

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
DURHAM DIVISION**

In re:)	Chapter 11
)	
Advanced Sports Enterprises, Inc., et al.,¹)	Case No. 18-80856
)	
)	(Joint Administration Pending)
)	
Debtors.)	
)	

**DECLARATION OF PATRICK CUNNANE IN SUPPORT OF
FIRST DAY MOTIONS AND APPLICATIONS**

I, Patrick J. Cunnane, being duly sworn, state the following under penalty of perjury:

1. I am President and Chairman of the Board of Advanced Sports Enterprises, Inc. (“ASE”), a corporation organized under the laws of North Carolina and one of the debtors in the above captioned chapter 11 cases. I am also the President of debtors Advanced Sports, Inc. (“ASI”), Performance Direct, Inc. (“Performance”), Bitech, Inc. (“Bitech”), Nashbar Direct, Inc. (“Nashbar”), all corporations organized under the laws of North Carolina and all subsidiaries of ASE. I oversee all aspects of the businesses of ASE, ASI, Performance, Nashbar and Bitech (collectively “Debtors”). I am over the age of 18 and authorized to submit this Declaration on behalf of the Debtors. If called upon to testify I would testify competently to the facts set forth herein.

2. I have served as CEO of ASE since August 15, 2016. Before joining ASE, I served for 15 years as President and Chief Executive Officer of the corporate predecessor of ASI, known

¹ The Debtors in this case, along with each Debtor’s case number, are: (i) Advanced Sports Enterprises, Inc., Case No. 18-_____; (ii) Advanced Sports, Inc., Case No. 18-_____; (iii) Performance Direct, Inc., Case No. 18-_____; (iv) Bitech, Inc., Case No. 18-_____; and (v) Nashbar Direct, Inc., Case No. 18-_____. Each Debtor is a North Carolina Corporation.

as Advanced Sports Inc. (“ASI-NJ”), a corporation organized under the laws of New Jersey. I am familiar with the Debtors’ day-to-day operations, business and financial affairs, and books and records.

3. Except as otherwise indicated herein, all statements set forth in this declaration (this “Declaration”) are based upon (a) my personal knowledge of and familiarity with the Debtors’ operations, finances and restructuring efforts, (b) my review of relevant documents and information provided to me by employees of or professional advisors to the Debtors, and/or (c) my opinion based on my experience and knowledge concerning the Debtors’ operations and financial and business affairs, including my general knowledge of the industry in which the Debtors operate.

4. On the date hereof (the “Petition Date”), the Debtors filed these Chapter 11 cases (the “Chapter 11 Cases”) under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Middle District of North Carolina, Durham Division (the “Court”).

5. The Debtors are requesting various forms of relief pursuant to certain “First Day” motions and applications (collectively, the “First Day Pleadings”) filed concurrently with this Declaration.

6. I submit this Declaration in support of the First Day Pleadings to provide an overview of the Debtors and their businesses. I am familiar with the contents of each of the First Day Pleadings, including the exhibits and schedules annexed thereto. I believe that the relief requested in each First Day Pleading (a) is necessary to preserve and maximize the value of the Debtors’ estates; (b) is essential to the successful implementation of the Debtors’ Chapter 11

Strategy; and (c) serves the best interests of the Debtors' estates, the Debtors' creditors, and other parties in interest.

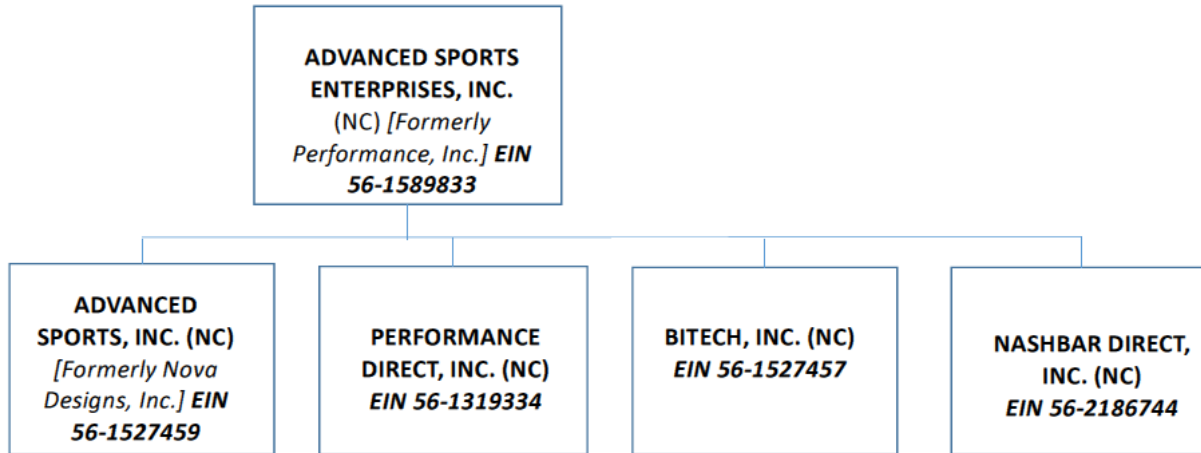
7. The relief requested in the First Day Pleadings is intended to minimize the potential adverse effects of the commencement of these Chapter 11 Cases on the Debtors' on-going business operations and also to enable the Debtors to implement its carefully considered critical and immediate term strategy (the "Chapter 11 Strategy").

8. The Debtors' Chapter 11 Strategy currently consists of the following modes: (i) stabilizing and financing the on-going business operations of the Debtors; (ii) conducting store closing sales that lead into the prompt rejection of underperforming stores; (iii) rejecting burdensome trademark licenses to maximize the market value of the brands; (iv) implementing a real estate optimization process for the remaining profitable retail locations and (v) initiating an expedited formal bid and auction process to sell all or portions of the Debtors' assets (most notably inventory, retail operations and/or intellectual property) to interested bidders.

9. Overall, I strongly believe that the relief requested in the First Day Pleadings is essential to ensure the success of the Debtors' Chapter 11 Strategy while minimizing any potential disruption to the Debtors' business operations.

