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

In re:	
THE SPORTS ZONE, INC.,	**Case No. 17-26758-TJC**[1]
THE ZONE 220, LLC,	**Case No. 17-26998-TJC**
SPORTS ZONE OF HECHINGER, LLC,	**Case No. 17-27001-TJC**
THE ZONE 450, LLC,	**Case No. 17-27003-TJC**
THE ZONE 600, LLC,	**Case No. 17-27005-TJC**
THE ZONE 620, LLC,	**Case No. 17-27006-TJC**
ZONE OF DC USA, LLC,	**Case No. 17-27007-TJC**
THE ZONE 700, L.L.C.,	**Case No. 17-27008-TJC**
THE ZONE 870, L.L.C.,	**Case No. 17-27009-TJC**
THE ZONE 999, L.L.C.	**Case No. 17-27010-TJC**
Debtors.	**Chapter 11**

MOTION OF DEBTORS FOR ENTRY OF ORDERS (I) (A) APPROVING AUCTION AND BIDDING PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS, (B) APPROVING ASSET PURCHASE AGREEMENT, SUBJECT TO HIGHER OR OTHERWISE BETTER OFFERS, (C) APPROVING PROCEDURES RELATED TO THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (D) SCHEDULING AUCTION AND SALE HEARING, (E) APPROVING THE FORM AND MANNER OF SALE NOTICE, AND (F) GRANTING RELATED RELIEF, AND (II) (A) AUTHORIZING AND APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS, (B) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (C) GRANTING RELATED RELIEF

The Sports Zone, Inc.; The Zone 220, LLC; Sports Zone of Hechinger, LLC; The Zone 450, LLC; The Zone 600, LLC; The Zone 620, LLC; Zone of DC USA, LLC; The

[1] On December 21, 2017, each of the Debtors filed a motion for joint administration. In anticipation of that motion being granted, and for the convenience of the Court and its staff, the Debtors have filed this motion only in the case of The Sports Zone, Inc., and have submitted a proposed order with the proposed caption for the proposed jointly administered cases. Nevertheless, the Debtors request that the Motion be granted as to each of the Debtors.

Zone 700, L.L.C;; The Zone 870, L.L.C and The Zone 999, L.L.C., the debtors and debtors in possession herein, by counsel, hereby file this motion (the "**Motion**") pursuant to sections 105(a), 363, 365, 503 and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq*. (the "**Bankruptcy Code**") and Rules 2002, 6004, 6006, and 9006 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), for entry of (i) an order, substantially in the form annexed hereto (the "**Bidding Procedures Order**"), (a) approving certain auction and bidding procedures in connection with the sale of substantially all of the Debtors' assets, substantially in the form annexed hereto (the "**Bidding Procedures**"), (b) authorizing the Debtors' asset purchase agreement, subject to higher and better offers as may be presented at an auction, (c) approving procedures relating to the assumption and assignment of executory contracts and unexpired leases, (d) scheduling an auction and Sale Hearing (as defined below), (e) approving the form and manner of sale notice, and (f) granting related relief, and (ii) an order, substantially in the form annexed hereto (the "**Sale Order**"), (a) authorizing and approving the sale of substantially all of the Debtors' assets free and clear of all liens, claims, encumbrances, successor liability and other interests, (b) authorizing the assumption and assignment of certain executory contracts and unexpired leases, and (c) granting related relief. In support of this Motion, the Debtors respectfully represent as follows:

JURISDICTION

The Court has jurisdiction over the Debtors, their estates, and this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The

statutory bases for the relief requested in this Motion are sections 105(a), 363, 365, 503, and 507 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006, and 9006.

The Chapter 11 Bankruptcy Cases

1. On December 15, 2017 (the "Petition Date"), The Sports Zone, Inc. ("The Sports Zone") filed with this Court a voluntary petition for bankruptcy relief and protection under chapter 11 of the Bankruptcy Code.

2. On December 21, 2017, The Zone 220, LLC; Sports Zone of Hechinger, LLC; The Zone 450, LLC; The Zone 600, LLC; The Zone 620, LLC; Zone of DC USA, LLC; The Zone 700, LLC; The Zone 870, LLC; and The Zone 999, LLC (collectively, the "Subsidiary Debtors," and collectively with The Sports Zone, the "Debtors") each filed a voluntary petition for bankruptcy relief and protection under chapter 11 of the Bankruptcy Code. Each of the Subsidiary Debtors is 100% of owned by The Sports Zone and is the lessee on lease of real property on which The Sports Zone operates a retail store.

3. The Debtors are continuing in possession of their property and the management of their business as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

4. No trustee, examiner or committee of creditors has been appointed in these cases by the United States Trustee.

Background

5. Since 1985, the Debtors have operated sneaker and sporting apparel stores at shopping malls in Maryland, Virginia, and the District of Columbia. As recently as September 2017, the Debtor operated twenty-eight stores. In September 2017, the

Debtors closed seventeen of their stores, leaving eleven stores open. The Debtors intend to close one more store in Georgetown in January 2018, which is operated by a non-debtor affiliate.

6. The Sports Zone leases one of its remaining stores directly. Nine of the other ten remaining stores are leased through a Subsidiary Debtor, each of which is a separate limited liability company solely owned and managed by The Sports Zone. The eleventh store, in Georgetown, is owned by a separate limited liability company owned and managed by The Sports Zone, which does not intend to file for Chapter 11 bankruptcy.

Events Leading to Chapter 11 Filing

7. The Debtors' financial struggles date back to the nationwide recession in 2008. During the recession, the Debtors' sales slumped, and the Debtors were unable to refinance their approximately $4 million balloon note with PNC Bank, N.A. ("PNC"). In order to pay down the balloon note in 2010, The Sports Zone borrowed, in a series of loans, approximately $1.8 million from its principal, Michael Syag, and paid the remaining amounts due to PNC over the next eighteen months. The loans from Michael Syag remain outstanding.

8. In order to service the debt payments to PNC, the Debtors attempted to increase their cash flow by expanding their footprint. Unfortunately, the expansion was unsuccessful. The expansion left the Debtors unable to service debts to various landlords.

9. The payments to PNC also caused the Debtors to fall behind on payments to their vendors, including their most important vendor, Nike USA, Inc. ("Nike"). In

response, Nike, which accounted for more than half of the Debtors' sales, stopped selling new product to the Debtors.

10. In an attempt to resolve The Sports Zone's debts to Nike, on or about February 17, 2017, The Sports Zone issued a promissory note and executed a security agreement with Nike in the original principal amount of $3,700,000.00. Thereafter, from March to September 2017, The Sports Zone made payments of approximately $330,000 per month to Nike. Such payments depleted The Sports Zone's cash on hand, and caused it to fall behind on payments to other vendors.

11. In an attempt to reduce its operating expenses, the Debtors closed seventeen of their stores in September 2017 and terminated the leases associated therewith.

12. On September 18, 2017, Nike filed a UCC-1 financing statement with the State Corporation Commission of the Commonwealth of Virginia, in an attempt to perfect its security agreement against The Sports Zone.

13. The Debtors have not made any significant inventory purchases since September 2017. The Debtors have survived by selling The Sports Zone's abundant supply of older inventory, and by consolidating the inventory that was formerly for sale at their now-closed stores. To supplement their inventory, the Court has now approved certain procedures for the Debtors to acquire inventory on a consignment basis.

14. The Debtors have attempted to market their business for over a year. The Debtors received significant interest from two previous potential purchasers, but those purchasers declined to pursue an acquisition after Nike indicated that it would not commit to sell product to the purchased entity after the acquisition.

15. Prior to filing bankruptcy, The Sports Zone entered into a letter of intent with Halifax of Palisade, LLC ("Halifax"), a New Jersey apparel wholesaler. In the letter of intent, Halifax stated its intent to purchase all of the Debtors' remaining stores (other than the Georgetown store), and sell similar product lines as the Debtors. However, Halifax will not need to purchase inventory from Nike.

16. These cases were filed so that the Debtors can sell their assets or reorganize their affairs while treating all creditors equally. To this end, The Sports Zone has filed an adversary complaint against Nike in order to avoid any security interest it may have as a preferential transfer.

Secured Indebtedness

17. The Debtors do not have traditional secured indebtedness with any institutional lender. However, as described above, in February 2017, The Sports Zone, Inc. (but not the Subsidiary Debtors) did enter into a promissory note and security agreement with Nike in which it purported to pledge the following assets to Nike.

> (a) all fixtures and personal property of every kind and nature including all accounts, goods (including inventory and equipment), documents (including, if applicable, electronic documents), instruments, promissory notes, chattel paper (whether tangible or electronic), letters of credit, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), securities and all other investment property, general intangibles (including all payment intangibles and Intellectual Property Collateral), money, deposit accounts, and any other contract rights or rights to the payment of money; and
>
> (b) all Proceeds and products of each of the foregoing, all books and records relating to the foregoing, all supporting obligations related to any of the foregoing, and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all Proceeds of any indemnity, warranty or guaranty payable to a Grantor from time to time with respect to any of the foregoing.

18. The amount owed to Nike as of the Petition is estimated to be $1,864,954.00. However, as stated above, the Debtors believe that Nike's lien on the

above-described assets is void or voidable pursuant to 11 U.S.C. §§ 547 and 550 because Nike did not record its financing statement in Virginia until September 8, 2017.[2]

The proposed sale

19. The Debtors have, subject to Court approval, entered into an Asset Purchase Agreement with New Legacy 900, Inc. ("Purchaser"), a newly formed affiliate of Halifax. The Asset Purchase Agreement, attached as **Exhibit A,** calls for the Purchaser to make payments of $900,000.00 for substantially all of the Debtors' assets[3] and for the assumption and assignment of all their remaining leases of real property (the "Purchase Price"). The Purchase Price consists of the direct payment by Purchaser of Two Hundred Fifty Thousand Dollars ($250,000) of cure costs directly to counterparties to Assigned Leases and Executory Contracts at Closing *pro rata*; plus; plus (ii) Two Hundred Fifty Thousand Dollars ($250,000) to the Debtors' estates at Closing; and plus (iv) ten payments of Forty Thousand Dollars ($40,000) commencing on the 25th day of the first month following the entry of the Sale Order to be divided *pro rata* between the Debtors' estates and the remaining cure costs owed to counterparties to leases and executory contracts that are assumed and assigned (so that the remaining cure costs are paid in full, with any remaining money to be paid to the estate).

20. Neither the management nor Michael Syag, the sole shareholder of The Sports Zone, has any equity or other investment in the Purchaser. The proposed sale does not require the Purchaser to hire any employees of the Debtors; however, it is believed

---

[2] Nike incorrectly recorded a UCC-1 financing statement against "Sports Zone, Inc." in Maryland on February 17, 2017. In addition to the financing statement being recorded in the wrong state, Nike incorrectly named the Debtor, and incorrectly listed the Debtor's address as "4 Farrington Blvd, Monroe Township, NJ 08831," the address for an unrelated business.

[3] The Asset Purchase Agreement does not provide for the sale of any consigned goods to the Purchaser.

that the Purchaser intends to rehire most employees of the Debtors, including most remaining management. The maintenance of the Debtors' workforce will reduce the risk of administrative and priority claims by employees.

Debtor's Assets and Liabilities

21. The Debtors' main assets are their inventory, equipment leases, brand name and certain vehicles. The Debtors value their inventory and equipment at approximately $1 million, and their vehicles at $13,000. They have not valued their leases or brand name.

22. The Debtors are unaware of any fraudulent conveyances recoverable by their estates, or of any significant potential actions to recover preferential transfers based on payments made within the 90 days prior to the bankruptcy. The Sports Zone made over $1.6 million of payments to Nike between March and September 2017; however, recovery of such payments pursuant to section 547 of the Bankruptcy Code would require proof that Nike was an insider.

23. The Cure Costs to the Debtors' landlords are estimated to be $482,000, leaving approximately $412,000 for the estate from the sale. The Debtors estimate they will have administrative expenses totaling $75,000. There are no known priority claims, claims entitled to priority under section 503(b)(9) of the Bankruptcy Code, or reclamation claims. Vehicle liens total approximately $8,000.00. Accordingly, the Debtors estimate that $329,000 from the sale should be available to holders of general unsecured claims.

24. The Debtors estimate that they will have approximately $7.1 million in unsecured claims, not including any section 502(b)(6) claims from landlords whose leases were terminated pre-petition. With such claims included, the Debtor may have as

much $10 million in unsecured claims. Major general unsecured creditors include Nike (owed approximately $1.8 million), other landlords and trade creditors (owed approximately $2.8 million) and Michael Syag (owed approximately $2.5 million). In the event the sale is approved, this number will decrease but the amount of the Cure Costs for the Designated Contracts.

Alternatives to sale

25. The Debtors believe that the likely alternatives to approval of the sale are dismissal or conversion to Chapter 7, either alternative resulting in the liquidation of the Debtors. The Debtors believe that the liquidation of their assets would not result in any significant distribution to creditors, would result in the loss of jobs, and would be a disservice to its customers and landlords. Further, conversion to Chapter 7 would result in the marked increase in administrative claims, as rent and wages could go unpaid, and a Chapter 7 trustee would be entitled to a commission. Such increase in administrative costs could eliminate any distribution to general unsecured creditors.

26. The Debtors do not believe a Chapter 11 plan providing for any result other than a sale to the Purchaser is feasible. The Debtors have marketed their stores for over a year, and the Purchaser is the only potential purchaser that has been willing to acquire their assets without a commitment from Nike to continue doing business. Requiring the Debtors to file a Chapter 11 plan to accomplish a sale to the Purchaser would only deplete the Debtors' resources.

RELIEF REQUESTED

27. By this Motion, the Debtors request entry of the Bidding Procedures Order: (i) approving Bidding Procedures, the form of which are attached hereto, for (a)

submitting bids for the purchase of the Acquired Assets (as defined in the Asset Purchase Agreement), and (b) conducting an auction for the Acquired Assets (the "**Auction**"),which the Debtors propose take place on **January 25, 2018, at 10:00 a.m. (prevailing Eastern Time)** at the offices of McNamee, Hosea, Jernigan, Kim, Greenan & Lynch, P.A., 6411 Ivy Lane, Suite 200, Greenbelt MD 20770, or such later time or such other place as the Debtors shall designate in a subsequent notice to all Qualified Bidders, in the event that the Debtors receive a Qualified Bid (as defined below) for the Acquired Assets other than that of the Purchaser; (ii) approving payment of the Breakup Fee in the amount of $25,000.00, as reasonable and beneficial to the Debtors' estates; (iii) authorizing the Debtors to enter into the Asset Purchase Agreement with the Purchaser, subject to higher or otherwise better bids, for the purpose of establishing a minimum acceptable bid for the Acquired Assets (the "**Stalking Horse Bid**"); and (iv) approving procedures (the "**Assumption and Assignment Procedures**") for the assumption and assignment of the executory contracts and unexpired leases listed in the Asset Purchase Agreement (the "**Designated Contracts**") in connection with the sale of the Acquired Assets and resolution of any objections thereto.

28. In addition, at the Sale Hearing, the Debtors will request entry of the Sale Order: (i) approving the sale of the Acquired Assets in accordance with the terms of the asset purchase agreement executed by the Purchaser or other Successful Bidder, which shall be free and clear of all liens, claims, encumbrances, and other interests, including those of or asserted by Nike; (ii) approving the assumption and assignment of certain executory contracts and unexpired leases related to the Acquired Assets; establishing the cure amount, if any, in connection therewith; and approving the Successful Bidder's

provision of adequate assurance of future performance; and (iii) granting certain related relief.

The Bidding and Auction Procedures.

29. To obtain the highest or otherwise best bid for the Acquired Assets, the Debtors intend to implement the Bidding Procedures attached hereto. The Bidding Procedures set forth, among other things, the availability of due diligence for potential bidders, the deadline and requirements for submitting a Qualified Bid (as defined below), the procedures for conducting the Auction, and the criteria for determining the highest or otherwise best Qualified Bid for the Acquired Assets (the "**Successful Bid**").

30. The following summary highlights the material terms of the Bidding Procedures. All parties in interest are referred to the text of the attached Bidding Procedures for additional information regarding the proposed procedures.[4]

A. Bid Deadline

31. A potential bidder that desires to make a bid shall deliver copies of its bid package by email to: (i) counsel to the Debtors, McNamee, Hosea, Jernigan, Kim, Greenan & Lynch, P.A., 6411 Ivy Lane, Suite 200, Greenbelt MD 20770 (Attn: Janet Nesse jnesse@mhlawyers.com and Justin Fasano jfasano@mhlawyers.com); and (ii) counsel to any official committee of unsecured creditors appointed in these cases (the "**Committee**"), so as to be actually received on or before the date set by the Court as the deadline to submit Qualified Bids (the "**Bid Deadline**"). The Debtors propose **January 19, 2018 at 5:00 p.m. (prevailing Eastern Time)** as the Bid Deadline and seek authority

[4] Capitalized terms used but not defined in this section shall have the meanings ascribed to them in the Bidding Procedures. To the extent that there are any inconsistencies between the summary of the Bidding Procedures set forth above and the Bidding Procedures attached hereto, the terms of the actual Bidding Procedures shall control.

in their business judgment to extend the Bid Deadline without further order of the Court. No bids submitted after the original or any extended Bid Deadline shall be considered by the Debtors.

32. Subject to a potential bidder entering into a confidentiality agreement satisfactory to the Debtors in their business judgment, the Debtors may afford any potential bidder, whom the Debtors, in consultation with their advisors, believe has the wherewithal to close a sale transaction, the opportunity to conduct a reasonable due diligence review in the manner determined by the Debtors in their discretion. The Debtors shall not be obligated to furnish access to any due diligence information of any kind after the Bid Deadline. The Debtors intend to use reasonable efforts to provide to all potential qualified bidders certain information in connection with the proposed sale and assumption and assignment of Designated Contracts, including, among other things, the proposed Bidding Procedures and the Asset Purchase Agreement, but the failure to deliver any such information to any potential bidders shall not affect the validity, effectiveness or finality of the Auction (as defined below) or the sale process. All diligence inquiries must be directed to counsel for the Debtors.

