors and other parties in interest.

V. The Purchaser is not a mere continuation of the Debtors or their estates and there is no continuity of enterprise between the Purchaser and the Debtors. The Purchaser is not holding itself out to the public as a continuation of the Debtors. The Purchaser is not a successor to the Debtors or their estates and the Sale does not amount to a consolidation, merger, or de facto merger of Purchaser and the Debtors.

Validity of Transfer

W. Each Debtor has, to the extent necessary or applicable, (i) full corporate power and authority to execute and deliver the Agreement and all other documents contemplated thereby, (ii) all corporate authority necessary to consummate the transactions contemplated by the Agreement, and (iii) taken all corporate action necessary to authorize and approve the Agreement and the consummation of the transactions contemplated thereby. The Sale has been duly and validly authorized by all necessary corporate action. No consents or approvals, other than those expressly provided for in the Agreement, are required for the Debtors to consummate the Sale, the Agreement, or the transactions contemplated thereby.

X. The Agreement was not entered into for the purpose of hindering, delaying or defrauding creditors under the Bankruptcy Code or under the laws of the United States, any state, territory, possession or the District of Columbia. Neither the Debtors nor the Purchaser is entering into the transactions contemplated by the Agreement fraudulently for the purpose of statutory and common law fraudulent conveyance and fraudulent transfer claims.

Y. The Debtors are the sole and lawful owners of the Assets. Subject to section 363(f) of the Bankruptcy Code, the transfer of each of the Assets to the Purchaser will be, as of the Closing Date, a legal, valid, and effective transfer of the Assets, which transfer vests or will vest the Purchaser with all right, title, and interest of the Debtors to the Assets free and clear of (i) all liens and encumbrances relating to, accruing, or arising any time prior to the Closing Date (collectively, the “Liens”) and (ii) all debts arising under, relating to, or in connection with any act of the Debtors or claims (as that term is defined in Section 101(5) of the Bankruptcy Code), liabilities, obligations, demands, guaranties, options in favor of third parties, rights, contractual commitments, restrictions, interests, and matters of any kind and nature, whether arising prior to or subsequent to the commencement of these cases, and whether imposed by

agreement, understanding, law, equity or otherwise (including, without limitation, rights with respect to Claims (as defined below) and Liens (A) that purport to give to any party a right of setoff or recoupment against, or a right or option to effect any forfeiture, modification, profit sharing interest, right of first refusal, purchase or repurchase right or option, or termination of, any of the Debtors' or the Purchaser's interests in the Assets, or any similar rights, or (B) in respect of taxes, restrictions, rights of first refusal, charges of interests of any kind or nature, if any, including, without limitation, any restriction of use, voting, transfer, receipt of income or other exercise of any attributes of ownership) (collectively, as defined in this clause (ii), "Claims"), relating to, accruing or arising any time prior to the Closing Date, with the exception of Permitted Liens and Assumed Obligations that are expressly assumed by Purchaser under the Agreement, including, for the avoidance of doubt, Cure Costs or any obligations arising at or after Closing arising under the Contracts.

Section 363(f) is Satisfied

Z. The conditions of Section 363(f) of the Bankruptcy Code have been satisfied in full; therefore, the Debtors may sell the Assets free and clear of any interest in the property other than the Permitted Liens and Assumed Obligations.

AA. The Purchaser would not have entered into the Agreement and would not consummate the transactions contemplated thereby if the sale of the Assets to the Purchaser and the assumption of any Assumed Obligations by the Purchaser were not free and clear of all Liens and Claims, other than Permitted Liens and the Assumed Obligations, or if the Purchaser would, or in the future could, be liable for any of such Liens and Claims (other than Permitted Liens and the Assumed Obligations). Unless otherwise expressly included in Permitted Liens or Assumed Obligations, the Purchaser shall not be responsible for any Liens or Claims, including in respect of the following: (i) any labor or employment agreements; (ii) all mortgages, deeds of trust and