I. OVERVIEW OF DEBTORS' BUSINESSES

10. The Debtors' corporate structure is as follows:



11. ASE designs, manufactures and sells bicycles and related goods and accessories.

12. ASI is a wholesale seller of bicycles and accessories. ASI owns the following bicycle brands and is responsible for the design manufacture and worldwide distributions thereof:



13. Performance designs, manufactures and sells bicycles and related goods and accessories and operates a national distribution of these goods under the PERFORMANCE BICYCLE brand through an internet website business via the URL www.performancebike.com.

14. Bitech operates 104 retail stores across 20 states under the PERFORMANCE BICYCLE brand related to the sale of bicycles and related good and accessories. The businesses

of Performance and Bitech operate in conjunction with each other and they share a number of services and a distribution warehouse.

15. Nashbar designs, manufactures and sells bicycles and related goods and accessories under the BIKE NASHBAR brand through an internet website business via the URL www.bikenashbar.com. The businesses of Nashbar also operates in conjunction with Performance and shares services and a distribution warehouse.

16. The Debtors' business model is fundamentally sound. However, the Debtors face significant operational challenges that these Chapter 11 Cases are intended to address. The first challenge is that the retail (and related internet businesses) is a capital-intensive business with significant overhead, inventory, retail lease and marketing expenses. Further, the overall bicycle business is relatively seasonal, with a significant majority of the sales occurring between May and August, with expensive inventory buildup occurring during October through March. As such, the ASE wholesale and retail businesses require significant access to bank or similar financing to smooth out inevitable bumps in cash flow.

17. ASE's current debt structure is greatly affecting its business operations, which is complicated by the imbalance between overhead expenses and the current sales level. While management has implemented an extensive turnaround plan, in addition to expense cutting measures, additional steps are necessary to properly fund the business for the foreseeable future. In the absence of additional funding, ASE would likely run out of cash in January 2019.

18. The Debtors' management team and professionals have worked diligently to develop a comprehensive strategy that will allow the Debtors to access needed additional funding and return to profitability. The Debtors intend to exit the leases of at least 40 underperforming retail stores during these Chapter 11 Cases, thereby right-sizing their retail space in a way that

simply would not be feasible outside of bankruptcy and significantly decreasing their occupancy and related lease costs. This strategy is also intended to have minimal effect on sales, by taking advantage of other stores within the geographical area of the closing stores and the online business. In addition, the strategy intends to right size the supporting overhead structure to lead the company back to profitability.

II. Debtors' Corporate Structure and Operations

A. Advanced Sports Enterprise, Inc.

19. ASE in its present form was created by the merger of Performance, Inc., or Performance Bicycle, and its subsidiaries with ASI-NJ on August 15, 2016 (the "Merger").

20. ASI-NJ's wholesale bicycle business began in 1998, when ASI-NJ purchased Fuji America and the worldwide distribution rights to the brand. I joined the company in 2001, when its sales were about \$ 7.5 Million. Over the next 15 years the business significantly grew the worldwide sales of FUJI branded bicycles, acquired the brands BREEZER, KESTREL, SE, PHAT, OVAL and developed the TUESDAY brand. The total annual, worldwide sales of ASI-NJ prior to the merger, including the sales to Performance, Inc., its largest customer at the time, was approximately \$100 Million.

21. Performance, Inc. was incorporated on August 13, 1987, and owned the PERFORMANCE BICYCLE brand.

22. The Merger created a vertically integrated business, combining the worldwide wholesale business of ASI-NJ with Performance, Inc., the largest United States combined specialty retail and omni-channel business, as shown in the following graphic:



ADVANCED SPORTS INCORPORATED

Wholesale / Brand Management

Portfolio of Premium Brands



BREEZER



Tuesday



NICHIBEI



PERFORMANCE[®] BICYCLE

Retail / E-Commerce

America's #1 Specialty Bike Retailer - 100+ Stores

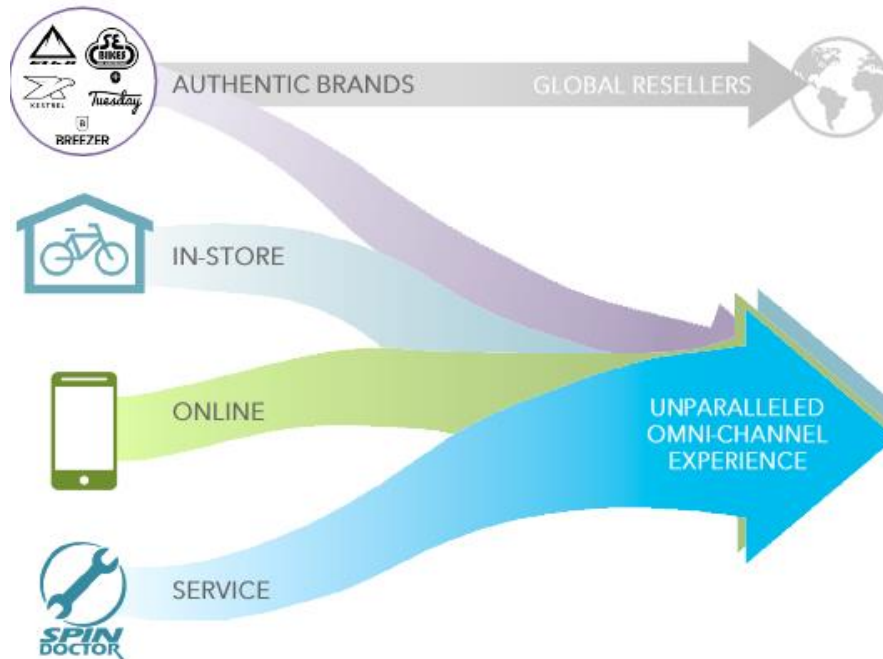


Robust E-Commerce Platforms

PerformanceBike.com



SUPERGO^{BIKES}
(In-Development)



23. The Merger included a number of steps:

a. The first step included a restructuring of the Performance, Inc. businesses and ownership. This left Performance, Inc. with the Performance, Nashbar and Bitech subsidiaries and four (4) inactive subsidiaries.

b. The second step was the merger between ASI-NJ and the inactive subsidiary Nova Designs, Inc., a North Carolina corporation (“Nova”). ASI-NJ business was fully merged into Nova and after the merger Nova changed its name to Advanced Sports, Inc., which is referred to herein as ASI.

c. Additionally, Ideal Bicycle Corp. (“Ideal”), which is a publicly traded company in Taiwan, and an ASI bike supplier, made a further investment in the company. In exchange for this investment, all of the shareholders of ASI-NJ were provided with shares in Performance, Inc. and took a controlling interest in the parent company.

d. Finally, Performance, Inc. changed its name to Advanced Sports Enterprises, Inc., which is referred to herein as ASE, and the other three inactive subsidiaries were consolidated into Performance Direct, Inc.

