IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	**Chapter 11**
BLITZ U.S.A., Inc., *et al.*,[1]	)	**Case No. 11-13603 (PJW)**
Debtors.	)	**(Jointly Administered)**
	)	**Objection Deadline: February 16, 2012 at 4:00 p.m. (EST)**
	)	**Hearing Date: February 23, 2012 at 9:30 a.m. (EST)**

MOTION OF DEBTORS AND DEBTORS IN POSSESSION FOR AN ORDER APPROVING (A) SALE RELATED INCENTIVE AND RETENTION PLAN FOR CERTAIN NON-INSIDER EMPLOYEES OF F3 BRANDS LLC AND (B) SALE RELATED INCENTIVE PLAN FOR CERTAIN MANAGEMENT EMPLOYEES OF F3 BRANDS LLC PURSUANT TO SECTIONS 105(a), 363 AND 503 OF THE BANKRUPTCY CODE

The above-captioned debtors and debtors in possession (collectively, the "Debtors") hereby move for the entry of an order, pursuant to sections 105(a), 363 and 503 of the title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"), approving (i) a sale related incentive and retention program (the "Incentive and Retention Plan") for nineteen (19) employees of F3 Brands LLC ("F3 Brands") that are not considered "insiders" under section 101(31) of the Bankruptcy Code; and (ii) a sale related incentive program (the "SRIP", and together with the Incentive and Retention Plan, the "F3 Employee Plans") for two (2) employees of F3 Brands that are presumed to be "insiders" under section 101(31) of the Bankruptcy Code (the "Motion"). A copy of the F3 Employee Plans are attached hereto as Exhibit A. In support of the Motion, the Debtors respectfully represent as follows:

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: LAM 2011 Holdings, LLC (8742); Blitz Acquisition Holdings, Inc. (8825); Blitz Acquisition, LLC (8979); Blitz RE Holdings, LLC (9071); Blitz U.S.A., Inc. (8104); and F3 Brands LLC (2604). The location of the Debtors' corporate headquarters and the Debtors' service address is: 404 26th Ave. NW Miami, OK 74354.

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JURISDICTION

1. The Court has jurisdiction over this Motion under 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of this proceeding and this Motion in this District is proper under 28 U.S.C. §§ 1408 and 1409.

GENERAL BACKGROUND

2. On November 9, 2011 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code, thereby commencing the above-captioned chapter 11 cases (the "Chapter 11 Cases"). The Debtors continue to operate their business and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Additional information regarding the Debtors' business and the background relating to events leading up to the Chapter 11 Cases can be found in the *Declaration of Rocky Flick, President and Chief Executive Officer of Blitz U.S.A., Inc. in Support of Debtors' Chapter 11 Petitions and First Day Motions* (the "First Day Declaration") which was filed on the Petition Date. As of the date hereof, no trustee or examiner has been appointed in the Chapter 11 Cases.

3. In 2009, in an effort to expand and diversify its product line, Blitz USA, Inc. "Blitz") acquired the rights to a line of organization and lawn and garden products under the brand name "2x4 Basics." In early 2011, Blitz began contemplating a spinoff of its non-gas can product lines, which included the 2x4 Basics products, as well as certain other automotive maintenance products produced by Blitz. In October 2011, Blitz formally spun off these additional product lines into F3 Brands, which is now a wholly-owned subsidiary of Blitz and one of the Debtors in these Chapter 11 Cases. In connection with the Debtors' efforts to reorganize around their core gas can business, and in accordance with the requirements under their Senior Secured, Super-Priority Debtor-in-Possession Credit Agreement, the Debtors have

decided to sell substantially all of the assets of F3 Brands pursuant to a sales process to be conducted under section 363 of the Bankruptcy Code.

THE F3 EMPLOYEE PLANS

4. In furtherance of their efforts to sell the assets of F3 Brands, the Debtors intend to file a motion with the Court which will seek to establish certain procedures (the "Sale Procedures") with respect to the sale of F3 Brands' assets (the "F3 Sale"). The Sale Procedures, as currently drafted, contemplate a timeline that would permit the Debtors to conduct an exhaustive auction process, obtain Court approval of the F3 Sale and consummate the transaction with the successful purchaser on or before April 1, 2012. The Debtors will only be able to maintain this timeline, while maximizing the value received for the assets of F3 Brands, through the extraordinary efforts of their employees. The employees of F3 Brands are undertaking this initiative in addition to performing their normal job functions to maintain the Debtors' business, which duties themselves are now more challenging with the commencement of the Chapter 11 Cases. In order to compensate the employees of F3 Brands for such efforts, and to ensure that the Debtors receive maximum value for the assets of F3 Brands, the Debtors are hereby proposing that the Court approve the F3 Employee Plans. The terms of the F3 Employee Plans are fully set forth on Exhibit A to the Motion and summarized below.[2]

A. The Incentive and Retention Plan

5. The Debtors have identified nineteen (19) employees (the "Plan Participants"), that are not considered "insiders" for purposes of section 101(31) of the Bankruptcy Code, that they believe are essential to ensure an effective sale of the assets of F3 Brands, including a transition of the business to the purchaser (the "Purchaser") following the closing of the F3 Sale

[2] The terms of the F3 Employee Plans attached hereto as Exhibit A shall control with respect to any inconsistencies between the F3 Employee Plans and the summaries contained herein.

and wind-down of any remaining entity. In an effort to incentivize and retain the Plan Participants through the F3 Sale, any transition period and the wind-down process, the Debtors have designed the Incentive and Retention Plan.

