

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re:

SPORTS AUTHORITY HOLDINGS, INC., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 16-10527 (MFW)

(Jointly Administered)

Ref. Docket Nos. 12 & 135

**CERTIFICATION OF COUNSEL REGARDING DEBTORS' MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS (A) AUTHORIZING THE DEBTORS TO PAY, IN THE ORDINARY COURSE OF BUSINESS, CLAIMS FOR GOODS ORDERED PREPETITION AND DELIVERED POSTPETITION; (B) AUTHORIZING THE DEBTORS TO PAY CERTAIN PREPETITION CLAIMS OF SHIPPERS, LIEN CLAIMANTS, AND IMPORT CLAIMANTS; AND (C) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS**

On March 2, 2016 (the "Petition Date"), Sports Authority Holdings, Inc. and its affiliated debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors") filed the *Debtors' Motion for Entry of Interim and Final Orders (A) Authorizing the Debtors to Pay, in the Ordinary Course of Business, Claims for Goods Ordered Prepetition and Delivered Postpetition; (B) Authorizing the Debtors to Pay Certain Prepetition Claims of Shippers, Lien Claimants, and Import Claimants; and (C) Authorizing Financial Institutions to Honor and Process Related Checks and Transfers* [Docket No. 12] (the "Motion").<sup>2</sup> Attached as Exhibit B to the Motion was a proposed form of order approving the relief requested in the Motion on a final basis.

<sup>1</sup> 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.

<sup>2</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Motion.



On March 3, 2016, the Court held a hearing (the “Hearing”) to, among other things, consider the interim relief requested in the Motion. At the conclusion of the Hearing, the Court entered an order approving the interim relief sought by the Debtors. See Docket No. 135 (the “Interim Order”).

Objections to the Motion on a final basis were due to be filed and served on or before March 22, 2016 at 4:00 p.m. (ET) (the “Objection Deadline”).<sup>3</sup> No objections or responses to the Motion were received prior to the Objection Deadline.

Pursuant to the Interim Order, a cap of \$6,250,000 was established as the maximum aggregate amount to be paid on account of Distribution Charges (the “Distribution Charges Cap”). A sub-cap of \$2,200,000 was established for Distribution Charges that could be paid to Shippers on account of Shipping Charges (the “Shippers Cap”). The proposed final order annexed to the Motion likewise included both the aggregate \$6,250,000 Distribution Charges Cap and the \$2,200,000 Shippers Cap. However, the proposed final order annexed to the Motion also allocated \$2,000,000 of the Distribution Charges Cap to be paid to satisfy Shipper Indemnification Claims.

The Debtors recently learned that payment of the Shipping Charges will exceed the Shippers Cap, and have also determined that they do not need to satisfy any Shipper Indemnification Claims. Accordingly, without revising the Distribution Charges Cap that was described in the Motion, the Debtors propose increasing the Shippers Cap by \$2,000,000 to \$4,200,000 (the “Increased Shippers Cap”), and eliminating the authority they previously sought to pay up to \$2,000,000 in Shipper Indemnification Claims.

The Debtors have discussed the Increased Shippers Cap with the Office of the United States Trustee for the District of Delaware, the Official Committee of Unsecured Creditors, and

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<sup>3</sup> The Objection Deadline was extended by the Debtors until March 24, 2016 at 4:00 p.m. (ET) for the Official Committee of Unsecured Creditors (the “Committee”).

their secured lenders, and have been advised that such parties do not object to the Increased Shippers Cap on the terms described herein.

A revised form of proposed final order reflecting the Increased Shippers Cap is attached hereto as Exhibit A (the "Proposed Final Order"). For the convenience of the Court and all interested parties, a blackline comparing the Proposed Final Order against the form of final order attached to the Motion is attached hereto as Exhibit B.

WHEREFORE, as the Debtors did not receive any objections or responses to the Motion prior to the Objection Deadline, and the Debtors have made revisions that merely re-allocate the authorized use of funds among the various types of Distribution Charges, but do not seek to increase the aggregate Distribution Charges that may be paid pursuant to the Proposed Final Order, the Debtors respectfully request that the Court enter the Proposed Final Order without further notice or hearing at the Court's earliest convenience.