24. The current ownership structure of ASE is as follows:

a.	Jadeland Pacific Limited (“Jadeland”)	55%
b.	Ideal	17%
c.	York Street Mezzanine Partners (“York”)	21%
d.	Others (including my personal 3.1%)	7%

25. Jadeland was started as an investment company to purchase the FUJI brand in 1998. In addition to initiating the business of ASI-NJ, it has a number of holdings throughout the world. Jadeland also serves as a distribution vehicle for the ASI branded bikes to the worldwide distributors and dealers for the ASI brands. Jadeland is a privately held company and is organized under the laws of the British Virgin Islands. I own 24% of Jadeland’s outstanding equity.

26. As discussed above, Ideal has a supplier relationship with ASI and ASE. ASE and ASI are parties to a certain Manufacturing and Marketing Agreement, as amended, where Ideal provides a manufacturing commitment as well certain trade credit and other financial accommodation and the parties execute a license agreement for Ideal to distribute Fuji Bikes in Taiwan and China. This relationship between the two entities is described in more detail below.

27. Ideal is headquartered in Taichung, Taiwan (Republic of China) and has operations in Taiwan, China and Poland. Ideal has a number of business subsidiaries, including Econotrade, Ltd., (“Econotrade”), which is organized in the British Virgin Islands. Econotrade is a major supplier to ASI and ASE of bicycles manufactured by Ideal. Ideal is publicly traded on the Taiwan stock exchange.

28. York Street Mezzanine Partners II, L.P., a Delaware limited partnership, is a private investment fund based in Bedminster, NJ controlled by York Street Capital Partners II, L.L.C., a Delaware limited liability company, the fund’s General Partner.

29. ASE owns the commercial real property located at 144 Old Lystra Road, Chapel Hill, Chatham County, North Carolina (the “NC Property”). The NC Property is a commercial office building where the Performance, Bitech and Nashbar management and operations are located, as well as approximately 118,000 square feet of warehouse space retaining bike, clothing and accessory inventory. The NC Property serves as the distribution operations for the PERFORMANCE BICYCLE and NASHBAR brands.

30. ASE as a business has no employees. All employees are employed by the subsidiaries.

B. Advanced Sports, Inc.

31. ASI is a North Carolina corporation that is owned 50% by ASE and 50% by Econotrade which is again a subsidiary of Ideal.

32. As discussed above, ASI owns, among others, the FUJI, BREEZER, SE, KESTREL, PHAT and TUESDAY bicycle brands and is responsible for the design and manufacture of bicycles under these brands and for the worldwide sale of these bicycles.

33. The ASI primary operation for the wholesale business is in Philadelphia, PA at 10940 Dutton Road, Philadelphia, PA 19154 (the "PA Property"). ASI owns the PA Property. The PA Property is a commercial office building totaling approximately 70,000 square feet, which includes its headquarters, offices, and approximately 50,000 square feet of warehouse space retaining an inventory of bicycle and related parts and accessories. ASI also leases approximately 64,000 square feet of warehouse space in Santa Fe Springs, CA and approximately 73,000 square feet of warehouse space in a building adjoining the PA Property.

34. ASI relies on six foreign manufacturers to supply its owned brands and operates through a global network. ASI has an approximate 18% ownership interest in Advanced Sports GmbH in Metlangen, Germany, which serves as the European distributor and sales office for the ASI brand bicycles. ASI also owns a 20% ownership in Advanced Sports International Asia, Ltd., which operates as a far-east distributor. Jadeland owns 74% of Advanced Sports GmbH² and Ideal owns the other 80% of Advanced Sports International. ASI sells its branded bicycles to more than 90 countries around the globe.

² The other 8% of Advanced Sports GmbH is owned by its managing director.

35. ASI has 83 employees, of which 18³ employees are in its sales department, 14 employees are in its marketing department, 10 employees are in product development, 3 employees are in IT, 5 employees are in purchasing, 14 employees are in warehouse and operations, 8 employees are in planning, 7 employees are in finance and 4 employees are in the administration & legal department.

C. Performance Direct, Inc.

36. ASE is Performance's sole shareholder.

37. Performance's distribution center is housed in the ASE owned NC Property.

38. Performance's retail operations - encompassing both website sales and the brick-and-mortar stores which also include a customer assistance "call center" are all located in a leased building in Sophia, WV.

39. Performance has 199 employees, of which 18 are in administration, human resources and accounting, 38 are in the contact center, 25 are in MIS and Ecommerce, 22 are in creative services and marketing, 24 are in merchandising and 72 are in the shop and warehouse.