33. A bid submitted will be considered a qualified bid and the potential bidder will be considered a qualified bidder (a "**Qualified Bid**" and "**Qualified Bidder**," respectively) only in the Debtors' business judgment, in consultation with their advisors, and the Committee if one is appointed, if the bid or bidder (as applicable) satisfies all of the following requirements:

a) The bid states that the potential qualified bidder offers to purchase, in cash, the Acquired Assets and to assume liabilities and/or contracts (or offers to purchase less than all of the Acquired Assets) upon the terms and conditions that the Debtors in their

business judgment, in consultation with their advisors, reasonably determine are no less favorable to the Debtors than those set forth in the Asset Purchase Agreement;

b) The bid includes a signed writing that the potential qualified bidder's offer is irrevocable until the selection of the Successful Bidder, provided that if such potential qualified bidder is selected as (A) the Successful Bidder, its offer shall remain irrevocable until the earlier of (i) the date the Sale Order is entered if the sale transaction with such potential qualified bidder is denied, or (ii) the date that is sixty (60) days after the Sale Hearing, or (B) the Next Best Bidder (as defined below), its offer shall remain irrevocable until the earlier of (i) the closing of the sale to the Successful Bidder, (ii) the date that is ninety (90) days after the Sale Hearing;

c) There are no conditions precedent to the potential qualified bidder's ability to enter into a definitive enforceable agreement and that all necessary internal and shareholder approvals have been obtained prior to the Bid Deadline; and there are no conditions precedent (due diligence, financing, or otherwise) to the closing of the Transaction, other than conditions precedent consistent with those set forth in the Asset Purchase Agreement;

d) The bid includes a duly authorized and executed copy of an asset purchase agreement (an "**Bidder Asset Purchase Agreement**"), including the purchase price for the Assets (the "**Proposed Purchase Price**"), together with all exhibits and schedules thereto, together with copies marked to show any amendments and modifications to the Asset Purchase Agreement and the proposed order to approve the sale by the Bankruptcy Court;

e) The bid includes written evidence of a firm, irrevocable commitment for debt or equity financing, or other evidence of ability to consummate the proposed sale transaction, that will allow the Debtors in their business judgment, in consultation with their advisors, to make a determination as to the bidder's financial and other capabilities to consummate the sale transaction contemplated by the Asset Purchase Agreement;

f) The bid has value to the Debtors that is greater than or equal to (i) the $900,000 consideration provided by the Purchaser, plus (ii) $25,000 (the "**Breakup Fee**"), plus (iii) $10,000 (the "**Initial Overbid**");

g) The bid identifies with particularity which executory contracts and unexpired leases the potential qualified bidder designates to

assume, and provides details of the potential qualified bidder's proposal for the payment (or treatment) of related cure costs with respect to the Designated Contracts;

h) The bid includes an acknowledgement and representation that the potential qualified bidder: (i) has had an opportunity to conduct any and all required due diligence regarding the Acquired Assets and Designated Contracts prior to making its bid; (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Acquired Assets and Designated Contracts in making its bid; (iii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Acquired Assets and Designated Contracts or the completeness of any information provided in connection therewith or with the Auction, except as expressly stated in the Asset Purchase Agreement; and (iv) is not entitled to and waives any right to assert a claim for any expense reimbursement, breakup fee, or similar type of payment in connection with its due diligence and bid;

i) The bid includes evidence, in form and substance reasonably satisfactory to the Debtors, of authorization and approval from the potential qualified bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Bidder Asset Purchase Agreement, and any amendments thereto negotiated or occasioned by its participation in the Auction;

j) The bid is accompanied by a good faith deposit in the form of a wire transfer (to the undersigned Debtors' counsel (the "**Escrow Agent**")), certified check or such other form acceptable to the Debtors, payable to the order of the Escrow Agent in the amount of Fifty Thousand Dollars ($50,000.00) (the "**Good Faith Deposit**"), which shall be forfeited in the event the bidder is selected as the Successful Bidder or Next Best Bidder and fails to complete the sale transaction as required;

k) The bid contains sufficient information, in the Debtors' business judgment in consultation with its advisors, concerning the potential qualified bidder's ability to provide adequate assurance of performance with respect to executory contracts and unexpired leases, including (a) financial statements (audited if available), tax returns and annual reports for the proposed assignee for the past three (3) years, including all supplements and amendments thereto, (b) a statement of the intended use for all leases proposed to be

assigned; and (c) a statement regarding the bidder's experience in the retail industry;

l) The bidder commits to supplement the bid with other information reasonably requested by the Debtors before or after the Bid Deadline;

m) The bid is received by the relevant parties set forth in the Bidding Procedures prior to the Bid Deadline; and

n) Such bidder consents to the Bidding Procedures and to the core jurisdiction of the Bankruptcy Court and waives any right to a jury trial in connection with any disputes relating to the Auction, the sale and the construction and enforcement of the applicable Asset Purchase Agreement. Such bidder consents to entry of final judgments and order by the Bankruptcy Court concerning their bid and the Auction.

34. The Debtors and their professionals will review each potential qualified bid received from a potential qualified bidder to ensure that both the bid and the bidder meet the requirements set forth above. A potential qualified bid received from a potential qualified bidder that the Debtors determine meets the above requirements, will be considered a Qualified Bid and each potential bidder that submits a Qualified Bid will be considered a Qualified Bidder. The Debtors, in their business judgment, reserve the right to reject any bid, without limitation. Notwithstanding the foregoing, the Asset Purchase Agreement shall be a Qualified Bid for all purposes and at all times, and the Purchaser is a Qualified Bidder for all purposes and at all times, as otherwise is required by the Bidding Procedures. The Debtors propose to file a list of Qualified Bids on **January 22, 2018**.

35. The Debtors may value a Qualified Bid based upon any and all factors that the Debtors deem pertinent, including, among others, the following: (a) the Proposed Purchase Price of the Qualified Bid and the assumption of cure obligations respecting the assumption and assignment of executory contracts and unexpired leases; (b) the risks and

timing associated with consummating a transaction with the Qualified Bidder; (c) the risks associated with and extent of any non-cash consideration in any Qualified Bid; (d) any excluded assets or executory contracts or unexpired leases; (e) the Qualified Bidder's experience and finances; and (f) any other factors that the Debtors may deem relevant to the proposed transaction.

36. If the Debtors do not receive any Qualified Bids other than from the Purchaser, they will not hold an Auction and the Purchaser will be named the Successful Bidder.

37. Only Qualified Bidders may participate in the Auction. Each Qualified Bidder may be required to confirm at the commencement of and from time to time during the Auction that it has not engaged in any collusive behavior with respect to the bidding or the Auction. Bidding at the Auction may be videotaped and/or transcribed. Representatives of the following parties-in-interest shall be entitled to attend and observe the Auction: Debtors, any Committee that is appointed (or their counsel), Qualified Bidders, and counsel to Nike. The Debtors, in their discretion, may deny access to the Auction to any other entity or person, including the media.

38. The bidding at the Auction shall start at the amount offered in the highest or otherwise best Qualified Bid, as determined and announced by the Debtors, in consultation with their advisors, and will continue in increments of at least $10,000 (the "**Overbid Increments**") until the bidding ceases.

39. After determining the Successful Bid, the Debtors may, in consultation with their advisors, determine which Qualified Bid is the next best bid (the "**Next Best Bid**"). The Debtors will present the Next Best Bid to the Court for approval at the Sale

Hearing. If the Successful Bidder does not close the sale by the date set forth in the Successful Bid or otherwise agreed to by the Debtors and the Successful Bidder, then the Debtors shall be authorized to close with the party that submitted the Next Best Bid (the "**Next Best Bidder**"), without a further court order. The party that submits the Next Best Bid shall be required to close the sale by the date set forth in the Next Best Bid (excusing the time between the Auction and the date the Next Best Bidder is advised that the Debtors will seek to close under the Next Best Bid) or otherwise agreed to by the Debtors and the Next Best Bidder.

40. The Good Faith Deposits of Qualified Bidders shall be held by the Escrow Agent. The Good Faith Deposits of all potential qualified bidders who are determined not to be Qualified Bidders shall be returned promptly by the Escrow Agent. The Good Faith Deposits of all Qualified Bidders, other than the Successful Bidder and the Next Best Bidder, shall be returned within two (2) business days after the conclusion of the Sale Hearing.

41. The Good Faith Deposit of the Next Best Bidder shall be returned within two (2) business days after the consummation of the sale transaction with the Successful Bidder, but in no event later than ninety (90) days after the Sale Hearing.

42. No party, including Nike, shall be allowed to submit a credit bid for some or all of such Acquired Assets under section 363(k) of the Bankruptcy Code.

43. The sale shall be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Debtors, their estates, or their agents or representatives. Except as otherwise expressly provided in the Bidding Procedures, the Asset Purchase Agreement, or any applicable Bidder Asset Purchase

Agreement, each Potential Bidder that submits a bid shall be deemed to acknowledge and represent that it (a) has had an opportunity to conduct any and all reasonable due diligence regarding the Acquired Assets prior to making its bid, (b) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Acquired Assets in making its bid, and (c) 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 Acquired Assets, or the completeness of any information provided in connection therewith.

44. The sale of the Acquired Assets and applicable Asset Purchase Agreement or Bidder Asset Purchase Agreement shall be presented for authorization and approval by the Court at the Sale Hearing, which the Debtors propose be held on or before **January 29, 2018 at 11:00 a.m. (prevailing Eastern Time)**, subject to the availability of the Court.

Assumption and Assignment Procedures

45. To facilitate and consummate the sale of the Acquired Assets, the Debtors seek authority to assume and assign certain Designated Contracts to the Successful Bidder. Due to the nature of the bidding process, it not possible for the Debtors currently to identify which Designated Contracts will be designated for assumption and assignment to the Successful Bidder. As such, the Debtors further seek authority to establish the Assumption and Assignment Procedures described below.

46. Cure Notice. Within five (5) business days after entry of the Bidding Procedures Order, the Debtors will file the Cure Notice, substantially in the form attached hereto (the "**Cure Notice**"), with the Court and serve such Cure Notice on the non-

Debtor counterparties to such Designated Contracts. The Cure Notice will include (a) the titles of the Designated Contracts to be assumed, (b) the names of the counterparties to such Designated Contract, (c) the amount, if any, determined by the Debtors to be necessary to be paid to cure any existing default under such Designated Contracts in accordance with sections 365(b) and (f)(2) of the Bankruptcy Code (the "**Cure Amount**"), and (d) the deadline by which any counterparties to such Designated Contracts must object. The Debtors reserve the right to supplement and modify the Cure Notice at any time, provided that to the extent that the Debtors add a Designated Contract to the Cure Notice or modify the Cure Amount, the affected party shall receive a separate notice and an opportunity to object to such addition or modification.

47. Objection to Assumption and Assignment of Designated Contracts. Any objection to the assumption and assignment of any Designated Contract identified on the Cure Notice, including, without limitation, any objection to the Cure Amount set forth on the Cure Notice or to the ability of the Successful Bidder to provide adequate assurance of future performance under such Designated Contract, must (a) be in writing, (b) set forth the basis for the objection as well as any cure amount that the objector asserts to be due (in all cases with appropriate documentation in support thereof), and (c) be filed with the Clerk of the Court, United States Bankruptcy Court for the District of Maryland, 6500 Cherrywood Lane, Greenbelt Maryland 20770, and served on the following: (i) McNamee, Hosea, Jernigan, Kim, Greenan & Lynch, P.A., 6411 Ivy Lane, Suite 200, Greenbelt MD 20770 (Attn: Janet Nesse jnesse@mhlawyers.com and Justin Fasano jfasano@mhlawyers.com); (ii) counsel to any official committee of unsecured creditors appointed in these cases (the "**Committee**"); and counsel to the Purchaser (Attn: Jong

Park parkjonglaw@gmail.com), **so as to be actually received no later than 5:00 p.m. (prevailing Eastern Time) on the date that is fourteen (14) days after the filing of the Cure Notice** (the "**Assignment and Cure Objection Deadline**").

48. Requests for Adequate Assurance. Any request for adequate assurance information regarding the Successful Bidder (a "**Request for Adequate Assurance**") must include an email address, postal address and/or facsimile number to which a response to such request will be sent. Upon receiving a Request for Adequate Assurance, the Debtors shall provide such party with any non-confidential information reasonably related to adequate assurance by email, facsimile or overnight delivery.

49. Resolution of Objections. If no objection to the proposed assumption and assignment of a Designated Contract is timely received by the Assignment and Cure Objection Deadline, then the assumption and assignment is authorized and the respective Cure Amount set forth in the Cure Notice shall be binding upon the counterparty to the Designated Contract for all purposes and will constitute a final determination of total Cure Amount required to be paid by the Debtors or the Successful Bidder, as applicable, in connection with such assumption and assignment to the Successful Bidder.

50. To the extent that any entity does not timely object as set forth above, such entity shall be (a) forever barred from objecting to the assumption and assignment of its respective Designated Contract identified on the Cure Notice, including, without limitation, asserting any additional cure payments or requesting additional adequate assurance of future performance, (b) deemed to have consented to the applicable Cure Amount, if any, and to the assumption and assignment of the applicable Designated Contract, (c) bound to such corresponding Cure Amount, if any, (d) deemed to have

agreed that the Successful Bidder has provided adequate assurance of future performance within the meaning of section 365(b)(1)(C) of the Bankruptcy Code, (e) deemed to have agreed that all defaults under the applicable Designated Contract arising or continuing prior to the effective date of the assignment have been cured as a result or precondition of the assignment, such that the Successful Bidder or the Debtors shall have no liability or obligation with respect to any default occurring or continuing prior to the assignment, and from and after the date of the assignment the applicable Designated Contract shall remain in full force and effect for the benefit of the Successful Bidder and such entity in accordance with its terms (except that if the Successful Bidder agrees to pay such Cure Costs over time, such outstanding Cure Costs shall remain outstanding), (f) deemed to have waived any right to terminate the applicable Designated Contract or designate an early termination date under the applicable Designated Contract as a result of any default that occurred and/or was continuing prior to the assignment date, (g) deemed to have agreed that the Debtors are not obligated and shall have no liability under the Designated Contracts following the effective date of the assumption and assignment, and (h) deemed to have agreed that the terms of the Sale Order shall apply to the assumption and assignment of the applicable Designated Contract.

51. If an objection is timely received and such objection cannot otherwise be resolved by the parties, the Court may hear such objection at the Sale Hearing, or at a later date set by the Court. The pendency of a dispute relating to the Cure Amount will not prevent or delay the assumption and assignment of any Designated Contract or the sale of the Acquired Assets to the Successful Bidder. If an objection is filed only with respect to the cure amount listed on the Cure Notice, the Debtors may file a Certificate of

No Objection as to assumption and assignment only and the dispute with respect to the cure amount will be resolved consensually, if possible, or, if the parties are unable to resolve their dispute, before the Court. The Debtors intend to cooperate with the counterparties to the Designated Contracts to be assumed and assigned by the Debtors to attempt to reconcile any difference in a particular Cure Amount.

52. Anti-Assignment Provisions in Contracts or Leases. The Debtors further request that the Court find that any anti-assignment provisions within the purview of Bankruptcy Code 365(f) included in, or otherwise purporting to affect, any Designated Contracts to be assumed and assigned by the Debtors are unenforceable under section 365(f) of the Bankruptcy Code.

BASIS FOR RELIEF REQUESTED

I. A Sale of the Acquired Assets under Section 363 of the Bankruptcy Code is Warranted.

53. Ample justification exists for approval of the proposed sale of the Acquired Assets. Section 363 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).

54. This Court has held that transactions should be approved under Section 363(b)(1) of the Bankruptcy Code when they are supported by a sound business reason. *In re Naron & Wagner, Chartered*, 88 B.R. 85, 87 (Bankr. D. Md. 1988). *See also Committee of Equity Security Holders v. Lionel Corp.* (*In re Lionel Corp.*), 722 F.2d 1063, 1071 (2d Cir. 1983); *In re Chateaugay Corp.*, 973 F.2d 141 (2d Cir. 1992); *In re Gulf State Steel, Inc. of Alabama,* 285 B.R. 497, 514 (Bankr. N.D. Ala. 2002). In reviewing such a proposed transaction, courts should give substantial deference to the

business judgment of the debtor-in-possession. *See e.g., Esposito v. Title Inc. Co. of Pa.* (*In re Fernwood Mkts*), 73 B.R. 616, 621 n.2 (Bankr. E.D. Pa. 1987).

55. An important objective in any proposed sale of property of the estate is to benefit the estate. *See, e.g., In re Integrated Res., Inc.*, 147 B.R. 650, 659 (Bankr. S.D.N.Y. 1992) ("It is a well-established principle of bankruptcy law that the. . . [trustee's] duty with respect to such sales is to obtain the highest price or greatest overall benefit possible for the estate.") (*quoting In re Atlanta Packaging Prods., Inc.*, 99 BR. 124, 130 (Bankr. N.D. Ga. 1988)). As long as the sale appears to enhance a debtor's estate, court approval of a debtor in possession's or trustee's decision to sell should only be withheld if the debtor in possession's or trustee's judgment is clearly erroneous, too speculative, or contrary to the provisions of the Bankruptcy Code. *See GBL Holding Co., Inc. v. Blackburn/Travis/Cole, Ltd.*, 331 B.R. 251, 255 (N.D. Tex. 2005); *In re Lajijani*, 325 B.R. 282, 289 (9th Cir. B.A.P. 2005); *In re WPRV-TV, Inc.*, 143 B.R. 315, 319 (D. P.R. 1991) ("The trustee has ample discretion to administer the estate, including authority to conduct public or private sales of estate property. Courts have much discretion on whether to approve proposed sales, but the trustee's business judgment is subject to great judicial deference.").

56. A sound business purpose for the sale of a debtor's assets outside the ordinary course of business and not under a plan may be found where a sale is necessary to preserve the value of assets for the estate, its creditors or interest holders. See*, e.g., In re Abbotts Dairies of Pennsylvania, Inc.*, 788 F.2d 143 (3d Cir. 1986). Once "the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor's

conduct." *Committee of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986). There is a presumption that "in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the company." *In re Integrated Res.*, 147 B.R. at 656 (*quoting Smith v. Van Gorkom*, 488 A.2d 858, 872 (Del. 1985)). Thus, if a debtor's actions satisfy the business judgment rule, then the transaction in question should be approved under section 363(b)(1). Indeed, when applying the "business judgment" standard, courts show great deference to a debtor's business decisions. *See Pitt v. First Wellington Canyon Assocs. (In re First Wellington Canyon Assocs.)*, Case No. 89-C-593, 1989 WL 106838, at *3 (N.D. Ill. Sept. 8, 1989) ("Under this test, the debtor's business judgment . . . must be accorded deference unless shown that the bankrupt's decision was taken in bad faith or in gross abuse of the bankrupt's retained discretion.").

57. The Debtors submit that the proposed sale of the Acquired Assets and assumption and assignment of the Designated Contracts reflects the exercise of their sound business judgment. After considering their alternatives, the Debtors, with the assistance of their advisors, determined that the sale of the Acquired Assets through a 363 sale process governed by the Bidding Procedures will preserve and possibly enhance the value of the Debtors' estates and is in the best interests of their estates and creditors. Under the circumstances confronting the Debtors, the terms and conditions of the Asset Purchase Agreement, including the proposed purchase price, are fair and reasonable and were negotiated between the parties in good faith and at arm's length. The Debtors have limited funds, and have marketed their stores for over a year, making it imperative that

they move forward expeditiously with a bidding process and consummation of a sale or risk conversion to chapter 7 and closure of their stores. The proposed sale process provides the best alternative under the circumstances and is a valid exercise of the Debtors' business judgment. Accordingly, the Debtors respectfully request that the Bid Procedures, which have been crafted to further these goals, be approved.

II. The Sale of the Acquired Assets Should Be Free and Clear of Liens, Claims, and Encumbrances.

58. In the interest of attracting the best bids for the Acquired Assets, the Debtors submit that the sale of the Acquired Assets should be free and clear of any and all liens, claims, and encumbrances in accordance with section 363(f) of the Bankruptcy Code.

59. Pursuant to section 363(f) of the Bankruptcy Code, a debtor may sell property of the estate "free and clear of any interest in such property of an entity other than the estate" if any one of the following conditions is satisfied: (1) applicable nonbankruptcy law permits sale of such property free and clear of such interest; (2) such entity consents; (3) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property; (4) such interest is in bona fide dispute; or (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest. 11 U.S.C. § 363(f)(1)-(5).

60. Because section 363(f) of the Bankruptcy Code is written in the disjunctive, satisfaction of any one of its five requirements will suffice to permit the sale of the assets "free and clear" of liens and interests. *See In re Elliot*, 94 B.R. 343, 345 (E.D. Pa. 1988) (noting that Section 363(f) is written in the disjunctive; accordingly, courts may approve sales free and clear provided at least one of the subsections is met);

see also In re Kellstrom Indus., Inc., 282 B.R. 787, 793 (Bankr. D. Del. 2002) ("Section 363(f) is written in the disjunctive, not the conjunctive, and if any of the five conditions is met, the debtor has the authority to conduct the sale free and clear of all liens.").

61. The Debtors submit that at the time of the Sale Hearing one or more of the conditions set forth in section 363(f) of the Bankruptcy Code will be satisfied with respect to the sale of the Acquired Assets. Specifically, section 363(f)(4) will be met because Nike's security interest is subject to *bona fide dispute.*[5] Under sections 9-301 and 9-307 of the Uniform Commercial Code, which has been adopted in Virginia and Maryland, Nike was required to record its financing statement in the state where The Sports Zone is organized, i.e., Virginia.[6] *See, e.g., In re Stetson & Assocs., Inc.*, 330 B.R. 613, 618 (Bankr. E.D. Tenn. 2005) (financing statement for corporate debtor must be recorded in state of incorporation). Because Nike did not record its financing statement in Virginia until September 18, 2017, 88 days before The Sports Zone filed for bankruptcy, Nike's security interest is void or voidable as a preference. *See, e.g., In re Vission, Inc.*, 400 B.R. 215, 221 (Bankr. E.D. Wis. 2008) (when creditor incorrectly filed financing statement in state of debtor's principal place of business outside preference period, and then correctly filed financing statement in debtor's state of incorporation

[5] In addition to the security interest asserted by Nike, Toyota Motor Credit may assert security interests against several vehicles owned by the Debtor. These security interests are *de minimus* and will be paid in full at closing.