6. Under the proposed Incentive and Retention Plan, the Plan Participants shall be entitled to the payment of a bonus (a "Bonus Payment"), in addition to their existing wages or salary, provided that such Plan Participants remain employed by the Debtors through the later of (i) the date upon which the Debtors consummate a sale of substantially all of the assets and/or stock of F3 Brands (the "Sale Closing Date"); or (ii) such later date that the Board of Directors of F3 Brands (the "Board") determines is appropriate in the event that such Plan Participant's services are necessary to assist in the transition of the business to the Purchaser or the wind-down of the remaining entity (the "Transition Completion Date").

7. The Incentive and Retention Plan consists of a baseline Bonus Payment that is tailored to address the Debtors' retention concerns and may become payable regardless of the proceeds received in the Sale; provided that the Debtors' prepetition and/or postpetition lenders (collectively, the "Lenders") do not acquire the assets of F3 Brands through a credit bid of their secured claims. Additionally, to incentivize Plan Participants to maximize the value received in the F3 Sale, the Incentive and Retention Plan also provides for an increasing Bonus Payment as certain milestones are met based solely on the Net Sale Proceeds[3] realized in the F3 Sale. The

[3] "Net Sale Proceeds" are defined in the F3 Employee Plans to mean the gross proceeds (the "Gross Proceeds") received from the Purchaser of substantially all of the assets and/or stock of F3 Brands less any (i) sales expenses borne by the Debtors, including, but not limited to, the fees of any investment banker, marketing costs, diligence costs and any break-up fee or expense reimbursement that must be paid in connection with the F3 Sale; and (ii) estimated (in the sole discretion of the Board) future transition costs associated with the F3 Sale and wind-down costs relating to the estate of F3 Brands; provided, however, that in the event that the Lenders credit bid their claims as consideration in the F3 Sale, the Gross Proceeds shall be deemed to be zero and there shall be no payments made under the Incentive and Retention Plan nor under the SRIP; and provided, further, that in the event that substantially all of the assets and/or stock of F3 Brands is sold in connection with a sale transaction involving assets and/or stock of other Debtors in the Chapter 11 Cases (a "Global Sale"), the calculation of the Net Sale Proceeds received for the assets and/or stock of F3 Brands shall be subject to an allocation of the total proceeds received and

Bonus Payments to be made under the Incentive and Retention Plan shall be funded by distributions otherwise payable to the Lenders from the proceeds of the F3 Sale. The aggregate Bonus Payments (the "Aggregate Bonus Payments") to be made under the Incentive and Retention Plan will be $350,236, and will increase $75,000 for every $1 million increment of Net Sale Proceeds in excess of $14.5 million. The Aggregate Bonus Payments shall be allocated amongst the nineteen (19) Plan Participants in the percentage allocation indicated on Exhibit A to the F3 Employee Plans.[4]

8. Prior to receiving any payments under the Incentive and Retention Plan, each Plan Participant shall be required to execute a form of agreement acceptable to the Board releasing F3 Brands and the other Debtors and waiving any and call claims against their estates.

B. The SRIP

9. The Debtors have identified two (2) employees (the "SRIP Participants"), that are presumed to be "insiders" for purposes of section 101(31) of the Bankruptcy Code,[5] that they believe will be essential to an effective sale of the assets and/or stock of F3 Brands and critical to the Debtors' efforts to maximize the value received from the F3 Sale. Under the proposed SRIP, the SRIP Participants shall be entitled to the payment of an incentive bonus (the "SRIP Payments"), in addition to their existing wages or salary, in the event that the Net Sale Proceeds

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the costs and expenses incurred in connection with the Global Sale, which allocation must be approved by an order of the Court.

[4] The Plan Participants are identified by their job descriptions only on Exhibit A to the F3 Employee Plans. The Debtors have identified the Plan Participants in this manner in an effort to avoid public disclosure of the Plan Participants, but do intend to provide the Court, the Office of the United States Trustee, the Lenders and the Official Committee of Unsecured Creditors with a list identifying the Plan Participants by name.

[5] The Court in In re: Foothills Texas, Inc., et al., Case No. 09-10452 (CSS) ruled that "[a] person holding the title of an officer, including vice president, is presumptively what he or she appears to be - an officer and, thus, an insider. Nonetheless, this presumption can be rebutted by evidence sufficient to establish that the person does not participate in the management of the debtor." Consistent with this decision, the Debtors have presumed for purposes of this motion that each of the SRIP Participants are "insiders", but fully reserve the right to rebut this presumption if necessary.

recovered from the F3 Sale are equal to or greater than $14.5 million (the "Minimum Threshold"). In the event that the Net Sale Proceeds recovered from the F3 Sale are less than the Minimum Threshold, the SRIP Participants shall not receive any payments under the SRIP. In the event that the Net Sale Proceeds recovered from the F3 Sale exceed the Minimum Threshold, the Plan Participants shall be entitled to a greater SRIP Payment provided that certain additional milestones are met.