D. Nashbar

40. Nashbar is a North Carolina corporation that was incorporated on February 10, 2000 and it is wholly owned by ASE.

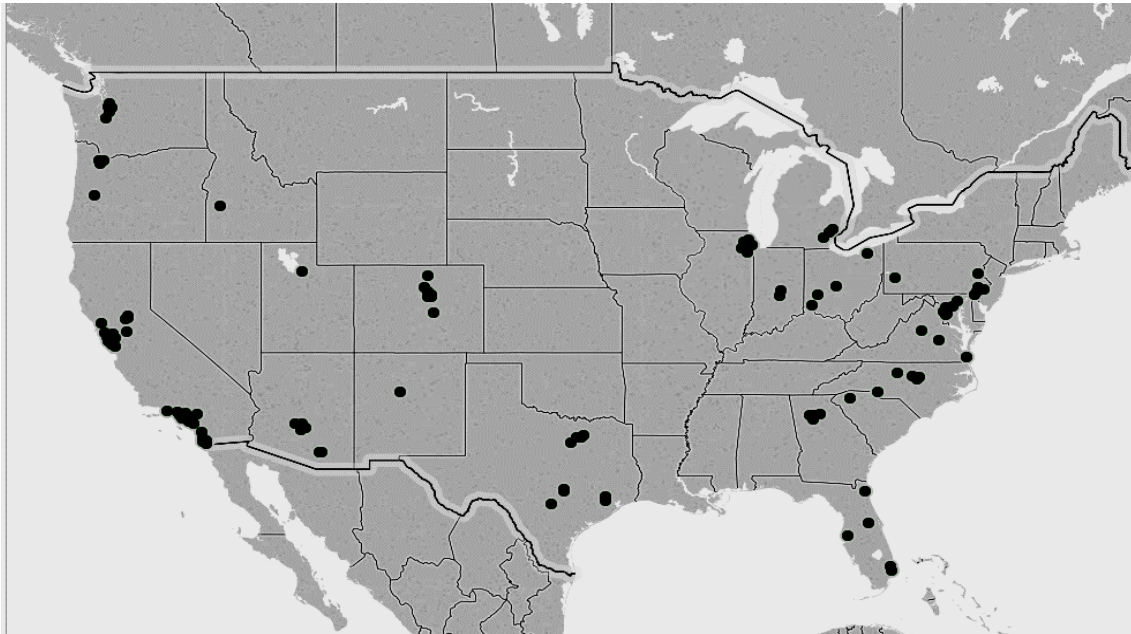
41. Nashbar's operations overlap with Performance and its distribution center is incorporated into the ASE owned NC Property.

E. Bitech

³ ASI also has 14 independent sales representatives across the U.S.

42. Bitech is wholly owned by ASE and was incorporated in North Carolina on July 28, 1986.

43. The Bitech retail operations are conducted from 104 stores that are spread-out throughout the country. A map of the current store locations is shown by the following chart:



44. The Bitech retail stores are typically located in shopping centers in both urban and suburban areas. The store map results from years of adding and subtracting store locations based on various parameters, such as lease expirations and sales performance, and from the acquisition of competing businesses and rebranding of the stores under the PERFORMANCE BICYCLE name. The stores are typically larger than an independent bicycle shop, ranging in size from 4,500 square feet to 20,000 square feet, and carry a wide variety of bikes and related goods.

45. Bitech has 1662 full and part-time employees.

III. Capital Structure

46. As of the Petition Date, the Debtors' secured debt obligations are comprised of: (a) the First Lien Credit Facility; (b) the Advance Holdings Loan; (c) the Trade Creditor Loans; and (d) the York Street Loans; each of which is defined and described below in more detail.

47. The following table summarizes the principal amount of Debtors' prepetition outstanding secured indebtedness:

Facility	Outstanding Indebtedness
First Lien Credit Facility	\$37,916,000.00
Advance Holdings Loan	\$7,375,000 (ASE is sole borrower)
Trade Creditor Loans	\$37,002,000 (ASE and ASI are debtors)
York Street Loans	\$20,350,000

A. First Lien Credit Facility

48. On August 15, 2016, Wells Fargo, as agent, lender and sole lead arranger executed a Credit Agreement with all of the Debtors to provide Debtors with committed loans of up to \$90,000,000 (collectively the "First Lien Credit Facility"). The First Lien Credit Facility is secured by a security interest in all of the Debtors' assets, including a grant of security interest in ASE's U.S. trademarks and copyrights, ASI's U.S. trademarks and patents and a first lien mortgage on PA Property and deed of trust on the NC Property.

49. At that time Wells Fargo, as agent, York, as agent, and Ideal and its affiliate trade creditors (the "Trade Creditors") entered into an intercreditor agreement that outlined the priority between the creditors.

50. The Credit Agreement was amended on January 23, 2017 and again on December 22, 2017.

51. As of Petition Date, approximately \$37,916,000 is outstanding under the First Lien Credit Facility.

B. Advanced Holdings Loan

52. In December of 2017, ASE received a \$7,000,000 term loan from Advanced Holdings Co., Ltd. (the “Advanced Holdings Loan”) in December of 2017. Advanced Holdings Co., Ltd. is registered in the British Virgin Islands and has offices in Hong Kong. Advanced Holdings is asserting a second priority security interest in, among other things, the PA Property, the NC Property, all accounts receivables of ASE and its subsidiaries, and the intellectual property of ASE.

53. As a result of the Advanced Holdings Loan, Wells Fargo, Advanced Holdings, Inc., the Trade Creditors and York entered into Amended and Restated Creditor Agreement on December 22, 2017.

54. On August 1, 2018, the maturity date of the Advanced Holdings Loan was extended and certain other terms amended by the execution of a First Amendment to Loan Agreement.

55. As of Petition Date, \$7,375,000.00 in principal and interest is outstanding on the Advance Holdings Loan.

C. Econotrade Loan

56. On January 31, 2018, Econotrade Ltd., a British Virgin Islands limited company, wholly owned by Ideal purchased a 50% interest in ASI for \$20,000,000 pay paid by the (i) forgiveness of \$10,000,000 in accounts receivable for bike inventory and (ii) \$10,000,000 in cash, which was used in full to pay trade debt.

D. Trade Creditor Loans

57. ASI-NJ and Ideal were parties to a certain Manufacturing and Marketing Agreement dated December 31, 2011.

58. Post-Merger, ASI, ASE and Ideal, on its behalf and on behalf of its subsidiaries, including Econotrade, entered to an Amendment to the Manufacturing and Marketing Agreement that was effective August 15, 2016, where ASE assumed all the past, present and future obligations and liabilities of ASI under the Manufacturing and Marketing Agreement.

59. In exchange for this Amendment to the Manufacturing and Marketing Agreement, ASE granted Ideal a security interest in certain ASE collateral. This security interest is subject to the priority waterfall set forth in the Intercreditor Agreement, providing Ideal (defined as the Trade Creditor) with a higher priority in the bicycle inventory, in the form of boxed or fully-assembled bicycles and the components thereof (collectively the “Bicycle Collateral”) than York.