security interests; (iii) intercompany loans and receivables among the Debtors, (iv) any pension, welfare, compensation, or other employee benefit plans, agreements, practices, and programs, including, without limitation, any pension plan of any Debtor; (v) any other employee, worker's compensation, occupational disease, or unemployment or temporary disability related claim, including, without limitation, claims that might otherwise arise under or pursuant to (A) the Employee Retirement Income Security Act of 1974, as amended, (B) the Fair Labor Standards Act, (C) Title VII of the Civil Rights Act of 1964, (D) the Federal Rehabilitation Act of 1973, (E) the National Labor Relations Act, (F) the Worker Adjustment and Retraining Act of 1988, (G) the Age Discrimination and Employee Act of 1967 and Age Discrimination in Employment Act, as amended, (H) the Americans with Disabilities Act of 1990, (I) the Consolidated Omnibus Budget Reconciliation Act of 1985, (J) state discrimination laws, (K) state unemployment compensation laws or any other similar state laws, or (L) any other state or federal benefits or claims relating to any employment with any of the Debtors or any of their respective predecessors; (vi) Claims or Liens arising under any Environmental Law (as defined in the Agreement) with respect to the Business, Excluded Liabilities, the Assets, Excluded Assets, or assets owned or operated by Debtors or any corporate predecessor at any time prior to the Closing Date; (vii) any bulk sales or similar law; (viii) any tax statutes or ordinances, including, without limitation, the Internal Revenue Code of 1986, as amended; and (ix) any theories of successor liability.

BB. The Debtors may sell the Assets free and clear of all Liens and Claims against the Debtors, their estates or any of the Assets (except the Permitted Liens and Assumed Obligations) because, in each case, one or more of the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code has been satisfied. Those holders of Liens or Claims against the

Debtors, their estates, or any of the Assets who did not object, or who withdrew their objections, to the Sale or the Sale Motion are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code. All other holders of Liens or Claims (except to the extent that such Liens or Claims are Assumed Obligations or Permitted Liens) are adequately protected by having their Liens or Claims, if any, in each instance against the Debtors, their estates, or any of the Assets, attach to the net cash proceeds of the Sale ultimately attributable to the Assets in which such creditor alleges a Lien or Claims, in the same order of priority, with the same validity, force, and effect that such Liens or Claims had prior to the Sale, subject to any claims and defenses the Debtors and their estates may possess with respect thereto.

Cure/Adequate Protection

CC. The assumption and assignment of the Contracts pursuant to the terms of this Sale Order is integral to the Agreement and is in the best interests of the Debtors and their estates, their creditors, and all other parties in interest, and represents the reasonable exercise of sound and prudent business judgment by the Debtors. Subject to Section 2.6 of the Agreement, the Purchaser shall: (i) to the extent necessary, cure or provide adequate assurance of cure, of any default existing prior to the date hereof with respect to the Contracts, within the meaning of 11 U.S.C. §§ 365(b)(1)(A) and 365(f)(2)(A), and (ii) to the extent necessary, provide compensation or adequate assurance of compensation to any party for any actual pecuniary loss to such party resulting from a default prior to the date hereof with respect to the Assumed Contracts, within the meaning of 11 U.S.C. § 365(b)(1)(B) and 365(f)(2)(A). The Purchaser's promise to pay the Cure Amounts and to perform the obligations under the Contracts after the Closing Date shall constitute adequate assurance of future performance within the meaning of 11 U.S.C. §§ 365(b)(1)(C) and 365(f)(2)(B).

DD. Any objections to the assumption and assignment of any of the Contracts to the Purchaser are hereby overruled. Any objections to the Cure Amounts are hereby overruled. To the extent that any counterparty failed to timely object to its Cure Amount, such counterparty is deemed to have consented to such Cure Amount and the assignments of its respective Contracts to the Purchaser.