10. The SRIP Payments to be made under the SRIP shall be funded by distributions otherwise payable to the Lenders from the proceeds of the F3 Sale. Specifically, the aggregate SRIP Payments (the "Aggregate SRIP Payments") will be $116,745, provided that the Net Sale Proceeds are equal to or greater than $14.5 million, and will increase $25,000 for every $1 million increment of Net Sale Proceeds in excess of $14.5 million. The Aggregate SRIP Payments shall be allocated amongst the two (2) SRIP Participants as follows: (a) sixty (60) percent of the Aggregate SRIP Payments shall be allocated to Grant Kernan, the President and Chief Executive Officer of F3 Brands; and (b) forty (40) percent of the Aggregate SRIP Payments shall be allocated to James Calcagno, the Vice President of F3 Brands.

11. Prior to receiving any payments under the SRIP, each SRIP Participant shall be required to execute a form of agreement acceptable to the Board releasing F3 Brands and the other Debtors and waiving any and call claims against their estates.

RELIEF REQUESTED

12. By this Motion, the Debtors seek entry of an order, pursuant to sections 105(a), 363 and 503 of the Bankruptcy Code, (i) approving and authorizing the implementation of the Incentive and Retention Plan and the SRIP and (ii) granting such other and further relief as the Court deems necessary.

BASIS FOR RELIEF

13. Section 503(c) of the Bankruptcy Code is the result of an amendment to the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 that imposes certain restrictions on the compensation that a debtor can pay to its executives and other employees in bankruptcy. Section 503(c)(1) prohibits payments intended to induce "insiders" to remain with the debtor unless the individual has a "bona fide" offer from another entity at the same or greater rate and the individual's services are "essential" to the survival of the debtor's business. 11 U.S.C. § 503(c)(1). Section 503(c)(1) also limits the amount of retention payments that can be made to "insiders". See id. Likewise, section 503(c)(2) permits severance payments to "insiders" only if they are part of a program applicable to all employees and are less than ten times the mean of severance payments made to nonmanagement employees during that calendar year. 11 U.S.C. § 503(c)(2). These sections, however, are limited in their application to "insiders" and neither apply in the event that a plan is not primarily motivated to retain personnel or is not in the nature of a severance. See In re Global Home Products, LLC, 369 B.R. 778, 785 (Bankr. D. Del. 2007).

14. Section 503(c)(3) of the Bankruptcy Code limits the payment of obligations outside of the ordinary course of business that are not covered by sections 503(c)(1) or (2). Specifically, section 503(c)(3) provides as follows:

> [there shall neither be allowed, nor paid-] (3) other transfers or obligations that are outside the ordinary course of business and not justified by the facts and circumstances of the case, including transfers made to, or obligations incurred for the benefit of, officers, managers, or consultants hired after the date of the filing of the petition.

11 U.S.C. § 503(c)(3). The relevant inquiry under section 503(c)(3) is whether the proposed plan is "justified by the facts and circumstances" of the case. 11 U.S.C. § 503(c)(3).

15. Courts have generally used a form of the "business judgment" standard to determine whether incentive programs and the payments thereunder meet the section 503(c)(3) "facts and circumstances" standard. See, e.g., In re Dura Automotive Systems, Inc., Case No. 06-11202, Hr'g Tr. 40:17-41:2 (Bankr. D. Del. Apr. 25, 2007) (section 503(c)(3) "mean[s] something above the business judgment standard but maybe not much farther above it"); In re Werner Holding Co. (DE), Inc., Case No. 06-10578 (KJC) (Bankr. D. Del. July 20, 2006, Aug. 22, 2006, and Dec. 20, 2006) (ordering various relief requested in connection with debtors' incentive bonus plans pursuant to sections 363(b) and 503(c) of the Bankruptcy Code); In re Nobex Corporation, No. 05-20050 (CSS) (Bankr. D. Del. May 15, 2006 and Dec. 21, 2005) (an order approving the management incentive plan at issue was entered Jan. 20, 2006) (ruling that "[section] is the catch-all and the standard . . . for any transfers or obligations made outside the ordinary course of business . . . that are justified by the facts and circumstances of the case ... I find it quite frankly nothing more than a reiteration of the standard under 363 ... the business judgment of the debtor..."); In re Riverstone Networks, Inc., No. 06-10110 (CSS) (Bankr. D. Del. Mar. 28, 2006) (same); In re Pliant Corporation, No. 06-10001 (MFW) (Bankr. D. Del. Mar. 14, 2006) (same).

16. In applying section 503(c)(3), the Court in In re Dana Corp., 358 B.R. 567 (Bankr. S.D.N.Y. 2006), noted that the "test in section 503(c)(3) appears to be no more stringent a test than the one courts must apply in approving any administrative expense under section 503(b)(1)(A) . . . [a]ny expense must be an actual, necessary cost or expense of preserving the estate." Dana, 358 B.R. at 576. The Court then went on to consider the following factors in determining whether the debtor had satisfied the "sound business judgment" test: (i) whether a reasonable relationship existed between the proposed plan and the desired results; (ii) whether

the cost of the plan was reasonable in light of the overall facts of the case; (iii) whether the scope of the plan was fair and reasonable; (vi) whether the plan was consistent with industry standards; (v) whether the debtor had put forth sufficient due diligence efforts in formulating the plan; and (vi) whether the debtor received sufficient independent counsel in performing any due diligence and formulating the plan. See id. at 576-77.