60. Additionally, on October 6, 2016, ASE executed a Deed of Trust, Security Agreement, Collateral Assignment of Leases and Rents and Fixture Filing on the NC Property in favor of Ideal and ASI executed an Open End Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Filing on the PA Property. The lien granted by this Deed of Trust is subject to Wells Fargo’s first lien and York’s second lien on the PA Property, the NC Property and the other collateral, except for the Bicycle Collateral.

61. As of Petition Date, approximately \$37 Million is outstanding in principal and interest on the Trade Creditor (Ideal and Econotrade) Loans.

E. York Street Loan

62. On July 2, 2007, York, as agent and Performance, Bitech, Performance, Nova Designs, Inc. and others entered into a Note Purchase Agreement. The borrowers had also executed promissory notes in favor of the individual lenders.

63. The parties then executed an Amended and Restated Note Purchase Agreement on July 16, 2010 that was amended on August 11, 2010, November 28, 2011, August 29, 2012, and November 9, 2012, and a Second Amended and Restated as of July 19, 2013 and as further amended on October 30, 2013, April 29, 2014, January 30, 2015.

64. In connection with the foregoing Note Purchase Agreement, Performance executed a Deed of Trust, Assignment of Leases and Rents, Security Agreement and fixture filing on the NC Property for the benefit of York, as the purchaser representative. This agreement was effective October 30, 2013.

65. ASE entered into that Debt Conversion Agreement with York and other noteholders whereby equity of ASE was provided to the group of the holders of the second lien debt in exchange for reduction in principal amount owed.

66. As a result, a Fourth Amendment to the Note Purchase Agreement was entered on August 11, 2016 that, among other things, reduced the principal amount of the loans to \$20,000,000.00.

67. Post-Merger, on August 15, 2016, Debtors and certain non-debtors executed a Fifth Amendment to Note Purchase Agreement. Additionally, Debtors executed Amended and Restated Term Notes for each of the lenders.

68. York is also a party to the Intercreditor Agreement and executed a Subordination Agreement in favor of Wells Fargo in connection with the Deed of Trust in York's favor.

69. As of Petition Date, \$20,350,000 in principal and interest is outstanding on the York Street Loan.

IV. Events Leading to the Chapter 11 Cases and Marketing Efforts

70. As discussed above, Debtors face significant operational challenges that these Chapter 11 Cases are intended to address, including: (a) the retail and related internet businesses is a capital-intensive business with significant overhead, inventory, retail lease and marketing expenses; and (b) the business is seasonal. Debtors' current debt structure is greatly affecting their business operations, which is complicated by the imbalance between overhead expenses and the current sales level.

71. The lack of availability of sufficient cash has significantly impacted the Debtors' businesses, with suppliers and creditors restricting access to new and seasonal inventory and to properly fund the business for the foreseeable future. The Debtors' management knew that it had to take swift action to avoid running out of cash to fund operations.

72. In May of 2018, the Debtors retained an investment banker, D.A. Davidson & Co. ("D.A. Davidson") to assist them in negotiating with interested parties, preparing for and initiating marketing efforts and facilitating due diligence by various parties. D.A. Davidson is a full service investment bank with extensive mergers and acquisitions experience, specifically with consumer and retail companies.

73. D.A. Davidson has been extensively marketing the Debtors' Assets since their engagement and will continue to do so to maximize the value achieved by this sale process. Specifically, D.A. Davidson worked with the Debtors to prepare separate confidential information presentations for the entire company as well as presentations for the wholesale division and select brands. D.A. Davidson, in conjunction with assistance from the Debtors, identified 84 potential investors and/or acquirers to date. These 84 potential investors and acquirers include 60 financial parties in form of private equity funds and family offices, 17 strategic parties and seven liquidators. Potential strategic buyers include both domestic and international bicycle wholesalers and

retailers, sporting goods retailers, and other consumer products companies. D.A. Davidson's outreach process included attending key industry tradeshows, including Eurobike in Friedrichshafen, Germany and Interbike in Reno, Nevada to meet and discuss the opportunity with various potential buyers and industry participants.

74. Currently, 28 parties have signed non-disclosure agreements and are in various phases of reviewing due diligence materials, holding conference calls and attending in-person meetings to consider various Assets packages. There are also 31 parties that have been contacted, are in conversations, or are negotiating the non-disclosure agreement. D.A. Davidson is actively working with these 31 parties to get them further engaged in the process. All parties are being instructed to prepare for, and participate in, an auction for all or part of the Assets on December 18, 2018 as contemplated by the Debtors' pending bid procedure and auction motion. D.A. Davidson believes that the timing of the auction will enable robust participation by potential bidders.

V. Motions Filed on the Petition Date

75. The Debtors have filed a number of motions on the Petition Date to ensure as seamless transition into these Chapter 11 Cases as possible. A summary of each first day motion is provided below.

i. First Day Motions

76. The Debtors filed fifteen motions that are time-sensitive and critical to the Debtors' operations and these Chapter 11 Cases. Accordingly, the Debtor is requesting expedited consideration of the First Day Motion.

- a. Debtors' Emergency Motion for an Order Shortening Notice and Scheduling Expedited Hearing on First Day Motions ("Motion to Expedite")

77. Through the Motion to Expedite, the Debtors respectfully request the entry of an order pursuant to Bankruptcy Code section 105(a) and Bankruptcy Rule 9006(c)(1), shortening applicable notice periods and scheduling a hearing on an expedited basis to consider the motions and applications described herein. The relief requested in these motions and applications is necessary to ensure that there is no damage to the Debtors' businesses or the value of their assets. To require the Debtors to comply with otherwise applicable notice requirements would cause immeasurable harm to the Debtors' ability to efficiently and effectively manage their operations and would create disruptions in the timely payment of obligations.

b. Debtors' Motion for an Order Directing Joint Administration of Chapter 11 Cases ("Joint Administration Motion")

78. Pursuant to the Joint Administration Motion, the Debtors request entry of an order (a) directing procedural consolidation and joint administration of their related Chapter 11 Cases and (b) granting related relief. Given the integrated nature of the Debtors' operations, joint administration of these Chapter 11 Cases will provide significant administrative convenience and cost savings to the Debtors without harming the substantive rights of any party in interest.

