

1 **THOMPSON COBURN LLP**  
2 **RICHARD G. REINIS, CSB 45811**  
3 **rreinis@thompsoncoburn.com**  
4 **DAVID A. WARFIELD, (PRO HAC VICE)**  
5 **dwarfield@thompsoncoburn.com**  
6 **2029 Century Park East, 19th Floor**  
7 **Los Angeles, CA 90067**  
8 **Phone: (310) 282-2500 / Fax: (310) 282-2501**

Attorneys for Debtor and Debtor-in-Possession  
Sultan Financial Corporation

**UNITED STATES BANKRUPTCY COURT**  
**CENTRAL DISTRICT OF CALIFORNIA**  
**LOS ANGELES DIVISION**

9 In re:  
10  
11 SULTAN FINANCIAL CORPORATION, a  
12 California corporation,  
13 Debtor.

14 Tax ID: 95-4028025

Case No. 2:18-bk-18021-ER

Chapter 11

**DEBTOR’S MOTION FOR ENTRY OF AN ORDER (I) PURSUANT TO BANKRUPTCY CODE SECTIONS 105(A) AND 363 AND BANKRUPTCY RULE 9019, AUTHORIZING AND APPROVING THAT CERTAIN SETTLEMENT AGREEMENT BETWEEN THE DEBTOR, AARON’S, INC., ZIONS BANCORPORATION, N.A., D/B/A CALIFORNIA BANK & TRUST, RANDALL C. SULTAN, AND PATRICIA E. SULTAN; (II) PURSUANT TO BANKRUPTCY CODE SECTIONS 105(A), 363, AND 365, BANKRUPTCY RULE 2002, 6004, 6006, 9007, AND 9014, AND LOCAL RULE 6004-1(C), (A) AUTHORIZING AND APPROVING THE DEBTOR’S ENTRY INTO THAT CERTAIN ASSET PURCHASE AGREEMENT WITH AARON’S, INC.; (B) AUTHORIZING AND APPROVING THE PRIVATE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR’S ASSETS FREE AND CLEAR OF ALL INTERESTS; AND (C) ESTABLISHING NOTICE PROCEDURES FOR DETERMINING CURE AMOUNTS AND AUTHORIZING AND APPROVING THE ASSUMPTION AND ASSIGNMENT**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**OF EXECUTORY CONTRACTS AND  
UNEXPIRED LEASES; AND (III)  
GRANTING RELATED RELIEF;  
MEMORANDUM OF POINTS AND  
AUTHORITIES IN SUPPORT THEREOF**

**Hearing:**

Date: October 24, 2018  
Time: 10:110 a.m.  
Place: Courtroom 1568  
Roybal Federal Building  
255 E. Temple Street  
Los Angeles, CA 90012

1 **TO (A) THE HONORABLE ERNEST M. ROBLES, UNITED STATES BANKRUPTCY**  
2 **JUDGE; (B) THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE CENTRAL**  
3 **DISTRICT OF CALIFORNIA; (C) COUNSEL TO ZIONS BANCORPORATION, N.A.,**  
4 **D/B/A CALIFORNIA BANK & TRUST; (D) COUNSEL TO AARON’S, INC.; (E)**  
5 **COUNSEL TO RANDALL C. SULTAN AND PATRICIA E. SULTAN; (F) THE**  
6 **CREDITORS LISTED IN THE DEBTOR’S CREDITOR MATRIX; (G) THE**  
7 **COUNTERPARTIES TO THE DEBTOR’S EXECUTORY CONTRACTS AND**  
8 **UNEXPIRED LEASES; (H) THE U.S. ATTORNEY FOR THE CENTRAL DISTRICT OF**  
9 **CALIFORNIA; (I) THE INTERNAL REVENUE SERVICE; (J) THE SECURITIES AND**  
10 **EXCHANGE COMMISSION; (K) ANY PARTY KNOWN TO HAVE ASSERTED AN**  
11 **INTEREST IN OR ON ANY OF THE PURCHASED ASSETS; (L) ALL AFFECTED**  
12 **FEDERAL, STATE, AND LOCAL REGULATORY AND TAXING AUTHORITIES; (M)**  
13 **ALL ENTITIES KNOWN TO HAVE EXPRESSED AN INTEREST IN A TRANSACTION**  
14 **WITH RESPECT TO ALL OR PART OF THE PURCHASED ASSETS DURING THE SIX**  
15 **(6) MONTHS PRECEDING THE DATE HEREOF; AND (N) THOSE PARTIES WHO**  
16 **HAVE FORMALLY FILED REQUEST FOR NOTICE IN THE CHAPTER 11 CASE:**

17 **MOTION**

18 Sultan Financial Corporation, a California corporation (the “Debtor”), the debtor and  
19 debtor-in-possession in the above-captioned case, hereby moves the Court (the “Motion”) for entry  
20 of an order, substantially in the proposed form of order filed concurrently herewith (the  
21 “Settlement and Sale Order”), (i) pursuant to Sections 105(a) and 363 of Title 11 of the United  
22 States Code (the “Bankruptcy Code”) and Rule 9019(a) of the Federal Rules of Bankruptcy  
23 Procedure (the “Bankruptcy Rules”), authorizing and approving the Debtor’s entry into that certain  
24 Settlement Agreement with Aaron’s, Inc. (“Aaron’s”),<sup>1</sup> Zions Bancorporation, N.A., d/b/a  
25 California Bank & Trust (“CB&T”), and Randall C. Sultan and Patricia E. Sultan (together, the  
26 “Sultans”), individually and as trustees of the Randall and Patricia Sultan Family Revocable Trust  
27 dated November 5, 1999 (the “Trust”), dated as of October 3, 2018 and attached to the annexed  
28 Memorandum of Points and Authorities (the “Memorandum of Points and Authorities”) as Exhibit  
A (the “Settlement Agreement”); (ii) pursuant to Bankruptcy Code Sections 105(a), 363, and 365,  
Bankruptcy Rules 2002, 6004, 6006, 9007, and 9014, and Rule 6004-1(c) of the Local Bankruptcy  
Rules for the United States Bankruptcy Court for the Central District of California (the “Local  
Rules”), (a) authorizing and approving the Debtor’s entry into that certain Asset Purchase  
Agreement with Aaron’s, dated as of October 3, 2018 and attached to the Memorandum of Points

<sup>1</sup> Aaron’s is located at 400 Galleria Parkway S.E., Suite 300, Atlanta, GA 30339.

1 and Authorities as Exhibit B (the “Purchase Agreement” and, the transactions in connection  
2 therewith, collectively, the “Sale Transaction”); (b) authorizing and approving, but not directing,  
3 the private sale of the Purchased Assets (as defined in the Purchase Agreement) to Aaron’s free  
4 and clear of all Interests (as defined in the Settlement and Sale Order); and (c) establishing certain  
5 notice procedures for determining cure amounts for executory contracts and unexpired leases to  
6 be assumed and assigned in connection with the Purchase Agreement and authorizing and  
7 approving the assumption and assignment of certain executory contracts and unexpired leases; and  
8 (iii) granting related relief.<sup>2</sup> A more detailed analysis of the bases for this Motion is set forth in  
9 the Memorandum of Points and Authorities annexed hereto and the Declaration of Randall C.  
10 Sultan (the “Sultan Declaration”) filed concurrently herewith.

11 **The Settlement Agreement and the Purchase Agreement**<sup>3</sup>

12 On July 16, 2018, the Debtor filed a complaint against Aaron’s (the “Complaint”) initiating  
13 an adversary proceeding captioned *Sultan Financial Corporation v. Aaron’s, Inc.*, Case No. 18-  
14 01225 (the “Adversary Proceeding”). The Complaint asserts six claims, each of which is based  
15 on the fact that Aaron’s did not make certain changes or adjustments to the Aaron’s System (as  
16 defined in the Memorandum of Points and Authorities) that the Debtor requested. The Debtor  
17 asserts that Aaron’s breached its obligation to negotiate with the Debtor in good faith regarding  
18 such requested changes pursuant to that certain Confidential Settlement Agreement and Release,  
19 dated October 19, 2016, by and between the Debtor, Aaron’s, and the Sultans (the “October 2016  
20 Settlement Agreement”). Separate from the Complaint, the Debtor has also asserted that Aaron’s  
21 has otherwise violated certain provisions of the Franchise Agreements (as defined in the  
22 Memorandum of Points and Authorities) and that Aaron’s is not entitled to receive royalty  
23 payments during the pendency of the Debtor’s bankruptcy proceeding in advance of proving that  
24 such payments are administrative expenses of the Debtor’s estate. Aaron’s denies each claim and

25 \_\_\_\_\_  
26 <sup>2</sup> Capitalized terms not otherwise defined have the meaning ascribed to such terms in the  
Settlement Agreement, the Purchase Agreement, or the Settlement and Sale Order, as applicable.

27 <sup>3</sup> To the extent there is any discrepancy between the summary of the terms of the Settlement  
28 Agreement or the Purchase Agreement set forth herein or in the Memorandum of Points and  
Authorities and the actual terms of the Settlement Agreement or the Purchase Agreement, the  
actual terms of the Settlement Agreement or the Purchase Agreement, as applicable, shall govern.

1 argues, among other things, that (i) the Debtor's assertion that Aaron's has not acted in good faith  
2 is baseless; (ii) the Debtor's allegations in the Complaint and relating to the Franchise Agreements  
3 do not provide any basis for recovery; and (iii) Aaron's is entitled to timely royalty payments. The  
4 Debtor also owes Aaron's in excess of \$4.6 million, which is subject to a personal guarantee from  
5 the Sultans. In addition, all obligations of CB&T's secured loan to the Debtor, which was also  
6 personally guaranteed by the Sultans, came due in June 2018 before the Debtor's bankruptcy filing.

7 Following several weeks of settlement discussions and two mediation sessions before the  
8 Honorable Louis M. Meisinger, Los Angeles Superior Court Judge (ret.), the Debtor, CB&T, the  
9 Sultans, and Aaron's have agreed to resolve their dispute and, in connection therewith, the Debtor  
10 has agreed to sell substantially all of its assets to Aaron's on the following principal terms, subject  
11 to this Court's approval:

- 12 • Pursuant to the Purchase Agreement, the Debtor shall sell the Purchased Assets to  
13 Aaron's free and clear of all Interests for \$13,000,000 (the "Purchase Price");
- 14 • On the date of the closing of the transactions contemplated by the Purchase  
15 Agreement (the "Closing Date"), Aaron's shall pay the Purchase Price directly to  
16 CB&T and the Debtor shall pay, or cause to be paid, to CB&T \$300,000.00 from  
17 the Debtor's cash reserves so long as such \$300,000.00 payment does not render  
18 the Debtor administratively insolvent (the "Initial Payment"). If such payment  
19 would render the Debtor administratively insolvent, then the Debtor shall only be  
20 required to pay to CB&T on the Closing Date the amount up to \$300,000 that would  
21 leave sufficient funds remaining in the Debtor's estate to allow the Debtor to satisfy  
22 all estimated allowed administrative expenses, including ordinary course operating  
23 expenses pursuant to the revised cash collateral budget attached to the Settlement  
24 Agreement as Exhibit B or any other cash collateral budget approved by the  
25 Bankruptcy Court (the "Cash Collateral Budget"). Thereafter, within one business  
26 day after the date that the Debtor satisfies all allowed administrative expense  
27 claims, the Debtor shall pay all of its remaining cash (up to an amount that,  
28 including the Purchase Price and the Initial Payment, does not exceed the amount

1 of the CB&T Claim) to CB&T (the “Residual Payment”). If the amount of the  
2 Initial Payment and the Residual Payment (together, the “Payments”) do not equal  
3 at least \$400,000.00 in the aggregate, the Sultans shall personally pay to CB&T up  
4 to \$50,000.00 to cover any deficit between the amount of the Payments and  
5 \$400,000.00 within five business days of the payment of the Residual Payment to  
6 CB&T.

- 7 • The Debtor, the Sultans, and Aaron’s shall provide mutual releases of all claims;  
8 provided, however, that the release shall not apply to any claims arising out of or  
9 related to the lawsuit captioned *Michael Winslow and Fonda Winslow v. Sultan*  
10 *Financial Corporation, et al.*, Case No. 13-02684 pending in the District Court for  
11 the Central District of California (the “Winslow Claims”) or any outstanding claims  
12 or lawsuits covered by the Debtor’s insurance, which shall be maintained for  
13 sufficient duration to cover the termination of any outstanding claims by third  
14 parties against the Debtor and Aaron’s (“Debtor-insured Claims”); and
- 15 • The Debtor, the Sultans (both individually and as trustees of the Trust), and CB&T  
16 shall provide mutual releases of all claims; provided, however, that the release shall  
17 not apply to any claims arising out of or related to the debt obligations of any of the  
18 Debtor’s affiliates owed to CB&T that are secured by deeds of trust on real property  
19 parcels owned by the Debtor’s affiliates, including without limitation that certain  
20 loan designated as Loan No. XXXXX76-9001 by and between CB&T, as lender,  
21 and SFC-Olive-351, LLC, as borrower, or that certain loan designated as Loan No.  
22 XXXXX17-9001 by and between, CB&T, as lender, and Sultan Financial Hesperia,  
23 LLC, as borrower (the “Related Party Claims”).

24 For the reasons set forth in the Memorandum of Points and Authorities, the Debtor believes  
25 that the Settlement Agreement and the Purchase Agreement are in the best interest of the Debtor,  
26 its estate, its creditors, its stakeholders, and other parties in interest and should be approved by the  
27 Court.

28

1           **WHEREFORE**, the Debtor respectfully requests that the Court enter an order,  
2 substantially in the form of the Settlement and Sale Order:

3           1.       granting this Motion;

4           2.       approving the Settlement Agreement and the Purchase Agreement and finding that  
5 the Settlement Agreement and the Purchase Agreement have been entered into by the parties  
6 thereto in good faith for all purposes;

7           3.       authorizing the Debtor to take any and all actions reasonably necessary to effectuate  
8 the terms of the Settlement Agreement and the Purchase Agreement;

9           4.       approving the sale of the Purchased Assets to Aaron's free and clear of all Interests;

10          5.       finding that Aaron's is a good faith buyer entitled to all of the protections afforded  
11 by Bankruptcy Code Section 363(m);

12          6.       approving (effective as of the Closing Date) the Debtor's assumption and  
13 assignment to Aaron's of the Assumed Contracts (as defined in the Purchase Agreement);

14          7.       finding that as to the assumption and assignment of the Assumed Contracts to  
15 Aaron's: (i) the notice and opportunity to object provided to Counterparties (as defined in the  
16 Memorandum of Points and Authorities) and to other parties in interest fairly and reasonably  
17 protected any rights that such Counterparties and other parties in interest may have with respect to  
18 the Debtor's executory contracts and unexpired leases, (ii) the Cure Amounts (as defined in the  
19 Memorandum of Points and Authorities), which must be paid in connection with the Debtor's  
20 assumption and assignment of the Debtor's executory contracts and unexpired leases, are the  
21 amounts set forth in that certain *Notice to Counterparties to Executory Contracts and Unexpired*  
22 *Leases to Potentially be Assumed and Assigned, and Notice of Cure Amounts*<sup>4</sup> attached to the  
23 Memorandum of Points and Authorities as Exhibit C (the "Assumption and Assignment Notice")

24 \_\_\_\_\_  
25 <sup>4</sup> Neither the exclusion nor inclusion of any executory contract or unexpired lease on Exhibit  
26 A to the Assumption and Assignment Notice shall constitute an admission by the Debtor that any  
27 such contract or lease is or is not an executory contract or unexpired lease, that the Debtor has any  
28 liability thereunder, or that such executory contract or unexpired lease is necessarily a binding and  
enforceable agreement. Further, the Debtor expressly reserves the right to (a) reject any executory  
contract or unexpired lease set forth on Exhibit A to the Assumption and Assignment Notice and  
(b) contest any Cure Amount or proof of claim asserted in connection with the assumption of any  
executory contract or unexpired lease.

1 or, with respect to the Customer Contracts, will be assumed by Aaron's and paid in the ordinary  
2 course of business, (iii) adequate assurance of future performance has been demonstrated, (iv) any  
3 Counterparty that fails to file a timely objection to this Motion and the Assumption and  
4 Assignment Notice shall be deemed to have consented to the Cure Amounts and the assumption  
5 and assignment of the Debtor's executory contracts and unexpired leases to Aaron's and be forever  
6 barred from challenging the Debtor's proposed Cure Amounts and Aaron's ability to provide  
7 adequate assurance of future performance;

8 8. waiving the 14-day stay periods set forth in Bankruptcy Rules 6004(h) and 6006(d);  
9 and

10 9. granting such other and further relief as the Court deems just and proper.

11 Dated: October 3, 2018

**THOMPSON COBURN LLP**

13 By:  /s/ David A. Warfield  
14 David A. Warfield  
15 Attorneys for Debtor and Debtor-in-Possession

16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28



**TABLE OF CONTENTS**

	<b>Page</b>
1	
2	
3	<b>I. <u>JURISDICTION AND VENUE</u>.....1</b>
4	<b>II. <u>STATEMENT OF FACTS</u>.....1</b>
5	<b>A. <u>The Debtor’s Chapter 11 Case</u>.....1</b>
6	<b>B. <u>Background Information</u>.....1</b>
7	<b>(1) <u>Relationship with Aaron’s</u>.....2</b>
8	<b>(2) <u>Relationship with CB&amp;T</u>.....3</b>
9	<b>C. <u>The Adversary Proceeding and Other Disputes with Aaron’s</u>.....4</b>
10	<b>D. <u>The Settlement Agreement</u>.....5</b>
11	<b>E. <u>The Purchase Agreement</u>.....8</b>
12	<b>F. <u>Proposed Assumption and Assignment Procedures</u>.....9</b>
13	<b>III. <u>RELIEF REQUESTED</u>.....13</b>
14	<b>IV. <u>BASIS FOR RELIEF</u>.....13</b>
15	<b>A. <u>The Settlement Agreement</u>.....13</b>
16	<b>(1) <u>Probability of Success</u>.....15</b>
17	<b>(2) <u>Difficulties, if Any, to be Encountered in the Matter of</u></b>
18	<b><u>Collection</u>.....15</b>
19	<b>(3) <u>Complexity of the Litigation and the Expense,</u></b>
20	<b><u>Inconvenience, and Delay Necessarily Attending It</u>.....16</b>
21	<b>(4) <u>Paramount Interest of the Creditors and a Proper Deference</u></b>
22	<b><u>to Their Reasonable Views</u>.....16</b>
23	<b>(5) <u>The Settlement Agreement Was Entered Into in Good Faith</u>.....16</b>
24	<b>B. <u>The Sale Transaction</u>.....17</b>
25	<b>(1) <u>Sound Business Purpose</u>.....17</b>
26	<b>(2) <u>Applicable Authority</u>.....19</b>
27	<b>a. <u>Approval of the Sale Transaction Is Warranted</u></b>
28	<b><u>Under Bankruptcy Code Section 363(b) Because a</u></b>
	<b><u>Sound Business Justification Exists</u>.....20</b>
	<b>b. <u>The Proposed Sale Transaction Satisfies the</u></b>
	<b><u>Requirements of Bankruptcy Code Section 363(f)</u></b>

1		<u>for a Sale Free and Clear of All Interests, Including Successor Liability Claims.</u>	21
2			
3	<u>c.</u>	<u>Aaron’s Is Entitled to the Protections of Bankruptcy Code Section 363(m) and a Finding That the Sale Does Not Violate Section 363(n).</u>	23
4			
5	<u>d.</u>	<u>The Debtor Should be Authorized to Assume and Assign Certain Executory Contracts and Unexpired Leases.</u>	25
6			
7	<u>V.</u>	<u>WAIVER OF STAY UNDER BANKRUPTCY RULE 6004(H)</u>	27
8	<u>VI.</u>	<u>RESERVATION OF RIGHTS</u>	27
9	<u>VII.</u>	<u>NOTICE</u>	27

10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**TABLE OF AUTHORITIES**

**Page(s)**

**CASES**

*Chinichian v. Campolongo (In re Chinichian)*,  
 784 F.2d 1440 (9th Cir. 1986) .....23

*City of Grand Terrace v. Super. Ct.*,  
 192 Cal.App.3d 1251 (1987) .....17

*Comm. of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*,  
 722 F.2d 1063 (2d Cir. 1983) .....20

*Croton River Club, Inc. v. Half Moon Bay Homeowners Ass’n (In re Croton River  
 Club, Inc.)*,  
 52 F.3d 41 (2d Cir. 1995) .....23

*In re Adams Apple, Inc.*,  
 829 F.2d 1484 (9th Cir. 1987) .....24

*In re AEG Acquisition Corp.*,  
 127 B.R. 34 (Bankr. C.D. Cal. 1991), *aff’d*, 161 B.R. 50 (9th Cir. B.A.P.  
 1993) .....26

*In re Betty Owens Sch., Inc.*,  
 No. 96 Civ. 3576 (PKL), 1997 WL 188127 (S.D.N.Y. Apr. 17, 1997) .....21

*In re Blair*,  
 538 F.2d 849 (9th Cir. 1976) .....15

*In re Bowman*,  
 194 B.R. 227 (Bankr. D. Ariz. 1995) .....26

*In re Carson*,  
 82 B.R. 847 (Bankr. S.D. Ohio 1987) .....13

*In re Catapult Entertainment, Inc.*,  
 165 F.3d 747 (9th Cir. 1999) .....18

*In re Central Fla. Metal Fabrication, Inc.*,  
 190 B.R. 119 (Bankr. N.D. Fla. 1995) .....25

*In re Chrysler LLC*,  
 405 B.R. 84 (Bankr. S.D.N.Y. 2009) .....22

*In re Cont’l Air Lines, Inc.*,  
 780 F.2d 1223 (5th Cir. 1986) .....20

*In re Continental Country Club, Inc.*,  
 114 B.R. 763 (Bankr. M.D. Fla. 1990) .....25

*In re Embers 86th Street, Inc.*,  
 184 B.R. 892 (Bankr. S.D.N.Y. 1995) .....26

1	<i>In re Gardens Reg'l Hosp. &amp; Med. Ctr., Inc.</i> ,	
	567 B.R. 820 (Bankr. C.D. Cal. 2017) .....	20
2		
3	<i>In re Gucci</i> ,	
	193 B.R. 411 (S.D.N.Y. 1996) .....	25, 26
4	<i>In re Hydronic Enterprise, Inc.</i> ,	
	58 B.R. 363 (Bankr. D.R.I. 1986) .....	13
5		
6	<i>In re Klein Sleep Products, Inc.</i> ,	
	78 F.3d 18 (2d Cir. 1996) .....	25
7	<i>In re Lee Way Holding Co.</i> ,	
	120 B.R. 881 (Bankr. S.D. Ohio 1990) .....	15
8		
9	<i>In re Mobile Air Drilling Co., Inc.</i> ,	
	53 B.R. 605 (Bankr. N.D. Ohio 1985).....	14
10	<i>In re Motors Liquidation Co.</i> ,	
	829 F.3d 135 (2d Cir. 2016) .....	22
11		
12	<i>In re N.C.P. Marketing Grp., Inc.</i> ,	
	337 B.R. 230 (D. Nev. 2005), <i>aff'd</i> , 279 F. App'x 561 (9th Cir. 2008).....	19
13	<i>In re Network Access Solutions, Corp.</i> ,	
	330 B.R. 67 (Bankr. D. Del. 2005).....	25
14		
15	<i>In re Prime Motors Inns</i> ,	
	124 B.R. 378 (Bankr. S.D. Fla. 1991) .....	26
16	<i>In re Thomas</i> ,	
	287 B.R. 782 (B.A.P. 9th Cir. 2002) .....	24
17		
18	<i>In re W.T. Grant &amp; Co.</i> ,	
	699 F.2d 599 (2nd Cir. 1983) .....	14
19	<i>In re Walter</i> ,	
	83 B.R. 14 (B.A.P. 9th Cir. 1988) .....	20
20		
21	<i>In re Wellington Vision, Inc.</i> ,	
	364 B.R. 129 (S.D. Fla. 2007).....	18, 19
22	<i>In re Wilde Horse Enterprises</i> ,	
	136 B.R. 830 (Bankr. C.D. Cal. 1991) .....	21
23		
24	<i>In re YBA Nineteen, LLC</i> ,	
	No. 15CV1742-WQH-RBB, 2016 WL 541347 (S.D. Cal. Feb. 11,	
25	2016), <i>appeal dismissed sub nom. In re YBA Nineteen, LLC</i> ,	
	No. 16-55306, 2017 WL 4011875 (9th Cir. Mar. 23, 2017) .....	24
26	<i>Kabro Assocs. of West Islip, LLC v. Colony Hill Assocs. (In re Colony Hill</i>	
	<i>Assocs.)</i> ,	
27	111 F.3d 269 (2d Cir. 1997) .....	24
28	<i>Knowles v. Putterbaugh (In re Hallet)</i> ,	

1	33 B.R. 564 (Bankr. D. Me. 1983) .....	14
2	<i>Licensing by Paolo, Inc. v. Sinatra (In re Gucci)</i> ,	
3	126 F.3d 380 (2d Cir. 1997) .....	24
4	<i>Lubrizol Enterprises v. Richmond Metal Finishers</i> ,	
5	756 F.2d 1043 (4th Cir. 1985), <i>cert. denied</i> , 475 U.S. 1057 (1986) .....	26
6	<i>Martin v. Kane (In re A &amp; C Properties)</i> ,	
7	784 F.2d 1377 (9th Cir. 1986), <i>cert. denied</i> 479 U.S. 854 (1986) .....	14
8	<i>Matter of Carla Leather, Inc.</i> ,	
9	44 B.R. 457 (Bankr. S.D.N.Y. 1984) .....	14
10	<i>Momentum Mfg. Corp. v. Employee Creditors Comm. (In re Momentum Mfg.</i>	
11	<i>Corp.)</i> ,	
12	25 F.3d 1132 (2d Cir. 1994) .....	23
13	<i>Myers v. United States.</i> ,	
14	297 B.R. 774 (S.D. Cal. 2003) .....	22
15	<i>Newman v. Stein</i> ,	
16	464 F.2d 689 (2nd Cir. 1972) .....	15
17	<i>Official Comm. of Unsecured Creditors of LTV Aerospace &amp; Def. Co. v. LTV</i>	
18	<i>Corp. (In re Chateaugay Corp.)</i> ,	
19	973 F.2d 141 (2d Cir. 1992) .....	20
20	<i>Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)</i> ,	
21	4 F.3d 1095 (2d Cir. 1993) .....	25
22	<i>ReGen Capital I, Inc. v. UAL Corp. (In re UAL Corp.)</i> ,	
23	635 F.3d 312 (7th Cir. 2011) .....	25
24	<i>Scherer v. Fed. Nat'l Mortg. Ass'n (In re Terrace Chalet Apartments, Ltd.)</i> ,	
25	159 B.R. 821 (N.D. Ill. 1993) .....	21
26	<i>Tech-Bilt, Inc. v. Woodward-Clyde &amp; Assoc.</i> ,	
27	38 Cal.3d 488 (1985) .....	17
28	<i>United States v. Alaska National Bank (In re Walsh Constr., Inc.)</i> ,	
	669 F.2d 1325 (9th Cir. 1982) .....	14, 15
	<i>Volvo White Truck Corp. v. Chambersburg Beverage, Inc. (In re White Motor</i>	
	<i>Credit Corp.)</i> ,	
	75 B.R. 944 (Bankr. N.D. Ohio 1987) .....	23
	<i>Woodson v. Fireman's Fund Ins. Co. (In re Woodson)</i> ,	
	839 F.2d 610 (9th Cir. 1988) .....	14
	<b>STATUTES</b>	
	11 U.S.C. § 101(5) .....	11

1	11 U.S.C. § 105 .....	1, 18, 21
2	11 U.S.C. § 105(a).....	18, 21
3	11 U.S.C. § 363 .....	passim
4	11 U.S.C. § 363(b).....	18, 22
5	11 U.S.C. § 363(b)(1).....	18
6	11 U.S.C. § 363(f) .....	19, 20, 21
7	11 U.S.C. § 363(f)(2).....	20
8	11 U.S.C. § 363(f)(5).....	20
9	11 U.S.C. § 363(m).....	22, 23
10	11 U.S.C. § 363(n).....	23
11	11 U.S.C. § 365 .....	passim
12	11 U.S.C. § 365(a).....	16, 23
13	11 U.S.C. § 365(b)(1).....	23, 24
14	11 U.S.C. § 365(c).....	16
15	11 U.S.C. § 365(c)(1) .....	17
16	11 U.S.C. § 365(c)(1)(A).....	17
17	11 U.S.C. § 365(c)(1)(B).....	17
18	11 U.S.C. § 365(f)(1).....	24
19	11 U.S.C. § 365(f)(2).....	24
20	11. U.S.C. § 1107(a).....	1
21	11. U.S.C. § 1108 .....	1
22	28 U.S.C. § 1334 .....	1
23	28 U.S.C. § 1408 .....	1
24	28 U.S.C. § 1409 .....	1
25	28 U.S.C. § 157 .....	1
26	28 U.S.C. § 157(b).....	1
27	Cal. Code Civ. Proc. § 877.6.....	15
28		

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**OTHER AUTHORITIES**

2 *Collier on Bankr.* ¶ 105.01 (Alan N. Resnick & Henry J. Sommer eds., 16th ed. 2016).....21

**RULES**

5 C.D. Cal. Bankr. L.R. 6004-1.....1  
6 Fed. R. Bankr. P. 2002 .....1, 26  
7 Fed. R. Bankr. P. 6004 .....1  
8 Fed. R. Bankr. P. 6004(h).....25, 26  
9 Fed. R. Bankr. P. 6006 .....1  
10 Fed. R. Bankr. P. 9007 .....1  
11 Fed. R. Bankr. P. 9014 .....1  
12 Fed. R. Bankr. P. 9019 .....1  
13 Fed. R. Bankr. P. 9019(a).....12

**MEMORANDUM OF POINTS AND AUTHORITIES**

**I. JURISDICTION AND VENUE**

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

The legal predicates for the relief requested herein are Bankruptcy Code Sections 105, 363, and 365, Bankruptcy Rules 2002, 6004, 6006, 9007, 9014, and 9019, and Local Rule 6004-1.

**II. STATEMENT OF FACTS**

**A. The Debtor's Chapter 11 Case**

On July 13, 2018 (the "Petition Date"), the Debtor commenced the above-captioned bankruptcy case (the "Chapter 11 Case") by filing a voluntary petition for relief under the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California.

The Debtor continues to operate its businesses and manage its properties as a debtor and debtor-in-possession pursuant to Bankruptcy Code Sections 1107(a) and 1108. No trustee or examiner has been requested in the Chapter 11 Case, and no committees have yet been appointed.

Additional factual background information regarding the Debtor, including information concerning its business operations, its capital structure, and the events leading to this Chapter 11 Case, is set forth in detail in the *Omnibus Declaration of Randall C. Sultan in Support of Debtor's "First-Day" Motions* [Docket No. 10].

**B. Background Information**

The Debtor was incorporated in the State of California on January 27, 1986. Since 1997, the Debtor has developed and operated Aaron's Sales & Lease stores. The Debtor presently operates sixteen (16) stores under the Aaron's trademark in California (the "Stores").

The Debtor is in the rent-to-own ("RTO") industry, which services an often neglected market segment. RTO stores rent household durable goods, such as appliances, consumer electronics, and furniture, to customers on a weekly or monthly basis. Ownership of the merchandise automatically passes to the customer after a prescribed number of continuous rental payments and customers have the option to purchase the merchandise pursuant to a previously-



1 disclosed early purchase option formula at any time. Despite signing an agreement to make  
2 payments lasting a certain number of months, customers are under no obligation to rent the item  
3 for the entire period. In fact, the Debtor's customers' average rental period lasts only four months.  
4 Approximately 35% of all contracts entered into by the Debtor and its customers go the full length  
5 of the ownership plan, when the merchandise is rented continuously for the entire agreement period  
6 and ownership passes to the customer or the customer pays out the agreement early.

7 1. Relationship with Aaron's

8 Aaron's is a leading omnichannel provider of lease-purchase solutions and engages in the  
9 sale and lease ownership and specialty retailing of furniture, consumer electronics, home  
10 appliances, and accessories through its more than 1,700 company-owned and franchised stores in  
11 47 states, Puerto Rico, and Canada. Aaron's was founded in 1955 and has been a publicly-traded  
12 company on the NYSE since 1982.

13 Aaron's has designed and developed a license system for the promotion and assistance of  
14 independently-owned and -operated stores engaged in the leasing and sale of merchandise for  
15 consumer use (the "Aaron's System"). The Aaron's System includes, but is not limited to,  
16 common use and promotion of the service mark "Aaron's Sales & Lease Ownership" and certain  
17 other service marks, trade names, trademarks, logos, and unique signs (collectively, the  
18 "Franchisor's Marks"), centralized advertising programs, leased signage and computer equipment,  
19 e-commerce sales referral programs, use of Aaron's proprietary point of sale computer software  
20 system, and centralized support functions, such as training and consulting services. Aaron's allows  
21 its licensees to operate their stores utilizing the Franchisor's Marks and the Aaron's System.  
22 Through the Aaron's System, Aaron's markets, promotes, and provides services to its franchisees  
23 throughout the United States, Puerto Rico, and Canada. To identify the origin of their services,  
24 Aaron's allows its franchisees to use the Franchisor's Marks and otherwise to associate their stores  
25 with the Aaron's brand pursuant to franchise agreements.

26 The Debtor's business consists of its operation of the Stores under the name "Aaron's" or  
27 "Aaron's Sale & Lease" pursuant to sixteen (16) separate, but virtually identical, Aaron's franchise  
28 agreements into which the Debtor entered between 1997 and 2014 (as amended, the "Franchise

1 Agreements).<sup>1</sup> Pursuant to the Franchise Agreements, Aaron’s granted the Debtor a nonexclusive  
2 license to operate its leasing and retail businesses using the Aaron’s System and the Franchisor’s  
3 Marks. Among other fees, the Franchise Agreements provide that the Debtor is required to pay a  
4 weekly royalty fee to Aaron’s in an amount equal to six percent (6%) of the Debtor’s Gross  
5 Revenues (as defined in the Franchise Agreements), which is based solely on revenues derived  
6 specifically from the Debtor’s operation “of the Franchised Business.”

7 The Sultans each personally executed a Payment and Performance Guarantee of the  
8 Debtor’s obligations under each of the Franchise Agreements (the “Original Aaron’s Guarantees”).  
9 Under the October 2016 Settlement Agreement, Aaron’s agreed to convert the Debtor’s  
10 outstanding trade debt to Aaron’s into a Promissory Note issued by the Debtor in favor of Aaron’s  
11 in the original principal amount of \$3,664,118.78 (the “Note”). The Sultans personally guaranteed  
12 repayment of the Note (the “Aaron’s Note Guarantee” and, together with the Original Aaron’s  
13 Guarantees, the “Aaron’s Guarantees”).

14 As of the Petition Date, Aaron’s asserted an unsecured claim against the Debtor in the  
15 amount of \$4,630,053.63, including the obligations under the Note (together with any Aaron’s  
16 claims that accrued after the Petition Date, the “Aaron’s Claim”).

17 2. Relationship with CB&T

18 On January 4, 2012, the Debtor, as borrower, and CB&T, as lender, executed that certain  
19 Commercial Loan Agreement (the “Loan Agreement”) pursuant to which CB&T agreed to provide  
20 the Debtor with a revolving line of credit and two term loans. The Debtor’s obligations under the  
21 Loan Agreement are evidenced by Promissory Notes dated January 4, 2012 payable to CB&T (the  
22 “2012 Notes”). To secure the Debtors’ obligations under the 2012 Notes, the Debtor and CB&T  
23 entered into a Security Agreement on January 4, 2012 (the “Security Agreement”), whereby the  
24 Debtor granted CB&T a security interest in substantially all of the Debtor’s personal property and  
25 other assets (collectively, the “Collateral”). CB&T perfected its security interest in the Collateral  
26

27  
28 <sup>1</sup> The Debtor previously operated ten (10) additional Aaron’s franchise stores that have been  
closed.

1 by, among other things, filing a UCC-1 Financing Statement on January 27, 2012, with the  
2 California Secretary of State, as file number 12-7299272990 (the “Financing Statement”).

3 The Debtor and CB&T thereafter entered into two separate Loan Modification Agreements  
4 pursuant to which CB&T agreed to provide the Debtor with two additional term loans, which are  
5 evidenced by Promissory Notes dated on July 31, 2013 and October 30, 2014 (the “2013/14 Notes”  
6 and together with the 2012 Notes, the “CB&T Promissory Notes”) payable to CB&T. The  
7 Debtor’s obligations under the 2013/14 Notes are also secured by the Collateral. The Loan  
8 Agreement, the CB&T Promissory Notes, the Security Agreement, the Financing Statement, and  
9 all related loan documents, including any and all Loan Modification Agreements, are collectively  
10 referred to herein as the “Loan Documents.” All of the Debtor’s obligations under the Loan  
11 Documents were personally guaranteed by Randall Sultan, individually, and the Sultans in their  
12 capacity as trustees for the Trust (the “CB&T Guarantee”).

13 The Debtor’s obligations under the Loan Documents matured on June 15, 2018. As of the  
14 Petition Date, CB&T held a secured claim against the Debtor in the aggregate principal amount of  
15 not less than \$15,444,674.26 plus accrued interest in the amount of not less than \$111,611.28 for  
16 a total of \$15,556,285.54 plus any additional pre- or post-petition interest, costs, fees and charges  
17 recoverable under the Loan Documents or under applicable law (collectively, the “CB&T Claim”).

18 **C. The Adversary Proceeding and Other Disputes with Aaron’s**

19 On July 16, 2018, the Debtor commenced the Adversary Proceeding by filing a Complaint  
20 asserting six claims, each of which is based on the fact that Aaron’s did not make certain changes  
21 or adjustments to the Aaron’s System that the Debtor requested. The Debtor asserts that Aaron’s  
22 breached its obligation to negotiate with the Debtor in good faith regarding such requested changes  
23 pursuant to the October 2016 Settlement Agreement.

24 In addition, on July 24, 2018, the Debtor sent a letter to Aaron’s seeking to mediate certain  
25 other disputes between the parties arising from or relating to the Franchise Agreements (the  
26 “Disputes”).

27 Aaron’s has denied each claim and has argued, among other things, that (i) the Debtor’s  
28 assertion that Aaron’s has not acted in good faith is baseless and (ii) the Debtor’s allegations in

1 the Complaint and in the Debtor's July 24, 2018 letter do not provide any basis for recovery by  
2 the Debtor.

3 **D. The Settlement Agreement**

4 Following several weeks of settlement discussions and two mediation sessions before the  
5 Honorable Louis M. Meisinger, Los Angeles Superior Court Judge (ret.), subject to this Court's  
6 approval, the Debtor, CB&T, the Sultans, and Aaron's (collectively, the "Parties") have agreed to  
7 resolve their disputes, and the Debtor has agreed to sell the Purchased Assets to Aaron's on the  
8 terms and conditions set forth in the Settlement Agreement and the Purchase Agreement.

9 Subject to the terms and conditions of the Settlement Agreement, the Parties have agreed  
10 to settle the Adversary Proceeding and any other claims between and among the Parties, on the  
11 following terms and conditions:<sup>2</sup>

- 12 • Following the Court's approval of the Settlement Agreement and the Purchase  
13 Agreement, on the Closing Date, (i) Aaron's shall pay to CB&T \$13,000,000, and  
14 (ii) the Debtor shall pay, or cause to be paid, to CB&T \$300,000 from the Debtor's  
15 cash reserves, so long as such \$300,000 payment does not render the Debtor  
16 administratively insolvent (the "Initial Payment"). If such payment would render  
17 the Debtor administratively insolvent, then the Debtor shall only be required to pay  
18 to CB&T on the Closing Date the amount up to \$300,000 that would leave sufficient  
19 funds remaining in the Debtor's estate to allow the Debtor to satisfy all estimated  
20 allowed administrative expenses, including ordinary course operating expenses  
21 pursuant to the revised cash collateral budget attached hereto as Exhibit D (the  
22 "Cash Collateral Budget"). Thereafter, within one (1) Business Day (as defined in  
23 the Purchase Agreement) after the date that the Debtor satisfies all allowed  
24 administrative expense claims (the "Final Payment Date"), the Debtor shall pay all  
25 of its remaining cash (up to an amount that, including the Purchase Price and the

---

26 <sup>2</sup> The following summary is qualified in its entirety by reference to the provisions of the  
27 Settlement Agreement. In the event of any inconsistencies between the provisions of the  
28 Settlement Agreement and the terms described herein, the terms of the Settlement Agreement shall  
govern. All capitalized terms used in this section but other otherwise defined herein shall have the  
meaning ascribed to such terms in the Settlement Agreement.

1 Initial Payment, does not exceed the amount of the CB&T Claim) to CB&T (the  
2 “Residual Payment”). If the amount of the Initial Payment and the Residual  
3 Payment (together, the “Payments”) do not equal at least \$400,000 in the aggregate,  
4 the Sultans shall personally pay to CB&T up to \$50,000 to cover any deficit  
5 between the amount of the Payments and \$400,000 (the “Deficit”) within five (5)  
6 Business Days of the payment of the Residual Payment to CB&T. In consideration  
7 of the payment by the Sultans of the Deficit, and to the extent of the Deficit  
8 payment, CB&T shall assign to the Sultans all rights of CB&T, including any  
9 security interest therein, set forth in the Loan Agreement in the Excluded Assets of  
10 the Debtor. In addition, CB&T hereby agrees and stipulates that in the event the  
11 Sultans make the Deficit payment required hereby and do not recover the amounts  
12 paid, that the amount not recovered shall constitute an administrative expense of  
13 the estate of the Debtor. The Purchase Price, the Initial Payment, the Residual  
14 Payment, and any payment made by the Sultans under the Settlement Agreement,  
15 shall be made in full satisfaction of the CB&T Claim;

- 16 • The Debtor, the Sultans, and Aaron’s shall provide mutual releases of all claims;  
17 provided, however, that the release shall not apply to any Winslow Claims or  
18 Debtor-insured Claims;
- 19 • The Debtor, the Sultans (individually and as trustees of the Trust), and CB&T shall  
20 provide mutual releases of all claims; provided, however, that the release shall not  
21 apply to any Related Party Claims;
- 22 • Upon execution of the Settlement Agreement, all pending scheduling order dates  
23 and discovery objections in the Adversary Proceeding shall be stayed and, within  
24 three (3) business days of the Effective Date, the Debtor shall cause to be filed in  
25 connection with the Adversary Proceeding a Notice of Conditional Settlement. On  
26 the Closing Date, counsel for the Debtor shall file a stipulation of dismissal with  
27 prejudice in the Adversary Proceeding and the Debtor will not take any further  
28 actions against Aaron’s arising out of or relating to the Disputes while the Parties

1 are awaiting Court approval of the Settlement Agreement and the Purchase  
2 Agreement. Neither CB&T nor Aaron's shall take any action against the Debtor or  
3 the Sultans arising out of or relating to the Franchise Agreements or the Loan  
4 Agreement while the Parties are awaiting Court approval of the Settlement  
5 Agreement and the Purchase Agreement;

- 6 • All aspects of the state court action initiated on July 20, 2018 by CB&T captioned  
7 *ZB, N.A. d/b/a California Bank & Trust v. Randall C. Sultan, et al.*, Case No.  
8 LC107545 (the "State Court Action") shall be stayed and on the Closing Date,  
9 CB&T shall file a request for dismissal with prejudice in the State Court Action;
- 10 • Aaron's shall defend and hold the Debtor and the Sultans harmless against any  
11 damages the Debtor or the Sultans are ordered to pay pursuant to the complaint  
12 filed in the lawsuit captioned *Crystal Byrd and Brian Byrd v. Aaron's, Inc., et al.*,  
13 Case No. 11-00101, pending in the District Court for the Western District of  
14 Pennsylvania;
- 15 • Except as otherwise set forth in the Settlement Agreement, on the Closing Date,  
16 Aaron's shall release the Aaron's Claim and (ii) the Sultans from the Aaron's  
17 Guarantees, except as the Aaron's Guarantees relate to the Winslow Claims and  
18 any Debtor-insured Claims;
- 19 • CB&T shall release the Sultans from the CB&T Guarantee on the Closing Date,  
20 except as to any obligations of the Sultans specifically set forth in the Settlement  
21 Agreement; and
- 22 • The Debtor shall continue to operate (i) the Stores in the ordinary course of business  
23 and otherwise in accordance with the Cash Collateral Budget until the Closing Date  
24 and (ii) in accordance with the Bankruptcy Code and the Cash Collateral Budget,  
25 as supplemented and extended with the agreement of the Parties, until the Final  
26 Payment Date.

1           **E.     The Purchase Agreement**

2           The Purchase Agreement contemplates the sale of the Purchased Assets, which comprise  
3 substantially all of the Debtor’s assets, to Aaron’s free and clear of all Interests for \$13,000,000  
4 payable at the Closing to CB&T. Subject to the terms and conditions of the Purchase Agreement,  
5 the Purchase Agreement provides that:<sup>3</sup>

- 6           • Aaron’s shall purchase the Purchased Assets for the Purchase Price;
- 7           • The Debtor shall assume and assign to Aaron’s the Assumed Contracts, which  
8           include, among other contracts and leases, the Transferred Real Estate Leases (*i.e.*,  
9           the real property leases for fifteen of the Stores), and any personal guaranty of such  
10           Assumed Contracts by the Sultans;
- 11          • Subject to the results of background checks, drug testing, and other customary pre-  
12           employment diligence, following the Closing Date, Aaron’s will offer employment  
13           to all employees of the Debtor that are based in the Stores (excluding the Sultans  
14           and their family members) in substantially the same job positions as such  
15           employees currently hold with the Debtor, and will offer to give credit to any such  
16           employees that are hired by Aaron’s for existing PTO and vacation accruals, subject  
17           to the receipt of customary releases from such employees;
- 18          • Aaron’s shall not acquire the Excluded Assets, including, among other things, any  
19           of the Debtor’s cash in excess of the Customer Deposit Amount, cash equivalents,  
20           bank accounts, and securities of the Debtor, Excluded Contracts, Insurance  
21           Deposits, Tax assets, and avoidance action claims;
- 22          • Aaron’s shall not assume any of the Debtor’s liabilities other than the Assumed  
23           Liabilities;
- 24          • The Debtor and Aaron’s shall enter into the Transition Services Agreement; and

25  
26  
27           <sup>3</sup>       The following summary is qualified in its entirety by reference to the provisions of the  
28           Purchase Agreement. In the event of any inconsistencies between the provisions of the Purchase  
          Agreement and the terms described herein, the terms of the Purchase Agreement shall govern. All  
          capitalized terms used in this section but other otherwise defined herein shall have the meaning  
          ascribed to such terms in the Purchase Agreement.

- 1           • Except for the obligations assumed under the Transition Services Agreement,  
2           Aaron's does not assume any pre-closing wage and hour, overtime, privacy  
3           violation, or any other employment-related obligations or liabilities of the Debtor  
4           owed under local, California, or federal laws and shall not be deemed a successor  
5           to the Debtor pursuant to any employment obligations owed by the Debtor to its  
6           employees.

7           **F. Proposed Assumption and Assignment Procedures**

8           To facilitate and effect the sale of the Purchased Assets, the Debtor seeks authority to  
9           assume and assign certain of its executory contracts and unexpired leases (each executory contract  
10          and unexpired lease of the Debtor, a "Contract" and, collectively, the "Contracts"), consistent with  
11          the procedures set forth herein (the "Assumption and Assignment Procedures"). The proposed  
12          Assumption and Assignment Procedures are as follows:

- 13           • Notice. Concurrently herewith, the Debtor shall file with the Court and serve on  
14           all non-Debtor counterparties to the Debtor's Contracts, other than the Customer  
15           Contracts (each, a "Counterparty" and, collectively, the "Counterparties") a copy  
16           of the Assumption and Assignment Notice.
- 17           • Content of the Assumption and Assignment Notice. The Assumption and  
18           Assignment Notice shall include the following information: (i) the title of the  
19           Contract that may be assumed by the Debtor and assigned to Aaron's; (ii) the name  
20           and address of the Counterparty; (iii) the amount, whether arising prepetition or  
21           postpetition, that the Debtor believes will be required to be paid in order for the  
22           Contract to be assumed by the Debtor and assigned to Aaron's, if any (the "Cure  
23           Amount"); and (iv) the deadline by which any such Counterparty must object to the  
24           assumption and assignment of any Contract.
- 25           • Objections. Objections to the proposed Cure Amount and adequate assurance of  
26           future performance obligations to the Counterparties must: (i) be in writing; (ii) set  
27           forth the nature of the objector's claims against or interests in the Debtor's estate  
28           and the basis for the objection and the specific grounds therefor; (iii) comply with



1 the Bankruptcy Rules and orders of this Court; and (iv) be filed with the Court and  
2 served upon the Debtor, Aaron's, CB&T, and the United States Trustee for the  
3 Central District of California, **so as to be received by October 17, 2018 at 4:00**  
4 **p.m. (PST)** (the "Objection Deadline") (or the 14th day after the date of serving  
5 the Assumption and Assignment Notice if the applicable Contract is added later).