Dated: March 29, 2016  
Wilmington, Delaware

/s/ Andrew L. Magaziner  
Michael R. Nestor (No. 3526)  
Kenneth J. Enos (No. 4544)  
Andrew L. Magaziner (No. 5426)  
YOUNG CONAWAY STARGATT & TAYLOR, LLP  
Rodney Square  
1000 North King Street  
Wilmington, Delaware 19801  
Telephone: (302) 571-6600  
Facsimile: (302) 571-1253  
mnestor@ycst.com  
kenos@ycst.com  
amagaziner@ycst.com

-and-

Robert A. Klyman (CA No. 142723)  
Matthew J. Williams (NY No. 3019106)  
Jeremy L. Graves (CO No. 45522)  
Sabina Jacobs (CA No. 274829)  
GIBSON, DUNN & CRUTCHER LLP  
333 South Grand Avenue  
Los Angeles, CA 90071-1512  
Telephone: (213) 229-7000  
Facsimile: (213) 229-7520  
rklyman@gibsondunn.com  
mjwilliams@gibsondunn.com  
jgraves@gibsondunn.com  
sjacobs@gibsondunn.com

*Counsel to the Debtors and  
Debtors in Possession*

**EXHIBIT A**

**PROPOSED FINAL ORDER**

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

In re:

SPORTS AUTHORITY HOLDINGS, INC., *et al.*,<sup>1</sup>

Debtors.

Chapter 11

Case No. 16-10527 (MFW)

(Jointly Administered)

Ref. Docket Nos. 12 & 135

**FINAL ORDER (A) AUTHORIZING THE DEBTORS TO PAY, IN THE ORDINARY COURSE OF BUSINESS, CLAIMS FOR GOODS ORDERED PREPETITION AND DELIVERED POSTPETITION; (B) AUTHORIZING THE DEBTORS TO PAY CERTAIN PREPETITION CLAIMS OF SHIPPERS, LIEN CLAIMANTS, AND IMPORT CLAIMANTS; AND (C) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS**

Upon the Debtors' *Motion for Entry of Interim and Final Orders (A) Authorizing the Debtors to Pay, in the Ordinary Course of Business, Claims for Goods Ordered Prepetition and Delivered Postpetition; (B) Authorizing the Debtors to Pay Certain Prepetition Claims of Shippers, Lien Claimants, and Import Claimants; and (C) Authorizing Financial Institutions to Honor and Process Related Checks and Transfers* (the "Motion")<sup>2</sup> filed by the above-captioned debtors and debtors-in-possession (collectively, the "Debtors"); and the Court having found that it has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334(b), and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012; and the Court having found that venue of these cases and the Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court having found that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and the Court having

<sup>1</sup> 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.

<sup>2</sup> All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Motion.

found that due and sufficient notice of the Motion has been given under the particular circumstances and that no other or further notice of the Motion need be given; and the Court having determined that it may enter a final order consistent with Article III of the United States Constitution; and upon consideration of the First Day Declaration; and the Court having entered that certain *Interim Order (A) Authorizing the Debtors to Pay, in the Ordinary Course of Business, Claims for Goods Ordered Prepetition and Delivered Postpetition; (B) Authorizing the Debtors to Pay Certain Prepetition Claims of Shippers, Lien Claimants, and Import Claimants; and (C) Authorizing Financial Institutions to Honor and Process Related Checks and Transfers* [Docket No. 135] (the “Interim Order”); and a hearing or hearings having been held to consider the relief requested in the Motion; and upon the record of the hearing and all of the proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

**IT IS HEREBY ORDERED THAT:**

1. The Motion is GRANTED as set forth herein on a final basis.
2. All undisputed obligations relating to the Outstanding Orders are granted administrative expense priority status pursuant to section 503(b)(1)(A) of the Bankruptcy Code.
3. The Debtors are authorized, but not directed, to pay all undisputed amounts relating to Outstanding Orders in the ordinary course of business consistent with the parties’ customary practices in effect prior to the Petition Date.
4. Subject to paragraph 6 hereof, the Debtors are authorized, but not directed, in their sole discretion and business judgment, to pay the prepetition amounts owed on account of

Distribution Charges in an aggregate amount not to exceed \$6,250,000, without prejudice to their ability to seek additional relief on an emergency basis, with (i) the aggregate amount paid on account of Shipping Charges not to exceed \$4,200,000; (ii) the aggregate amount paid on account of Lien Claims not to exceed \$1,287,000; and (iii) the aggregate amount paid on account of Import Charges not to exceed \$760,000; *provided, however*, that any such payment shall not be deemed (a) an admission by the Debtors of the extent, validity, perfection, or possible avoidance of any related liens, claims or payments, or (b) a waiver of the Debtors' rights regarding the extent, validity, perfection, or avoidance of any related liens, claims, or payments. The Debtors' right to challenge the extent, validity, perfection, or avoidance of such liens, claims, or payments is hereby expressly reserved.