[6] Specifically, both Md. Code Ann., Com. Law § 9-301 and Va. Code Ann. § 8.9A-301 provide that while a debtor is located in a jurisdiction, the local law of that jurisdiction governs perfection, the effect of perfection or nonperfection, and the priority of a security interest in collateral." Both Md. Code Ann., Com. Law § 9-307(e) and Va. Code Ann. § 8.9A-307(e) provide that "[a] registered organization that is organized under the law of a state is located in that state." Accordingly, both Maryland or Virginia law provide that the law of the Commonwealth of Virginia governs perfection of Nike's security interest. Virginia law, in turn, provides that "if the local law of the Commonwealth governs perfection of a security interest or agricultural lien, the office in which to file a financing statement to perfect the security interest or agricultural lien is… the office of the State Corporation Commission. Va. Code Ann. § 8.9A-501(B)(2).

within preference period, creditor's security interest was voidable as preference). The Sports Zone has commenced a preference action against Nike. Adv. Proc. 17-00496-TJC. Because Nike's lien is subject to avoidance as a preference, there is a *bona fide* dispute sufficient to satisfy 11 U.S.C.§ 363(f)(4). *See In re Octagon Roofing*, 123 B.R. 583, 590 (Bankr. N.D. Ill. 1991) ("The Bank's assertion of its second mortgage security interest may ultimately prove to be voidable as a preference or a fraudulent conveyance. In this regard Trustee has presented a bona fide dispute under 11 U.S.C. § 363(f)(4), thus allowing a sale to go forward on Trustee's motion over the Bank's objection."); *see also In re Oneida Lake Dev., Inc.*, 114 B.R. 352, 358 (Bankr. N.D.N.Y. 1990) (citing *In re Millerburg,* 61 B.R. 125 (Bankr. E.D.N.C. 1986) (unfiled preference action seeking to avoid lien sufficed to create *bona fide* dispute for purposes of 11 U.S.C. § 363(f)(4)).

62. Further, 11 U.S.C. § 363(f)(3) is met because the Purchase Price is greater than the aggregate value of all secured claims.

63. The Debtors also submit that it is appropriate to sell the Acquired Assets free and clear of successor liability relating to the Debtors' businesses as requested by the Purchaser. Protecting the Successful Bidder from any claims or lawsuits premised on the theory that the Successful Bidder is a successor in interest to one or more of the Debtors will enhance the value of the Debtors. Courts have consistently held that a buyer of a debtor's assets pursuant to a Bankruptcy Code section 363 sale takes free and clear from successor liability relating to the debtor's business. *See, e.g., In re Trans World Airlines, Inc.*, 322 F.3d 283, 288-90 (3d Cir. 2003) (sale of assets pursuant to section 363(f) barred successor liability claims for employment discrimination and rights under travel voucher program); *In re Insilco Techs., Inc.*, 351 B.R. 313, 322 (Bankr. D. Del. 2006) (363 sale

permits a buyer to take ownership of property without concern that a creditor will file suit based on a successor liability theory); *see also In re General Motors Corp.*, 407 B.R. 463, 505-06 (Bankr. S.D.N.Y. 2009) ("[T]he law in this Circuit and District is clear: the Court will permit GM's assets to pass to the purchaser free and clear of successor liability claims, and in that connection, will issue the requested findings and associated injunction."); *In re Chrysler LLC*, 405 B.R. 84, 111 (Bankr. S.D.N.Y. 2009).

64. Accordingly, the Debtors request that the Acquired Assets be sold and transferred to the Successful Bidder free and clear of all liens, claims and encumbrances, including successor liability, pursuant to section 363(f) of the Bankruptcy Code.

III. Nike Should Not Be Allowed to Credit Bid on the Acquired Assets.

65. The Debtors submit that Nike should not be allowed to credit bid on the Acquired Assets. As Nike asserts a claim approximately twice the value of the Purchase Price, any ability of Nike to credit bid would significantly chill bidding. As stated above, Nike's security interest is subject to complete avoidance. *In re Vission, Inc.*, 400 B.R. 215 (Bankr. E.D. Wis. 2008). Even were it not subject to avoidance, it does not attach to a substantial portion of the Acquired Assets and Designated Contracts. Specifically, by way of example and not limitation, Nike's security interest does not attach to (i) the leases of the Subsidiaries (who did not sign any security agreement with Nike); (ii) certain assets and proceeds acquired by The Sports Zone post-petition; (iii) The Sports Zone's vehicles; and (iv) such other assets the Debtors may determine to be unencumbered.

66. Credit bidding is not an absolute right. *See In re Antaeus Tech. Servs., Inc.*, 345 B.R. 556, 565 (Bankr.W.D.Va.2005). "The law leaves no doubt that the holder

of a lien the validity of which has not been determined, as here, may not bid its lien." *In re Fisker Auto. Holdings, Inc.*, 510 B.R. 55, 61 (Bankr. D. Del. 2014) (*citing In re Daufuskie Isl. Props., LLC,* 441 B.R. 60 (Bankr. D.S.C. 2010). In this case, The Sports Zone is entitled to avoid Nike's lien in its entirety. In the likely event that Nike's lien is avoided, any credit bid will be of no value to the estates in this case.

67. Further, when a secured creditor's security interest does not extend to all of a debtor's assets, it cannot be allowed to credit bid on such assets. *In re The Free Lance-Star Publ'g Co. of Fredericksburg, VA,* 512 B.R. 798, 805 (Bankr. E.D. Va. 2014) (limiting right to credit bid when secured creditor did not have lien on FCC licenses being sold as part of larger sale). A very significant asset being sold in this case are the Debtors' leases, nine out of ten of which are owned by the Subsidiaries, and are thus unencumbered. Other significant unencumbered assets are being sold as well. To the extent that Nike's security interest is not avoided in its entirety, the Court should allocate the proceeds of the proposed sale after closing *pro rata* between the value of any encumbered and unencumbered assets.

IV. The Breakup Fee Is Reasonable Under the Circumstances and Should Be Approved.

68. Section 10.1 of the Asset Purchase Agreement provides:

> In the event the Seller terminates this Agreement pursuant to **Section 10.1**, and sells the Acquired Assets to a Successful Bidder other than the Buyer, the Buyer shall be entitled to return of its deposit and a break up fee (the "**Break Up Fee**") in the amount of Twenty Five Thousand Dollars ($25,000.00). The Breakup Fee shall constitute an administrative expense claim pursuant to section 503(b) of the Bankruptcy Code.

69. By entering into the Asset Purchase Agreement, the Purchaser has subjected its bid to higher and better offers, and has therefore required the Breakup Fee.

70. The use of a stalking horse in a public auction process for sales pursuant to section 363 of the Bankruptcy Code is a customary and beneficial practice in chapter 11 cases. Often, a stalking horse bid is the best way to maximize value by locking in a purchase price "floor" and helping to garner interest in the assets to be auctioned. As a result, stalking horse bidders virtually always require breakup fees and other forms of bidding protections as an inducement for holding their purchase offer open while it is exposed to overbids in an auction process.

71. In this case, the Debtors are confronted with the option of eventually liquidating their operations or engaging in a sale process with the Purchaser, who has insisted on the Break-Up Fee as detailed in the Asset Purchase Agreement. The Purchaser's purpose in engaging in months of due diligence and legal negotiations, and in incurring substantial fees and costs, is to purchase the Acquired Assets. It has undertaken substantial risk and effort that only benefits a competing successful purchaser, and therefore the Purchaser should be duly compensated if it is so outbid.

72. An auction that includes a break-up fee for a stalking horse bidder could be anticompetitive. As noted above, however, the Break-Up Fee are being provided in recognition of (a) the substantial risk and expense being undertaken by the Purchaser, and (b) the reality that without this process, there is an increased risk that the Debtor's stores could be forced to close abruptly, ending the opportunity for creditors to have the opportunity to continue doing business with the Debtors' successor. The Break-Up Fee is relatively small, constituting less than 3% of the consideration being provided by the Purchaser (not counting the future amounts that may be paid by the Purchaser under the Debtors' remaining leases).

73. Any potential negative impact of the Break-Up Fee on the sales process is greatly outweighed by the virtually certain negative side effects of not approving the Break-Up Fee. Thus, the Court should find that the proposed Breakup Fee is reasonable under all of the circumstances, and approve them.

IV. The Successful Bidder Should Be Afforded All Protections Under Section 363(m) of the Bankruptcy Code as a Good Faith Purchaser.

74. Section 363(m) of the Bankruptcy Code protects a good-faith purchaser's interest in property purchased from the debtor notwithstanding that the sale conducted under section 363(b) is later reversed or modified on appeal. Specifically, section 363(m) states that:

> The 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).

75. Section 363(m) fosters the "policy of not only affording finality to the judgment of the bankruptcy court, but particularly to give finality to those orders and judgments upon which third parties rely." *In re Abbotts Dairies of Penn., Inc.*, 788 F.2d at 147; *see also Allstate Ins. Co. v. Hughes*, 174 BR. 884, 888 (S.D.N.Y. 1994) ("Section 363(m) . . . provides that good faith transfers of property will not be affected by the reversal or modification on appeal of an unstayed order, whether or not the transferee knew of the pendency of the appeal.").

76. The Debtors submit, and will present evidence at the Sale Hearing, if necessary, that the selection of the Successful Bidder shall be the product of arm's length,

good faith negotiations in an anticipated competitive sale process. Accordingly, the Debtors request that the Court make a finding at the Sale Hearing and in the Sale Order that the Successful Bidder has purchased the Acquired Assets in good faith and is entitled to the full protections of section 363(m) of the Bankruptcy Code.

V. The Bidding Procedures are Reasonable and Appropriate.

77. Pursuant to Bankruptcy Rule 6004(f)(1), sales of property outside the ordinary course of business may be by private sale or public auction. The Debtors have determined that the sale of the Acquired Assets by public auction, pursuant to the Bidding Procedures, will ensure that the bidding process with respect to the Acquired Assets is fair, transparent, and reasonable and will yield greater value for the Debtors' estates and their creditors, when compared to the prospect of liquidation.

78. The Bidding Procedures set forth the schedule for conducting the Auction and the Sale Hearing. A section 363 sale process that provides adequate time for marketing and solicitation of bids is the best mechanism to maximize value under the circumstances. The Bidding Procedures promote transparency and are fair and appropriate under the circumstances and are designed to facilitate orderly yet competitive bidding to maximize the net value realized from the sale of assets by the estates.

79. The Bidding Procedures contemplate an open-auction process that provides potential bidding parties with sufficient time to perform due diligence and acquire the information necessary to submit a timely and well-informed bid and compete for the right to be selected the Successful Bidder during the Auction. At the same time, the Bidding Procedures provide the Debtors with an adequate opportunity to consider competing bids and select the highest or otherwise.

VI. Assumption and Assignment of Executory Contracts and Unexpired Leases Should Be Approved.

80. To facilitate and effectuate the sale of their assets, the Debtors also seek authority to assume and assign certain Designated Contracts to the Successful Bidder. Section 365(a) and (b) of the Bankruptcy Code authorizes debtors in possession to assume executory contracts or unexpired leases subject to the Court's approval, and requires such debtors in possession to satisfy certain requirements at the time of assumption. Under section 365(a) of the Bankruptcy Code, a debtor, "subject to the court's approval, may assume or reject any executory contract orunexpired lease of the debtor." 11 U.S.C. § 365(a). Section 365(b)(1) of the Bankruptcy Code, in turn, codifies the requirements for assuming an unexpired lease or executory contract of a debtor, providing in relevant part that:

> (b)(1) If there has been a default in an executory contract or unexpired lease of the debtor, the trustee may not assume such contract or lease unless, at the time of assumption of such contract or lease, the trustee—
>
> (A) cures, or provides adequate assurance that the trustee will promptly cure, such default . . . ;
>
> (B) compensates, or provides adequate assurance that the trustee will promptly compensate, a party other than the debtor to such contract or lease, for any actual pecuniary loss to such party resulting from such default; and
>
> (C) provides adequate assurance of future performance under such contract or lease.

11 U.S.C. § 365(b)(1).

81. The standard that is applied in determining whether an executory contract or unexpired lease should be assumed is the debtor's "business judgment" that the

assumption is in its economic best interests. *See Sharon Steel Corp. v. Nat'l Fuel Gas Distrib. Corp.*, 872 F.2d 36, 40 (3d Cir. 1989); *see also NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 523 (1984) (describing business judgment test as "traditional") (superseded in part by 11 U.S.C. § 1113); *In re III Enters*., Inc. V, 163 B.R. 453, 469 (Bankr. E.D. Pa. 1994) (citations omitted), aff'd, 169 B.R. 551 (E.D. Pa. 1994). It is well established that courts should approve a debtor's motion to assume or reject an executory contract if the debtor's decision is based on its business judgment. *See Official Comm. for Unsecured Creditors v. Aust (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.")

82. In this case, the contracts which the Debtors wish to assume are those which the Purchaser wishes to purchase. As the contracts will be assigned, the Debtors will no longer incur liability. 11 U.S.C.§ 365(k). The assumption and assignment of these contracts increases the value of the sale of the Acquired Assets and significantly reduces the potential liabilities of the estate and is thus is a valid exercise of business judgment.

83. A debtor in possession may assign an executory contract or unexpired lease of the debtor if it assumes the agreement in accordance with section 365(a), and provides adequate assurance of future performance by the assignee, whether or not there has been a default under the agreement. 11 U.S.C. § 365(f)(2).

84. The meaning of "adequate assurance of future performance" depends on the facts and circumstances of each case, but should be given a "practical, pragmatic construction." *EBG Midtown S. Corp. v. McLaren/Hart Env. Eng'g Corp. (In re Sanshoe*

Worldwide Corp.), 139 B.R. 585, 592 (S.D.N.Y. 1992); *In re Rachels Indus., Inc.*, 109 B.R. 797, 803 (Bankr. W.D. Tenn. 1990); *see also In re Prime Motor Inns Inc.*, 166 B.R. 993, 997 (Bankr. S.D. Fla. 1994); *Carlisle Homes, Inc. v. Azzari (In re Carlisle Homes, Inc.),* 103 B.R. 524, 538 (Bankr. D.N.J. 1988) ("[a]though no single solution will satisfy every case, the required assurance will fall considerably short of an absolute guarantee of performance.").

85. Adequate assurance of future performance may be provided by demonstrating, among other things, the assignee's financial health. *See, e.g., In re Bygaph, Inc.*, 56 B.R. 596, 605-06 (Bankr. S.D.N.Y. 1986) (stating that adequate assurance of future performance is present when the prospective assignee of lease from the debtor has financial resources and has expressed willingness to devote sufficient funding to the business in order to give it a strong likelihood of succeeding).

86. Pursuant to the Bidding Procedures, in order to submit a Qualified Bid for the Acquired Assets, all Qualified Bidders must provide evidence of such Qualified Bidder's ability to provide adequate assurance of future performance under the Designated Contracts to be assumed and assigned. Moreover, the Assumption and Assignment Procedures permit the non-Debtor counterparties to such Designated Contracts to request adequate assurance information regarding the Successful Bidder, and afford such counterparties the opportunity to evaluate the ability of the Successful Bidder to provide adequate assurance of future performance under such Designated Contracts. Accordingly, in this regard, the Assumption and Assignment Procedures are reasonable and appropriate and support approval of the assumption and assignment of Designated Contracts to the Successful Bidder.

87. To facilitate the assumption, assignment, and sale of Designated Contracts, the Debtors also request that the Court enter an order providing that any anti-assignment or similar economic impairment provisions contained in, or otherwise purporting to affect, the Designated Contracts to be assumed and assigned shall not restrict, limit or prohibit the assumption, assignment and sale of such Designated Contracts, and that such provisions are deemed and found to be unenforceable within the meaning of section 365(f) of the Bankruptcy Code.

88. Section 365(f)(1), by operation of law, invalidates provisions that prohibit, restrict, or condition assignment of or impose an economic impairment to an executory contract or unexpired lease. *See, e.g., Coleman Oil Co., Inc. v. Circle K Corp. (In re Circle K Corp.)*, 127 F. 3d 904, 910-11 (9th Cir. 1997) ("no principle of bankruptcy or contract law precludes us from permitting the Debtors here to extend their leases in a manner contrary to the leases' terms, when to do so will effectuate the purposes of section 365."), cert. denied, 522 U.S. 1148 (1998).

89. Section 365(f)(3) goes beyond the scope of section 365(f)(1) by prohibiting enforcement of any clause creating a right to modify or terminate the contract or lease upon a proposed assumption or assignment thereof. *See, e.g., In re Jamesway Corp.*, 201 B.R. 73 (Bankr. S.D.N.Y. 1996) (finding that section 365(f)(3) prohibits enforcement of any lease clause creating a right to terminate lease because it is being assumed or assigned, thereby indirectly barring assignment by debtor; all lease provisions, not merely those entitled anti-assignment clauses, are subject to court's scrutiny regarding anti-assignment effect).

90. Other courts have recognized that provisions that have the effect of restricting assignments cannot be enforced. *See In re Rickel Home Centers, Inc.*, 240 B.R. 826, 831 (D. Del. 1998) ("In interpreting Section 356(f) [sic], courts and commentators alike have construed the terms to not only render unenforceable lease provisions which prohibit assignment outright, but also lease provisions that are so restrictive that they constitute de facto antiassignment provisions."). Similarly, in *In re Mr. Grocer, Inc.*, the court noted the following:

> [the] case law interpreting § 365(f)(1) of the Bankruptcy Code establishes that the court does retain some discretion in determining that lease provisions, which are not themselves ipso facto anti-assignment clauses, may still be refused enforcement in a bankruptcy context in which there is no substantial economic detriment to the landlord shown, and in which enforcement would preclude the bankruptcy estate from realizing the intrinsic value of its assets.

77 B.R. 349, 354 (Bankr. D.N.H. 1987).

91. Accordingly, the Debtors request that any anti-assignment and economic impairment provisions be deemed not to restrict, limit, or prohibit the assumption, assignment, and sale of any Designated Contracts to the Successful Bidder and be deemed and found to be unenforceable within the meaning of section 365(f) of the Bankruptcy Code.

92. In sum, the Assumption and Assignment Procedures are fair and reasonable and the Debtors have or will satisfy all prerequisites to the assumption and assignment of executory contracts or unexpired leases that are Designated Contracts. Consequently, the Debtors respectfully request that the Court approve the Assumption and Assignment Procedures and authorize the Debtors to assume and assign any Designated Contracts to the Successful Bidder.

VI. The attached notices should be approved.

93. In order to facilitate the sale, the Debtors requested that the attached Cure Notice and Bid Procedures Notice be approved.

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

94. Bankruptcy Rule 6004(h) provides that "[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise." Additionally, Bankruptcy Rule 6006(d) provides that "[a]n order authorizing the trustee to assign an executory contract or unexpired lease under § 365(f) is stayed until the expiration of fourteen (14) days after the entry of the order, unless the court orders otherwise." Here, an expeditious closing of a sale is necessary and appropriate to maximize value for the estates. Accordingly, the Debtors request that the Court waive the fourteen-day stay period under Bankruptcy Rules 6004(h) and 6006(d).

WHEREFORE, the Debtors respectfully request that the Court grant the relief requested herein and grant such other and further relief as this Court deems just and proper.