6 • Effects of Objecting to the Assumption and Assignment Notice. A properly filed  
7 and served objection to the Assumption and Assignment Notice will reserve such  
8 objecting party's rights against the Debtor with respect to the relevant assumption  
9 and assignment objection but will not constitute an objection to the remaining relief  
10 requested in the Motion.

11 • Failure to Object to the Assumption and Assignment Notice. If a Counterparty does  
12 not object to: (a) the Cure Amount for its Contract(s); (b) the ability of Aaron's to  
13 provide adequate assurance of future performance as required by Bankruptcy Code  
14 Section 365; or (c) any other matter pertaining to assumption and/or assignment,  
15 then the Cure Amount designated by the Debtor in the Assumption and Assignment  
16 Notice shall be deemed to constitute the Cure Amount that must be paid by the  
17 Debtor in order for the Debtor to assume the applicable Contract and assign such  
18 Contract to Aaron's.

19 • Modification of the List of Assumed Contracts. Aaron's shall maintain the right to  
20 modify the list of the Assumed Contracts up to the Closing.

21 • Payment of Cure Amounts.

22 ○ The Debtor shall, on or prior to the Closing, pay the Cure Amounts to each  
23 Counterparty (or reserve the amount of the Alleged Cure Claims as set forth  
24 below) and cure any and all other defaults and breaches under the Assumed  
25 Contracts.

26 ○ Aaron's may, in its sole discretion and upon prior written notice to the  
27 Debtor, (i) pay any Cure Amounts on behalf of the Debtor, in which case  
28 the Debtor shall have no further responsibility therefor, and (ii) offset such

1 amount(s) against any amount(s) Aaron’s may owe the Debtor; provided,  
2 however, that to the extent there is an objection concerning any Cure  
3 Amount, this Court shall retain jurisdiction over such dispute.

- 4 ○ The payment of the applicable Cure Amounts, if any, or the reservation by  
5 the Debtor of an amount of cash that is equal to the lesser of (i) the amount  
6 of any cure or other compensation asserted by the applicable Counterparty  
7 as required under Bankruptcy Code Section 365 or (ii) the amount approved  
8 by order of this Court to reserve for such payment (such lesser amount, the  
9 “Alleged Cure Claim”), shall, pursuant to Bankruptcy Code Section 365 and  
10 any other applicable law, (a) effect a cure, or provide adequate assurance of  
11 cure, of all defaults existing thereunder as of the Closing Date and (b)  
12 compensate, or provide adequate assurance of compensation, for any actual  
13 pecuniary loss to such Counterparty resulting from such default.  
14 Accordingly, on and as of the Closing, other than such payment or  
15 reservation, none of the Debtor or Aaron’s shall have any further liabilities  
16 or obligations to the Counterparties to the Assumed Contracts with respect  
17 to, and the Counterparties to the Assumed Contracts shall be forever  
18 enjoined and barred from seeking, any additional amounts or claims (as  
19 defined in Bankruptcy Code section 101(5)) that arose, accrued, or were  
20 incurred at any time on or prior to the Closing on account of the Debtor’s  
21 cure or compensation obligations arising under Bankruptcy Code Section  
22 365.

23 For the avoidance of doubt, the Debtor does not intend to provide notice of this Motion or  
24 the Assumption and Assignment Notice to the more than 12,000 individuals or entities (the  
25 “Customers”) who are party to more than 18,000 ongoing, individual lease arrangements with the  
26 Debtor (the “Customer Contracts”). The Customer Contracts consist of rental purchase  
27 agreements pursuant to which each Customer leases one or more consumer goods (the “Leased  
28 Property”) from the Debtor. The lease term of each Customer Contract is one month, semi-

1 monthly or one week. At the conclusion of each lease term, the Customer has the option to (i)  
2 renew the Customer Contract by making a renewal payment; (ii) return the Leased Property to the  
3 Debtor and make no additional payments, or (iii) exercise its early purchase option and purchase  
4 the Leased Property by paying an agreed cash price to the Debtor in lieu of future lease payments.  
5 The Customers do not obtain any equity interest in the Leased Property until they have either paid  
6 the required number of lease payments in full plus applicable taxes and fees or they have exercised  
7 their early purchase option. Customers may terminate each Customer Contract at any time without  
8 penalty by surrendering the Leased Property to the Debtor. Each Customer remains responsible  
9 for any loss or damage caused to the Leased Property by their negligent, reckless or intentional  
10 acts, normal wear and tear excepted, and remains liable for any theft of the Leased Property subject  
11 to certain exceptions. Finally, each Customer Contract explicitly states that it may be assigned to  
12 a third party without the Customer's consent.

13           The Debtor does not believe that providing notice to the Customers of the Sale Transaction  
14 or the assignment of the Customer Contracts to Aaron's is necessary or required under the  
15 circumstances, because (1) the inclusion of the Customer Contracts as Purchased Assets under the  
16 Purchase Agreement is akin to the purchase of accounts receivable and each Customer Agreement  
17 is terminable by the Customer at any time by returning the Leased Property to the Debtor or by  
18 exercising the early purchase option; (2) notice of assignment of any Customer Contract is not  
19 required by the terms thereof or pursuant to applicable state law and each Customer has already  
20 explicitly agreed that the Debtor may assign each Customer Contract to a third party without their  
21 consent; (3) the substantial cost of providing the Assumption and Assignment Notice to each of  
22 the Debtor's more than 12,000 unique Customers would significantly outweigh the likely benefit  
23 of any such notice as the Debtor and Aaron's believe that such notices would be very likely to  
24 cause confusion amongst the Customers that would be difficult for the Debtor or Aaron's to resolve  
25 on a timely basis without a significant negative impact on the Debtor's business, which could result  
26 in the Sale Transaction being terminated by Aaron's to the detriment of the Debtor's estate; (4)  
27 any obligations under the Customer Contracts that may be owed to any Customer will be fully  
28 assumed by Aaron's in the ordinary course of business such that no Customer will be harmed or

1 adversely affected by the Sale Transaction and all rights of the Customers under the Customer  
2 Contracts will be retained in full; (5) although the Debtor believes that there are no Cure Amounts  
3 associated with any Customer Contracts as all payment obligations thereunder run to the Debtor,  
4 Aaron's will assume and satisfy any such obligations that do exist in the ordinary course of  
5 business; and (6) the assignment of the Customer Contracts to Aaron's will be seamless to the  
6 Customers as the payment mechanism under the Customer Contracts will remain unchanged and  
7 the Customers will continue to make payments to the same store locations as they did prior to the  
8 closing of the Sale Transaction. For these reasons, the Debtor submits that it should not be required  
9 to incur the substantial expense and risk of providing notice of this Motion and/or the Assumption  
10 and Assignment Notice to the Customers and that no other or further notice, other than as set forth  
11 herein, is required.

### 12 **III. RELIEF REQUESTED**

13 By the Motion, the Debtor seeks entry of an order (i) authorizing and approving the  
14 Debtor's entry into the Settlement Agreement, (ii) (a) authorizing and approving the Debtor's entry  
15 into the Purchase Agreement and the sale of the Purchased Assets to Aaron's as a private sale  
16 transaction, and (b) establishing certain notice procedures for determining the Cure Amounts and  
17 authorizing and approving the assumption and assignment of certain of the Debtor's Contracts,  
18 and (iii) granting related relief. For the reasons set forth herein and in the Sultan Declaration, the  
19 Debtor submits that the relief requested in the Motion is in the best interest of the Debtor, its estate,  
20 its creditors, its stakeholders, and other parties in interest and, therefore, should be granted.

### 21 **IV. BASIS FOR RELIEF**

#### 22 **A. The Settlement Agreement**

23 The authority granted a debtor-in-possession to compromise a controversy or agree to a  
24 settlement is set forth in Bankruptcy Rule 9019(a), which provides in pertinent part that "[o]n  
25 motion by the [debtor-in-possession] and after notice and a hearing, the court may approve a  
26 compromise or settlement." The decision of whether a compromise should be accepted or rejected  
27 lies within the sound discretion of the Court. *See In re Carson*, 82 B.R. 847, 852 (Bankr. S.D.  
28 Ohio 1987); *In re Hydronic Enterprise, Inc.*, 58 B.R. 363, 365 (Bankr. D.R.I. 1986); *In re Mobile*

1 *Air Drilling Co., Inc.*, 53 B.R. 605, 607 (Bankr. N.D. Ohio 1985); *Knowles v. Putterbaugh (In re*  
2 *Hallet)*, 33 B.R. 564, 565 (Bankr. D. Me. 1983).

3 The Court of Appeals for the Ninth Circuit has long recognized that “[t]he bankruptcy court  
4 has great latitude in approving compromise agreements.” *Woodson v. Fireman’s Fund Ins. Co.*  
5 *(In re Woodson)*, 839 F.2d 610, 620 (9th Cir. 1988). “The purpose of a compromise agreement is  
6 to allow the [debtor-in-possession] and the creditors to avoid the expenses and burdens associated  
7 with litigating sharply contested and dubious claims.” *Martin v. Kane (In re A & C Properties)*,  
8 784 F.2d 1377, 1380-81 (9th Cir. 1986), *cert. denied* 479 U.S. 854 (1986).

9 Accordingly, in approving a settlement agreement, the Court need not conduct an  
10 exhaustive investigation of the claims sought to be compromised. *See United States v. Alaska*  
11 *National Bank (In re Walsh Constr., Inc.)*, 669 F.2d 1325, 1328 (9th Cir. 1982). Rather, it is  
12 sufficient that the Court find that the settlement was negotiated in good faith and is reasonable,  
13 fair, and equitable. *See In re A & C Properties*, 784 F.2d at 1381.

14 The Court of Appeals for the Ninth Circuit has identified the following factors for  
15 consideration in determining whether a proposed settlement agreement is reasonable, fair, and  
16 equitable:

- 17 (a) the probability of success in the litigation;  
18 (b) the difficulties, if any, to be encountered in the matter of collection;  
19 (c) the complexity of the litigation involved, and the expense, inconvenience, and delay  
20 necessarily attending it; and  
21 (d) the paramount interest of the creditors and a proper deference to their reasonable views  
22 in the premises (collectively, the “A & C Factors”).

23 *See id.*

24 A court should not substitute its own judgment for the judgment of the trustee or the debtor-  
25 in-possession. *See Matter of Carla Leather, Inc.*, 44 B.R. 457, 465 (Bankr. S.D.N.Y. 1984). A  
26 court, in reviewing a proposed settlement, is not to decide the numerous questions of law and fact  
27 but rather to canvass the issues to determine whether the settlement falls below the lowest point in  
28 the range of reasonableness. *See In re W.T. Grant & Co.*, 699 F.2d 599, 608 (2nd Cir. 1983),

1 *accord, Newman v. Stein*, 464 F.2d 689, 693 (2nd Cir. 1972). The court should not conduct a  
2 “mini-trial” on the merits of the underlying cause of action. See *In re Walsh Const., Inc.*, 669 F.2d  
3 at 1328; *In re Blair*, 538 F.2d 849, 851-52 (9th Cir. 1976). “It is well established that compromises  
4 are favored in bankruptcy.” *In re Lee Way Holding Co.*, 120 B.R. 881, 891 (Bankr. S.D. Ohio  
5 1990). The Debtor believes that the Settlement Agreement is reasonable, fair, and equitable and  
6 in the best interests of the Debtor’s estate. A review of the A & C Factors supports approval of  
7 the Settlement Agreement.

8 1. Probability of Success

9 The Debtor believes that the benefits of the Settlement Agreement significantly outweigh  
10 the risks and costs of continued litigation. Pursuant to the Settlement Agreement, all of the claims,  
11 litigation, and disputes between and among the Parties to the Settlement Agreement will be  
12 resolved, and Aaron’s will purchase substantially all of the Debtor’s assets for \$13,000,000. While  
13 it is theoretically possible that the Debtor could achieve a superior result by continuing to litigate  
14 the Adversary Proceeding, the Debtor has concluded that the Settlement Agreement, which  
15 immediately resolves all disputes at a fraction of what it would cost to litigate the Adversary  
16 Proceeding, and which guarantees that the Debtor’s estate will receive significant compensation  
17 for its assets, provides a resolution that is reasonable and beneficial to the Debtor’s estate.

18 In light of the costs of litigating with Aaron’s and CB&T and the uncertainty of success on  
19 the merits, the Debtor believes that the probability of success in litigation does not outweigh the  
20 significant cost savings and benefits of the Settlement Agreement. Moreover, the Debtor believes  
21 that the compromise contained in the Settlement Agreement fairly resolves the instant disputes  
22 between the Parties.

23 2. Difficulties, if Any, to be Encountered in the Matter of Collection

24 In the event that it prevailed in the Adversary Proceeding, it is unlikely that the Debtor  
25 would have difficulty collecting on any judgment. However, the Debtor would be unable to collect  
26 on any judgment until the appeal process concluded. On the other hand, the Settlement Agreement  
27 provides for the payment of a substantial amount certain at Closing, rather than an undetermined  
28 amount, if any, at an unknown date in the future.

1                   3.     Complexity of the Litigation and the Expense, Inconvenience, and Delay  
2                                     Necessarily Attending It

3             Litigating the complex issues present in the Adversary Proceeding and the Disputes would  
4 entail significant costs, delay, and inconvenience for the Parties. Because entering into the  
5 Settlement Agreement avoids the costs associated with litigation and resolves the instant disputes  
6 between the Parties in a manner that is favorable to the Debtor, any further litigation would be a  
7 waste of estate resources.

8                   4.     Paramount Interest of the Creditors and a Proper Deference to Their  
9                                     Reasonable Views

10            The paramount interest of the Debtor's creditors is best served by the Debtor's entry into  
11 the Settlement Agreement. The settlement resolves the Adversary Proceeding and the Disputes  
12 without the significant expense and uncertainty of further litigation. The Debtor would incur  
13 significant costs litigating the Adversary Proceeding and the Disputes to conclusion, including,  
14 without limitation, the costs associated with taking discovery, filing pleadings, and conducting a  
15 trial, without any certainty that it would prevail. In addition, under the Settlement Agreement the  
16 Debtor's estate will receive a significant return in exchange for the Debtor's assets, will avoid any  
17 liability on account of the Aaron's Claim, and the amount that will be required to pay CB&T in  
18 order to achieve a sale free and clear of its liens will be fixed. Finally, the Debtor's only secured  
19 creditor, CB&T, which holds secured claims totaling \$15,556,285.54, is a party to the Settlement  
20 Agreement and supports the Debtor's entry into the Settlement Agreement.

21                   5.     The Settlement Agreement Was Entered Into in Good Faith

22            The Court should determine that the Settlement Agreement was negotiated in good faith.  
23 Under California law, a determination that a settlement was made in good faith "shall bar any other  
24 joint tortfeasor or co-obligor from any further claims against the settling tortfeasor[.]" Cal. Code  
25 Civ. Proc. § 877.6. Interpreting Section 877.6 of the California Code of Civil Procedure, the  
26 California Supreme Court has held that a "good faith" settlement determination requires  
27 consideration of whether "the amount of the settlement is within the reasonable range of the  
28 settling tortfeasor's proportional share of comparative liability for the plaintiff's injuries." *Tech-*

1 *Bilt, Inc. v. Woodward-Clyde & Assoc.*, 38 Cal.3d 488, 499 (1985). In making such a  
2 determination, a number of factors must be taken into account, including: a rough approximation  
3 of a plaintiff's total recovery and the settlor's proportionate liability; the amount paid in settlement;  
4 the allocation of settlement proceeds among plaintiffs; the settling party's financial condition and  
5 the availability of insurance; a recognition that a settlor should pay less in settlement than he would  
6 if he were found liable after a trial; and evidence of any collusion, fraud, or tortious conduct. *See*  
7 *id.* The burden of proof is on the party asserting the lack of good faith, who must show that the  
8 settlement is so far "out of the ballpark" in relation to these factors as to be inconsistent with the  
9 equitable objectives of Section 877.6. *Id.*

10 "[O]nly when the good faith nature of a settlement is disputed, it is incumbent upon the  
11 trial court to consider and weigh the *Tech-Bilt* factors. That is to say, when no one objects, the  
12 barebones motion which sets forth the ground of good faith, accompanied by a declaration which  
13 sets forth a brief background of the case is sufficient." *City of Grand Terrace v. Super. Ct.*, 192  
14 Cal.App.3d 1251, 1261 (1987).

15 The Settlement Agreement should be found to have been entered into by the Parties in good  
16 faith as the Parties negotiated the Settlement Agreement at arm's-length, based on the Parties'  
17 respective risks and positions.

## 18 **B. The Sale Transaction**

### 19 1. Sound Business Purpose

20 The Debtor has a sound business justification for consummating the Sale Transaction. The  
21 Debtor's highest priority in the Chapter 11 Case is to maximize the value of its estate for the benefit  
22 of its creditors and other stakeholders. To that end, the Debtor has secured, after extensive  
23 negotiations, a compelling offer from Aaron's for the Purchased Assets, *i.e.*, \$13,000,000 in cash  
24 payable at the Closing and the forgiveness of the \$4.6 million of unsecured claims the Debtor owes  
25 Aaron's.

26 The sale of the Purchased Assets pursuant to the Purchase Agreement does not contemplate  
27 an auction or other competitive bidding process. As described in more detail below and in the  
28 Sultan Declaration, the Debtor believes that a sale of the Purchased Assets to Aaron's provides the



1 best opportunity to maximize the value of the Purchased Assets, particularly given that (i) the  
2 Debtor is not aware of any other potential purchasers<sup>4</sup> and (ii) the Debtor may not assume or assign  
3 any of the Franchise Agreements without Aaron’s express consent. Without the ability to utilize  
4 the Franchisor’s Marks and the Aaron’s System, the Debtor is unlikely to be able to continue to  
5 conduct an RTO business.

6 Pursuant to Bankruptcy Code Section 365(a), a debtor “subject to the court’s approval, may  
7 assume or reject any executory contract or unexpired lease of the debtor.” 11 U.S.C. § 365(a).  
8 This right, however, is restricted where applicable law excuses the non-debtor counterparty from  
9 accepting or rendering performance under the contract from anyone other than the debtor and the  
10 non-debtor counterparty does not consent to the assignment or assumption. *See* 11 U.S.C. § 365(c).  
11 In order to determine whether an executory contract can be assumed by a debtor, the Ninth Circuit  
12 follows the “hypothetical test” wherein “a debtor in possession may not assume an executory  
13 contract over the nondebtor’s objection if applicable law would bar assignment to a hypothetical  
14 third party, even where the debtor in possession has no intention of assigning the contract in  
15 question to any such third party.” *See In re Catapult Entertainment, Inc.*, 165 F.3d 747, 750 (9th  
16 Cir. 1999).

17 Thus, where “applicable law” excuses the non-debtor counterparty from accepting  
18 performance from any entity other than the debtor, assumption is not possible without the non-  
19 debtor counterparty’s consent. Following the “hypothetical test,” courts have routinely determined  
20 that non-exclusive patents and trademarks cannot be assumed by a debtor licensee without the  
21 express consent of the non-debtor licensor. *See id.* at 750-51 (“Since federal patent law makes  
22 nonexclusive patent licenses personal and nondelegable, § 365(c)(1)(A) is satisfied. [The licensor]  
23 has withheld his consent, thus satisfying §365(c)(1)(B). Accordingly, the plain language of §  
24 365(c)(1) bars [the debtor] from assuming the [] licenses.”); *see also In re Wellington Vision, Inc.*,  
25 364 B.R. 129, 133-36 (S.D. Fla. 2007) (holding that a franchise agreement including a non-

---

26 <sup>4</sup> Under the circumstances, the only other foreseeable buyer for the Debtor’s assets would  
27 be another franchisee of Aaron’s. However, the Debtor is by far the largest Aaron’s franchisee in  
28 the State of California and none of the other California franchisees has expressed an interest.  
Furthermore, given California state law governing the RTO industry in general, it is unlikely that  
an existing Aaron’s franchisee in another state would be interested.

1 exclusive trademark license could not be assumed or assigned without the consent of the franchisor  
2 as the license agreement invoked federal trademark law prohibiting assignment and assumption);  
3 *In re N.C.P. Marketing Grp., Inc.*, 337 B.R. 230, 236 (D. Nev. 2005), *aff'd*, 279 F. App'x 561 (9th  
4 Cir. 2008) (“Because the owner of the trademark has an interest in the party to whom the trademark  
5 is assigned so that it can maintain the good will, quality, and value of its products and thereby its  
6 trademark, trademark rights are personal to the assignee and not freely assignable to a third  
7 party.”). In addition, the Franchise Agreements contain explicit restrictions on assignment without  
8 Aaron’s prior written consent. See *In re Wellington Vision, Inc.*, 364 B.R. at 136 (“[A] clause  
9 against unreasonable withholding of consent is not the equivalent of a clause expressly allowing  
10 assignment without consent. The franchise agreement is consistent with federal trademark law in  
11 that it restricts assignment without consent of the licensor[.]”).

12 The fact that Aaron’s may oppose the assumption and assignment of the Franchise  
13 Agreements by refusing to consent (the “Consent Right”) is likely to dissuade interested parties  
14 from participating in a competitive bidding process. Moreover, the Debtor believes that the delay  
15 resulting from an auction would result in value degradation and, given the Consent Right, the  
16 failure to achieve a higher or better offer for the Purchased Assets. In short, the Sale Transaction  
17 provides the Debtor’s estate with substantial consideration for the Purchased Assets and relieves  
18 the estate of potential costs associated with winding down the Debtor’s business or preserving the  
19 value of its assets long enough to secure an alternate buyer, who, for the reasons set forth above,  
20 is unlikely to make a higher or better offer.

## 21 2. Applicable Authority

22 Ample authority exists for approval of the Sale Transaction. Bankruptcy Code Section  
23 363(b) provides, in relevant part, that “[t]he trustee, after notice and a hearing, may use, sell, or  
24 lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1).  
25 This Court’s power under Bankruptcy Code Section 363 is supplemented by Bankruptcy Code  
26 Section 105(a), which provides in relevant part that “[t]he Court may issue any order, process, or  
27 judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. §  
28 105(a). As set forth below, the Debtor submits it has satisfied the requirements of Bankruptcy

1 Code Sections 105, 363, and 365, as those sections have been construed by courts in the Ninth  
2 Circuit.

3 a. Approval of the Sale Transaction Is Warranted Under Bankruptcy  
4 Code Section 363(b) Because a Sound Business Justification Exists.

5 A debtor should be authorized to sell assets outside of the ordinary course of business  
6 pursuant to Bankruptcy Code Section 363 and prior to obtaining a confirmed plan of reorganization  
7 if it demonstrates a sound business purpose for doing so. *See, e.g., In re Walter*, 83 B.R. 14, 19-  
8 20 (B.A.P. 9th Cir. 1988) (“[F]or the debtor-in-possession or trustee to satisfy its fiduciary duty to  
9 the debtor, creditors and equity holders, there must be some articulated business justification for  
10 using, selling, or leasing the property outside the ordinary course of business[.]”) (quotations and  
11 citations omitted); *see also Official Comm. of Unsecured Creditors of LTV Aerospace & Def. Co.*  
12 *v. LTV Corp. (In re Chateaugay Corp.)*, 973 F.2d 141, 143-45 (2d Cir. 1992) (holding that a judge  
13 reviewing a Section 363(b) application must find from the evidence presented a good business  
14 reason to grant such application); *In re Cont’l Air Lines, Inc.*, 780 F.2d 1223, 1226 (5th Cir. 1986);  
15 *Comm. of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1070-71 (2d  
16 Cir. 1983); *In re Gardens Reg’l Hosp. & Med. Ctr., Inc.*, 567 B.R. 820, 825 (Bankr. C.D. Cal.  
17 2017) (“The debtor must articulate a business justification for the sale. Whether the articulated  
18 business justification is sufficient depends on the case, in view of all salient factors pertaining to  
19 the proceeding.”) (citations and quotations omitted).

20 The Debtor has articulated a clear business justification for entering into the Purchase  
21 Agreement. As explained in greater detail above, the Debtor has determined that a private sale  
22 will maximize the value of its assets and is in the best interests of the Debtor, its creditors, its  
23 estate, its stakeholders, and other parties in interest, particularly in light of Aaron’s Consent Right  
24 and the absence of any other viable purchasers.

25 Once a court has determined there is a sound business justification for a sale outside of a  
26 plan, the court must also determine that (i) the debtor has provided the interested parties with  
27 adequate and reasonable notice, (ii) the sale price is fair and reasonable, and (iii) the purchaser is  
28 proceeding in good faith. *See In re Walter*, 83 B.R. at 19-20; *In re Wilde Horse Enterprises*, 136

1 B.R. 830, 841-42 (Bankr. C.D. Cal. 1991); *see also In re Betty Owens Sch., Inc.*, No. 96 Civ. 3576  
2 (PKL), 1997 WL 188127, at \*4 (S.D.N.Y. Apr. 17, 1997).

3 As set forth in Section VII, all interested parties will be provided with adequate and  
4 reasonable notice of the proposed Sale Transaction. Moreover, the sale price is fair and reasonable,  
5 particularly given Aaron's Consent Right and the absence of any other potential purchasers.  
6 Further, the Debtor and its advisors have engaged in significant negotiations with Aaron's in the  
7 formulation of the Purchase Agreement and the Sale Transaction, and the Debtor is not aware of  
8 any other parties that might be interested in purchasing the Purchased Assets. In addition, both  
9 the Debtor and Aaron's were represented by experienced advisors in the arm's-length negotiation  
10 of the Purchase Agreement, and Aaron's is proceeding in good faith. Accordingly, it is a valid  
11 exercise of the Debtor's business judgment to seek the relief requested by the Motion.

12 b. The Proposed Sale Transaction Satisfies the Requirements of  
13 Bankruptcy Code Section 363(f) for a Sale Free and Clear of All  
14 Interests, Including Successor Liability Claims.

15 Bankruptcy Code Section 363(f) permits a debtor to sell property free and clear of another  
16 party's interest in the property if: (a) applicable non-bankruptcy law permits such a free and clear  
17 sale; (b) the holder of the interest consents; (c) the interest is a lien and the sale price of the property  
18 exceeds the value of all liens on the property; (d) the interest is in bona fide dispute; or (e) the  
19 holder of the interest could be compelled in a legal or equitable proceeding to accept a monetary  
20 satisfaction of its interest. *See* 11 U.S.C. § 363(f). Because Bankruptcy Code Section 363(f) is  
21 stated in the disjunctive, satisfaction of any one of its five requirements warrants approval of the  
22 proposed sale. *See Scherer v. Fed. Nat'l Mortg. Ass'n (In re Terrace Chalet Apartments, Ltd.)*,  
23 159 B.R. 821, 825 (N.D. Ill. 1993) (sale extinguishes liens under section 363(f) as long as one of  
24 the five specified exceptions applies).

25 The Debtor submits that Bankruptcy Code Sections 363(f)(2) and (5) are met. First, all  
26 parties known to have asserted an Interest in or on the Purchased Assets will receive notice of the  
27 Sale Transaction. To the extent those parties have not objected by the Objection Deadline, they  
28 will be deemed to consent to the Sale Transaction free and clear of all Interests. The Debtor

1 proposes to sell the Purchased Assets in a commercially reasonable manner and expects that the  
2 value of the proceeds from such sales or transfers will fairly reflect the value of the property sold.  
3 Second, upon the Closing, any party with an Interest shall have a corresponding security interest  
4 in the proceeds of the Sale Transaction, as such Interests will attach to the proceeds of the Sale  
5 Transaction with the same validity, priority, and force and effect as such Interest had immediately  
6 prior to the closing of the Sale Transaction. In addition, all such persons could be compelled to  
7 accept money satisfaction for their interests. As such, the requirements of Bankruptcy Code  
8 Section 363(f) are satisfied for the sale of the Purchased Assets free and clear of all Interests.

9 The Debtor also submits that it is appropriate to sell the Purchased Assets free and clear of  
10 successor liability. Such limitations on successor liability ensure that Aaron's is protected from  
11 any claims or lawsuits premised on the theory that Aaron's is a successor in interest to the Debtor's  
12 estate. If such relief is not granted, the purpose of an order purporting to authorize the transfer of  
13 assets free and clear of Interests would be frustrated by the potential for claimants to thereafter use  
14 the transfer as a basis to assert claims against a buyer arising from a seller's pre-sale conduct.

15 Courts have consistently held that a purchaser of a debtor's assets pursuant to a Bankruptcy  
16 Code Section 363 sale takes free and clear from successor liability relating to the debtor's business.  
17 *See, e.g., Myers v. United States*, 297 B.R. 774, 781-86 (S.D. Cal. 2003) (“[W]ho would ever  
18 purchase assets at a bankruptcy proceeding if the successor liability were not limited, despite the  
19 plain wording of the bankruptcy order?”); *see also In re Motors Liquidation Co.*, 829 F.3d 135,  
20 155-56 (2d Cir. 2016) (“We agree that successor liability claims can be ‘interests’ when they flow  
21 from a debtor's ownership of transferred assets” and holding that “a bankruptcy court may approve  
22 a § 363 sale ‘free and clear’ of successor liability claims if those claims flow from the debtor's  
23 ownership of the sold assets. Such a claim must arise from a (1) right to payment (2) that arose  
24 before the filing of the petition or resulted from pre-petition conduct fairly giving rise to the  
25 claim.”); *In re Chrysler LLC*, 405 B.R. 84, 111 (Bankr. S.D.N.Y. 2009) (“[I]n personam claims,  
26 including any potential state successor or transferee liability claims against New Chrysler, as well  
27 as *in rem* interests, are encompassed by section 363(f) and are therefore extinguished by the Sale  
28 Transaction.”).

1 In addition, this Court’s authority under Bankruptcy Code Section 363 is supplemented by  
2 Bankruptcy Code Section 105(a), which provides that “[t]he court may issue any order, process,  
3 or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code].”  
4 11 U.S.C. § 105(a); *see 2 Collier on Bankr.* ¶ 105.01 (Alan N. Resnick & Henry J. Sommer eds.,  
5 16th ed. 2016); *see also Momentum Mfg. Corp. v. Employee Creditors Comm. (In re Momentum*  
6 *Mfg. Corp.)*, 25 F.3d 1132, 1136 (2d Cir. 1994) (“[B]ankruptcy courts are courts of equity,  
7 empowered to invoke equitable principles to achieve fairness and justice in the reorganization  
8 process.”); *Croton River Club, Inc. v. Half Moon Bay Homeowners Ass’n (In re Croton River Club,*  
9 *Inc.)*, 52 F.3d 41, 45 (2d Cir. 1995) (holding that bankruptcy courts have broad equity power to  
10 manage the affairs of debtors); *Chinichian v. Campolongo (In re Chinichian)*, 784 F.2d 1440,  
11 1443 (9th Cir. 1986) (“Section 105 sets out the power of the bankruptcy court to fashion orders as  
12 necessary pursuant to the purposes of the Bankruptcy Code.”); *Volvo White Truck Corp. v.*  
13 *Chambersburg Beverage, Inc. (In re White Motor Credit Corp.)*, 75 B.R. 944, 948 (Bankr. N.D.  
14 Ohio 1987) (“Authority to conduct such sales [free and clear of claims] is within the court’s  
15 equitable powers when necessary to carry out the provisions of Title 11.”).

16 For these reasons, Aaron’s should not be liable under any theory of successor liability  
17 relating to the Debtor’s business or the Purchased Assets but, instead, should receive and hold the  
18 Purchased Assets free and clear of Interests, including successor liability claims.

19 c. Aaron’s Is Entitled to the Protections of Bankruptcy Code Section  
20 363(m) and a Finding That the Sale Does Not Violate Section  
21 363(n).

22 Bankruptcy Code Section 363(m) provides in relevant part that the reversal or modification  
23 on appeal of an authorization under Bankruptcy Code Section 363(b) of a sale or lease of property  
24 does not affect the validity of a sale or lease under such authorization to a buyer who bought or  
25 leased such property in good faith, whether or not such entity knew of the pendency of the appeal,  
26 unless such authorization and such sale or lease were stayed pending appeal. *See* 11 U.S.C. §  
27 363(m). “Although the Bankruptcy Code does not define the meaning of ‘good-faith purchaser,’  
28 . . . most courts have adopted a traditional equitable definition: ‘one who purchases the assets for

1 value, in good faith and without notice of adverse claims.” *Licensing by Paolo, Inc. v. Sinatra*  
2 (*In re Gucci*), 126 F.3d 380, 390 (2d Cir. 1997) (citations omitted); *see also In re Adams Apple,*  
3 *Inc.*, 829 F.2d 1484, 1489 (9th Cir. 1987) (“The Bankruptcy Code does not provide a definition of  
4 good faith. Nonetheless, we have held in the context of foreclosure sales that to determine good  
5 faith we look to the integrity of an actor’s conduct during the proceedings.”) (citations omitted).  
6 “‘Good faith’ is a factual determination to be reviewed for clear error and can be defeated by fraud,  
7 collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly  
8 unfair advantage of other bidders.” *In re Thomas*, 287 B.R. 782, 785 (B.A.P. 9th Cir. 2002)  
9 (quotations omitted); *see also Kabro Assocs. of West Islip, LLC v. Colony Hill Assocs. (In re*  
10 *Colony Hill Assocs.)*, 111 F.3d 269, 276 (2d Cir. 1997); *In re YBA Nineteen, LLC*, No. 15CV1742-  
11 WQH-RBB, 2016 WL 541347, at \*7 (S.D. Cal. Feb. 11, 2016), *appeal dismissed sub nom. In re*  
12 *YBA Nineteen, LLC*, No. 16-55306, 2017 WL 4011875 (9th Cir. Mar. 23, 2017). Ultimately,  
13 “[m]isconduct defeating good faith includes fraud, collusion, or an attempt to take grossly unfair  
14 advantage of others. A creditor fails to act in good faith if it acts for an improper purpose.” *In re*  
15 *YBA Nineteen, LLC*, 2016 WL 541347, at \*7 (quoting *In re Adams Apple, Inc.*, 829 F.2d at 1489).

16 The Purchase Agreement was negotiated at arm’s-length and without collusion, with both  
17 parties represented by their own sophisticated counsel. Accordingly, the Debtor requests that the  
18 Settlement and Sale Order include a provision that Aaron’s is a “good faith” buyer within the  
19 meaning of Bankruptcy Code Section 363(m). In addition, neither the Debtor nor Aaron’s has  
20 engaged in any conduct that would cause or permit the Purchase Agreement to be avoided under  
21 Bankruptcy Code Section 363(n), which provides, in part, that “[t]he trustee may avoid a sale under  
22 [Section 363] if the sale price was controlled by an agreement among potential bidders at such  
23 sale, or may recover from a party to such agreement any amount by which the value of the property  
24 sold exceeds the price at which such sale was consummated, and may recover any costs, attorneys’  
25 fees, or expenses incurred in avoiding such sale or recovering such amount.” 11 U.S.C. § 363(n).

1 d. The Debtor Should be Authorized to Assume and Assign Certain  
2 Executory Contracts and Unexpired Leases.

3 Under Bankruptcy Code Section 365(a), a debtor, subject to the court’s approval, may  
4 assume any of its executory contracts or unexpired leases. *See* 11 U.S.C. § 365(a). Bankruptcy  
5 Code Section 365(b)(1), in turn, codifies the requirements for assuming an executory contract or  
6 unexpired lease of a debtor, providing that:

7 If there has been a default in an executory contract or unexpired lease of the debtor,  
8 the trustee may not assume such contract or lease unless, at the time of assumption  
of such contract or lease, the trustee —

- 9 (A) cures, or provides adequate assurance that the trustee will promptly cure,  
10 such default . . . ;  
11 (B) compensates, or provides adequate assurance that the trustee will promptly  
12 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  
13 (C) provides adequate assurance of future performance under such contract or  
14 lease.

15 11 U.S.C. § 365(b)(1).

16 A debtor-in-possession may assume or reject executory contracts for the benefit of the  
17 estate. *See In re Klein Sleep Products, Inc.*, 78 F.3d 18, 25 (2d Cir. 1996); *In re Gucci*, 193 B.R.  
18 411, 415 (S.D.N.Y. 1996); *In re Central Fla. Metal Fabrication, Inc.*, 190 B.R. 119, 124 (Bankr.  
19 N.D. Fla. 1995). In reviewing a debtor-in-possession’s decision to assume or reject an executory  
20 contract or unexpired lease, a bankruptcy court should apply the “business judgment test” to  
21 determine whether it would be beneficial to the estate to assume it. *See ReGen Capital I, Inc. v.*  
22 *UAL Corp. (In re UAL Corp.)*, 635 F.3d 312, 319 (7th Cir. 2011) (“The bankruptcy court reviews  
23 the debtor’s business judgment with respect to the proposed assumption to determine if it would  
24 be beneficial or burdensome to assume the executory contract by evaluating whether assumption  
25 would serve the reorganization or whether it would take away funds available to other creditors.”)  
26 (citing *Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)*, 4 F.3d 1095,  
27 1099 (2d Cir. 1993)); *In re Network Access Solutions, Corp.*, 330 B.R. 67, 75 (Bankr. D. Del.  
28 2005); *In re Continental Country Club, Inc.*, 114 B.R. 763, 767 (Bankr. M.D. Fla. 1990); *In re*



1 *Gucci*, 193 B.R. at 415. The business judgment standard requires that the court follow the business  
2 judgment of the debtor unless that judgment is the product of bad faith, whim, or caprice. *See In*  
3 *re Prime Motors Inns*, 124 B.R. 378, 381 (Bankr. S.D. Fla. 1991); *Lubrizol Enterprises v.*  
4 *Richmond Metal Finishers*, 756 F.2d 1043, 1047 (4th Cir. 1985), *cert. denied*, 475 U.S. 1057  
5 (1986)).

6 Bankruptcy Code Section 365(f)(1) provides that “[e]xcept as provided in subsections (b)  
7 and (c) of this section, notwithstanding a provision in an executory contract or unexpired lease of  
8 the debtor, or in applicable law, that prohibits, restricts, or conditions the assignment of such  
9 contract or lease, the [debtor-in-possession] may assign such contract or lease under paragraph (2)  
10 of this subsection.” *See* 11 U.S.C. § 365(f)(1). Thus, the Debtor may assign the Contracts absent  
11 the consent of the Counterparties, provided that the requirements of Bankruptcy Code Section  
12 365(f)(2) are met.

13 Pursuant to Bankruptcy Code Section 365(f)(2), a debtor may assign its executory contracts  
14 and unexpired leases, provided that the debtor first assumes such executory contracts and  
15 unexpired leases in accordance with Section 365(b)(1) and provides adequate assurance of future  
16 performance by the assignee. *See* 11 U.S.C. § 365(f)(2). Pursuant to Bankruptcy Code Section  
17 365(b)(1), assumption of executory contracts and unexpired leases requires a debtor to: (a) cure  
18 any existing defaults under such agreements; (b) compensate all non-debtor parties to such  
19 agreements for any actual pecuniary loss resulting from the defaults; and (c) provide adequate  
20 assurance of future performance under the contract or lease. *See* 11 U.S.C. § 365(b)(1); *see also*  
21 *In re Bowman*, 194 B.R. 227, 230 (Bankr. D. Ariz. 1995); *In re AEG Acquisition Corp.*, 127 B.R.  
22 34, 44 (Bankr. C.D. Cal. 1991), *aff’d*, 161 B.R. 50 (9th Cir. B.A.P. 1993).

23 The assumption and assignment of executory contracts furthers the goals of Chapter 11 of  
24 promoting reorganization by balancing the debtor’s interest in maximizing the value of its estate  
25 against the contracting party’s interest in receiving the benefit of its bargain and being protected  
26 against default by the debtor after assumption has occurred. *See In re Embers 86th Street, Inc.*,  
27 184 B.R. 892, 896 (Bankr. S.D.N.Y. 1995).

28

1 Attached as Exhibit A to the Assumption and Assignment Notice is a list of the Debtor's  
2 Contracts, other than the Customer Contracts, and the Cure Amounts. **The Counterparties shall**  
3 **have until the Objection Deadline (or the 14th day after the date of serving the Assumption**  
4 **and Assignment Notice, as amended, if the applicable Contract is added later) to file an**  
5 **objection regarding the assumption and assignment of the Contracts in accordance with the**  
6 **Assumption and Assignment Procedures.**

7 Accordingly, the Settlement and Sale Order should approve the Assumption and  
8 Assignment Procedures, including the form and manner of service of the Assumption and  
9 Assignment Notice, and authorize the Debtor to assume and assign to Aaron's each of the Assumed  
10 Contracts.

11 **V. WAIVER OF STAY UNDER BANKRUPTCY RULE 6004(H)**

12 The Debtor also requests that the Court waive the stay imposed by Bankruptcy Rule  
13 6004(h), which provides that “[a]n order authorizing the use, sale, or lease of property other than  
14 cash collateral is stayed until the expiration of fourteen (14) days after entry of the order, unless  
15 the court orders otherwise.” Fed. R. Bankr. P. 6004(h). The sale of the Purchased Assets must be  
16 approved and consummated promptly in order to preserve the value of the Purchased Assets and  
17 avoid the accrual of additional costs. Therefore, time is of the essence in consummating the Sale  
18 Transaction. Accordingly, the Debtor respectfully requests that the Court waive the fourteen (14)-  
19 day stay imposed by Bankruptcy Rule 6004(h), as the exigent nature of the relief sought herein  
20 justifies immediate relief.

21 **VI. RESERVATION OF RIGHTS**

22 Nothing contained herein is or should be construed as: (a) an admission as to the validity  
23 of any claim against the Debtor; (b) a waiver of the Debtor's rights to dispute any claim on any  
24 grounds; (c) a promise to pay any claim; (d) an assumption or rejection of any executory contract  
25 or unexpired lease pursuant to Bankruptcy Code Section 365; or (e) otherwise affecting the  
26 Debtor's rights under Bankruptcy Code Section 365 to assume or reject any executory contract or  
27 unexpired lease with any party subject to the Motion.

28

1 **VII. NOTICE**

2 Notice of the Motion shall be given to: (a) the Office of the United States Trustee for the  
3 Central District of California; (b) counsel to CB&T; (c) counsel to Aaron's; (d) counsel to the  
4 Sultans; (e) the creditors listed in the Debtor's creditor matrix; (f) the Counterparties to the  
5 Debtor's Contracts (other than the Customer Contracts); (g) the U.S. Attorney for the Central  
6 District of California; (h) the Internal Revenue Service; (i) the Securities and Exchange  
7 Commission; (j) any party known to have asserted an Interest in or on any of the Purchased Assets;  
8 (k) all affected federal, state, and local regulatory and taxing authorities; (l) all entities known to  
9 have expressed an interest in a transaction with respect to all or part of the Purchased Assets during  
10 the six (6) months preceding the date hereof; and (m) those parties who have formally filed request  
11 for notice in the Chapter 11 Case pursuant to Bankruptcy Rule 2002.

12 [remainder of page intentionally left blank]

13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

1 WHEREFORE, the Debtor respectfully requests that the Court enter the Settlement and  
2 Sale Order and grant such other and further relief as is just and proper.

3 Dated: October 3, 2018

**THOMPSON COBURN LLP**

4  
5 By:         /s/ David A. Warfield        

6 David A. Warfield

7 Attorneys for Debtor and Debtor-in-Possession  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**Exhibit A**  
Settlement Agreement

## SETTLEMENT AGREEMENT

**THIS SETTLEMENT AGREEMENT** (this “Settlement Agreement”) is made as of October 3, 2018 (the “Effective Date”) by and among: (1) Sultan Financial Corporation (the “Debtor”); (2) Randall C. Sultan and Patricia E. Sultan (together, the “Sultans”), individually and as trustees of the Randall and Patricia Sultan Family Revocable Trust dated November 5, 1999 (the “Sultan Trust”); (3) Aaron’s, Inc. (“Aaron’s”); and (4) Zions Bancorporation, N.A., d/b/a California Bank & Trust (“CB&T”). Hereinafter, the Debtor, the Sultans, Aaron’s and CB&T are referred to collectively as the “Parties.”

**WHEREAS**, the Debtor and Aaron’s are party to 16 franchise agreements entered into between 1997 and 2014 (as amended, the “Franchise Agreements”) which permit the Debtor to operate 16 retail lease-to-own stores in California under the name “Aaron’s” or “Aaron’s Sale & Lease” (the “Stores”) and the Sultans executed a Payment and Performance Guarantee in connection with each of the Franchise Agreements (the “Original Aaron’s Guarantees”);

**WHEREAS**, on January 4, 2012, the Debtor, as borrower, and CB&T, as lender, executed that certain Commercial Loan Agreement (the “Loan Agreement”) pursuant to which CB&T agreed to provide the Debtor with a revolving line of credit and two term loans. The Debtor’s obligations under the Loan Agreement are evidenced by Promissory Notes dated January 4, 2012 payable to CB&T (the “2012 Notes”). To secure the Debtor’s obligations under the 2012 Notes, the Debtor and CB&T entered into a Security Agreement on January 4, 2012 (the “Security Agreement”), whereby the Debtor granted CB&T a security interest in substantially all of the Debtor’s personal property and other assets (collectively, the “Collateral”). CB&T perfected its security interest in the Collateral by, among other things, filing a UCC-1 Financing Statement on January 27, 2012, with the California Secretary of State, as file number 12-7299272990 (the “Financing Statement”);

**WHEREAS**, the Debtor and CB&T thereafter entered into two separate Loan Modification Agreements pursuant to which CB&T agreed to provide the Debtor with two additional term loans, which are evidenced by Promissory Notes dated on July 31, 2013 and October 30, 2014 (the “2013/14 Notes” and together with the 2012 Notes, the “CB&T Promissory Notes”) payable to CB&T. The Debtor’s obligations under the 2013/14 Notes are also secured by the Collateral. The Loan Agreement, the CB&T Promissory Notes, the Security Agreement, the Financing Statement, and all related loan documents, including any and all Loan Modification Agreements, are collectively referred to herein as the “Loan Documents.” All of the Debtor’s obligations under the Loan Documents were personally guaranteed by Randall Sultan, individually, and the Sultans in their capacity as trustees for the Sultan Trust (the “CB&T Guarantee”);

**WHEREAS**, the Debtor, the Sultans and Aaron’s entered into that certain Confidential Settlement Agreement and Release, dated October 19, 2016, pursuant to which, among other things, Aaron’s agreed to convert the Debtor’s outstanding trade debt to Aaron’s into a Promissory Note issued by Sultan in favor of Aaron’s in the original principal amount of \$3,664,118.78 (the “Note”). The Sultans personally guaranteed repayment of the Note (together with the Original Aaron’s Guarantees, the “Aaron’s Guarantees”);

**WHEREAS**, the Debtor's obligations under the Loan Documents matured on June 15, 2018;

**WHEREAS**, on July 13, 2018 (the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Code") in the United States Bankruptcy Court for the Central District of California (the "Court"), thereby commencing Case No. 18-18021 (the "Case");

**WHEREAS**, as of the Petition Date, CB&T held a secured claim against the Debtor in the amount of \$15,556,285.54 (together with any CB&T claims that accrued after the Petition Date, the "CB&T Claim") and Aaron's held an unsecured claim against the Debtor in the amount of \$4,630,053.63, including the obligations under the Note (together with any Aaron's claims that accrued after the Petition Date, the "Aaron's Claim");

**WHEREAS**, on July 16, 2018, the Debtor filed a Complaint [DI 33] against Aaron's in the Court initiating an adversary proceeding captioned *Sultan Financial Corporation v. Aaron's, Inc.*, Case No. 18-01225 (the "Adversary Proceeding");

**WHEREAS**, on July 19, 2018, the Court entered an order authorizing the Debtor to use cash collateral on an interim basis [DI 53] (the "Interim Cash Collateral Order"). Pursuant to the Interim Cash Collateral Order, the Debtor was authorized to use cash collateral pursuant to a budget;

**WHEREAS**, on July 24, 2018, the Debtor sent a letter to Aaron's seeking to mediate certain disputes between the parties arising from or relating to the Franchise Agreements (the "Disputes");

**WHEREAS**, on July 20, 2018, CB&T initiated a California state court action seeking a writ of attachment against Randall Sultan, and the Sultans in their capacity as the Trustees of the Sultan Trust relating to the CB&T Guarantee captioned *ZB, N.A. dba California Bank & Trust v. Randall C. Sultan, et al*, Case No. LC107545 (the "State Court Action");

**WHEREAS**, on August 10, 2018, the Court entered an order approving that certain *Stipulation Regarding (I) Debtor's Motion Authorizing Debtor's Use of Cash Collateral and (II) Standstill Agreement* [DI 90] pursuant to which the Debtor, Aaron's and the Sultans agreed to a revised cash collateral budget and to stay all litigation activity amongst them for a period of sixty days through October 9, 2018 or a later agreed upon date;

**WHEREAS**, the Parties have participated in mediation and, after engaging in good faith negotiations, the Parties desire to settle and compromise these matters, on the terms set forth herein, to avoid the cost and uncertainty of further litigation;

**NOW THEREFORE**, the Parties agree as follows:

1. Asset Purchase Agreement. Aaron's agrees to purchase substantially all of the assets of the Debtor pursuant to the terms of the Asset Purchase Agreement attached hereto as Exhibit A (the "APA") for the amount of thirteen million U.S. Dollars (\$13,000,000.00) in U.S. Dollars (the "Purchase Price"), subject to entry of a Court order approving this Settlement Agreement and authorizing the Debtor's entry into the APA. On the date of the closing of the transactions contemplated by the APA (the "Closing Date"), Aaron's shall pay the Purchase Price directly to CB&T and the Debtor shall pay, or cause to be paid, to CB&T \$300,000.00 from the Debtor's cash reserves so long as such \$300,000.00 payment does not render the Debtor administratively insolvent (the "Initial Payment"). If such payment would render the Debtor administratively insolvent, then the Debtor shall only be required to pay to CB&T on the Closing Date the amount up to \$300,000 that would leave sufficient funds remaining in the Debtor's estate to allow the Debtor to satisfy all estimated allowed administrative expenses, including ordinary course operating expenses pursuant to the revised cash collateral budget attached hereto as Exhibit B or such other cash collateral budget as is approved by the Bankruptcy Court (the "Cash Collateral Budget"). Thereafter, within one business day after the date that the Debtor satisfies all allowed administrative expense claims (the "Final Payment Date"), the Debtor shall pay all of its remaining cash (up to an amount that, including the Purchase Price and the Initial Payment, does not exceed the amount of the CB&T Claim) to CB&T (the "Residual Payment"). If the amount of the Initial Payment and the Residual Payment (together, the "Payments") do not equal at least \$400,000.00 in the aggregate, the Sultans shall personally pay to CB&T up to \$50,000.00 to cover any deficit between the amount of the Payments and \$400,000.00 (the "Deficit") within five business days of the payment of the Residual Payment to CB&T. Following the payment of the Residual Payment and the Deficit (if required), in the event that the Debtor subsequently recovers and is able to pay CB&T any additional amounts due, the Sultans shall be entitled to reimbursement of some or all of the amount of the Deficit that was paid to CB&T as calculated in accordance with this Paragraph. In addition, CB&T agrees that in the event the Sultans make the Deficit payment required hereby and do not subsequently recover the entire amount of the Deficit payment made by the Sultans, that the amount not recovered shall constitute an administrative expense of the estate of the Debtor. The Purchase Price, the Initial Payment, the Residual Payment, and any payment made by the Sultans hereunder, shall be made in full satisfaction of the CB&T Claim.
2. Ordinary Course of Business. The Debtor shall continue to operate the Stores in the ordinary course of business and otherwise in accordance with the Cash Collateral Budget until the Closing Date. The Debtor shall continue to operate in accordance with the Bankruptcy Code and the Cash Collateral Budget, as supplemented and extended with the agreement of the Parties, until the Final Payment Date.
3. Employment Offers. Subject to the results of background checks, drug testing and other customary pre-employment diligence, following the Closing Date, Aaron's will offer employment to all employees of the Debtor that are based in the Stores (excluding the Sultans and any family members) in substantially the same job positions as such employees currently hold with the Debtor, and will offer to give credit to any such employees that are



hired by Aaron's for existing PTO and vacation accruals, subject to the receipt of customary releases from such employees.