A. The Incentive and Retention Plan Satisfies the Application Legal Standard and Should be Approved.

(i) The Incentive and Retention Plan Should Be Authorized Pursuant to Section 503(c)(3) as a Sound Exercise of the Debtors' Business Judgment.

17. As discussed above, sections 503(c)(1) and (c)(2) of the Bankruptcy Code are limited in their application to "insiders", as such term is defined in section 101(31) of the Bankruptcy Code. The relevant provision of section 101(31) states that:

> (31) The term "insider" includes --
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> * * *
>
> (i) director of the debtor;
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> (ii) officer of the debtor;
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> (iii) person in control of the debtor;
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> (iv) partnership in which the debtor is a general partner;
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> (v) general partner of the debtor; or
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> (vi) relative of a general partner, director, officer, or person in control of the debtor;

11 U.S.C. § 101(31)(B). The nineteen (19) Plan Participants covered by the Incentive and Retention Plan do not fall within any of the enumerated categories under section 101(31) of the Bankruptcy Code. All Plan Participants fall below the "vice president" level and do not constitute officers or directors of F3 Brands, nor are they persons in control of the company.

18. Given that all Plan Participants are considered non-insiders of F3 Brands, the relevant inquiry becomes whether the plan falls within the ordinary course of the Debtors' business or, on the other hand, triggers the standard imposed by section 503(c)(3) of the Bankruptcy Code. As F3 Brands did not have a prepetition incentive or retention plan, the proposed Incentive and Retention Plan is arguably outside of the ordinary course of Debtors' business and must therefore be scrutinized under section 503(c)(3) of the Bankruptcy Code. The Debtors submit that implementation of the Incentive and Retention Plan is supported by the facts and circumstances of these cases and constitutes a sound exercise of the Debtors' business judgment for the reasons set forth below.

19. As discussed, the Debtors are in the process of selling the assets of F3 Brands pursuant to a Court-supervised auction process that will likely conclude on or before April 1, 2012. At this stage, the Debtors do not know who is likely to be the successful bidder for the assets or what their intention will be with respect to the retention of current employees. Given the uncertainty surrounding their future employment, the employees of F3 Brands are likely to be pursuing alternative employment and, if given the opportunity, would be likely to leave in the absence of the Incentive and Retention Plan. Indeed, F3 Brands has already lost an employee in its IT department and any further attrition will likely jeopardize the Debtors' ability to operate the business as a going concern through the sale process.

20. The Debtors believe that the benefits provided under the Incentive and Retention Plan will create a meaningful level of stability, morale, and motivation in the workplace and allow the employees to focus on their work. If F3 Brands continues to experience employee attrition, the Debtors will be forced to fill positions with temporary employees at higher rates in order to operate its business. Without the knowledge and the background of the F3 Brands'

systems, temporary employees will hinder the company's operations during the pendency of these Chapter 11 Cases and risk potential disruptions to the sale process. Management should be focused on operating the business and assisting in the sale process in an effort to maximize the value received in the F3 Sale, rather than training new employees on the Debtors' basic systems.

21. In addition to its retention component, the Incentive and Retention Plan is designed to incentivize Plan Participants to maximize the Net Sale Proceeds realized in the F3 Sale. Indeed, the Aggregate Bonus Payments under the Incentive and Retention Plan will be a minimum of $350,236 (provided that the Lenders do not acquire the assets through a credit bid), but will increase $75,000 for every $1 million increment of Net Sale Proceeds in excess of $14.5 million. The Debtors believe that this structure will motivate Plan Participants to not only perform their typical job duties through the sale process, but to put forth the additional effort that will be necessary to achieve a greater level of Net Sale Proceeds for the estate.

22. The Incentive and Retention Plan was formulated after a significant amount of due diligence by the Debtors and with input from the Debtors' counsel and their financial advisor retained in these Chapter 11 Cases. The scope of the Incentive and Retention Plan is fair and reasonable, as it targets a limited number of employees who are essential to the ability of F3 Brands to operate as a going concern through the sale process and who may be inclined to search for other employment in light of an impending sale. Moreover, the Debtors submit that the overall cost of the plan is reasonable in light of the size of the Debtors' business.

(ii) The Payments Contemplated Under the Incentive and Retention Plan Constitute Actual and Necessary Costs of Preserving the Debtors' Estates.

23. The payments contemplated under the Incentive and Retention Plan constitute actual and necessary costs and expenses of the Debtors' estates. As discussed above, the proposed payments under the Incentive and Retention Plan are necessary to reduce the risks of

employee attrition and to mitigate employees' concerns over the status and stability of their employment. The Incentive and Retention Plan will improve employee morale and create a meaningful level of stability and motivation in the workplace.

B. The SRIP Satisfies the Applicable Legal Standard and Should be Approved.

(i) The SRIP Should Be Authorized Pursuant to Section 503(c)(3) as a Sound Exercise of the Debtors' Business Judgment.

