

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

In re:

SPORTS AUTHORITY HOLDINGS, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 16-10527 (MFW)

(Joint Administration Requested)

**DECLARATION OF JEREMY AGUILAR IN SUPPORT OF THE DEBTORS’
FIRST OMNIBUS MOTION FOR ORDER AUTHORIZING (A) REJECTION OF
CERTAIN UNEXPIRED LEASES AND SUBLEASES OF NON-RESIDENTIAL REAL
PROPERTY *NUNC PRO TUNC* TO THE PETITION DATE, AND
(B) ABANDONMENT OF ANY REMAINING PROPERTY LOCATED AT STORE
LOCATIONS COVERED BY SUCH LEASES AND SUBLEASES**

I, Jeremy Aguilar, hereby declare under penalty of perjury, pursuant to section 1746 of title 28 of the United States Code, as follows:

1. I am the Chief Financial Officer of Sports Authority Holdings, Inc. (“Sports Authority Holdings”) and each of its principal subsidiaries, all of which are affiliated debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “Debtors”). I have served as CFO of the Debtors since 2014. In this capacity, I am familiar with the Debtors’ day-to-day operations, business, and financial affairs.

2. To maximize value for their estates and creditors, the Debtors have requested certain relief in *Debtors’ First Omnibus Motion for Order, Pursuant to Sections 105(a), 365(a), and 554 of the Bankruptcy Code, and Bankruptcy Rule 6004, Authorizing (A) Rejection of Certain Unexpired Leases and Subleases of Non-Residential Real Property Nunc Pro Tunc to the Petition Date, and (B) Abandonment of Any Remaining Property Located at Store Locations*

¹ The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Sports Authority Holdings, Inc. (9008); Slap Shot Holdings, Corp. (8209); The Sports Authority, Inc. (2802); TSA Stores, Inc. (1120); TSA Gift Card, Inc. (1918); TSA Ponce, Inc. (4817); and TSA Caribe, Inc. (5664). The headquarters for the above-captioned Debtors is located at 1050 West Hampden Avenue, Englewood, Colorado 80110.



Covered by Such Leases and Subleases (the “Motion”). Pursuant to the Motion, the Debtors seek authorization to (a) reject certain unexpired leases and subleases of non-residential real property *nunc pro tunc* to the date hereof (the “Petition Date”), and (b) abandon any remaining property located at store locations covered by such leases and subleases.

3. I submit this declaration (the “Declaration”) in support of the Motion. Except as otherwise indicated herein, all facts set forth in this Declaration and the Motion are based upon my personal knowledge of the Debtors’ operations and finances, information learned from my review of relevant documents, information supplied to me by other members of the Debtors’ management team and the Debtors’ advisors, or my opinion based upon my knowledge and experience or information I have reviewed concerning the Debtors’ operations and financial condition. I am over eighteen (18) years of age and I am authorized to submit the Declaration on behalf of the Debtors. If called upon to testify, I could and would competently testify to the facts set forth in this Declaration and the Motion based upon my own personal knowledge, except as otherwise stated herein.

A. Leases at Vacant Store Locations

4. Prior to the Petition Date, the Debtors initiated various cost savings and efficiency initiatives, and in conjunction therewith, evaluated their portfolio of store locations to determine which of these are profitable and which are either underperforming or unprofitable. Based on this evaluation, the Debtors identified approximately eleven (11) store locations that are significantly underperforming and generated substantial losses for the Debtors. In an early effort to right-size their footprint, the Debtors vacated these stores (the “Vacant Stores”) to reduce their

expenses.² The Vacant Stores are currently subject to certain unexpired long-term leases set forth on Schedule 1A to the Proposed Order (the “Vacant Leases”).³

5. The Debtors have evaluated their options with respect to the Vacant Leases. Although the Debtors attempted to market the Vacant Leases with the assistance of a real estate advisor, their efforts have not resulted in any third-party offers for any of these leases. Given the above-market terms of the Vacant Leases, the Debtors have concluded, in consultation with their advisors, that the Vacant Leases are not marketable and it is therefore unlikely that the Debtors will be able to monetize them.

6. The Debtors remit approximately \$5.59 million in annual occupancy costs on account of all Vacant Leases, as described on Schedule 1A attached hereto. Under the circumstances, the Debtors have determined in their business judgment, and in consultation with their advisors, that it would be in their best interest to seek the Court’s approval to reject the Vacant Leases, effective as of the Petition Date, and thereby avoid incurring additional expenses for properties that are of little or no value to the Debtors.