Dated: December 27, 2017

Respectfully submitted,

/s/ *Justin P. Fasano*

Janet M. Nesse, Esq (MDB # 07804)
Craig M. Palik (MDB # 15254)
Justin P. Fasano, Esq. (MDB # 28659)
6411 Ivy Lane, Suite 200
Greenbelt, Maryland 20770
(301) 441-2420: Telephone
(301) 982-9450: Facsimile
jnesse@mhlawyers.com
jfasano@mhlawyers.com
Proposed Attorneys for the Debtors

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 27th day of December, 2017, a copy of the foregoing was served in the manner indicated, and to the parties identified, in the *Omnibus Certificate of Service* (the "Omnibus Certificate of Service"), filed contemporaneously with the foregoing. In order to expedite the copying and transmittal of papers filed to parties-in-interest, a copy of the Omnibus Certificate of Service has not been transmitted with the foregoing. Any party seeking a copy of the Omnibus Certificate of Service may contact the undersigned or obtain a copy from the docket in this case via PACER.

/s/ Justin P. Fasano
Justin P. Fasano

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "**Agreement**") is made and entered into as of the ___day of December, 2017 (the "**Effective Date**"), by and among **The Sports Zone, Inc.; The Zone 220, LLC; Sports Zone of Hechinger, LLC; The Zone 450, LLC; The Zone 600, LLC; The Zone 620, LLC; Zone of DC USA, LLC; The Zone 700, LLC; Zone 994 LLC; and The Zone 870, LLC,** (the foregoing are herein jointly and severally referred to as "**Seller**"), and **New Legacy 900 Inc.** ("**Buyer**").

RECITALS

WHEREAS, Seller is engaged in the business of operating certain sports apparel stores in Virginia, Maryland and the Distirct of Columbia (the **"Business");**

WHEREAS, Seller has filed or will file voluntary petitions for relief, under title 11 of the United States Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Maryland (the "**Bankruptcy Court**"), commencing cases under chapter 11 of the Bankruptcy Code (collectively, the "**Bankruptcy Case**");

WHEREAS, Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, all of the assets, properties and rights of Seller relating to the Business (except for the Excluded Assets) free and clear of all Encumbrances pursuant to section 363(f) of the Bankruptcy Code as provided in a final order of the Bankruptcy Court approving such sale under section 363 of the Bankruptcy Code to be entered in the Bankruptcy Case, and to assume only certain specified liabilities of Seller related thereto, all on the terms and subject to the conditions set forth in this Agreement and in accordance with sections 105, 363, 365 and other applicable provisions of the Bankruptcy Code.

WHEREAS, capitalized terms used herein have the meanings set forth in the Table of Definitions attached hereto as Annex I.

ARTICLE I

ASSETS AND LIABILITIES

1.1. Acquired Assets.

a) Subject to the terms and the conditions set forth in this Agreement and on the basis of the representations and warranties herein, Seller shall sell, convey, transfer, assign and deliver to Buyer and Buyer shall purchase, receive and accept from Seller all rights, title and interest in and to the assets and properties of every kind, character and description (other than property and rights specifically excluded in this Agreement), owned or leased by Seller and used in the operation and management of the Business, or otherwise for the benefit of the Business, whether tangible, intangible, real, personal or mixed, movable or fixed, and wherever located (collectively referred to hereinafter as the "**Acquired Assets**").

b) With the exception of the Excluded Assets, the Acquired Assets include all tangible property, accounts (including accounts receivable), machinery, equipment, inventories, tenant improvements (regardless of whether they are accounted for as an asset on the books of Seller), goodwill of the Business, software and computer programs, hardware, Intellectual Property (including the names "Sports Zone" and "Sports Zone Elite" and all other trade names and acronyms under which Seller conducts the Business or by which Seller or the Business is commonly known), prepaid expenses (other than prepaid insurance or prepaid other assets) and deposits, Assigned Leases and Executory Contracts, books and records, any Seller policies and procedures relating to the Business, telephone and facsimile numbers, all Licenses and permits to the extent transferable to Buyer, all benefits, proceeds and other amounts payable under any Seller policy of insurance relating to the Business, and proceeds of all of the foregoing assets.

1.2. Excluded Assets. Notwithstanding anything contained in **Section 1.1** above, Buyer is not purchasing Seller's (i) cash, (ii) cash equivalents, (iii) income tax receivables, (iv) deferred tax assets, (v) employee advances, (vi) prepaid insurance, (vii) contracts and leases that are not Assigned Leases and Executory Contracts, (viii) the Purchase Price and all rights of the Seller under this Agreement, (ix) any rights, claims or causes of action of any Seller under the Bankruptcy Code, including under chapter 5 and including all proceeds thereof, (x) all personnel records and other books, records, and files that the Seller is required by law to retain in its possession, (xi) any claim, right or interest of any Seller in or to any refund, rebate, abatement or other recovery for taxes, together with any interest due thereon or penalty rebate arising therefrom, (xii) investments, (xiii) those items listed on **Schedule 1.2** hereto, and (xiv) any books and records relating to any of the foregoing (such assets being referred to collectively as the "**Excluded Assets**").

1.3. Assumed Liabilities. As of the Closing Date, Seller shall assign to Buyer and Buyer shall assume only Seller's obligations arising from events occurring on or after the Closing Date under those agreements and contracts designated specifically on Schedule __ attached hereto as "**Assigned Leases and Executory Contracts.**" At or prior to the Sale Hearing, Seller shall seek authorization to assume and assign to Buyer the Assigned Contracts and the Assigned Personal Property Leases. $250,000 of the amounts, if any, required to cure defaults under the Assigned Leases and Executory Contracts, as required under the Bankruptcy Code or determined by the Bankruptcy Court pursuant to a Final Order (the "**Cure Costs**"), shall be paid on the Closing Date (except as otherwise agreed to by the applicable counterparty to any Assigned Contract or Assigned Personal Property Lease) by the Buyer directly to the applicable counterparties to the Assigned Leases and Executory Contracts. Attached hereto as **Schedule 1.3** is a listing of Seller's good faith estimate of the Cure Costs delivered prior to the Effective Date of this Agreement, which Schedule 1.3 shall be updated and delivered to Buyer not less than two (2) business days prior to the Sale Hearing. Buyer may remove any Assigned Lease or Executory Contract set forth on Schedule 1.3 at any time up to, and including, the Closing Date.

1.4. Excluded Liabilities. Except as expressly set forth in this Agreement, Buyer does not assume and will not be liable for any of the direct or indirect debts, Claims, Interests, Encumbrances, obligations or liabilities of Seller, any Affiliate of Seller, the Business, whenever arising and of whatever type or nature. In particular, but without limiting the foregoing, Buyer will not assume, and will not be deemed by anything contained in this Agreement (other than to the extent expressly provided in **Section 1.3** above) to have assumed and will not be liable for any debts, obligations or liabilities of Seller, any Affiliate of Seller or the Business whether known or unknown, contingent, absolute or otherwise and whether or not they would be included or disclosed in financial statements prepared in accordance with GAAP (the "**Excluded Liabilities**"). Without limitation of the foregoing, the Excluded Liabilities include debts, Claims, Interests, Encumbrances, successor liability, liabilities and obligations: (a) under any real estate lease or any contract or agreement to which Seller is a party or by which Seller or the Business is bound that is not, as of the Closing Date, listed as an Assigned Lease or Executory Contract by which Seller or the Business is bound that has not been listed as an Assigned Leases and Executory Contracts on **Schedule 1.3**; b) arising out of any arrangements, agreements, understandings or commitments (including any collective bargaining agreements) with or on behalf of any employees or independent contractors providing services to the Business to which Seller is a party or by which Seller is bound from the period prior to the Closing Date; (c) for, or relating to, any Employee Benefit Plan; (d) for any obligation for Taxes from the period prior to the Closing Date; (e) for any damages or injuries to persons or property or for any tort or strict liability arising from events, actions or inactions in the Business or the operation of the Business prior to the Closing Date; (f) arising out of any litigation arising with respect to the period prior to the Closing Date, whether or not threatened or pending on or before the Closing Date; (g) incurred by Seller or the Business for borrowed money from the period prior to the Closing Date or that otherwise constitute Indebtedness; (h) for any accounts payable of Seller or any Affiliate of Seller from the period prior to the Closing Date. The intent and objective of Buyer and Seller is that, except for liabilities explicitly assumed by Buyer hereunder, Buyer does not assume, and no transferee liability will attach to Buyer pertaining to, any of the Excluded Liabilities.

1.5. Instruments of Transfer. The sale of the Acquired Assets and the assumption of the Assumed Liabilities as herein provided shall be effected at Closing by the "**Assignment and Assumption and Bill of Sale**" in the form attached hereto as **Exhibit A**.

1.6. Payment of Sales Taxes. Buyer shall pay any and all sales, use or other transfer taxes payable by reason of the transfer and conveyance of the Acquired Assets hereunder. Buyer will prepare, deliver and if necessary file at or before Closing all transfer tax returns and other filings necessary to vest in Buyer full right, title and interest in the Acquired Assets.

1.7. As Is, Where Is. Buyer is acquiring the Acquired Assets at the Closing "as is,where is" and, except as otherwise expressly provided in this Agreement, Buyer understands that Seller is making no representations or warranties whatsoever, express or implied, with respect to any matter relating to the Acquired Assets or the Business. Buyer acknowledges that it has conducted an independent inspection and investigation of the physical condition of all Acquired Assets and all such other matters relating to or affecting the Acquired Assets as Buyer deems necessary or appropriate and that in proceeding with its acquisition of the Acquired Assets, except for any representations and warranties expressly provided in this Agreement,

Buyer is doing so based solely upon such independent inspections and investigations. Without limiting the foregoing, Seller hereby disclaims any warranty, express or implied, of merchantability or fitness for any particular purpose as to any portion of the Acquired Assets.

ARTICLE II
PURCHASE PRICE

2.1 Consideration / Purchase Price. The purchase price to be paid by Buyer to Seller for the Acquired Assets and the other rights set forth herein (the "**Purchase Price**") shall consist of: (i) the assumption by Buyer of the Assumed Liabilities, including the direct payment by Buyer of Two Hundred Fifty Thousand Dollars ($250,000) of the Cure Costs directly to counterparties to Assigned Leases and Executory Contracts at Closing *pro rata*;; plus (ii) Two Hundred Fifty Thousand Dollars ($250,000) at Closing; and plus (iii) ten payments of Forty Thousand Dollars ($40,000) commencing on the 25th day of the first month following the entry of the Sale Order to be divided *pro rata* between the estate and the remaining Cure Costs owed to counterparties to Assigned Leases and Executory Contracts.

2.2 Pro-Rations. All business expenses incurred by Seller in the ordinary course with respect to the Business, such as utilities, will be pro-rated as of the Closing Date, such that Buyer is responsible for amounts incurred with respect to periods after the Closing Date and Seller is responsible for amounts incurred with respect to periods on or prior to the Closing Date.

2.3 Deposit. Within five (5) days of the Execution of this Agreement, the Buyer shall provide a deposit in the amount of $50,000.00, which will be refundable in the event the Bankruptcy Court declines to approve this Agreement, and which will be applied to Purchase Price listed above at Closing.

ARTICLE III
CLOSING

3.1. Closing. The closing of the sale and purchase of the Acquired Assets (the "**Closing**") will take place no later than fifteen days after the Sale Order, so long as all of the conditions to closing set forth in **Article VIII** below are fully satisfied, or on such other date as the parties may mutually agree (the "**Closing Date**") at the offices of Seller's counsel located in Greenbelt, Maryland, or by electronic or facsimile transmission and United States or overnight mail. Buyer and Seller shall proceed to the Closing as promptly as possible after the Sale Order becomes a final non-appealable order. Closing will be deemed to have occurred at 12:01 a.m. Eastern time on the day immediately following the Closing Date.

ARTICLE IV

SELLER'S REPRESENTATIONS

4.1. Organization, Good Standing and Qualification. Each Seller is a corporation or limited liability company duly organized, validly existing and in good standing under the provisions of the laws of the state in which it is organized.

4.2. Authorization; Binding Obligation. Subject to Bankruptcy Court approval, Seller has full legal corporate right, power and authority to execute and deliver this Agreement, and to carry out the transactions contemplated thereby. Subject to Bankruptcy Court approval, the execution and delivery by Seller of the Acquisition Agreements and all of the documents and instruments required thereby and the consummation of the transactions contemplated thereby have been duly authorized by all requisite action on the part of Seller. The Agreement and each of the other documents and instruments required thereby or delivered in connection therewith have been duly executed and delivered by Seller, and constitute the legal, valid and binding obligations of Seller, enforceable against them in accordance with their respective terms, subject to Bankruptcy Court approval.

4.3. No Brokers. Neither Seller nor any Affiliate of Seller has employed, either directly or indirectly, or incurred any liability to, any broker, finder or other agent in connection with the transactions contemplated by this Agreement. Seller and its Affiliates shall indemnify and hold harmless Buyer from any claims brought by any broker, finder or other agent claiming to have acted on behalf of Seller or an Affiliate of Seller in connection with the purchase and sale of the Acquired Assets or the Business.

ARTICLE V
BUYER'S REPRESENTATIONS

Buyer hereby represents, warrants and covenants to Seller, as of the Effective Date and as of the Closing Date, as follows:

5.1. Organization, Good Standing and Qualification. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of New Jersey. Buyer has all requisite corporate power and authority to enter into this Agreement and to carry out and perform its obligations under the Acquisition Agreements to which Buyer is a party.

5.2. Authorization; Binding Agreement. Buyer has the corporate power and authority to execute and deliver this Agreement, and to carry out the transactions contemplated hereby. The execution and delivery by Buyer of the Agreement and all of the documents and instruments required thereby and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite company action on the part of Buyer. The Agreement and each of the other documents and instruments required hereby have been duly executed and delivered by Buyer and constitute the valid and binding obligations of Buyer, enforceable against Buyer in accordance with their respective terms.

5.3. Legal Proceedings. There are no actions, suits, litigation, or proceedings pending or, to Buyer's knowledge without inquiry, threatened against Buyer that could materially

adversely affect Buyer's ability to perform its obligations under this Agreement or the consummation of the transactions contemplated by this Agreement.

5.4. No Brokers. Buyer has not employed, either directly or indirectly, or incurred any liability to, any broker, finder or other agent in connection with the transactions contemplated by this Agreement. Buyer shall indemnify Seller for any claims brought by any broker, finder or other agent claiming to have acted on behalf of Buyer in connection with this sale.

5.5. No Violation. The execution, delivery, compliance with and performance by Buyer of this Agreement and each of the other documents and instruments delivered in connection therewith do not and will not (a) violate or contravene the articles of organization or operating agreement, as amended to date, of Buyer, (b) to Buyer's knowledge without inquiry, violate or contravene any law, statute, rule, regulation, order, judgment or decree to which Buyer is subject, or (c) conflict with or result in a breach of or constitute a default under any contract, agreement, instrument or other document or contract to which Buyer is a party or by which Buyer or any of its assets or properties are bound or to which Buyer or any of its assets or properties are subject.

5.6. Confidentiality Practices. Buyer's policies with respect to maintaining the confidentiality and nondisclosure of consumer personal identification information are at least as protective of consumers' rights and information as the Seller's policies or, if Buyer does not have such policies in place as of the Closing Date, Buyer shall adopt Seller's policies.

ARTICLE VI
COVENANTS

6.1. Conduct of the Business Pending Closing. Between the Effective Date and the Closing Date, and subject to any limitations and restrictions created by the lack of available funds or the provisions of the Bankruptcy Case, unless Buyer consents in writing, (i) Seller shall conduct the Business only in, and Seller shall not take any action except in, the ordinary course of business consistent with past practice, (ii) Seller shall use commercially reasonable efforts to keep available the services of Seller Employees and to preserve the current relationships of the Business with such of the vendors, landlords and other persons with which Seller has significant business relations so to preserve substantially intact the Business, and (iii) Seller shall use commercially reasonable efforts to preserve intact the Acquired Assets. By way of amplification and not limitation, between the Effective Date and the Closing Date, the Seller shall not, and shall neither cause nor permit any of Seller's Affiliates, Members, officers, directors, managers, employees and agents to, directly or indirectly, do, or agree to do, any of the following with respect to the Business or the Acquired Assets, without the prior written consent of Buyer, except as permitted by an order of the Bankruptcy Court:

(a) Sell, pledge, dispose of, grant, transfer, lease, license, guarantee, encumber, or authorize the sale, pledge, disposition, grant, transfer, lease, license, guarantee or encumbrance of the Business, or any membership interests of Seller (including any membership interests held by any Member), or any of the Acquired Assets except in the ordinary course of business and in a manner consistent with past practice;

provided that the aggregate amount of any such sale or disposition (other than a sale or disposition of products or other inventory in the ordinary course of business consistent with past practice, as to which there will be no restriction on the aggregate amount), or pledge, grant, transfer, lease, license, guarantee or encumbrance of such property or assets will not exceed $10,000;

(b) Acquire (including by merger, consolidation or acquisition of stock or assets) for or in connection with the Business any interest in any corporation, partnership, other business organization, person or any division thereof or any assets, other than (i) acquisitions of assets in the ordinary course of business consistent with past practice that are not, in the aggregate, in excess of $10,000, or (ii) purchases of inventory for resale or consumption (whether for cash or pursuant to an exchange) in the ordinary course of business and consistent with past practice;

(c) Make or authorize any capital expenditure, dividends or distributions;

(d) Modify any material accounting policies, procedures or methods, except as required by the Bankruptcy Code, Bankruptcy Rules, the Bankruptcy Court or the Office of the United States Trustee; or

(e) Take any action that could result in the representations and warranties set forth in **Article IV** above becoming false or inaccurate;.

6.2 Preservation of and Access to Information and Records.

(a) After the Closing, Buyer shall keep and preserve all books and records relating to the business and/or the Acquired Assets existing as of the Closing and that are delivered to Buyer by Seller; *provided* that, subject to the last two sentences of this sub-section, Buyer may dispose of such records in accordance with Buyer's records retention and disposition policies from time to time in effect. Upon reasonable notice, and during regular business hours and at mutually agreeable times, Buyer will afford the representatives of Seller, including its counsel and accountants, full and complete access to, and copies of (at the sole cost and expense of Seller), the books and records transferred to Buyer at Closing. Notwithstanding the foregoing, should Buyer wish to destroy such records or any portion thereof, Buyer shall first notify Seller of its intent and Seller will have thirty (30) days following its receipt of such notice to notify Buyer of its intent to reclaim any such records in whole or in part. Seller shall take possession of such records no later than ten (10) days following Seller's delivery of such notice of intent.

(b) After the Closing, Seller shall keep and preserve all records of the Business as of Closing that are not delivered to Buyer by Seller and that are required to be kept and preserved by applicable Law or in connection with any claim or controversy pending at Closing involving the Business; *provided*, that, subject to the last two (2) sentences of this sub-section, Seller may dispose of such records in accordance with Seller's records retention and disposition policies from time to time in effect. From and after

the Closing Date, for such period as is required by Law or in connection with any claim or controversy pending at Closing involving the Business, Buyer and Seller shall retain and make available to representatives of Seller or Buyer, respectively, including its counsel and accountants, upon reasonable notice, and during regular business hours and at mutually agreeable times, full and complete access to, and copies of (at the sole cost and expense of Buyer), any such records of the Business or relating to the Acquired Assets prior to the Closing Date and access to personnel as may be reasonably necessary to comply with applicable Law, prepare tax returns, or to resolve any such pending dispute. Notwithstanding the foregoing, should Seller wish to destroy such records or any portion thereof, Seller shall first notify Buyer of its intent and Buyer will have thirty (30) days following its receipt of such notice to notify Seller of its intent to reclaim any such records in whole or in part. Buyer shall take possession of such records no later than ten (10) days following Buyer's delivery of such notice of intent.