4. Aaron's Claim. Except as otherwise set forth herein, on the Closing Date, Aaron's shall release the Aaron's Claim.
5. Personal Guarantees. On the Closing Date, Aaron's shall release the Sultans from the Aaron's Guarantees, except as the Aaron's Guarantees relate to the Winslow Claims (as defined below). CB&T shall release the Sultans from the CB&T Guarantee on the Closing Date, except as to any obligations of the Sultans specifically set forth in this Agreement.
6. Ongoing Litigation. Aaron's will defend and hold the Debtor and the Sultans harmless against any damages any of them are ordered to pay pursuant to the complaint filed in the lawsuit captioned *Crystal Byrd and Brian Byrd v. Aaron's, Inc., et al.*, Case No. 11-00101, pending in the District Court for the Western District of Pennsylvania.
7. Court Approval. The Debtor shall file a motion with the Court seeking an order approving this Settlement Agreement and the Debtor's entry into the APA, in a form acceptable to all Parties, no later than October 16, 2018. The effectiveness of this Settlement Agreement is conditioned upon Court approval of this Settlement Agreement and the APA.
8. The Adversary Proceeding, the Disputes and the State Court Action. Upon execution hereof, all pending scheduling order dates and discovery objections in the Adversary Proceeding shall be stayed and, within three (3) business days of the Effective Date, Debtor shall cause to be filed in connection with the Adversary Proceeding a Notice of Conditional Settlement. On the Closing Date, counsel for the Debtor shall file a stipulation of dismissal with prejudice in the Adversary Proceeding in the form attached as Exhibit C hereto. All aspects of the State Court Action shall be stayed and upon execution of this Agreement, CB&T shall further continue the hearing on its application for a right to attach order against Randall Sultan, individually, and the Sultans in their capacity as trustees of the Sultan Trust from November 5, 2018, to the next available hearing available on the State Court's calendar, but in no event earlier than December 5, 2018. Upon the Closing Date, CB&T shall file a request for dismissal with prejudice in the State Court Action in the form attached as Exhibit D hereto. The Debtor shall not take any further actions against Aaron's arising out of or relating to the Disputes while the Parties are awaiting Court approval of the Settlement Agreement and the APA. Neither CB&T nor Aaron's shall take any action against the Debtor or the Sultans arising out of or relating to the Franchise Agreements or the Loan Agreement while the Parties are awaiting Court approval of the Settlement Agreement and the APA.
9. Mutual Releases.
  - (a.) Subject to the conditions precedent being met as set forth herein, the Debtor, the Sultans and Aaron's acknowledge that this Settlement Agreement is intended to fully resolve any claims arising out of or related to: (i) the Franchise Agreements; (ii) the Disputes; (iii) the Adversary Proceeding, (iv) the Aaron's Guarantees, and

(v) any other dealings between the Debtor and/or the Sultans, on the one hand, and Aaron's and any of its representatives, on the other hand, that occurred from the beginning of time; provided, however, that the forgoing release shall not apply to any claims arising out of or related to the lawsuit captioned *Michael Winslow and Fonda Winslow v. Sultan Financial Corporation, et al.*, Case No. 13-02684 pending in the District Court for the Central District of California (the "Winslow Claims") or any outstanding claims or lawsuits covered by the Debtor's insurance, which shall be maintained for sufficient duration to cover the termination of any outstanding claims by third parties against the Debtor and Aaron's ("Debtor-insured Claims").

- (b.) Upon the Closing Date, each of (i) the Debtor, on behalf of itself, the Debtor's estate and any successors thereto, (ii) Randall C. Sultan and (iii) Patricia E. Sultan, do forever release, acquit and conclusively, absolutely, unconditionally, irrevocably and forever provide a full discharge, waiver and release to Aaron's, and each of its officers, directors, employees, representatives, agents, professionals, affiliates, successors and assigns, from any and all claims, causes of action, actions, demands, rights, suits, damages, remedies, debts, losses, expenses, proceedings, judgments, obligations, liabilities, cross-claims, counterclaims, offsets, or setoffs, in the case of each of the foregoing of any kind or character whatsoever, in each case, whether known or unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter acquired, in contract, in tort, in law, in equity, or otherwise, or pursuant to any other theory of law, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of demand, claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise, arising out of or related to (i) through (v) listed above in Section 9.a, except for the Winslow Claims.
- (c.) Upon the Closing Date, Aaron's does forever release, acquit and conclusively, absolutely, unconditionally, irrevocably and forever provide a full discharge, waiver and release to each of (x) the Debtor and each of its officers, directors, employees, representatives, agents, professionals, affiliates, successors and assigns, (y) Randall C. Sultan and (z) Patricia E. Sultan from any and all claims, causes of action, actions, demands, rights, suits, damages, remedies, debts, losses, expenses, proceedings, judgments, obligations, liabilities, cross-claims, counterclaims, offsets, or setoffs, in the case of each of the foregoing of any kind or character whatsoever, in each case, whether known or unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter acquired, in contract, in tort, in law, in equity, or otherwise, or pursuant to any other theory of law, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of demand, claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise, arising out of or related to (i) through (v) listed above in Section 9.a, except for the Winslow Claims and any

Debtor-insured Claims. The release by Aaron's shall include the release of Aaron's right to a distribution on account of the Aaron's Claim.

- (d.) Subject to the conditions precedent being met as set forth herein, the Debtor, the Sultans, in their individual capacities and as trustees of the Sultan Trust, and CB&T acknowledge that this Settlement Agreement is intended to fully resolve any claims arising out of or related to: (i) the Loan Documents; (ii) the CB&T Guarantee, and (iii) any other dealings between the Debtor, the Sultans and/or the Sultan Trust, on the one hand, and CB&T and any of its representatives, on the other hand, that occurred from the beginning of time; provided, however, that the forgoing release shall not apply to any claims arising out of or related to the debt obligations of any of the Debtor's affiliates owed to CB&T that are secured by deeds of trust on real property parcels owned by the Debtor's affiliates, including without limitation that certain loan designated as Loan No. XXXXX76-9001 by and between CB&T, as lender, and SFC-Olive-351, LLC, as borrower, or that certain loan designated as Loan No. XXXXX17-9001 by and between, CB&T, as lender, and Sultan Financial Hesperia, LLC, as borrower (the "Related Party Claims").
- (e.) Upon the Closing Date, each of (i) the Debtor, on behalf of itself, the Debtor's estate and any successors thereto, (ii) Randall C. Sultan, both individually and as trustee of the Sultan Trust, and (iii) Patricia E. Sultan, both individually and as trustee of the Sultan Trust, do forever release, acquit and conclusively, absolutely, unconditionally, irrevocably and forever provide a full discharge, waiver and release to CB&T, and each of its officers, directors, employees, representatives, agents, professionals, affiliates, successors and assigns, from any and all claims, causes of action, actions, demands, rights, suits, damages, remedies, debts, losses, expenses, proceedings, judgments, obligations, liabilities, cross-claims, counterclaims, offsets, or setoffs, in the case of each of the foregoing of any kind or character whatsoever, in each case, whether known or unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter acquired, in contract, in tort, in law, in equity, or otherwise, or pursuant to any other theory of law, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of demand, claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise, arising out of or related to (i) through (iii) listed above in Section 9.d, except for the Related Party Claims.
- (f.) Upon the Closing Date, CB&T does forever release, acquit and conclusively, absolutely, unconditionally, irrevocably and forever provide a full discharge, waiver and release to each of (x) the Debtor and each of its officers, directors, employees, representatives, agents, professionals, affiliates, successors and assigns, (y) Randall C. Sultan, both individually and as trustee of the Sultan Trust, and (z) Patricia E. Sultan, both individually and as trustee of the Sultan Trust, from any and all claims, causes of action, actions, demands, rights, suits, damages, remedies, debts, losses, expenses, proceedings, judgments, obligations,

liabilities, cross-claims, counterclaims, offsets, or setoffs, in the case of each of the foregoing of any kind or character whatsoever, in each case, whether known or unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, direct or indirect, choate or inchoate, existing or hereafter acquired, in contract, in tort, in law, in equity, or otherwise, or pursuant to any other theory of law, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of demand, claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise, arising out of or related to (i) through (iii) listed above in Section 9.d, except for the Related Party Claims. The release by CB&T shall include the release of CB&T's right to any further distributions on account of the CB&T Claim.

(g.) EACH OF THE PARTIES EXPRESSLY ACKNOWLEDGES THAT ALTHOUGH ORDINARILY A GENERAL RELEASE MAY NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE PARTY RELEASED, THEY HAVE CAREFULLY CONSIDERED AND TAKEN INTO ACCOUNT IN DETERMINING TO ENTER INTO THE ABOVE RELEASES THE POSSIBLE EXISTENCE OF SUCH UNKNOWN LOSSES OR CLAIMS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH OF THE PARTIES EXPRESSLY WAIVES ANY AND ALL RIGHTS CONFERRED UPON IT BY ANY STATUTE OR RULE OF LAW WHICH PROVIDES THAT A RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CLAIMANT DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE RELEASED PARTY, INCLUDING, WITHOUT LIMITATION, THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542. THE RELEASES CONTAINED IN THIS SECTION 9 ARE EFFECTIVE REGARDLESS OF WHETHER THOSE RELEASED MATTERS ARE PRESENTLY KNOWN, UNKNOWN, SUSPECTED OR UNSUSPECTED, FORESEEN OR UNFORESEEN, EXCLUDING THE CONTINUING OBLIGATIONS.

(h.) Each Party understands that Section 1542 of the California Civil Code provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

(i.) For the avoidance of doubt, the mutual releases between the Parties contemplated under this Section 9 of the Settlement Agreement shall not affect or release the

Parties from their respective obligations under this Settlement Agreement or the APA and related transaction documents.

10. No Admission of Liability. Each of the Parties acknowledges this Settlement Agreement is a compromise of disputed claims and any payments made hereunder are not intended to be construed as an admission of any liability by any Party.
11. Entire Agreement. This Settlement Agreement constitutes the complete understanding between the Parties and it cannot be altered, amended, or modified in any respect, except by a writing duly executed by all Parties.
12. Voluntary Act. Each of the Parties does hereby warrant, with respect to itself only, that it is authorized and empowered to execute this Settlement Agreement. The Parties acknowledge that they have read this Settlement Agreement in its entirety, fully understood its terms, and voluntarily accepted the terms set forth herein. Further, each Party acknowledges that it has had an opportunity to consult with legal counsel and any other advisers of its choice with respect to the terms of this Settlement Agreement and it is signing this Settlement Agreement of its own free will.
13. Attorneys' Fees. Each Party shall bear its own attorneys' fees and costs relating to the Adversary Proceeding, the State Court Action, settlement negotiations and the negotiation and execution of this Settlement Agreement and the APA. However, if any Party must commence an action to enforce the terms of this Settlement Agreement, the prevailing party shall be entitled to an award, in addition to any other claims or damages, of its costs and expenses, including reasonable attorneys' fees, in connection with said enforcement action.
14. No Assignment. Each Party hereby represents and warrants to the other Parties that it has made no assignment, and hereafter will make no assignment of any claim, cause in action, right of action, or any other right released pursuant to this Settlement Agreement.
15. Execution in Counterparts. It is understood and agreed that this Settlement Agreement may be executed in identical counterparts and may be transmitted by email or facsimile, each of which shall be deemed an original for all purposes.
16. Third Party Beneficiaries. This Settlement Agreement is not intended for the benefit of any person other than the Parties, and no such other person will be deemed to be a third party beneficiary hereof, except as set forth in Section 9 hereof.
17. Successors and Assigns. This Settlement Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Parties, and each of them.
18. Governing Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Settlement Agreement will be governed by, and construed in accordance with, the laws of the State of Georgia, without giving effect to any

choice of law or conflict of law rules or provisions that would cause the application hereto of the laws of any jurisdiction other than the State of Georgia.

19. Bankruptcy Court Approval. This Settlement Agreement is contingent upon entry by the Court of an order approving the terms of this Settlement Agreement, after appropriate notice and an opportunity for hearing.
20. Revival and Reinstatement of Purchase Price, Initial Payment, Residual Payment and/or Deficit. The Sultans in their individual capacity and as trustees for the Sultan Trust agree that if, as a result of any litigation to recover any of the Purchase Price, Initial Payment, Residual Payment and/or Deficit (collectively, the "CB&T Payments") from CB&T, the CB&T Payments or any portion thereof should for any reason subsequently be asserted, or declared, to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent transfers, preferences, or other voidable or recoverable payments of money or transfers of property (each, a "Voidable Transfer"), and if CB&T is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that CB&T is required or elects to repay or restore, the liability of the Sultans, subject to all available defenses or counterclaims, for the full amount of any Voidable Transfer(s) repaid or restored by CB&T, automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.
21. Document Imaging. The Parties shall be entitled, each in their sole discretion, to image or make copies of all or any selection of the agreements, instruments, documents, and items and records governing, arising from or relating to this Settlement Agreement, and any other document related to this settlement, and the Parties (or any of them) may destroy or archive their respective paper originals. The Parties hereto (i) waive any right to insist or require that another Party produce paper originals, (ii) agree that such images shall be accorded the same force and effect as the paper originals, (iii) agree that each Party is entitled to use such images in lieu of destroyed or archived originals for any purpose, including as admissible evidence in any demand, or presentment or other proceeding, and (iv) further agree that any executed facsimile (faxed), scanned, or other imaged copy of this document and any other document related to this settlement shall be deemed to be of the same force and effect as the original manually executed document

[SIGNATURE PAGE FOLLOWS]


**IN WITNESS WHEREOF**, the Parties have caused this Settlement Agreement to be executed as of the date first set forth above.

For the Debtor:

**Sultan Financial Corporation**

By:   
\_\_\_\_\_  
Randall C. Sultan  
Chief Executive Officer

For the Sultans:

By:   
\_\_\_\_\_  
Randall C. Sultan, individually and as trustee  
of the Randall and Patricia Sultan Family Revocable  
Trust dated November 5, 1999

By: \_\_\_\_\_  
Patricia E. Sultan, individually and as trustee  
of the Randall and Patricia Sultan Family Revocable  
Trust dated November 5, 1999

For CB&T:

**Zions Bancorporation, N.A., d/b/a California Bank & Trust**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

For Aaron's:

**Aaron's, Inc.**

By: \_\_\_\_\_  
Robert W. Kamerschen  
EVP, General Counsel & Chief Corporate Affairs Officer

*[Signature Page to Settlement Agreement]*

**IN WITNESS WHEREOF**, the Parties have caused this Settlement Agreement to be executed as of the date first set forth above.

For the Debtor:

**Sultan Financial Corporation**

By: \_\_\_\_\_  
Randall C. Sultan  
Chief Executive Officer

For the Sultans:

By: \_\_\_\_\_  
Randall C. Sultan, individually and as trustee  
of the Randall and Patricia Sultan Family Revocable  
Trust dated November 5, 1999

By: \_\_\_\_\_  
Patricia E. Sultan, individually and as trustee  
of the Randall and Patricia Sultan Family Revocable  
Trust dated November 5, 1999

For CB&T:

**Zions Bancorporation, N.A., d/b/a California Bank & Trust**

By: Grant Hill  
Print Name: Grant Hill  
Title: Vice President

For Aaron's:

**Aaron's, Inc.**

By: \_\_\_\_\_  
Robert W. Kamerschen  
EVP, General Counsel & Chief Corporate Affairs Officer

*[Signature Page to Settlement Agreement]*



**IN WITNESS WHEREOF**, the Parties have caused this Settlement Agreement to be executed as of the date first set forth above.

For the Debtor:

**Sultan Financial Corporation**

By: \_\_\_\_\_

Randall C. Sultan  
Chief Executive Officer

For the Sultans:

By: \_\_\_\_\_

Randall C. Sultan, individually and as trustee  
of the Randall and Patricia Sultan Family Revocable  
Trust dated November 5, 1999

By: \_\_\_\_\_

Patricia E. Sultan, individually and as trustee  
of the Randall and Patricia Sultan Family Revocable  
Trust dated November 5, 1999

For CB&T:

**Zions Bancorporation, N.A., d/b/a California Bank & Trust**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

For Aaron's:

**Aaron's, Inc.**

By:  \_\_\_\_\_

Robert W. Kamerschen  
EVP, General Counsel & Chief Corporate Affairs Officer

*[Signature Page to Settlement Agreement]*

**Exhibit A: Asset Purchase Agreement**

See attached.

**Exhibit B: Cash Collateral Budget**

See attached.

Week Beginning:	Forecast 7/8/2018	Forecast 7/15/2018	Forecast 7/22/2018	Forecast 7/29/2018	Forecast 8/5/2018	Forecast 8/12/2018	Forecast 8/19/2018	Forecast 8/26/2018	Forecast 9/2/2018	Forecast 9/9/2018
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9
<b>Beginning Cash Balance</b>	\$ 527,969	\$ 527,969	\$ 671,666	\$ 711,202	\$ 811,519	\$ 498,214	\$ 668,465	\$ 717,717	\$ 755,968	\$ 491,564
<b>Cash Receipts</b>		336,400	290,000	442,000	530,000	455,000	505,000	410,000	585,000	430,000
Total Cash Receipts		336,400	290,000	442,000	530,000	455,000	505,000	410,000	585,000	430,000
<b>Cash Disbursements</b>										
Personnel Cost (1st and 3rd Week)		177,593			250,000		250,000		250,000	
Inventory Expense		-	215,146	215,146	143,431	143,431	143,431	143,431	143,431	143,431
Occupancy Costs					216,500				216,500	
Aarons Royalty Payment					29,000	26,000	27,000	23,000	35,100	25,800
Interest Expense CB&T					88,027				88,027	
Truck Expense		10,520	14,125	14,125	14,125	14,125	14,125	14,125	14,125	14,125
Taxes & Licenses			-	80,000	5,460		-	170,000	5,460	
Professional Expenses		3,600	2,500	2,500	15,806	2,500	2,500	2,500	15,806	2,500
Other operational cash expenses		990	18,693	18,693	38,800	18,693	18,693	18,693	38,800	18,693
Insurance expense			-	-	42,156	80,000	-	-	42,156	
<b>Restructuring expenses</b>										
Section 366 Deposit				11,219						
<b>Business closing expenses</b>										
US Trustee Fee										
Final Payroll										
Legal Fees										
Outstand/Unresolved AP										
Vacaiton Payout										
Payment to CB&T										
Total Disbursements	-	192,703	250,464	341,683	843,305	284,749	455,749	371,749	849,405	204,549
Net Weekly Cash	-	143,697	39,536	100,317	(313,305)	170,251	49,251	38,251	(264,405)	225,451
Beginning Cash		527,969	671,666	711,202	811,519	498,214	668,465	717,717	755,968	491,564
Cash Flow In (Out)		143,697	39,536	100,317	(313,305)	170,251	49,251	38,251	(264,405)	225,451
Ending Cash Balance	\$ 527,969	\$ 671,666	\$ 711,202	\$ 811,519	\$ 498,214	\$ 668,465	\$ 717,717	\$ 755,968	\$ 491,564	\$ 717,015

Week Beginning:	Forecast 9/16/2018 Week 10	Forecast 9/23/2018 Week 11	Forecast 9/30/2018 Week 12	Forecast 10/7/2018 Week 13	Forecast 10/14/2018 Week 14	Forecast 10/21/2018 Week 15	Forecast 10/28/2018 Week 16	Forecast 11/4/2018 Week 17
<b>Beginning Cash Balance</b>	\$ 717,015	\$ 767,667	\$ 964,918	\$ 525,480	\$ 745,471	\$ 786,723	\$ 983,974	\$ 697,130
<b>Cash Receipts</b>	510,000	400,000	565,000	430,000	500,000	400,000	450,000	585,000
<b>Total Cash Receipts</b>	510,000	400,000	565,000	430,000	500,000	400,000	450,000	585,000
<b>Cash Disbursements</b>								
Personnel Cost (1st and 3rd Week)	250,000		250,000		250,000			250,000
Inventory Expense	143,431	143,431	143,431	143,431	143,431	143,431	143,431	0
Occupancy Costs			216,500				216,500	
Aarons Royalty Payment	30,600	24,000	33,900	25,800	30,000	24,000	27,000	35,100
Interest Expense CB&T			88,027				88,027	
Truck Expense	14,125	14,125	14,125	14,125	14,125	14,125	14,125	14,125
Taxes & Licenses	-	-	146,000	5,460		-	151,000	
Professional Expenses	2,500	2,500	31,500	2,500	2,500	2,500	15,806	2,500
Other operational cash expenses	18,693	18,693	38,800	18,693	18,693	18,693	38,800	18,693
Insurance expense	-	-	42,156				42,156	
<b>Restructuring expenses</b>								
Section 366 Deposit								
<b>Business closing expenses</b>								
US Trustee Fee								30,000
Final Payroll								130,000
Legal Fees								
Outstand/Unresolved AP								
Vacaiton Payout								50,000
Payment to CB&T								300,000
<b>Total Disbursements</b>	459,349	202,749	1,004,439	210,008	458,749	202,749	736,845	830,418
<b>Net Weekly Cash</b>	50,651	197,251	(439,439)	219,992	41,251	197,251	(286,845)	(245,418)
Beginning Cash	717,015	767,667	964,918	525,480	745,471	786,723	983,974	697,130
Cash Flow In (Out)	50,651	197,251	(439,439)	219,992	41,251	197,251	(286,845)	(245,418)
<b>Ending Cash Balance</b>	\$ 767,667	\$ 964,918	\$ 525,480	\$ 745,471	\$ 786,723	\$ 983,974	\$ 697,130	\$ 451,712

**Exhibit C: Adversary Proceeding Dismissal Stipulation**

See attached.

**Exhibit D: State Court Action Dismissal Stipulation**

See attached.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**Exhibit B**

Purchase Agreement



ASSET PURCHASE AGREEMENT

between

AARON'S, INC.

as Buyer

SULTAN FINANCIAL CORPORATION

as Seller

and, solely with respect to Article V,

The Owners of Seller Named Herein

dated

as of October 3, 2018

## **ASSET PURCHASE AGREEMENT**

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is dated as of October 3, 2018 by and among AARON'S, INC., a Georgia corporation ("Buyer"), SULTAN FINANCIAL CORPORATION, a California corporation ("Seller"), and, solely with respect to Article V, the ultimate equity owners of the Seller signatory hereto (each, an "Owner" and collectively, the "Owners"). Seller and the Owners are each individually referred to as a "Seller Party" and collectively as the "Seller Parties."

### Introduction

Seller is a franchisee of Buyer and engages as a franchisee in the business of renting, leasing and selling new and used furniture, furnishings, appliances, electronics, accessories, housewares, consumer goods and other similar merchandise (collectively, "Merchandise") to customers through an aggregate of 16 store locations operated under the AARON'S and related brands (the "Business"). The Owners own 100% of the outstanding equity interests of Seller. Buyer desires to purchase, and Seller desires to sell, substantially all of the Seller's assets relating to the Business on the terms and subject to the conditions set forth in this Agreement. On July 13, 2018, Seller filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, Los Angeles Division (the "Bankruptcy Court").

### Terms

In consideration of the mutual representations, warranties, covenants and agreements, and upon the terms and subject to the conditions, hereinafter set forth, the parties hereby agree as follows:

### ARTICLE I.

#### DEFINITIONS

For the purposes of this Agreement, the following words and phrases shall have the following meanings:

"Aaron's Protocols" shall mean as of any date the software and written or electronically transmitted procedures, forms, protocols, standards, specifications, rules, requirements, and directives in effect as of such date that Buyer or its Affiliate provided to Seller as a franchisor and required or mandated their use by the Seller in the conduct of the Business and their interaction with customers of the Business.

"Accounts Receivable" shall mean all of the accounts, notes and finance receivables generated by transactions with customers of the Business as of the close of business on the date prior to the Closing Date, including, without limitation, all funds, refunds, receivables, credits, offsets, or reimbursements, Claims, debts, obligations and any other rights to receive payment, together with all accrued interest thereon, existing as of the close of business on the day prior to the Closing Date, and the full benefit of all securities for such accounts or debts.

"Additional Utility Encumbrances" means any Encumbrances to either secure the performance of statutory obligations or constituting surety bonds, performance and return-of-money bonds and other obligations of like nature with respect to utilities at the Business Locations.

“Affiliate” means, with respect to a Person, any other Person controlling, controlled by, or under common control with, such Person. For purposes of this definition, “control” means the power to direct the management and policies of a Person, whether through the ownership of voting securities, by agreement or otherwise.

“Agreement” shall have the meaning set forth in the Introduction.

“Allocation” shall have the meaning set forth in Section 5.13(d)(i).

“Assigned Store Locations” means each of the locations of the Business set forth on Schedule 2.1A-1.

“Assumed Contracts” means the Contracts assumed by Seller and assigned to Buyer pursuant to Section 2.3(a).

“Assumed Liabilities” shall have the meaning set forth in Section 2.3(a).

“Assumed PTO” shall have the meaning set forth in Section 5.3(b).

“Assumption Agreement” shall have the meaning set forth in Section 2.3(a).

“Bankruptcy Code” means title 11 of the United States Code, 11 U.S.C. § 101, *et seq.*

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

“Benefit Plan” shall have the meaning set forth in Section 3.16(a).

“Business” shall have the meaning set forth in the Introduction.

“Business Day” shall mean any day except a Saturday, Sunday, or other day on which commercial banks in Atlanta, Georgia or Los Angeles, California are authorized or required by law to close.

“Business Employees” means the employees actively employed by Seller or its Affiliates in the Business.

“Business Locations” means the Assigned Store Locations and the Other Business Locations.

“Buyer” shall have the meaning set forth in the Introduction.

“Cash Collateral Budget” means the cash collateral budget approved by the Bankruptcy Court attached hereto as Exhibit E, as may be extended and/or supplemented with Buyer’s consent not to be unreasonably withheld, conditioned or delayed, and approval of the Bankruptcy Court.

“CB&T” shall mean Zions Bancorporation, N.A., d/b/a California Bank & Trust.

“Chapter 11 Proceeding” shall mean the proceeding filed by Seller pursuant to Chapter 11 of the Bankruptcy Code on July 13, 2018 in the Bankruptcy Court, Case No. 18-18021.

“Claim” means any claim, demand or notice, arbitration proceeding, action, suit or other proceeding, or, to the knowledge of Seller, investigation, charge, inquiry or cause of action.

“Closing” means the closing of the transactions described in Section 2.4(a).

“Closing Date” shall have the meaning set forth in Section 2.4(a).

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

“Contracts” shall have the meaning set forth in Section 2.1(g).

“Cure Amounts” means amounts that must be paid and obligations that otherwise must be satisfied, including pursuant to Sections 365(b)(1)(A) and (B) of the Bankruptcy Code, in connection with the assumption and/or assignment of the Assumed Contracts.

“Customer Deposit Amount” shall have the meaning set forth in Section 2.1(o).

“Customer Deposits” means customer deposits and advance payments (including security deposits) and any interest accrued thereon held by Seller or by another Person for the benefit of a customer under Rental Contracts transferred to Buyer hereunder.

“Damages” means any and all losses, liabilities, damages, penalties, obligations, awards, fines, deficiencies, interests, Claims (including third party Claims), incurred costs and expenses (including reasonable attorneys’ fees).

“Debt” means any indebtedness of Seller, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures, promissory notes, trust indentures or other similar instruments or letters of credit (or reimbursement agreements in respect thereof) or banker’s acceptances or interest swap agreements or representing capitalized or synthetic lease obligations or the unpaid balance of the purchase price of any property or assets, overdrafts, as well as the amount of all indebtedness of others secured by a Encumbrance on any asset of such Person (whether or not such indebtedness is assumed by such Person) including, but not limited to, any amounts owed to any financial institution or any Related Party, and, to the extent not otherwise included, the amount of any indebtedness of any other Person guaranteed by such Person.

“Designated Business Employee” shall have the meaning set forth in Section 5.3(a).

“Effective Time” shall have the meaning set forth in Section 2.4(a).

“Employee Hire Date” means that earlier of (i) 30 days after the Closing Date; and (ii) the date that Buyer informs Seller that it no longer requires any services to be provided by Seller pursuant to the Transition Services Agreement.

“Encumbrance” shall mean any encumbrance of any kind whatsoever and includes any security interest, mortgage, deed of trust, lien, judgment, Tax lien, sewer rent, assessment, mechanics’ or materialmen’s liens, hypothecation, pledge, assignment, easement, servitude, right of way, restriction, tenancy, encroachment or burden or any other right or Claim of others affecting the Purchased Assets and any restrictive covenant or other agreement, restriction or limitation on the use of the Purchased Assets.

“Enforceability Limitations” means, with respect to the enforceability of any agreement against any Person, (i) such limitations on enforceability as may result from applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors’ rights generally and (ii) that the availability of the remedy of specific performance or injunctive or other forms of equitable relief may be subject to equitable defenses and would be subject to the discretion of the court before which any proceeding therefor may be brought.

“Environmental Condition” means any condition with respect to the environment (including the air, water, groundwater, surface water and land), whether or not yet discovered, which could or does result in any damage, loss, cost, expense, claim, demand, order or liability to or against any Person by any third party or governmental authority, including any condition resulting from the ownership of any Purchased Assets, operation of the Business or any activity or operation formerly conducted by any Person on or off any of the Business Locations.

“Environmental Laws” means any applicable Law relating to the protection of human health, safety or the environment including: (i) all requirements pertaining to reporting, licensing, permitting, controlling, investigating or remediating emissions, discharges, releases or threatened releases of Hazardous Materials, whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, whether solid, liquid or gaseous in nature; and (ii) all requirements pertaining to the protection of the health and safety of employees or the public from exposure to Hazardous Materials.

“Environmental Liabilities” means, regardless of whether any of the following are contained in any disclosure schedule to this Agreement or otherwise disclosed to Buyer prior to the Closing, any and all Damages asserted against or incurred by Buyer arising out of or related to (i) Environmental Conditions relating to or arising from the presence, Release, threat of Release, Management or exposure first occurring prior to the Closing Date of Hazardous Materials at, on, in or under any of the Business Locations, whether into the air, soil, ground or surface waters on-site or off-site or arising from the off-site transportation, storage, treatment, recycling or disposal of Hazardous Materials Managed or Released by Seller or any of its Affiliates or predecessors; or (ii) any violation by Seller of any Environmental Law with respect to periods prior to the Closing Date (including without limitation costs and expenses for pollution control or monitoring equipment required to bring the Business into compliance with Environmental Laws and fines, penalties and defense costs incurred for such reasonable time after the Closing as it takes Buyer to come into compliance). For purposes of this definition, “Business Locations” shall be deemed to include the Business Locations and any Purchased Assets located thereat and includes all environmental media on which or in which the Business Locations are located.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means (i) any corporation included with Seller in a controlled group of corporations within the meaning of Section 414(b) of the Code; (ii) any trade or business (whether or not incorporated) which is under common control with Seller within the meaning of Section 414(c) of the Code; (iii) any member of an affiliated service group of which Seller is a member within the meaning of Section 414(m) of the Code; or (iv) any other Person treated as an affiliate of Seller under Section 414(o) of the Code.

“Excluded Assets” means the properties and assets of Seller expressly excluded from the Purchased Assets by Section 2.2.

“Excluded Contracts” shall have the meaning set forth in Section 2.2(e).

“Excluded Liabilities” shall have the meaning set forth in Section 2.3(b).

“Final Order” shall mean an order or judgment of the Bankruptcy Court or any other court of competent jurisdiction as entered on the docket in the Chapter 11 Proceeding or the docket of any such court, the operation or effect of which has not been stayed, reversed, or amended and as to which order or judgment (or any revision, modification, or amendment thereof) the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which any appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the parties, or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall have been determined by the highest court to which such order was appealed, or certiorari, reargument, or rehearing shall have been denied or resulted in no modification of such order and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired.

“Financial Statements” shall have the meaning set forth in Section 3.4.

“Fixtures and Equipment” means all of the machinery and equipment (including telephone lines and telecommunication equipment), fixtures (including any racking), improvements, tooling, supplies, tools and any other capital items (i) located at any of the Assigned Store Locations, (ii) located at any of the Other Business Locations or (iii) which are in transit to or temporarily removed from a location specified in clause (i) or (ii) above and which would otherwise be included among the items described in clause (i) or (ii) above, as they may be subject to ordinary course adjustments from time to time on Seller’s books and records.

“Franchise Manuals” mean as of any date the then-current versions of the following publications of Buyer (or its Affiliate) with respect to the operation of franchised Aaron’s rental locations operated by Seller in effect as of such date: the Pre-Opening Manual, the Pathway Manual and the Renewal Manual.

“Franchise Termination Agreement” shall have the meaning set forth in Section 2.4(c)(vii).

“GAAP” shall have the meaning set forth in Section 3.4.

“Governmental Permits” shall have the meaning set forth in Section 2.1(k).

“Hazardous Materials” means any hazardous, toxic or polluting materials, substances, wastes, pollutants or contaminants (including, without limitation, petroleum, petroleum products, radioactive materials, asbestos, or asbestos-containing materials) which are defined by or regulated under any Environmental Law.

“including” or any variation thereof means “including without limitation” and the term “including” or any variation thereof shall not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it.

“Insurance Deposit” means the Seller’s deposit on hand from time to time with Millennium Insurance Col, Ltd. or affiliates relating to insurance coverages provided to Seller.

“knowledge”, “aware” and derivations of those words and similar words, when used with respect to Seller, means the actual knowledge of Randall C. Sultan.

“Law” means any applicable domestic or foreign, federal, state or local statute, law, ordinance, common law, policy, guidance, rule, administrative interpretation, regulation, order, writ, injunction, directive, judgment, decree or other legal requirement, of any government or governmental authority.

“Lease Assignment” shall have the meaning set forth in Section 2.4(c)(iv).

“Leased Personal Property” means the personal property leased by Seller pursuant to a Personal Property Lease.

“Licenses” shall have the meaning set forth in Section 2.1(h).

“Manage” or “Management”, when used with respect to Hazardous Materials, means to use, possess, generate, treat, manufacture, process, handle, store, recycle, transport or dispose of.

“Material Adverse Effect” means, and the correlative terms “material” and “materiality” mean, with respect to the Business or Buyer, any circumstance, fact, condition, change or event which, individually or in the aggregate with any other circumstance or event, is material and adverse to the Business or the Purchased Assets, together with such business or such party’s subsidiaries, taken as a whole, provided that in determining whether there has been a Material Adverse Effect, any adverse effects directly resulting from or directly attributable to any of the following (either alone or in combination with other such like circumstances or events) shall be disregarded: (i) general economic conditions in the United States; (ii) general conditions in the industry in which the Business operates which conditions do not affect the Business in a disproportionate manner, (iii) any action required or expressly permitted by this Agreement or any action taken (or omitted to be taken) with the written consent of or at the written request of Buyer, (iv) any matter of which Buyer is aware on the date hereof including without limitation the Chapter 11 Proceeding; (v) the announcement, pendency or completion of the transactions contemplated by this Agreement, including losses or threatened losses of employees, customers, suppliers, distributors or others having relationships with the Seller Parties and the Business, and (vi) the announcement or pendency of this Agreement, or rumors or leaks related thereto concerning the anticipated consummation of the transactions contemplated hereby, including the impact thereof on relationships, contractual or otherwise, with employees, customers, suppliers, distributors or partners.

“Merchandise” shall have the meaning set forth in the Introduction.

“Order” means any order, writ, injunction, directive, judgment, decree, consent decree, compliance order, administrative order or other legal requirement applicable to Seller, the Business or any Purchased Assets.

“Other Business Location” means each location of a showroom, warehouse, clearance center or repair/service center used in the Business (but which is not an Assigned Store Location) and listed on Schedule 2.1A-2.

“Pension Plan” shall have the meaning set forth in Section 3.16(c).

“Permitted Encumbrances” means (i) liens for Taxes not yet due and payable, (ii) mechanics, carriers’, workmen’s, repairmen’s or other like liens arising or incurred in the ordinary course of business and relating to amounts not yet due and payable and (iii) easements, rights of way, zoning ordinances and other similar encumbrances affecting any real property.

“Person” means and includes any individual, corporation, limited liability company, partnership, firm, association, joint venture, joint stock company, trust or other entity, or any government or regulatory administrative or political subdivision or agency, department or instrumentality thereof.

“Personal Information” means any information that identifies, relates to, describes, or is capable of being associated with, a particular individual, including his or her name, signature, social security number, physical characteristics or description, address, email address, telephone number, passport number, driver’s license or state identification card number, insurance policy number, education, employment, employment history, bank account or other financial institution account number, credit card number, debit card number, or financial, Tax, medical or health information, demographic information (including gender, zip code and year of birth) or any similar sensitive personal information.

“Personal Property Lease” means any contract, agreement, lease, sales order and instrument by which Seller leases from a third party any items which are Purchased Assets (other than real property and motor vehicles).

“Post-Closing Tax Period” means any Tax period beginning after the Closing Date and that portion of a Straddle Period beginning after the Closing Date.

“Pre-Closing Tax Period” means any Tax period ending on or before the Closing Date and that portion of any Straddle Period ending on the Closing Date.

“Proceeding” means any demand, action, suit, claim, proceeding, audit, complaint, grievance, charge, inquiry, hearing, arbitration or governmental investigation of any nature, public or private.

“Property Taxes” means all real property Taxes, personal property Taxes and similar ad valorem Taxes.

“Proprietary Information” means inventions, discoveries, patentable subject matter, patents, patent applications, industrial models, industrial designs, trade secrets, trade secret rights, software, works, copyrightable subject matter, copyright rights and registrations, know-how and show-how, whether or not protectable by patent, copyright or trade secret, trademarks, trade names, service marks, emblems, logos, insignia and related marks and registrations, specifications, technical manuals and data, blueprints, drawings, proprietary processes, product information, development work-in-process and licenses granted by third parties to use any of the foregoing.

“Purchase Price” means the payment to be made in consideration for the Purchased Assets as provided in Section 2.5(a).

“Purchased Assets” shall have the meaning set forth in Section 2.1.



“Related Party” means any officer or director of Seller or any Affiliates of Seller, any beneficial owner of 10% or more of the outstanding voting capital stock of Seller, or any Person in which any officer or director or beneficial owner of 10% or more of the outstanding capital stock of Seller or any Affiliate or associate or relative of any such Persons has any direct or material indirect interest.

“Release” means the release, spill, leak, discharge, disposal of, pumping, pouring, emitting, emptying, injection, leaching, dumping or allowing to escape of any Hazardous Material.

“Rental Contract” shall have the meaning set forth in Section 2.1(f).

“Rental Inventory” shall have the meaning set forth in Section 2.1(e).

“Rental Merchandise” means all Merchandise which is (i) subject to a Rental Contract or otherwise on lease to a customer of the Business, (ii) located at an Assigned Store Location or (iii) located at an Other Business Location.

“Schedule Supplement” shall have the meaning set forth in Section 5.6.

“Seller” shall have the meaning set forth in the Introduction.

“Seller Parties” and “Seller Party” shall have the meaning set forth in the Introduction.

“Settlement Agreement” means that certain Settlement Agreement, dated October 3, 2018, by and among Seller; Randall C. Sultan; Patricia E. Sultan; Buyer; and CB&T.

“Straddle Period” means any Tax period beginning on or before and ending after the Closing Date.

“Subsidiary” means as to any Person, a corporation or other entity of which shares of stock or other equity ownership interests having ordinary voting power to elect a majority of the board of directors or other managers of such corporation or other entity are at the time owned, directly or indirectly, through one or more intermediaries, or both, by such Person.

“Taxes” means all federal, state, local, foreign and other net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, lease, service, add on or alternative minimum tax, escheat, occupancy, withholding, payroll, employment, excise, severance, stamp, value added, occupation, premium, property (including, without limitation, real property taxes and any assessments, special or otherwise), windfall profits, customs, duties or other taxes, fees, assessments or charges of any kind whatever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto (and “Tax” means any one of the foregoing Taxes).

“Tax Law” means a statute, regulation or administrative rule or judicial opinion enacted, issued or promulgated for the determination, imposition, assessment or collection of any Tax.

“Tax Return” shall mean any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Transaction Documents” means the following agreements to be entered into between Buyer and Seller: a bill of sale, the Assumption Agreement, the Lease Assignment, the Franchise Termination Agreement, and the Transition Services Agreement.

“Transaction Expense” means any liability of the Seller Parties incurred in connection with the negotiation, preparation or execution of this Agreement or the other Transaction Documents, the performance of Seller Parties and any of their respective Affiliates’ obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby (including any fees, costs and expenses incurred by Seller on behalf of the Owners or any employee of Seller or any of their subsidiaries), specifically including (i) all fees or expenses associated with obtaining necessary or appropriate waivers, consents or approvals of any governmental entity or other Person, (ii) all fees of brokers, finders or investment bankers, (iii) all fees and expenses of counsel, auditors, accountants, consultants and experts, and (iv) all sale, change-of-control, prepayment, termination, severance, stay, retention, annual incentive, sign-on or similar bonuses, fees or payments (including all costs, payments and fees payable to current or former directors, managers, governors, partners, employees, consultants or other vendors or service providers of Seller in connection with the termination of service or any Contracts) paid as a result (in whole or in part) of or in connection with the transactions contemplated by this Agreement, including payments that vest, partially vest, or become payable after Closing in whole or in part due to the Closing or otherwise due to the transactions contemplated hereby, even if full vesting or payment thereof is subject to additional contingencies or conditions (including a termination of service), and including any “gross-up” payment, payroll or other Taxes, Benefit Plan contributions or other costs or expenses incurred or payable by Seller in connection therewith.

“Transfer Taxes” shall have the meaning set forth in Section 5.13(c).

“Transferred Employee” shall have the meaning set forth in Section 5.3(a).

“Transferred Purchase Orders” shall have the meaning set forth in Section 2.1(g).

“Transferred Real Estate Interests” means Seller’s rights to the land, building and improvements with respect to each Business Location. For the avoidance of doubt, “Transferred Real Estate Interest” shall not include an Owner’s rights to the land, building and improvements with respect to any Business Location.

“Transferred Real Estate Lease” means each of the leases with respect to the Business Locations.

“Transferred Registered Motor Vehicle Leases” shall have the meaning set forth in Section 2.1(c).

“Transferred Registered Motor Vehicles” shall have the meaning set forth in Section 2.1(c).

“Transition Services Agreement” shall have the meaning given in Section 2.4(c)(viii).

“Utility Deposit” means the Adequate Assurance Deposit, in the amount of \$21,091.56, placed by Seller into a segregated account pursuant to the *Order Granting Debtor's Emergency Motion For Order: (1) Deeming Utility Companies Adequately Assured Of Future*

*Performance; (2) Establishing Procedures For Requests For Additional Assurance; (3) Restraining Utility Companies From Discontinuing, Altering, Or Refusing Service; And (4) Providing For Related Relief*, entered by the Bankruptcy Court on July 18, 2018.

## ARTICLE II.

### SALE OF ASSETS

2.1. Purchase and Sale. Upon the terms and subject to the conditions of this Agreement and in reliance upon the representations and warranties contained herein, on the Closing Date, Seller shall sell, transfer, assign, convey and deliver to Buyer, and Buyer shall purchase from Seller, free and clear of all Encumbrances, other than Permitted Encumbrances, all of Seller's right, title and interest in and to the Purchased Assets and the goodwill related thereto, as the same shall exist on the Closing Date. For purposes of this Agreement, "Purchased Assets" shall mean all of the assets, properties and rights set forth or described in Section 2.1(a) through (p), inclusive, or otherwise reflected in Seller's books and records as held for use in the Business (except in each case for the Excluded Assets), wherever such assets, properties and rights are located and whether such assets are real, personal or mixed, tangible or intangible, matured or unmatured, known or unknown, contingent or fixed, and whether or not any of such assets have any value for accounting purposes or are carried or reflected on or specifically referred to in Seller's books or financial statements:

(a) the Transferred Real Estate Interests;

(b) all of the Fixtures and Equipment and any rights to the warranties and licenses received from the manufacturers and distributors of the Fixtures and Equipment and to any related Claims, credits, rights of recovery and set-off with respect to such items, including any such Fixtures and Equipment which are Leased Personal Property and the Personal Property Leases associated therewith;

(c) (1) the motor vehicles indicated on Schedule 2.1C (the "Transferred Registered Motor Vehicles"), and (2) all other motor vehicles not registered to operate on public highways, including self-propelled carts and other motorized lifting, material handling or transporting equipment and all spare parts, fuel and other supplies, tools and other items used in the operation or maintenance of any of the foregoing (i) located at the Assigned Store Locations, (ii) located at the Other Business Locations, (iii) which are in transit to or temporarily removed from a location specified in clause (i) or (ii) above and which would otherwise be included among the items described in clause (i) or (ii) above, and (iv) any rights to the warranties received from suppliers or manufacturers of such items described in clauses (i), (ii) or (iii), and any related Claims, credits, rights of recovery and set-off with respect thereto, including without limitation all such vehicles, spare parts, fuel and other supplies, tools and other items and other rights set forth on Schedule 2.1C, and together with any documents of title or leases (any such leases, the "Transferred Registered Motor Vehicle Leases") with respect thereto, as applicable;

(d) all of the furniture and office equipment, including desks, tables, chairs, file cabinets and other storage devices, communications equipment, computer hardware or other information technology equipment (to the extent owned by Seller), installed software (but not including any type of software that could be utilized for user tracking, monitoring, keystroke logging, webcam recording, kill switch activating or any other similarly situated functionality, including but not limited to software known as "PC Rental Agent"), office supplies and other tangible personal property not constituting Fixtures and Equipment (i) located at the Assigned

Store Locations, (ii) located at the Other Business Locations or (iii) which are in transit to or temporarily removed from the Business Locations and which would otherwise be included among the items identified in clause (i) or (ii) above, including any such items which are Leased Personal Property and the Personal Property Leases associated therewith;

(e) all Rental Merchandise (i) subject to a Rental Contract or otherwise on lease to a customer of the Business, (ii) located at an Assigned Store Location or (iii) located at an Other Business Location (collectively, the "Rental Inventory"), and any rights to the warranties received from suppliers and any related Claims, credits, rights of recovery and set-off with respect to such Rental Inventory;

(f) all contracts, leases or other agreements for the rental or lease of Rental Merchandise (the "Rental Contracts") and Customer Deposits related thereto;

(g) all contracts, agreements, leases, sales orders and instruments which relate to the Business (including purchase orders or other contracts, agreements or instruments for the purchase of Merchandise or other goods for use in the Business), provided, however, that Buyer shall acquire hereunder purchase orders or other such contracts, agreements or instruments for the purchase of Merchandise or other goods for use in the Business (collectively, "Transferred Purchase Orders") only to the extent that such Transferred Purchase Orders are listed on Schedule 2.1G) (such Transferred Purchase Orders, the Rental Contracts, the Personal Property Leases, the Transferred Registered Motor Vehicle Leases and the Transferred Real Estate Leases collectively, the "Contracts"), including:

(i) for the provision (by Persons other than Seller or any Affiliate of Seller) of services used or available for use in the conduct of the Business, including but not limited to all (A) telephone numbers (including but not limited to such telephone numbers themselves, to the extent that such numbers constitute assets of Seller or an Affiliate of Seller) and associated online or other directory listings and advertising with respect to each of the Assigned Store Locations, (B) Internet and other data transmission service provider accounts, contracts and agreements with respect to each of the Assigned Store Locations and (C) electric, water, gas and other utilities with respect to each of the Business Locations; and

(ii) those which restrain or restrict any Person from directly or indirectly competing with the Business or from disclosing confidential or Proprietary Information relating to the Business;

(h) all rights under the licenses, agreements and other written arrangements under which the Business uses or has the right to use any of the intangible or proprietary rights of a third party, and which are used or held for use in the conduct of the Business (the "Licenses");

(i) all mailing lists, customer lists, supplier lists, sales and marketing or packaging materials, equipment maintenance records, warranty information, manuals of operation, and other similar proprietary or confidential information of Seller used or held for use in the conduct of the Business, and with respect to the Business Locations, all building plans, blueprints, renderings or surveys, if any building plans, blueprints, renderings or surveys exist and are held by Seller or otherwise located at the Business Locations;

(j) all books and records of the Business including, without limitation, all discs, tapes and other media storing data and other information and all of the non-proprietary

software and information management systems and any other software and operational and information management systems located at the Business Locations and used or held for use in the conduct of the Business, including any documentation and manuals related thereto and excluding any information obtained through any installed software utilized for user tracking, monitoring, keystroke logging, webcam recording, kill switch activating or any other similarly situated functionality, including but not limited to PC Rental Agent;

(k) all of the governmental permits, licenses, certificates of inspection, certificates of occupancy, building permits, variances and other licenses or permits relating to the use of the Business Locations, approvals or other authorizations issued with respect to the Business and which are used in, or otherwise necessary or material to, the operation of the Business, the use of the Business Locations, or the conduct of the Business at the Business Locations by Buyer, or which are otherwise required by law to be transferred to Buyer (the "Governmental Permits"), except for any Governmental Permits for which transfer is not permitted by law or the issuing authority;

(l) all trademarks, service marks, copyrights, copyrightable materials and trade secrets owned by Seller with respect to the Business and identified on Schedule 2.1L, together with the goodwill associated therewith, and all renewals, modifications and extensions thereof;

(m) all Accounts Receivable;

(n) refundable deposits of Seller of any kind, including but not limited to security deposits for Transferred Real Estate Leases and Transferred Registered Motor Vehicle Leases, but excluding the Utility Deposit and the Insurance Deposit;

(o) an amount of cash equal to the aggregate amount of Customer Deposits outstanding as of the Effective Time (the "Customer Deposit Amount"); and

(p) all of the rights, Claims or causes of action of Seller against third Persons solely to the extent they relate to the Purchased Assets or the Assumed Liabilities, but excluding claims arising in or from Chapter 5 of the Bankruptcy Code in the Chapter 11 Proceeding.