Compelling Circumstances for an Immediate Sale

EE. Good and sufficient reasons for approval of the Agreement and the Sale have been articulated. The relief requested in the Sale Motion is in the best interests of the Debtors, their estates, their creditors and other parties in interest. The Debtors have demonstrated both (i) good, sufficient and sound business purposes and justifications for approving the Agreement and (ii) compelling circumstances for the Sale outside the ordinary course of business, pursuant to section 363(b) of the Bankruptcy Code before, and outside of, a plan of reorganization, in that, among other things, the immediate consummation of the Sale to the Purchaser is necessary and appropriate to maximize the value of the Debtors' estates and the Sale will provide the means for the Debtors to maximize distributions to creditors.

FF. To maximize the value of the Assets and preserve the viability of the business to which the Assets relate, it is essential that the Sale of the Assets occur within the time constraints set forth in the Agreement. Time is of the essence in consummating the Sale.

GG. Given all of the circumstances of these chapter 11 cases and the adequacy and fair value of the Purchase Price under the Agreement, the proposed Sale of the Assets to Purchaser constitutes a reasonable and sound exercise of the Debtors' business judgment and should be approved.

HH. The Sale does not constitute a *sub rosa* chapter 11 plan for which approval has been sought without the protections that a disclosure statement would afford. The Sale

neither impermissibly restructures the rights of the Debtors' creditors nor impermissibly dictates a liquidating chapter 11 plan for the Debtors.

II. The consummation of the Sale and the assumption and assignment of the Contracts is legal, valid and properly authorized under all applicable provisions of the Bankruptcy Code, including, without limitation, sections 105(a), 363(b), 363(f), 363(m), and 365, and all of the applicable requirements of such sections have been complied with in respect of the transaction.

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

General Provisions

1. 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 these chapter 11 cases pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

2. The relief requested in the Sale Motion and the transactions contemplated thereby and by the Agreement are approved as set forth in this Sale Order and on the record of the Sale Hearing, which is incorporated herein as if set forth fully in this Sale Order, and the Sale contemplated thereby is approved.

3. All objections to the Sale Motion or the relief requested therein that have not been withdrawn, waived, or settled by announcement to the Court during the Sale Hearing or by stipulation filed with the Court, including any and all reservations of rights included in such objections or otherwise, are hereby denied and overruled on the merits with prejudice. Those

parties who did not object or withdrew their objections to the Sale Motion are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code.

4. This Court's findings of fact and conclusions of law set forth in the Bidding Procedures Order are incorporated herein by reference.

Approval of the Agreement

5. The Agreement and all other ancillary documents, and all of the terms and conditions thereof, are hereby approved.

6. Pursuant to sections 363(b) and (f) of the Bankruptcy Code, the Debtors are authorized and empowered to take any and all actions necessary or appropriate to (i) consummate the Sale pursuant to and in accordance with the terms and conditions of the Agreement, (ii) close the Sale as contemplated in the Agreement and this Sale Order, and (iii) execute and deliver, perform under, consummate, implement, and fully close the Agreement, including the assumption and assignment to the Purchaser of the Contracts, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Agreement and the Sale. The Purchaser shall not be required to seek or obtain relief from the automatic stay under section 362 of the Bankruptcy Code to enforce any of its remedies under the Agreement or any other Sale related document. The automatic stay imposed by section 362 of the Bankruptcy Code is modified solely to the extent necessary to implement the preceding sentence and the other provisions of this Sale Order.

7. This Sale Order shall be binding in all respects upon the Debtors, their estates, all creditors of, and holders of equity interests in, any Debtor, any holders of Liens, Claims, or other interests (whether known or unknown) in, against or on all or any portion of the Assets, all Contract Counterparties, the Purchaser and all successors and assigns of the Purchaser, the Assets, and any trustees, if any, subsequently appointed in any of the Debtors'

chapter 11 cases or upon a conversion to chapter 7 under the Bankruptcy Code of any of the Debtors' cases. This Sale Order and the Agreement shall inure to the benefit of the Debtors, their estates and creditors, the Purchaser, and the respective successors and assigns of each of the foregoing.

