

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re
Eastern Outfitters, LLC, *et al.*,¹
Debtors.

Chapter 11
Case No.: 17-10243 (LSS)
(Joint Administration Requested)

DECLARATION OF ALEXANDER STEVENSON
IN SUPPORT OF DIP MOTION

I, Alexander W. Stevenson, declare as follows:

1. I am a Managing Director with Lincoln Partners Advisors LLC (together with its affiliates, its wholly-owned subsidiaries, and independent contractors, "Lincoln"), the proposed investment banker to Eastern Outfitters, LLC ("Eastern Outfitters") and its affiliates, the debtors and debtors in possession (the "Debtors") in the above-captioned chapter 11 cases (the "Cases"). I am also the head of Lincoln's Special Situations Group. I am authorized to execute this declaration (this "Declaration") on behalf of Lincoln. I am an individual over the age of 18. Unless otherwise stated in this Declaration, I have personal knowledge of the facts set forth herein, and if called upon to testify, I would testify competently to all of the facts set forth herein.

2. This Declaration is being submitted in connection with the *Debtors' Motion for Entry of Interim and Final Orders Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, and 507 (I) Authorizing the Debtors to Obtain Secured Superpriority Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority*

¹ The Debtors and the last four digits of their respective federal taxpayer identification numbers, where applicable, are as follows: Eastern Outfitters, LLC (9164); Subortis Retail Financing, LLC (9065); Eastern Mountain Sports, LLC (9553); Subortis IP Holdings, LLC; Bob's Stores, LLC (4389); and Bob's/EMS Gift Card, LLC (9618). The Debtors' executive headquarters are located at 160 Corporate Court, Meriden, CT 06450.



Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay; (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief (the “DIP Motion”), filed on the date hereof. I have reviewed and am familiar with the DIP Motion and the relief sought therein.

3. In forming the views set forth herein, I have relied upon and/or considered, among other things, the following: (a) my experiences in chapter 11 cases, including with debtor in possession (“DIP”) financing facilities; (b) the DIP Motion; (c) the *Declaration of Mark T. Walsh in Support of First Day Motions* (the “First Day Declaration”); (d) certain of the Debtors’ financial statements and reports; (e) documents related to the proposed DIP financing; (f) Lincoln’s analyses regarding the proposed DIP financing and DIP financings in other chapter 11 cases; (g) discussions with the Debtors’ management concerning the Debtors’ business and finances; (h) discussions with, and proposals by, prospective sources of DIP financing, including with regard to the proposed DIP financing; and (i) discussions with certain other professionals at Lincoln and other advisors to the Debtors.

Professional Background and Qualifications

4. Lincoln is an internationally recognized investment banking firm engaged in, among other things, mergers, acquisitions, restructurings, leveraged buyouts, competitive biddings, private placements, and valuations for corporate and other purposes, with 18 offices throughout the world. Lincoln has a wealth of experience in providing investment banking services in restructurings and reorganizations and enjoys an excellent reputation for the services it has rendered in large and complex chapter 11 cases on behalf of debtors and creditors throughout the United States.

5. In addition to numerous out-of-court restructuring situations, Lincoln and its professionals have been actively involved in major chapter 11 cases and have been retained as financial advisor in many cases, including, among others, Hancock Fabrics (Debtor), Vestis Retail Group (Debtor), Constar International Holdings (Debtor), Northern Beef (Debtor), Loehmann's (Debtor), The Fuller Brush Company (Debtor), Fleetwood Enterprises (Committee), Landsource Corporation (Committee), Vicorp (Debtor), Winn-Dixie (Debtor), Spectrum Restaurant Group (Debtor), Nurserymen's Exchange (Debtor), Home Organizers (Debtor), Fuddruckers (Debtor), Fansteel (Debtor), Pillowtex (Debtor), and Summit Business Media (Debtor). Furthermore, Lincoln's retail investment banking practice and its professionals have advised on numerous transactions in the retail space including those on behalf of Burlington Coat Factory, DSW, Tuesday Morning, The Sports Authority, Wal-Mart and Shoe Sensation, among others. Lincoln advisors has extensive relationships in the debt capital markets, including commercial banks, non-bank finance companies, business development corporations, private debt funds, hedge funds, and opportunities funds, including those who from time to time provide third party DIP financing.