2.2. Excluded Assets. It is hereby expressly acknowledged and agreed that the Purchased Assets shall not include, and Seller is not selling, transferring or assigning to Buyer, and Buyer is not purchasing or acquiring from Seller, the following (the properties and assets expressly excluded by this Section 2.2 being referred to herein as the "Excluded Assets"):

(a) any of Seller's investment accounts;

(b) any of Seller's cash in excess of the Customer Deposit Amount, cash equivalents, bank accounts and securities of Seller;

(c) any Claim, right or interest of Seller in and to any refund for Taxes, governmental fees or other like assets or charges of any kind whatsoever, together with any interest due Seller thereon, for any periods prior to the Closing Date;

(d) all assets (including assets set aside in trust) of, attributable or related to any Benefit Plan;

(e) all of the Contracts set forth on Schedule 2.2E and any purchase orders or other contracts, agreements or instruments for the purchase of Merchandise or other goods for use in the Business entered into prior to the Closing which are not Transferred Purchase Orders (collectively, the "Excluded Contracts");

(f) Seller's minute books, stock and equity ledgers and records, and similar organizational and company records and all employee-related or employee benefit-related files or records other than personnel files of Transferred Employees;

(g) Seller Parties' rights under this Agreement and any Transaction Document, and the consideration to be paid thereunder;

(h) all of the rights, Claims or causes of action, and rights to indemnification, of Seller against third Persons to the extent they relate to the Excluded Assets or the Excluded Liabilities;

(i) all insurance policies of Seller and all rights to applicable claims and proceeds thereunder, including the Insurance Deposit;

(j) all trademarks, service marks, copyrights, copyrightable materials and trade secrets owned by Seller not identified on Schedule 2.1L, together with the goodwill associated therewith, and all renewals, modifications and extensions thereof;

(k) all Tax assets (including Tax refunds and prepayments) of Seller and its Affiliates;

(l) [intentionally deleted];

(m) all assets, properties and rights used by Seller exclusively in its businesses other than the Business, to the extent described on Schedule 2.2M, but with the understanding that no assets located at any of the Assigned Store Locations and no delivery vehicles used in the Business shall be included on Schedule 2.2M;

(n) the Utility Deposit;

(o) claims arising in or from Chapter 5 of the Bankruptcy Code in the Chapter 11 Proceeding;

(p) any proprietary or confidential information of Seller used or held for use in the conduct of the Business obtained through any installed software utilized for user tracking, monitoring, keystroke logging, webcam recording, kill switch activating or any other similarly situated functionality, including but not limited to PC Rental Agent;

(q) all of the furniture and office equipment, including desks, tables, chairs, file cabinets and other storage devices, communications equipment, computer hardware or other information technology equipment (to the extent owned by Seller), installed software, office supplies and other tangible personal property not constituting Fixtures and Equipment, located at 11150 W. Olympic, Suite 600, Los Angeles, California and which has never been used at, or located in, any Business Location; and

(r) the other assets and properties described on Schedule 2.2N.

2.3. Assumed Liabilities; Excluded Liabilities.

(a) On the Closing Date, Buyer shall execute and deliver to Seller an assumption agreement in the form attached as Exhibit D hereto (the "Assumption Agreement") pursuant to which Buyer shall assume and agree to pay, perform or otherwise discharge, in accordance with their respective terms and subject to the respective conditions thereof and subject to the provisions of Sections 2.3(b), the following liabilities and obligations of Seller (collectively, the "Assumed Liabilities"): (i) all of the liabilities and obligations of Seller under the Contracts, the Licenses and the Governmental Permits (excluding the Excluded Contracts and the Excluded Licenses) (collectively, the "Assumed Contracts") to be performed on or after the Closing Date, to the extent such liabilities and obligations of Seller arose on or after the Closing Date (except with respect to Rental Contracts transferred to Buyer hereunder, in which case Buyer will assume all liabilities and obligations, including liabilities and obligations for Customer Deposits up to the amount of the Customer Deposit Amount, other than those related to or resulting from a violation of applicable Law (including with respect to any fines, penalties or other Damages resulting therefrom), or a breach of such Contract or default thereunder by Seller prior to the Closing), (ii) all of the liabilities and obligations of Seller related to the class action filed by Crystal Byrd, (iii) all Transfer Taxes and (iv) the Assumed PTO. At the Closing, Buyer shall also assume and agree to pay, perform or otherwise discharge, in accordance with their respective terms and subject to the respective conditions thereof, any liabilities or obligations of the Owners with respect to any personal guaranty of Owners of any of the Assumed Liabilities.

(b) Other than the Assumed Liabilities, Buyer shall not assume or be obligated to pay, perform or otherwise assume or discharge any obligations or liabilities of Seller or any of Seller's Affiliates, whether or not related to the Business and whether direct or indirect, known or unknown, or absolute or contingent (all of such obligations and liabilities not so assumed being herein called the "Excluded Liabilities"), including, without limitation, the following:

(i) any intercompany payables and liabilities or obligations of Seller to any of its Affiliates;

(ii) any liabilities or obligations in respect of Excluded Assets, including any liability or obligation arising from any attempt by Seller to formally reject in the Chapter 11 Proceeding any Contracts that are Excluded Assets, whether or not such liability or obligation arises before or after the Closing Date;

(iii) any Debt;

(iv) any liabilities for Taxes related or attributable to the operation of the Business or ownership of the Purchased Assets before the Closing Date;

(v) [intentionally deleted];

(vi) any liability for any Taxes of (i) Seller or (ii) any other Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee or successor, by Contract or otherwise;

(vii) any actual or alleged (i) violation of applicable Law with respect to conduct prior to the Closing Date, (ii) breach of contract or warranty occurring prior to the Closing Date, (iii) Seller's tortious conduct or (iv) claims predicated on strict liability or any

similar legal theory, including any product liability claim arising out of any product sold or service rendered prior to the Closing Date;

(viii) any liabilities or obligations of Seller or any ERISA Affiliate to, related or in any way associated with the Business Employees or any other present or former employees, officers, directors, managers, consultants, independent contractors and/or other individual service providers of Seller or any ERISA Affiliate (or any dependent or beneficiary thereof), including, without limitation, any such liabilities or obligations (i) arising out of, related or in any way associated with their employment relationship or termination thereof with Seller or any ERISA Affiliate, (ii) arising at any time under or in connection with any Benefit Plan or collective bargaining agreement, or (iii) arising in connection with or as a result of the transactions contemplated by this Agreement (whether or not such individual becomes a Transferred Employee) (excluding, for clarity, the Assumed PTO);

(ix) any Transaction Expenses of Seller Parties;

(x) any Environmental Liabilities;

(xi) all other liabilities, commitments or obligations of or Claims against the Business to the extent existing, or arising out of any fact or set of operative facts existing, prior to the Closing Date, whether known or unknown, contingent or otherwise, including, without limitation, product liability, warranty, indemnification of officers and directors or litigation; and

(xii) any liability or obligation under any Assumed Contract to the extent such liability or obligation relates to any period prior to the close of business on the date prior to the Closing Date (including under any purchase orders or other contracts, agreements or instruments for the purchase of Merchandise or other goods for use in the Business entered into prior to the Closing which are not Transferred Purchase Orders), including any liability or obligation for any breach of or default under any Assumed Contract which liability or obligation relates to any such breach or default occurring prior to the close of business on the date prior to the Closing Date and any Cure Amounts.

#### 2.4. The Closing.

(a) The closing ("Closing") of the purchase and sale of the Purchased Assets shall take place on the date that is at least 14 days after entry of an order by the Bankruptcy Court approving this Agreement and the Settlement Agreement, or such other date mutually agreeable to the parties (the "Closing Date"), by the exchange all Closing documents by email or facsimile, with original Closing documents to be promptly exchanged by overnight courier or personal delivery. The Closing shall be deemed effective for all purposes as of 12:01 a.m. Pacific Time on the Closing Date (the "Effective Time").

(b) [*intentionally deleted.*]

(c) At Closing, Seller shall deliver or cause to be delivered to Buyer the following:

(i) a certificate from the Secretary of Seller, dated as of the Closing Date, attesting to the (A) resolutions of the managers or other governing body of Seller and the Owners authorizing the execution, delivery and performance of this Agreement and the



Transaction Documents; (B) incumbency of the officers executing this Agreement and any Transaction Document on behalf of Seller; and (C) payment of all Cure Amounts associated with the Assumed Contracts;

(ii) such bills of sale, endorsed certificates of title, conveyance documents, Tax clearances and other documents, instruments, and certificates in connection with the transactions contemplated by this Agreement, as Buyer may reasonably request, in form and substance reasonably acceptable to Buyer;

(iii) [intentionally deleted];

(iv) duly executed counterparts of an omnibus assignment and assumption agreement in substantially the form of Exhibit A with respect to the Transferred Real Estate Leases (the "Lease Assignment");

(v) a reasonably current good standing certificate (or its equivalent) for Seller from the Secretary of State of California;

(vi) [intentionally deleted];

(vii) duly executed counterparts of a franchise termination agreement in substantially the form of Exhibit B (the "Franchise Termination Agreement");

(viii) duly executed counterparts of a transition services agreement in substantially the form of Exhibit C (the "Transition Services Agreement");

(ix) duly executed counterparts of the Assumption Agreement;

(x) a properly executed affidavit prepared in accordance with Treasury Regulations Section 1.1445-2(b) certifying Seller's non-foreign status;

(xi) duly executed counterparts of such other Transaction Documents to which any Seller Party is a party; and

(xii) a certified copy of an order of the Bankruptcy Court approving Seller's entry into this Agreement and the Settlement Agreement and authorizing and directing Seller to assume and assign to Buyer the Assumed Contracts.

(d) At Closing, Buyer shall:

(i) pay, on behalf of Seller, by wire transfer of immediately available funds, the Purchase Price to CB&T pursuant to wiring instructions or other payment instructions provided by CB&T;

(ii) deliver duly executed counterparts of the Franchise Termination Agreement and the Lease Assignment;

(iii) deliver a duly executed counterpart of the Transition Services Agreement;

(iv) deliver a duly executed counterpart of the Assumption Agreement;

(v) deliver duly executed counterparts of such other Transaction Documents to which Buyer is a party; and

(vi) deliver evidence reasonably satisfactory to Seller and its counsel that Buyer has the authority to execute and deliver the Transaction Documents and be bound by same.

#### 2.5. Purchase Price.

(a) The purchase price (the "Purchase Price") for the Purchased Assets and the other agreements of the Seller Parties stated herein shall be equal to thirteen million dollars (\$13,000,000.00). At the Closing, Buyer shall pay to CB&T, on behalf of Seller, the Purchase Price by wire transfer of immediately available funds to an account designated in writing by CB&T.

#### 2.6. Further Assurances.

(a) From time to time following the Closing, Seller shall execute and deliver, or cause to be executed and delivered, to Buyer such additional instruments of conveyance and transfer as Buyer may reasonably request to convey or transfer to, and vest in, Buyer and put Buyer in possession of, any part of the Purchased Assets. With respect to each Transferred Real Estate Lease, Seller shall at its cost and expense obtain the release of any Additional Utility Encumbrance with respect thereto on or as soon as reasonably practicable after the Closing Date.

#### 2.7. *[Intentionally Deleted.]*

2.8. Apportionment at Closing Date. At the Closing or on a date thereafter agreed to by Buyer and Seller (the "Apportionment Date"), subject to Section 5.13(b), the parties shall make without duplication the usual and customary closing adjustments with respect to the conveyance of the Business Locations as of the Closing Date and the usual adjustments relating to the Business as of the Closing Date, including prepaid lease payments, security and other deposits (including, without limitation, any such deposits included in the Purchased Assets pursuant to Section 2.1(n)), rents, local improvements charges, assessments (special and ordinary), sewer impost charges, utility charges, water rents, monthly maintenance charges, rebates and royalties, and prepaid expenses with any public utility or any municipal, governmental or other public authority, wages and any other ongoing charges, and all such payments and charges shall be apportioned and adjusted as of the Closing Date, and on the Apportionment Date the net amount thereof shall be pro rata paid by Seller to Buyer or paid by Buyer to Seller, as the case may be. Such amounts shall also include such items as common area maintenance due under any Transferred Real Estate Lease which may be charged retrospectively by the applicable landlord under certain of the Transferred Real Estate Leases after the Closing, which amounts shall be prorated for periods prior to the Closing. Any such apportionments and adjustments may be based on reasonable estimates and shall be subject to correction for any errors or omissions or subsequent invoices that subsequently may be discovered or received, provided that the party discovering such error or omission or receiving such invoice provides written notice of same to the other party detailing such and basis for the correction to such apportionment or adjustment. Such other party shall, within 15 days after receipt of such notice, reimburse the party delivering such notice for the full amount of such error, omission or invoiced expense. Any such adjustments shall be treated as adjustments to the consideration paid by Buyer for Tax purposes.

2.9. Withholding. Buyer shall be entitled to deduct and withhold from the consideration otherwise payable under Section 2.5(a) to Seller or any other Person such amounts as Buyer is required to deduct and withhold under the Code, or any Tax Law, with respect to the making of such payment. To the extent that amounts are so withheld and paid to the applicable governmental authority, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of whom such deduction and withholding was made.

### ARTICLE III.

#### REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the Disclosure Schedules, Seller represents and warrants to Buyer as follows as of the date hereof:

3.1. Organization and Authority. Seller is a corporation and is duly organized, validly existing and in good standing under the laws of the state of California and, subject to Bankruptcy Court approval, has the requisite corporate power and corporate authority to execute and deliver this Agreement and the Transaction Documents to which it is a party and effect the transactions contemplated hereby and thereby and has duly authorized the execution, delivery and performance of this Agreement and the Transaction Documents by the requisite corporate action. Seller has the requisite corporate power and authority to carry on the Business as now conducted and to own or lease and operate its properties as and in the places where such Business is now conducted and such properties are now owned, leased or operated.

3.2. Authorization; Binding Obligation. Each of this Agreement and the Transaction Documents has been duly executed and delivered by Seller and, subject to the approval of the Bankruptcy Court and assuming due authorization, execution and delivery by Buyer, each of this Agreement and the Transaction Documents is the valid and legally binding obligations of Seller, enforceable against it in accordance with their terms, except as limited by the Enforceability Limitations.

3.3. No Violations. Except as disclosed on Schedule 3.3:

(a) Subject to the approval of the Bankruptcy Court, the execution, delivery and performance of this Agreement and each of the Transaction Documents by Seller and the consummation of the transactions contemplated hereby and thereby do not and will not (i) result in a breach or violation of any provision of the governing documents of Seller or in a material violation of any Law applicable to Seller, (ii) except as set forth in Section 3.3(b) and any violations and/or breaches resulting from the Chapter 11 Proceeding, violate or result in a material breach of or constitute an event of default (or an event which might, upon the passage of time or the giving of notice, or both, constitute an event of default) under any provision of, result in acceleration or cancellation of any obligation under, or give rise to a right by any party to terminate or amend its obligations under, any mortgage, deed of trust, conveyance to secure debt, note, loan, indenture, lien, material Contract, Transferred Real Estate Lease, License, Governmental Permit, instrument, order, judgment or decree or other material arrangement or commitment (x) to which Seller is a party and which violation, material breach or default could be reasonably expected to have a Material Adverse Effect on the Business or (y) which violation, material breach or default could be reasonably expected to materially and adversely affect the performance by Seller of its obligations under this Agreement.

(b) Other than Bankruptcy Court approval, no consent, approval, order or authorization of, or registration, declaration or filing with, any Person is required by Seller in connection with the execution and delivery of this Agreement, the Transaction Documents or the consummation of the transactions contemplated hereby or thereby, except for (i) consents of third Persons which are required to transfer or assign to Buyer any Purchased Assets or assign the benefits of or delegate performance with regard thereto, which consents, to the extent they are material, are disclosed on Schedule 3.3(b); and (ii) such consents, approvals, orders or authorizations, registrations, declarations or filings which are not material to the Business.

3.4. Financial Statements. Attached hereto as Schedule 3.4 are the reviewed balance sheets as of and statements of operations and statements of cash flows for the years ended December 31, 2016, and December 31, 2015 and the unaudited balance sheet as of and statement of operations and statement of cash flows as of and for the four-month period ended June 30, 2018 (collectively, the "Financial Statements"), for the Seller. To Seller's knowledge, the Financial Statements (a) have been prepared in accordance with accounting practices generally accepted in the United States of America ("GAAP") (except that the interim period financial statements do not have notes thereto) applied on a consistent basis throughout the periods indicated, and (b) present fairly the consolidated financial condition and results of operations and cash flows of Seller as of the dates and for the periods indicated therein (subject, in the case of interim period financial statements, to normally recurring year-end adjustments, none of which individually or in the aggregate are material). There has been no material change in Seller's accounting policies since December 31, 2017, except as described in the Financial Statements.

3.5. Title to Assets. (a) Except as disclosed on Schedule 3.5(a), Seller has good and valid title to (or in the case of the Leased Personal Property, a valid leasehold interest therein) all of the Purchased Assets, including the Transferred Registered Motor Vehicles, free and clear of any Encumbrance except for Permitted Encumbrances. All of the tangible Purchased Assets are located at a Business Location or in the possession of customers of the Business.

(b) Seller has made available to Buyer a copy of each Personal Property Lease, together with the most current invoice received by Seller from each such third party lessor. Neither Seller or, to Seller's knowledge, its officers, managers, Owners or Affiliates have any commitment or legal obligation, absolute or contingent, to any other Person other than Buyer to sell, assign, transfer or effect a sale of any of the Purchased Assets (other than Merchandise in the ordinary course of business), including through any consolidation, liquidation or dissolution of Seller or any Affiliate of Seller, or to enter into any agreement or cause the entering into of any agreement with respect to any of the foregoing.

(c) No Related Party owns or has an interest in any Purchased Asset except as set forth on Schedule 3.5(c).

3.6. Condition of Rental Merchandise. Subject to normal and customary reserves for obsolescence and losses, and except for normal wear and tear that does not affect the ability of Seller to sell or lease Rental Merchandise to customers, to Seller's knowledge, the Rental Inventory is usable and rentable in the ordinary course of the Business at standard lease rates consistent with Aaron's Protocols and is of merchantable quality. The values at which Seller's Rental Inventory is reflected on the most recent balance sheet of Seller contained in the Financial Statements or, in the case of Rental Inventory acquired following the date thereof, on the books and records of Seller, reflect the normal inventory valuation policy of Seller, which policy (i) is

consistently applied by Seller, and (ii) includes the writing down of or reserving against the value of damaged or obsolete Rental Inventory.

3.7. Permits, Licenses. Except as set forth on Schedule 3.7, there are no Governmental Permits, licenses, certificates of inspection or other authorizations, necessary for or used to carry on the Business as now being conducted at any of the Business Locations or to use and occupy such Business Locations as now being used, which are required by currently effective Laws, rules or regulations.

3.8. Compliance with Laws. Except as set forth on Schedule 3.8, to Seller's knowledge, Seller is in material compliance with all applicable Laws, Orders, permits and licenses of or from governmental authorities, including, without limitation, those relating to the use and operation of the Business Locations, except where such non-compliance would not cause a Material Adverse Effect. None of the representations and warranties contained in this Section 3.8 shall be deemed to relate to labor matters (which are governed by Section 3.9), employee benefit matters (which are governed by Section 3.16), tax matters (which are governed by Section 3.15), or environmental matters (which are governed by Section 3.18).

3.9. Employees. (a) Schedule 3.9(a) lists the name, assigned location, title or function, current base salary or hourly wage, number of hours worked in past 12 months and paid time off, as applicable, and date of hire or seniority date of each of the Business Employees as of the date hereof. All individuals whose primary responsibility relates to, and who are employed in the conduct of, the Business are employed by the Seller and there are no other such individuals (including "leased employees" as defined in Section 414(n) of the Code). None of the Business Employees are covered by, and Seller is not and has not at any time been bound by, any union, collective bargaining or similar agreements. There are no written employment or consulting agreements with any officers, employees or consultants or contractors of the Business that constitute Assumed Contracts.

(b) Except as disclosed in Schedule 3.9(b): (i) there is no unfair labor practice charge pending or, to the knowledge of Seller, threatened against Seller relating to any of the Business Employees; (ii) there is no labor strike or stoppage relating to any of the Business Employees pending or, to the knowledge of Seller, threatened against or involving the Seller; (iii) no material labor grievance relating to any of the Business Employees is pending or, to the knowledge of Seller, threatened; (iv) Seller has not in the past three (3) years experienced any work stoppage, labor strike, slowdown or other organized labor disruption relating to any of the Business Employees; (v) Seller has not been the subject in the last three (3) years of any union organizational campaign with respect to any of the Business Employees; (vi) Seller has no labor negotiations in process with any labor union or other labor organization relating specifically to the Business Employees; and (vii) to the knowledge of Seller, there are no efforts in process by unions to organize any Business Employees.

(c) To Seller's knowledge, Seller is currently in compliance with all applicable Laws pertaining to employment and employment practices, including applicable wage and hour Laws, workers' compensation Laws, classification of workers as employees or independent contractors and as exempt or non-exempt, occupational safety Laws, worker eligibility Laws, unemployment Laws and social security Laws. Except as set forth in Schedule 3.9(c), there are no Proceedings against Seller pending, or to Seller's knowledge, threatened by, with or before any governmental entity or arbitrator in connection with the employment of any current or former employee, contractor or consultant of Seller, including any claim relating to unfair

labor practices, employment discrimination, harassment, retaliation, equal pay or any other employment or labor related matter arising under applicable Laws.

(d) In the three (3) years prior to the date of this Agreement, Seller has not effectuated a plant closing or mass layoff (each as defined in the Worker Adjustment and Retraining Notification Act or any similar state, local or foreign Law). Seller has paid in full to each Business Employee or adequately accrued for in accordance with GAAP all wages, salaries, commissions, bonuses, benefits and other compensation due to or on behalf of such Business Employees. Each Business Employee working in the United States has the lawful right to work in the United States, and Seller has in its files a Form I-9 that, to the knowledge of Seller, was completed in accordance with applicable Law for each Business Employee for whom such form is required.

### 3.10. Agreements.

(a) Schedule 3.10(a) contains a complete and correct list of each outstanding Contract which is used in the operations of the Business (other than Rental Contracts, and Transferred Real Estate Leases, and other than franchise agreements with or any purchase orders or other agreements with Buyer or any Buyer Affiliate) and with respect to which the aggregate value thereof (as measured by the aggregate amount of payments Seller is expected to make or receive thereunder), or potential liability to Seller thereunder, is at least \$25,000. True and correct copies of all such Contracts have been made available to Buyer. Each of such Contracts (i) is valid, binding and enforceable against Seller, except as limited by the Enforceability Limitations, and to the knowledge of Seller, the other parties thereto, in accordance with its terms, and (ii) is in full force and effect.

(b) Each Rental Contract was entered into in the ordinary course of business on customary terms without aggressive promotions, discounts or other unusual sales tactics designed to retain Rental Contracts on terms which are not customary and commercially reasonable. Except as set forth in Schedule 3.10(b), Seller, and to the knowledge of Seller, each of the other parties thereto, has performed all obligations required to be performed by them under, and are not in default under, any of such Contracts and Seller is not aware of any event that has occurred which, with notice or lapse of time, or both, would constitute such a default. Except as disclosed on Schedule 3.10(b), Seller has not received any written claim from any other party to any such Contract that Seller has breached any obligations to be performed by it thereunder, or is otherwise in default or delinquent in performance thereunder. To the knowledge of Seller, subject to the Enforceability Limitations, each of the Rental Contracts is valid, binding and enforceable against the other party thereto in accordance with its terms and, unless such Rental Contract has been terminated (or termination has been attempted) by such customer pursuant to the terms thereof, is in full force and effect. Other than agreements with Buyer, there are no agreements not to compete which affect or restrict the conduct of the Business by Seller or could reasonably be expected to affect or restrict the conduct of the Business by Buyer after the Closing.

### 3.11. Information Technology; Privacy and Data Security.

(a) Except as to information technology and systems owned or managed by Buyer prior to Closing, all information technology and computer systems owned, leased, controlled or contracted by Seller and used or held for use in the transmission, storage, maintenance, organization, presentation, generation, processing or analysis of data and information, whether or not in electronic format, in the conduct of the Business (collectively, the

“Seller IT Systems”) are in good working condition, ordinary wear and tear excluded, to effectively perform all information technology operations required to conduct the Business as currently conducted. Seller has in place commercially reasonable information security, incident response and disaster recovery programs, including providing for the regular intrusion and data loss preventive monitoring, back up and prompt recovery of the systems, data and information required to the conduct of the Business as currently conducted (including such data and information that is stored on magnetic or optical media in the ordinary course) without material disruption to, or material interruption in, the conduct of the Business. Seller has provided to Buyer true, correct and complete copies of all service organization control audits and other audits, reports, studies, assessments, evaluations and tests in the possession, custody or control of Seller covering any security procedures or controls, including any such audit, report, study, assessment, evaluation or test of system security, administrative security or physical security, or of any privacy policies or controls. Except as disclosed on Schedule 3.11, none of the Rental Inventory or any other Purchased Asset contains any type of software that could be utilized by Seller for user tracking monitoring, keystroke logging, webcam recording, kill switch activating or any other similarly situated functionality.

(b) The data and content accessed, collected, processed and classified by Seller in the conduct of the Business, other than data and content collected from Buyer (the “Collected Data”) is obtained from the public domain or is a derivative of publicly available data, except to the extent a customer of Seller provides internal or additional sources of Collected Data under an applicable customer Contract. Seller is in compliance in all material respects with all licenses, license agreements, terms and conditions, terms of use, terms of service, privacy policies and any other similar document governing the access or use by Seller of all software utilized by the Business, all Seller IT Systems, and all third party websites (including social media sites, available through the world wide web).

(c) Seller owns, rightfully licenses or otherwise has the right to use, (i) the Collected Data and (ii) all the data included in the intellectual property of Seller that is material to the business of Seller and contained in any database used or maintained by Seller.

(d) Seller has collected, created, stored, maintained, accessed, transmitted, processed and destroyed Personal Information in compliance with applicable data protection, privacy and information security Laws, any Contract, notice or consent pursuant to which Personal Information was provided to Seller, and the Payment Card Industry Data Security Standards (PCI-DDSDSS). No Person, other than any Person authorized by Seller, and then only to the extent authorized, has been provided or, to the knowledge of Seller, obtained, accessed, compromised or damaged, any Personal Information collected, created, stored, maintained, transmitted or processed by Seller. No claims have been asserted in writing or, to the knowledge of Seller, threatened with respect to Seller’s creation, receipt, collection, use, storage, processing, disclosure or disposal of Personal Information.

(e) [intentionally deleted].

(f) Except as disclosed on Schedule 3.11(f), to Seller’s knowledge, none of the Rental Inventory or any other Purchased Asset includes or consists of goods, merchandise, products or services, the design or use of which infringes upon or violates the trademark, copyright, patent or other intellectual property rights of any third party, or use or incorporate any trade secrets misappropriated from any third party, including without limitation, any devices used to stream or otherwise deliver, in an unauthorized or unlicensed manner,

movies, television shows, sporting events or any other content, in violation of any applicable United States or foreign copyright or other intellectual property laws.

3.12. No Undisclosed Liabilities. Seller has no liability or obligation of any nature, whether due or to become due, absolute, contingent or otherwise, including liabilities for or in respect of federal, state and local Taxes and any interest or penalties relating thereto, except liabilities or obligations (i) disclosed on Schedule 3.12, (ii) that are executory obligations to be performed under contracts of Seller with respect to which it is not in breach, (iii) adequately reflected or reserved against in the Financial Statements, or (iv) incurred in the ordinary course of business consistent with past practice since December 31, 2017.

3.13. Operation of the Business at the Business Locations. Other than in connection with the Chapter 11 Proceeding, since December 31, 2017, Seller has operated the Business solely in the ordinary course consistent with past practices in all material respects, including but not limited to with respect to inventory, pricing and collections practices, has used reasonable commercial efforts to preserve the Business and the Purchased Assets. The Purchased Assets, taken together with Buyer's rights under the Transaction Documents, constitute all of the assets, properties, agreements, licenses, intellectual property and other rights which are necessary to operate the Business at the Assigned Store Locations in a manner consistent in all material respects with the Seller's past practice.

3.14. Real Estate.

(a) Except as set forth on Schedule 3.14(a), no Related Party has any interest in any real property subject to a Transferred Real Estate Lease.

(b) Schedule 3.14(b) sets forth a list of all of the Transferred Real Estate Leases, including the identification of each of the lessors with respect to Transferred Real Estate Interests, and the street addresses of all of the real estate demised under any of the Transferred Real Estate Leases. Except as set forth in Schedule 3.14(b), Seller is in actual, exclusive possession of the Business Locations, and no party other than Seller has any right to possession, occupancy or use of any of the Transferred Real Estate Interests, subject to customary rights of landlords to enter leased premises under certain circumstances or as specified in the Transferred Real Estate Leases and Subleased Real Estate Leases. Correct and complete copies of each of the Transferred Real Estate Leases, including all amendments, modifications, waivers and extensions, and together with all subordination, non-disturbance and/or attornment agreements related thereto have been made available to Buyer. Seller has good and valid title to all the leasehold estates conveyed under each of the Transferred Real Estate Leases free and clear of all Encumbrances, other than Permitted Encumbrances.

(c) Except as set forth in Schedule 3.14(c), the basic rent, all additional rent and all other charges and amounts currently payable under the Transferred Real Estate Leases by the lessee thereunder have been paid to date.

(d) To the extent that Seller is responsible for payment for any improvements made or maintenance performed with respect to any Assigned Store Location, such payment has been fully paid, whether directly to the contractor performing such work or to such lessor as reimbursement therefor, except for items which Seller is disputing in good faith (which items are set forth in Schedule 3.14(d)).



(e) Seller has timely performed the duties and obligations of the “tenant” or “lessee” under the Transferred Real Estate Leases. To Seller’s knowledge, there are no defaults, breaches or violations by the “*landlord*” or “*lessor*” under any Transferred Real Estate Lease. There are no existing conditions that could become defaults, breaches or violations with the passage of time, the giving of notice or both by Seller nor, to Seller’s knowledge, by the landlord or lessor, under any thereof.

(f) There are no brokerage commissions or finder’s fees due from Seller which are unpaid with regard to any of the Transferred Real Estate Leases or the Transferred Real Estate Interests or which will become due at any time in the future with regard to the Transferred Real Estate Leases or the Transferred Real Estate Interests.

3.15. Tax Matters. Except as set forth on Schedule 3.15:

(a) There are no liens with respect to Taxes upon the Purchased Assets other than customary liens for current Taxes not yet due and payable.

(b) None of the Purchased Assets (i) is property that is required to be treated as owned by another person pursuant to the “safe harbor lease” provisions of former Section 168(f)(8) of the Code; (ii) is “tax-exempt use property” within the meaning of Section 168(h) of the Code; (iii) is “tax-exempt bond financed property” within the meaning of Section 168(g) of the Code; (iv) directly or indirectly secures any debt the interest of which is tax-exempt under Section 103(a) of the Code; (v) is subject to a 467 rental agreement as defined in Section 467 of the Code; or (vi) is an interest in an entity that is treated as a corporation (including an “S” corporation under Section 1361 of the Code) or a partnership for Tax purposes.

(c) Seller has timely filed all material Tax Returns that it was required to file. All such Tax Returns were correct and complete in all material respects. All material Taxes owed by Seller (whether or not shown or required to be shown on any Tax Return) have been paid. No Claim has ever been made by an authority in a jurisdiction where Seller does not file Tax Returns that it is or may be subject to taxation by that jurisdiction.

(d) There are no pending or threatened audits, investigations, disputes, notices of deficiency, claims or other actions for or relating to any liability for Taxes of Seller. Seller has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. Seller has not been a party to a transaction that is or is substantially similar to a “reportable transaction,” as such term is defined in Treasury Regulations Section 1.6011-4(b)(1), or any other transaction requiring disclosure under analogous provisions of state, local or foreign Tax Law.

3.16. Employee Benefit Plans. (a) Schedule 3.16(a) lists all “employee benefit plans,” as defined in Section 3(3) of ERISA (including any “multiemployer plan” as defined in Section 3(37) of ERISA) and all other pension, profit sharing, retirement, supplemental retirement, stock, stock option, employment contract, change of control agreement, basic and supplemental accidental death and dismemberment, basic and supplemental life and health insurance, post-retirement medical or life, welfare, dental, vision, savings, bonus, deferred compensation, incentive compensation, business travel and accident, holiday, vacation, severance pay, salary continuation, sick pay, sick leave, short and long term disability, tuition refund, company car, scholarship, patent award, fringe benefit and other material employee benefit plans, arrangements, contracts, policies, or practices whether written or unwritten, qualified or unqualified, funded or unfunded, (i) maintained, contributed to, or required to be contributed to by

Seller with respect to any Business Employees (or any dependent or beneficiary thereof), or (ii) pursuant to which Seller or any ERISA Affiliate may have any liability (actual or contingent, direct or indirect) with respect to any Business Employees (or any dependent or beneficiary thereof) (the "Benefit Plans"). No Benefit Plan provides compensation or benefits to any current or former Business Employee (or dependent thereof) who resides outside of the United States.

(b) Except as disclosed in Schedule 3.16(b):

(i) each Benefit Plan has been maintained, operated and administered in material compliance with its terms and the applicable provisions of ERISA, the Code and all other applicable Laws;

(ii) no Benefit Plan is, and at no time has Seller or any ERISA Affiliate been required to contribute to, or incurred any withdrawal liability, within the meaning of Section 4201 of ERISA, nor does Seller or any ERISA Affiliate have any actual or contingent liability with respect to, a multiemployer pension plan, within the meaning of Section 3(37) of ERISA, nor does Seller or any ERISA Affiliate have any potential withdrawal liability arising from a transaction described in Section 4204 of ERISA;

(iii) no Benefit Plan is now or within the last 6 years has been and neither Seller nor any ERISA Affiliate contributes to, has at any time contributed to, or has any actual or contingent liability with respect to (i) any plan subject to Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code, (ii) any multiple employer welfare arrangement within the meaning of Section 3(40) of ERISA or (iii) any multiple employer plan within the meaning of Section 413(c) of the Code;

(iv) no asset of any Benefit Plan or of Seller and no asset of any ERISA Affiliate is subject to any lien under the Code or ERISA;

(v) no Benefit Plan provides benefits, including, without limitation, death or medical benefits, beyond termination of service or retirement other than (A) coverage mandated by Law or (B) death or retirement benefits under a Benefit Plan qualified under Section 401(a) of the Code;

(vi) there are no pending audits or investigations by any governmental agency involving the Benefit Plans, and to the knowledge of Seller there are no threatened or pending claims (except for individual claims for benefits payable in the normal operation of the Benefit Plans), suits or proceedings involving any Benefit Plan, any fiduciary thereof or service provider thereto, nor to the knowledge of Seller is there any reasonable basis for any such claim, suit or proceeding.

(c) Seller's 401(k) plan is the only Benefit Plan which is a "employee pension benefit plan" within the meaning of Section 3(2) of ERISA and which is intended to meet the qualification requirements of Section 401(a) of the Code (the "Pension Plan"). The Pension Plan has received a determination letter or opinion letter from the Internal Revenue Service to the effect that such plan is qualified and exempt from federal income taxes under sections 401(a) and 501(a), respectively, of the Code and, to the knowledge of Seller, no events have occurred that would be expected to adversely affect such qualification or exemption. True and correct copies of Seller's 401(k) plan and the current determination letters or opinion letters issued with respect to such 401(k) plan have been made available to Buyer.

(d) No compensation has been or would reasonably be expected to be includable in the gross income of any “service provider” (within the meaning of Section 409A of the Code) of Seller as a result of the operation of Section 409A of the Code. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, either alone or in combination with another event (whether contingent or otherwise) will result in any “parachute payment” under Section 280G of the Code (or any corresponding provision of state, local, or foreign Tax Law). There is no Contract, agreement, plan or arrangement to which Seller is a party which requires Seller to pay a tax gross-up or reimbursement payment to any service provider of Seller, including without limitation, with respect to any tax-related payments under Section 409A or Section 280G of the Code.

3.17. Litigation. Except as set forth in Schedule 3.17 and the claims, objections and proceedings arising from the Chapter 11 Proceeding, there is no (and has not been, at any time in the preceding 36 months) Proceeding pending against or filed by, threatened by, or to Seller’s knowledge, threatened against, Seller or any of its properties or assets or involving any Benefit Plan of Seller (or by or against any Owner or any Affiliate thereof and relating to Seller, the Business operated by Seller, or any of the Purchased Assets). Except those arising from the Chapter 11 Proceeding, there are no outstanding Orders or unsatisfied judgments, penalties or awards against or affecting Seller or any of the Purchased Assets.

3.18. Environmental Matters.

(a) Except as set forth on Schedule 3.18(a), Seller has not: (i) received any written request for information, notice, demand letter, administrative inquiry, or formal or informal complaint or claim with respect to any Environmental Condition (including under the citizen suit provision of any Environmental Law); or (ii) been the subject of or, to the knowledge of Seller, threatened with, any governmental enforcement action or third party claim under any Environmental Law, and to Seller’s knowledge there is no reason to believe that any of the above is reasonably likely to be forthcoming.

(b) Seller has complied and is presently in compliance in all material respects with all applicable Environmental Laws pertaining to the Business Locations, the Business and any other activities conducted at or from the Business Locations or any prior location at which Seller has conducted any operations.

(c) Seller has not generated, manufactured, refined, transported, treated, stored, handled, disposed, transferred, produced, recycled, or processed any Hazardous Materials at or from the Business Locations, except in compliance with all applicable Environmental Laws, and to Seller’s knowledge there has not been any Release of any Hazardous Materials at or in the vicinity of any of the Business Locations.

(d) Seller has not received written notice of, nor otherwise has any knowledge concerning, any Environmental Condition at any off-site location to which Seller transported or arranged for the transportation of Hazardous Materials or at any location in the vicinity of any of the Business Locations.

(e) Seller has made available to Buyer true, correct and complete copies of all inspections or other reports or tests with respect to compliance of the Business Locations with the Environmental Laws or the presence of Hazardous Materials that were: (i) prepared by or for Seller or any Affiliate of Seller; or (ii) are in the possession, custody or control of Seller or any Affiliate of Seller.

3.19. *[Intentionally Deleted.]*

3.20. Insurance.

(a) Schedule 3.20 lists all the insurance policies maintained by or on behalf of the Seller, and for each indicates the insurer's name, policy number, expiration date and amount and type of coverage. The Seller has made available to Buyer true and complete copies of all such policies.

(b) All insurance policies set forth or required to be set forth in Schedule 3.20 are currently in effect and will remain in effect through the Closing Date, and all premiums due under any such policy in order to keep the policy in effect through the Closing Date have been paid in full. Neither Seller nor, to the knowledge of Seller, any other Person is in material breach of its obligations with respect to any such policy. Since January 1, 2017, except as set forth in the Schedule 3.20, Seller has not received (i) any refusal of coverage or any notice that a defense shall be afforded with reservation of rights or (ii) any notice of cancellation (prior to the end of the contractual term) or any other indication that any such insurance policy is no longer in full force or effect or shall not be renewed or that the issuer of any policy is not willing or able to perform its obligations thereunder. Seller has given notice to the applicable insurer of all existing claims that may be insured by such insurance policies.

3.21. No Brokers. Neither Seller or any officers, managers, employees, Owners or Affiliates of Seller has employed or made any agreement with any broker, finder or similar agent or any other Person which will result in any obligation of Buyer or any of its Affiliates to pay any finder's fee, brokerage fee or commission or similar payment in connection with the transactions contemplated hereby.

3.22. No Other Representations and Warranties. EXCEPT AS EXPRESSLY SET FORTH IN ARTICLE III OF THIS AGREEMENT, AND WITHOUT LIMITING ANY OF THE REPRESENTATIONS AND WARRANTIES OF SELLER SET FORTH HEREIN, NONE OF SELLER OR ANY OF ITS OFFICERS, MANAGERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES OR AGENTS MAKES OR HAS MADE ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY, IN RESPECT OF SELLER, THE PURCHASED ASSETS OR THE BUSINESS. ANY SUCH OTHER REPRESENTATION OR WARRANTY IS HEREBY EXPRESSLY DISCLAIMED, INCLUDING, WITHOUT LIMITATION, (A) THE PROBABLE SUCCESS OR PROFITABILITY OF OWNERSHIP, USE OR OPERATION OF THE PURCHASED ASSETS BY BUYER AFTER CLOSING, AND (B) THE PROBABLE SUCCESS OR RESULTS IN CONNECTION WITH THE APPROVAL OF THE BANKRUPTCY COURT. Except in the case of fraud, the representations and warranties by Buyer in Article IV hereof constitute the sole and exclusive representations and warranties of Buyer to Seller in connection with the transactions contemplated hereby, and Seller understands, acknowledges and agrees that all other representations and warranties of any kind or nature expressed or implied, whether made by Buyer or any of its officers, directors, employees, advisors, consultants, agents or representatives, are specifically disclaimed.

#### ARTICLE IV.

#### REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that:

4.1. Organization and Authority. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia, and has full corporate power and corporate authority to execute and deliver this Agreement and the Transaction Documents and to effect the transactions contemplated hereby and thereby and has duly authorized the execution, delivery and performance of this Agreement and the Transaction Documents by all necessary corporate action.

4.2. Authorization; Binding Obligation. Each of the Agreement and the Transaction Documents has been duly executed and delivered by Buyer and, assuming due authorization, execution and delivery by the Seller Parties, each of this Agreement and the Transaction Documents is the valid and legally binding obligations of Buyer, enforceable against it in accordance with their terms, except as limited by the Enforceability Limitations.

4.3. No Violations. (a) The execution, delivery and performance of this Agreement and the Transaction Documents by Buyer and the consummation of the transactions contemplated hereby and thereby do not and will not (i) result in a breach or violation of any provision of Buyer's articles of incorporation or by-laws or in a material violation of any Law applicable to Buyer or (ii) violate or result in a material breach of or constitute an event of default (or an event which might, upon the passage of time or the giving of notice, or both, constitute an event of default) under any provision of, result in acceleration or cancellation of any obligation under, or give rise to a right by any party to terminate or amend its obligations under, any mortgage, deed of trust, conveyance to secure debt, note, loan, indenture, lien, material lease, agreement, instrument, order, judgment, decree or other material arrangement or commitment to which Buyer is a party or by which its assets or properties are bound, or violate any order, judgment, decree, rule or regulation of any court or any governmental agency or body having jurisdiction over Buyer or any of its assets or properties.

(b) No consent, approval, order or authorization of or registration, declaration or filing with, any Person is required by Buyer in connection with the execution and delivery of this Agreement, the Transaction Documents or the consummation of the transactions contemplated hereby or thereby, except for such consents, approvals, orders or authorizations, registrations, declarations or filings where failure of compliance would not, individually or in the aggregate, have a material adverse effect on the ability of Buyer to consummate the transactions contemplated hereby.

4.4. No Brokers. Neither Buyer nor any of its officers, directors, employees, stockholders or Affiliates has employed or made any agreement with any broker, finder or similar agent or any other Person or firm which will result in any obligation of Seller or any of its Affiliates to pay any finder's fee, brokerage fees or commission or similar payment in connection with the transactions contemplated hereby.

4.5. Sufficiency of Funds. Buyer has sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Purchase Price and consummate the transactions contemplated by this Agreement.

4.6. Independent Investigation. In making its determination to proceed with the transactions contemplated by this Agreement, Buyer has conducted its own independent investigation, review and analysis of the business, results of operations, prospects, condition (financial or otherwise) and assets of the Seller, acknowledges that it has been provided access to the personnel, properties, assets, premises, books and records, and other documents and data of Seller for such purpose and has relied solely on the results of its own independent investigation

and the representations and warranties of Seller expressly and specifically set forth in ARTICLE III, as qualified by the Disclosure Schedules. Except in the case of fraud, such representations and warranties by Seller constitute the sole and exclusive representations and warranties of Seller to Buyer in connection with the transactions contemplated hereby, and Buyer understands, acknowledges and agrees that all other representations and warranties of any kind or nature expressed or implied, whether made by Seller or any of its officers, directors, employees, advisors, consultants, agents or representatives, are specifically disclaimed.

## ARTICLE V.

### CERTAIN COVENANTS

#### 5.1. Exclusivity; Access.

(a) Between the date hereof and the earlier of the Closing and the termination of this Agreement, neither Seller nor any of its directors, officers, employees, agents, brokers, advisors (including attorneys, accountants, lenders, consultants, and any representatives of such advisors), representatives, investment and commercial bankers, and affiliates (collectively, "Representatives") shall encourage (including by way of furnishing any information concerning Seller, the Purchased Assets, or the Business), enter into or continue discussions concerning, substantively respond to, or otherwise consider any Alternative Transaction. As used in this Agreement, "Alternative Transaction" means a proposal from any Person other than Buyer (whether or not it constitutes an agreement or understanding, oral or written) for the acquisition of all or any portion of the ownership interests of Seller, or all or any substantial part of the Purchased Assets (other than sales and leases of Rental Merchandise in the ordinary course of business), or the Business, in each case, whether by merger, other business combination, stock or other interest purchase, asset purchase, or otherwise. If one or more unsolicited inquiries, contacts, or proposals for an Alternative Transaction are received while this Agreement is in effect, Seller shall immediately inform Buyer of the nature of the inquiry, contact, or proposal, the proposed terms and conditions of the Alternative Transaction, the identity of the Person making such proposal, and such other information as Buyer may request.

(b) From the date hereof through the earlier of the Closing and the termination of this Agreement, Seller shall afford Buyer and its Representatives full access during normal business hours, and in a manner so as not to unduly interfere with the normal operations of the Business, to the premises, properties, personnel, Representatives, records, Contracts, and documents of, or pertaining to, the Purchased Assets and the Business (and such other additional information as is reasonably available with respect thereto) as Buyer shall, from time to time, reasonably request. Prior to the Closing, and with the consent of Seller, not to be unreasonably withheld, conditioned, or delayed, Buyer and its Representatives shall, on reasonable prior notice, have the right to enter the Business Locations for the purposes of inspecting same and making surveys, mechanical and structural engineering studies, environmental assessments, and any other investigations and inspections as Buyer may reasonably require to assess the condition of the Business Locations.