Transfer of the Assets

8. Pursuant to sections 105(a), 363(b), and 363(f) of the Bankruptcy Code, the Debtors are authorized to transfer the Assets to the Purchaser on the Closing Date and such transfer shall constitute a legal, valid, binding, and effective transfer of such Assets and shall vest Purchaser with title to the Assets and, upon the Debtors' receipt of the Purchase Price, other than Permitted Liens and Assumed Obligations, shall be free and clear of all Liens, Claims, and other interests of any kind or nature whatsoever, including but not limited to, successor or successor-in-interest liability and Claims in respect of the Excluded Liabilities, with all such Liens, Claims, or other interests to attach to the net cash proceeds ultimately attributable to the property against or in which such Liens, Claims, or other interests are asserted, subject to the terms thereof, with the same validity, force, and effect, and in the same order of priority, which such Liens, Claims, or other interests now have against the Assets, subject to any rights, claims, and defenses the Debtors or their estates, as applicable, may possess with respect thereto. Upon the Closing, the Purchaser shall take title to and possession of the Assets subject only to the Permitted Liens and Assumed Obligations.

9. All persons and entities that are in possession of some or all of the Assets on the Closing Date are directed to surrender possession of such Assets to the Purchaser or its assignee at the Closing. On the Closing Date, each of the Debtors' creditors is authorized and directed to execute such documents and take all other actions as may be reasonably necessary to

release its Liens, Claims, or other interests in the Assets, if any, as such Liens, Claims or interests may have been recorded or may otherwise exist.

10. The Debtors are hereby authorized to take any and all actions necessary to consummate the Agreement, including any actions that otherwise would require further approval by shareholders, members, or its board of directors, as the case may be, without the need of obtaining such approvals.

11. The transfer of the Acquired Assets to the Purchaser pursuant to the Agreement does not require any consents other than as specifically provided for in the Agreement. On the Closing Date, this Sale Order shall be construed and shall constitute for any and all purposes a full and complete general assignment, conveyance and transfer of the Sellers' interests in the Assets. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Agreement.

12. A certified copy of this Sale Order may be filed with the appropriate clerk and/or recorded with the recorder of any state, county, or local authority to act to cancel any of the Liens, Claims, and other encumbrances of record except those assumed as Assumed Obligations or Permitted Liens.

13. If any person or entity which has filed statements or other documents or agreements evidencing Claims or Liens on, or interests in, all or any portion of the Assets (other than statements or documents with respect to Permitted Liens) shall not have delivered to the Debtors prior to the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of liens and easements, and any other documents necessary for the purpose of documenting the release of all Claims, Liens, or

interests which the person or entity has or may assert with respect to all or any portion of the Assets, the Debtors are hereby authorized and directed, and the Purchaser is hereby authorized, on behalf of the Debtors and the Debtors' creditors, to execute and file such statements, instruments, releases and other documents on behalf of such person or entity with respect to the Assets; *provided*, that the provisions of this Sale Order authorizing the transfer of the Acquired Assets free and clear of all Claims and Interests (except only Permitted Liens and Assumed Liabilities) shall be self-executing, and the Debtors, the Purchaser, and creditors shall not be required to execute or file releases, termination statements, assignments, consents, or other instruments in order for the provisions of this Sale Order to be effectuated, consummated and/or implemented.

14. On the Closing Date, this Sale Order shall be construed and shall constitute for any and all purposes a full and complete general assignment, conveyance, and transfer of the Debtor's interests in the Assets and/or a bill of sale or assignment transferring good and marketable, indefeasible title and interest in the Assets to the Purchaser. This Sale Order is and shall be effective as a determination that, on the Closing Date, all Liens, Claims or other interest of any kind or nature whatsoever existing as to the Assets prior to the Closing Date, other than Permitted Liens and Assumed Obligations, shall have been unconditionally released, discharged, and terminated, and that the conveyances described herein have been effected.