6.3 Access to Information From the date hereof until the Closing, Seller shall (a) afford Buyer and its representatives full and free access to and the right to inspect all of its property, assets, premises, books and records (subject to any limitation imposed by Law), Contracts and other documents and data related to the Business; (b) furnish Buyer and its representatives with such financial, operating and other data and information related to the Business as Buyer or any of its representatives may reasonably request; and (c) instruct the representatives of Seller to cooperate with Buyer in its investigation of the Business. Any investigation pursuant to this **Section 6.3** shall be conducted in such manner as not to interfere unreasonably with the conduct of the Business or any other businesses of Seller. No investigation by Buyer or other information received by Buyer shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made by Seller in this Agreement.

6.4 Employment Matters Buyer has no obligation to offer employment to any Seller Employees. Buyer, in its sole and absolute discretion, will identify the Seller Employees to whom Buyer will offer employment and the terms of those offers. Effective as of the Closing Date, Seller will terminate the employment of the Seller Employees who accept Buyer's or its Affiliate's offer of employment. Those Seller Employees who accept Buyer's or its Affiliate's offer of employment as of the Closing Date shall be hereinafter referred to as "**Transferring Employees**". All compensation, benefits and corresponding Taxes accrued up to the Closing Date with respect to Transferring Employees shall constitute an Excluded Liability. All Transferring Employees, other than those employees whose contracts are assumed and assigned, shall be employees at will, subject to Buyer's or its Affiliate's employment policies. Buyer will not assume any liability or responsibility for any benefit or other obligations arising out of or under any Employee Benefit Plan to which any Transferring Employee, or any Seller Employee who is not a Transferring Employee, is or may be entitled to without regard to whether such obligation or responsibility arises under the terms of such Employee Benefit Plan or applicable Law.

6.5 Discovered Contracts. At any time and from time to time on or before earliest to occur of (i) the ninetieth (90th) day after Closing, (ii) dismissal of the Bankruptcy Case, (iii) conversion of the Bankruptcy Case to a case under chapter 7 of the Bankruptcy Code, and (iv)

entry of an order confirming a chapter 11 plan in the Bankruptcy Case, Buyer may designate one or more Discovered Contracts as an Assigned Contract upon ten (10) days' notice to the counterparty to such Discovered Contract. In the event that such counterparty objects to the assumption and assignment of the Discovered Contract, Buyer shall direct Seller or its successor to file the appropriate motion with the Bankruptcy Court for the assumption of such Discovered Contract, and shall reimburse Seller or its successor for doing so.

ARTICLE VII
CONFIDENTIALITY

7.1 Confidentiality. All information not disclosed to the public by Seller regarding the Business that is compiled by, obtained by, or furnished to Buyer or any of its agents or employees in the course of its due diligence review of the Business is acknowledged to be confidential information, trade secrets and the exclusive property of Seller through the Closing Date, and of Buyer thereafter, and all information not disclosed to the public by Buyer regarding Buyer's business or operations is acknowledged to be confidential information, trade secrets and the exclusive property of Buyer (collectively, "**Confidential Information**"). Each of the parties acknowledges that the breach or threatened breach of the provisions of this **Section 7.1** would cause irreparable injury to the other party that could not be adequately compensated by money damages. Accordingly, a party may obtain a restraining order and/or injunction prohibiting a breach or threatened breach of the provisions of this **Section 7.1**, in addition to any other legal or equitable remedies that may be available. If requested by legal process to disclose any Confidential Information of another party, the party in receipt of such request shall promptly give notice thereof to the other party so that such party may, at its own cost and expense, seek an appropriate protective order or, in the alternative, waive compliance to the extent necessary to comply with such request if a protective order is not obtained. If a protective order or waiver is granted, the party subject to such legal process may disclose the Confidential Information to the extent required by such court order or as may be permitted by such waiver. Notwithstanding any part of the foregoing, Buyer may disclose Confidential Information for the purpose of complying with government filing requirements and for the purpose of issuing a press release about the transaction following the Closing Date. The term "*Confidential Information*" does not include information that (i) is at the time of disclosure or later becomes generally known to the public or within the industry or segment of the industry to which such information relates without violation by a party of any of its obligations hereunder and not through any action by any of its directors, managers, officers, employees or agents which, if committed by such party, would have constituted a violation by it of any of its obligations hereunder; (ii) at the time of disclosure to the other party was already known by such other party; or (iii) after the time of the disclosure to the other party, is received by such party from a third party which, to such party's best knowledge, is under no confidentiality obligation with respect thereto.

ARTICLE VIII
CONDITIONS PRECEDENT TO BUYER'S PERFORMANCE AND TO SELLER'S PERFORMANCE

8.1. Conditions to Buyer's Obligations.

The obligations of Buyer under this Agreement are subject to the satisfaction of the following conditions on or prior to the Closing Date, all or any of which may be waived in writing by Buyer:

(a) All representations and warranties made by Seller in this Agreement and in any written statements delivered to Buyer under this Agreement shall be true and correct as of the Effective Date and as of the Closing Date as though made on such dates, except for any failures of the representations or warranties to be so true and correct that, taken together, do not result in or constitute (and are not reasonably likely to result in or constitute) a Seller Material Adverse Effect.

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

(c) Seller shall have executed and delivered to Buyer (i) the Assignment and Assumption and Bill of Sale in the form attached hereto as **Exhibit A**, dated and effective as of the Closing Date.

(d) Seller shall have delivered to Buyer all other documents required to be delivered by them hereunder, and all such documents shall have been properly executed by each of them, if applicable.

(e) The Bankruptcy Court shall have entered an order authorizing the assumption and assignment of the Assigned Leases and Executory Contracts and approving any modification to the Assigned Leases and Executory Contracts in form and substance satisfactory to Buyer and lessors of the Assigned Leases and Executory Contracts.

(f) All schedules and exhibits attached to this Agreement are delivered to Buyer by Seller pursuant to this Agreement.

(g) All of the Assigned Leases and Executory Contract shall have been validly assumed and assigned under Section 365 of the Bankruptcy Code to Buyer, by Order of the Bankruptcy Court, pursuant to the Sale Order.

(h) The Bankruptcy Court shall have entered the Sale Order in accordance with **Article X** below, and the Sale Order shall have become final and non-appealable.

8.2. Conditions to Seller's Obligations. The obligations of Seller under this Agreement are subject to the satisfaction of the following conditions, on or prior to the Closing Date, all or any of which may be waived in writing by Seller:

(a) All representations and warranties made by Buyer in this Agreement and in any written statements delivered to Seller under this Agreement shall be true and correct in all material respects as of the Effective Date and as of the Closing Date as though made on such date.

(b) Buyer shall have performed, satisfied and complied in all material respects with all obligations and covenants of Buyer required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(c) Buyer shall have delivered to Seller all documents required to be delivered by Buyer hereunder, and all such documents shall have been properly executed by Buyer, if applicable.

(d) Buyer shall have executed and delivered to Seller (i) the Assignment and Assumption and Bill of Sale in the form attached hereto as **Exhibit A** in each case dated and effective as of the Closing Date.

(e) The Bankruptcy Court shall have entered the Sale Order in accordance with **Article X** below and the Sale Order shall have become final.

ARTICLE IX
MISCELLANEOUS

9.1 Termination. This Agreement may be terminated and the transaction contemplated hereby may be abandoned at any time prior to the Closing Date as follows:

(a) By mutual written consent of Buyer and Seller;

(b) By Seller upon or after the entry of a Sale Order approving a transaction with another party that has submitted a competing bid that has been accepted by Seller;

(c) Subject to any extension rights of Seller as expressly set forth herein under **Section 8.1** or otherwise, by either Buyer or Seller, if Closing has not occurred on or before fifteen days after the Sale Order; *provided* that the right to terminate this Agreement under this **Section 9.1(c)** will not be available to the party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of Closing to occur on or before such date;

(d) By Buyer, upon a breach of, or failure to perform in any material respect, any representation, warranty, covenant or agreement on the part of Seller set forth in this Agreement, such that a condition set forth in **Section 8.1** above would not be satisfied;

(e) By Seller, upon a breach of, or failure to perform in any material respect (which breach or failure cannot be or has not been cured within thirty (30) days after the giving of notice of such breach or failure), any representation, warranty, covenant or agreement on the part of Buyer set forth in this Agreement, such that a condition set forth in **Section 8.2** above would not be satisfied.

9.2._ Notice of Termination; Effect of Termination. If this Agreement is terminated by either Buyer or Seller pursuant to Section 9.1(b), Section 9.1(c), Section 9.1(d), or Section 9.1(e) above, the terminating party will give prompt written notice thereof to the non-terminating party.

In the event of a termination pursuant to Section 9.1, this Agreement will be of no further effect, there will be no liability under this Agreement on the part of either Buyer or Seller and all rights and obligations of each party hereto will cease.

9.3. Survival of Representations and Warranties; Survival of Post-Closing Covenants. The parties hereto agree that the representations and warranties contained in this Agreement shall expire automatically and immediately upon the closing or earlier termination of this Agreement, and shall have no further force and effect after such time. The parties hereto agree that the covenants contained in this Agreement to be performed at or after the Closing shall survive in accordance with the terms of the particular covenant or until fully performed.

9.4. Expenses. Except as otherwise specified herein, each of the parties hereto shall pay its own fees, costs and expenses incurred in connection with the negotiation, preparation, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

9.5. Entire Agreement; Amendment. This Agreement, together with the Schedules and Exhibits and all ancillary agreements and exhibits and schedules thereto to be delivered at Closing, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements, either oral or written. This Agreement may not be amended, or any term or condition waived, unless signed by the party to be charged or making the waiver. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any other party, or by anyone acting on behalf of any other party, that are not embodied herein, and that no other agreement, statement or promise not contained in this Agreement will be valid or binding.

9.6. Assignment. No party hereto shall assign or otherwise transfer this Agreement or any of its rights hereunder, or delegate any of its obligations hereunder without the prior written consent of the other party; *provided* that Buyer will be permitted, without the consent of Seller, to assign or otherwise transfer this Agreement or any of its rights hereunder to any Affiliate of Buyer so long as Buyer shall guarantee payment of the Purchase Price and the performance by such Affiliate of its obligations under the Assigned Personal Property Leases and the Assigned Contracts. Subject to the foregoing, this Agreement and the rights and obligations set forth herein will inure to the benefit of, and be binding upon the parties hereto, and each of their respective successors, heirs and assigns, without novation.

9.7. Counterparts. This Agreement may be executed in counterparts, any one of which need not contain the signatures of all parties, but all of which counterparts when taken together will constitute one and the same agreement. Facsimile copies of signatures will be deemed originals for all purposes hereof and a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder. This Agreement, and any executed counterpart of a signature page to this Agreement, may be transmitted by fax or e-mail, and delivery of an executed counterpart of a signature page to this Agreement by fax or e-mail will be effective as delivery of a manually executed counterpart of this Agreement.

9.8. Law Governing Agreement; Bankruptcy Court Jurisdiction. This Agreement shall be construed and interpreted according to the internal laws of Maryland without regard to any conflicts of law provisions. The parties agree that the Bankruptcy Court shall retain jurisdiction to enforce the provisions of this Agreement and the Sale Order. With respect to the above jurisdiction, the parties expressly and irrevocably (a) consent and submit to the personal jurisdiction of such court in any such action or proceeding and consent to the entry of final orders thereby, (b) waive any claim or defense in any such action or proceeding based on any alleged lack of personal jurisdiction, improper venue, or f*orum non conveniens* or any similar basis, and (c) waive all rights, if any, to trial by jury with respect to any such action or proceeding.

9.9. Schedules and Exhibits. The Schedules and Exhibits attached hereto are an integral part of this Agreement. All exhibits and schedules attached to this Agreement are incorporated herein by this reference and all references herein to this "Agreement" mean this Asset Purchase Agreement together with all such exhibits and schedules, and all ancillary agreements and exhibits and schedules thereto to be delivered at Closing.

9.10. Severability. Any provision hereof that is held to be prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be adjusted rather than avoided, if possible, to achieve the intent of the parties to this Agreement to the extent possible without in any manner invalidating the remaining provisions hereof.

9.11. Notices. All notices or other communications required or permitted hereunder must be in writing and will be deemed properly given three (3) business days after being sent by registered or certified mail, postage prepaid, to the parties at the address listed below:

If to Seller:

The Sports Zone, Inc.
c/o Michael Dahan, CEO
5851 Ammendale Road
Beltsville, MD 20705

- With a copy by mail and e-mail to (which shall not constitute notice)

Janet M. Nesse, Esq.
McNamee Hosea
6411 Ivy Lane, Suite 200
Greenbelt MD 207700
jnesse@mhlawyers.com

- And -

Justin P. Fasano, Esq.
McNamee Hosea
6411 Ivy Lane, Suite 200

Greenbelt MD 207700
jfasano@mhlawyers.com

If to Buyer: Jong Won Park, Esq.
Law Office of Jong Won Park, LLC.
460 Bergen Blvd., Suite 201
Palisades Park, NJ 07650
parkjonglaw@gmail.com

New Legacy 900 Inc.
c/o Jaeil Shim
141 Lanza Avenue Unit 18C
Garfield, NJ 07026

- With a copy by mail and e-mail to (which shall not constitute notice)

9.12. Representation by Counsel. Each party hereto acknowledges that it has been advised by legal and any other counsel retained by such party in its sole discretion. Each party acknowledges that such party has had a full opportunity to review this Agreement and all related exhibits, schedules and ancillary agreements and to negotiate any and all such documents in its sole discretion, without any undue influence by any other party hereto or any third party.

9.13. Construction. The parties have participated jointly in the negotiations and drafting of this Agreement and if any ambiguity or question of intent or interpretation arises, no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

9.14. Certain References. As used in this Agreement, and unless the context requires otherwise: references to "*include*" or "*including*" mean including without limitation and are intended to be illustrative and not restrictive of the word or phrase to which they refer; references to "*partners*" mean general and limited partners of partnerships and members of limited liability companies; references to "*partnerships*" mean general and limited partnerships, joint ventures and limited liability companies; references to any document are references to that document as amended, consolidated, supplemented, novated or replaced by the parties thereto; references to laws generally or to any law specifically are references to that law as amended, supplemented or replaced, and all rules and regulations promulgated thereunder; the gender of all words includes the masculine, feminine and neuter, and the number of all words includes the singular and plural; references to articles or sections are references to articles or sections of this Agreement, unless otherwise expressly stated; and the table of contents, the division of this Agreement into articles and sections, and the use of captions and headings in connection therewith are solely for convenience and have no legal effect in construing this Agreement.

9.15. Waivers. No waiver by any party, whether express or implied, of its rights under any provision of this Agreement will constitute a waiver of the party's rights under such provisions at any other time or a waiver of the party's rights under any other provision of this Agreement. No failure by any party to take any action against any breach of this Agreement or default by another party will constitute a waiver of the former party's right to enforce any provision of this Agreement or to take action against such breach or default or any subsequent breach or default by the other party. To be effective any waiver must be in writing and signed by the waiving party.

9.16. Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that Buyer shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

ARTICLE X
BANKRUPTCY MATTERS AND CONDUCT OF AUCTION

10.1. Sale Hearing. Buyer acknowledges that Seller must seek approval of this Agreement by Motion (the "**Sale Motion**"), and that this Agreement is subject to higher and better offers at the Sale Hearing. If the highest or best offer is submitted at the Sale Hearing by a party other than Buyer (the "**Successful Bidder**"), then Seller shall be entitled to terminate this Agreement and close a sale pursuant to such other offer (or, if such other offer does not close, then pursuant to the next highest or best offer). Seller may select the second highest or otherwise best competing bid and seek approval to consummate the transactions contemplated by such competing bid in the event the Successful Bidder fails to close.

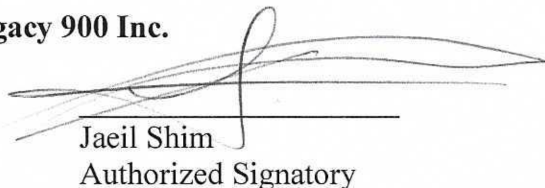
10.2. Break Up Fee. In the event the Seller terminates this Agreement pursuant to **Section 10.1**, and sells the Acquired Assets to a Successful Bidder other than the Buyer, the Buyer shall be entitled to return of its deposit and a break up fee (the "**Break Up Fee**") in the amount of Twenty Five Thousand Dollars ($25,000.00). The Breakup Fee shall constitute an administrative expense claim pursuant to section 503(b) of the Bankruptcy Code.

10.3. Defense of Orders. If, following the Closing, the Sale Order or any other order of the Bankruptcy Court relating to this Agreement shall be appealed (or a petition for certiorari or motion for rehearing or reargument shall be filed with respect thereto), Seller, at Seller's expense (to the extent only of its financial resources available therefor), shall take all commercially reasonable steps as may be appropriate to defend against such appeal, petition or motion, and Buyer agrees to cooperate in such efforts, and each party hereto shall endeavor to obtain an expedited resolution of such appeal.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have executed, or caused this Agreement to be executed by their duly authorized representatives, as of the date first written above.

New Legacy 900 Inc.



By: ______________________
Name: Jaeil Shim
Title: Authorized Signatory

SELLER:

The Sports Zone, Inc., a Virginia Corporation

By: ____________________
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
The Zone 220, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
Sports Zone of Hechinger, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
The Zone 450, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
The Zone 600, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
The Zone 620, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
Zone of DC USA, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ______________________

The Zone 700, LLC, a limited liability company

By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ______________________

Zone 994 LLC, a limited liability company

By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ______________________

The Zone 870, LLC, a limited liability company

By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

EXHIBIT A
ASSIGNMENT AND ASSUMPTION
AND BILL OF SALE

This Assignment and Assumption and Bill of Sale (the "**Agreement**"), is made and entered into as of the ________ day of ____________, 201_ (the "**Effective Date**"), by and among **The Sports Zone, Inc.; The Zone 220, LLC; Sports Zone of Hechinger, LLC; The Zone 450, LLC; The Zone 600, LLC; The Zone 620, LLC; Zone of DC USA, LLC; The Zone 700, LLC; Zone 994 LLC; and The Zone 870, LLC,** (the foregoing are herein jointly and severally referred to as "**Seller**"), and **Halifax of Palisade, LLC** ("**Buyer**").

RECITALS

WHEREAS, Seller and Buyer are parties to an Asset Purchase Agreement effective as of ___________ (the "**Purchase Agreement**"), whereby (i) Seller has agreed to sell, convey, transfer, assign and deliver to Buyer the Acquired Assets (as defined in the Purchase Agreement) and (ii) Seller has agreed to assign and Buyer has agreed to assume, the Assumed Liabilities (as defined in the Purchase Agreement); and

WHEREAS, all capitalized terms not defined herein will have the meanings ascribed to such terms in the Purchase Agreement.

NOW, THEREFORE, pursuant to the Purchase Agreement, and in consideration of the mutual promises, covenants and agreements therein and hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. <u>Bill of Sale</u>.

(a) Except for Excluded Assets (as defined in the Purchase Agreement), Seller hereby sells, conveys, transfers, assigns and delivers to Buyer, its successors and assigns, free and clear of any pledge, lien, option, security interest, mortgage or other Encumbrance, and Buyer does hereby acquire from Seller, all right, title and interest in, to and under the Acquired Assets. The Acquired Assets will include all rights, privileges, hereditaments and appurtenances belonging, incident or appertaining to the Acquired Assets.

(b) Notwithstanding anything contained herein, Buyer is not purchasing from Seller any Excluded Assets.

(c) It is understood by both Seller and Buyer that, contemporaneously with the execution and delivery of this Agreement, Seller may be executing and delivering to Buyer certain further assignments and other instruments of transfer that in particular cover certain of the property and assets described herein or in the Purchase Agreement, the purpose of which is to supplement, facilitate and otherwise implement the transfer intended hereby.

(d) Seller does hereby irrevocably constitute and appoint Buyer, its successors and assigns, its true and lawful attorney, with full power of substitution, in its name or otherwise, and on behalf of Seller, or for its own use, to claim, demand, collect and receive at any time and from time to time any and all Acquired Assets, properties, claims, accounts and other rights, tangible or intangible, hereby sold, transferred, conveyed, assigned and delivered, or intended so to be, and to prosecute the same at law or in equity and, upon discharge thereof, to complete, execute and deliver any and all necessary instruments of satisfaction and release.