24. The SRIP is based entirely on the Debtors realizing certain targeted levels of Net Sale Proceeds in connection with the F3 Sale and is not primarily motivated to retain the SRIP Participants and is not in the nature of a severance. Accordingly, sections 503(c)(1) and (2) of the Bankruptcy Code are not triggered by the SRIP. See Global Home Products, 369 B.R. at 785. The Debtors do not believe that the SRIP can be considered as "ordinary course", as F3 Brands did not have a management incentive plan in place prior to the Petition Date. Accordingly, the relevant inquiry for the Court is whether the SRIP satisfies the standard imposed by section 503(c)(3) of the Bankruptcy Code.

25. The Debtors submit that the SRIP satisfies the requirements of section 503(c)(3) of the Bankruptcy Code. As discussed above, Courts have applied the "sound business judgment" test to determine whether incentive programs and the payments thereunder meet the section 503(c)(3) "facts and circumstances" standard. The Board's approval of the SRIP satisfies the "sound business judgment" test as articulated by the Court in Dana, 38 B.R. at 576. The Debtors' overall goal with respect to the SRIP is to maximize the value received in connection with the F3 Sale. Accordingly, the SRIP is based entirely on the Debtors realizing certain levels of Net Sale Proceeds in connection with the F3 Sale. As set forth above, the Net Sale Proceeds must be equal to or greater than $14.5 million for any SRIP Payments to be made. Unlike the Incentive and Retention Plan, no payments will be made under the SRIP in the event that this

minimum threshold is not achieved regardless of the length of time that the SRIP Participants remain employed by F3 Brands. Assuming the Net Sale Proceeds are equal to or greater than $14.5 million, the Aggregate SRIP Payments will be $116,745, and will increase $25,000 for every $1 million increment of Net Sale Proceeds in excess of $14.5 million.

26. The SRIP is limited to two SRIP Participants: (i) Grant Kernan, the President and Chief Executive Officer of F3 Brands; and (ii) James Calcagno, the Vice President of F3 Brands. The Debtors believe that these two employees are most influential in the Debtors' ability to maximize the Net Sale Proceeds received in connection with the F3 Sale. Moreover, the Debtors submit that the cost and scope of the plan are reasonable in light of the overall facts of these Chapter 11 Cases and consistent with industry standards. Finally, the SRIP was created by the Debtors after a lengthy due diligence period and with significant input from the Debtors' counsel and financial advisor.

(ii) The Payments Contemplated Under the SRIP Constitute Actual and Necessary Costs of Preserving the Debtors' Estates.

27. The payments contemplated under the SRIP constitute actual and necessary costs and expenses of preserving the Debtors' estates. The SRIP is an incentive based plan intended to motivate participants to maximize the proceeds realized from the sale of the assets of F3 Brands. As discussed above, a reasonable relationship exists between the payments contemplated under the SRIP and the Debtors' targeted levels of Net Sale Proceeds to be recovered in connection with the F3 Sale. Accordingly, the payments contemplated thereunder constitute actual and necessary costs of the Debtors' estates under section 503(b) of the Bankruptcy Code.

NO PRIOR REQUEST

28. No previous request for the relief sought herein has been made to this or any other Court.

NOTICE

29. No trustee or examiner has been appointed in these Chapter 11 Cases. The Debtors have provided notice of this Motion to the following parties: (a) the Office of the United States Trustee for the District of Delaware; (b) counsel for the Official Committee of Unsecured Creditors; (c) the agent for the Debtors' prepetition secured lenders; (d) the agent for the Debtors' post-petition lenders; and (e) all other parties requesting notice in these Chapter 11 Cases pursuant to Bankruptcy Rule 2002. The Debtors submit that no other or further notice need be provided.

CONCLUSION

WHEREFORE, the Debtors respectfully request that this Court enter an order, substantially in the form attached hereto as Exhibit B, (i) approving and authorizing the implementation of the Incentive and Retention Plan and the SRIP and (ii) granting such other and further relief as the Court deems just and proper.

Dated: February 2, 2012
Wilmington, Delaware

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Counsel to the Debtors and Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	**Chapter 11**
BLITZ U.S.A., Inc., *et al.*,[1]	)	**Case No. 11-13603 (PJW)**
Debtors.	)	**(Jointly Administered)**
	)	**Objection Deadline: February 16, 2012 at 4:00 p.m. (EST)**
	)	**Hearing Date: February 23, 2012 at 9:30 a.m. (EST)**

NOTICE OF MOTION AND HEARING

PLEASE TAKE NOTICE that, on February 2, 2012, the above-captioned debtors and debtors in possession (collectively, the "Debtors") filed the **Motion of Debtors and Debtors in Possession for an Order Approving (A) Sale Related Incentive and Retention Plan for Certain Non-Insider Employees of F3 Brands LLC and (B) Sale Related Incentive Plan for Certain Management Employees of F3 Brands LLC Pursuant to Sections 105(a), 363 and 503 of the Bankruptcy Code** (the "Motion") with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801 (the "Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE that any responses or objections to the Motion must be filed in writing with the Bankruptcy Court, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801, and served upon and received by the proposed undersigned counsel for the Debtors on or before **February 16, 2012 at 4:00 p.m. (Eastern Standard Time).**

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: LAM 2011 Holdings, LLC (8742); Blitz Acquisition Holdings, Inc. (8825); Blitz Acquisition, LLC (8979); Blitz RE Holdings, LLC (9071); Blitz U.S.A., Inc. (8104); and F3 Brands LLC (2604). The location of the Debtors' corporate headquarters and the Debtors' service address is: 404 26th Ave. NW Miami, OK 74354.