6. I have approximately 20 years of experience advising companies, creditors, and other stakeholders in a variety of distressed and special situations, involving the resolution of over \$16 billion of financial obligations. I have advised on distressed mergers and acquisitions, amendments, waivers, debt for equity conversions, plans of reorganization, and other financial restructuring transactions, and I have extensive experience executing transactions through the chapter 11 process. Prior to my employment with Lincoln, I led the restructuring and special situations practice of FocalPoint Partners, LLC, and prior to that I was a Managing Director of

Ernst & Young Corporate Finance where I was a senior member of their restructuring practice. I received a B.A. from Michigan State University, *cum laude*, in 1993.

Proposed DIP Financing

7. In September 2016, the Debtors engaged Lincoln to provide investment banking services in connection with the Debtors' exploration of a range of strategic alternatives. Such alternatives included, among others, the sale of all or a material business unit of the Company, equity investments in all or a portion of the business, the sale of a brand, a licensing transaction and potential liquidity enhancing mergers. I lead the Lincoln team in connection with its representation of the Debtors.

8. As described in more detail in the First Day Declaration, by the fall 2016, it became clear that, due to reduced levels of vendor support and the Debtors' constricted balance sheet, the Debtors required a solution to either inject new capital into the company or an outright sale of the company. In connection with their exploration of alternatives, the Debtors retained AP Services, LLC as turnaround advisors, and Spencer Ware was retained the Debtors' Chief Restructuring Officer, and Lincoln Partners Advisors LLC ("Lincoln") to serve as the Debtors' investment banker.

9. As also described in more detail in the First Day Declaration, after a robust marketing process Sportsdirect and the Debtors entered into a LOI that contemplated that Sportsdirect would purchase all of the rights and obligations of Vestis under the Prepetition Subordinate Credit Agreement and related documents for cash and other contingent consideration, provide bridge financing to the Debtors to avoid immediate liquidation of the Business, act as a "stalking horse" bidder for the assets of the Debtors, and provide debtor-in-possession financing (the "DIP Facility") to provide the Debtors with sufficient liquidity to

finance certain aspects of the chapter 11 process. As part of the LOI, Sportsdirect also agreed to refinance the obligations under the Prepetition Senior Credit Agreement in full by no later than March 15, 2017. The intention of the parties is to quickly enter into definitive transaction documents, at which time the Debtors would seek approval of the DIP Facility proposed by Sportsdirect, among other things.

10. In exploring their options, the Debtors recognized that the obligations owed to their prepetition secured creditors are secured by substantially all of the Debtors' assets (other than certain Excluded Property, which the Debtors do not believe have material value), such that either (a) the liens of the prepetition secured creditors would have to be primed to obtain postpetition financing, (b) the Debtors would have to find a postpetition lender willing to extend credit that would be junior to the liens of the prepetition secured creditors, or (c) a lender would have had to been willing to provide sufficient financing to satisfy at least the Debtors' prepetition indebtedness. As such, beginning on February 2, 2017, I and my team, working closely with the Debtors' management and other advisors, reached out to a number of other potential lenders known to potentially have an interest in the apparel, footwear, and sporting goods retail sectors to solicit interest in providing DIP financing to the Debtors on a *pari passu* basis with the Debtors' prepetition secured creditors, on a junior secured basis, or on an unsecured, administrative expense basis, or, alternatively, by taking out the existing prepetition secured creditors. Specifically, I and my team solicited interest from approximately 10 bank and non-bank lenders including the Debtors' existing prepetition first lien lender, PNC Bank, who, in Lincoln's experience, would consider proposing an alternative DIP to the proposed DIP financing given the circumstances of this case. Lincoln received several verbal indications from potential parties describing the general economic terms under which they would provide such a

facility. However, the verbal indications received from third parties were on terms less favorable to the Debtors than the proposed DIP Facility and remained subject to material due diligence requirements that would certainly have resulted in delay and incremental cost thereby subjecting the Debtors to additional business risk and putting in jeopardy the contemplated transactions.


11. Based on my experience and the discussions referenced above with other potential lenders, I do not believe that the Debtors could have obtained any viable DIP financing under the circumstances of the type and magnitude required on a more favorable economic basis than the economic terms of the DIP Facility taking into account the circumstances, financial condition and projections of the Debtors.

12. In my view, the proposed DIP Facility is a vital component in preserving the value of the Debtors' business and, as such, is in the best interests of the Debtors' estates and creditors.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed this 7th day of February 2017 at Los Angeles.

LINCOLN PARTNERS ADVISORS LLC

By: 
Name: Alexander Stevenson
Title: Managing Director