5.2. Conduct of Business. From the date hereof until the Closing Date, except as expressly contemplated by this Agreement, the Seller shall, and the Owners shall cause the Seller to (1) conduct the Business in the ordinary course consistent with past practices and otherwise in accordance with the Cash Collateral Budget or as may be required by the Bankruptcy Court, (2) use commercially reasonable efforts to preserve intact Seller's business organization,

relationships with customers and third parties, and goodwill, and (3) use commercially reasonable efforts to keep available the services of Seller's present officers, employees, agents, and other personnel. Without limiting the generality of the foregoing, from the date hereof until the Closing Date:

(a) Without Buyer's consent, Seller will not, and the Owners will not permit Seller to (except as may be required by the Bankruptcy Court):

(i) sell, assign, lease, license, transfer or otherwise dispose of, or mortgage, pledge or encumber any of its assets, tangible or intangible, except for sales and leases of Rental Merchandise or disposition of obsolete equipment in the ordinary course of business consistent with past practice;

(ii) amend or modify in any material respect or enter into or terminate any Contract;

(iii) make any change in its accounting methods, in the manner of keeping its books and records, or in its current practices with respect to sales, receivables, Inventories, payables, or accrued expenses;

(iv) make any change in the manner in which Seller purchases or maintains levels or Rental Inventory that would be inconsistent with the manner in which such Rental Inventory was purchased or maintained during the 12 months prior to the date hereof, or make any change in the pricing and collections practices employed by Seller during the 12 months prior to the date hereof;

(v) (A) increase the rate or terms of compensation or benefits payable or provided or to become payable or provided to their respective directors, managers, officers, employees or independent contractors under any Contract or otherwise, except for in fulfillment of contractual obligations in existence as of the date of this Agreement, (B) adopt, enter into, amend or terminate any Benefit Plan, (C) hire or terminate any Business Employee, or (D) fund any trust or other vehicle intended to fund obligations under any Benefit Plan;

(vi) make, change or revoke any Tax election; change an annual accounting period; adopt or change any accounting method with respect to Taxes; file any amended Tax Return; enter into any closing agreement; settle or compromise any Tax claim or assessment; or consent to any extension or waiver of the limitation period applicable to any claim or assessment with respect to Taxes;

(vii) permit or suffer to exist any Encumbrance on or against any of the Purchased Assets, other than Permitted Encumbrances; or

(viii) enter into any commitment or agreement to do any of the foregoing.

(b) Without Buyer's consent, Seller will not take, and the Owners will not take or permit Seller to take, any action which would limit Seller's ability to comply with its obligations under this Agreement (including by entering into any agreements or incurring any obligation that would prohibit, or require any third party to consent to, or which would be breached by or result in a direct or indirect penalty or cost to Seller, as a result of the sale of the Purchased Assets).

(c) Except as otherwise agreed with Buyer, Seller will, and the Owners will cause the Seller to:

(i) (A) maintain the Purchased Assets in the ordinary course of business in good operating order and condition, reasonable wear and tear and damage by fire and other casualty excepted, and continue to perform all necessary repairs and maintenance of the Purchased Assets; (B) promptly repair, restore or replace any Purchased Assets in the ordinary course of business; and (C) upon any damage, destruction or loss to any of such Purchased Assets, apply any and all insurance proceeds, to the extent received with respect thereto, to the prompt repair, replacement and restoration thereof to the condition of such Purchased Assets before such event to the extent reasonably practicable;

(ii) comply with all applicable Laws;

(iii) file all foreign, federal, state and local Tax Returns required to be filed and make timely payment of all applicable Taxes when due;

(iv) use commercially reasonable efforts to obtain, prior to the Closing Date, all consents and waivers of third parties necessary or desirable in connection with the transactions contemplated hereby;

(v) promptly notify Buyer in writing of the commencement of any pending or threatened investigation, action, suit, arbitration, or other proceeding, against Seller that arises from, or affects, the Purchased Assets or otherwise involves this Agreement or the Business, or upon becoming aware of any claim, action, suit, inquiry, proceeding, notice of violation, subpoena, government audit or disallowance that is threatened or could reasonably be expected to result in any of the foregoing; and

(vi) promptly notify Buyer in writing of the occurrence of any breach in any representation or warranty, or any covenant or agreement made by Seller in this Agreement, or of any action, omission, event, condition or circumstance, or group of actions, omissions events, conditions or circumstances that would cause any representation or warranty in this Agreement to be breached were such representation or warranty remade as of such time.

### 5.3. Employee Matters.

(a) Following the Closing, Buyer shall offer employment to each Business Employee, subject to the conditions of this Section 5.3. Pursuant to the terms of the Transition Services Agreement, Seller shall provide to Buyer all Business Employees to perform the services set forth in the Transition Services Agreement for a period of up to 30 days following the Closing Date. At least five calendar days prior to the Employee Hire Date, Buyer will provide Seller with a list of the Business Employees to whom Buyer intends to extend an offer of employment (each a "Designated Business Employee"). Such list shall include each Business Employee that is based in one of the Business Locations (excluding the Sultans and any family members) and that has satisfied Buyer's standard hiring criteria, including, without limitation, verification of employment eligibility, background checks and drug screening. Effective as of the Employee Hire Date, Seller shall cause the employment of each Designated Business Employee so listed by Buyer (including those Business Employees on approved leave of absence on such date) to be terminated in accordance with applicable Law and will pay to each such terminated Designated Business Employee all accrued or earned compensation and benefits (excluding any Assumed PTO) through the date of such termination. Buyer or one of its Affiliates shall extend



offers of employment to the Designated Business Employees in substantially the same job positions as such employees currently hold with the Seller on such terms and conditions as determined in the sole discretion of the Buyer, with such offers to be effective as of the day following the Employee Hire Date. All Designated Business Employees who accept such offer of employment and commence employment with Buyer or an Affiliate thereof on or after the Lease Expiration Date are hereinafter referred to as the "Transferred Employees." In the case of any Designated Business Employee who is offered employment by Buyer or one of its Affiliates and who is on an approved leave of absence as of the Employee Hire Date, Seller shall provide all relevant information related to such leave of absence for such Transferred Employee, as permitted by applicable Law.

(b) Prior to the Employee Hire Date, Seller shall (i) provide Buyer with a true and complete list of each Business Employee's accrued, unused vacation and paid time off through the Employee Hire Date (the "Accrued PTO") and (ii) solicit in writing, in a form sufficient under Seller's applicable policies and reasonably acceptable to Buyer (after advance review and approval by Buyer), the written consent of each Business Employee who receives an offer of employment from Buyer and for whom consent is required under applicable Law to rollover to Buyer such Business Employee's Accrued PTO upon such Business Employee's employment by Buyer (the "PTO Rollover Consents"). For each such Business Employee who (x) provides such PTO Rollover Consent on or prior to the Lease Expiration Date, and (y) becomes a Transferred Employee, Buyer shall assume and honor, to the extent set forth on the schedule referenced in Section 5.3(b)(i), such Transferred Employee's Accrued PTO (the Accrued PTO so assumed by Buyer, the "Assumed PTO"). Transferred Employees shall be permitted to use their Assumed PTO in a manner consistent with Buyer policies applicable to similarly situated employees of Buyer, as in effect from time to time. To the extent that any Transferred Employees have not provided a PTO Rollover Consent on or prior to the Lease Expiration Date, Seller shall pay out to such Transferred Employees their Accrued PTO at Closing.

(c) Each Transferred Employee shall receive credit under Buyer's employee benefit plans, programs or arrangements for purposes of eligibility and vesting for service with Seller prior to the Employee Hire Date to the extent such service is reflected in Schedule 3.9(a) and to the extent Seller provided such credit prior to the Employee Hire Date under a Benefit Plan, except where doing so would cause a duplication of benefits.

(d) Except as specifically provided in the Transition Services Agreement or this Agreement, the Seller shall be solely responsible for any liability, claim or expense (including reasonable attorneys' fees) with respect to employment, termination of employment, compensation or employee benefits of any nature (including, without limitation, the benefits to be provided under the Benefit Plans) owed to any current or former employee or other service provider of Seller or any ERISA Affiliate (or the beneficiary of any such current or former employee or other service provider) without regard to whether or not such current or former employee or other service provider is a Business Employee and/or becomes a Transferred Employee that arises out of or is related to the employment relationship between Seller or any ERISA Affiliate and such current or former employee or other service provider or the termination of such relationship. Without limiting the foregoing sentence, Seller shall be responsible for the payment of any severance payment or benefits that become due to any current or former employee or other service provider of Seller or any ERISA Affiliate as a result of the termination of employment or service of such individual by Seller or any ERISA Affiliate (including without limitation any liabilities or other obligations required to be provided under the notice and continuing coverage requirements of Section 4980B of the Code). For purposes of this Agreement, the following claims shall be deemed to be incurred as follows: (i) life, accidental death and

dismemberment, short-term disability, and workers' compensation insurance benefits, on the event giving rise to such benefits; (ii) medical, vision, dental, and prescription drug benefits, on the date the applicable services, materials or supplies were provided; and (iii) long-term disability benefits, on the eligibility date determined by the long-term disability insurance carrier for the plan in which the applicable individual participates. Buyer and its Affiliates shall not be obligated to continue or assume any employee benefit plan or program of Seller or its Affiliates (including, without limitation, the Benefit Plans, none of which are being assumed by Buyer or its Affiliates hereunder) or be responsible for any obligation or liability thereunder (except pursuant to the Transition Services Agreement).

(e) Nothing contained in this Agreement shall confer upon any Transferred Employee or other Person any right with respect to employment or other services by Buyer or any of its Affiliates, nor shall anything herein interfere with the right of Buyer or any of its Affiliates to terminate the employment or service of any such Transferred Employee or other service provider at any time, with or without cause, or restrict Buyer or any of its Affiliates in the exercise of their independent business judgment in modifying any of the terms and conditions of the employment or service of any such Transferred Employee or other Person.

(f) No provision of this Agreement shall create any third party beneficiary rights in any Person, including any Transferred Employee or any beneficiary or dependents of any such Transferred Employee including, without limitation, with respect to the compensation, terms and conditions of employment and benefits that may be provided to any Transferred Employee by Buyer or under any benefit plan which Buyer may maintain. In addition, the provisions of this Section 5.3 are not intended to amend any compensation or employee benefit plan, including, without limitation, any benefit plan the Buyer or its Affiliates may maintain or to require Buyer or its Affiliates to adopt, maintain or enter into, or prohibit Buyer or its Affiliates from terminating, compensation or employee benefit plans at any time.

(g) The parties agree to cooperate, share and exchange all materials, forms and items of information reasonably necessary to effectuate Buyer's hiring of Transferred Employees and crediting with service as set forth above, to the extent permitted by Law.

#### 5.4. Covenant Not to Compete; Non-solicitation; Non-disparagement.

(a) The covenants contained in this Section 5.4 are entered into for the purpose, among other things, of assuring to Buyer the benefit of the Business and the confidentiality of the information regarding the operation of Buyer's franchise system and franchised stores to which the Seller Parties have had access in connection with Seller's long and substantial operation as one of Buyer's franchisees, including without limitation the customer lists and the business relationships and arrangements with contractors, customers and suppliers of the Business, together with the goodwill associated with the Business and such lists, relationships and arrangements, and Buyer's Franchise Manuals and related confidential information regarding Buyer's franchise system.

(b) For a period of three (3) years from and after the Closing Date and so long as Buyer continues to carry on business in connection with any Assigned Store Location, Seller, each Owner and their respective controlled Affiliates shall not, except as otherwise expressly permitted herein (or as and to the extent otherwise expressly agreed in a writing signed by Buyer and Seller), directly or indirectly, (i) own (or acquire any ownership interest in), manage, operate, join, control or participate in the ownership, management, operation or control of, or be connected as an officer, director, employee, stockholder (or other holder of any ownership

interests) or partner with, (A) any business that engages in any one or more of the following business activities: leasing and/or rent to own household appliances, electronics (including televisions, stereo equipment and any of the components related thereto), personal computers and computer tablets, or furniture (including bedroom, den, dining room, kitchen, living room and outdoor or patio furniture) within 50 miles of such Assigned Store Location, and (B) each of the companies listed on Schedule 5.4, or (ii) solicit, interfere with, disrupt or attempt to disrupt any then existing relationship, contractual or otherwise, between Buyer or the Business or any of their Affiliates and any of their customers, suppliers, clients, executives, or employees or other Persons with whom Buyer or the Business or any of their Affiliates deal, provided, however that Buyer may solicit the services of Buyer's suppliers so long as such solicitation does not interfere with, disrupt or attempt to disrupt Buyer's relationship with such suppliers. Notwithstanding the foregoing, the ownership (or acquisition) of not more than 5% of the outstanding stock of any publicly traded company shall not be a violation of this Section 5.4.

(c) Except as and to the extent otherwise expressly agreed in a writing signed by Buyer and Seller, for a period of three (3) years from and after the Closing Date, Seller, each Owner and their respective Affiliates shall not directly or indirectly solicit, employ, retain as a consultant, interfere with or attempt to entice away from Buyer or its Affiliates, any Transferred Employee who is, has agreed to be or within one year of such solicitation, employment, retention, interference or enticement has been, employed or retained by Buyer or its Affiliates.

(d) Each of the parties to this Agreement agrees in favor of the other parties that, except as required or expressly permitted by law, for a period of three (3) years from and after the Closing Date, such party shall not, and shall not permit any of his, her or its Affiliates to, directly or indirectly, disparage or encourage others to disparage any other party to this Agreement or their respective Affiliates from and after the Closing, or their respective businesses (whether as conducted prior to Closing or as conducted after Closing) or any of the employees, consultants, agents, directors, officers, independent contractors, or agents of the foregoing. Notwithstanding the foregoing, nothing contained in this Section 5.4(d) shall be construed as prohibiting any party from disclosing factual information (i) to any governmental agency, (ii) as may be necessary to assert its rights under this Agreement, (iii) as may be required by a governmental entity or pursuant to a court order or (iv) otherwise in connection with any Claim relating to this Agreement or the Purchased Assets.

(e) The restrictive covenants contained in this Section 5.4 are covenants independent of any other provision of this Agreement, and the existence of any claim which any Seller Party may allege against Buyer, whether based on this Agreement or otherwise, shall not prevent the enforcement of these covenants. Seller and each Owner agrees that a breach by it of this Section 5.4 shall cause irreparable harm to Buyer and its Affiliates and that Buyer's remedies at law for any breach or threat of breach by Seller or any Owner of the provisions of this Section 5.4 shall be inadequate, and that Buyer shall be entitled to an injunction or injunctions to prevent breaches of this Section 5.4 and to enforce specifically the terms and provisions hereof, in addition to any other remedy to which Buyer may be entitled at law or in equity. The length of time for which this covenant not to compete shall be in force shall not include any period required for litigation during which such other party seeks to enforce this covenant. In the event that this covenant not to compete shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too long a period of time or over too large a geographical area or by reason of its being too extensive in any other respect, it shall be interpreted to extend only over the longest period of time for which it may be enforceable, and/or over the largest geographical area as to which it may be enforceable and/or to the maximum

extent in all other aspects as to which it may be enforceable, all as determined by such court in such action.

5.5. Material Consents. Seller agrees to use commercially reasonable efforts to obtain following the Closing all of the consents of third Persons required to transfer or assign to Buyer any material Purchased Assets or assign the benefits of or delegate performance with regard thereto.

5.6. Supplement to Disclosure Schedules. From time to time prior to the Closing, Seller shall have the right (but not the obligation) to supplement or amend the Disclosure Schedules hereto with respect to any matter hereafter arising or of which it becomes aware after the date hereof (each a "Schedule Supplement"). Any disclosure in any such Schedule Supplement shall not be deemed to have cured any inaccuracy in or breach of any representation or warranty contained in this Agreement, including for purposes of the termination rights contained in this Agreement or of determining whether or not the conditions set forth in Section 7.1(a)(i) have been satisfied, *provided, however*, that if Buyer has the right to, but does not elect to, terminate this Agreement within ten Business Days of its receipt of such Schedule Supplement, then Buyer shall be deemed to have irrevocably waived any right to terminate this Agreement with respect to such matter.

5.7. Excluded Liabilities. Seller covenants and agrees to pay or otherwise satisfy all Excluded Liabilities, as and when due, to the extent it has sufficient funds to do so but in no event shall Buyer or any of its Affiliates have any obligation to, or otherwise be required to, satisfy any of the Excluded Liabilities, regardless of whether Seller has failed to satisfy any such Excluded Liabilities; *provided*, that nothing contained in this Agreement shall require Seller or any of its Affiliates to pay, perform or satisfy any Excluded Liability so long as such Person shall in good faith contest or cause to be contested the amount or validity thereof or shall in good faith assert any defense or offset thereto.

5.8. Confidentiality. The Seller Parties acknowledge that after the Closing, Buyer could be irreparably damaged if any Seller Party or any of its Affiliates' confidential knowledge of the operations of the Business were disclosed to or utilized on behalf of any person, firm, corporation or other business entity other than Buyer or its Affiliates, and each Seller Party covenants and agrees that it will not following the Closing, without the prior written consent of Buyer, disclose (or make available for use to anyone outside Seller's organization) or use any such confidential information, unless (i) compelled to disclose such confidential information by judicial or administrative process or, in the opinion of its counsel, by other requirements of law, or (ii) such confidential information is generally available to the public through no fault of Seller; provided, however, that if a Seller Party is requested or becomes legally compelled (by oral questions, interrogatories, requests for information or documents, subpoenas, civil investigative demand or similar process) to disclose any of such information, such Seller Party will provide Buyer with prompt written notice to, and will cooperate with, Buyer so that Buyer may seek a protective order or other appropriate remedy; provided, further, that in the event Buyer waives compliance with the provisions of this Section 5.8, such Seller Party shall disclose only that portion of the confidential information which is legally required and will exercise its commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information. Nothing in this Section 5.8 shall prevent Seller from filing a copy of this Agreement and the Disclosure Schedules with the Bankruptcy Court or as otherwise required as part of the Chapter 11 Proceeding.

5.9. Public Announcement. No Seller Party shall make or issue, or cause to be made or issued, any public announcement or written statement concerning this Agreement or the transactions contemplated hereby (including to the respective managers, officers and employees of Seller) without the prior written consent of Buyer, except to the extent that such announcement or statement is required by applicable Law, and provided that the foregoing shall not preclude communications or disclosures reasonably necessary to obtain consents specifically contemplated hereby and otherwise comply with or effect the provisions of this Agreement. Prior to issuing any public announcement of the transactions contemplated hereby, Buyer shall endeavor to share the contents of such announcement with the Seller's representative designated therefore and shall consider in good faith such representative's comments. Nothing in this Section 5.9 shall prevent Seller from filing a copy of this Agreement and the Disclosure Schedules with the Bankruptcy Court or as otherwise required as part of the Chapter 11 Proceeding.

5.10. Collection of Receivables. Seller hereby grants to Buyer the power, right and authority, coupled with an interest, to receive, endorse, cash, deposit, and otherwise deal with, in the name of Seller, any checks, drafts, documents and instruments evidencing payment of any notes, Accounts Receivable or other payment rights included in the Purchased Assets and that are payable to, payable to the order of, or endorsed in favor of Seller or any agent thereof. Seller agrees promptly to endorse and pay over or cause to be endorsed and paid over to Buyer, without deduction or offset, the full amount of any payment received by Seller after the Closing Date in respect of goods leased or sold or services rendered as part of the Business, and shall hold any such amount in trust for Buyer pending such payment. Seller agrees to provide to Buyer all accounting, billing and collection records of Seller reasonably required by Buyer and related accounting, billing and collection support from Seller as shall reasonably be requested by Buyer with respect to all Rental Contracts transferred to Buyer hereunder and all account parties under such Rental Contracts for a period of up to 120 days after the Closing Date.

5.11. Access to Information Post-Closing. Seller and Buyer shall cooperate fully with each other after the Closing so that each party has access to the business records, contracts and other information existing prior to and at the Closing Date and relating in any manner to the Business and/or the Purchased Assets (whether in the possession of Seller or Buyer), to the extent permitted by law. At Closing, Buyer shall have the right to examine and to remove any files, books or records existing at the Closing Date and relating in any manner to the Business and/or the Purchased Assets that are in the possession or under the control of Seller.

5.12. Bankruptcy Plan. Seller agrees that any bankruptcy plan filed by Seller in connection with the Chapter 11 Proceeding shall not amend, modify or contradict any provision of this Agreement or the Settlement Agreement.

5.13. Tax Matters.

(a) Buyer and the Seller Parties agree to furnish or cause to be furnished to the other, upon request, as promptly as practicable, such information and assistance relating to the Purchased Assets, including, without limitation, access to books and records, as is reasonably necessary for the filing of all Tax Returns by Buyer or Seller, the making of any election relating to Taxes, the preparation for any audit by any taxing authority and the prosecution or defense of any claim, suit or proceeding relating to any Tax. Each of Buyer and the Seller Parties shall retain all books and records with respect to Taxes pertaining to the Purchased Assets for a period of at least seven (7) years following the Closing Date. Buyer and the Seller Parties shall cooperate fully with each other in the conduct of any audit, litigation or other proceeding relating to Taxes involving the Purchased Assets or the Allocation.

(b) To the extent not otherwise provided in this Agreement, Seller shall be responsible for and shall promptly pay when due all Property Taxes levied with respect to the Purchased Assets attributable to the Pre-Closing Tax Period. All Property Taxes levied with respect to the Purchased Assets for the Straddle Period shall be apportioned between Buyer and Seller based on the number of days of such Straddle Period included in the Pre-Closing Tax Period and the number of days of such Straddle Period included in the Post-Closing Tax Period. Seller shall be liable for the proportionate amount of such Property Taxes that is attributable to the Pre-Closing Tax Period, and Buyer shall be liable for the proportionate amount of such Property Taxes that is attributable to the Post-Closing Tax Period. Upon receipt of any bill for such Property Taxes, Buyer or Seller, as applicable, shall present a statement to the other setting forth the amount of reimbursement to which each is entitled under this Section 5.13(a) together with such supporting evidence as is reasonably necessary to calculate the proration amount. The proration amount shall be paid by the party owing it to the other within ten (10) days after delivery of such statement. In the event that Buyer or Seller makes any payment for which it is entitled to reimbursement under this Section 5.13(a), the applicable party shall make such reimbursement promptly but in no event later than ten (10) days after the presentation of a statement setting forth the amount of reimbursement to which the presenting party is entitled along with such supporting evidence as is reasonably necessary to calculate the amount of reimbursement.

(c) All transfer, stamp, documentary, sales, use, registration, value-added and other similar Taxes (including all applicable real estate transfer Taxes), but not including any personal Taxes, incurred in connection with this Agreement and the transactions contemplated hereby ("Transfer Taxes") will be borne by Buyer and shall be deemed an Assumed Liability hereunder.

(d) Seller shall promptly notify Buyer in writing upon receipt by Seller of notice of any pending or threatened Tax audits or assessments relating to the income, properties or operations of Seller that reasonably may be expected to relate to or give rise to an Encumbrance on the Purchased Assets or the Business. Each of Buyer and Seller shall promptly notify the other in writing upon receipt of notice of any pending or threatened Tax audit or assessment challenging the Allocation.

(e) Allocation.

(i) The Purchase Price paid by Buyer hereunder (plus Assumed Liabilities, to the extent properly taken into account under the Code), shall be allocated among the Purchased Assets and the covenant not to compete contained in Section **Error! Reference source not found.** of this Agreement in accordance with Section 1060 of the Code and the Treasury regulations promulgated thereunder (and any similar provision of state, local or foreign Law, as appropriate) (the "Allocation"). The Allocation shall be delivered by Buyer to Seller within 30 days after the Closing Date for Seller's approval, which approval shall not be unreasonably withheld. Seller and Buyer shall work in good faith to resolve any disputes relating to the Allocation within 60 days. If Seller and Buyer are unable to resolve any such dispute, such dispute shall be resolved promptly by a nationally recognized accounting firm acceptable to Buyer and Seller, the costs of which shall be borne by Seller.

(ii) If the consideration paid by Buyer hereunder is adjusted pursuant to Section 2.8, the Allocation shall be adjusted as mutually agreed by Buyer and Seller.

(iii) Buyer and Seller shall file all Tax Returns (including, but not limited to, Internal Revenue Service Form 8594) consistent with the Allocation. Neither Buyer nor Seller shall take any Tax position inconsistent with such Allocation and neither Buyer nor Seller shall agree to any proposed adjustment to the Allocation by any taxing authority without first giving the other party prior written notice; provided, however, that nothing contained herein shall prevent Buyer or Seller from settling any proposed deficiency or adjustment by any taxing authority based upon or arising out of the Allocation, and neither Buyer nor Seller shall be required to litigate before any court any proposed deficiency or adjustment by any taxing authority challenging such Allocation.

## ARTICLE VI.

### REMEDIES

6.1. *[Intentionally deleted.]*

6.2. *[Intentionally deleted.]*

6.3. *[Intentionally deleted.]*

6.4. *[Intentionally deleted.]*

6.5. Specific Performance. The parties agree that irreparable damage would occur in the event that any of the covenants and agreements of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of the covenants and agreements in this Agreement and to enforce specifically their terms and provisions, this being in addition to any other remedy to which they are entitled to under this Agreement or at law or in equity.

6.6. Exclusive Remedies. Nothing in this Section 6.6 shall limit any Person's right to seek and obtain any equitable relief to which any Person shall be entitled pursuant to Section 6.5 or to seek any remedy on account of fraud by any party hereto.

## ARTICLE VII.

### CLOSING CONDITIONS

7.1. Closing Conditions.

(a) Buyer's Closing Conditions. Buyer's obligation to purchase the Purchased Assets and to take any other actions required at the Closing is subject to fulfillment or express waiver by Buyer of each of the following conditions as of the time of Closing:

(i) All necessary governmental and third party consents and approvals, including a Final Order of the Bankruptcy Court approving the Settlement Agreement and authorizing Seller to enter into this Agreement and to assume and assign to Buyer the Assumed Contracts, shall have been obtained and be in full force and effect on terms that do not impose any cost or additional restriction on Buyer.

(ii) All of Seller's representations and warranties contained in this Agreement shall be true and correct in all material respects (except for any representation and warranties qualified by Material Adverse Effect, which shall be true and correct in all respects), and Buyer shall have received a certificate from Seller dated as of the Closing Date to that effect;

(iii) All of the Seller Parties' covenants and agreements that are required to be performed prior to Closing, including the payment of all Cure Amounts associated with Assumed Contracts, shall have been performed in all material respects or otherwise been waived by Buyer, and Buyer shall have received a certificate from Seller dated as of the Closing Date to that effect;

(iv) Seller shall have delivered an executed copy of each of the documents required to be delivered by Seller at the Closing pursuant to Section 2.4(c) and the Owners shall have delivered an executed copy of this Agreement;

(v) The Business shall not have experienced or suffered any Material Adverse Effect after the date hereof and through the Closing Date; and

(vi) On the date that is three Business Days prior to the Closing Date, the aggregate amount of all future customer lease payments, assuming that lease payments are made for the entirety of the term of each such lease without any early payouts, shall not be less than \$22,100,000.00.

(b) Seller Parties Closing Conditions. Seller's obligation to sell the Purchased Assets and to take any other actions required at the Closing is subject to fulfillment or express waiver by Seller Parties of each of the following conditions as of the time of Closing:

(i) All of the Buyer's representations and warranties contained in this Agreement shall be true and correct in all material respects (except for any representation and warranties qualified by Material Adverse Effect, which shall be true and correct in all respects), and Seller shall have received a certificate from Buyer dated as of the Closing Date to that effect;

(ii) All of Buyer's covenants and agreements that are required to be performed prior to Closing shall have been performed in all material respects, and Seller shall have received a certificate from Buyer dated as of the Closing Date to that effect;

(iii) Buyer shall have delivered an executed copy of each of the documents required to be delivered by Buyer at the Closing pursuant to Section 2.4(d); and

(iv) Buyer shall have delivered the payment required to be made by Buyer pursuant to Section 2.4(d).

## 7.2. Termination.

(a) This Agreement may be terminated at any time prior to the Closing:

(i) by mutual written agreement of Buyer and Seller;



(ii) by Seller or Buyer if the Closing shall not have been consummated on or before December 31, 2018; provided that the terminating party has complied with or performed or tendered performance of all covenants and agreements, and satisfied all conditions contained herein which are to be complied with, performed or satisfied by such party prior to or at the Closing;

(iii) by Buyer, on written notice to Seller, if any Seller Party shall have committed a material breach of this Agreement, other than a breach of Section 5.2, which breach cannot be, or has not been, cured within 30 days after the giving of written notice by Buyer to Seller specifying such breach;

(iv) by Seller, on written notice to Buyer, if Buyer shall have committed a material breach of this Agreement, which breach cannot be, or has not been, cured within 30 days after the giving of written notice by Seller to Buyer specifying such breach;

(v) by Buyer if a Bankruptcy Court order approving this Agreement and the Settlement Agreement is not entered on or before November 30, 2018; provided that Buyer has complied with or performed or tendered performance of all covenants and agreements, and satisfied all conditions contained herein which are to be complied with, performed or satisfied by such party prior to or at the Closing;

(vi) by Buyer if the Seller breaches any covenant contained in Section 5.2 which breach cannot be, or has not been, cured within ten days after the giving of written notice by Buyer to Seller specifying such breach.

(b) Upon any termination pursuant to this Section 7.2, and unless otherwise expressly provided for in this Agreement, no party shall have any further rights or obligations hereunder; *provided, however*, that if any of the terms and conditions contained herein have been breached by any party, the non-breaching parties may pursue any rights and remedies they may have under applicable Laws, in equity or otherwise, by reason of such breach, regardless of such termination, and such termination shall not constitute an election of remedies.

## ARTICLE VIII.

### MISCELLANEOUS

#### 8.1. Nature and Survival of Representations.

(a) The representations and warranties of Buyer and the Seller Parties contained in any certificate or schedule delivered by Buyer or any Seller Party pursuant hereto shall be deemed to constitute representations and warranties of the respective party under this Agreement. All covenants and agreements contained in this Agreement, including pursuant to Articles V and VI, shall survive the Closing Date and shall remain in full force and effect in accordance with their terms, or in perpetuity in the case of covenants and agreements with respect to which no time period or other provision for expiration or earlier termination is included therein, as applicable.

(b) The representations and warranties set forth in this Agreement shall expire and be terminated and extinguished on the Closing Date and thereafter, none of Seller

or Buyer or any of their Affiliates shall have any liability whatsoever with respect to any such representation or warranty.

8.2. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) three Business Days after mailing if mailed by certified or registered mail, return receipt requested, (b) one Business Day after delivery to Federal Express or other nationally recognized overnight express carrier, if sent for overnight delivery with fee prepaid, (c) upon receipt if sent via facsimile or other electronic means with receipt confirmed electronically during business hours (with such notice deemed to have been given the Business Day following the date of receipt if sent after the conclusion of business hours), or (d) upon receipt if delivered personally, addressed as follows or to such other address or addresses of which the respective party shall have notified the other:

If to Buyer, to:

Aaron's, Inc.  
400 Galleria Parkway S.E.  
Suite 300  
Atlanta, Georgia 30339  
Attention: General Counsel  
Fax No.: 678-402-3512

With a copy to (which shall not constitute notice):

Latham & Watkins LLP  
355 S. Grand Ave., Suite 100  
Los Angeles, California 90071-1560  
Attention: Jeffrey E. Bjork  
Fax No.: 213-891-8763

If to any of the Seller Parties, to:

Randall Sultan  
11150 W. Olympic Blvd, Suite 600  
Los Angeles, CA 90064

With a copy to (which shall not constitute notice):

Thompson Coburn LLP  
2029 Century Park East, 19th Floor  
Los Angeles, CA 90067  
Attention: Richard G. Reinis  
Fax No.: 310-282-2501

8.3. Expenses. Except as otherwise provided in this Agreement, each party to this Agreement will bear all the fees, costs and expenses which are incurred by it in connection with the transactions contemplated hereby and by the other Transaction Documents and compliance with the terms hereof and thereof (including the obtaining of any consents by such party by any such parties in connection herewith or therewith), whether or not such transactions are consummated, and the parties shall share equally all recording and filing fees that may be imposed by reason of the sale, transfer, assignment or delivery of the Purchased Assets.

8.4. Waiver of Compliance with Bulk Sales Act. Buyer and Seller hereby waive compliance by the parties with any bulk sales laws of any state where an Assigned Store Location or Other Business Location is located, and any other state bulk sales law or laws which may be applicable to the sale of the Purchased Assets contemplated hereunder.

8.5. Entire Agreement. This Agreement, which is comprised of this Agreement and the Schedules and Exhibits hereto and the Transaction Documents, certificates and other instruments specifically referred to herein to be delivered by the parties hereto, sets forth the entire agreement and understanding between the parties and supersedes any prior agreement or understanding, written or oral, relating to the subject matter of this Agreement.

8.6. Assignment; Binding Effect; Severability. This Agreement may not be assigned by any party hereto without the written consent of the other party, provided, however that Buyer may (a) assign its rights hereunder, in whole or in part, but subject to all limitations contained herein, to one or more lenders; (b) assign its rights hereunder, in whole or in part, but subject to all limitations contained herein, to any successor to all or any substantial part of the Business; or (c) assign its rights hereunder, in whole or in part, but subject to all limitations contained herein, to one or more subsidiaries of Buyer, provided that Buyer gives Seller prior written notice of such assignment and that such assignment shall not relieve Buyer of any liability to Seller for breaches of this Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and permitted assigns of each party hereto. The provisions of this Agreement are severable, and in the event that any one or more provisions are deemed illegal or unenforceable the remaining provisions shall remain in full force and effect unless the deletion of such provision shall cause this Agreement to become materially adverse to any party, in which event the parties shall use commercially reasonable efforts to arrive at an accommodation which best preserves for the parties the benefits and obligations of the offending provision.

8.7. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws (as opposed to the conflicts of laws provisions) of the State of Georgia.

8.8. Execution in Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto were upon one instrument.

8.9. No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to or shall (i) confer on any Person other than the parties hereto and their respective successors or permitted assigns any rights (including third party beneficiary rights), remedies, obligations or liabilities under or by reason of this Agreement, or (ii) constitute the parties hereto as partners or as participants in a joint venture. This Agreement shall not provide third parties with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to the terms of this Agreement.

8.10. Headings; Interpretation. The headings preceding the text of the sections and subsections hereof are inserted solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect. When reference is made in this Agreement to an Article or Section or Schedule, such reference shall be to an Article, Section or Schedule of this Agreement unless otherwise indicated. As used in this Agreement, the auxiliary verbs "will" and "shall" are mandatory, and the auxiliary verb "may" is permissive (and, by extension, is probative when used negatively, as a denial of permission). All accounting terms used but not otherwise defined in this Agreement shall have the meanings

determined by GAAP. The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The definitions contained in this Agreement are applicable to the singular as well as to the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any document or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes.

8.11. Amendment and Waiver. The parties may by mutual agreement amend this Agreement in any respect, and any party, as to such party, may (a) extend the time for the performance of any of the obligations of any other party, (b) waive any inaccuracies in representations by any other party, (c) waive compliance by any other party with any of the agreements contained herein and performance of any obligations by such other party, and (d) waive the fulfillment of any condition that is precedent to the performance by such party of any of its obligations under this Agreement. To be effective, any such amendment or waiver must be in writing and be signed by the party against whom enforcement of the same is sought.

*[Signature page follows]*

IN WITNESS WHEREOF, each Owner has executed, and each of Buyer and each Seller Party has caused this Agreement to be duly executed on its behalf by its duly authorized officer, all as of the day and year first written above.

**SELLER:**


SULTAN FINANCIAL CORPORATION

By:



Name: Randall C. Sultan  
Title: CEO

**OWNERS:**



---

Randall C. Sultan

---

Patricia E. Sultan

**BUYER:**

AARON'S, INC.

By: \_\_\_\_\_  
Name: Robert W. Kamerschen  
Title: EVP, General Counsel & Chief  
Corporate Affairs Officer

**OWNERS:**

\_\_\_\_\_  
Randall C. Sultan

\_\_\_\_\_  
Patricia E. Sultan

**BUYER:**

AARON'S, INC.

By: \_\_\_\_\_  
Name: Robert W. Kamerschen  
Title: EVP, General Counsel & Chief  
Corporate Affairs Officer

**EXHIBIT A**

**FORM OF LEASE ASSIGNMENT**

*[see document attached hereto]*



## OMNIBUS ASSIGNMENT AND ASSUMPTION OF LEASES

This OMNIBUS ASSIGNMENT AND ASSUMPTION OF LEASES (this “*Agreement*”) is made and entered into as of the [ ] day of [ ], 2018, by and between AARON’S, INC., a Georgia corporation (“*Buyer*”), SULTAN FINANCIAL CORPORATION, a California corporation (“*Seller*”), and Randall Sultan and Patricia Sultan, in their individual capacities and as trustees of the Randall and Patricia Sultan Family Revocable Trust dated November 5, 1999 (collectively, the “*Owners*”).

### RECITALS:

**WHEREAS**, pursuant to a certain Asset Purchase Agreement (the “*Asset Purchase Agreement*”), dated as of October 3, 2018, by and among Buyer, Seller and the owners of Seller named therein, Seller has agreed to assign to Buyer, and Buyer has agreed to assume, among other things, Seller’s rights and obligations pursuant to the leases and other occupancy agreements listed on Exhibit A hereto, as well as any obligations pursuant to the Owners’ personal guaranty of such agreements (collectively, the “*Lease Agreements*”).

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignment and Assumption. Subject to the terms and conditions set forth in the Asset Purchase Agreement, Seller hereby sells, assigns, transfers, conveys and delivers to Buyer all of Seller’s right, title and interest, legal and equitable, in and to the Lease Agreements, and Buyer hereby agrees to assume and timely to perform all obligations imposed upon Seller and Owners under the Lease Agreements which accrue from and after the date hereof.

2. Effect. This Agreement is entered into in accordance with and pursuant to the terms of the Asset Purchase Agreement. Nothing contained herein shall be deemed to alter, modify, expand or diminish any term or provision set forth in the Asset Purchase Agreement. In the event the terms of this Agreement conflict with the terms of the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall govern.

3. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

4. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws (as opposed to the conflicts of laws provisions) of the State of Georgia.

5. Execution in Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto were upon one instrument. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

6. Further Assurances. From time to time, the parties hereto agree to execute and deliver all such other instruments, certificates, agreements and other writings and take such other actions as may reasonably be necessary or requested by Buyer, Seller or Owners in order to consummate, evidence or implement expeditiously the assignment to Buyer of Seller’s rights and obligations under the Lease Agreements with respect to the Assigned Store Locations (as defined in the Asset Purchase Agreement) as contemplated in the Asset Purchase Agreement.

[Signature Page Follows]

**IN WITNESS WHEREOF**, Buyer and Seller have caused their duly authorized representatives to execute this Omnibus Assignment and Assumption of Leases as of the date first set forth above.

**SELLER:**

SULTAN FINANCIAL CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

**BUYER:**

AARON'S, INC.

By: \_\_\_\_\_  
Name:  
Title:

**THE SULTANS:**

By: \_\_\_\_\_  
Randall C. Sultan, individually and as trustee  
of the Randall and Patricia Sultan Family  
Revocable Trust dated November 5, 1999

By: \_\_\_\_\_  
Patricia E. Sultan, individually and as trustee  
of the Randall and Patricia Sultan Family  
Revocable Trust dated November 5, 1999

*[Signature Page to Omnibus Assignment and Assumption Agreement]*

**Exhibit A**  
**Lease Agreements**

	<b>Counterparty and Address</b>	<b>Description of Lease</b>
1	2042 Town Square West, LLC MG Palmdale Associates c/o MG Development Company 21700 Oxnard Street, #1760 Woodland Hills, CA 91367	Standard Shopping Center Lease dated May 21, 2009 for 2042 East Palmdale Blvd. Suite A, Palmdale, CA 93550
2	Bakersfield Partnership PO Box 1290 Agoura Hills, CA 91376	Lease dated May 17, 2007 for 4127 Ming Avenue, Bakersfield, CA 93309
3	Barstow Town Square, LLC c/o Lee and Associates 14369 Park Avenue, Suite 200 Victorville, CA 92392	Lease dated October 15, 2004 for 1307-A East Main Street, Barstow, CA 92311
4	CP Antelope Shops, LLC c/o NewMark Merrill Company 5850 Canoga Avenue, Suite 650 Woodland Hills, CA 91367	Shopping Center Lease dated February 26, 1999 for 1080 West Avenue K, Suite C-2, Lancaster, CA 93534
5	Eastgate Center, LLC c/o Paynter Realty Investments, Inc. 1761 Irvine Blvd., Suite 204 Tustin, CA 92780	Lease dated May 30, 2000 for 4832 E. Kings Canyon Road, Fresno, CA 93727
6	Fresno-Blackstone, LLC 11150 W. Olympic Blvd. Suite 600 Los Angeles, CA 90064	Lease dated September 1, 2011 for 1614 N. Blackstone Ave., Fresno, CA 93703
7	High-Desert Plaza LLC 100 West High Street Suite 720 Moorpark, CA 93020	Lease dated May 8, 2000 for 12180 Hesperia Rd Ste A, Victorville, CA 92395
8	Infinity Commercial, LLC c/o NAI Capital, Inc. Senior Vice President 800 North Haven Ave., Suite 400 Ontario, CA 91764	Standard Multi-Tenant Shopping Center Lease-Net dated May 24, 2016 for 1689 E. Highland, San Bernardino, CA 92404
9	Manthey Road Sterling Partners, LLC 73-700 Dinah Shore Drive Suite 401 Palm Desert, CA 92211	Lease dated August 28, 2009 for 2160 E. Pacheco Blvd., Los Banos, CA 93635
10	Randall C. Sultan and Patricia E. Sultan 204 Glenroy Place Los Angeles, CA 90049	Lease dated August 1, 2005 for 411 W Lacey Blvd, Hanford, CA 93230
11	RHI/Spectrum Perris LLC c/o Jeffrey M. Boren 716 N. Linden Drive Beverly Hills, CA 90210	Standard Industrial Lease for 2560 N. Perris Blvd., Perris, CA 92571
12	SFC-Olive 351, LLC 11150 West Olympic Blvd. Suite 600	Lease dated April 1, 2013 for 1125 Olive Drive, Bakersfield, CA 93308

	<b>Counterparty and Address</b>	<b>Description of Lease</b>
	Los Angeles, CA 90064	
13	SNORAA LLC 220B North Locust Visalia, CA 93291	Lease dated March 17, 2000 for 3306 South Mooney Blvd., Visalia, CA 93277
14	Sultan Financial Niles, LLC 11150 W. Olympic Blvd. Suite 600 Los Angeles, CA 90064	Lease dated November 1, 2011 for 6473 Niles Street, Bakersfield, CA 93306
15	William Fedde/Mary Fedde Rev. Trust 7419 N. Cedar #102 Fresno, CA 93720	Multi-Tenant Shopping Center Lease, undated, 2007 for 260 W. Olive Ave., Suite A, Porterville, CA 93257

**EXHIBIT B**

**FORM OF FRANCHISE TERMINATION AGREEMENT**

*[see document attached hereto]*

## FRANCHISE TERMINATION AGREEMENT

This Franchise Termination Agreement (this “*Agreement*”) is entered into on this [ ] day of [ ], 2018 (the “*Effective Date*”) by and among AARON’S, INC., a Georgia corporation f/k/a Aaron Rents, Inc. (the “*Franchisor*”), SULTAN FINANCIAL CORPORATION, a California corporation (“*Franchisee*”), and Randall and Patricia Sultan (each individually a “*Guarantor*” and together, the “*Guarantors*”).

### W I T N E S E T H:

**WHEREAS**, pursuant to that certain Asset Purchase Agreement dated as of October 3, 2018, by and among Franchisor, Franchisee, and the Guarantors (the “*Asset Purchase Agreement*”), Franchisee has agreed to sell, transfer, convey, assign and deliver to Franchisor, and Franchisor has agreed to purchase and acquire from Franchisee, the Purchased Assets (as such term is defined in the Asset Purchase Agreement), subject to the terms and conditions set forth in the Asset Purchase Agreement;

**WHEREAS**, Franchisor and Franchisee are parties to (i) the Area Development Agreement among Aaron’s Rents, Inc., Sultan Financial Corporation and Randall C. Sultan and Patricia E. Sultan, dated September 27, 2002; and (ii) the Area Development Agreement among Aaron’s, Inc., Sultan Financial Corporation, and Randall C. Sultan and Patricia E. Sultan, dated February 11, 2010, as amended from time to time, including by that certain Eleventh Amendment to Area Development Agreement, dated January 20, 2017 (the “*Area Development Agreements*”);

**WHEREAS**, Franchisor, on the one hand, and Franchisee and Guarantors, on the other hand, are parties to (i) those certain franchise agreements listed on Exhibit A hereto (the “*Franchise Agreements*”) for the Aaron’s Franchise Store Numbers listed on Exhibit B hereto (the “*Franchise Stores*”), (ii) any Exterior Sign Lease Agreements executed in connection with such Franchise Agreements; (iii) any Equipment Leases executed in connection with such Franchise Agreements; (iv) any and all other ancillary agreements and documents entered into by and between the parties hereto in connection with such Franchise Agreements or Franchisee’s operation of the Franchise Stores; and (v) any agreements or documents in the nature of items (i) through (iv) above that relate to former Aaron’s Franchise Stores not listed on Exhibit B that were previously closed by the Franchisee (all of the foregoing, together with the Area Development Agreements, being hereinafter collectively referred to as the “*Franchise Documents*”);

**WHEREAS**, the Guarantors have personally guaranteed the performance of the Franchisee under the Franchise Documents; and

**WHEREAS**, the parties hereto desire to terminate the Franchise Documents upon the terms and conditions herein provided.

**NOW, THEREFORE**, in consideration of their respective promises and agreements and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. The above-stated recitals are true and correct and are hereby incorporated in the terms and provisions of this Agreement as if set forth in their entirety.
2. The Franchise Documents shall be terminated, effective as of the Closing (as such term is defined in the Asset Purchase Agreement) and except as contemplated in the Asset Purchase Agreement or the other Transaction Documents (as such term is defined in the Asset Purchase

Agreement), Franchisor, Franchisee and Guarantors shall thenceforth and thereafter be fully and forever released and discharged from the performance of their respective obligations thereunder except as set forth in the Settlement Agreement (as defined in the Asset Purchase Agreement).

3. Except as provided in paragraph 5 below or in the Settlement Agreement, Franchisor, on behalf of itself and its affiliates and its and their respective officers, directors, managers and equity owners, and its and their respective heirs, executors, successors and assigns (collectively, the "**Franchisor Parties**"), hereby releases and discharges Franchisee, Guarantors and their respective affiliates, and each of their officers, directors, managers and equity owners, and each of their heirs, executors, successors and assigns (collectively, the "**Franchisee Parties**") of and from any and all claims, demands, actions, and causes of actions of any and every nature whatsoever, regardless of whether the same are known, unknown, suspected, unsuspected, accrued, unaccrued, vested and/or contingent ("**Claims**") the Franchisor Parties have had, may now have or in the future may have against the Franchisee Parties, or any one or more of them, which are (i) based upon or arising out of or in any way connected with any of the Franchise Documents, or (ii) based upon or arising out of any facts or occurrences existing as of the date hereof, whether known or unknown as of the date of this Agreement.

4. Except as provided in paragraph 5 below or in the Settlement Agreement, the Franchisee and the Guarantors, on behalf of themselves and the Franchisee Parties, hereby release and discharge the Franchisor Parties of and from any and all Claims the Franchisee Parties have had, may now have, or in the future may have against the Franchisor Parties, or any one or more of them, which are (i) based upon or arising out of or are in any way connected with any of the Franchise Documents, or (ii) based upon or arising out of any facts or occurrences existing as of the date hereof, whether known or unknown as of the date of this Agreement.

5. The releases set forth in paragraphs 3 and 4 shall not release either party hereto with respect to any rights or obligations of any party arising under this Agreement, the Asset Purchase Agreement, the Settlement Agreement or the other Transaction Documents (as defined in the Asset Purchase Agreement).

6. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns and shall not be binding or effective for any purpose until mutually executed and delivered by the parties hereto.

7. The parties acknowledge that each has been afforded the opportunity to be represented by an attorney regarding this Agreement. The parties further acknowledge that each of them fully understands this Agreement and its final and binding effect, and that each of them has freely and voluntarily entered into it, without coercion, duress or undue influence.

8. This Agreement is entered into in accordance with and pursuant to the terms of the Asset Purchase Agreement. Nothing contained herein shall be deemed to alter, modify, expand or diminish any term or provision set forth in the Asset Purchase Agreement. In the event the terms of this Agreement conflict with the terms of the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall govern.

9. The parties executing this Agreement represent and warrant that each has full authority to act on behalf of and bind each respective party to this Agreement and that no third party consents of any kind are required in connection therewith.