2. Assignment and Assumption of Assumed Liabilities.

(a) Seller hereby assigns to Buyer, its successors and assigns, and Buyer hereby assumes, in accordance with the terms and conditions of the Purchase Agreement, the Assumed Liabilities. Notwithstanding anything in this Agreement to the contrary, except as specifically set forth in the Purchase Agreement, Buyer will not assume nor be deemed to have assumed any debt, claim, obligation or other liability of Seller or any Affiliate of Seller, whether known or unknown, accrued or unaccrued, fixed or contingent, natural or unnatural, whether arising out of occurrences, events or actions prior to, at or after the Closing Date.

(b) If Seller and/or Buyer determines after execution of this Agreement that one or more contracts or agreements between Seller and any third party necessary to operate the Acquired Assets was not designated as an Assigned Lease or Executory Contract (each an "**Omitted Agreement**"), and the parties consent in writing to the assignment and assumption of such Omitted Agreement, which consent shall not be unreasonably withheld, then, such Omitted Agreement will be deemed assigned by Seller to Buyer as of 12:01 a.m. on the Closing Date and such Omitted Agreement shall be deemed an Assigned Contract or Assigned Personal Property Lease, as applicable.

(c) Seller hereby authorizes and directs all obligors under any Assigned Contracts and Assigned Personal Property Leases included in the Assumed Liabilities, to deliver any warrants, checks, drafts or payments to be issued or paid to Seller pursuant to the Assigned Contracts or the Assigned Lease or Executory Contract to Buyer; and Seller further authorizes Buyer to receive such warrants, checks, drafts or payments from such obligors and to endorse Seller's name on them and to collect all funds due or to become due under the Assigned Contracts and the Assigned Personal Property Leases.

(d) Notice of the assignment under this Agreement may be given at the option of either party to all parties to the Assigned Lease or Executory Contract (other than Seller) or to such parties' duly authorized agents.

(e) The assumption by Buyer of any Assumed Liabilities will not enlarge the rights of any third party with respect to any Assumed Liabilities, nor will it prevent Buyer, with respect to any party other than Seller, from contesting or disputing any Assumed Liability.

(f) Seller hereby appoints Buyer, its successors and assigns, as the true and lawful attorney-in-fact of Seller, with full power of substitution, having full right and authority, in the name of Seller, to collect or enforce for the account of Buyer, liabilities and obligations of third parties under the Assumed Liabilities; to institute and prosecute all proceedings they may deem proper to enforce any claim to obligations owed under the Assumed Liabilities, to defend and compromise any and all actions, suits or proceedings in respect of the Assumed Liabilities, and to do all such acts in relation to the Assumed Liabilities that Buyer may deem advisable. The above-stated powers are coupled with an interest and will be irrevocable by Seller.

3. Consummation of Purchase Agreement. This Agreement is intended to evidence the consummation of the assignment by Seller and assumption by Buyer of the Assumed Liabilities and the sale by Seller and the purchase by Buyer of the Acquired Assets contemplated by the Purchase Agreement. Except as set forth herein, Buyer and Seller by their execution of this Agreement each hereby acknowledges that neither the representations and warranties nor the rights and remedies of any party under the Purchase Agreement will be deemed to be enlarged, modified or altered in any way by this Agreement. Any inconsistencies or ambiguities between this Agreement and the Purchase Agreement will be resolved in favor of the Purchase Agreement.

4. Binding Effect. This Agreement will be binding upon and inure to the benefit of the parties and their respective successors and assigns.

5. Further Assurances. After the Closing Date, each party will from time to time, at the other party's request and without further cost to the party receiving the request, execute and deliver to the requesting party such other instruments and take such other action as the requesting party may reasonably request so as to enable it to exercise and enforce its rights under and fully enjoy the benefits and privileges with respect to this Agreement and to carry out the provisions and purposes hereof.

6. Governing Law. This Agreement is governed by and construed in accordance with the laws of the Maryland applicable to agreements made and to be performed in that State without giving effect to conflicts of law principles.

7. Counterparts. This Agreement may be signed in any number of counterparts and all such counterparts will be read together and construed as one and the same document. Facsimile copies of signatures will be deemed originals for all purposes hereof and that a party may produce such copies, without the need to produce original signatures, to prove the existence of this Agreement in any proceeding brought hereunder. This Agreement, and any executed counterpart of a signature page to this Agreement, may be transmitted by fax or e-mail, and delivery of an executed counterpart of a signature page to this Agreement by fax or e-mail will be effective as delivery of a manually executed counterpart of this Agreement.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed, or caused this Agreement to be executed by their duly authorized representatives, as of the date first written above.

New Legacy 900 Inc.

By:
Name: Jaeil Shim
Title: Authorized Signatory

SELLER:

The Sports Zone, Inc., a Virginia Corporation

By: ____________________
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
The Zone 220, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
Sports Zone of Hechinger, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
The Zone 450, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
The Zone 600, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
The Zone 620, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
Zone of DC USA, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
The Zone 700, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
Zone 994 LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

By: ____________________
The Zone 870, LLC, a limited liability company
By: The Sports Zone, Inc., its managing member
Name: Michael Dahan
Title: Authorized Signatory

SCHEDULE 1.2
Excluded Assets

SCHEDULE 1.3

Contracts to be Assumed and Proposed Cure

PARTY TO CONTRACT	CONTRACT NAME/ DESCRIPTION	PROPOSED CURE
Fairfax Company of Virginia L.L.C.	Commercial Lease	$11,279.47
Maryland Crossing Realty, LLC	Commercial Lease	$41,925.61
Marlow Heights Shopping Center Limited Partnership	Commercial Lease	13,167.54
Franconia Two L.P.	Commercial Lease	$101,535.23
Wheaton Plaza Regional Shopping Center L.L.P.	Commercial Lease	$29,696.29
Diamond Potomac Town Center LLC	Commercial Lease	$46,695.87
DC USA Operating Co., LLC	Commercial Lease	$56,046.09
GB Mall Limited Partnership	Commercial Lease	$49,289.71
PR Prince Georges Plaza LLC	Commercial Lease	$132,666.76

Rivertowne Commons Limited Partnership	Commercial Lease	$1.00

ANNEX I

Table of Definitions

"**Acquired Assets**" has the meaning set forth in **Section 1.1** of this Agreement.

"**Affiliates**" means, as to the Person in question, any Person that directly or indirectly controls, is controlled by, or is under common control with, the Person in question and any successors or assigns of such Person; and the term "control" means possession, directly or indirectly, of thepower to direct or cause the direction of the management and policies of a Person whether through ownership of voting securities, by contract or otherwise.

"**Agreement**" has the meaning set forth in the first sentence of this Agreement.

"**Assumed Employee Amounts**" has the meaning set forth in **Section 6.4** of this Agreement.

"**Assumed Liabilities**" has the meaning set forth in **Section 1.3** of this Agreement.

"**Bankruptcy Case**" has the meaning set forth in the recitals of this Agreement.

"**Bankruptcy Code**" has the meaning set forth in the recitals of this Agreement.

"**Bankruptcy Court**" has the meaning set forth in the recitals of this Agreement.

"**Break Up Fee**" has the meaning set forth in **Section 10.2** of this Agreement.

"**Business**" has the meaning set forth in the first recital to this Agreement.

"**Buyer**" has the meaning set forth in the preamble to this Agreement.

"**Claim**" has the meaning given that term in Section 101(5) of the Bankruptcy Code and includes all rights, claims, causes of action, chose in action, Taxes, defenses, debts, demands, damages, offset rights, setoff rights, recoupment rights, obligations, and liabilities of any kind or nature under contract, at law or in equity, known or unknown, contingent or matured, liquidated or unliquidated, and all rights and remedies with respect thereto.

"**Closing**" has the meaning set forth in the first sentence of **Article III** of this Agreement.

"**Closing Date**" has the meaning set forth in **Article III** of this Agreement.

"**Confidential Information**" has the meaning set forth in **Section 7.1** of this Agreement.

"**Cure Costs**" has the meaning set forth in **Section 1.3** of the Agreement.

"**Effective Date**" has the meaning set forth in the preamble to this Agreement.
"**Employee Benefit Plans**" means any "employee benefit plan" as defined in Section 3(3) of ERISA (whether or not subject to ERISA) and all bonus, stock or other security option, stock or other security purchase, stock or other security appreciation rights, incentive, deferred compensation, pension, retirement or supplemental retirement, severance, golden parachute, vacation, cafeteria, dependent care, medical care, employee assistance program, education or tuition assistance programs, insurance and other similar fringe or employee benefit plans, programs or arrangements, and any current or former employment or executive compensation or severance agreements or any other plan or arrangement to provide compensation or benefits to an individual, written or otherwise, that either: (i) has ever been sponsored or maintained, contributed to or entered into for the benefit of, or relating to, Seller or any ERISA Affiliate, and determined without regard to whether such individual is a Seller Employee or a Transferring Employee; or (ii) with respect to which Seller or any ERISA Affiliate has any liability or obligation, whether known or unknown, absolute, accrued, contingent or otherwise.

"**Encumbrance**" means any and all Liens (statutory or otherwise), conditions, equitable interests, security interests, community property interests, mortgages, pledges, options, warrants, purchase rights, easements, encroachments, rights of way, deed restrictions, defects or imperfections of title, covenants, restrictions, charges or claims of any kind, rights of first refusal, rights of set-off, or restrictions of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

"**Excluded Assets**" has the meaning set forth in **Section 1.2** of this Agreement.

"**Excluded Liabilities**" has the meaning set forth in **Section 1.4** of this Agreement.

"**GAAP**" means accounting principles generally accepted in the United States of America, consistently applied.

"**Intellectual Property**" means all recipes, patents, inventions, show-how, designs, trade secrets, copyrights, trademarks, trade names, service marks, fictitious and assumed business names, Internet domain names, manufacturing processes, software, formulae, trade secrets, technology or the like, and all applications for any of the foregoing.

"**Interest**" has the meaning ascribed to such term under Section 363(f) of the Bankruptcy Code.

"**Law**" or "**Laws**" means any and all federal, state, and local statutes, codes, licensing requirements, ordinances, laws, rules, regulations, decrees or orders of any foreign, federal, state or local government and any other governmental department or agency, and any judgment, decision, decree or order of any court or governmental agency, department or authority, if applicable to the parties and, in the case of Seller, that are material to the Business.

"**Licenses**" means licenses, permits, consents, approvals, authorizations, registrations,

qualifications and certifications of any governmental or administrative agency or authority (whether federal, state or local).

"**Liens**" means any lien, claim, security interest, mortgage, pledge, restriction, covenant, charge or encumbrance of any kind or character, direct or indirect, whether accrued, absolute, contingent or otherwise, including any lien or claim granted by the Bankruptcy Court pursuant to section 364 of the Bankruptcy Code or otherwise granted by the Bankruptcy Court to a lender to loan funds to Seller after the initiation of the Bankruptcy Case.

"**Person**" means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

"**Purchase Price**" has the meaning set forth in **Section 2.1** of this Agreement.

"**Sale Hearing**" means the hearing of the Bankruptcy Court on the Sale Motion.

"**Sale Motion**" has the meaning set forth in **Section 10.1** of this Agreement.

"**Sale Order**" has the meaning set forth in **Section 8.1(h)** of this Agreement.

"**Seller**" has the meaning set forth in the preamble to this Agreement.

"**Seller Employees**" means the individuals employed by Seller primarily in connection with the operation of the Business immediately prior to the date hereof or the Closing, including in each case all such individuals on leave of absence, vacation, sick leave, short-term disability, military leave, jury duty or bereavement leave.

"**Taxes**" means all taxes of any type or nature whatsoever assessed by any federal, state, local, or other taxing authority, including income, gross receipts, excise, franchise, property, value added, import duties, employment, payroll, sales and use taxes and any additions to tax and any interest or penalties thereon.

"**Transferring Employee**" has the meaning set forth in **Section 6.4** of this Agreement.

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

In re:	
THE SPORTS ZONE, INC.,	**Case No. 17-26758-TJC**[1]
THE ZONE 220, LLC,	**Case No. 17-26998-TJC**
SPORTS ZONE OF HECHINGER, LLC,	**Case No. 17-27001-TJC**
THE ZONE 450, LLC,	**Case No. 17-27003-TJC**
THE ZONE 600, LLC,	**Case No. 17-27005-TJC**
THE ZONE 620, LLC,	**Case No. 17-27006-TJC**
ZONE OF DC USA, LLC,	**Case No. 17-27007-TJC**
THE ZONE 700, L.L.C.,	**Case No. 17-27008-TJC**
THE ZONE 870, L.L.C.,	**Case No. 17-27009-TJC**
THE ZONE 999, L.L.C.	**Case No. 17-27010-TJC**
Debtors.	
	Chapter 11

NOTICE OF HEARING AND NOTICE OF MOTION OF DEBTORS FOR ENTRY OF ORDERS (I) (A) APPROVING AUCTION AND BIDDING PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS, (B) APPROVING ASSET PURCHASE AGREEMENT, SUBJECT TO HIGHER OR OTHERWISE BETTER OFFERS, (C) APPROVING PROCEDURES RELATED TO THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (D) SCHEDULING AUCTION AND SALE HEARING, (E) APPROVING THE FORM AND MANNER OF SALE NOTICE, AND (F) GRANTING RELATED RELIEF, AND (II) (A) AUTHORIZING AND APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS, (B) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (C) GRANTING RELATED RELIEF

TO ALL PARTIES IN INTEREST:

PLEASE TAKE NOTICE that The Sports Zone, Inc.; The Zone 220, LLC; Sports Zone of Hechinger, LLC; The Zone 450, LLC; The Zone 600, LLC; The Zone 620, LLC; Zone of DC USA, LLC; The Zone 700, L.L.C;; The Zone 870, L.L.C and The Zone 999, L.L.C., the debtors

[1] On December 21, 2017, each of the Debtors filed a motion for joint administration. In anticipation of that motion being granted, and for the convenience of the Court and its staff, the Debtors have filed this motion only in the case of The Sports Zone, Inc., and have submitted a proposed order with the proposed caption for the proposed jointly administered cases. Nevertheless, the Debtors request that the Motion be granted as to each of the Debtors.

and debtors in possession herein (the "Debtors") have filed its *B. Motion Of Debtors For Entry Of Orders (I) (A) Approving Auction And Bidding Procedures In Connection With The Sale Of Substantially All Of The Debtors' Assets, (B) Approving Asset Purchase Agreement, Subject To Higher Or Otherwise Better Offers, (C) Approving Procedures Related To The Assumption And Assignment Of Executory Contracts And Unexpired Leases, (D) Scheduling Auction And Sale Hearing, (E) Approving The Form And Manner Of Sale Notice, And (F) Granting Related Relief, And (Ii) (A) Authorizing And Approving The Sale Of Substantially All Of The Debtors' Assets Free And Clear Of All Liens, Claims, Encumbrances, And Other Interests, (B) Authorizing The Assumption And Assignment Of Certain Executory Contracts And Unexpired Leases, And (C) Granting Related Relief* (the "Sale Motion"). In the Sale Motion, the Debtor seeks to sell substantially all of its assets to New Legacy 900, Inc. (the "**Purchaser**") free and clear of all liens, claims, encumbrances, interests, or successor liability.

In connection with such sale and pursuant to LBR 6004-1 and F.R. Bankr. P. 2002(c), interested parties should be aware of the following.

On December 15, 2017 (the "Petition Date"), The Sports Zone, Inc. ("The Sports Zone") filed with this Court a voluntary petition for bankruptcy relief and protection under chapter 11 of the Bankruptcy Code. On December 21, 2017, The Zone 220, LLC; Sports Zone of Hechinger, LLC; The Zone 450, LLC; The Zone 600, LLC; The Zone 620, LLC; Zone of DC USA, LLC; The Zone 700, LLC; The Zone 870, LLC; and The Zone 999, LLC (collectively, the "Subsidiary Debtors," and collectively with The Sports Zone, the "Debtors") each filed a voluntary petition for bankruptcy relief and protection under chapter 11 of the Bankruptcy Code. Each of the Subsidiary Debtors is 100% of owned by The Sports Zone and is the lessee on lease of real property on which The Sports Zone operates a retail store.

The Debtors are continuing in possession of their property and the management of their business as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee, examiner or committee of creditors has been appointed in these cases by the United States Trustee.

Since 1985, the Debtors have operated sneaker and sporting apparel stores at shopping malls in Maryland, Virginia, and the District of Columbia. As recently as September 2017, the Debtor operated twenty-eight stores. In September 2017, the Debtors closed seventeen of their stores, leaving eleven stores open. The Debtors intend to close one more store in Georgetown in January 2018, which is operated by a non-debtor affiliate.

The Sports Zone leases one of its remaining stores directly. Nine of the other ten remaining stores are leased through a Subsidiary Debtor, each of which is a separate limited liability company solely owned and managed by The Sports Zone. The eleventh store, in Georgetown, is owned by a separate limited liability company owned and managed by The Sports Zone, which does not intend to file for Chapter 11 bankruptcy.

The Debtors' financial struggles date back to the nationwide recession in 2008. During the recession, the Debtors' sales slumped, and the Debtors were unable to refinance their approximately $4 million balloon note with PNC Bank, N.A. ("PNC"). In order to pay down the balloon note in 2010, The Sports Zone borrowed, in a series of loans, approximately $1.8 million from its principal, Michael Syag, and paid the remaining amounts due to PNC over the next eighteen months. The loans from Michael Syag remain outstanding.

In order to service the debt payments to PNC, the Debtors attempted to increase their cash flow by expanding their footprint. Unfortunately, the expansion was unsuccessful. The expansion left the Debtors unable to service debts to various landlords.

The payments to PNC also caused the Debtors to fall behind on payments to their vendors, including their most important vendor, Nike USA, Inc. ("Nike"). In response, Nike, which accounted for more than half of the Debtors' sales, stopped selling new product to the Debtors.

In an attempt to resolve The Sports Zone's debts to Nike, on or about February 17, 2017, The Sports Zone issued a promissory note and executed a security agreement with Nike in the principal amount of $3,700,000.00. Thereafter, from March to September 2017, The Sports Zone made payments of approximately $330,000 per month to Nike. Such payments depleted The Sports Zone's cash on hand, and caused it to fall behind on payments to other vendors. On September 18, 2017, 88 days before The Sports Zone's bankruptcy, Nike filed a UCC-1 financing statement with the State Corporation Commission of the Commonwealth of Virginia, in an attempt to perfect its security agreement against The Sports Zone.

In an attempt to reduce its operating expenses, the Debtors closed seventeen of their stores in September 2017 and terminated the leases associated therewith. The Debtors have not made any significant inventory purchases since September 2017. The Debtors have survived by selling The Sports Zone's abundant supply of older inventory, and by consolidating the inventory that was formerly for sale at their now-closed stores. To supplement their inventory,, the Court has now approved certain procedures for the Debtors to acquire inventory on a consignment basis.

The Debtors have attempted to market their business for over a year. The Debtors received significant interest from two previous potential purchasers, but those purchasers declined to pursue an acquisition after Nike indicated that it would not commit to sell product to the purchased entity after the acquisition.

Prior to filing bankruptcy, The Sports Zone entered into a letter of intent with Halifax of Palisade, LLC ("Halifax"), a New Jersey apparel wholesaler. In the letter of intent, Halifax stated its intent to purchase all of the Debtors' remaining stores (other than the Georgetown store), and sell similar product lines as the Debtors. However, Halifax will not need to purchase inventory from Nike. The Purchaser is a newly formed affiliate of Halifax.

These cases were filed so that the Debtors can sell their assets or reorganize their affairs while treating all creditors equally. To this end, The Sports Zone has filed an adversary complaint against Nike in order to avoid any security interest it may have as a preferential transfer.