5. The Debtors are authorized, in their sole discretion, to pay the Possessory Claimants on the following terms and conditions:

(a) The Debtors, in their sole discretion, shall determine which parties, if any, are entitled to payment under this Order;

(b) If a Possessory Claimant accepts payment under this Order, such party is deemed to have agreed to (i) release any liens it may have on the Debtors' goods or property; *provided, however*, that should such party fail promptly to release such lien and/or interest upon payment by the Debtors, any such lien and/or interest shall be deemed released and expunged, without necessity of further action, and this Order, together with proof of payment, shall be all that is required to evidence such release and expungement, and (ii) subject to subparagraph (d) below, continue to provide goods or services to the Debtors on Customary Trade Terms during the pendency of the Chapter 11 Cases. "Customary Trade Terms" means (i) the most favorable trade terms and conditions, including credit terms, in effect between the Possessory Claimant and the Debtors during the one-year period preceding the Petition Date<sup>3</sup> or (ii) such other trade terms as the Debtors and the Possessory Claimant may mutually agree upon;

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<sup>3</sup> In the event the relationship between the party accepting payment under the Order and the Debtors does not extend to one year preceding the Petition Date, the Customary Trade Terms shall mean the terms that the party generally extends to its customers or such terms as are acceptable to the Debtors in the reasonable exercise of their business judgment.



(c) Subject to subparagraph (d) below, if a Possessory Claimant accepts payment under this Order and thereafter does not continue to provide goods or services to the Debtors on the Customary Trade Terms during the pendency of these Chapter 11 Cases, then any payment such Possessory Claimant receives may be deemed a voidable postpetition transfer pursuant to section 549(a) of the Bankruptcy Code and the Debtors may take any and all appropriate steps to cause the Possessory Claimant to repay any payments it received to the extent that the aggregate amount of such payments exceeds the postpetition obligations then outstanding;

(d) In the event of the assertion of a possessory lien against the Debtors' property that prevents the Debtors from accessing their property without payment of the prepetition claim giving rise to the lien, the Debtors may, in their absolute discretion, determine to pay the claim without regard to subparagraphs (b)(ii) and (c) above;

(e) Prior to making a payment to a party under this Order, the Debtors may, in their absolute discretion, settle all or part of the prepetition claims of such party for less than their face amount, without further notice or hearing; in any event, the Debtors may elect to only pay part of a prepetition claim under the authorization requested, leaving the remainder of the claim to be addressed pursuant to the provisions of the Bankruptcy Code; and

(f) If the Debtors seek to recover payments under subparagraph (c) above, nothing shall preclude a party from contesting such treatment by making a written request (a "Request") to the Debtors to schedule a hearing before this Court. If such a Request is made, the hearing on the Request will be the next scheduled hearing date not less than thirty (30) days after the Debtors received the Request, of which hearing the Debtors will provide notice to the requesting party and other interested parties in accordance with the Bankruptcy Code and the orders of this Court.

6. Each of the Banks is authorized to honor checks presented for payment and all fund transfer requests made by the Debtors, to the extent that sufficient funds are on deposit in the applicable accounts, in accordance with this Order and any other order of this Court.

7. The Debtors are authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests in respect of payments made in accordance with this Order that are dishonored or rejected.

8. The amounts that the Debtors pay pursuant to this Order shall be subject to any limitations imposed by any Order authorizing the Debtors' postpetition financing and/or use of cash collateral.

9. The Debtors shall provide periodic reports of the amounts paid pursuant to this Order to Wilmington Savings Fund Society, FSB (the "Term Loan Agent") as Administrative Agent and Collateral Agent under the Amended and Restated Credit Agreement, dated as of May 3, 2006 and amended and restated as of November 16, 2010.