PLEASE TAKE FURTHER NOTICE that if an objection is timely filed, served and received and such objection is not otherwise resolved, a hearing to consider such objection and the Motion will be held before The Honorable Peter J. Walsh at the Bankruptcy Court, 824 Market Street, 6th Floor, Courtroom 2, Wilmington, Delaware 19801 on **February 23, 2012 at 9:30 a.m. (Eastern Standard Time)**.

IF NO OBJECTIONS TO THE MOTION ARE TIMELY FILED, SERVED AND RECEIVED IN ACCORDANCE WITH THIS NOTICE, THE BANKRUPTCY COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: February 2, 2012
Wilmington, Delaware

Daniel J. DeFranceschi (No. 2732)
Michael J. Merchant (No. 3854)
Julie A. Finocchiaro (No. 5303)
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Counsel to the Debtors and Debtors in Possession

EXHIBIT A

F3 EMPLOYEE PLANS

SALE RELATED RETENTION AND INCENTIVE PLANS FOR EMPLOYEES OF DEBTOR F3 BRANDS LLC

On November 9, 2011, Blitz U.S.A., Inc. and certain of its affiliates (collectively, the "Debtors"), including F3 Brands LLC ("F3 Brands"), commenced cases (the "Chapter 11 Cases") under chapter 11 of the United States Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"), by filing petitions in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). In connection with the contemplated sale of substantially all of the assets and/or stock of F3 Brands (the "Sale"), F3 Brands and BOKF, NA d/b/a Bank of Oklahoma (the "Administrative Agent"), on behalf of and in its capacity as agent for the Debtors' prepetition and DIP lenders (collectively, the "Lenders"), have negotiated the terms of (i) a sale related incentive and retention program (the "Incentive and Retention Plan") for nineteen (19) employees of F3 Brands, as identified by their respective job descriptions on Exhibit A hereto, that are not considered "insiders" under section 101(31) of the Bankruptcy Code; and (ii) a sale related incentive program (the "SRIP") for two (2) employees of F3 Brands that are presumed to be "insiders" under section 101(31) of the Bankruptcy Code. The Lenders' claims in the Chapter 11 Cases are secured by, among other things, the assets of F3 Brands and they are supportive of the Incentive and Retention Plan and the SRIP.

THE INCENTIVE AND RETENTION PLAN

The Debtors have identified nineteen (19) employees (the "Plan Participants"), that are not considered "insiders" for purposes of section 101(31) of the Bankruptcy Code, that they believe are essential to ensure an effective sale of the assets and/or stock of F3 Brands, including a transition of the business to the purchaser (the "Purchaser") following the closing of the Sale and wind-down of any remaining entity. In an effort to incentivize and retain the Plan

Participants through the Sale, any transition period and the wind-down process, the Debtors have designed the Incentive and Retention Plan.

A. Criteria for Bonus Payments

Under the proposed Incentive and Retention Plan, the Plan Participants shall be entitled to the payment of a bonus (a "Bonus Payment"), in addition to their existing wages or salary, provided that such Plan Participants remain employed by the Debtors through the later of (i) the date upon which the Debtors consummate a sale of substantially all of the assets and/or stock of F3 Brands pursuant to a Sale approved by the Bankruptcy Court (the "Sale Closing Date"); or (ii) such later date that the Board of Directors of F3 Brands (the "Board") determines is appropriate in the event that such Plan Participant's services are necessary to assist in the transition of the business to the Purchaser or the wind-down of the remaining entity (the "Transition Completion Date"). As discussed below, the Incentive and Retention Plan consists of a baseline Bonus Payment that is tailored to address the Debtors' retention concerns and may become payable regardless of the proceeds received in the Sale. Additionally, to incentivize Plan Participants to maximize the value received in the Sale, the Incentive and Retention Plan also provides for an increasing Bonus Payment as certain milestones are met based solely on the Net Sale Proceeds (as defined herein) received in the Sale.

Plan Participants who elect to leave F3 Brands prior to the Sale Closing Date or their Transition Completion Date, if applicable, will not be entitled to any Bonus Payment under the Incentive and Retention Plan.

Plan Participants who are terminated for "cause" prior to the Sale Closing Date or their Transition Completion Date, if applicable, will not be entitled to any Bonus Payments under the Incentive and Retention Plan.

Plan Participants who are terminated without "cause" prior to the Sale Closing Date, but have otherwise completed their assignments relating to the closing of the Sale, any transition of the business to the Purchaser and the wind-down of the remaining entity, as determined in the sole discretion of the Board, shall be entitled to receive their full Bonus Payment.