The Debtors seeks authority to sell substantially all of their assets free and clear of all liens, claims, encumbrances, interests, or successor liability, including any lien or security interest asserted by Nike, with any untreated valid liens and interests to attach to the proceeds of sale. The net proceeds of the sale of the Property, after satisfaction of any valid liens on the assets and costs of sale, will be held by the Debtors pending further order of the Court.

The proposed asset purchase agreement provides for the Purchaser to make payments totaling $900,000.00 for substantially all of the Debtors' assets and for the assumption and assignment of all their remaining leases of real property (the "Purchase Price"). The Purchase Price consists of the direct payment by Purchaser of Two Hundred Fifty Thousand Dollars ($250,000) of cure costs directly to counterparties to Assigned Leases and Executory Contracts at Closing *pro rata*; plus; plus (ii) Two Hundred Fifty Thousand Dollars ($250,000) to the

Debtors' estates at Closing; and plus (iv) ten payments of Forty Thousand Dollars ($40,000) commencing on the 25th day of the first month following the entry of the Sale Order to be divided *pro rata* between the Debtors' estates and the remaining cure costs owed to counterparties to leases and executory contracts that are assumed and assigned (so that the remaining cure costs are paid in full, with any remaining money to be paid to the estate).

Neither the management nor Michael Syag, the sole shareholder of The Sports Zone, has any equity or other investment in the Purchaser. The proposed sale does not require the Purchaser to hire any employees of the Debtors; however, it is believed that the Purchaser intends to rehire most employees of the Debtors, including most remaining management. The maintenance of the Debtors' workforce will reduce the risk of administrative and priority claims by employees.

The Debtors' main assets are their inventory, leases, brand name and equipment leases, brand name and certain vehicles. The Debtors value their inventory and equipment at approximately $1 million, and their vehicles at $13,000. They have not valued their leases or brand name.

The Debtors are unaware of any fraudulent conveyances recoverable by their estates, or of any significant potential actions to recover preferential transfers based on payments made within the 90 days prior to the bankruptcy. The Sports Zone made over $1.6 million of payments to Nike between March and September 2017; however, recovery of such payments pursuant to section 547 of the Bankruptcy Code would require proof that Nike was an insider.

The Debtors do not have traditional secured indebtedness with any institutional lender. However, as described above, in February 2017, The Sports Zone, Inc. (but not the Subsidiary Debtors) did enter into a promissory note and security agreement with Nike in which it purported to pledge substantially all of The Sports Zone's assets to Nike. The amount owed to Nike as of the Petition is estimated to be $1,864,954.00. However, as stated above, the Debtors believe that Nike's lien on the above-described assets is void or voidable pursuant to 11 U.S.C. §§ 547 and 550 because Nike did not record its financing statement in Virginia until September 8, 2017. Further, the Debtors assert that Nike's security interest does not attach to (i) the leases of the Subsidiaries (who did not sign any security agreement with Nike); (ii) certain assets and proceeds acquired by The Sports Zone post-petition; (iii) The Sports Zone's vehicles; and such other assets the Debtors may determine to be unencumbered.

The Cure Costs to the Debtors' landlords are estimated to be $482,000, leaving approximately $412,000 for the estate from the sale. The Debtors estimate they will have administrative expenses totaling $75,000. There are no known priority claims, claims entitled to priority under section 503(b)(9) of the Bankruptcy Code, or reclamation claims. Vehicle liens total approximately $8,000.00. Accordingly, the Debtors estimate that $329,000 from the sale should be available to holders of general unsecured claims.

The Debtors estimate that they will have approximately $7.1 million in unsecured claims, not including any section 502(b)(6) claims from landlords whose leases were terminated pre-petition. With such claims included, the Debtor may have as much $10 million in unsecured claims. Major general unsecured creditors include Nike (owed approximately $1.8 million), other landlords and trade creditors (owed approximately $2.8 million) Michael Syag (owed approximately $2.5 million). In the event the sale is approved, this number will decrease but the amount of the Cure Costs for the Designated Contracts.

The Debtors believe that the likely alternatives to approval of the sale are dismissal or conversion to Chapter 7, either alternative resulting in the liquidation of the Debtors. The

Debtors believe that the liquidation of their assets would not result in any significant distribution to creditors, would result in the loss of jobs, and would be a disservice to its customers and landlords. Further, conversion to Chapter 7 would result in the marked increase in administrative claims, as rent and wages could go unpaid, and a Chapter 7 trustee would be entitled to a commission. Such increase in administrative costs could eliminate any distribution to general unsecured creditors.

The Debtors do not believe a Chapter 11 plan providing for any result other than a sale to the Purchaser is feasible. The Debtors have marketed their stores for over a year, and the Purchaser is the only potential purchaser that has been willing to acquire their assets without a commitment from Nike to continue doing business. Requiring the Debtors to file a Chapter 11 plan to accomplish a sale to the Purchaser would only deplete the Debtors' resources.

The Debtors have also requested, on an expedited basis, that the Court approve bidding procedures for the proposed sale. The proposed bidding procedures provide that (i) any party seeking to bid on the Debtor's asset provide a bid subject to certain qualifications by **January 21, 2018 at 5:00 p.m.**, and (ii) that if there are any qualified bid, there will be an auction on **January 25, 2018 at 10:00 a.m.** The proposed bidding procedures also provide for procedures for the assumption and assignment of executory contracts, and provide a break-up fee to the Purchaser in the amount of $25,000.00. The proposed bidding procedures provide that Nike will not be allowed to credit bid. All parties may contact undersigned counsel for a copy of any proposed or approved bidding procedures.

ANY PARTY IN INTEREST WHO OBJECTS TO THE SALE UNDER THE TERMS AS STATED HEREIN OR BELIEVES THERE ARE PURCHASERS WITH HIGHER AND BETTER OFFERS MUST FILE WRITTEN OBJECTIONS STATING, WITH SPECIFICITY, THE GROUNDS THEREFORE AND FILE AND SERVE SUCH OBJECTIONS SO THAT THEY ARE RECEIVED BY THE BANKRUPTCY COURT AND BY THE UNDERSIGNED ATTORNEYS NO LATER THAN JANUARY 17, 2018.

MOVANT HAS ALSO FILED A MOTION TO SHORTEN THE TIME FOR RESPONSE AND/OR FOR AN EXPEDITED HEARING SOLELY AS TO ITS REQUEST TO APPROVE BIDDING PROCEDURES. IF THAT MOTION TO SHORTEN OR EXPEDITE IS GRANTED, THE TIME TO OBJECT AND/OR DATE FOR HEARING WILL BE CHANGED AS PROVIDED IN SUCH ORDER.

Any such objections must be filed with the Clerk, U.S. Bankruptcy Court, U.S. Courthouse, Room 300, 6500 Cherrywood Lane, Greenbelt, MD 20770, and served on Janet M. Nesse, McNamee Hosea et al., 6411 Ivy Lane, Suite 200, Greenbelt, Maryland 20770.

IF NO OBJECTIONS ARE FILED, THE BANKRUPTCY COURT MAY CONSIDER THE MOTION TO BE UNOPPOSED, AND THE SALE MAY PROCEED WITHOUT A HEARING AND WITHOUT FURTHER NOTICE TO YOU. IF ANY OBJECTIONS ARE FILED BUT NOT PRESENTED AT THE TIME OF ANY HEARING ON THE TRUSTEE'S MOTION, THE COURT MAY CONSIDER THE OBJECTIONS TO HAVE BEEN ABANDONED. THE PROPERTY MAY BE SOLD WITHOUT FURTHER NOTICE IF A TIMELY OBJECTION IS NOT FILED.

NOTICE OF HEARING ON TRUSTEE'S MOTION FOR AUTHORITY TO SELL REAL PROPERTY FREE AND CLEAR OF ANY AND ALL LIENS AND INTERESTS PURSUANT TO 11 U.S.C. § 363

Please take notice that a hearing will be held on **January 29, 2018 at 11:00 a.m.** on the *Motion for Order (A) Authorizing Sale of Substantially all of Debtor's Assets Free and Clear of all Liens, Claims, Encumbrances And Other Interests; (B) Approving Asset Purchase Agreement; (C) Authorizing Assumption And Assignment Of Certain Executory Contracts In Connection Therewith; And (D) Granting Related Relief*, at the U.S. Courthouse, **Courtroom 3-E,** 6500 Cherrywood Lane, Greenbelt, Maryland 20770. Parties in interest with questions may contact the undersigned.

Dated: December 27, 2017

Respectfully submitted,

/s/ *Justin P. Fasano*
Janet M. Nesse, Esq (MDB # 07804)
Craig M. Palik (MDB # 15254)
Justin P. Fasano, Esq. (MDB # 28659)
6411 Ivy Lane, Suite 200
Greenbelt, Maryland 20770
(301) 441-2420: Telephone
(301) 982-9450: Facsimile
jnesse@mhlawyers.com
jfasano@mhlawyers.com
Proposed Attorneys for the Debtors

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 27th day of December, 2017, a copy of the foregoing was served in the manner indicated, and to the parties identified, in the *Omnibus Certificate of Service* (the "Omnibus Certificate of Service"), filed contemporaneously with the foregoing. In order to expedite the copying and transmittal of papers filed to parties-in-interest, a copy of the Omnibus Certificate of Service has not been transmitted with the foregoing. Any party seeking a copy of the Omnibus Certificate of Service may contact the undersigned or obtain a copy from the docket in this case via PACER.

/s/ Justin P. Fasano
Justin P. Fasano

IN RE THE SPORTS ZONE, INC., *et al.*
BIDDING PROCEDURES

Set forth below are the bidding procedures (the "**Bidding Procedures**") to be employed in connection with the sale (the "**Transaction**") of substantially all of the assets (collectively, the "**Acquired Assets**") of The Sports Zone, Inc.; The Zone 220, LLC; Sports Zone of Hechinger, LLC; The Zone 450, LLC; The Zone 600, LLC; The Zone 620, LLC; Zone of DC USA, LLC; The Zone 700, L.L.C;; The Zone 870, L.L.C and The Zone 999, L.L.C., the debtors and debtors in possession herein (collectively, the "**Debtors**"), as debtors and debtors-in-possession in these chapter 11 cases (the "**Cases**"), which are currently pending in the United States Bankruptcy Court for the District of Maryland (the "**Bankruptcy Court**"). The Acquired Assets to be sold and the terms and conditions upon which the Debtors contemplate consummating a sale are further described in the Asset Purchase Agreement entered into between the Debtors and New Legacy 900, Inc. (the "**Purchaser**"). An executed copy of the Asset Purchase Agreement Sheet is attached to the motion (the "**Motion**") filed with Bankruptcy Court seeking approval of, among other things, these Bidding Procedures.

The sale of the Acquired Assets is subject to competitive bidding as set forth herein and approval by the Bankruptcy Court pursuant to sections 363 and 365 of title 11 of the United States Code (the "**Bankruptcy Code**") and Rules 6004 and 6006 of the Federal Rules of Bankruptcy Procedure. The Transaction shall also include the assumption and assignment of certain designated executory contracts and unexpired leases (collectively, the "**Designated Contracts**") under sections 363 and 365 of the Bankruptcy Code according to the process outlined below.

A. MARKETING BY THE DEBTORS

The Debtors shall (a) coordinate the efforts of potential bidders in conducting their respective due diligence, (b) evaluate bids from potential bidders, (c) negotiate any bid made to acquire the Acquired Assets and assume Designated Contracts, (d) conduct an auction (the "**Auction**") if a Qualified Bid is received other than the Asset Purchase Agreement, and (e) make such other determinations as are provided in these Bidding Procedures. Neither the Debtors nor their representatives shall be obligated to furnish any information of any kind whatsoever relating to the Acquired Assets, or any portion thereof, to any person who is not, in the Debtors' reasonable judgment, in consultation with their advisors, a potential qualified bidder.

B. BID DEADLINE

A potential bidder that desires to make a bid shall deliver copies of its bid package by email to: (i) counsel to the Debtors, McNamee, Hosea, Jernigan, Kim, Greenan & Lynch, P.A., 6411 Ivy Lane, Suite 200, Greenbelt MD 20770 (Attn: Janet Nesse jnesse@mhlawyers.com and Justin Fasano jfasano@mhlawyers.com); and (ii) counsel to any official committee of unsecured creditors appointed in these cases (the "Committee"), so as to be actually received on or before **January 19, 2018 at 5:00 p.m. (prevailing Eastern Time)** (the "**Bid Deadline**"), which deadline may be extended by the Debtors. No bids submitted after the Bid Deadline shall be considered by the Debtors.

C. DUE DILIGENCE

Subject to a potential bidder entering into a confidentiality agreement satisfactory to the Debtors in their business judgment, the Debtors may afford any potential bidder, whom the Debtors, in consultation with their advisors, believe has the wherewithal to close the Transaction, the opportunity to conduct a reasonable due diligence review in the manner determined by the Debtors in their discretion. The Debtors shall not be obligated to, but may, furnish access to any due diligence information of any kind after the Bid Deadline. The Debtors intend to use reasonable efforts to provide to all potential qualified bidders certain information in connection with the proposed sale and assumption and assignment of Designated Contracts, including, among other things, these proposed Bidding Procedures and the Asset Purchase Agreement. However, the Debtors' failure to deliver any such information to any potential bidders shall not affect the validity, effectiveness or finality of the Auction or the sale process. All diligence inquiries must be directed to counsel to the Debtors, McNamee, Hosea, Jernigan, Kim, Greenan & Lynch, P.A., 6411 Ivy Lane, Suite 200, Greenbelt MD 20770 (Attn: Janet Nesse jnesse@mhlawyers.com and Justin Fasano jfasano@mhlawyers.com.

D. BID REQUIREMENTS

A bid submitted will be considered a qualified bid and the potential bidder will be considered a qualified bidder (a "**Qualified Bid**" and "**Qualified Bidder**," respectively), only if the bid is submitted by a bidder that in the Debtors' business judgment, in consultation with their advisor and the Committee if one is appointed, complies with all of the following requirements:

a) The bid states that the potential qualified bidder offers to purchase, in cash, the Acquired Assets and to assume liabilities and/or contracts (or offers to purchase less than all of the Acquired Assets) upon the terms and conditions that the Debtors in their business judgment, in consultation with their advisors, reasonably determine are no less favorable to the Debtors than those set forth in the Asset Purchase Agreement;

b) The bid includes a signed writing that the potential qualified bidder's offer is irrevocable until the selection of the Successful Bidder, provided that if such potential qualified bidder is selected as (A) the Successful Bidder, its offer shall remain irrevocable until the earlier of (i) the date the Sale Order is entered if the sale transaction with such potential qualified bidder is denied, or (ii) the date that is sixty (60) days after the Sale Hearing, or (B) the Next Best Bidder (as defined below), its offer shall remain irrevocable until the earlier of (i) the closing of the sale to the Successful Bidder, (ii) the date that is ninety (90) days after the Sale Hearing;

c) There are no conditions precedent to the potential qualified bidder's ability to enter into a definitive enforceable agreement and that all necessary internal and shareholder approvals have been obtained prior to the Bid Deadline; and there are no conditions precedent (due diligence, financing, or otherwise) to

the closing of the Transaction, other than conditions precedent consistent with those set forth in the Asset Purchase Agreement;

d) The bid includes a duly authorized and executed copy of an asset purchase agreement (an "**Bidder Asset Purchase Agreement**"), including the purchase price for the Assets (the "**Proposed Purchase Price**"), together with all exhibits and schedules thereto, together with copies marked to show any amendments and modifications to the Asset Purchase Agreement and the proposed order to approve the sale by the Bankruptcy Court;

e) The bid includes written evidence of a firm, irrevocable commitment for debt or equity financing, or other evidence of ability to consummate the proposed sale transaction, that will allow the Debtors in their business judgment, in consultation with their advisors, to make a determination as to the bidder's financial and other capabilities to consummate the sale transaction contemplated by the Asset Purchase Agreement;

f) The bid has value to the Debtors that is greater than or equal to (i) the $900,000 consideration provided by the Purchaser, plus (ii) $25,000 (the "**Breakup Fee**"), plus (iii) $10,000 (the "**Initial Overbid**");

g) The bid identifies with particularity which executory contracts and unexpired leases the potential qualified bidder designates to assume, and provides details of the potential qualified bidder's proposal for the payment (or treatment) of related cure costs with respect to the Designated Contracts;

h) The bid includes an acknowledgement and representation that the potential qualified bidder: (i) has had an opportunity to conduct any and all required due diligence regarding the Acquired Assets and Designated Contracts prior to making its bid; (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Acquired Assets and Designated Contracts in making its bid; (iii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Acquired Assets and Designated Contracts or the completeness of any information provided in connection therewith or with the Auction, except as expressly stated in the Asset Purchase Agreement; and (iv) is not entitled to and waives any right to assert a claim for any expense reimbursement, breakup fee, or similar type of payment in connection with its due diligence and bid;

i) The bid includes evidence, in form and substance reasonably satisfactory to the Debtors, of authorization and approval from the potential qualified bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Bidder Asset Purchase

Agreement, and any amendments thereto negotiated or occasioned by its participation in the Auction;

j) The bid is accompanied by a good faith deposit in the form of a wire transfer (to the undersigned Debtors' counsel (the "**Escrow Agent**")), certified check or such other form acceptable to the Debtors, payable to the order of the Escrow Agent in the amount of Fifty Thousand Dollars ($50,000.00) (the "**Good Faith Deposit**"), which shall be forfeited in the event the bidder is selected as the Successful Bidder or Next Best Bidder and fails to complete the sale transaction as required;

k) The bid contains sufficient information, in the Debtors' business judgment in consultation with its advisors, concerning the potential qualified bidder's ability to provide adequate assurance of performance with respect to executory contracts and unexpired leases, including (a) financial statements (audited if available), tax returns and annual reports for the proposed assignee for the past three (3) years, including all supplements and amendments thereto, (b) a statement of the intended use for all leases proposed to be assigned; and (c) a statement regarding the bidder's experience in the retail industry;

l) The bidder commits to supplement the bid with other information reasonably requested by the Debtors before or after the Bid Deadline;

m) The bid is received by the relevant parties set forth in the Bidding Procedures prior to the Bid Deadline; and

n) Such bidder consents to these Bidding Procedures and to the core jurisdiction of the Bankruptcy Court and waives any right to a jury trial in connection with any disputes relating to the Auction, the sale and the construction and enforcement of the applicable Asset Purchase Agreement. Such bidder consents to entry of final judgments and order by the Bankruptcy Court concerning their bid and the Auction.

The Debtors, any Committee and their professionals will review each potential qualified bid received from a potential qualified bidder to ensure that both the bid and the bidder meet the requirements set forth above. A potential qualified bid received from a potential qualified bidder that the Debtors, in consultation with any Committee, determine meets the above requirements will be considered a "Qualified Bid" and each potential bidder that submits a Qualified Bid will be considered a "Qualified Bidder." The Debtors, in their business judgment and in consultation with any Committee, reserve the right to reject any bid, without limitation. The Debtors shall file a list of Qualified Bids on **January 22, 2018**.

The Asset Agreement is a Qualified Bid for all purposes and the Purchaser is a Qualified Bidder for all purposes and requirements pursuant to these Bidding Procedures at all times.

The Debtors may value a Qualified Bid based upon any and all factors that the Debtors deem pertinent, including, among others, the following: (a) the Proposed Purchase Price of the Qualified Bid and the assumption of cure obligations respecting the assumption and assignment of executory contracts and unexpired leases; (b) the risks and timing associated with consummating a transaction with the Qualified Bidder; (c) the risks associated with and extent of any non-cash consideration in any Qualified Bid; (d) any excluded assets or executory contracts or unexpired leases; (e) the Qualified Bidder's experience and finances; and (f) any other factors that the Debtors may deem relevant to the proposed transaction.