10. Nothing herein shall change the nature or priority of the underlying claims.

11. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained herein shall create, nor is intended to create, any rights in favor of, or enhance the status of any claim held by, any person or entity.

12. The Debtors' satisfaction of any liens pursuant to this order shall not be deemed to be an admission that such liens are valid liens and the Debtors retain the right to contest the extent, validity, or perfection of such liens or to seek the avoidance of such liens.

13. Nothing contained in this Order shall be deemed to constitute an assumption or adoption of any executory contract or prepetition or postpetition agreement between the Debtors and the holder of an Outstanding Order, Possessory Claim, or claim relating to a Distribution Charge, or require the Debtors to make any of the payments authorized herein.

14. The authorization granted hereby to pay the Outstanding Orders and Distribution Charges shall not create any obligation on the part of the Debtors or their officers, directors, attorneys, or agents to pay the Outstanding Orders or Distribution Charges, and none of the foregoing persons shall have any liability on account of any decision by the Debtors not to pay an Outstanding Order or Distribution Charge, and nothing contained in this Order shall be

deemed to increase, reclassify, elevate to an administrative expense status, or otherwise affect the Outstanding Orders or Distribution Charges to the extent they are not paid.

15. Nothing in this Order shall be deemed either a grant of administrative priority expense status to, or authority to pay, any amounts that are disputed by the Debtors.

16. Nothing contained in this Order shall be construed as a waiver by the Debtors of their rights to contest any claim or invoice of an Outstanding Order Supplier, or the holder of a Possessory Claim under applicable law.

17. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

18. The requirements set forth in Bankruptcy Rule 6003(b) are satisfied.

19. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

20. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

21. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: March \_\_, 2016  
Wilmington, Delaware

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MARY F. WALRATH  
UNITED STATES BANKRUPTCY JUDGE

**EXHIBIT B**

**BLACKLINE**

IN THE UNITED STATES BANKRUPTCY COURT  
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circumstances and that no other or further notice of the Motion need be given; and the Court having determined that it may enter a final order consistent with Article III of the United States Constitution; and upon consideration of the First Day Declaration; and the Court having entered that certain *Interim Order (A) Authorizing the Debtors to Pay, in the Ordinary Course of Business, Claims for Goods Ordered Prepetition and Delivered Postpetition; (B) Authorizing the Debtors to Pay Certain Prepetition Claims of Shippers, Lien Claimants, and Import Claimants; and (C) Authorizing Financial Institutions to Honor and Process Related Checks and Transfers* [Docket No. [135](#)] (the “Interim Order”); and a hearing or hearings having been held to consider the relief requested in the Motion; and upon the record of the hearing and all of the proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors and all other parties in interest; and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

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4. Subject to paragraph 6 hereof, the Debtors are authorized, but not directed, in their sole discretion and business judgment, to pay the prepetition amounts owed on account of Distribution Charges in an aggregate amount not to exceed \$6,250,000, without prejudice to their ability to seek additional relief on an emergency basis, with (i) the aggregate amount paid on account of Shipping Charges not to exceed ~~\$2,200,000~~4,200,000; (ii) the aggregate amount paid on account of ~~Shipper Indemnification Claims not to exceed \$2,000,000;~~ ~~(iii) the aggregate amount paid on account of~~ Lien Claims not to exceed \$1,287,000; and ~~(iv)~~(viii) the aggregate amount paid on account of Import Charges not to exceed \$760,000; *provided, however*, that any such payment shall not be deemed (a) an admission by the Debtors of the extent, validity, perfection, or possible avoidance of any related liens, claims or payments, or (b) a waiver of the Debtors' rights regarding the extent, validity, perfection, or avoidance of any related liens, claims, or payments. The Debtors' right to challenge the extent, validity, perfection, or avoidance of such liens, claims, or payments is hereby expressly reserved.