"Cause" shall mean (a) an employee's conviction of any crime deemed by the Board to make the employee's continued employment untenable; (b) an employee's willful and intentional misconduct or negligence that has caused or could reasonably be expected to result in material injury to the business or reputation of F3 Brands or any other Debtors; (c) an employee's conviction of, or entering a plea of guilty or nolo contendere to, a crime constituting a felony and/or a crime of moral turpitude; (d) the breach by an employee of any written covenant or agreement with F3 Brands or any other Debtors; or (e) an employee's failure to comply with or breach of F3 Brands' or any other Debtors' written policies and/or "code of conduct" in effect from time to time.

B. Amount of Bonus Payments

The Bonus Payments to be made under the Incentive and Retention Plan shall be funded by distributions otherwise payable to the Lenders from the proceeds of the Sale and shall be calculated based on the Net Sale Proceeds received from the Sale. Specifically, the aggregate Bonus Payments (the "Aggregate Bonus Payments") will be $350,236, and will increase $75,000 for every $1 million increment of Net Sale Proceeds in excess of $14.5 million.

"Net Sale Proceeds" shall mean the gross proceeds (the "Gross Proceeds") received from the Purchaser of substantially all of the assets and/or stock of F3 Brands less any (i) sales expenses borne by the Debtors, including, but not limited to, the fees of any investment

banker, marketing costs, diligence costs and any break-up fee or expense reimbursement that must be paid in connection with the Sale; and (ii) estimated (in the sole discretion of the Board) future transition costs associated with the Sale and wind-down costs relating to the estate of F3 Brands; provided, however, that in the event that the Lenders credit bid their claims as consideration in the Sale, the Gross Proceeds shall be deemed to be zero and there shall be no payments made under the Incentive and Retention Plan nor under the SRIP; and provided, further, that in the event that substantially all of the assets and/or stock of F3 Brands is sold in connection with a sale transaction involving assets and/or stock of other Debtors in the Chapter 11 Cases (a "Global Sale"), the calculation of the Net Sale Proceeds received for the assets and/or stock of F3 Brands shall be subject to an allocation of the total proceeds received and the costs and expenses incurred in connection with the Global Sale, which allocation must be approved by an order (the "Allocation Order") of the Bankruptcy Court.

The Aggregate Bonus Payments shall be allocated amongst the nineteen (19) Plan Participants in the percentage allocation indicated on Exhibit A.[1] All Bonus Payments shall be paid in cash from the proceeds of the Sale that would otherwise be distributed to the Lenders within ten (10) days of the later of (i) the Sale Closing Date; (ii) if applicable, the Transition Completion Date; or (iii) in the event of a Global Sale, the entry of the Allocation Order; provided, however, that prior to receiving any payments under the Incentive and Retention Plan, each Plan Participant shall be required to execute a form of agreement acceptable to the Board releasing F3 Brands and the other Debtors and waiving any and call claims against their estates.

[1] The Plan Participants are identified by their job descriptions only on Exhibit A hereto. The Debtors have identified the Plan Participants in this manner in an effort to avoid public disclosure of the Plan Participants, but do intend to provide the Court, the Office of the United States Trustee, the Lenders and the Official Committee of Unsecured Creditors with a list identifying the Plan Participants by name.

THE SRIP PLAN

The Debtors have identified two (2) employees (the "SRIP Participants"), that are presumed to be "insiders" for purposes of section 101(31) of the Bankruptcy Code, that they believe will be essential to an effective sale of the assets and/or stock of F3 Brands and critical to the Debtors' efforts to maximize the value received from the Sale. The SRIP Participants will be called upon to take on additional responsibilities and to expend significantly more hours working than contemplated by the normal terms of their employment. To properly and fairly induce and reward the performance of the SRIP Participants, the Debtors have designed the SRIP.

A. Criteria for SRIP Payments

Under the proposed SRIP, the SRIP Participants shall be entitled to the payment of an incentive bonus (the "SRIP Payments"), in addition to their existing wages or salary, in the event that the Net Sale Proceeds recovered from any Sale of substantially all of the assets and/or stock of F3 Brands are equal to or greater than $14.5 million (the "Minimum Threshold"). In the event that the Net Sale Proceeds recovered from the Sale are less than the Minimum Threshold, the SRIP Participants shall not receive any payments under the SRIP. In the event that the Net Sale Proceeds recovered from the Sale exceed the Minimum Threshold, the Plan Participants shall be entitled to a greater SRIP Payment provided that certain additional milestones are met.

In the event that a SRIP Participant elects to leave F3 Brands prior to the Sale Closing Date, the Board, in consultation with the Official Committee of Unsecured Creditors, shall determine the percentage of any available SRIP Payment to be paid to the SRIP Participant based upon an examination of such employee's efforts in effectuating the Sale and in maximizing the value received for the assets and/or stock of F3 Brands.

SRIP Participants who are terminated for "cause" prior to the Sale Closing Date will not be entitled to any SRIP Payments under the SRIP.

SRIP Participants who are terminated without "cause" prior to the Sale Closing Date will be entitled to any SRIP Payments under the SRIP.