10. This Agreement may be executed by the parties in multiple counterparts, each of which shall constitute an original and all of which when taken together shall constitute one and the same

instrument. A counterpart signed and transmitted by facsimile or by e-mail as a .pdf file is to be treated as an original document, and the exchange of counterparts signed by all of the parties shall constitute a binding and enforceable agreement. The signature of any party thereon, for purposes hereof, is to be considered the same as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document.

*[Signatures to Appear on Following Page(s)]*



**IN WITNESS WHEREOF**, the parties have executed this Agreement to be effective as of the date first written above.

**FRANCHISOR:**

AARON’S, INC.

By: \_\_\_\_\_  
Name:  
Title:

**FRANCHISEE:**

SULTAN FINANCIAL CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

**GUARANTORS:**

By: \_\_\_\_\_  
Name: Randall Sultan

By: \_\_\_\_\_  
Name: Patricia Sultan

**Exhibit A**

**Franchise Agreements**

Area Development Agreement among Aaron's Rents, Inc., Sultan Financial Corporation and Randall C. Sultan and Patricia E. Sultan, dated September 27, 2002;

Area Development Agreement among Aaron's, Inc., Sultan Financial Corporation, and Randall C. Sultan and Patricia E. Sultan, dated February 11, 2010, as amended from time to time, including by that certain Eleventh Amendment to Area Development Agreement, dated January 20, 2017;

Franchise Agreement by and among Aaron's Rents, Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated June 27, 2007, for store located at 4127 Ming Ave., Bakersfield, CA 93309 (#112);

Franchise Agreement by and among Aaron Rents, Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated March 8, 2009, for store located at 1080 W. Avenue K, Lancaster, CA 93534 (#179);

Franchise Agreement by and among Aaron Rents, Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated June 14, 2009, for store located at 3820 W. Shaw, Fresno, CA 93711 (#197);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated July 27, 2009, for store located at 3306 South Mooney Blvd., Visalia, CA 93277 (#206);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated March 6, 2010, for store located at 12180 Hesperia Rd., Victorville, CA 92395 (#239);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated August 14, 2010, for store located at 4832 E. Kings Canyon Rd., Fresno, CA 93727 (#261);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated September 7, 2011, for store located at 6025 Niles Street, Bakersfield, CA 93306 (#286);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated December 18, 2002 and renewed December 18, 2012, for store located at 1125 Olive Dr., Bakersfield, CA 93308 (#351);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated January 16, 2004 and renewed January 16, 2014, for store located at 2042 E. Palmdale Blvd., Palmdale, CA 93550 (#462);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated May 12, 2004 and renewed May 12, 2014, for store located at 411 W. Lacey Blvd., Hanford, CA 93230 (#503);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated May 5, 2004 and renewed May 5, 2014, for store located at 1307 E. Main St., Ste. A, Barstow, CA 92311 (#504);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated January 30, 2009, for store located at 260 W. Olive Ave., Ste. A, Porterville, CA 93257 (#945);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated August 7, 2009, for store located at 2160 E. Pacheco Blvd., Los Banos, CA (#1022);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated August 23, 2010, for store located at 1614 N. Blackstone Ave., Fresno, CA 93703 (#1130);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated August 23, 2010, for store located at 2560 N. Perris Blvd., Perris, CA 92571 (#1131);

Franchise Agreement by and among Aaron's Inc., Sultan Financial Corporation, Randall C. Sultan and Patricia E. Sultan, dated March 18, 2014, for store located at 1689 E. Highland Ave., San Bernardino, CA 92404 (#1352).

**Exhibit B**

Franchise Stores

<b>STORE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>ST</b>
112	4127 Ming Ave.	Bakersfield	CA
179	1080 W. Avenue K	Lancaster	CA
197	3820 W. Shaw	Fresno	CA
206	3306 South Mooney Blvd.	Visalia	CA
239	12180 Hesperia Rd.	Victorville	CA
261	4832 E. Kings Canyon Rd.	Fresno	CA
286	6025 Niles Street	Bakersfield	CA
351	1125 Olive Dr.	Bakersfield	CA
462	2042 E. Palmdale Blvd.	Palmdale	CA
503	411 W. Lacey Blvd.	Hanford	CA
504	1307 E. Main St., Ste. A	Barstow	CA
945	260 W. Olive Ave., Ste. A	Porterville	CA
1022	2160 E. Pacheco Blvd.	Los Banos	CA
1130	1614 N. Blackstone Ave.	Fresno	CA
1131	2560 N. Perris Blvd.	Perris	CA
1352	1689 E. Highland Ave.	San Bernardino	CA

**EXHIBIT C**

**FORM OF TRANSITION SERVICES AGREEMENT**

*[see document attached hereto]*

## TRANSITION SERVICES AGREEMENT

This Transition Services Agreement (this "**Agreement**") is made and entered into as of [\_\_\_\_\_], 2018, by and between Aaron's, Inc., a Georgia corporation ("**Buyer**"), and Sultan Financial Corporation, a California corporation ("**Seller**" or "**Company**"). Buyer and Company are sometimes collectively referred to herein as the "**Parties**" and individually referred to herein as a "**Party**". Capitalized terms not defined herein shall have the meanings set forth in the APA (as defined below).

### **RECITALS:**

**WHEREAS**, the Parties entered into an Asset Purchase Agreement, dated as of October 3, 2018 (the "**APA**"), by and among Buyer, Seller and the ultimate equity owners of Seller signatory thereto, pursuant to which Seller, subject to approval of the Bankruptcy Court, has agreed to sell, assign, transfer, convey and deliver to Buyer the Purchased Assets (the "**Transaction**");

**WHEREAS**, in connection with the Transaction, the Parties are willing to enter into this Agreement in order to allow Buyer to utilize the services of the Business Employees who shall, subject to the limited exceptions set forth in the APA, be offered employment by Buyer as provided in this Agreement and the APA; and

**WHEREAS**, pursuant to the APA, and as an inducement to each of the Parties to the APA to consummate the transactions contemplated thereunder, the Parties are entering into this Agreement.

**NOW, THEREFORE**, in consideration of the foregoing and covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound hereby, agree as follows.

### **AGREEMENT:**

1. **Services.**

(a) **Provision of Employees.** Subject to the terms and conditions of this Agreement, throughout the Employee Services Term (as defined herein) Company shall make available to Buyer the Business Employees to perform those duties, functions and services, and at such locations, as were generally performed by the Business Employees for the benefit of the Business immediately prior to the Effective Time, or such other duties, functions and services consistent with those generally performed prior to the Effective Time as Buyer may reasonably request of such employees (collectively, the "**Employee Services**")<sup>1</sup> and permit each such Business Employee to utilize any property of Seller (whether owned or leased, including leased vehicles) in the possession of such Business Employees in the performance of the Employee Services (collectively, "**Employee Materials**"). The Business Employees shall perform the Employee Services at the locations at which such Employee Services are performed by the

---

<sup>1</sup> For the avoidance of doubt, Buyer has the discretion to determine which Employee Services and other services as provided for herein (collectively, the "**Services**") it will require from the Business Employees and Company during the Term. If particular Services are required by Buyer at the outset of the Term, Buyer may terminate any or all such Services upon five days' written notice to Company.

Business Employees immediately prior to the Effective Time. For purposes of this Agreement, "**Employee Services Term**" means the period commencing at the Effective Time through and including the Employee Hire Date.

During the Employee Services Term, all Business Employees shall remain at-will employees of Company (subject to any employment agreement between a Business Employee and Company), and Company's obligation to make available the Business Employees to Buyer under this Agreement shall apply only to the extent such Business Employees remain employed by Company. Company shall not be required to maintain the employment of any specific Business Employee, provided that during the Employee Services Term (i) Company will not terminate the employment of any Business Employee without the approval of Buyer, which approval shall not be unreasonably withheld, and (ii) Company will immediately remove any Business Employee from assignment to Buyer pursuant to this Agreement upon request by Buyer to do so. Company may not hire additional employees or other personnel for the Business Locations during the Employee Services Term, it being agreed that any such employees or other personnel will be hired by Buyer upon a determination of need. Company may hire additional non-Business Location employees or other personnel on a temporary basis for back office support purposes upon a determination of need, but Buyer will have no obligation to interview or offer employment to any of such new hires (and, for clarity, such new hires shall not constitute Business Employees hereunder).

(b) **Compensation/Payroll**. During the Employee Services Term and notwithstanding Buyer's obligations under **Section 2**, Company (i) shall be solely responsible (but subject to reimbursement by Buyer as set forth in Section 2) for (x) the payment to the Business Employees, through Company's payroll, of all salaries, wages, cash incentive compensation, commissions, employee benefits, including, but not limited to, any payments required to be made by Company under any applicable group health plan, and other compensatory amounts payable to or on behalf of any Business Employees (and/or their covered dependents) in respect of the Employee Services, (y) the prompt reimbursement of any actual travel or other business expenses incurred by any Business Employees in connection with the performance of the Employee Services, and (z) the collection and timely payment of all federal, state and local income, unemployment and other payroll and employment taxes and other withholdings required by federal, state or local law or regulation payable with respect to the Business Employees and (ii) shall comply with its obligations with respect to Company Benefit Plans as provided in subsection (c). During the Employee Services Term, except as otherwise directed by Buyer, Company shall pay the Business Employees at the same rates that the Business Employees were receiving as of the Effective Time and shall not alter the compensation of any Business Employee as of the Effective Time without Buyer's prior written consent, in its sole discretion. During the Employee Services Term, Company shall allow all Business Employees' payroll withholding elections (such as those related to income taxes, qualified retirement plans, group health and welfare plans, etc.) to remain the same as such elections were in effect as of the Effective Time. During the Employee Services Term, Company shall maintain and continue to pay for its workers compensation insurance coverage of the Business Employees for any and all incidents and injuries that may occur during the Employee Services Term.

(c) **Employee Benefits**. During the Employee Services Term, Company shall allow each Business Employee to continue to be eligible to participate, participate once eligible and, if already participating, to continue to so participate in the Company 401(k) retirement plan ("**401(k) Plan**"), the Company health insurance plan ("**Health Plan**"), and in all other employee benefit plans that such Business Employee was eligible to participate in and/or was participating in as of the Effective Time and any successor plan(s) thereto (collectively, the "**Company Benefit Plans**"), and Company shall continue in effect during the Employee Services Term all

contracts and insurance with respect to such Company Benefit Plans. Further, with respect to coverage under the Company's medical, dental and/or vision plans, Company shall allow each Business Employee participating in such plans to remain covered through the last day of the month in which employment is terminated under the same terms and conditions that apply to any other terminated employee and shall continue in effect all contracts and insurance with respect thereto, subject in each case to such Business Employee remaining eligible to participate in such plans as of immediately prior to such termination. Seller shall be responsible for operating and administering Company Benefit Plans and all claims incurred during the Employee Services Term (and through the last day of the month in which such term ends with respect to the medical, dental and vision plans) pursuant to the terms and conditions of such Company Benefit Plans (regardless of when such claims are submitted for payment, provided such submission is timely under the terms of the applicable Company Benefit Plan), including any requirement generally applicable to the submission of claims under such Company Benefit Plans. For the avoidance of doubt, Seller remains solely responsible for all compliance obligations relating to Company Benefit Plans at all times, including but not limited to, filing the final annual report and any and all reporting and payment obligations under the Affordable Care Act.

(d) Payroll and Benefit Plan Matters. During the Employee Services Term, Company shall be solely responsible for ensuring compliance with all operation, administration and other employment-related laws in respect of the Business Employees relating to employment, payroll and Company Benefit Plan matters covered under this Agreement. Company shall bear sole responsibility during such period to respond to any questions and inquiries from all governmental entities and any other federal, state, local and foreign agencies and other persons regarding payroll and employment data and history relating to the Business Employees and concerning the Employee Services Term, although Buyer shall cooperate with Company in performing such responsibility by providing any information regarding the actions or inactions of any Business Employee with respect to the performance of Employee Services reasonably requested by Company. In the event Company or any of its affiliates becomes aware of any material compliance-related issues or any questions or inquiries from such agencies regarding any Company Benefit Plan, Company shall, or shall cause any of its affiliates to, promptly notify Buyer of such matters. Company shall be solely responsible for the preparation of 2018 "closeout" W-2 statements with respect to the period in 2018 during which the Business Employees were employees of Company.

(e) Relationship Between Parties. During the Employee Services Term, each Business Employee shall remain an employee of Company. In all matters relating to this Agreement, each Party hereto shall be solely responsible for the acts of its own employees, agents and representatives, and the employees, agents and representatives of one Party shall not be considered, and shall not hold themselves out as, employees, agents, representatives or partners of the other Party. Except as otherwise specifically provided herein, neither Party shall have, nor shall hold itself out as having, any right, power or authority to create any obligation, express or implied, on behalf of the other Party.

(f) Cooperation. Upon the Employee Hire Date, Company agrees to provide Buyer with all information and records in Company's possession relating to Transferred Employees to the extent permitted by applicable Law and as reasonably requested by Buyer. Company shall, at Buyer's request and expense, further assist Buyer in any reasonable manner reasonably necessary to provide for a smooth transition of any and all Transferred Employees who become employees of the Buyer upon the Employee Hire Date.



(g) Operating Accounts.

(1) Within two (2) business days after Closing, Company shall prepare and deliver to Buyer a written statement showing for each depository bank account held by Seller for the stores identified on Exhibit A hereto (such accounts, the "**Operating Accounts**"), in each case as of the Effective Time, (i) the amount on hand in, and available for withdrawal from, such account, (ii) without duplication of any amounts reflected in subclause (i), an itemized list of checks and other deposit items submitted to such accounts but not yet cleared as well as an itemized list of checks and other deposit items received by Seller prior to the Effective Time but not yet deposited into such account, (iii) an itemized list of checks and other payment items issued by Seller against such account but which have not yet been debited from such account, together with (iv) Seller's calculation of the Operating Cash derived therefrom, and (v) account statements, detailed deposit receipts and any other information requested by Buyer. From the date hereof until the day that is the eight-week anniversary of the Closing Date (the "**Operating Account Term**"), Seller shall make available to Buyer any information and account statements reasonably requested by Buyer to verify the Operating Cash amount and the Post-Operating Cash amount and to otherwise reconcile the components thereof. Company shall assist and cooperate with Buyer to recover for Buyer's benefit any deposits that are inadvertently made into an account of Company or Seller store bank account but which should have been deposited into a newly opened account of Buyer for such store.

(2) During the Operating Account Term, Seller shall maintain the Operating Accounts and hold any amounts deposited into such accounts post-Closing by third parties in trust for the benefit of Buyer and shall promptly disburse such amounts solely in accordance with Buyer's written instructions. Except as may be required pursuant to the Chapter 11 Proceeding, Seller shall not allow any Encumbrances to attach to the Operating Accounts or Post-Closing Operating Cash. During the Operating Account Term, Seller shall use the Operating Accounts exclusively in connection with Buyer's conduct of its business. During the Operating Account Term, Company shall, on a weekly basis, prepare and deliver to Buyer a written statement showing for each Operating Account: (w) the amount on hand in and available for withdrawal from such Operating Account, (x) without duplication of any amounts reflected in subclause (w), an itemized list of checks and other deposit items (A) submitted to such accounts at any time during the preceding week noting whether or not the same have cleared, (B) received by Seller at any time during the preceding week but not yet submitted to such accounts noting whether or not the same have cleared, and (C) both received by Seller and submitted to such accounts at any time during the preceding week noting whether or not the same have cleared, (y) an itemized list of checks and other payment items issued by Seller against such account but which have not yet been debited from such account, and (z) any other information and account statements (including copies of all checks received by Seller described in subclauses (x) and (y) above) associated with the Operating Account reasonably requested by Buyer to verify all accounts receivables or other amounts generated by Buyer in the Business during the previous week and all accounts payable or other amounts owed by Buyer in the Business during the previous week.

(3) At the end of the Operating Account Term, Buyer shall verify all accounts receivables or other amounts generated by Buyer in the Business during the Operating Account Term ("**Accounts Receivable**") and all accounts payable or other amounts owed by Buyer in the Business during the Operating Account Term ("**Accounts Payable**") and Buyer shall calculate an amount equal to the Accounts Receivable minus the Accounts Payable (the "**True-Up Amount**"). If the True-Up Amount is a negative number, Buyer shall promptly pay such amount to Seller. If the True-Up Amount is a positive number, Seller shall promptly pay such amount to Buyer.

(4) During the Operating Account Term, Seller shall cause all monetary transactions relating to Seller's or its shareholders' affairs and that are not directly attributable to Buyer's business or the Purchased Assets to be conducted solely through a separate account and not one of the Operating Accounts.

(5) As used herein, "**Operating Cash**" shall mean the amount of cash on hand in and available for withdrawal from the Operating Accounts at the Effective Time, plus any cash received in such accounts after Closing on account of checks deposited but not cleared prior to Closing or received by Seller prior to Closing (subject to Company's obligation to provide Buyer with the information set forth in Section 1(g)(1), including copies of any such checks), but net of cash needed to cover checks or other payments issued by Seller prior to the Closing and which have not yet been debited from such accounts. As used herein, "**Post-Closing Operating Cash**" shall mean the amount of cash on hand in and available for withdrawal from the Operating Accounts during the Operating Account Term including cash needed to cover checks or other payments issued by Seller prior to the Closing and which have not yet been debited from such accounts, but net of any cash received in such accounts after Closing on account of checks deposited but not cleared prior to Closing.

(h) **Merchant Card Relationships.** Following Closing at Buyer's request and for a period ending on the date that all merchant card transaction services and related arrangements used in the Business have been transitioned and assigned to Buyer which shall occur no later than 30 days from the date hereof (such period the "**Merchant Card Term**"), Seller shall maintain its merchant card relationships in effect and shall permit Buyer to use such relationships for the purposes of processing merchant card transactions in the ordinary course of business. During the Merchant Card Term, Seller shall cause the net proceeds arising from Buyer initiated merchant card transactions to be deposited into one of the Operating Accounts (as appropriate) consistent with Seller's past practices or into any other account designated by Buyer, and such proceeds shall be held in trust by Seller and disbursed solely in accordance with Buyer's written instructions. For the avoidance of doubt, all net proceeds arising from Buyer initiated merchant card transactions shall be reconciled in accordance with the true-up process set forth in **Section 1(g)(3)** of this Agreement, regardless of whether such amounts are deposited in an Operating Account. During the Merchant Card Term, Seller shall make available any hardware associated with the merchant card relationships to allow Buyer's access. Seller shall not take any action to terminate its merchant card relationships, except with the express written consent of Buyer. Buyer shall promptly reimburse Company for any direct out of pocket costs incurred in connection with maintaining such merchant card relationships in effect.

(i) **Finance and Accounting Systems and Utilities.**

(1) From the date hereof, Seller shall maintain all accounting and other systems used to maintain the books and records of each store operated by Seller (the "**Accounting Systems**") and shall provide Buyer with access to and use of such Accounting Systems, in each case until such stores are transitioned over to the Buyer's systems, which shall occur no later than 30 days from the date hereof (with respect to each store location, the "**Accounting System Term**"). Without limiting the foregoing, during the Accounting System Term, Seller shall maintain all of its software or system licenses and related contracts in full force and effect for Buyer's use in the ordinary course of the Business consistent with Seller's past practices for 30 days from the date hereof.

(2) Seller shall provide Buyer with continuous network and support of systems required to support the Business at the current levels of service, including providing continuous telephone system service and other utilities including internet access and

maintenance, e-mail support and network connectivity (collectively, the "**Utility Services**") until each such service is transitioned to Buyer's name, which shall occur no later than 30 days from the date hereof (with respect to each service, the "**Utility Service Term**"; with respect to the period beginning on the date hereof and ending on the last day of the latest Utility Service Term, the "**Utility Term**"). During the Utility Term, Seller shall (a) provide Buyer with the same access to its server(s) as Seller provided in support of the Business prior to Closing; (b) maintain the network infrastructure as previously provided in support of the Business prior to Closing, including network switches, wireless access points, routers, cable modem and network copiers; and (c) use its commercially reasonable efforts to assist Buyer in providing any necessary notifications to utility providers for, or in obtaining any necessary consents to, the assignment to Buyer of the underlying agreements, leases, licenses or arrangements relating to provision of such Utility Services. Without limiting the foregoing, Seller shall keep all of its software or other system licenses, maintenance and related contracts in full force and effect for Buyer's use in the ordinary course of the Business consistent with Seller's past practices for 30 days after the date hereof.

(j) **Offers of Employment.** At any time during the Employee Services Term, Buyer may, in its sole discretion, make offers of employment to the Designated Business Employees, with such offers of employment to be effective as of the day following the Employee Hire Date (or such sooner date as determined by Buyer). On such date, each Designated Business Employee who accepts Buyer's offer of employment shall cease to constitute a "Business Employee" for purposes of this Agreement and shall constitute a Transferred Employee for purposes of the APA. Seller shall terminate for all purposes (including under all Company Benefit Plans) the employment of each Designated Business Employee who accepts Buyer's offer of employment effective as of the Employee Hire Date.

## 2. **Payments.**

(a) **Reimbursements of Expenses for Employees.** In consideration for the Employee Services of the Business Employees during the Employee Services Term, Buyer shall reimburse Company for the actual cost to Company, without any mark-up or profit margin and reduced by any insurance available with respect to a claim or expense, of the following items (collectively, the "**Employee Costs**"): <sup>2</sup> (i) wages and other cash compensation, including salaries, cash incentive compensation, commissions, employee benefits, paid or payable to the Business Employees to the extent accrued or earned during the Employee Services Term (including any withholding taxes paid for or on account of the Business Employees and including vacation and sick time paid to the Business Employees); (ii) consistent with past practice, recurring monthly administrative fees incurred during the Employee Services Term with respect to the 401(k) Plan and employer matching contributions and other employer contributions to the 401(k) Plan attributable to compensation earned by Business Employees during the Employee Services Term (regardless of when such contribution is actually made to the 401(k) Plan), (iii) direct and allocable third party costs associated with administering the Company Benefit Plans with respect to the Business Employees, as prorated for the Employee Services Term, other than any third party costs associated with administering the 401(k) Plan for other employees employed by Affiliates of Company, in each case reduced by insurance available for such claims or expenses and reduced by the employee contributions for the coverage; (iv) any reimbursable business expenses incurred by the Business Employees during the Employee Services Term, (v) the costs of Employee Materials attributable to their use by Business Employees during the Employee Services Term, (vi) workers' compensation expenses

---

<sup>2</sup> For the avoidance of doubt, the Employee Costs shall not exceed the amounts set forth in the Cash Collateral Budget.

with respect to any incidents occurring with respect to Business Employees during the Employee Services Term (regardless of when such expenses are actually paid provided that Seller shall not terminate insurance that covers any Business Employee with respect to such incidents), (vii) fees paid to the United States Trustee in connection with the Chapter 11 Proceeding, solely as to fees that are based upon expenses incurred by Company hereunder; and (viii) other payroll and payroll-related costs for the Business Employees in respect of the Employee Services Term, including but not limited to, employer FICA expense, federal unemployment tax, state unemployment tax, and similar costs paid or payable to or on account of the Business Employees during the Employee Services Term. Unless otherwise directed by Buyer, Company will not grant any base compensation increase or otherwise change any compensation or benefit plan or program of Company with respect to Business Employees after the Closing.

(b) Reimbursement of Expenses for Accounting Systems and Utility Services. In consideration for the Utility Services and use of the Accounting Systems, Buyer shall reimburse Company for the actual cost to Company of (i) maintaining the Accounting Systems and (ii) Utility Services (together, the "**Accounting and Utility Costs**").

(c) Invoices. On a weekly basis, Company shall provide to Buyer an itemized invoice showing all Employee Costs and Accounting and Utility Costs payable by Buyer hereunder. For the avoidance of doubt, any invoice will be net of amounts paid or advanced directly by Buyer. All invoices shall include documentation sufficient to allow Buyer to calculate the Employee Costs and the Accounting and Utility Costs due under the invoice, and Company shall provide reasonable access at reasonable times to Company's books and records to permit Buyer to verify the accuracy of any invoice provided by Company pursuant to this Section 2(c). The provisions of this Section 2(c) shall survive the termination of this Agreement to the extent that any amounts accrued under Section 2(a) and (b) during the Employee Services Term are paid by Company following the Employee Services Term, Accounting Service Term or Utility Term, as applicable, and/or the termination of this Agreement (provided such amounts are otherwise timely paid pursuant to the terms of the applicable Company Benefit Plan).

(d) Escrow Account. On the Closing Date, Buyer shall pay to [ ] (the "Escrow Agent") the amount equal to \$[ ] (the "Escrow Amount"). The Escrow Amount will be held in an interest-bearing segregated account (the "Escrow Account") and disbursed by the Escrow Agent pursuant to the escrow agreement (the "Escrow Agreement") to be entered into between Buyer and Company at or before Closing for the purpose of securing and funding Buyer's obligations pursuant to this Section 2. The Escrow Agreement shall provide for the release of payments by the Escrow Agent to an account specified by Company within ten days of Buyer's approval of each invoice provided by Company pursuant to Section 2(c) hereof (except as required by statute to be paid by Company in a shorter period of time in which case the release from escrow shall occur within such shorter period of time) in the amount approved by Buyer. The Escrow Amount shall be replenished by Buyer to maintain at least \$[ ] in the Escrow Account until receipt by Buyer of the final invoice pursuant to Section 2(c) hereof. Upon the payment of such final invoice and the resolution of any disputes between Buyer and Company relating to any invoices provided by Company pursuant to Section 2(c) hereof, any amount remaining in the Escrow Account shall be paid to Buyer by the Escrow Agent within ten days. Distributions of any amounts from the Escrow Account shall be governed by the terms and conditions of the Escrow Agreement and this Agreement. Any administrative fees associated with the maintenance of the Escrow Account by the Escrow Agent shall be borne equally between Buyer, on the one hand, and Seller, on the other hand. All payments made pursuant to this Agreement shall be made in lawful currency of the United States of

America. No payment hereunder shall be deemed to waive Buyer's right to subsequently challenge the amount of any invoice and to recover any overpayments.

(e) Acknowledgement. Company acknowledges that for the Employee Services Term, Buyer shall have no responsibility for the provision of compensation or benefits to any Business Employee, other than reimbursement and other payment obligations to Company as provided in this Section 2.

3. Performance.

(a) Operational Control. During the Employee Services Term, Company agrees not to take any action with respect to the Operating Accounts, except at the direction and for the account of Buyer or as may be required by the Bankruptcy Court. Buyer shall direct and instruct the field and store Business Employees in the performance of their Employee Services. Unless requested by Buyer, Company agrees not to take any action to direct or instruct the field and store Business Employees in the performance of their Employee Services.

(b) Consistency in Process. During the Employee Services Term, Company agrees that it shall not direct or instruct any Business Employees to make any changes to the processes and practices used in performing any of the Employee Services during the Employee Services Term without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed.

(c) Employee Service Records. During the Employee Services Term, subject to applicable law, Company shall provide Buyer interim access to all available employment records relating to the Transferred Employees. Subject to applicable law, Company shall make copies of records pertaining to the Employee Services provided by Company and reasonably requested by Buyer, at Buyer's expense, or in the alternative, shall provide reasonable access during normal business hours to records, copying equipment and sufficient facilities for copying to be performed by Buyer.

(d) [Intentionally Deleted]

4. Term. The term of the services to be provided hereunder are provided in the relevant sections of this Agreement. The "Term" of this Agreement shall commence on the Closing Date and end on the first date on which no further services or other obligations are required to be performed hereunder. Notwithstanding the foregoing, the Term of this Agreement, the Employee Services Term and the term during which any Service is to be provided hereunder may be terminated by Buyer at any time by providing at least five days' prior written notice to Company. Company's obligations to compensate the Business Employees for Employee Services provided by them during the Employment Services Term, and Buyer's payment obligations to Company in respect of any amounts accruing during or in respect of the Term, shall survive expiration or any other termination of this Agreement.

5. Assignment. Neither Party may assign any of its rights or transfer any of the obligations under this Agreement to any Person without the prior written consent of the other Party; provided that any such assignment or transfer will not relieve the assigning or transferring Party of any of its obligations hereunder. Each Party agrees to notify the other Party as soon as practicable after any assignment.

6. Notices. All notices and other forms of communication required under this Agreement must be delivered or transmitted to the recipient in a manner contemplated by the

APA. Notices provided under this Agreement shall be considered delivered to the recipient in accordance with terms of the APA relating to the delivery of notices.

7. Applicable Law. This Agreement and the legal relations among the parties hereto will be governed by and construed in accordance with the internal laws (as opposed to the conflicts of laws provisions) of the State of Georgia.

8. Counterparts. This Agreement may be executed in any number of counterparts, and counterparts may be exchanged by electronic transmission, each of which will be deemed an original, but all of which together will constitute one and the same agreement.

9. Waiver or Modification; Amendments. Any failure or delay by either Party in exercising any right under this Agreement, the exercise, in whole or in part, of any right under this Agreement, or any reaction or absence of reaction by either Party in the event of violation by the other Party of one or more provisions of this Agreement shall not operate or be interpreted as a waiver (whether express or implied, in whole or in part) of any of its rights under this Agreement or under said provision(s), nor shall it preclude the further exercise of any such rights. Any waiver of a right hereunder must be express and in writing. If one Party has expressly waived a right in writing following a specific failure by the other Party, this waiver cannot be invoked by the other Party in favor of a new failure, similar to the previous one, or any other failure. Nothing herein shall be construed to supersede or modify the APA, which shall remain in full force and effect in accordance with its terms.

10. Nature of Relationship. Nothing in this Agreement shall be considered or interpreted as constituting either party as being (a) in a partnership or joint venture relationship with the other; (b) an employee, servant or agent of the other; or (c) able to make any obligations on behalf of the other.

11. Entire Agreement and Order of Precedence. This Agreement and the provisions of the APA incorporated herein by reference, together with the other Transaction Documents and the certificates or other instruments delivered hereunder or thereunder, contain the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes and replaces all prior agreements or understandings, written or oral, with respect to the same subject matter still in force between the Parties.

12. No Third-Party Beneficiaries. This Agreement will not confer, and is not intended to confer, third-party beneficiary rights upon any other person or entity or upon any Business Employee. Further, nothing contained in this Agreement shall confer upon any Business Employee any right with respect to continued employment by or service relationship with either Party, nor shall anything contained herein interfere with the right of either Party to terminate any Business Employee at any time, with or without cause.

13. Miscellaneous. Titles and headings to Sections in this Agreement are inserted for convenience of reference only, and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. Unless the context otherwise requires, (a) all references to Sections are to Sections of this Agreement, (b) "or" is disjunctive but not necessarily exclusive, (c) words in the singular include the plural and vice versa, and (d) the word "including" and similar terms following any statement will not be construed to limit the statement to the matters listed after such word or term, whether a phrase of non-limitation such as "without limitation" is used. No provision of this Agreement will be interpreted in favor of, or against, any of the Parties by reason of the extent to which any such party or its counsel participated in the drafting thereof

or by reason of the extent to which any such provision is inconsistent with any prior draft hereof or thereof.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the Parties hereto have caused this Transition Services Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

**BUYER:**

**AARON'S, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**COMPANY:**

**SULTAN FINANCIAL CORPORATION**

By: \_\_\_\_\_  
Name:  
Title:



**EXHIBIT A**

**Operating Accounts**

**EXHIBIT D**

**FORM OF ASSUMPTION AGREEMENT**

*[see document attached hereto]*

### ASSUMPTION AGREEMENT

THIS ASSUMPTION AGREEMENT is made as of [\_\_\_\_\_], 2018, by and between AARON'S, INC., a Georgia corporation ("**Buyer**"), SULTAN FINANCIAL CORPORATION, a California corporation ("**Seller**"), and Randall Sultan and Patricia Sultan, in their individual capacities and as trustees of the Randall and Patricia Sultan Family Revocable Trust dated November 5, 1999 (collectively, the "**Owners**").

WHEREAS, pursuant to that certain Asset Purchase Agreement dated as of October 3, 2018 by and among Buyer, Seller and the ultimate equity owners of Seller named therein (the "**Asset Purchase Agreement**"), Buyer has agreed to assume the Assumed Liabilities, including any obligations pursuant to any personal guaranty by the Owners of such Assumed Liabilities; and

WHEREAS, the Asset Purchase Agreement obligates the parties to execute this Assumption Agreement to evidence Buyer's assumption of the Assumed Liabilities.

NOW, THEREFORE, for the consideration set forth in the Asset Purchase Agreement, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Capitalized terms used in this Assumption Agreement without definition which are defined in the Asset Purchase Agreement shall have the same meaning herein as specified therein.

2. Assumption. Upon and subject to the terms and conditions set forth in the Asset Purchase Agreement, Buyer hereby assumes, and agrees to pay, perform or otherwise discharge, the Assumed Liabilities, including any obligations pursuant to any personal guaranty by the Owners of such Assumed Liabilities as and when due.

3. Effect. This Assumption Agreement is entered into in accordance with and pursuant to the terms of the Asset Purchase Agreement. Nothing contained herein shall be deemed to alter, modify, expand or diminish any term or provision set forth in the Asset Purchase Agreement. In the event the terms of this Agreement conflict with the terms of the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall govern.

4. Successors and Assigns. This Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and permitted assigns of each party hereto.

5. Further Assurances. Buyer agrees to execute and deliver all such other instruments, certificates, agreements and other writings and take such other actions as may reasonably be necessary or requested by Seller in order to effect the full assumption of the Assumed Liabilities by Buyer and to fully obligate Buyer with respect to the Assumed Liabilities as contemplated in the Asset Purchase Agreement.

6. Counterparts. This Assumption Agreement may be executed in any number of counterparts with the same effect as if the signatures thereto were upon one instrument. A signed copy of this Assumption Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Assumption Agreement.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, Buyer and Seller have caused their duly authorized representatives to execute this Assumption Agreement as of the date first set forth above.

**BUYER:**

AARON'S, INC.

By: \_\_\_\_\_  
Name:  
Title:

**SELLER:**

SULTAN FINANCIAL CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

**THE SULTANS:**

By: \_\_\_\_\_  
Randall C. Sultan, individually and as trustee  
of the Randall and Patricia Sultan Family  
Revocable Trust dated November 5, 1999

By: \_\_\_\_\_  
Patricia E. Sultan, individually and as trustee  
of the Randall and Patricia Sultan Family  
Revocable Trust dated November 5, 1999

[Signature Page to Assumption Agreement]

**EXHIBIT E**

**CASH COLLATERAL BUDGET**

*[see document attached hereto]*

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Week Beginning:	7/8/2018	7/15/2018	7/22/2018	7/29/2018	8/5/2018	8/12/2018	8/19/2018	8/26/2018	9/2/2018	9/9/2018
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9
<b>Beginning Cash Balance</b>	\$ 527,969	\$ 527,969	\$ 671,666	\$ 711,202	\$ 811,519	\$ 498,214	\$ 668,465	\$ 717,717	\$ 755,968	\$ 491,564
<b>Cash Receipts</b>		336,400	290,000	442,000	530,000	455,000	505,000	410,000	585,000	430,000
Total Cash Receipts		336,400	290,000	442,000	530,000	455,000	505,000	410,000	585,000	430,000
<b>Cash Disbursements</b>										
Personnel Cost (1st and 3rd Week)		177,593			250,000		250,000		250,000	
Inventory Expense		-	215,146	215,146	143,431	143,431	143,431	143,431	143,431	143,431
Occupancy Costs					216,500				216,500	
Aarons Royalty Payment					29,000	26,000	27,000	23,000	35,100	25,800
Interest Expense CB&T					88,027				88,027	
Truck Expense		10,520	14,125	14,125	14,125	14,125	14,125	14,125	14,125	14,125
Taxes & Licenses			-	80,000	5,460		-	170,000	5,460	
Professional Expenses		3,600	2,500	2,500	15,806	2,500	2,500	2,500	15,806	2,500
Other operational cash expenses		990	18,693	18,693	38,800	18,693	18,693	18,693	38,800	18,693
Insurance expense			-	-	42,156	80,000	-	-	42,156	
<b>Restructuring expenses</b>										
Section 366 Deposit				11,219						
<b>Business closing expenses</b>										
US Trustee Fee										
Final Payroll										
Legal Fees										
Outstand/Unresolved AP										
Vacaiton Payout										
Payment to CB&T										
Total Disbursements	-	192,703	250,464	341,683	843,305	284,749	455,749	371,749	849,405	204,549
Net Weekly Cash	-	143,697	39,536	100,317	(313,305)	170,251	49,251	38,251	(264,405)	225,451
Beginning Cash		527,969	671,666	711,202	811,519	498,214	668,465	717,717	755,968	491,564
Cash Flow In (Out)		143,697	39,536	100,317	(313,305)	170,251	49,251	38,251	(264,405)	225,451
Ending Cash Balance	\$ 527,969	\$ 671,666	\$ 711,202	\$ 811,519	\$ 498,214	\$ 668,465	\$ 717,717	\$ 755,968	\$ 491,564	\$ 717,015

Week Beginning:	Forecast 9/16/2018	Forecast 9/23/2018	Forecast 9/30/2018	Forecast 10/7/2018	Forecast 10/14/2018	Forecast 10/21/2018	Forecast 10/28/2018	Forecast 11/4/2018
	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17
<b>Beginning Cash Balance</b>	\$ 717,015	\$ 767,667	\$ 964,918	\$ 525,480	\$ 745,471	\$ 786,723	\$ 983,974	\$ 697,130
<b>Cash Receipts</b>	510,000	400,000	565,000	430,000	500,000	400,000	450,000	585,000
<b>Total Cash Receipts</b>	510,000	400,000	565,000	430,000	500,000	400,000	450,000	585,000
<b>Cash Disbursements</b>								
Personnel Cost (1st and 3rd Week)	250,000		250,000		250,000			250,000
Inventory Expense	143,431	143,431	143,431	143,431	143,431	143,431	143,431	0
Occupancy Costs			216,500				216,500	
Aarons Royalty Payment	30,600	24,000	33,900	25,800	30,000	24,000	27,000	35,100
Interest Expense CB&T			88,027				88,027	
Truck Expense	14,125	14,125	14,125	14,125	14,125	14,125	14,125	14,125
Taxes & Licenses	-	-	146,000	5,460		-	151,000	
Professional Expenses	2,500	2,500	31,500	2,500	2,500	2,500	15,806	2,500
Other operational cash expenses	18,693	18,693	38,800	18,693	18,693	18,693	38,800	18,693
Insurance expense	-	-	42,156				42,156	
<b>Restructuring expenses</b>								
Section 366 Deposit								
<b>Business closing expenses</b>								
US Trustee Fee								30,000
Final Payroll								130,000
Legal Fees								
Outstand/Unresolved AP								
Vacaiton Payout								50,000
Payment to CB&T								300,000
<b>Total Disbursements</b>	459,349	202,749	1,004,439	210,008	458,749	202,749	736,845	830,418
<b>Net Weekly Cash</b>	50,651	197,251	(439,439)	219,992	41,251	197,251	(286,845)	(245,418)
Beginning Cash	717,015	767,667	964,918	525,480	745,471	786,723	983,974	697,130
Cash Flow In (Out)	50,651	197,251	(439,439)	219,992	41,251	197,251	(286,845)	(245,418)
<b>Ending Cash Balance</b>	\$ 767,667	\$ 964,918	\$ 525,480	\$ 745,471	\$ 786,723	\$ 983,974	\$ 697,130	\$ 451,712

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**Exhibit C**

Assumption and Assignment Notice



**THOMPSON COBURN LLP**  
**RICHARD G. REINIS, CSB 45811**  
**rreinis@thompsoncoburn.com**  
**DAVID A. WARFIELD, (PRO HAC VICE)**  
**dwarfield@thompsoncoburn.com**  
**2029 Century Park East, 19th Floor**  
**Los Angeles, CA 90067**  
**Phone: (310) 282-2500 / Fax: (310) 282-2501**

Attorneys for Debtor and Debtor-in-Possession  
Sultan Financial Corporation

**UNITED STATES BANKRUPTCY COURT**  
**CENTRAL DISTRICT OF CALIFORNIA**  
**LOS ANGELES DIVISION**

In re:  
  
SULTAN FINANCIAL CORPORATION, a  
California corporation,  
  
Debtor.

Tax ID: 95-4028025

Case No. 2:18-bk-18021-ER

Chapter 11

**NOTICE TO COUNTERPARTIES TO  
EXECUTORY CONTRACTS AND  
UNEXPIRED LEASES TO  
POTENTIALLY BE ASSUMED AND  
ASSIGNED, AND NOTICE OF CURE  
AMOUNTS**

**Hearing:**

Date: October 24, 2018  
Time: 10:110 a.m.  
Place: Courtroom 1568  
Roybal Federal Building  
255 E. Temple Street  
Los Angeles, CA 90012

TO THE CONTRACT/LEASE PARTIES LISTED ON EXHIBIT A:

**PLEASE TAKE NOTICE** that on October 3, 2018, Sultan Financial Corporation (the “Debtor”) entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Aaron’s, Inc. (“Aaron’s”), as more fully set forth in the *Debtor’s Motion For Entry of an Order (I) Pursuant to Bankruptcy Code Sections 105(a) and 363 and Bankruptcy Rule 9019, Authorizing and Approving that Certain Settlement Agreement Between the Debtor, Aaron’s,*

1 *Inc., Zions Bancorporation, N.A., d/b/a California Bank & Trust, Randall C. Sultan, and*  
2 *Patricia E. Sultan; (II) Pursuant to Bankruptcy Code Sections 105(a), 363, And 365,*  
3 *Bankruptcy Rule 2002, 6004, 6006, 9007, and 9014, and Local Rule 6004-1(c), (A)*  
4 *Authorizing and Approving the Debtor’s Entry Into that Certain Asset Purchase Agreement*  
5 *with Aaron’s, Inc.; (B) Authorizing and Approving the Private Sale of Substantially All of the*  
6 *Debtor’s Assets Free and Clear of All Interests; and (C) Establishing Notice Procedures for*  
7 *Determining Cure Amounts and Authorizing and Approving the Assumption and Assignment*  
8 *of Executory Contracts and Unexpired Leases; and (III) Granting Related Relief;*  
9 *Memorandum of Points and Authorities in Support Thereof (the “Settlement and Sale*  
10 *Motion”)<sup>9</sup> filed with the United States Bankruptcy Court for the Central District of California*  
11 *(the “Court”) on October 3, 2018. The Debtor seeks to sell substantially all of its assets to*  
12 *Aaron’s free and clear of all liens, claims, encumbrances, and other interests pursuant to*  
13 *Bankruptcy Code Section 363, except as expressly set forth in the Purchase Agreement.*

14 **YOU ARE RECEIVING THIS NOTICE BECAUSE YOU OR ONE OF YOUR**  
15 **AFFILIATES IS A COUNTERPARTY (EACH, A “COUNTERPARTY” AND,**  
16 **COLLECTIVELY, THE “COUNTERPARTIES”) TO ONE OR MORE CONTRACTS OR**  
17 **LEASES THAT MAY BE EXECUTORY CONTRACTS OR UNEXPIRED LEASES WITH**  
18 **THE DEBTOR, AS SET FORTH ON EXHIBIT A ATTACHED HERETO.<sup>10</sup>**

19 **PLEASE TAKE FURTHER NOTICE** that pursuant to the Settlement and Sale Motion,  
20 the Debtor **may** assume and assign to Aaron’s the executory contract(s) or unexpired lease(s) listed  
21 on Exhibit A attached hereto (each, a “Contract” and, collectively, the “Contracts”) to which you  
22 are a Counterparty. The Debtor has conducted a review of its books and records and has  
23 determined that the cure amount for unpaid monetary obligations under such Contract(s) is as set

24

---

25 <sup>9</sup> Capitalized terms used but not otherwise defined herein shall have the meanings ascribed  
26 to them in the Purchase Agreement or the Settlement and Sale Motion, as applicable, and to the  
extent of any inconsistency, the definitions in the Purchase Agreement shall govern.

27 <sup>10</sup> This Notice is being sent to Counterparties to contracts and leases that may be executory  
28 contracts and unexpired leases. This notice is *not* an admission by the Debtor that such contract  
or lease is executory or unexpired.

1 forth on Exhibit A attached hereto (the “Cure Amount”). **If you disagree with the proposed**  
2 **Cure Amount relating to your Contract(s), object to the proposed assumption and**  
3 **assignment to Aaron’s of your Contract(s), or object to the ability of Aaron’s to provide**  
4 **adequate assurance of future performance with respect to your Contract(s), you must file an**  
5 **objection with the Court no later than 4:00 p.m. (PST) on October 17, 2018 (the “Objection**  
6 **Deadline”) and serve such objection so as to be received by such time by (a) counsel to the**  
7 **Debtors, Thompson Coburn LLP, 2029 Century Park East, 19th Floor, Los Angeles, CA**  
8 **90067 (Attn: David A. Warfield, Esq.); (b) counsel to Aaron’s, Latham & Watkins LLP, 355**  
9 **South Grand Avenue, Suite 100, Los Angeles, CA 90071-1560 (Attn: Jeffrey E. Bjork, Esq.**  
10 **and Kimberly A. Posin, Esq.); (c) counsel to Zions Bancorporation, N.A. d/b/a California**  
11 **Bank & Trust, Buchalter, a Professional Corporation, 1000 Wilshire Boulevard, 15th Floor,**  
12 **Los Angeles, CA 90017 (Attn: Anthony J. Napolitano, Esq.); (d) counsel to Randall C. Sultan**  
13 **and Patricia E. Sultan, SulmeyerKupetz, 333 South Hope Street, 33rd Floor, Los Angeles,**  
14 **CA 90071-1406 (Attn: Mark S. Horoupian, Esq.); (e) the Office of the United States Trustee**  
15 **for the Central District of California (Attn: Hatty K. Yip, Esq.); and (f) those parties who**  
16 **have formally filed requests for notice in the Chapter 11 Case pursuant to Bankruptcy Rule**  
17 **2002.**

18 **PLEASE TAKE FURTHER NOTICE** that objections to the Cure Amount, the ability of  
19 Aaron’s to provide adequate assurance of future performance, and/or any other matter pertaining  
20 to the assumption and/or assignment of a Contract must: (i) be in writing; (ii) set forth the nature  
21 of the Counterparty’s claims against or interest in the Debtor’s estate and the basis for the objection  
22 and the specific grounds therefor; (iii) comply with the Bankruptcy Rules and orders of the Court;  
23 and (iv) be filed in accordance with, and by the deadlines set forth in, the preceding paragraph. A  
24 properly filed and served objection to the assumption and/or assignment of a Contract will reserve  
25 such objecting Counterparty’s rights against the Debtor with respect to the relevant assumption  
26 and assignment objection but will not constitute an objection to the remaining relief requested in  
27 the Settlement and Sale Motion.

1           **PLEASE TAKE FURTHER NOTICE** that if you do not file an objection by the  
2           Objection Deadline, then you shall forever be barred and estopped from objecting: (a) to the Cure  
3           Amount as the amount to cure all defaults to satisfy Bankruptcy Code Section 365 and from  
4           asserting that any additional amounts are due or defaults exist under the Contract; (b) on grounds  
5           that any conditions to assumption and assignment must be satisfied under the Contract to which  
6           you are a Counterparty before such Contract can be assumed and assigned or that any required  
7           consent to assignment has not been given; or (c) on grounds that Aaron's has not provided adequate  
8           assurance of future performance as contemplated by Bankruptcy Code Section 365.

9           **PLEASE TAKE FURTHER NOTICE** that if you do **not** object to the Cure Amount for  
10          your Contract(s) set forth on Exhibit A, then such Cure Amount shall be deemed to constitute the  
11          Cure Amount that must be paid in order for the Debtor to assume and assign your Contract(s) to  
12          Aaron's.

13          **PLEASE TAKE FURTHER NOTICE** that Aaron's may designate any Contract to be  
14          assumed by the Debtor and assigned to Aaron's under the Purchase Agreement up to the Closing  
15          (as defined in the Purchase Agreement) of the sale.

16          **PLEASE TAKE FURTHER NOTICE** that the payment of the applicable Cure Amounts,  
17          if any, or the reservation by the Debtor of an amount of cash that is equal to the lesser of (i) the  
18          amount of any cure or other compensation asserted by the applicable Counterparty as required  
19          under Bankruptcy Code Section 365 or (ii) the amount approved by order of this Court to reserve  
20          for such payment (such lesser amount, the "Alleged Cure Claim"), shall, pursuant to Bankruptcy  
21          Code Section 365 and any other applicable law, (a) effect a cure, or provide adequate assurance of  
22          cure, of all defaults existing thereunder as of the Closing Date and (b) compensate, or provide  
23          adequate assurance of compensation, for any actual pecuniary loss to such Counterparty resulting  
24          from such default. Accordingly, on and as of the Closing, other than such payment or reservation,  
25          the Debtor, Randall and Patricia Sultan, individually and in their capacity as the trustees of the  
26          Sultan Family Trust, (the "Sultans") and Aaron's will have no further liabilities or obligations to  
27          the Counterparties to the Assumed Contracts with respect to, and the Counterparties to the  
28          Assumed Contracts shall be forever enjoined and barred from seeking, any additional amounts or

1 claims (as defined in Bankruptcy Code section 101(5)) that arose, accrued, or were incurred at any  
2 time on or prior to the Closing on account of the Debtor's cure or compensation obligations arising  
3 under Bankruptcy Code Section 365.