15. This Sale Order is and shall be binding upon and govern the acts of all persons and entities, including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or

contract, to accept, file, register, or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any lease; and each of the foregoing persons and entities is hereby directed to accept for filing any and all of the documents and instruments necessary and appropriate to consummate the transactions contemplated by the Agreement.

16. Subject to the terms, conditions, and provisions of this Sale Order, all persons and entities are hereby forever prohibited and enjoined from taking any action that would adversely affect or interfere with the ability of the Debtors to sell and transfer the Acquired Assets to the Purchaser in accordance with the terms of this Agreement and this Sale Order.

17. To the greatest extent available under applicable law, the Purchaser shall be authorized, as of the Closing Date, to operate under any license, permit, registration, and governmental authorization or approval of the Debtors with respect to the Assets, and all such licenses, permits, registrations, and governmental authorizations and approvals are deemed to have been, and hereby are, deemed to be transferred to the Purchaser as of the Closing Date.

18. To the extent permitted by section 525 of the Bankruptcy Code, no governmental unit may revoke or suspend any permit or license relating to the operation of the Assets sold, transferred, or conveyed to the Purchaser on account of the filing or pendency of the Debtors' chapter 11 cases or the consummation of the transactions contemplated by the Agreement.

Assumption and Assignment of Contracts.

19. The Debtors are hereby authorized and directed in accordance with sections 105(a) and 365 of the Bankruptcy Code to (i) assume and assign to Purchaser, effective

upon the Closing of the Sale, the Contracts free and clear of all Liens, Claims, and other interests of any kind or nature whatsoever (other than the Permitted Liens and Assumed Obligations), and (ii) execute and deliver to Purchaser such documents or other instruments as Purchaser deems may be necessary to assign and transfer the Assumed Contracts, Permitted Liens, and Assumed Obligations to Purchaser.

20. With respect to the Contracts: (i) the Debtors may assume each of the Contracts in accordance with section 365 of the Bankruptcy Code; (ii) the Debtors may assign each Contract in accordance with sections 363 and 365 of the Bankruptcy Code, and any provisions in any Contract that prohibit or condition the assignment of such Contract or allow the party to such Contract to terminate, recapture, impose any penalty, condition renewal or extension, or modify any term or condition upon the assignment of such Contract, constitute unenforceable anti-assignment provisions which are void and of no force and effect; (iv) all other requirements and conditions under sections 363 and 365 of the Bankruptcy Code for the assumption by the Debtors and assignment to Purchaser of each Contract have been satisfied; (v) the Contracts shall be transferred and assigned to, and following the closing of the Sale remain in full force and effect for the benefit of, Purchaser, notwithstanding any provision in any such Contract (including those of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer and, pursuant to section 365(k) of the Bankruptcy Code, the Debtors shall be relieved from any further liability with respect to the Contracts after such assignment to and assumption by Purchaser; and (vi) upon Closing, in accordance with sections 363 and 365 of the Bankruptcy Code, Purchaser shall be fully and irrevocably vested in all right, title and interest of each Assumed Contract.

21. Unless otherwise agreed and stated on the record at the Sale Hearing, the respective amounts set forth under the “Cure Amount” column on Exhibit 2 attached hereto reflects the sole amounts necessary under section 365(b) of the Bankruptcy Code to cure all monetary defaults and pay all pecuniary losses under the Assumed Contracts (collectively, the “Cure Amounts”), and no other amounts are or shall be due in connection with the assumption by the Debtors and the assignment to Purchaser of the Contracts.

22. All defaults or other obligations of the Debtors under the Contracts arising or accruing prior to the Closing (without giving effect to any acceleration clauses or any default provisions of the kind specified in section 365(b)(2) of the Bankruptcy Code) shall be cured by the Purchaser at the Closing or as soon thereafter as practicable by payment of the Cure Amounts.