The Good Faith Deposits of all Qualified Bidders shall be held by the Escrow Agent in a separate account for the Debtors' benefit. If a Successful Bidder fails to consummate an approved Transaction because of a breach or failure to perform on the part of such Successful Bidder, such Successful Bidder's Good Faith Deposit will be forfeited to the Debtors. Any disputes with respect to the transfer of the Good Faith Deposits shall be resolved by the Bankruptcy Court.

E. NO CREDIT BIDDING

Neither Nike USA, Inc. nor any other creditor shall be allowed to credit bid at the Auction.

F. MODIFICATIONS/RESERVATION OF RIGHTS

The Debtors may (i) determine, in their reasonable discretion, which Qualified Bid or Qualified Bids, if any, to present to the Bankruptcy Court as the highest or otherwise best offer for the Acquired Assets, (ii) reject, at any time before entry of an order of the Bankruptcy Court approving any Qualified Bid as the Successful Bid, any bid that, in the Debtors' reasonable discretion, is (a) inadequate or insufficient, (b) not in conformity with the requirements of the Bankruptcy Code or these Bidding Procedures, or (c) contrary to the best interests of the Debtors and their bankruptcy estates and creditors; provided, that the Purchaser's bid and the Asset Purchase Agreement, after approval of these Bidding Procedures, may not be rejected under (a), (b), or (c) of this provision, (iii) withdraw, in their business judgment, the Motion if pursuing approval of the Motion is determined to be contrary to the best interests of the Debtors and their bankruptcy estates and creditors, and (iv) cancel, in their business judgment, the Auction and pursue an alternative transaction if such alternative transaction is determined to be in the best interests of the Debtors and their bankruptcy estates and creditors.

The Debtors may extend or alter any deadline contained in these Bidding Procedures that will better promote their receipt of higher or otherwise better offers for the Acquired Assets and Designated Contracts. These Bidding Procedures are solely for the benefit of the Debtors and their bankruptcy estates. The Debtors may waive or modify the provisions in these Bidding Procedures or adopt additional procedures as they see fit in their business judgment.

G. AUCTION

If the Debtors do not receive any Qualified Bids other than from the Purchaser, they will not hold an Auction and the Purchaser will be named the Successful Bidder, subject to entry of the Sale Order.

If more than one Qualified Bid has been received, the Debtors will conduct an Auction for the sale of the Acquired Assets. Prior to the Auction, the Debtors shall send a copy of all Qualified Bids to all Qualified Bidders. The Auction shall take place on **January 25, 2018, at 10:00 a.m. (prevailing Eastern Time)** at the offices of McNamee, Hosea, Jernigan, Kim, Greenan & Lynch, P.A., 6411 Ivy Lane, Suite 200, Greenbelt MD 20770, or such later time or such other place as the Debtors shall designate in a subsequent notice to all Qualified Bidders. The Auction may be adjourned or rescheduled without further notice by an announcement of the adjourned date at the Auction. The Debtors reserve the right to cancel the Auction in their reasonable discretion.

Unless otherwise ordered by the Court for cause shown, only the Purchaser and Qualified Bidders will be eligible to participate at the Auction.

Representatives of the following parties-in-interest shall be entitled to attend and observe the Auction: Debtors, counsel to any Committee, Qualified Bidders, and counsel to Nike. The Debtors, in their discretion, may deny access to the Auction to any other entity or person, including the media.

Each Qualified Bidder may be required to confirm at the commencement of and from time to time during the Auction that it has not engaged in any collusive behavior with respect to the sale of the Acquired Assets, the bidding or the Auction. Bidding at the Auction may be videotaped and/or transcribed.

The bidding shall start at the amount offered in the highest or otherwise best Qualified Bid, as determined and announced by the Debtors, in consultation with their advisors, and will continue in increments of at least $10,000 until the bidding ceases.

Prior to the conclusion of the Auction, the Debtors, in consultation with their advisors and any Committee, will (a) review the last bid by each of the Qualified Bidders made at the Auction on the basis of financial and contractual terms and such factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the sale, (b) determine the highest or otherwise best bid or combination of bids for the Acquired Assets and Designated Contracts at the Auction (the "**Successful Bid**"), and (c) notify all Qualified Bidders at the Auction of the name of the Successful Bidder. The Debtors will present the Successful Bid to the Court for approval at the Sale Hearing.

After determining the Successful Bid, the Debtors may, in consultation with their advisors and any Committee, determine which Qualified Bid is the next best bid (the "**Next Best Bid**"). The Debtors will present the Next Best Bid to the Court for Approval at the Sale Hearing. If the Successful Bidder does not close the Transaction by the date set forth in the

Successful Bid or otherwise agreed to by the Debtors and the Successful Bidder, then the Debtors shall be authorized to close with the party that submitted the Next Best Bid (the "**Next Best Bidder**"), without a further court order. The party that submits the Next Best Bid shall be required to close the Transaction by the date set forth in the Next Best Bid (excusing the time between the Auction and the date the Next Best Bidder is advised that the Debtors will seek to close under the Next Best Bid), or otherwise agreed to by the Debtors and the Next Best Bidder.

All bidders at the Auction shall be deemed to have consented to these Bidding Procedures and to the core jurisdiction of the Bankruptcy Court and waived any right to a jury trial in connection with any disputes relating to the Auction, the sale and the construction and enforcement of the applicable Asset Purchase Agreement. All such bidders will have been deemed to have consented to entry of final judgments and order by the Bankruptcy Court concerning their bid and Auction.

H. NO ENTITLEMENT TO FEES FOR POTENTIAL BIDDERS OR QUALIFIED BIDDERS

The performance of due diligence, the tendering of a bid, the determination that a bid is a Qualified Bid or the participation of a Qualified Bidder at the Auction shall not entitle a potential qualified bidder or Qualified Bidder to any breakup, termination or similar fee or reimbursement of expenses and all potential qualified bidders and Qualified Bidders waive any right to seek a claim for substantial contribution. Notwithstanding the foregoing, the Purchaser shall be entitled to payment of the Breakup Fee as provided in the Stalking Horse Agreement and the order approving these Bidding Procedures.

I. RETURN OF THE GOOD FAITH DEPOSIT

The Good Faith Deposits of Qualified Bidders shall be held in escrow by the Escrow Agent. The Good Faith Deposits of all potential qualified bidders that are determined not to be Qualified Bidders shall be returned promptly by the Escrow Agent. The Good Faith Deposits of all Qualified Bidders, other than the Successful Bidder and the Next Best Bidder, shall be returned within two (2) business days after the conclusion of the Sale Hearing (as defined below).

The Good Faith Deposit of the Next Best Bidder shall be returned within two (2) business days after the consummation of the Transaction with the Successful Bidder, but in no event later than ninety (90) days after the Sale Hearing.

J. AS IS, WHERE IS

The Transaction shall be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Debtors, their estates, or their agents or representatives. Except as otherwise expressly provided in these Bidding Procedures, the Asset Purchase Agreement, or any applicable Bidder Asset Purchase Agreement, each Qualified Bidder shall be deemed to acknowledge and represent that it (i) has had an opportunity to

conduct any and all reasonable due diligence regarding the Acquired Assets and Designated Contracts prior to making its bid, (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Acquired Assets and Designated Contracts 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 Acquired Assets and Designated Contracts, or the completeness of any information provided in connection therewith.

K. SALE HEARING

The Debtors will seek entry of an order from the Bankruptcy Court at a hearing (the "**Sale Hearing**") to begin on **January 29, 2018 at 11:00 a.m. (prevailing Eastern Time)** to approve and authorize the Transaction with the Successful Bidder and conditionally approve the Transaction with the Next Best Bidder.

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

In re: **THE SPORTS ZONE, INC.** ***et al.,*** **Debtors.**	**Cases No. 17-26758-TJC, 17-26998-TJC, 17-27001-TJC, 17-27003-TJC and 17-27005-TJC through 17-27010-TJC** **(Jointly Administered under case no. 17-26758-TJC)** **Chapter 11**

[PROPOSED] NOTICE OF BID DEADLINE, AUCTION AND SALE HEARING IN CONNECTION THEREWITH

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. The Sports Zone, Inc.; The Zone 220, LLC; Sports Zone of Hechinger, LLC; The Zone 450, LLC; The Zone 600, LLC; The Zone 620, LLC; Zone of DC USA, LLC; The Zone 700, L.L.C;; The Zone 870, L.L.C and The Zone 999, L.L.C. (collectively, the "**Debtors**"), seek to sell substantially all of their assets (the "**Assets**") free and clear of any and all liens, claims, and encumbrances.

2. On December 27, 2017, the Debtors filed a motion (the "**Sale Motion**") with the United States Bankruptcy Court for the District of Maryland (the "**Court**") seeking, among other things, entry of an order (the "**Bidding Procedures Order**") (i) approving certain auction and bidding procedures in connection with the sale of substantially all of the Debtors' assets (the "**Bidding Procedures**"), (ii) authorizing the Debtors to enter into a stalking horse purchase agreement, subject to higher or otherwise better offers, (iii) approving procedures relating to the assumption and assignment of executory contracts and unexpired leases ("**Assumption and Assignment Procedures**"), (iv) scheduling an auction (the "**Auction**") and sale approval hearing (the "**Sale Hearing**"), (v) approving the form and manner of sale notice, and (vi) granting related relief.[1]

3. On January __, 2018, the Court entered the attached Bidding Procedures Order. All interested parties are invited to make offers to purchase the Acquired Assets in accordance with the Bidding Procedures and the Bidding Procedures Order. Copies of the Bidding Procedures and Bidding Procedures Order may be obtained

[1] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Sale Motion.

by written request to the Debtors' undersigned counsel. **All interested parties should carefully read the Bidding Procedures.**

4. The deadline to submit offers to purchase the Acquired Assets is **January 19, 2018 at 5:00 p.m. (prevailing Eastern Time)** (the "**Bid Deadline**").

5. The Debtors shall file a list of Qualified Bids on **January 22, 2018**.

6. Pursuant to the Bidding Procedures and Bidding Procedures Order, if one or more Qualified Bids (as defined in the Bidding Procedures), separate and apart from the bid of the Purchaser, are received on or before the Bid Deadline, the Debtors will conduct the Auction commencing on **January 25, 2018 at 10:00 a.m. (prevailing Eastern Time)**, at the offices of McNamee, Hosea, Jernigan, Kim, Greenan & Lynch, P.A., 6411 Ivy Lane, Suite 200, Greenbelt MD 20770 or such later time or such other place as the Debtors shall designate in a subsequent notice to all Qualified Bidders and Notice Parties (as defined in the Bidding Procedures), to determine the highest or otherwise best bid for the Acquired Assets (the "**Successful Bid**").

7. Only an entity that has submitted a Qualified Bid (a "**Qualified Bidder**") in accordance with the Bidding Procedures to the following is eligible to participate in the auction.

8. The sale of the Acquired Assets to the Successful Bidder shall be presented for authorization and approval by the Court at the Sale Hearing, which is currently scheduled to be held on **January 29, 2018 at 11:00 a.m. (prevailing Eastern Time**) at the United States Bankruptcy Court for the District of Maryland, 6500 Cherrywood Lane, Greenbelt MD 20770, before the Honorable Thomas J. Catliota or rescheduled without further notice by announcing the adjourned date at the Sale Hearing.

9. Objections, if any, to approval of the sale of the Acquired Assets to the Successful Bidder shall (i) be in writing, (ii) comply with the Bankruptcy Rules, (iii) set forth the name of the objector, (iv) state with particularity the legal and factual bases for such objection, and (v) be filed with the Clerk of the Court, United States Bankruptcy Court for the District of Maryland, 6500 Cherrywood Lane, Greenbelt MD 20770,, together with proof of service thereof, **so as to be actually received no later than 5:00 p.m. (prevailing Eastern Time) on January 17, 2017** the "**Objection Deadline**").

10. Failure of any entity to file an objection on or before the Objection Deadline may be deemed to constitute consent to the sale of the Acquired Assets to the Successful Bidder and other relief requested in the Sale Motion, and be a bar to the assertion, at the Sale Hearing or thereafter, of any objection to the Sale Motion, the Auction, the sale of the Acquired Assets, or the Debtors'

consummation and performance of the terms of the asset purchase agreement entered into with the Successful Bidder, if authorized by the Court.

11. After determining the Successful Bid, the Debtors may determine which Qualified Bid is the next best bid (the "**Next Best Bid**"). If the Successful Bidder does not close the sale by the date agreed to by the Debtors and the Successful Bidder, then the Debtors shall be authorized to close with the party that submitted the Next Best Bid (the "**Next Best Bidder**"), without a further court order. The Next Best Bidder shall be required to close the sale with the Debtors to the extent the Successful Bidder fails to close.

12. This notice is subject to the full terms and conditions of the Sale Motion, the Bidding Procedures, and the Bidding Procedures Order, and the Debtors encourage any interested parties to review such documents in their entirety. To the extent that this notice is inconsistent with the Bidding Procedures Order, the terms of the Bidding Procedures Order shall govern.

Dated: December 27, 2017

Respectfully submitted,

/s/ *Proposed*

Janet M. Nesse, Esq (MDB # 07804)
Craig M. Palik (MDB # 15254)
Justin P. Fasano, Esq. (MDB # 28659)
McNamee Hosea et al.
6411 Ivy Lane, Suite 200
Greenbelt, Maryland 20770
(301) 441-2420: Telephone
(301) 982-9450: Facsimile
jnesse@mhlawyers.com
jfasano@mhlawyers.com
Proposed Attorneys for the Debtors

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

In re: **THE SPORTS ZONE, INC.** ***et al.,*** **Debtors.**	**Cases No. 17-26758-TJC, 17-26998-TJC, 17-27001-TJC, 17-27003-TJC and 17-27005-TJC through 17-27010-TJC** **(Jointly Administered under case no. 17-26758-TJC)** **Chapter 11**

[PROPOSED] NOTICE OF POTENTIAL ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS ASSETS

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. On January __, 2018, the United States Bankruptcy Court for the District of Maryland (the "**Court**") entered an order (the "**Bidding Procedures Order**") in the chapter 11 cases (the "**Cases**") of The Sports Zone, Inc.; The Zone 220, LLC; Sports Zone of Hechinger, LLC; The Zone 450, LLC; The Zone 600, LLC; The Zone 620, LLC; Zone of DC USA, LLC; The Zone 700, L.L.C;; The Zone 870, L.L.C and The Zone 999, L.L.C. (the "**Debtors**") approving, among other things, certain procedures related to the assumption and assignment of executory contracts and unexpired leases (the "**Designated Contracts**") listed on Exhibit 1 annexed to this Notice in connection with the sale of substantially all of the Debtors' assets (the "**Acquired Assets**"). The Debtors may assume and assign the Designated Contracts to the successful bidder for the Acquired Assets (the "**Successful Bidder**") under the bidding procedures (the "**Bidding Procedures**") approved by the Bankruptcy Court in connection with the Bidding Procedures Order.

2. The Debtors believe that any and all defaults (other than the filing of these Cases) and actual pecuniary losses under the Designated Contracts can be cured by the payment of the cure amounts (the "**Cure Amounts**") listed on Exhibit 1 annexed to this Notice (the "**Assignment Schedule**"). The Debtors reserve the right to delete items from, supplement, and modify the Assignment Schedule at any time, provided that to the extent that the Debtors add a Designated Contract to the Assignment Schedule or modify the Cure Amount, the affected party shall receive separate notice and an opportunity to objection to such addition or modification.

3. Any objection to the assumption and assignment of any Designated Contract, including, without limitation, any objection to the Cure Amount or the ability of the Successful Bidder to provide adequate assurance of future performance under such Designated Contract, must (i) be in writing, (ii) set forth the basis for the objection as well as any cure amount that the objector asserts to be due (in all cases with appropriate documentation in support thereof), and (iii) be filed with the Clerk of the Court, United States Bankruptcy Court for the District of Maryland, 6500 Cherrywood Lane, Greenbelt Maryland 20770, and served on the following: (i) McNamee, Hosea, Jernigan, Kim, Greenan & Lynch, P.A., 6411 Ivy Lane, Suite 200, Greenbelt MD 20770 (Attn: Janet Nesse jnesse@mhlawyers.com and Justin Fasano jfasano@mhlawyers.com); (ii) counsel to any official committee of unsecured creditors appointed in these cases (the "**Committee**"); and counsel to the Purchaser (Attn: Jong Park parkjonglaw@gmail.com), **so as to be actually received no later than 5:00 p.m. (prevailing Eastern Time) on the date that is fourteen (14) days after the filing of the Cure Notice** (the "**Assignment and Cure Objection Deadline**"). To the extent that any entity does not timely object as set forth above, such entity shall be (i) forever barred from objecting to the assumption and assignment of its respective Designated Contracts identified on the Assignment Schedule, including, without limitation, asserting any additional cure payments or requesting additional adequate assurance of future performance, (ii) deemed to have consented to the applicable Cure Amount, if any, and to the assumption and assignment of the applicable Designated Contract, (iii) bound to such corresponding Cure Amount, if any, (iv) deemed to have agreed that the Successful Bidder as provided adequate assurance of future performance within the meaning of section 365(b)(1)(C) of the Bankruptcy Code, (v) deemed to have agreed that all defaults under the applicable Designated Contract arising or continuing prior to the effective date of the assignment have been cured as a result or precondition of the assignment, such that the Successful Bidder or the Debtors shall have no liability or obligation with respect to any default occurring or continuing prior to the assignment(except that if the Successful Bidder agrees to pay such Cure Costs over time, such outstanding Cure Costs shall remain outstanding), and from and after the date of the assignment the applicable Designated Contract shall remain in full force and effect for the benefit of the Successful Bidder and such entity in accordance with its terms, (vi) deemed to have waived any right to terminate the applicable Designated Contract or designate an early termination date under the applicable Designated Contract as a result of any default that occurred and/or was continuing prior to the assignment date, (vii) deemed to have agreed that the Debtors are not obligated under the Designated Contracts following the effective date of the assumption and assignment, and (viii) deemed to have agreed that the terms of the Sale Order shall apply to the assumption and assignment of the applicable Designated Contract.

4. If an objection is timely received and such objection cannot otherwise be resolved by the parties, the Court may hear such objection at the Sale Hearing or at a later

date set by the Court. The pendency of a dispute relating to the Cure Amount will not prevent or delay the assumption and assignment of any Designated Contract or the sale of the Acquired Assets to the Successful Bidder. If an objection is filed only with respect to the cure amount listed on the Cure Notice, the dispute with respect to the cure amount will be resolved consensually, if possible, or, if the parties are unable to resolve their dispute, before the Court.

5. The Debtors' decision to assume and assign to the Successful Bidder a Designated Contract is subject to Court approval and the sale closing. Accordingly, absent such approval and closing, any of the Designated Contracts shall not be deemed to be assumed and assigned, and shall in all respects be subject to further administration under the Bankruptcy Code. The inclusion of any document on the Assignment Schedule shall not constitute or be deemed a determination or admission by the Debtors or the Successful Bidder that the document is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code (all rights with respect thereto being expressly reserved).

6. Any anti-assignment provisions contained in, or otherwise purporting to affect, the Designated Contracts shall not restrict, limit or prohibit the assumption, assignment and sale of such Designated Contracts, and such provisions are deemed unenforceable anti-assignment provisions within the meaning of section 365(f) of the Bankruptcy Code.

7. Copies of the Bidding Procedures Order and other relevant documents may be obtained by written request to the undersigned Debtors' counsel or via PACER.

Dated: January __, 2018

Respectfully submitted,

/s/ *Proposed*
Janet M. Nesse, Esq (MDB # 07804)
Craig M. Palik (MDB # 15254)
Justin P. Fasano, Esq. (MDB # 28659)
6411 Ivy Lane, Suite 200
Greenbelt, Maryland 20770
(301) 441-2420: Telephone
(301) 982-9450: Facsimile
jnesse@mhlawyers.com
jfasano@mhlawyers.com
Proposed Attorneys for the Debtors

Exhibit 1

DEBTOR PARTY TO CONTRACT	NON DEBTOR PARTY TO CONTRACT	CONTRACT DESCRIPTION	PROPOSED CURE
To be filled in			