4 **PLEASE TAKE FURTHER NOTICE** that notwithstanding anything herein to the  
5 contrary, this Notice shall not be deemed to be an assumption, assignment, adoption, rejection, or  
6 termination of any Contract. Moreover, nothing herein (a) alters in any way the prepetition nature  
7 of any Contract or the validity, priority, or amount of any claims of a counterparty to a Contract  
8 against the Debtor that may arise under such Contract, (b) creates a postpetition contract or  
9 agreement, or (c) elevates to administrative expense priority any claims of a Counterparty to a  
10 Contract against the Debtor that may arise under such Contract.

11  
12 Dated: October 3, 2018

**THOMPSON COBURN LLP**

13  
14 */s/ David A. Warfield*

David A. Warfield

Attorneys for Debtor and Debtor-in-Possession

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**Exhibit A**

Contracts

**Schedule of Assumed Contracts and Leases**

<b>Counterparty and Address</b>	<b>Description of Contract or Lease</b>	<b>Cure Amount</b>
2042 Town Square West, LLC MG Palmdale Associates c/o MG Development Company 21700 Oxnard Street, #1760 Woodland Hills, CA 91367	Standard Shopping Center Lease dated May 21, 2009 for 2042 East Palmdale Blvd. Suite A Palmdale, CA 93550	\$0.00
Bakersfield Partnership PO Box 1290 Agoura Hills, CA 91376	Lease dated May 17, 2007 for 4127 Ming Avenue, Bakersfield, CA 93309	\$0.00
Barstow Town Square, LLC c/o Lee and Associates 14369 Park Avenue, Suite 200 Victorville, CA 92392	Lease dated October 15, 2004 for 1307-A East Main Street, Barstow, CA 92311	\$0.00
CP Antelope Shops, LLC c/o NewMark Merrill Company 5850 Canoga Avenue, Suite 650 Woodland Hills, CA 91367	Shopping Center Lease dated February 26, 1999 for 1080 West Avenue K, Suite C-2, Lancaster, CA 93534	\$0.00
Eastgate Center, LLC c/o Paynter Realty Investments, Inc. 1761 Irvine Blvd., Suite 204 Tustin, CA 92780	Lease dated May 30, 2000 for 4832 E. Kings Canyon Road, Fresno, CA 93727	\$0.00
Fresno-Blackstone, LLC 11150 W. Olympic Blvd. Suite 600 Los Angeles, CA 90064	Lease dated September 1, 2011 for 1614 N. Blackstone Ave., Fresno, CA 93703	\$0.00
High-Desert Plaza LLC 100 West High Street Suite 720 Moorpark, CA 93020	Lease dated May 8, 2000 for 12180 Hesperia Rd Ste A Victorville, CA 92395	\$0.00
Infinity Commercial, LLC c/o NAI Capital, Inc. Senior Vice President 800 North Haven Ave., Suite 400 Ontario, CA 91764	Standard Multi-Tenant Shopping Center Lease-Net dated May 24, 2016 for 1689 E. Highland, San Bernardino, CA 92404	\$0.00

Counterparty and Address	Description of Contract or Lease	Cure Amount
Isuzu Finance of America, Inc. 2500 Westchester Ave. Suite 312 Purchase, NY 10577	5 Vehicle Leases	\$0.00
Manthey Road Sterling Partners, LLC 73-700 Dinah Shore Drive Suite 401 Palm Desert, CA 92211	Lease dated August 28, 2009 for 2160 E. Pacheco Blvd., Los Banos, CA 93635	\$0.00
Randall C. Sultan and Patricia E. Sultan	Lease dated August 1, 2005 for 411 W Lacey Blvd Hanford, CA 93230	\$0.00
RHI/Spectrum Perris LLC c/o Jeffrey M. Boren 716 N. Linden Drive Beverly Hills, CA 90210	Standard Industrial Lease for 2560 N. Perris Blvd., Perris, CA 92571	\$0.00
SFC-Olive 351, LLC 11150 West Olympic Blvd. Suite 600 Los Angeles, CA 90064	Lease dated April 1, 2013 for 1125 Olive Drive, Bakersfield, CA 93308	\$0.00
SNORAA LLC 220B North Locust Visalia, CA 93291	Lease dated March 17, 2000 for 3306 South Mooney Blvd., Visalia, CA 93277	\$0.00
Sultan Financial Niles, LLC 11150 W. Olympic Blvd. Suite 600 Los Angeles, CA 90064	Lease dated November 1, 2011 for 6473 Niles Street, Bakersfield, CA 93306	\$0.00
William Fedde/Mary Fedde Rev. Trust 7419 N. Cedar #102 Fresno, CA 93720	Multi-Tenant Shopping Center Lease, undated, 2007 for 260 W. Olive Ave., Suite A, Porterville, CA 93257	\$0.00
Zions Credit Corp. 310 South Main, #1300 Salt Lake City, UT 84101	25 Vehicle Leases	\$0.00



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**Exhibit D**

Cash Collateral Budget

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Week Beginning:	7/8/2018	7/15/2018	7/22/2018	7/29/2018	8/5/2018	8/12/2018	8/19/2018	8/26/2018	9/2/2018	9/9/2018
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9
<b>Beginning Cash Balance</b>	\$ 527,969	\$ 527,969	\$ 671,666	\$ 711,202	\$ 811,519	\$ 498,214	\$ 668,465	\$ 717,717	\$ 755,968	\$ 491,564
<b>Cash Receipts</b>		336,400	290,000	442,000	530,000	455,000	505,000	410,000	585,000	430,000
<b>Total Cash Receipts</b>		336,400	290,000	442,000	530,000	455,000	505,000	410,000	585,000	430,000
<b>Cash Disbursements</b>										
Personnel Cost (1st and 3rd Week)		177,593			250,000		250,000		250,000	
Inventory Expense		-	215,146	215,146	143,431	143,431	143,431	143,431	143,431	143,431
Occupancy Costs					216,500				216,500	
Aarons Royalty Payment					29,000	26,000	27,000	23,000	35,100	25,800
Interest Expense CB&T					88,027				88,027	
Truck Expense		10,520	14,125	14,125	14,125	14,125	14,125	14,125	14,125	14,125
Taxes & Licenses			-	80,000	5,460		-	170,000	5,460	
Professional Expenses		3,600	2,500	2,500	15,806	2,500	2,500	2,500	15,806	2,500
Other operational cash expenses		990	18,693	18,693	38,800	18,693	18,693	18,693	38,800	18,693
Insurance expense			-	-	42,156	80,000	-	-	42,156	
<b>Restructuring expenses</b>										
Section 366 Deposit				11,219						
<b>Business closing expenses</b>										
US Trustee Fee										
Final Payroll										
Legal Fees										
Outstand/Unresolved AP										
Vacaiton Payout										
Payment to CB&T										
<b>Total Disbursements</b>	-	192,703	250,464	341,683	843,305	284,749	455,749	371,749	849,405	204,549
<b>Net Weekly Cash</b>	-	143,697	39,536	100,317	(313,305)	170,251	49,251	38,251	(264,405)	225,451
Beginning Cash		527,969	671,666	711,202	811,519	498,214	668,465	717,717	755,968	491,564
Cash Flow In (Out)		143,697	39,536	100,317	(313,305)	170,251	49,251	38,251	(264,405)	225,451
<b>Ending Cash Balance</b>	\$ 527,969	\$ 671,666	\$ 711,202	\$ 811,519	\$ 498,214	\$ 668,465	\$ 717,717	\$ 755,968	\$ 491,564	\$ 717,015

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Week Beginning:	9/16/2018	9/23/2018	9/30/2018	10/7/2018	10/14/2018	10/21/2018	10/28/2018	11/4/2018
	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17
<b>Beginning Cash Balance</b>	\$ 717,015	\$ 767,667	\$ 964,918	\$ 525,480	\$ 745,471	\$ 786,723	\$ 983,974	\$ 697,130
<b>Cash Receipts</b>	510,000	400,000	565,000	430,000	500,000	400,000	450,000	585,000
<b>Total Cash Receipts</b>	510,000	400,000	565,000	430,000	500,000	400,000	450,000	585,000
<b>Cash Disbursements</b>								
Personnel Cost (1st and 3rd Week)	250,000		250,000		250,000			250,000
Inventory Expense	143,431	143,431	143,431	143,431	143,431	143,431	143,431	0
Occupancy Costs			216,500				216,500	
Aarons Royalty Payment	30,600	24,000	33,900	25,800	30,000	24,000	27,000	35,100
Interest Expense CB&T			88,027				88,027	
Truck Expense	14,125	14,125	14,125	14,125	14,125	14,125	14,125	14,125
Taxes & Licenses	-	-	146,000	5,460		-	151,000	
Professional Expenses	2,500	2,500	31,500	2,500	2,500	2,500	15,806	2,500
Other operational cash expenses	18,693	18,693	38,800	18,693	18,693	18,693	38,800	18,693
Insurance expense	-	-	42,156				42,156	
<b>Restructuring expenses</b>								
Section 366 Deposit								
<b>Business closing expenses</b>								
US Trustee Fee								30,000
Final Payroll								130,000
Legal Fees								
Outstand/Unresolved AP								
Vacaiton Payout								50,000
Payment to CB&T								300,000
<b>Total Disbursements</b>	459,349	202,749	1,004,439	210,008	458,749	202,749	736,845	830,418
<b>Net Weekly Cash</b>	50,651	197,251	(439,439)	219,992	41,251	197,251	(286,845)	(245,418)
Beginning Cash	717,015	767,667	964,918	525,480	745,471	786,723	983,974	697,130
Cash Flow In (Out)	50,651	197,251	(439,439)	219,992	41,251	197,251	(286,845)	(245,418)
<b>Ending Cash Balance</b>	\$ 767,667	\$ 964,918	\$ 525,480	\$ 745,471	\$ 786,723	\$ 983,974	\$ 697,130	\$ 451,712

1 **THOMPSON COBURN LLP**  
2 **RICHARD G. REINIS, CSB 45811**  
3 **rreinis@thompsoncoburn.com**  
4 **DAVID A. WARFIELD, (PRO HAC VICE)**  
5 **dwarfield@thompsoncoburn.com**  
6 **2029 Century Park East, 19th Floor**  
7 **Los Angeles, CA 90067**  
8 **Phone: (310) 282-2500 / Fax: (310) 282-2501**

9 Attorneys for Debtor and Debtor-in-Possession  
10 Sultan Financial Corporation

11 **UNITED STATES BANKRUPTCY COURT**  
12 **CENTRAL DISTRICT OF CALIFORNIA**  
13 **LOS ANGELES DIVISION**

14 In re:

15 SULTAN FINANCIAL CORPORATION, a  
16 California Corporation,  
17 Debtor.

18 Tax ID: 95-4028025

Case No. 2:18-bk-18021-ER

Chapter 11

19 **DECLARATION OF RANDALL C.**  
20 **SULTAN IN SUPPORT OF THE**  
21 **DEBTOR'S MOTION FOR ENTRY OF**  
22 **AN ORDER (I) PURSUANT TO**  
23 **BANKRUPTCY CODE SECTIONS 105(A)**  
24 **AND 363 AND BANKRUPTCY RULE**  
25 **9019, AUTHORIZING AND APPROVING**  
26 **THAT CERTAIN SETTLEMENT**  
27 **AGREEMENT BETWEEN THE**  
28 **DEBTOR, AARON'S, INC., ZIONS**  
**BANCORPORATION, N.A., D/B/A**  
**CALIFORNIA BANK & TRUST,**  
**RANDALL C. SULTAN, AND PATRICIA**  
**E. SULTAN; (II) PURSUANT TO**  
**BANKRUPTCY CODE SECTIONS 105(A),**  
**363, AND 365, BANKRUPTCY RULE**  
**2002, 6004, 6006, 9007, AND 9014, AND**  
**LOCAL RULE 6004-1(C), (A)**  
**AUTHORIZING AND APPROVING THE**  
**DEBTOR'S ENTRY INTO THAT**  
**CERTAIN ASSET PURCHASE**  
**AGREEMENT WITH AARON'S, INC.;**  
**(B) AUTHORIZING AND APPROVING**  
**THE PRIVATE SALE OF**  
**SUBSTANTIALLY ALL OF THE**  
**DEBTOR'S ASSETS FREE AND CLEAR**  
**OF ALL INTERESTS; AND (C)**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**ESTABLISHING NOTICE PROCEDURES FOR DETERMINING CURE AMOUNTS AND AUTHORIZING AND APPROVING THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; AND (III) GRANTING RELATED RELIEF; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF**

**Hearing:**

Date: October 24, 2018  
Time: 10:00 a.m.  
Place: Courtroom 1568  
Roybal Federal Building  
255 E. Temple Street  
Los Angeles, CA 90012

I, Randall C. Sultan, hereby declare as follows:

1. I have personal knowledge of the facts set forth below and, if called to testify, would and could competently testify thereto.

2. I am the Chief Executive Officer of Sultan Financial Corporation (the “Debtor”), the above-referenced debtor and debtor-in-possession in this chapter 11 case. Except as otherwise indicated, all facts set forth in the declaration (the “Declaration”) are based upon my personal knowledge, my discussions with other members of the Debtor’s management team, the Debtor’s employees, and the Debtor’s advisors, my review of relevant documents and information concerning the Debtor’s operations and financial affairs. If called as a witness, I could and would testify to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtor.

3. I am generally familiar with the Debtor’s day-to-day operations, business affairs, books and records, as well as the Debtor’s restructuring efforts. I submit this Declaration in support of the *Debtor’s Motion For Entry of an Order (I) Pursuant to Bankruptcy Code Sections 105(a) and 363 and Bankruptcy Rule 9019, Authorizing and Approving that Certain*

1 *Settlement Agreement Between the Debtor, Aaron’s, Inc., Zions Bancorporation, N.A., d/b/a*  
2 *California Bank & Trust, Randall C. Sultan, and Patricia E. Sultan; (II) Pursuant to*  
3 *Bankruptcy Code Sections 105(a), 363, And 365, Bankruptcy Rule 2002, 6004, 6006, 9007,*  
4 *and 9014, and Local Rule 6004-1(c), (A) Authorizing and Approving the Debtor’s Entry Into*  
5 *that Certain Asset Purchase Agreement with Aaron’s, Inc.; (B) Authorizing and Approving*  
6 *the Private Sale of Substantially All of the Debtor’s Assets Free and Clear of All Interests;*  
7 *and (C) Establishing Notice Procedures for Determining Cure Amounts and Authorizing and*  
8 *Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases;*  
9 *and (III) Granting Related Relief; Memorandum of Points and Authorities in Support Thereof*  
10 filed concurrently herewith (the “Motion”).

11 4. Pursuant to the Motion, the Debtor seeks authorization and approval to enter into  
12 (i) that certain Settlement Agreement with Aaron’s, Inc. (“Aaron’s”), Zions Bancorporation, N.A.,  
13 d/b/a California Bank & Trust (“CB&T”), me and my wife, Patricia Sultan, both individually and  
14 as trustees of the Randall and Patricia Sultan Family Revocable Trust (the “Trust”) dated  
15 November 5, 1999 (together, the “Sultans”), dated as of October 3, 2018 (the “Settlement  
16 Agreement”), and (ii) that certain Asset Purchase Agreement with Aaron’s, dated as of October 3,  
17 2018 (the “Purchase Agreement” and, the transactions in connection therewith, collectively, the  
18 “Sale Transaction”), as well as certain related relief.<sup>1</sup>

19 **A. Background Information**

20 5. The Debtor was incorporated in the State of California on January 27, 1986. Since  
21 1997, the Debtor has developed and operated Aaron’s Sales & Lease stores. The Debtor presently  
22 operates sixteen (16) stores under the Aaron’s trademark in California (the “Stores”).

23 6. The Debtor is in the rent-to-own (“RTO”) industry, which services an often  
24 neglected market segment. RTO stores rent household durable goods, such as appliances,  
25 consumer electronics, and furniture, to customers on a weekly or monthly basis. Ownership of the  
26 merchandise automatically passes to the customer after a prescribed number of continuous rental

27  
28 <sup>1</sup> The Settlement Agreement and the Purchase Agreement are attached as Exhibit A and  
Exhibit B, respectively, to the Memorandum of Points and Authorities (the “Memorandum of  
Points and Authorities”), annexed to, and in support of, the Motion.

1 payments and customers have the option to purchase the merchandise pursuant to a previously-  
2 disclosed early purchase option formula at any time. Despite signing an agreement to make  
3 payments lasting a certain number of months, customers are under no obligation to rent the item  
4 for the entire period. In fact, the Debtor's customers' average rental period lasts only four months.  
5 Approximately 35% of all contracts entered into by the Debtor and its customers go the full length  
6 of the ownership plan, when the merchandise is rented continuously for the entire agreement period  
7 and ownership passes to the customer or the customer pays out the agreement early.

8 (1) Relationship with Aaron's

9 7. I understand that Aaron's is a leading omnichannel provider of lease-purchase  
10 solutions and engages in the sale and lease ownership and specialty retailing of furniture, consumer  
11 electronics, home appliances, and accessories through its more than 1,700 company-owned and  
12 franchised stores in 47 states, Puerto Rico, and Canada. Based on information I have reviewed,  
13 Aaron's was founded in 1955 and has been a publicly-traded company on the NYSE since 1982.

14 8. I understand that Aaron's has designed and developed a license system for the  
15 promotion and assistance of independently-owned and -operated stores engaged in the leasing and  
16 sale of merchandise for consumer use (the "Aaron's System"). The Aaron's System includes, but  
17 is not limited to, common use and promotion of the service mark "Aaron's Sales & Lease  
18 Ownership" and certain other service marks, trade names, trademarks, logos, and unique signs  
19 (collectively, the "Franchisor's Marks"), centralized advertising programs, leased signage and  
20 computer equipment, e-commerce sales referral programs, use of Aaron's proprietary point of sale  
21 computer software system, and centralized support functions, such as training and consulting  
22 services. Aaron's allows its licensees to operate their stores utilizing the Franchisor's Marks and  
23 the Aaron's System. Through the Aaron's System, Aaron's markets, promotes, and provides  
24 services to its franchisees throughout the United States, Puerto Rico, and Canada. To identify the  
25 origin of their services, Aaron's allows its franchisees to use the Franchisor's Marks and otherwise  
26 to associate their stores with the Aaron's brand pursuant to franchise agreements.

27 9. The Debtor's business consists of its operation of the Stores under the name  
28 "Aaron's" or "Aaron's Sale & Lease" pursuant to sixteen (16) separate, but virtually identical,

1 Aaron's franchise agreements into which the Debtor entered between 1997 and 2014 (as amended,  
2 the "Franchise Agreements").<sup>2</sup> Pursuant to the Franchise Agreements, Aaron's granted the Debtor  
3 a nonexclusive license to operate its leasing and retail businesses using the Aaron's System and  
4 the Franchisor's Marks. Among other fees, the Franchise Agreements provide that the Debtor is  
5 required to pay a weekly royalty fee to Aaron's in an amount equal to six percent (6%) of the  
6 Debtor's Gross Revenues (as defined in the Franchise Agreements), which is based solely on  
7 revenues derived specifically from the Debtor's operation "of the Franchised Business."

8 10. My wife and I each personally executed a Payment and Performance Guarantee of  
9 the Debtor's obligations under each of the Franchise Agreements. Under the October 2016  
10 Settlement Agreement (as defined below), Aaron's agreed to convert the Debtor's outstanding  
11 trade debt to Aaron's into a Promissory Note issued by the Debtor in favor of Aaron's in the  
12 original principal amount of \$3,664,118.78 (the "Note"). My wife and I personally guaranteed  
13 repayment of the Note.

14 11. As of the Petition Date,<sup>3</sup> Aaron's asserted an unsecured claim against the Debtor in  
15 the amount of \$4,630,053.63, including the obligations under the Note (together with any Aaron's  
16 claims that accrued after the Petition Date, the "Aaron's Claim").

17 (2) Relationship with CB&T

18 12. On January 4, 2012, the Debtor, as borrower, and CB&T, as lender, executed that  
19 certain Commercial Loan Agreement (the "Loan Agreement") pursuant to which CB&T agreed to  
20 provide the Debtor with a revolving line of credit and two term loans. The Debtor's obligations  
21 under the Loan Agreement are evidenced by Promissory Notes dated January 4, 2012 payable to  
22 CB&T (the "2012 Notes"). To secure the Debtors' obligations under the 2012 Notes, the Debtor  
23 and CB&T entered into a Security Agreement on January 4, 2012 (the "Security Agreement"),  
24 whereby the Debtor granted CB&T a security interest in substantially all of the Debtor's personal  
25 property and other assets (collectively, the "Collateral"). CB&T perfected its security interest in  
26

---

27 <sup>2</sup> The Debtor previously operated ten (10) additional Aaron's franchise stores that have been  
closed.

28 <sup>3</sup> Capitalized terms not otherwise defined have the meaning ascribed to such terms in the  
Motion or the Memorandum of Points and Authorities, as applicable.



1 the Collateral by, among other things, filing a UCC-1 Financing Statement on January 27, 2012,  
2 with the California Secretary of State, as file number 12-7299272990 (the “Financing Statement”).

3 13. The Debtor and CB&T thereafter entered into two separate Loan Modification  
4 Agreements pursuant to which CB&T agreed to provide the Debtor with two additional term loans,  
5 which are evidenced by Promissory Notes dated on July 31, 2013 and October 30, 2014 (the  
6 “2013/14 Notes” and together with the 2012 Notes, the “CB&T Promissory Notes”) payable to  
7 CB&T. The Debtor’s obligations under the 2013/14 Notes are also secured by the Collateral.  
8 The Loan Agreement, the CB&T Promissory Notes, the Security Agreement, the Financing  
9 Statement, and all related loan documents, including any and all Loan Modification Agreements,  
10 are collectively referred to herein as the “Loan Documents.” All of the Debtor’s obligations under  
11 the Loan Documents were guaranteed by me, individually, and by me and my wife as the trustees  
12 of the Trust.

13 14. The Debtor’s obligations under the Loan Documents matured on June 15, 2018. As  
14 of the Petition Date, CB&T held a secured claim against the Debtor in the aggregate principal  
15 amount of not less than \$15,444,674.26 plus accrued interest in the amount of not less than  
16 \$111,611.28 for a total of \$15,556,285.54 plus any additional pre- or post-petition interest, costs,  
17 fees and charges recoverable under the Loan Documents or under applicable law (collectively, the  
18 “CB&T Claim”).

19 15. On July 20, 2018, CB&T initiated a California state court action seeking judgment  
20 and a writ of attachment against me, individually, and me and my wife in our capacities as the  
21 trustees of the Trust relating to the CB&T Guarantee captioned *ZB, N.A. d/b/a California Bank &*  
22 *Trust v. Randall C. Sultan, et al.*, Case No. LC107545.

23 **B. The Adversary Proceeding and Other Disputes with Aaron’s**

24 16. On July 16, 2018, the Debtor filed a complaint against Aaron’s (the “Complaint”)  
25 initiating an adversary proceeding captioned *Sultan Financial Corporation v. Aaron’s, Inc.*, Case  
26 No. 18-01225 (the “Adversary Proceeding”). The Complaint asserts six claims, each of which is  
27 based on the fact that Aaron’s did not make certain changes or adjustments to the Aaron’s System  
28 that the Debtor requested. The Debtor asserted that Aaron’s breached its obligation to negotiate

1 with the Debtor in good faith regarding such requested changes pursuant to that certain  
2 Confidential Settlement Agreement and Release, dated October 19, 2016, by and between the  
3 Debtor, Aaron's, and the Sultans (the "October 2016 Settlement Agreement"). Separate from the  
4 Complaint, the Debtor also asserted that Aaron's violated certain provisions of the Franchise  
5 Agreements and that Aaron's is not entitled to receive royalty payments during the pendency of  
6 the Debtor's bankruptcy proceeding in advance of proving that such payments are administrative  
7 expenses of the Debtor's estate. On July 24, 2018, the Debtor sent a letter to Aaron's seeking to  
8 mediate certain disputes arising from or relating to the Franchise Agreements (the "Disputes").

9 **C. Mediation and Negotiation of the Settlement Agreement and the Purchase**  
10 **Agreement**

11 17. Following several weeks of settlement discussions and two mediation sessions  
12 before the Honorable Louis M. Meisinger, Los Angeles Superior Court Judge (ret.), subject to this  
13 Court's approval, the Debtor, CB&T, my wife and I, and Aaron's (collectively, the "Parties") have  
14 agreed to resolve their disputes, and the Debtor has agreed to sell the Purchased Assets to Aaron's  
15 on the terms and conditions set forth in the Settlement Agreement and the Purchase Agreement.

16 18. The Settlement Agreement and the Purchase Agreement are beneficial to the  
17 Debtor, its estate, and its creditors. Specifically, the Sale Transaction's benefits greatly exceed  
18 those of a sale in the context of a competitive bidding process or a piecemeal liquidation. Each of  
19 the Settlement Agreement and the Purchase Agreement are supported by sound business judgment  
20 and are in the best interests of the Debtor and its estate.

21 **D. The Debtor Should be Permitted to Enter into the Settlement Agreement**

22 19. The Settlement Agreement was negotiated in good faith and is reasonable, fair, and  
23 equitable. I believe that the benefits of the Settlement Agreement significantly outweigh the risks  
24 and costs to the Debtor of continued litigation. Pursuant to the Settlement Agreement, all of the  
25 claims, litigation, and disputes between and among the Parties will be resolved, and Aaron's will  
26 purchase substantially all of the Debtor's assets for \$13,000,000, plus the assumption of certain  
27 liabilities. While I am confident in the strength of the Debtor's claims in the Adversary Proceeding  
28 and the other disputes between and among the Parties, and although it is possible that the Debtor

1 could achieve a superior result by continuing to litigate the Adversary Proceeding, I understand  
2 that litigation would come at a considerable cost to the Debtor's estate both in terms of legal fees  
3 and delay in the administration of the case. Further, I understand that there are numerous risks  
4 associated with all litigation, and that no positive result is guaranteed. Considering these risks, I  
5 believe that the Settlement Agreement, which immediately resolves all disputes at a fraction of  
6 what it would cost to litigate the Adversary Proceeding and the Disputes, and which guarantees  
7 that the Debtor's estate will receive significant compensation for its assets, provides a resolution  
8 that is reasonable and beneficial to the Debtor's estate. In light of (i) the costs of litigating with  
9 Aaron's and CB&T, (ii) the uncertainty of success on the merits, and (iii) the complexity of the  
10 issues present in the Adversary Proceeding and the Disputes, I believe that the probability of  
11 success in litigation does not outweigh the significant cost savings and benefits of the Settlement  
12 Agreement. Based on the foregoing, I believe that entering into the Settlement Agreement is in  
13 the best interest of the Debtor's estate.

14 20. Furthermore, the Settlement Agreement guarantees the Debtor a significant return  
15 on a date certain in exchange for its assets, allows the Debtor to avoid any liability on account of  
16 Aaron's Claim, and fixes the amount that will be required to be paid to CB&T in order to achieve  
17 a sale free and clear of its liens. The Settlement Agreement was negotiated in good faith and at  
18 arm's-length, based on each Party's respective risks and positions.

19 **E. The Debtor Should be Permitted to Consummate the Sale Transaction**

20 (1) Sound Business Purpose

21 21. The Debtor has a sound business justification for entering into and seeking  
22 consummation of the Purchase Agreement. After extensive negotiations and a compelling offer  
23 from Aaron's for the Purchased Assets, I believe that the Sale Transaction will offer the Debtor a  
24 means through which it can maximize the value of its estate for the benefit of its creditors and  
25 stakeholders.

26 22. Although the sale of the Purchased Assets to Aaron's does not contemplate an  
27 auction or other competitive bidding process, I believe that the Sale Transaction provides the best  
28 opportunity to maximize the value of the Purchased Assets for the Debtor's estate. First, the

1 Debtor has not been contacted by any potential overbidder, and, in the Debtor's business judgment,  
2 there are no readily apparent and viable alternative purchasers. Second, I understand that the  
3 Debtor may not assume or assign any of the Franchise Agreements without Aaron's express  
4 consent. The value of the Debtor's business on a going concern basis is currently premised on  
5 continued use and utilization of the Franchisor's Marks and the Aaron's System. Without the  
6 ability to use the Franchisor's Marks and/or the Aaron's System a purchaser will be unable to  
7 continue to conduct an RTO business under the Aaron's brand. The fact that Aaron's may oppose  
8 the assumption and assignment of the Franchise Agreements would likely dissuade interested  
9 parties from participating in a competitive bidding process.

10 23. The Sale Transaction provides the Debtor's estate with substantial consideration  
11 for the Purchased Assets and relieves the estate of costs associated with winding down the Debtor's  
12 business or preserving the value of its assets long enough to secure an alternate purchaser, who,  
13 for the reasons set forth above, is unlikely to make a higher or better offer, if any such alternative  
14 purchaser even exists at all. The Sale Transaction also compromises Aaron's claims against the  
15 Debtor. I believe that the sale price is also fair and reasonable, given Aaron's consent rights to the  
16 assumption and assignment of the Franchise Agreements.

17 24. The Debtor and its advisors have engaged in significant negotiations with Aaron's  
18 in the formulation of the Purchase Agreement, and the Debtor is not aware of any other parties that  
19 might be interested in purchasing the Purchased Assets. As of the date hereof, the Debtor has not  
20 been contacted by any potential purchasers other than Aaron's.

21 25. Based on the foregoing, I believe there is a clear business justification for the  
22 Debtor's entry into the Purchase Agreement, as a private sale will maximize the value of the  
23 Debtor's assets and is in the best interests of the Debtor, its creditors, its estate, its stakeholders,  
24 and other parties in interest.

25 (2) Good-Faith Purchase

26 26. The Purchase Agreement was negotiated at arm's-length and without collusion.  
27 Both the Debtor and Aaron's were represented by their own sophisticated counsel and the terms  
28 of the Purchase Agreement were the result of extensive negotiations between the parties.

1 Furthermore, neither the Debtor nor Aaron's have engaged in any conduct that would cause or  
2 permit the Purchase Agreement to be avoided under the Bankruptcy Code.

3 (3) The Debtor Should be Authorized to Assume and Assign the Assumed  
4 Contracts

5 27. The decision to assume and assign the Assumed Contracts is a valid exercise of the  
6 Debtor's business judgment and is meant to maximize the value that results from the Sale  
7 Transaction. In order to assume and assign the Assumed Contracts the Debtor will cure any  
8 existing defaults under such contracts and leases, compensate all non-debtor parties to such  
9 contracts and leases for any actual pecuniary loss resulting from any defaults, and provide adequate  
10 assurance of future performance under the Assumed Contracts. All contract counterparties to the  
11 Assumed Contracts will also have the opportunity to object to the assumption and assignment of  
12 their Assumed Contract.

13 28. I believe that if notice of the Sale Transaction or the Assumption and Assignment  
14 Notice were provided to each of the Debtor's Customers, not only would the cost of such notice  
15 be a significant burden on the Debtor's estate, but it would be likely to cause significant confusion  
16 amongst the Customers that could result in such Customers failing to comply with the terms of the  
17 Customer Agreements to the substantial detriment of the Debtor's estate and could even lead to  
18 termination of the Sale Transaction.

19 (4) Waiver of Stay Under Bankruptcy Rule 6004(h)

20 29. The sale of the Purchased Assets must be approved and consummated promptly in  
21 order to preserve the value of the Purchased Assets and to avoid the accrual of additional costs.  
22 To ensure that the Closing occurs on a timely basis, I believe that it is critically important that the  
23 Debtor and Aaron's be permitted to consummate the sale as soon as possible after entry of the  
24 Settlement and Sale Order.

25  
26  
27  
28

1 I declare under penalty of perjury that the foregoing is true and correct to the best of my  
2 knowledge. Executed this 3rd day of October, 2018, at Los Angeles, California.

3  
4 By:   
5 Randall C. Sultan  
6 Chief Executive Officer  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

1 **THOMPSON COBURN LLP**  
2 **RICHARD G. REINIS, CSB 45811**  
3 **rreinis@thompsoncoburn.com**  
4 **JEFFREY N. BROWN, CA BAR NO. 105520**  
5 **jbrown@thompsoncoburn.com**  
6 **2029 Century Park East, 19th Floor**  
7 **Los Angeles, CA 90067**  
8 **Phone: (310) 282-2500 / Fax: (310) 282-2501**

9 Attorneys for Debtor and Debtor-in-Possession  
10 Sultan Financial Corporation

11 **UNITED STATES BANKRUPTCY COURT**  
12 **CENTRAL DISTRICT OF CALIFORNIA**  
13 **LOS ANGELES DIVISION**

14 In re:

Case No. 2:18-bk-18021-ER

15 SULTAN FINANCIAL CORPORATION, a  
16 California corporation,

Chapter 11

17 Debtor.

18 Tax ID: 95-4028025

**ORDER GRANTING DEBTOR'S  
MOTION FOR ENTRY OF AN ORDER (I)  
PURSUANT TO BANKRUPTCY CODE  
SECTIONS 105(A) AND 363 AND  
BANKRUPTCY RULE 9019,  
AUTHORIZING AND APPROVING  
THAT CERTAIN SETTLEMENT  
AGREEMENT BETWEEN THE  
DEBTOR, AARON'S, INC., ZIONS  
BANCORPORATION, N.A., D/B/A  
CALIFORNIA BANK & TRUST,  
RANDALL C. SULTAN, AND PATRICIA  
E. SULTAN; (II) PURSUANT TO  
BANKRUPTCY CODE SECTIONS 105(A),  
363, AND 365, BANKRUPTCY RULE  
2002, 6004, 6006, 9007, AND 9014, AND  
LOCAL RULE 6004-1(C), (A)  
AUTHORIZING AND APPROVING THE  
DEBTOR'S ENTRY INTO THAT  
CERTAIN ASSET PURCHASE  
AGREEMENT WITH AARON'S, INC.;  
(B) AUTHORIZING AND APPROVING  
THE PRIVATE SALE OF  
SUBSTANTIALLY ALL OF THE  
DEBTOR'S ASSETS FREE AND CLEAR  
OF ALL INTERESTS; AND (C)  
ESTABLISHING NOTICE PROCEDURES  
FOR DETERMINING CURE AMOUNTS**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**AND AUTHORIZING AND APPROVING  
THE ASSUMPTION AND ASSIGNMENT  
OF EXECUTORY CONTRACTS AND  
UNEXPIRED LEASES; AND (III)  
GRANTING RELATED RELIEF;  
MEMORANDUM OF POINTS AND  
AUTHORITIES IN SUPPORT THEREOF**

**Hearing:**

Date: October 24, 2018  
Time: 10:00 a.m.  
Place: Courtroom 1568  
Roybal Federal Building  
255 E. Temple Street  
Los Angeles, CA 90012



1           Upon the motion (the “Motion”) of Sultan Financial Corporation (the “Debtor”), the debtor  
2 and debtor-in-possession in the above-captioned chapter 11 case (the “Chapter 11 Case”), for entry  
3 of an order (the “Settlement and Sale Order”) pursuant to (i) sections 105(a) and 363 of Title 11  
4 of the United States Code (the “Bankruptcy Code”) and Rule 9019(a) of the Federal Rules of  
5 Bankruptcy Procedure (the “Bankruptcy Rules”), authorizing and approving the Debtor’s entry  
6 into that certain Settlement Agreement by and between (a) the Debtor, (b) Randall C. Sultan and  
7 Patricia E. Sultan, individually and as trustees of the Randall and Patricia Sultan Family Revocable  
8 Trust dated November 5, 1999 (together, the “Sultans”), (c) Aaron’s, Inc. (“Aaron’s”), and (d)  
9 Zions Bancorporation, N.A., d/b/a California Bank & Trust (“CB&T”), dated as of October 3,  
10 2018 (in substantially the form attached to the Motion as Exhibit A, the “Settlement Agreement”),  
11 (ii) sections 105(a), 363, and 365 of the Bankruptcy Code, Bankruptcy Rules 2002, 6004, 6006,  
12 9007, and 9014, and Rule 6004-1(c) of the Local Bankruptcy Rules for the United States  
13 Bankruptcy Court for the Central District of California (the “Local Rules”), (a) authorizing and  
14 approving the Debtor’s entry into that certain Asset Purchase Agreement, dated as of October 3,  
15 2018 (in substantially the form attached to the Motion as Exhibit B, and as it may be amended,  
16 modified, or supplemented in accordance with the terms hereof and thereof, the “Purchase  
17 Agreement”),<sup>1</sup> (b) authorizing and approving, but not directing, the private sale of the Purchased  
18 Assets (the “Sale”) to Aaron’s free and clear of all Interests (as defined in paragraph U below),  
19 and (c) approving certain notice procedures for determining cure amounts for executory contracts  
20 and unexpired leases to be assumed and assigned in connection with the Purchase Agreement and  
21 authorizing and approving the assumption and assignment of certain executory contracts and  
22 unexpired leases (each executory contract and unexpired lease of the Debtor, a “Contract” and,  
23 collectively, the “Contracts”), and (iii) granting certain related relief; and this Court having  
24 conducted a hearing on the Motion on October [24], 2018 (the “Settlement and Sale Hearing”);  
25 and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and this

26

---

27 <sup>1</sup> Capitalized terms used, but not otherwise defined, herein shall have the meaning ascribed  
28 to such terms in the Purchase Agreement or, if not defined therein, in the Motion, the Memorandum  
of Points and Authorities, annexed to, and in support of the Motion, or the Settlement Agreement,  
as applicable.

1 Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court  
2 being able to issue a final order consistent with Article III of the United States Constitution; and  
3 this Court having found that venue of this proceeding and the Motion in this District is proper  
4 pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that no other or further notice of the  
5 Motion is required; and all parties in interest having been heard, or having had the opportunity to  
6 be heard, regarding the Motion, the Settlement Agreement, the Purchase Agreement, and this  
7 Settlement and Sale Order; and this Court having reviewed and considered the Motion and all  
8 objections thereto, and the arguments of counsel made, and the evidence adduced, at the Settlement  
9 and Sale Hearing; and upon the entire record of the Settlement and Sale Hearing, and after due  
10 deliberation thereon, and good cause appearing therefor:

11 **THE COURT HEREBY FINDS THAT:<sup>2</sup>**

12 A. The Debtor has articulated good and sufficient reasons for the Court to (i) authorize  
13 and approve the Debtor's entry into the Settlement Agreement, (ii) authorize and approve the Sale  
14 of the Purchased Assets free and clear of all Interests, (iii) authorize and approve the assumption,  
15 assignment, and/or transfer of the Assumed Contracts, and (iv) grant the other relief set forth in  
16 this Settlement and Sale Order.

17 **Notice of the Settlement Agreement, Sale, and Cure Payments**

18 B. Actual written notice of the Settlement and Sale Hearing, the Motion, the  
19 Settlement Agreement, the Sale, and the assumption, assignment, and/or transfer of the Assumed  
20 Contracts, and a reasonable opportunity to object or be heard with respect thereto and to the entry  
21 of this Settlement and Sale Order has been afforded to all known interested Persons entitled to  
22 receive such notice, including, but not limited to, the following parties: (i) all entities known to  
23 have asserted any Interest in or upon any portion of the Purchased Assets; (ii) counsel to Aaron's;  
24 (iii) counsel to CB&T; (iv) counsel to the Sultans; (v) all affected federal, state, and local  
25 regulatory and taxing authorities; (vi) the U.S. Attorney for the Central District of California; (vii)

26 \_\_\_\_\_  
27 <sup>2</sup> The findings and conclusions set forth herein constitute this Court's findings of fact and  
28 conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant  
to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute  
conclusions of law, they are adopted as such. To the extent any of the following conclusions of  
law constitute findings of fact, they are adopted as such.

1 the Internal Revenue Service; (viii) the Securities and Exchange Commission; (ix) the creditors  
2 listed in the Debtor's creditor matrix; (x) those parties who have formally filed request for notice  
3 in the Chapter 11 Case pursuant to Bankruptcy Rule 2002; (xi) the Office of the United States  
4 Trustee; (xii) all counterparties to the Debtor's Contracts, other than the Customer Contracts (each,  
5 a "Counterparty" and, collectively, the "Counterparties"); and (xiii) all entities known to have  
6 expressed an interest in a transaction with respect to all or part of the Purchased Assets during the  
7 six (6) months preceding the date hereof.

8 C. The Debtor has served a notice (the "Assumption and Assignment Notice") upon  
9 each Counterparty including the following information: (i) the title of the Counterparty's Contract  
10 that may be assumed by the Debtor and assigned to Aaron's; (ii) the name and address of the  
11 Counterparty; (iii) the amount, whether arising prepetition or postpetition, that the Debtor believes  
12 will be required to be paid in order for the Counterparty's Contract to be assumed by the Debtor  
13 and assigned to Aaron's, if any (the "Cure Amount"); and (iv) the deadline by which any such  
14 Counterparty must object to the assumption and assignment of any Contract or the Cure Amount  
15 associated therewith. The Assumption and Assignment Notice specifically notified each  
16 Counterparty that such Counterparty's Contract may be assumed and assigned to Aaron's at  
17 Closing.

18 D. The service of such Assumption and Assignment Notice: (i) was good, sufficient,  
19 and appropriate under the circumstances of this Chapter 11 Case; (ii) provided such Counterparties  
20 with a full and fair opportunity to object to such assumption, assignment, and/or transfer and to  
21 the proposed Cure Amount set forth in the Assumption and Assignment Notice; and (iii) was in  
22 compliance with the Motion and the applicable provisions of the Bankruptcy Rules and the Local  
23 Rules. Accordingly, no other or further notice need be given in connection with such assumption,  
24 assignment, or transfer or with respect to the Cure Amounts, except as expressly set forth in  
25 paragraphs 18, 23, and 32 of this Settlement and Sale Order.

26 E. As evidenced by the affidavits of service filed with this Court: (i) due, proper,  
27 timely, adequate, and sufficient notice of the Motion, the Settlement Agreement, the Settlement  
28 and Sale Hearing, the assumption, assignment, and/or transfer of the Assumed Contracts, this

1 Settlement and Sale Order, and the Sale has been provided to all parties in interest entitled to  
2 receive notice; (ii) such notice was, and is, good, sufficient, and appropriate under the  
3 circumstances of this Chapter 11 Case, provided a fair and reasonable opportunity for parties in  
4 interest to object and to be heard with respect thereto, and was provided in accordance with  
5 Bankruptcy Code Sections 102(1), 363, and 365, Bankruptcy Rules 2002, 6004, 6006, 9006, 9007,  
6 and 9014, and the applicable Local Rules; and (iii) no other or further notice with respect to such  
7 matters, including, without limitation, any notice to the Customers or with respect to the Customer  
8 Contracts, is necessary or shall be required.

9 **Business Judgment**

10 F. The Debtor has demonstrated good, sufficient, and sound business purposes and  
11 justifications for, and compelling circumstances to promptly consummate, (i) the settlement set  
12 forth in the Settlement Agreement, and (ii) the Sale, and other transactions contemplated by the  
13 Purchase Agreement and all related documents (all documents related to the Sale Transaction,  
14 including, the Settlement Agreement, collectively, the "Transaction Documents"), including,  
15 without limitation, the assumption, assignment, and/or transfer of the Assumed Contracts  
16 (collectively, the "Sale Transaction") pursuant to Bankruptcy Code Sections 105, 363, and 365 or  
17 otherwise, prior to and outside of a plan of reorganization, and such action is an appropriate  
18 exercise of the Debtor's business judgment and in the best interests of the Debtor, its estate, and  
19 its creditors. Such business reasons include, but are not limited to, the fact that: (i) there is  
20 substantial risk of depreciation of the value of the Purchased Assets if the Sale is not consummated  
21 promptly; (ii) the Purchase Agreement constitutes the highest and best offer for the Purchased  
22 Assets; (iii) the Purchase Agreement and the Sale will present the best opportunity to realize the  
23 value of the Debtor's assets on a going concern basis and avoid decline and devaluation of the  
24 Debtor's business; (iv) unless the Sale is concluded expeditiously as provided for in this Settlement  
25 and Sale Order and pursuant to the Purchase Agreement, creditor recoveries may be substantially  
26 diminished; and (v) consummation of the Settlement Agreement, which resolves claims between  
27 the Debtor, Aaron's, CB&T, and the Sultans (both individually and as trustees of the Randall and  
28 Patricia Sultan Family Revocable Trust dated November 5, 1999), is conditioned upon the Closing

1 of the Sale Transaction.

2 **Good Faith of Aaron's; No Collusion**

3 G. Aaron's is not an insider (as that term is defined in Bankruptcy Code Section  
4 101(31)) of the Debtor.

5 H. The Settlement Agreement was negotiated and entered into in good faith for all  
6 purposes, including pursuant to California Code of Civil Procedure § 877.6, and is reasonable, fair,  
7 and equitable.

8 I. Aaron's is purchasing the Purchased Assets in good faith and is a good faith  
9 purchaser, within the meaning of Bankruptcy Code Section 363(m), and is therefore entitled to,  
10 and granted pursuant to paragraph 31 below, the full rights, benefits, privileges, and protections of  
11 that provision, and has otherwise proceeded in good faith in all respects in connection with the  
12 Sale Transaction in that, *inter alia*: (i) Aaron's recognized that the Debtor was free to deal with  
13 any other party interested in acquiring the Purchased Assets; (ii) all payments to be made by  
14 Aaron's and other agreements or arrangements entered into by Aaron's in connection with the Sale  
15 Transaction have been disclosed; (iii) Aaron's has not violated Bankruptcy Code Section 363(n)  
16 by any action or inaction; (iv) no common identity of directors or controlling stockholders exists  
17 between Aaron's and the Debtor; and (v) the negotiation and execution of the Purchase Agreement  
18 and the other Transaction Documents were at arm's-length and in good faith.

19 J. None of the Debtor, Aaron's, or any other party in interest, or any of their  
20 Representatives (as defined in paragraph 27 below), has engaged in any conduct that would cause  
21 or permit the Purchase Agreement or any of the other Transaction Documents, or the  
22 consummation of the Sale Transaction, to be avoidable or avoided, or for costs or damages to be  
23 imposed, under Bankruptcy Code Section 363(n), or has acted in bad faith or in any improper or  
24 collusive manner with any Person in connection therewith.

25 **Highest and Best Offer**

26 K. The Purchase Agreement constitutes the highest and best offer for the Purchased  
27 Assets and will provide greater value for the Debtor's estate than would be provided by any other  
28 available alternative. The Debtor's determination that the Purchase Agreement constitutes the

1 highest and best offer for the Purchased Assets is a valid and sound exercise of the Debtor's  
2 business judgment.

3 L. The Purchase Agreement represents a fair and reasonable offer to purchase the  
4 Purchased Assets under the circumstances of this Chapter 11 Case. No other Person or group has  
5 offered to purchase the Purchased Assets for greater economic value to the Debtor's estate than  
6 Aaron's.

7 M. Approval of the Motion, the Settlement Agreement, and the Purchase Agreement,  
8 and the prompt consummation of the Sale Transaction contemplated thereby, is in the best interests  
9 of the Debtor, its creditors, its estate, and other parties in interest.

10 N. The releases set forth in the Settlement Agreement were a material inducement for,  
11 and an express condition of, Aaron's willingness to enter into the Purchase Agreement, and when  
12 viewed with the Sale Transaction as a whole, will provide a greater benefit to the Debtor, its estates,  
13 and its creditors than would the retention and prosecution of any causes of action subject to the  
14 release in the absence of the Sale Transaction.

15 **No Fraudulent Transfer; Not a Successor**

16 O. The Purchase Agreement and the other Transaction Documents were not entered  
17 into, and the Sale Transaction is not being consummated, for the purpose of hindering, delaying,  
18 or defrauding creditors of the Debtor under applicable Law, and none of the Parties to the Purchase  
19 Agreement or any of the other Transaction Documents are consummating the Sale Transaction  
20 with any fraudulent or otherwise improper purpose. The Purchase Price for the Purchased Assets  
21 constitutes (i) reasonably equivalent value under the Bankruptcy Code, the Uniform Fraudulent  
22 Transfer Act, and the Uniform Voidable Transactions Act, (ii) fair consideration under the  
23 Uniform Fraudulent Conveyance Act, and (iii) reasonably equivalent value, fair consideration, and  
24 fair value under any other applicable Laws.

25 P. Except as expressly set forth in the Purchase Agreement with respect to the  
26 Assumed Liabilities, Aaron's shall have no liability, responsibility, or obligations of any kind or  
27 nature whatsoever for any Interest of or against the Debtor, or otherwise related to the Purchased  
28 Assets, by reason of the transfer of the Purchased Assets to Aaron's. Aaron's shall not be deemed,

1 as a result of any action taken in connection with the Sale Transaction: (i) to the greatest extent  
2 permitted under applicable law, to be a successor (or other such similarly situated party) to the  
3 Debtor (other than with respect to the Assumed Liabilities as expressly stated in the Purchase  
4 Agreement); or (ii) to have, *de facto* or otherwise, merged or consolidated with or into the Debtor.  
5 Aaron's is not acquiring or assuming any Interest, except as expressly set forth in the Purchase  
6 Agreement with respect to the Assumed Liabilities.