23. Except for a Contract Counterparty who files a timely objection to the Cure Amount by August 8, 2014, at 4:00 p.m. (prevailing Central Time) (whose objection shall be resolved in accordance with the procedures set forth in the Bidding Procedures Order) (a “Contract Objection”), such counterparty is deemed to have consented to such Cure Amount.

24. Except for a Contract Counterparty who files a Contract Objection to the Debtors’ proposed assignment of such Contract to the Purchaser by September 15, 2014, at 4:00 p.m. (prevailing Central Time) (whose objection shall be resolved in accordance with the procedures set forth in the Bidding Procedures Order), such counterparty is deemed to have consented to assumption and assignment, and the Purchaser shall be deemed to have demonstrated adequate assurance of future performance with respect to such Contract pursuant to sections 365(b)(1)(C) and 365(f)(2)(B) of the Bankruptcy Code.

25. With respect to any timely-filed Contract Objections, such objections shall be resolved in accordance with the procedures set forth in the Bidding Procedures Order. The provisions of this Sale Order shall be effective and binding upon Contract Counterparties to the extent set forth in, and in accordance with, such procedures. Nothing in this Sale Order, the Sale Motion, or in any notice or any other document is or shall be deemed an admission by the Debtors that any contract or Contract is an executory contract or unexpired lease or must be assumed and assigned pursuant to the Agreement or in order to consummate the Sale.

26. Upon the Debtors' assignment of the Assumed Contracts to the Purchaser under the provisions of this Sale Order and any additional orders of this Court and Purchaser's payment of any Cure Amounts pursuant to the terms hereof, no default shall exist under any Contract, and no counterparty to any Contract shall be permitted (i) to declare a default by the Purchaser under such Contract or (ii) otherwise take action against the Purchaser as a result of any Debtor's financial condition, bankruptcy, or failure to perform any of its obligations under the relevant Assumed Contract. Each non-Debtor party to a Contract hereby is also forever barred, estopped, and permanently enjoined from (i) asserting against the Debtors or Purchaser, or the property of any of them, any default or Claim arising out of any indemnity obligation or warranties for acts or occurrences arising prior to or existing as of the Closing, including those constituting Excluded Liabilities, or, against Purchaser, any counterclaim, defense, setoff, or any other Claim asserted or assertable against the Debtors and (ii) imposing or charging against Purchaser or its affiliates any rent accelerations, assignment fees, increases, or any other fees as a result of the Debtors' assumption and assignments to Purchaser of the Contracts. The validity of such assumption and assignments of the Contracts shall not be affected by any dispute between

the Debtors and any non-Debtor party to a Contract relating to such Contract's respective Cure Amount.

27. Except as provided in the Agreement or this Sale Order, after the Closing, the Debtors and their estates shall have no further liabilities or obligations with respect to any Assumed Obligations and all holders of such Claims are forever barred and estopped from asserting such Claims against the Debtors, their successors or assigns, their property or their assets or estates.

28. The failure of the Debtors or Purchaser to enforce at any time one or more terms or conditions of any Contract shall not be a waiver of such terms or conditions, or of the Debtors' and Purchaser's rights to enforce every term and condition of the Contracts.

Prohibition of Actions Against the Purchaser

29. Except for the Permitted Liens and Assumed Obligations, or as otherwise expressly provided for in this Sale Order or the Agreement, the Purchaser shall not have any liability or other obligation of the Debtors arising under or related to any of the Assets. Without limiting the generality of the foregoing, and except as otherwise specifically provided herein or in the Agreement, the Purchaser shall not be liable for any Claims against the Debtors or any of their predecessors or affiliates, and the Purchaser shall have no successor or vicarious liabilities of any kind or character, including, but not limited to, under any theory of antitrust, environmental, successor, or transferee liability, labor law, de facto merger, mere continuation, or substantial continuity, whether known or unknown as of the Closing Date, now existing or hereafter arising, whether fixed or contingent, whether asserted or unasserted, whether legal or equitable, whether liquidated or unliquidated, including, but not limited to, liabilities on account of warranties, intercompany loans, and receivables among the Debtors, Environmental

Liabilities, and any taxes arising, accruing, or payable under, out of, in connection with, or in any way relating to the operation of any of the Assets prior to the Closing.