B. Amount of SRIP Payments

The SRIP Payments to be made under the SRIP shall be funded by distributions otherwise payable to the Lenders from the proceeds of the Sale and shall be calculated based on the Net Sale Proceeds received from the Sale. Specifically, the aggregate SRIP Payments (the "Aggregate SRIP Payments") will be $116,745, provided that the Net Sale Proceeds are equal to or greater than $14.5 million, and will increase $25,000 for every $1 million increment of Net Sale Proceeds in excess of $14.5 million.

The Aggregate SRIP Payments shall be allocated amongst the two (2) SRIP Participants as follows: (a) sixty (60) percent of the Aggregate SRIP Payments shall be allocated to Grant Kernan, the President and Chief Executive Officer of F3 Brands; and (b) forty (40) percent of the Aggregate SRIP Payments shall be allocated to James Calcagno, the Vice President of F3 Brands. All SRIP Payments shall be paid in cash from the proceeds of the Sale, that would otherwise be distributed to the Lenders, within ten (10) days of the later of (i) the Sale Closing Date; or (ii) in the event of a Global Sale, the entry of the Allocation Order; provided, however, that prior to receiving any payments under the SRIP, each SRIP Participant shall be required to execute a form of agreement acceptable to the Board releasing F3 Brands and the other Debtors and waiving any and call claims against their estates.

EXHIBIT A TO F3 EMPLOYEE PLANS

Job Description	Classification	Allocation
CONTROLLER	Senior Leader	11.333%
DIRECTOR OF RETAIL SALES	Key Manager	15.333%
DIRECTOR OF NEW BUSINESS	Key Manager	11.333%
MARKETING MANAGER	Key Manager	7.333%
RESEARCH & DEVELOPMENT MGR	Manager	7.333%
SALES MANAGER I	Manager	7.333%
PRODUCT ENGINEER	Manager	5.333%
IT MANAGER	Manager	8.000%
ENGINEERING, EHS & QUALITY MGR	Manager	2.333%
PROCUREMENT MANAGER	Manager	2.333%
DISTRIBUTION MANAGER	Manager	1.667%
HR & PRODUCTION MANAGER	Manager	2.333%
CONSUMER/CUSTOMER SERVICE REP	Support	1.667%
ACCOUNTS PAYABLE ADMINISTRATOR	Support	2.333%
ACCOUNTING SUPPORT	Support	2.333%
APPLICATION SUPPORT COORDINATO	Support	2.333%
CATEGORY ANALYST	Support	3.333%
SALES SUPPORT ANALYST II	Support	3.333%
SALES SUPPORT ANALYST I	Support	2.667%
		100.0%

EXHIBIT B

PROPOSED ORDER

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	**Chapter 11**
BLITZ U.S.A., Inc., *et al.*,[1]	)	**Case No. 11-13603 (PJW)**
Debtors.	)	**(Jointly Administered)**

ORDER APPROVING (A) SALE RELATED INCENTIVE AND RETENTION PLAN FOR CERTAIN NON-INSIDER EMPLOYEES OF F3 BRANDS LLC AND (B) SALE RELATED INCENTIVE PLAN FOR CERTAIN MANAGEMENT EMPLOYEES OF F3 BRANDS LLC PURSUANT TO SECTIONS 105(a), 363 AND 503 OF THE BANKRUPTCY CODE

Upon the motion (the "Motion") of the Debtors[2] for an order approving (i) a sale related incentive and retention program (the "Incentive and Retention Plan"), for nineteen (19) employees of F3 Brands LLC ("F3 Brands") that are not considered "insiders" under section 101(31) of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"); and (ii) a sale related incentive program (the "SRIP", and together with the Incentive and Retention Plan, the "F3 Employee Plans") for two (2) employees of F3 Brands that are presumed to be "insiders" under section 101(31) of the Bankruptcy Code; the Court having reviewed the Motion; the Court finding that (a) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b); (c) notice of the Motion is sufficient under the circumstances and no further notice is required; and the Court having determined that the legal and factual basis set forth in the Motion establish just

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: LAM 2011 Holdings, LLC (8742); Blitz Acquisition Holdings, Inc. (8825); Blitz Acquisition, LLC (8979); Blitz RE Holdings, LLC (9071); Blitz U.S.A., Inc. (8104); and F3 Brands LLC (2604). The location of the Debtors' corporate headquarters and the Debtors' service address is: 404 26th Ave. NW Miami, OK 74354.

[2] All capitalized terms not otherwise defined herein shall have the meanings ascribed in the Motion.

cause for the relief granted herein and the Court having determined that the relief sought in the Motion is in the best interests of the Debtors and their estates; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED.

2. The Incentive and Retention Plan and the SRIP, copies of which are attached hereto as Exhibit A, are hereby approved.

3. The Debtors are authorized and directed to make the payments authorized under the F3 Employee Plans in accordance with the terms of the F3 Employee Plans.

4. The Bonus Payments to be made under the Incentive and Retention Plan and the SRIP Payments to be made under the SRIP shall be funded by distributions otherwise payable to the Lenders from the proceeds of the F3 Sale.

5. This Court shall retain jurisdiction over all matters arising from or related to the interpretation and implementation of this Order.

Dated: _____, 2012
Wilmington, Delaware

THE HONORABLE PETER J. WALSH
UNITED STATES BANKRUPTCY JUDGE