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period preceding the Petition Date<sup>3</sup> or (ii) such other trade terms as the Debtors and the Possessory Claimant may mutually agree upon;

(c) Subject to subparagraph (d) below, if a Possessory Claimant accepts payment under this Order and thereafter does not continue to provide goods or services to the Debtors on the Customary Trade Terms during the pendency of these Chapter 11 Cases, then any payment such Possessory Claimant receives may be deemed a voidable postpetition transfer pursuant to section 549(a) of the Bankruptcy Code and the Debtors may take any and all appropriate steps to cause the Possessory Claimant to repay any payments it received to the extent that the aggregate amount of such payments exceeds the postpetition obligations then outstanding;

(d) In the event of the assertion of a possessory lien against the Debtors' property that prevents the Debtors from accessing their property without payment of the prepetition claim giving rise to the lien, the Debtors may, in their absolute discretion, determine to pay the claim without regard to subparagraphs (b)(ii) and (c) above;

(e) Prior to making a payment to a party under this Order, the Debtors may, in their absolute discretion, settle all or part of the prepetition claims of such party for less than their face amount, without further notice or hearing; in any event, the Debtors may elect to only pay part of a prepetition claim under the authorization requested, leaving the remainder of the claim to be addressed pursuant to the provisions of the Bankruptcy Code; and

(f) If the Debtors seek to recover payments under subparagraph (c) above, nothing shall preclude a party from contesting such treatment by making a written request (a "Request") to the Debtors to schedule a hearing before this Court. If such a Request is made, the hearing on the Request will be the next scheduled hearing date not less than thirty (30) days after the Debtors received the Request, of which hearing the Debtors will provide notice to the requesting party and other interested parties in accordance with the Bankruptcy Code and the orders of this Court.

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<sup>3</sup> In the event the relationship between the party accepting payment under the Order and the Debtors does not extend to one year preceding the Petition Date, the Customary Trade Terms shall mean the terms that the party generally extends to its customers or such terms as are acceptable to the Debtors in the reasonable exercise of their business judgment.



7. The Debtors are authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests in respect of payments made in accordance with this Order that are dishonored or rejected.

8. The amounts that the Debtors pay pursuant to this Order shall be subject to any limitations imposed by any Order authorizing the Debtors' postpetition financing and/or use of cash collateral.

9. The Debtors shall provide periodic reports of the amounts paid pursuant to this Order to Wilmington Savings Fund Society, FSB (the "Term Loan Agent") as Administrative Agent and Collateral Agent under the Amended and Restated Credit Agreement, dated as of May 3, 2006 and amended and restated as of November 16, 2010.

10. ~~8.~~ Nothing herein shall change the nature or priority of the underlying claims.

11. ~~9.~~ Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained herein shall create, nor is intended to create, any rights in favor of, or enhance the status of any claim held by, any person or entity.

12. ~~10.~~ The Debtors' satisfaction of any liens pursuant to this order shall not be deemed to be an admission that such liens are valid liens and the Debtors retain the right to contest the extent, validity, or perfection of such liens or to seek the avoidance of such liens.

13. ~~11.~~ Nothing contained in this Order shall be deemed to constitute an assumption or adoption of any executory contract or prepetition or postpetition agreement between the

Debtors and the holder of an Outstanding Order, Possessory Claim, or claim relating to a Distribution Charge, or require the Debtors to make any of the payments authorized herein.

14. ~~12.~~ The authorization granted hereby to pay the Outstanding Orders and Distribution Charges shall not create any obligation on the part of the Debtors or their officers, directors, attorneys, or agents to pay the Outstanding Orders or Distribution Charges, and none of the foregoing persons shall have any liability on account of any decision by the Debtors not to pay an Outstanding Order or Distribution Charge, and nothing contained in this Order shall be deemed to increase, reclassify, elevate to an administrative expense status, or otherwise affect the Outstanding Orders or Distribution Charges to the extent they are not paid.

15. ~~13.~~ Nothing in this Order shall be deemed either a grant of administrative priority expense status to, or authority to pay, any amounts that are disputed by the Debtors.

16. ~~14.~~ Nothing contained in this Order shall be construed as a waiver by the Debtors of their rights to contest any claim or invoice of an Outstanding Order Supplier, or the holder of a Possessory Claim under applicable law.

17. ~~15.~~ The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

18. ~~16.~~ The requirements set forth in Bankruptcy Rule 6003(b) are satisfied.

19. ~~17.~~ Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

20. ~~18.~~ The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

21. ~~19.~~ This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: ~~\_\_\_\_\_~~ March \_\_, 2016  
Wilmington, Delaware

\_\_\_\_\_  
MARY E. WALRATH  
UNITED STATES BANKRUPTCY JUDGE