30. Except with respect to Permitted Liens and Assumed Obligations, or as otherwise permitted by the Agreement or this Sale Order, all persons and entities, including, but not limited to, all debt security holders, equity security holders, governmental, tax and regulatory authorities, lenders, trade creditors, litigation claimants, and other creditors, holding Liens, Claims, or other interests of any kind or nature whatsoever against or in all or any portion of the Assets (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or non-contingent, liquidated or unliquidated, senior or subordinate), arising under or out of, in connection with, or in any way relating to the Debtors, the Assets, the operation of the Debtors' Business prior to the Closing Date, or the transfer of the Assets to the Purchaser, hereby are forever barred, estopped and permanently enjoined from asserting against the Purchaser, any of the foregoing's affiliates, successors, or assigns, their property or the Assets, such persons' or entities' Liens, Claims, or interests in and to the Assets, including, without limitation, the following actions: (i) commencing or continuing in any manner any action or other proceeding against the Purchaser, its Affiliates, its successors, assets or properties; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the Purchaser, its Affiliates, its successors, assets or properties; (iii) creating, perfecting, or enforcing any Lien or other Claim against the Purchaser, its Affiliates, its successors, assets, or properties; (iv) asserting any setoff, right of subrogation, or recoupment of any kind against any obligation due the Purchaser, its Affiliates or its successors; (v) commencing or continuing any action, in any manner or place, that does not comply or is inconsistent with the provisions of this Sale Order or other orders of the Court, or the agreements or actions contemplated or taken in respect

thereof; or (vi) revoking, terminating or failing or refusing to transfer or renew any license, permit or authorization to operate any of the Assets or conduct any of the businesses operated with the Assets. On the Closing Date, each creditor is authorized and directed, and the Purchaser is hereby authorized, on behalf of each of the Debtors' creditors, to execute such documents and take all other actions as may be necessary to release Liens, Claims, and other interests in or on the Assets (except Permitted Liens and Assumed Obligations), if any, as provided for herein, as such Liens, Claims, and other interests may have been recorded or may otherwise exist.

31. All persons and entities are hereby forever prohibited and enjoined from taking any action that would adversely affect or interfere with the ability of the Debtors to sell and transfer the Assets to the Purchaser in accordance with the terms of the Agreement and this Sale Order.

32. The Purchaser has given substantial consideration under the Agreement for the benefit of the Debtors, their estates, and their creditors. The consideration given by the Purchaser shall constitute valid and valuable consideration for the releases of any potential Claims and Liens pursuant to this Sale Order, including under Paragraphs 20-22 hereof, which releases shall be deemed to have been given in favor of the Purchaser by all holders of Liens against or interests in, or Claims against any of the Debtors or any of the Assets, other than holders of Liens or Claims relating to the Permitted Liens or Assumed Obligations. The consideration provided by the Purchaser for the Assets under the Agreement is fair and reasonable and, accordingly, the Sale may not be avoided under section 363(n) of the Bankruptcy Code.

33. Unless otherwise set forth in this Sale Order, notwithstanding any provision in the Agreement to the contrary, nothing therein or in this Sale Order shall be deemed

to impair valid outstanding liabilities of any affiliate of the Debtors whose equity is being sold to the Purchaser.

Other Provisions

34. The consideration provided by the Purchaser to the Debtors pursuant to the Agreement for the Assets constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code, Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act, and under the laws of the United States, any state, territory, possession or the District of Columbia.