79. Many of the motions, hearings, and orders in these Chapter 11 Cases will affect each and every Debtor entity. For example, virtually all of the relief sought by the Debtors in the First Day Pleadings is sought on behalf of all of the Debtors. The entry of an order directing joint administration of these Chapter 11 Cases will reduce fees and costs by avoiding duplicative filings and objections. Joint administration of these Chapter 11 Cases, for procedural purposes only, under a single docket, will also ease the administrative burdens on the Court by allowing the Debtors' cases to be administered as a single joint proceeding, instead of multiple independent Chapter 11 Cases.

c. Debtors' Emergency Motion for an Order Establishing Notice and Administrative Procedures ("Administrative Procedures Motion")

80. Currently, hundreds of creditors and parties-in-interest may be technically entitled to receive notice in these cases. To require the Debtors to provide notice of all pleadings and other papers filed in these cases to these parties-in-interest would be extremely burdensome and costly to the Debtors' estates as a result of photocopying and postage expenses as well as other expenses associated with such large mailings.

81. The Debtors therefore propose to establish a master service list (the "Master Service List"), which would include crucial parties to be noticed, as described in the Administration Motion. In furtherance of the Administrative Procedures Motion, the Debtors have prepared a proposed Initial Master Service List.

82. The proceedings with respect to which notice would be limited to the Master Service List would include all matters covered by Bankruptcy Rule 2002, with the express exception of critical motions that are described in the Administrative Procedures Motion. Upon the completion of noticing any particular matter, the Debtors or KCC will submit to the Court either an affidavit of service or certification of service annexing the list of those parties who received the subject notice.

d. Debtors' Motion for an Order to Extend Time to File Schedules and Statements of Financial Affairs ("Schedules Motion")

83. The Debtors request the entry of an order, pursuant to Bankruptcy Code section 521 and Bankruptcy Rule 1007(c), extending the time to file their schedules and statements of financial affairs (collectively, the "Schedules") until December 21, 2018. To prepare the Schedules, the Debtors and KCC must gather information from books, records, and documents relating to a multitude of transactions. Consequently, collection of the necessary information requires the

expenditure of substantial time and effort on the part of the Debtors' limited and already overburdened employees in conjunction with KCC. The Debtors submit that the efforts of their employees during the initial stages of these cases are critical and need to be focused on attending to the Debtors' business and maximizing the value of the Debtors' estates. The Debtors' employees will begin working diligently to assemble and collate the necessary information. The Debtors anticipate that they will need until December 21, 2018, in order to prepare and file their Schedules in the appropriate format.

e. Debtors' Emergency Motion for an Order Authorizing the Debtors to Pay Pre-Petition Wages, Payroll Taxes, Certain Employee Benefits and Related Expenses, and Other Compensation to Employees (the "Wage Motion")

84. The Debtors seek authority to pay the Employee Obligations, which include certain wages, compensation, and benefits more fully described on Exhibit A to the Wage Motion that become payable during the pendency of these Chapter 11 cases and to continue at this time their practices, programs, and policies with respect to their current Employees, as such practices, programs, and policies were in effect as of the Petition Date. Even though the Debtors have incurred certain Employee Obligations prior to the Petition Date, certain of the Employee Obligations will become due and payable in the ordinary course of the Debtors' businesses on and after the Petition Date. No payment to an Employee will be over \$12,850, the cap for Section 507(a)(4) Claims.

85. The Debtors further request that all applicable banks and other financial institutions be authorized and directed, when requested by the Debtors and in the Debtors' sole discretion, to receive, process, honor, and pay any and all checks drawn on the Debtors' accounts to pay the Employee Obligations, whether those checks were presented prior to or after the Petition Date, and make other transfers necessary to implement these transactions provided that sufficient funds

are available in the applicable accounts to make the payments and transfers. The Debtors similarly request that they be authorized to pay any cost or penalty incurred by a person to which Employee Obligations are owed in the event that a check issued by the Debtors for payment of the Employee Obligations is inadvertently not honored because of the filing of the Debtors' bankruptcy cases.

f. Debtors' Emergency Motion for Authority to Continue Pre-Existing Insurance Programs, to Maintain Insurance Premium Financing Programs, and to Pay Pre-Petition Premiums and Related Obligations (the "Insurance Motion")

86. In connection with the operation of their businesses, the Debtors maintain various insurance policies and programs through several different insurance carriers (the "Insurance Carriers"). All of the Debtors' insurance policies are listed on Exhibit A to the Insurance Motion, together with a list of the Insurance Carriers, policy terms, and the premiums due thereunder.

87. The Debtors are required to pay premiums based upon a fixed rate established by each Insurance Carrier. As of the Petition Date, the Debtors believe that they are either current on their insurance premiums with respect to the pre-petition period or they have paid all of the 2018 annual premiums payable under certain of their insurance policies. However, to the extent there is an outstanding insurance policy premium payable by the Debtors that relate (in whole or in part) to the pre-petition period, the Debtors seek authority to pay these pre-petition premiums in the ordinary course as such payments are necessary to keep its insurance policies and programs in force.

88. The Debtors spend approximately \$1,685,059.00 annually on insurance premiums. The Debtors are currently parties to four (4) insurance premium financing agreements covering eleven (11) insurance policies (the "Premium Financing Programs") whereby certain of the Debtors' insurance policies and programs are financed as described in Exhibit A to the Insurance Motion. To the extent that any payments remain due to any premium finance company, the Debtors seek authority to make those payments.

89. The Debtors are required to maintain workers' compensation policies and programs to provide their employees with coverage for claims arising from or related to their employment with the Debtors in the states in which they do business. The Debtors maintain a workers' compensation policy (the "Workers' Compensation Program") with an insurer as set forth in Exhibit A to the Insurance Motion. The amount of premiums due (if any) are identified on Exhibit A to the Insurance Motion and the Debtors seek the authority to make such payments.

g. Debtors' Emergency Motion for Authority to (a) Maintain Certain Existing Depository Accounts, and (b) Continue Use of Related Business Forms (the "Cash Management Motion")

90. The Debtors use a complex cash management system, which is described on Exhibit A to the Cash Management Motion. As set forth therein, the Debtors maintain approximately 74 depository accounts associated with their retail stores, as well as various other depository accounts to receive payments and deposits from customers and other non-trade payments and deposits (e.g., payments from PayPal, Amazon, Synchrony, etc.). Nashbar also has a "Refund Account" which receives non-trade deposits and also issues customer refund checks. The receipts deposited into these accounts are ultimately funneled into a single master depository account. Under the Debtors' existing cash management system, the funds from the Depository Accounts then flow into the Debtors' Master Operating Account. The Debtors do not make disbursements from the Master Operating Account other than to disburse funds into the various sub-accounts from which operating disbursements are made. The accounts described in this paragraph are collectively referred to herein as the "Depository Accounts."