7. Accordingly, on or before March 2, 2016, the Debtors provided written notice to each of the applicable landlords associated with the Vacant Stores (the “Vacant Store Landlords”) (a) notifying them of the Debtors’ intent to unequivocally surrender their interest in and possession of the Vacant Stores and to reject the Vacant Leases, effective as of the Petition Date, and (b) enclosing with such notices the keys to the respective Vacant Stores.

² Schedule 1A includes a certain lease that the Debtors terminated prior to the Petition Date pursuant to the terms of such lease. Because the landlord has challenged the effectiveness of the Debtors’ termination of such lease, the Debtors seek to reject this lease pursuant to this Motion out of an abundance of caution.

³ Schedule 1A also includes a certain store location, and its associated lease, where the Debtors have not yet received possession of the subject premises because, pursuant to the terms of such lease, delivery is not scheduled to occur until April 2016. The Debtors seek to reject this lease, and given that they do not have possession thereof, the Debtors respectfully submit that no delivery on the part of the Debtors except notice, in accordance with this Motion and an order granting the relief requested therein, is required to effect rejection of such lease.

B. Leases and Subleases at Unprofitable Stores

8. The Debtors' evaluation also revealed certain store locations that consistently generate losses for the Debtors. Specifically, the Debtors identified approximately seven (7) locations (the "Unprofitable Stores" and collectively with the Vacant Stores, the "Rejected Stores") that are subject to certain above-market leases (the "Overleases") with the Debtors' respective landlords (the "Overlandlords" and collectively with the Vacant Store Landlords, the "Landlords") but which the Debtors sublease to certain sublessees (the "Sublessees") pursuant to certain subleases (the "Subleases" and collectively with the Overleases, the "Unprofitable Leases" and collectively with the Vacant Leases, the "Rejected Leases"). The Debtors have concluded that the costs of renting and maintaining the Unprofitable Stores exceed the revenues that such locations generated for the Debtors. The Overleases and the Subleases are set forth on Schedule 1B and Schedule 1C, respectively, attached hereto.

9. The Debtors remit approximately \$3.97 million in annual occupancy costs on account of all Overleases, as described on Schedule 1B, and garner approximately \$2.40 million in annual income on account of all Subleases, as described on Schedule 1C. Because the Debtors do not operate their own retail stores at any of the Unprofitable Stores, there is no possibility for them to improve their revenue streams and stop losing money on account thereof.

10. Given the above-market terms of the Overleases and the overall losses the Debtors have been consistently incurring on account of the Unprofitable Stores, the Debtors have concluded, in consultation with their advisors, that neither the Overleases nor the Subleases are marketable and therefore unlikely to generate any value for the Debtors. Therefore, under the circumstances, the Debtors have determined, in their business judgment, and in consultation with their advisors, that it would be in their best interest to seek the Court's approval to reject the Unprofitable Leases, effective as of the Petition Date. Such rejection would allow the Debtors to

avoid the accrual of unnecessary administrative expenses, with no foreseeable benefits for the Debtors and their estates.

11. Accordingly, on or before March 2, 2016, the Debtors provided written notices to each of the Overlandlords and Sublessees. The Debtors notified the Overlandlords of their intent to unequivocally surrender their interest in and possession of the respective Unprofitable Stores and to reject the respective Overleases, effective as of the Petition Date. Similarly, the Debtors notified the Sublessees of the Debtors' intent to unequivocally surrender their interest in and possession of the respective Unprofitable Stores to the Overlandlords and to reject the Subleases as a result thereof, effective as of the Petition Date. In each of the notices to the Overlandlords and the Sublessees, the Debtors indicated that the respective Sublessee should either (a) surrender possession of and deliver the keys to the respective Unprofitable Store to the applicable Overlandlord on the Petition Date, or (b) retain possession of such Unprofitable Store pursuant to terms that are mutually agreed upon by and among such Overlandlord and such Sublessee, but not in any event pursuant to the Sublease.

C. Remaining Property at Stores Subject to the Rejected Leases

12. The Debtors will retain and/or liquidate all removable personal property, which the Debtors are permitted to remove and retain in accordance with the Vacant Leases and the Overleases located at the Rejected Stores. However, the Debtors may determine, in their business judgment, that certain remaining personal property, including, but not limited to, any furniture, fixtures, and equipment (collectively, the "Remaining Property") will be difficult or expensive to remove and/or expensive to store, such that the economic benefits of removing and/or storing some or all of the Remaining Property will be exceeded by the attendant costs thereof.

13. Accordingly, for the reasons set forth in this Declaration and in the Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Motion is in the best interest of the Debtors' estates, their creditors, and all other parties in interest, and will allow the Debtors to avoid unnecessary administrative expense.

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

Dated: March 2, 2016

/s/ Jeremy Aguilar

Jeremy Aguilar