35. The transactions contemplated by the Agreement are undertaken by the Purchaser without collusion and in good faith, as that term is defined in section 363(m) of the Bankruptcy Code, and, accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Sale shall not affect the validity of the Sale, unless such authorization and such Sale are duly stayed pending such appeal. The Purchaser is a good faith buyer within the meaning of section 363(m) of the Bankruptcy Code and, as such, is entitled to the full protections of section 363(m) of the Bankruptcy Code.

36. Nothing contained in any plan of reorganization or liquidation, or order of any type or kind entered in (i) these chapter 11 cases, (ii) any subsequent chapter 7 case into which any such chapter 11 case may be converted, or (ii) any related proceeding subsequent to entry of this Sale Order, shall conflict with or derogate from the provisions of the Agreement or the terms of this Sale Order.

37. For cause shown, pursuant to Bankruptcy Rules 6004(h) and 7062(g), this Sale Order shall not be stayed, shall be effective immediately upon entry, and the Debtors and Purchaser are authorized to close the Sale immediately upon entry of this Sale Order.

38. No bulk sales law or any similar law of any state or other jurisdiction applies in any way to the Sale.

39. The failure to specifically include any particular provision of the Agreement in this Sale Order shall not diminish or impair the effectiveness of such provision, it being the intent of the Court that the Agreement be authorized and approved in its entirety; *provided*, that this Sale Order shall govern if there is any inconsistency between the Agreement (including all ancillary documents executed in connection therewith) and this Sale Order. Likewise, all of the provisions of this Sale Order are non-severable and mutually dependent.

40. The Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto and in accordance with the terms thereof, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates.

41. The Court shall retain jurisdiction to, among other things, interpret, implement, and enforce the terms and provisions of this Sale Order and the Agreement, all amendments thereto and any waivers and consents thereunder and each of the agreements executed in connection therewith to which any Debtor is a party or which has been assigned by the Debtors to the Purchaser, and to adjudicate, if necessary, any and all disputes concerning or relating in any way to the Sale, including, but not limited to, retaining jurisdiction to (i) compel delivery of the Assets to the Purchaser, (ii) interpret, implement, and enforce the provisions of this Sale Order; (iii) protect Purchaser against any Liens, Claims, or other interest in or against the Sellers or the Assets of any kind or nature whatsoever, attaching to the proceeds of the Sale, and (iv) enter any orders under sections 363 and 365 of the Bankruptcy Code with respect to the Assumed Contracts.

42. Any amounts payable by the Debtors under the Agreement or any of the documents delivered by the Debtors in connection with the Agreement, including, but not limited to the Reimbursable Expenses, shall be paid in the manner provided for in the Bidding Procedures Order, without further order of this Court, shall be an allowed administrative claim in an amount equal to such payments in accordance with sections 503(b) and 507(a)(2) of the Bankruptcy Code, shall have the other protections provided in the Bidding Procedures Order, and shall not be discharged, modified, or otherwise affected by any reorganization plan for the Debtors, except by an express agreement with Purchaser, its successors, or assigns.

43. All time periods set forth in this Sale Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

44. Nothing in this Sale Order or the Agreement (i) releases, nullifies, or enjoins the enforcement of any liability to a governmental unit under police and regulatory statutes or regulations that any entity would be subject to as the owner or operator of property after the date of entry of this Sale Order and (ii) authorizes the transfer or assignment to Purchaser of any license, permit, registration, authorization, or approval of or with respect to a governmental unit without Purchaser's complying with all applicable legal requirements under non-bankruptcy law governing such transfers or assignments.

45. To the extent that this Sale Order is inconsistent with any prior order or pleading with respect to the Sale Motion in these chapter 11 cases, the terms of this Sale Order shall govern.

DATE: _____, 2014
Wilmington, Delaware

KEVIN GROSS
CHIEF UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Agreement

(not attached)

Exhibit 2

Contracts

Contracts

Debtor	Counterparty	Description of Contract	Cure Amount