91. As further set forth on Exhibit A to the Cash Management Motion, the Debtors' have multiple "zero balance" sub-accounts associated with the payment of operating disbursements, including accounts payable owed to vendors, payroll disbursements, customer

service disbursements, and other disbursements associated with the Debtors' operations. The accounts described in this paragraph are collectively referred to herein as the "Disbursement Accounts."

92. To avoid disruption of the day-to-day operations of the Debtors and to ensure an orderly transition into Chapter 11, the Debtors respectfully request an order: (a) authorizing them to continue to maintain certain of their existing depository bank accounts and continue use of the existing cash management system associated with such accounts, and (b) authorizing them to continue the use of the business forms associated with such accounts, including checks. The Debtors request authority to maintain the Depository Accounts, but propose to discontinue the use of the Disbursement Accounts and establish new post-petition debtor-in-possession accounts for the purpose of making disbursements in connection with their bankruptcy cases. Thus, the Debtors seek authority to maintain the Depository Accounts that are set up to receive funds in connection with their businesses, but to terminate the use of the Disbursement Accounts and establish new debtor-in-possession accounts to make post-petition disbursements.

93. The Debtors also seek authority to maintain the current Disbursement Accounts for a brief interim period of up to 21 days, while the new debtor-in-possession disbursement accounts are established by Wells Fargo.

h. Debtors' Emergency Motion for an Order Authorizing the Debtors to Pay Pre-Petition Sales and Trust Fund Taxes and Related Obligations (the "Taxes Motion")

94. The Debtors seek authority to pay, in their sole discretion, undisputed pre-petition sales and other similar "trust fund" taxes and obligations ("Sales Taxes") owed to the state taxing authorities listed on Exhibit A attached to the Taxes Motion (collectively, the "Taxing Authorities") in the ordinary course of business. The Debtors seek to pay the Sales Taxes because, (i) such taxes constitute "trust fund" taxes and thus are not property of the Debtors' estates and (ii)

such taxes constitute priority taxes. This will not only include sales tax obligations based on goods sold but also obligations that arise in the normal operation of their businesses when the Debtors purchase supplies, not for manufacturing use, from third party vendors for which the vendors occasionally do not collect the proper sales tax percentage. The Debtors are liable to the Taxing Authorities for such uncollected Sales Taxes and seek authority to make such payments.

95. Furthermore certain of the Sales Taxes may be entitled to priority status pursuant to Section 507(a)(8) of the Bankruptcy Code. Thus, the payment of the Sales Taxes at this time, to the extent it involves property of the estate, only affects the timing of the payment and does not prejudice the rights of other creditors of the Debtors.

i. Debtors' Emergency Motion for Interim of Final Orders (a) Prohibiting Utilities from Altering, Refusing, or Discontinuing Service on Account of Prepetition Invoices, (b) Deeming Utilities Adequately Assured of Future Performance, and (c) Establishing Procedures for Determining Adequate Assurance of Payment (the "Utilities Motion").

96. Utility services are essential to the Debtors' ability to sustain their operations while these Chapter 11 cases are pending. The Debtors' utilization of utility providers (each a "Utility Company") is described in detail on Exhibit A to the Utilities Motion. The utility services provided by Utility Companies to the Debtors include telephone, internet, electric, gas, water, sewer and/or waste management (the "Utility Services").

97. Continued and uninterrupted Utility Service is vital to the Debtors' ability to sustain their operations during these chapter 11 cases. Because of the nature of the Debtors' operations, termination or interruption of the Debtors' utility service would dramatically impair the Debtors' ability to conduct business and cause considerable inconvenience to the Debtors' customers and employees.

98. Through the Utilities Motion, the Debtors respectfully request the entry of an interim and final order, pursuant to Section 366 of the Bankruptcy Code: (a) prohibiting the Utility

Companies from altering, refusing, or discontinuing service on account of prepetition invoices, (b) deeming utilities adequately assured of future performance, and (c) establishing the procedures for determining adequate assurance of payment.

99. The Debtors fully intend to pay all post-petition obligations owed to the Utility Companies in a timely manner and expect that they will have funds sufficient to pay all post-petition obligations. In addition, the Debtors intend to make the adequate assurance deposits described on Exhibit A to the Utilities Motion (the “Adequate Assurance Deposits”). The Debtors believe the Adequate Assurance Deposits are sufficient as such deposits represent the average cost of one month of utility services with respect to each Utility Provider. The Debtors will hold the Adequate Assurance Deposit in reserve for the benefit of the Utility Companies in the amounts indicated in the Motion.

100. To address the rights of a Utility Company under section 366(c)(2) and in light of the severe consequences to the Debtors of any interruption in services by the Utility Companies, the Debtors propose the procedures for approval and adoption that are set forth on Exhibit B to the Utilities Motion.

j. Debtors’ Motion for entry of Interim and Final Orders authorizing the Debtors to obtain post-petition financing, (b) authorizing the use of Cash Collateral, (c) granting liens and super-priority claims, (d) granting adequate protection to pre-petition lenders, and (e) modifying the automatic stay (the “DIP Financing Motion”).

101. The Debtors seek entry of an order authorizing the Debtors to incur the Debtor-in-Possession Financing from Wells Fargo, to use Cash Collateral, granting adequate protection to its secured lenders and modifying the automatic stay.

102. D.A. Davidson has been unable to find any financing on any other terms, secured or unsecured on any basis on more favorable terms than what is being offered by Wells Fargo in the DIP Financing Motion.