7 **Validity of Transfer**

8 Q. The execution and delivery of the Purchase Agreement, the sale of all Purchased  
9 Assets to Aaron's, and the assumption of all Assumed Liabilities by Aaron's were properly  
10 authorized by the Debtor and its board of directors. Subject to the entry of this Settlement and  
11 Sale Order, the Debtor has full corporate power and authority (i) to perform all of its obligations  
12 under the Purchase Agreement and the other Transaction Documents, and the Debtor's prior  
13 execution and delivery thereof and performance thereunder, is hereby ratified in full, and (ii) to  
14 consummate the Sale Transaction. The Purchase Agreement and the other Transaction  
15 Documents, and the Sale Transaction contemplated thereby, have been duly and validly authorized  
16 by all necessary corporate action. No further consents or approvals are required for the Debtor to  
17 consummate the Sale Transaction or otherwise perform its respective obligations under the  
18 Purchase Agreement or the other Transaction Documents, except, in each case, as otherwise  
19 expressly set forth in the Purchase Agreement or applicable Transaction Documents.

20 R. As of the Closing Date, the transfer of the Purchased Assets to Aaron's, including,  
21 without limitation, the assumption, assignment, and/or transfer of the Assumed Contracts, will be  
22 a legal, valid, and effective transfer thereof, and will vest Aaron's with all right, title, and interest  
23 of the Debtor in and to the Purchased Assets, free and clear of all Interests accruing or arising any  
24 time prior to the Closing Date (except as expressly set forth in the Purchase Agreement with respect  
25 to the Assumed Liabilities or Permitted Encumbrances), with all such Interests to attach to the  
26 proceeds of the Sale as set forth in paragraph 12 of this Settlement and Sale Order.

27 **Section 363(f) Is Satisfied**

28 S. Aaron's would not have entered into the Purchase Agreement and would not

1 consummate the Sale Transaction if the sale of the Purchased Assets, including the assumption,  
2 assignment, and/or transfer of the Assumed Contracts, to Aaron's was not free and clear of all  
3 Interests of any kind or nature whatsoever (except as expressly set forth in the Purchase Agreement  
4 with respect to the Permitted Encumbrances and Assumed Liabilities), or if Aaron's, or any of its  
5 Affiliates or Subsidiaries, would, or in the future could, be liable for any of such Interests (except  
6 as expressly set forth in the Purchase Agreement with respect to the Permitted Encumbrances and  
7 Assumed Liabilities).

8 T. The Debtor may sell or otherwise transfer the Purchased Assets free and clear of all  
9 Interests because, in each case, one or more of the standards set forth in Bankruptcy Code  
10 Section 363(f)(1)–(5) has been satisfied. Those holders of Interests against the Debtor, its estate,  
11 or any of the Purchased Assets who did not object, or who withdrew their objections, to the Sale  
12 or the Motion are deemed to have consented thereto pursuant to Bankruptcy Code  
13 Section 363(f)(2). Those holders of such Interests who did object, if any, fall within one or more  
14 of the other subsections of Bankruptcy Code Section 363(f) and are adequately protected by the  
15 terms of this Settlement and Sale Order, including, as applicable, by having their Interests, if any,  
16 attach to the proceeds of the Sale ultimately attributable to the Purchased Assets in which such  
17 creditor alleges or asserts an Interest, in the same order of priority, with the same validity, force,  
18 and effect, that such creditor had immediately prior to consummation of the Sale, subject to any  
19 claims and defenses the Debtor and its estate may possess with respect thereto.

20 U. As used in this Settlement and Sale Order, the term "Interest" includes all of the  
21 following, in each case to the extent against or with respect to the Debtor or in, on, or against or  
22 with respect to any of the Purchased Assets: liens (as defined in Bankruptcy Code Section 101(37),  
23 and whether consensual, statutory, possessory, judicial, or otherwise), claims (as defined in  
24 Bankruptcy Code Section 101(5)), debts (as defined in Bankruptcy Code Section 101(12)),  
25 encumbrances, obligations, liabilities, demands, guarantees, actions, suits, defenses, deposits,  
26 credits, allowances, options, rights, restrictions, limitations, contractual commitments, rights, or  
27 interests of any kind or nature whatsoever, whether known or unknown, choate or inchoate, filed  
28 or unfiled, scheduled or unscheduled, noticed or unnoticed, recorded or unrecorded, perfected or



1 unperfected, allowed or disallowed, contingent or non-contingent, liquidated or unliquidated,  
2 matured or unmatured, material or non-material, disputed or undisputed, whether arising prior to  
3 or subsequent to the commencement of this Chapter 11 Case, and whether imposed by agreement,  
4 understanding, law, equity, or otherwise, including, but not limited to, (i) mortgages, deeds of trust,  
5 pledges, charges, security interests, hypothecations, encumbrances, easements, servitudes, leases,  
6 subleases, rights-of-way, encroachments, restrictive covenants, restrictions on transferability or  
7 other similar restrictions, rights of setoff (except for setoffs validly exercised prior to the Petition  
8 Date), rights of use or possession, subleases, leases, condition sale arrangements, or any similar  
9 rights; (ii) all claims, including, without limitation, all rights or causes of action (whether in law  
10 or equity), proceedings, warranties, guarantees, indemnities, rights of recovery, setoff (except for  
11 setoffs validly exercised prior to the Petition Date), indemnity or contribution, obligations,  
12 demands, restrictions, indemnification claims, or liabilities relating to any act or omission of the  
13 Debtor or any other Person, consent rights, options, contract rights, covenants, and interests of any  
14 kind or nature whatsoever (known or unknown, matured or unmatured, accrued, or contingent and  
15 regardless of whether currently exercisable), whether arising prior to or subsequent to the  
16 commencement of this Chapter 11 Case, and whether imposed by agreement, understanding, law,  
17 equity, or otherwise; (iii) all debts, liabilities, obligations, contractual rights and claims, and labor,  
18 employment, and pension claims; (iv) any rights that purport to give any party a right or option to  
19 effect any forfeiture, modification, right of first offer or first refusal, or consents, or termination of  
20 the interests of the Debtor or Aaron's in the Purchased Assets, or any similar rights; (v) any rights  
21 under labor or employment agreements; (vi) any rights under pension, multiemployer plan (as such  
22 term is defined in section 3(37) or section 4001(a)(3) of the Employment Retirement Income  
23 Security Act of 1974 (as amended, "ERISA")), health or welfare, compensation or other employee  
24 benefit plans, agreements, practices, and programs, including, without limitation, any pension  
25 plans of the Debtor or any multiemployer plan to which the Debtor has at any time contributed to  
26 or had any liability or potential liability; (vii) any other employee claims related to worker's  
27 compensation, occupation disease, or unemployment or temporary disability, including, without  
28 limitation, claims that might otherwise arise under or pursuant to (a) ERISA, (b) the Fair Labor

1 Standards Act, (c) Title VII of the Civil Rights Act of 1964, (d) the Federal Rehabilitation Act of  
2 1973, (e) the National Labor Relations Act, (f) the Age Discrimination and Employment Act of  
3 1967 and the Age Discrimination in Employment Act, each as amended, (g) the Americans with  
4 Disabilities Act of 1990, (h) the Consolidated Omnibus Budget Reconciliation Act of 1985, as  
5 amended, including, without limitation, the requirements of Part 6 of Subtitle B of Title I of ERISA  
6 and section 4980B of the Internal Revenue Code of any similar state Law, (i) state discrimination  
7 Laws, (j) state unemployment compensation Laws or any other similar state Laws, (k) any other  
8 state or federal benefits or claims relating to any employment with the Debtor or any of its  
9 predecessors, or (l) the WARN Act (29 U.S.C. §§ 2101, *et seq.*) or any state or other Laws of  
10 similar effect; (viii) any bulk sales or similar Law; (ix) any tax statutes or ordinances, including,  
11 without limitation, the Internal Revenue Code of 1986, as amended, and any taxes arising under  
12 or out of, in connection with, or in any way relating to the operation of the assets or Business of  
13 the Debtor prior to the Closing; (x) any Contract to which the Debtor is a party that is not an  
14 Assumed Contract; (xi) any other Excluded Liabilities under the Purchase Agreement; (xii) any  
15 products liability law, rule, regulation, or doctrine with respect to the Debtor liability under such  
16 law, rule, regulation, or doctrine, or under any product warranty liability law or doctrine; and  
17 (xiii) Interests arising under or in connection with any acts, or failures to act, of the Debtor or any  
18 of the Debtor's predecessors, Affiliates, or Subsidiaries, including, but not limited to, Interests  
19 arising under any doctrines of successor liability (to the greatest extent permitted by applicable  
20 law), or transferee or vicarious liability, violation of the Securities Act, the Exchange Act, or other  
21 applicable securities Laws or regulations, breach of fiduciary duty, or aiding and abetting breach  
22 of fiduciary duty, or any similar theories under applicable Law or otherwise.

23 V. Except as expressly set forth in the Purchase Agreement with respect to the  
24 Assumed Liabilities or Permitted Encumbrances, and without limiting the nature or scope of  
25 paragraph U above, the transfer of the Purchased Assets, including the assumption, assignment,  
26 and/or transfer of the Assumed Contracts, to Aaron's will not subject Aaron's or its Affiliates or  
27 Subsidiaries to, or subject any Purchased Asset to or provide recourse for, any Interest whatsoever  
28 with respect to the operation or condition of the Business or any of the Purchased Assets prior to

1 the Closing or with respect to any facts, acts, actions, omissions, circumstances, or conditions  
2 existing, occurring or accruing with respect thereto prior to the Closing Date.

3 **Assumption, Assignment, and/or Transfer of the Assumed Contracts**

4 W. The assumption, assignment, and/or transfer of the Assumed Contracts to Aaron's  
5 pursuant to the terms of this Settlement and Sale Order is integral to the Purchase Agreement, is  
6 in the best interests of the Debtor and its estate, creditors, and other parties in interest, and  
7 represents the reasonable exercise of sound and prudent business judgment by the Debtor.

8 X. The Debtor has or will have as of the Closing: (i) cured any default existing prior  
9 to the Closing with respect to the Assumed Contracts, or provided adequate assurance that any  
10 default existing prior to the Closing with respect to the Assumed Contracts will be cured  
11 (including, without limitation, by reserving the amount of the Alleged Cure Claims, as set forth in  
12 paragraph 18 below), within the meaning of and as required by Bankruptcy Code Sections  
13 365(b)(1)(A) and 365(f)(2)(A), and (ii) provided compensation, or adequate assurance of  
14 compensation, to any party for any actual pecuniary loss to such party resulting from such default,  
15 within the meaning of and as required by Bankruptcy Code Section 365(b)(1)(B). The respective  
16 amounts set forth on the exhibit(s) annexed to the Assumption and Assignment Notice (or any  
17 Supplemental Assumption and Assignment Notice(s) (as defined in paragraph 23 below)) are the  
18 sole amounts necessary under Bankruptcy Code Sections 365(b)(1)(A), 365(b)(1)(B), and  
19 365(f)(2)(A) to cure all monetary defaults and pay all actual pecuniary losses under each  
20 Counterparty's Assumed Contract, except (i) to the extent otherwise agreed by the Debtor and the  
21 applicable Counterparty in writing or determined by order of this Court and/or (ii) as expressly set  
22 forth in paragraphs 18 and 32 of this Settlement and Sale Order; provided, further, that the  
23 respective obligations of Aaron's and the Debtor with respect to payment of such Cure Amounts  
24 shall be as set forth in the Purchase Agreement and this Settlement and Sale Order.

25 Y. The promise of Aaron's to perform the obligations first arising under the Assumed  
26 Contracts after their assumption, assignment, and/or transfer to Aaron's and to assume and satisfy  
27 any cure obligations associated with the Customer Contracts in the ordinary course of business  
28 constitutes adequate assurance of future performance within the meaning of Bankruptcy Code

1 Sections 365(b)(1)(C) and 365(f)(2)(B) to the extent that any such assurance is required and not  
2 waived by the non-Debtor party to such Assumed Contracts. Any objections to the foregoing, the  
3 determination of any Cure Amount, or otherwise related to or in connection with the assumption,  
4 assignment, or transfer of any of the Assumed Contracts to Aaron's are hereby overruled on the  
5 merits or otherwise treated as set forth in paragraph 2 below. Those Counterparties to the Assumed  
6 Contracts who did not object to the assumption, assignment, or transfer of their applicable  
7 Assumed Contract, or to their applicable Cure Amount, are deemed to have consented thereto for  
8 all purposes of this Settlement and Sale Order, except as expressly set forth in paragraphs 18, 23,  
9 and 32 of this Settlement and Sale Order.

10 Z. Aaron's shall maintain the right to modify the list of the Assumed Contracts after  
11 the date of this Settlement and Sale Order and up to the Closing. Such modification rights include,  
12 but are not limited to, the right of Aaron's to designate a Contract for assumption by the Debtor  
13 and assignment to Aaron's, as well as to designate a Contract to be an Excluded Contract. For the  
14 avoidance of doubt, this right also includes the right of Aaron's to designate a Contract that was  
15 previously omitted from Exhibit A to the Assumption and Assignment Notice as a Contract that  
16 may be assumed by the Debtor and assigned to Aaron's (each, a Previously Omitted Contract"),  
17 as further described in paragraph 23 below. Aaron's would not have agreed to the Sale Transaction  
18 without such modification rights. The notice and opportunity to object provided to the  
19 Counterparties to such Assumed Contracts and to other parties in interest, fairly and reasonably  
20 protect any rights that such Counterparties and other parties in interest may have with respect to  
21 such Contracts.

22 AA. Aaron's may, in its sole discretion and upon prior written notice to the Debtor,  
23 (i) pay any Cure Amounts on behalf of the Debtor, in which case the Debtor shall have no further  
24 responsibility therefor, and (ii) offset such amount(s) against any amount(s) Aaron's may owe the  
25 Debtor; provided, however, that to the extent there is an objection concerning any Cure Amount,  
26 this Court shall retain jurisdiction over such dispute.

27 **Compelling Circumstances for an Immediate Sale**

28 BB. To maximize the value of the Purchased Assets and to preserve the viability of the

1 business to which the Purchased Assets relate, it is essential that the Sale Transaction occur within  
2 the time constraints set forth in the Purchase Agreement. Time is of the essence in consummating  
3 the Sale. The Sale must be approved and consummated promptly in order to preserve the viability  
4 of the Debtor's Business as a going concern and to satisfy the terms of the Settlement Agreement.  
5 Accordingly, there is cause to eliminate the stay contemplated by Bankruptcy Rules 6004 and 6006  
6 with regards to the Sale Transaction contemplated by this Settlement and Sale Order, the Purchase  
7 Agreement, and the other Transaction Documents.

8 CC. Given the circumstances of this Chapter 11 Case and the adequacy and fair value  
9 of the Purchase Price, the proposed transfer of the Purchased Assets to Aaron's constitutes a  
10 reasonable and sound exercise of the Debtor's business judgment, is in the best interests of the  
11 Debtor, its estate, and its creditors, and should be approved.

12 DD. The consummation of the Sale Transaction is legal, valid, and properly authorized  
13 under all applicable provisions of the Bankruptcy Code, including, without limitation, Bankruptcy  
14 Code Sections 105, 363, and 365, and all of the applicable requirements of such sections have been  
15 complied with in respect of the Sale Transaction.

16 EE. The Sale does not constitute a *de facto* plan of reorganization or liquidation or an  
17 element of such a plan for the Debtor, as it does not and does not propose to: (i) impair or  
18 restructure existing debt of, or equity interests in, the Debtor; (ii) impair or circumvent voting  
19 rights with respect to any future plan proposed by the Debtor; (iii) circumvent chapter 11 plan  
20 safeguards, such as those set forth in Bankruptcy Code Sections 1125 and 1129; or (iv) classify  
21 claims or equity interests, compromise controversies, or extend debt maturities.

22 FF. The transfer of any personally identifiable information, as defined in Bankruptcy  
23 Code Section 101(41A), to Aaron's in the Sale is consistent with the Debtor's privacy policy in  
24 effect on the Petition Date. Accordingly, the appointment of a consumer privacy ombudsman in  
25 this case is unnecessary.

26  
27  
28



1 Code and any other applicable Law, and the Sale Transaction may not be avoided, or costs or  
2 damages imposed or awarded, under Section 363(n) or any other provision of the Bankruptcy  
3 Code.

4 8. All payments to be made to CB&T pursuant to the Purchase Agreement are  
5 approved and authorized. On the date of the closing of the transactions contemplated by the APA  
6 (the "Closing Date"), Aaron's shall pay the Purchase Price directly to CB&T and the Debtor shall  
7 pay, or cause to be paid, to CB&T \$300,000.00 from the Debtor's cash reserves so long as such  
8 \$300,000.00 payment does not render the Debtor administratively insolvent (the "Initial  
9 Payment"). If such payment would render the Debtor administratively insolvent, then the Debtor  
10 shall only be required to pay to CB&T on the Closing Date the amount up to \$300,000.00 that  
11 would leave sufficient funds remaining in the Debtor's estate to allow the Debtor to satisfy all  
12 estimated allowed administrative expenses, including ordinary course operating expenses pursuant  
13 to the revised cash collateral budget attached as Exhibit A hereto or such other cash collateral  
14 budget is as approved by the Bankruptcy Court. Thereafter, within one business day after the date  
15 that the Debtor satisfies all allowed administrative expense claims (the "Final Payment Date"), the  
16 Debtor shall pay all of its remaining cash (up to an amount that, including the Purchase Price and  
17 the Initial Payment, does not exceed the amount of the CB&T Claim) to CB&T (the "Residual  
18 Payment"). If the amount of the Initial Payment and the Residual Payment (together, the  
19 "Payments") do not equal at least \$400,000.00 in the aggregate, the Sultans shall personally pay  
20 to CB&T up to \$50,000.00 to cover any deficit between the amount of the Payments and  
21 \$400,000.00 (the "Deficit") within five business days of the payment of the Residual Payment to  
22 CB&T.

23 9. Pursuant to Bankruptcy Code Sections 105, 363, and 365, the Debtor is authorized  
24 and empowered to, and shall, take any and all actions necessary or appropriate to (a) consummate  
25 the Sale Transaction pursuant to and in accordance with the terms and conditions of the Purchase  
26 Agreement and the other Transaction Documents and otherwise comply with the terms of this  
27 Settlement and Sale Order, and (b) execute and deliver, perform under, consummate, implement,  
28 and take any and all other acts or actions as may be reasonably necessary or appropriate to the

1 performance of its obligations as contemplated by the Purchase Agreement and the other  
2 Transaction Documents, in each case, without further notice to or order of this Court. The Sale  
3 Transaction authorized herein shall be of full force and effect, regardless of the Debtor's lack or  
4 purported lack of good standing in the jurisdiction in which the Debtor was formed or authorized  
5 to transact business.

6 10. This Settlement and Sale Order shall be binding in all respects upon the Debtor, its  
7 estate, all creditors, including CB&T, all holders of equity interests in the Debtor, all holders of  
8 any claim(s) (whether known or unknown) against the Debtor, any holders of Interests against, in,  
9 or on all or any portion of the Purchased Assets, all non-Debtor parties to the Assumed Contracts,  
10 Aaron's, and all successors and assigns of the foregoing, including, without limitation, any trustee,  
11 if any, subsequently appointed in this Chapter 11 Case or upon a conversion to chapter 7 under the  
12 Bankruptcy Code of this Chapter 11 Case, in each case, in any and all circumstances, including,  
13 without limitation, after the Closing, the confirmation or consummation of a chapter 11 plan, the  
14 conversion of this Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code, or the  
15 dismissal of this Chapter 11 Case for any reason.

16 **Transfer of Purchased Assets Free and Clear of Interests; Injunction**

17 11. Pursuant to Bankruptcy Code Sections 105(a), 363(b), 363(f), 365(b), and 365(f),  
18 the Debtor is authorized and directed to transfer the Purchased Assets, including but not limited to  
19 the Assumed Contracts, to Aaron's on the Closing Date in accordance with the Purchase  
20 Agreement and the other Transaction Documents. Upon and as of the Closing Date, such transfer  
21 shall constitute a legal, valid, binding, and effective transfer of such Purchased Assets, and Aaron's  
22 shall take title to and possession of such Purchased Assets free and clear of all Interests (except as  
23 expressly set forth in the Purchase Agreement with respect to the Permitted Encumbrances and  
24 Assumed Liabilities).

25 12. All such Interests shall attach solely to the proceeds of the Sale with the same  
26 extent, validity, priority, force, and effect that they now have as against the Purchased Assets,  
27 subject to any claims and defenses the Debtor and its estate may possess with respect thereto. This  
28 Settlement and Sale Order shall be effective as a determination that, on and as of the Closing, all



1 Interests of any kind or nature whatsoever (except as expressly set forth in the Purchase Agreement  
2 with respect to the Permitted Encumbrances and Assumed Liabilities) have been unconditionally  
3 released, discharged, and terminated in, on, or against the Purchased Assets, with such Interests  
4 attaching to the proceeds of the Sale as set forth herein. The provisions of this Settlement and Sale  
5 Order authorizing and approving the transfer of the Purchased Assets free and clear of Interests  
6 shall be self-executing, and neither the Debtor nor Aaron's shall be required to execute or file  
7 releases, termination statements, assignments, consents, or other instruments in order to effectuate,  
8 consummate, and implement the provisions of this Settlement and Sale Order.

9 13. Except as expressly permitted by the Purchase Agreement or this Settlement and  
10 Sale Order, all Persons holding Interests (other than the Permitted Encumbrances and Assumed  
11 Liabilities) are hereby forever barred, estopped, and permanently enjoined from asserting their  
12 respective Interests against Aaron's or any of its Affiliates or Subsidiaries and each of their  
13 respective property and assets, including, without limitation, the Purchased Assets. On and after  
14 the Closing Date, Aaron's shall be authorized to execute and file such documents, and to take all  
15 other actions as may be necessary, on behalf of each holder of an Interest to release, discharge,  
16 and terminate such Interests in, on, and against the Purchased Assets as provided for herein, or to  
17 record or otherwise appropriately effectuate such release, discharge, and termination, as such  
18 Interests may have been recorded or may otherwise exist. On and after the Closing Date, and  
19 without limiting the foregoing, Aaron's shall be authorized to file termination statements or lien  
20 terminations in any required jurisdiction to remove any record, notice filing, or financing statement  
21 recorded to attach, perfect, or otherwise notice any Interest that is extinguished or otherwise  
22 released pursuant to this Settlement and Sale Order. This Settlement and Sale Order constitutes  
23 authorization under all applicable jurisdictions and versions of the Uniform Commercial Code  
24 ("UCC") and other applicable law for Aaron's to file UCC and other applicable termination  
25 statements with respect to all security interests in or liens on the Purchased Assets.

26 14. On and after the Closing, Persons holding an Interest (other than a Permitted  
27 Encumbrance or an Assumed Liability) shall execute such documents and take all other actions as  
28 may be reasonably necessary to release their respective Interests in the Purchased Assets, as such

1 Interests may have been recorded or otherwise filed. Aaron's may, but shall not be required to,  
2 file a copy of this Settlement and Sale Order in any filing or recording office in any federal, state,  
3 county, or other jurisdiction in which the Debtor is incorporated or has real or personal property,  
4 or with any other appropriate clerk or recorded with any other appropriate recorder, and such filing  
5 or recording shall be accepted and shall be sufficient to release, discharge, and terminate any of  
6 the Interests as set forth in this Settlement and Sale Order as of the Closing Date. All Persons that  
7 are in possession of any portion of the Purchased Assets on the Closing Date shall promptly  
8 surrender possession thereof to Aaron's at Closing.

9 15. The transfer of the Purchased Assets to Aaron's pursuant to the Purchase  
10 Agreement and the other Transaction Documents does not require any consents other than  
11 specifically provided for in the Purchase Agreement or the other Transaction Documents.

12 16. This Settlement and Sale Order is and shall be binding upon and govern the acts of  
13 all Persons (including, without limitation, all filing agents, filing officers, title agents, title  
14 companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative  
15 agencies, governmental departments, secretaries of state, and federal and local officials) who may  
16 be required by operation of Law, the duties of their office, or contract to accept, file, register, or  
17 otherwise record or release any documents or instruments, or who may be required to report or  
18 insure any title or state of title in or to any lease. Each of the foregoing Persons shall accept for  
19 filing any and all of the documents and instruments necessary and appropriate to release, discharge,  
20 and terminate any of the Interests or to otherwise consummate the Sale Transaction contemplated  
21 by this Settlement and Sale Order, the Purchase Agreement, and the other Transaction Documents.

22 **Assumed Contracts and Cure Payments**

23 17. Pursuant to Bankruptcy Code Sections 105(a), 363, and 365, and subject to and  
24 conditioned upon the Closing Date, the Debtor's assumption, assignment, and/or transfer to  
25 Aaron's of the Assumed Contracts are hereby authorized and approved in full, subject to the terms  
26 set forth below. Subject to the terms of the Purchase Agreement, the Debtor shall pay all Cure  
27 Amounts to, or reserve the amount of the Alleged Cure Claims (as defined in paragraph 18 below)  
28 for, the applicable Counterparties to the Assumed Contracts (a) on or prior to the Closing or (b)

1 the date agreed by the Debtor and the applicable Counterparty or otherwise ordered by the Court.  
2 Notwithstanding the foregoing, Aaron's may, in its sole discretion and upon prior written notice  
3 to the Debtor, (i) pay any Cure Amounts on behalf of the Debtor, in which case the Debtor shall  
4 have no further responsibility therefor, and (ii) offset such amount(s) against any amount(s)  
5 Aaron's may owe the Debtor; provided, however, that to the extent there is an objection concerning  
6 any Cure Amount, this Court shall retain jurisdiction over such dispute.

7 18. The Debtor is authorized and empowered to, and upon the Closing shall, assume,  
8 assign, and/or transfer each of the Assumed Contracts to Aaron's free and clear of all Interests  
9 (except as expressly set forth in the Purchase Agreement with respect to the Permitted  
10 Encumbrances and Assumed Liabilities). The payment of the applicable Cure Amounts (if any),  
11 or the reservation by the Debtor of an amount of cash that is equal to the lesser of (a) the amount  
12 of any cure or other compensation asserted by the applicable Counterparty as required under  
13 Bankruptcy Code Section 365 or (b) the amount approved by order of this Court to reserve for  
14 such payment (such lesser amount, the "Alleged Cure Claim") shall, pursuant to Bankruptcy Code  
15 Section 365 and other applicable Law, (x) effect the cure, or provide adequate assurance of the  
16 cure, of all defaults existing thereunder as of the Closing Date and (y) compensate, or provide  
17 adequate assurance of compensation, for any actual pecuniary loss to such non-Debtor party  
18 resulting from such default. Accordingly, on and as of the Closing, other than such payment or  
19 reservation the Debtor, the Sultans and Aaron's shall have no further liabilities or obligations to  
20 the Counterparties to the Assumed Contracts, or any guaranty by the Sultans thereof, with respect  
21 to, and the Counterparties to the Assumed Contracts shall be forever enjoined and barred from  
22 seeking, any additional amounts or claims (as defined in Bankruptcy Code Section 101(5)) that  
23 arose, accrued, or were incurred at any time on or prior to the Closing on account of the Debtor's  
24 cure or compensation obligations arising under Bankruptcy Code Section 365. Further, Aaron's  
25 has provided adequate assurance of future performance under the relevant Assumed Contracts  
26 within the meaning of Bankruptcy Code Section 365(f).

27 19. To the extent any provision in any Assumed Contract assumed or assumed and  
28 assigned (as applicable) pursuant to this Settlement and Sale Order (including, without limitation,

1 any “change of control” provision) (a) prohibits, restricts, or conditions, or purports to prohibit,  
2 restrict, or condition, such assumption or assignment, or (b) is modified, breached, or terminated,  
3 or deemed modified, breached, or terminated by any of the following: (i) the commencement of  
4 this Chapter 11 Case, (ii) the insolvency or financial condition of the Debtor at any time before the  
5 closing of this Chapter 11 Case, (iii) the Debtor’s assumption or assumption and assignment (as  
6 applicable) of such Assumed Contract, or (iv) the consummation of the Sale Transaction, then such  
7 provision shall be deemed modified so as to not entitle the non-Debtor party thereto to prohibit,  
8 restrict, or condition such assumption or assignment, to modify or terminate such Assumed  
9 Contract, or to exercise any other default-related rights or remedies with respect thereto, including,  
10 without limitation, any such provision that purports to allow the non-Debtor party thereto to  
11 recapture such Assumed Contracts, impose any penalty thereunder, condition any renewal or  
12 extension thereof, impose any rent acceleration or assignment fee, or increase or otherwise impose  
13 any other fees or other charges in connection therewith. All such provisions constitute  
14 unenforceable anti-assignment provisions that are void and of no force and effect pursuant to  
15 Bankruptcy Code Sections 365(b), 365(e), and 365(f).

16 20. All requirements and conditions under Bankruptcy Code Sections 363 and 365 for  
17 the assumption by the Debtor and assignment to Aaron’s of the Assumed Contracts have been  
18 satisfied. Upon the Closing, in accordance with Bankruptcy Code Sections 363 and 365, Aaron’s  
19 shall be fully and irrevocably vested with all right, title, and interest of the Debtor in and under the  
20 Assumed Contracts, and each Assumed Contract shall be fully enforceable by Aaron’s in  
21 accordance with its respective terms and conditions, except as limited or modified by the  
22 provisions of this Settlement and Sale Order. Upon and as of the Closing, Aaron’s shall be deemed  
23 to be substituted for the Debtor as a party to the applicable Assumed Contracts and, accordingly,  
24 the Debtor and the Sultans shall be relieved, pursuant to Bankruptcy Code Section 365(k), from  
25 any further liability under the Assumed Contracts.

26 21. The Assumed Contracts will remain in full force and effect, and upon the payment  
27 of the applicable Cure Amount or reservation of the Alleged Cure Claim, if any, by the Debtor no  
28 default shall exist, or be deemed to exist, under the Assumed Contracts as of the Closing Date nor

1 shall there exist, or be deemed to exist, any event or condition which, with the passage of time or  
2 giving of notice, or both, would constitute such a default.

3 22. Aaron's right to modify the list of Assumed Contracts after the date of this  
4 Settlement and Sale Order up to Closing is hereby approved. Notwithstanding anything in this  
5 Settlement and Sale Order to the contrary, on the date any such Contract is assumed, assigned,  
6 and/or transferred to Aaron's, such Contract shall thereafter be deemed a Purchased Asset for all  
7 purposes under this Settlement and Sale Order and the Purchase Agreement.

8 23. If Aaron's designates a Previously Omitted Contract as "Assumed" in accordance  
9 with this Settlement and Sale Order, (a) the Transaction Documents shall be amended to include  
10 (i) such Previously Omitted Contract as an Assumed Contract and (ii) all Cure Amounts and other  
11 Assumed Liabilities related to such Previously Omitted Contract and (b) the Debtor shall file and  
12 serve a supplemental Assumption and Assignment Notice (the "Supplemental Assumption and  
13 Assignment Notice") on the Counterparty to such Previously Omitted Contract notifying such  
14 Counterparty of the Debtor's intention to assign and Aaron's intention to assume such Previously  
15 Omitted Contract, including the proposed Cure Amount (if any). The Counterparty to such  
16 Previously Omitted Contract shall have fourteen (14) calendar days from the date of service of  
17 such Supplemental Assumption and Assignment Notice to file and serve on the Debtor and  
18 Aaron's an objection to the assumption and assignment of its Contract. If the Counterparty, the  
19 Debtor, and Aaron's are unable to reach a consensual resolution with respect to a timely served  
20 objection, the Debtor will seek an expedited hearing before this Court to seek approval of the  
21 assumption and assignment of such Previously Omitted Contract. If no objection is timely served  
22 on the Debtor and Aaron's, then such Previously Omitted Contract shall be deemed assumed by  
23 the Debtor and assigned to Aaron's, or transferred by the Debtor to Aaron's, as applicable, pursuant  
24 to this Settlement and Sale Order. The Debtor and Aaron's shall execute, acknowledge, and  
25 deliver such other instruments and take commercially reasonable efforts as are reasonably  
26 practicable for Aaron's to assume the rights and obligations under such Previously Omitted  
27 Contract, including with respect to payment of the applicable Cure Amount (if any) by the Debtor.

28 24. All the non-Debtor parties to the Assumed Contracts shall be deemed to have

1 consented to such assumption, assignment, and/or transfer under Bankruptcy Code Section  
2 365(c)(1)(B) or otherwise and Aaron's shall enjoy all of the Debtor's rights, benefits, and  
3 privileges under each such Assumed Contract as of the applicable date of such assumption,  
4 assignment, and/or transfer without the necessity to obtain any non-Debtor party's written consent  
5 to the assumption, assignment, and/or transfer thereof.

6 25. Nothing in this Settlement and Sale Order, the Motion, or in any notice or any other  
7 document is or shall be deemed an admission by the Debtor that any Assumed Contract is an  
8 executory contract or unexpired lease under Bankruptcy Code Section 365.

9 26. The failure of the Debtor or Aaron's to enforce at any time one or more terms or  
10 conditions of any Assumed Contract shall not be a waiver of such terms or conditions, or of its  
11 respective rights to enforce every term and condition of the Assumed Contracts.

12 **Additional Injunction; No Successor Liability**

13 27. Effective upon the Closing Date and except as expressly set forth in the Purchase  
14 Agreement with respect to the Permitted Encumbrances and Assumed Liabilities, all Persons are  
15 forever prohibited and permanently enjoined from (a) commencing or continuing in any manner  
16 any action or other proceeding, the employment of process, or any act (whether in law or equity,  
17 in any judicial, administrative, arbitral, or other proceeding), to collect, recover, or setoff (except  
18 for setoffs validly exercised prior to the Petition Date) any Interest, (b) enforcing, attaching,  
19 collecting, or recovering in any manner any judgment, award, decree, or order with respect to an  
20 Interest, (c) creating, perfecting, or enforcing any Interest, or (d) asserting any setoff (except for  
21 setoffs validly exercised prior to the Petition Date), or right of subrogation of any kind with respect  
22 to an Interest, in each case as against Aaron's, any of its Affiliates or Subsidiaries, any of their  
23 respective current and former officers, directors, managers, members, partners, managed funds,  
24 affiliates, agents, advisors, professionals, and representatives (collectively, the "Representatives"),  
25 or any of their respective property or assets, including the Purchased Assets.

26 28. The Sale Transaction contemplated by the Purchase Agreement and the other  
27 Transaction Documents does not cause there to be, and there is not (a) a consolidation, merger, or  
28 *de facto* merger of Aaron's, on the one hand, with or into the Debtor or the Debtor's estate, on the

1 other hand, or vice versa, (b) a substantial continuity between Aaron's, on the one hand, and the  
2 Debtor or the Debtor's estate, on the other hand, (c) a common identity between Aaron's, on the  
3 one hand, and the Debtor or the Debtor's estate, on the other hand, or (d) a mere continuation of  
4 the Debtor or its estate, on the one hand, by Aaron's, on the other hand.

5 29. Except as expressly set forth in the Purchase Agreement with respect to the  
6 Permitted Encumbrances and Assumed Liabilities, the transfer of the Purchased Assets, including,  
7 without limitation, the assumption, assignment, and/or transfer of any Assumed Contract, to  
8 Aaron's shall not cause or result in, or be deemed to cause or result in, Aaron's or any of its  
9 Representatives having any liability, obligation, or responsibility for, or any Purchased Assets  
10 being subject to or being recourse for, any Interest whatsoever, whether arising under any doctrines  
11 of successor liability (to the greatest extent permitted by applicable law), transferee or vicarious  
12 liability, breach of fiduciary duty, aiding or abetting breach of fiduciary duty, or otherwise,  
13 whether at law or in equity, directly or indirectly, and whether by payment, setoff (except for  
14 setoffs validly exercised prior to the Petition Date), or otherwise.

15 30. Notwithstanding the consummation of the Sale Transaction and the employment by  
16 Aaron's of certain Persons previously employed by the Debtor, (a) Aaron's shall not (i) have any  
17 obligations or liabilities to any employee of the Debtor or in respect of any employee benefits  
18 owing to any employee of the Debtor by the Debtor or by any plan or program administered by  
19 the Debtor or for the benefit of the Debtor's employees, or (ii) except for the obligations  
20 specifically assumed under the Transition Services Agreement, assume any of the Debtor's pre-  
21 Closing wage and hour, overtime, privacy violation, or other employment-related obligations or  
22 liabilities owed or arising under applicable Law, (b) any obligations of Aaron's to any such Person  
23 shall be expressly limited to (i) those obligations expressly agreed upon by Aaron's (if any) with  
24 such Person, and (ii) those obligations explicitly assumed by Aaron's (if any) under the Purchase  
25 Agreement and/or the Transition Services Agreement, and (c) Aaron's shall not be deemed a  
26 successor to the Debtor pursuant to any employment obligations owed by the Debtor to its  
27 employees.

28 **Good Faith**

1 31. The Sale Transaction, as contemplated by this Settlement and Sale Order, the  
2 Purchase Agreement, and the other Transaction Documents, is undertaken by Aaron’s without  
3 collusion and in good faith, as that term is used in Bankruptcy Code Section 363(m), and  
4 accordingly, the reversal or modification on appeal of the authorization provided herein to  
5 consummate the Sale Transaction approved by this Court shall not alter, affect, limit, or otherwise  
6 impair the validity of the Sale Transaction (including the assumption, assignment, and/or transfer  
7 of the Assumed Contracts), unless such authorization and such sale are duly stayed pending such  
8 appeal. Aaron’s is a good faith purchaser within the meaning of Bankruptcy Code Section 363(m)  
9 and, as such, is entitled to, and hereby granted, the full rights, benefits, privileges, and protections  
10 of Bankruptcy Code Section 363(m).

11 **Other Provisions**

12 32. Aaron’s is hereby authorized, in its discretion, in connection with consummation  
13 of the Sale Transaction, to allocate the Purchased Assets, Assumed Liabilities, and Assumed  
14 Contracts among any Purchaser Designees,<sup>3</sup> other designees, assignees, and/or successors in a  
15 manner as it, in its discretion, deems appropriate, and such Person shall be entitled to all of the  
16 rights, benefits, privileges, and protections of Aaron’s as are afforded to Aaron’s under this  
17 Settlement and Sale Order, and the Debtor shall, to the extent set forth in the Purchase Agreement  
18 and the other Transaction Documents, cooperate with and take all actions reasonably requested by  
19 Aaron’s to effectuate any of the foregoing. In the event that Aaron’s designates any Purchaser  
20 Designee to acquire any Purchased Assets, including, without limitation, any Assumed Contracts,  
21 then any reference to the “Purchaser” in this Settlement and Sale Order shall be deemed to be a  
22 reference to “Aaron’s and/or such applicable Purchaser Designee,” unless the context requires  
23 otherwise, provided that, as to Counterparties whose Contracts will be assigned to a Purchaser  
24 Designee (other than a newly formed direct or indirect parent or Subsidiary of Aaron’s), Aaron’s  
25 shall provide notice to the Debtor promptly following the time that such determination has been  
26 made, and the Debtor shall promptly provide notice to such Counterparties, and such  
27

28 <sup>3</sup> As used herein, a “Purchaser Designee” means one or more Person(s) who are Affiliates  
of Aaron’s designated by Aaron’s in writing to the Debtor prior to the Closing.



1 Counterparties shall have fourteen (14) calendar days after such notice to object to the assignment  
2 based solely on the basis of adequate assurance of future performance. Upon the transfer of any  
3 Purchased Asset or Assumed Contract to, or the assumption of any Assumed Liability by, a  
4 Purchaser Designee, such Purchaser Designee shall be solely responsible for such Purchased  
5 Asset, Assumed Liability, or Assumed Contract (including performance thereunder), as applicable.

6 33. The sale of the Purchased Assets to Aaron's is fair and reasonable under the  
7 circumstances, represents a good faith exercise of the Debtor's business judgment, was agreed to  
8 in good faith and at arm's-length by the Debtor and Aaron's, and is approved.

9 34. Nothing contained in any plan of reorganization or liquidation, or order of any type  
10 or kind entered in (a) this Chapter 11 Case (including any order dismissing the Chapter 11 Case),  
11 (b) any subsequent chapter 7 case into which the Chapter 11 Case may be converted, or (c) any  
12 related proceeding subsequent to entry of this Settlement and Sale Order, shall conflict with or  
13 derogate from the provisions of the Purchase Agreement or the terms of this Settlement and Sale  
14 Order. To the extent of any such conflict or derogation, the terms of this Settlement and Sale Order  
15 shall govern.

16 35. Pursuant to Bankruptcy Rules 6004(h), 6006(d), 7062, and 9014, this Settlement  
17 and Sale Order shall not be stayed after the entry hereof, but shall be effective and enforceable  
18 immediately upon entry, and the stays provided in Bankruptcy Rules 6004(h) and 6006(d) are  
19 hereby expressly waived and shall not apply. Accordingly, the Debtor is authorized and  
20 empowered to close the Sale Transaction immediately upon entry of this Settlement and Sale  
21 Order.

22 36. Nothing in this Settlement and Sale Order shall modify or waive any closing  
23 conditions or termination rights in the Purchase Agreement or the Settlement Agreement, and all  
24 such conditions and rights shall remain in full force and effect in accordance with their terms.

25 37. No bulk sales Law or any similar Law of any state or other jurisdiction applies in  
26 any way to the Sale Transaction.

27 38. All payment or reimbursement obligations of the Debtor owed to Aaron's pursuant  
28 to the Purchase Agreement, the other Transaction Documents, or the Settlement Agreement shall

1 be paid in the manner provided therein, without further notice to or order of this Court. All such  
2 obligations shall constitute allowed administrative claims against the Debtor, with first priority  
3 administrative expense status under Bankruptcy Code Sections 503(b) and 507(a)(2). Until  
4 satisfied in full in cash, all such obligations shall continue to have the protections provided in this  
5 Settlement and Sale Order, and shall not be discharged, modified, or otherwise affected by any  
6 chapter 11 plan for the Debtor.

7 39. The failure specifically to include any particular provision of the Purchase  
8 Agreement in this Settlement and Sale Order shall not diminish or impair the effectiveness of such  
9 provision, it being the intent of this Court that the Purchase Agreement be authorized and approved  
10 in its entirety.

11 40. The Purchase Agreement and the other Transaction Documents may be modified,  
12 amended, or supplemented in a writing signed by the parties thereto and in accordance with the  
13 terms thereof, without further notice to or order of this Court; provided, that any such modification,  
14 amendment, or supplement shall not have a material adverse effect on the Debtor's estate unless  
15 approved by order of this Court upon a motion on notice.

16 41. This Court retains jurisdiction, pursuant to its statutory powers under 28 U.S.C.  
17 § 157(b), to, among other things, (a) interpret, implement, and enforce the terms and provisions of  
18 this Settlement and Sale Order, the Settlement Agreement, the Purchase Agreement, the other  
19 Transaction Documents, any amendments thereto, and any waivers and consents given thereunder,  
20 (b) compel delivery of the Purchased Assets to Aaron's, (c) enforce the injunctions and limitations  
21 of liability set forth in this Settlement and Sale Order, and (d) enter any orders under Bankruptcy  
22 Code Sections 363 and 365 with respect to the Assumed Contracts.

23 42. All time periods set forth in this Settlement and Sale Order shall be calculated in  
24 accordance with Bankruptcy Rule 9006(a).

25 43. The automatic stay provisions of Bankruptcy Code Section 362 are vacated and  
26 modified to the extent necessary to implement the provisions of this Settlement and Sale Order  
27 and the terms and conditions of the Purchase Agreement and the other Transaction Documents.

28 44. To the extent that this Settlement and Sale Order is inconsistent with any prior order

1 or pleading, the Motion, the Settlement Agreement, the Purchase Agreement, or any Transaction  
2 Document, the terms of this Settlement and Sale Order shall govern. To the extent there are any  
3 inconsistencies between the terms of the Purchase Agreement or any Transaction Document, on  
4 the one hand, and any prior pleading (including the Motion), on the other hand, the terms of the  
5 Purchase Agreement or the applicable Transaction Documents shall govern, as applicable.

6  
7 Dated: \_\_\_\_\_  
Los Angeles, California

8 \_\_\_\_\_  
9 ERNEST M. ROBLES  
UNITED STATES BANKRUPTCY JUDGE

10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**Exhibit A**

Cash Collateral Budget

Week Beginning:	Forecast 7/8/2018	Forecast 7/15/2018	Forecast 7/22/2018	Forecast 7/29/2018	Forecast 8/5/2018	Forecast 8/12/2018	Forecast 8/19/2018	Forecast 8/26/2018	Forecast 9/2/2018	Forecast 9/9/2018
		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9
<b>Beginning Cash Balance</b>	\$ 527,969	\$ 527,969	\$ 671,666	\$ 711,202	\$ 811,519	\$ 498,214	\$ 668,465	\$ 717,717	\$ 755,968	\$ 491,564
<b>Cash Receipts</b>		336,400	290,000	442,000	530,000	455,000	505,000	410,000	585,000	430,000
Total Cash Receipts		336,400	290,000	442,000	530,000	455,000	505,000	410,000	585,000	430,000
<b>Cash Disbursements</b>										
Personnel Cost (1st and 3rd Week)		177,593			250,000		250,000		250,000	
Inventory Expense		-	215,146	215,146	143,431	143,431	143,431	143,431	143,431	143,431
Occupancy Costs					216,500				216,500	
Aarons Royalty Payment					29,000	26,000	27,000	23,000	35,100	25,800
Interest Expense CB&T					88,027				88,027	
Truck Expense		10,520	14,125	14,125	14,125	14,125	14,125	14,125	14,125	14,125
Taxes & Licenses			-	80,000	5,460		-	170,000	5,460	
Professional Expenses		3,600	2,500	2,500	15,806	2,500	2,500	2,500	15,806	2,500
Other operational cash expenses		990	18,693	18,693	38,800	18,693	18,693	18,693	38,800	18,693
Insurance expense			-	-	42,156	80,000	-	-	42,156	
<b>Restructuring expenses</b>										
Section 366 Deposit				11,219						
<b>Business closing expenses</b>										
US Trustee Fee										
Final Payroll										
Legal Fees										
Outstand/Unresolved AP										
Vacaiton Payout										
Payment to CB&T										
Total Disbursements	-	192,703	250,464	341,683	843,305	284,749	455,749	371,749	849,405	204,549
Net Weekly Cash	-	143,697	39,536	100,317	(313,305)	170,251	49,251	38,251	(264,405)	225,451
Beginning Cash		527,969	671,666	711,202	811,519	498,214	668,465	717,717	755,968	491,564
Cash Flow In (Out)		143,697	39,536	100,317	(313,305)	170,251	49,251	38,251	(264,405)	225,451
Ending Cash Balance	\$ 527,969	\$ 671,666	\$ 711,202	\$ 811,519	\$ 498,214	\$ 668,465	\$ 717,717	\$ 755,968	\$ 491,564	\$ 717,015

Week Beginning:	Forecast 9/16/2018	Forecast 9/23/2018	Forecast 9/30/2018	Forecast 10/7/2018	Forecast 10/14/2018	Forecast 10/21/2018	Forecast 10/28/2018	Forecast 11/4/2018
	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17
<b>Beginning Cash Balance</b>	\$ 717,015	\$ 767,667	\$ 964,918	\$ 525,480	\$ 745,471	\$ 786,723	\$ 983,974	\$ 697,130
<b>Cash Receipts</b>	510,000	400,000	565,000	430,000	500,000	400,000	450,000	585,000
<b>Total Cash Receipts</b>	510,000	400,000	565,000	430,000	500,000	400,000	450,000	585,000
<b>Cash Disbursements</b>								
Personnel Cost (1st and 3rd Week)	250,000		250,000		250,000			250,000
Inventory Expense	143,431	143,431	143,431	143,431	143,431	143,431	143,431	0
Occupancy Costs			216,500				216,500	
Aarons Royalty Payment	30,600	24,000	33,900	25,800	30,000	24,000	27,000	35,100
Interest Expense CB&T			88,027				88,027	
Truck Expense	14,125	14,125	14,125	14,125	14,125	14,125	14,125	14,125
Taxes & Licenses	-	-	146,000	5,460		-	151,000	
Professional Expenses	2,500	2,500	31,500	2,500	2,500	2,500	15,806	2,500
Other operational cash expenses	18,693	18,693	38,800	18,693	18,693	18,693	38,800	18,693
Insurance expense	-	-	42,156				42,156	
<b>Restructuring expenses</b>								
Section 366 Deposit								
<b>Business closing expenses</b>								
US Trustee Fee								30,000
Final Payroll								130,000
Legal Fees								
Outstand/Unresolved AP								
Vacaiton Payout								50,000
Payment to CB&T								300,000
<b>Total Disbursements</b>	459,349	202,749	1,004,439	210,008	458,749	202,749	736,845	830,418
<b>Net Weekly Cash</b>	50,651	197,251	(439,439)	219,992	41,251	197,251	(286,845)	(245,418)
Beginning Cash	717,015	767,667	964,918	525,480	745,471	786,723	983,974	697,130
Cash Flow In (Out)	50,651	197,251	(439,439)	219,992	41,251	197,251	(286,845)	(245,418)
<b>Ending Cash Balance</b>	\$ 767,667	\$ 964,918	\$ 525,480	\$ 745,471	\$ 786,723	\$ 983,974	\$ 697,130	\$ 451,712