103. The Debtors require approval of the DIP Financing Motion and related agreements (the “DIP Financing Agreements”) to fund their operating expenses in accordance with a budget, as approved by Wells Fargo. The terms and conditions of the DIP Financing Agreements are summarized in the DIP Financing Motion and set forth in detail in the DIP Credit Agreement, which is attached to the DIP Financing Motion as Exhibit B.

104. Even with the ability to use Cash Collateral, the Debtors’ financial projections show that the Debtors’ Cash Collateral alone is insufficient to fund the Debtors’ continued operations.

105. In the absence of continued financing by Wells Fargo, it is unlikely that the Debtors will be able to continue operating.

106. Approval of the DIP Financing Agreements will permit the Debtors to continue operations post-petition and to preserve the value of the Debtors’ business as a going concern.

k. Application for Authority to Retain Kurtzman Carson Consultants LLC as Claims, Noticing, and Balloting Agent for the Debtors (the “KCC Application”)

107. Pursuant to the KCC Application, the Debtors seek entry of an order (a) appointing Kurtzman Carson Consultants, LLC (“KCC”) as claims and noticing agent for the Debtors and their Chapter 11 cases, effective nunc pro tunc to the Petition Date, including assuming full responsibility for the distribution of notices and the maintenance, processing, and docketing of proofs of claim filed in the Debtors’ chapter 11 cases, and (b) granting related relief.

108. Based on my discussions with the Debtors’ advisors and other management, I believe that the Debtors’ selection of KCC to act as the claims and noticing agent is appropriate under the circumstances and in the best interest of the estates. Moreover, it is my understanding that based on all engagement proposals obtained and reviewed that KCC’s rates are competitive and comparable to the rates charged by their competitors for similar services.

109. The Debtors anticipate that there will be hundreds of persons and entities to be noticed in these Chapter 11 Cases. In light of the number of parties in interest and the complexity of the Debtors' business, the Debtors submit that the appointment of a claims and noticing agent will provide the most effective and efficient means of, and relieve the Debtors and/or the Clerk's office of the administrative burden of, noticing and processing proofs of claim and is in the best interests of both the Debtors' estates and their creditors.

1. Emergency Motion for Interim and Final Orders: (I) Authorizing the Debtors to Assume the Store Closing Agreement; (II) Authorizing and Approving Store Closing Sales Free and Clear of All Liens, Claims and Encumbrances; (III) Approving Procedures to Conduct Store Sale Closings in Additional Stores; and (IV) Granting Related Relief (the "Gordon Brothers Motion")

110. The Debtors seek to assume the Store Closing Agreement dated as of October 31, 2018, by and between the Debtors and Gordon Brothers Retail Partners, LLC and authorize Debtors to continue to conduct Store Closing Sales in accordance with the terms of the store closing sale guidelines.

111. The Debtors entered into the Store Closing Agreement to ensure that the liquidation of inventory and store closings are managed efficiently and effectively. The Debtors do not possess the necessary resources in-house to coordinate the Store Closing Sales on a company-wide scale. The Debtors selected Gordon Brothers to handle the Store Closing Sales based upon its extensive experience in conducting retail liquidation sales, its ability to assist in the management and implementation of the Store Closing Sales in an efficient and cost-effective manner, and other factors.

112. As described in the Gordon Brothers Motion, in consideration of its services, Gordon Brothers will receive a sliding "Incentive Fee" from 0% to 1.75% of Gross Proceeds, which is tied to Merchandise Sales and the Aggregate Recovery Percentage. Gordon Brothers will

be reimbursed for certain expenses upon presentation of reasonable documentation for expenses actually incurred up to \$849,031 (or such amount as mutually agreed by Gordon Brothers and Debtors). Gordon Brothers will also receive a separate 15% commission for selling certain the Offered FF&E.

m. Motion of Debtors Pursuant to 11 U.S.C. §§ 105, 365, and 554 for Approval of Global Procedures for (a) Rejecting Unexpired Nonresidential Real Property Leases and (b) the Abandonment of de Minimus Assets (the “Rejection and Abandonment Motion”)

113. The Debtors have designed procedures to enable them to efficiently reject the leases of at least 40 but up to 104 Stores and to also liquidate or abandon certain of their inventory, furniture, fixtures and equipment and certain surplus, obsolete, non-core, or burdensome assets. The procedures contemplated here would enable the Debtors to expeditiously provide notice of rejection and turn over possession of the leased premises to the applicable landlords while reducing any potential on-going administrative expense liability.

114. Through the Rejection and Abandonment Motion, the Debtors have set forth procedures that permit the Debtors to expeditiously reject burdensome leases, while providing the counter-parties to the leases with notice and an opportunity to object to the rejection as described in detail in the Rejection and Abandonment Motion.

115. During the liquidation of certain of the Debtors’ assets through the Store Closing Sales and in the ordinary course of business, the Debtors anticipate that they may have the need to dispose of certain property that, in the Debtors’ business judgment and after consultation with their professionals, is of no value, inconsequential value, or is burdensome to the Debtors’ estate. While the Debtors’ will make every reasonable effort to realize some value for all assets, they anticipate that some assets will remain unsellable and should be abandoned (the “Abandonment Assets”). No asset with a fair market value, as reasonably determined by the Debtors, in excess of \$1,000.00

shall be deemed to be an Abandonment Asset. The Debtors' seek authority at this time to designate such assets as Abandonment Assets and consider them abandoned pursuant to Section 554 without further Order of this Court (the "Abandonment Procedures").

116. The definition of Abandonment Assets also expressly excludes any records detailing any of the Debtors' customers' personal information. The Debtors intend to continue to store such records until they can be properly disposed of at a later time through an appropriate motion before this Court.

n. Debtors' Motion for Entry of Interim and Final Orders (i) Authorizing the Debtors to Maintain and Administer their Existing Customer Programs and Honor Certain Prepetition Obligations Related Thereto and (ii) Granting Related Relief (the "Customer Programs Motion")

117. The Debtors have historically provided certain incentives, discounts, and accommodations to their customers to attract and maintain positive customer relationships in the ordinary course of business. On account of the Customer Programs, the Debtors may owe certain obligations to their customers as well as other third parties (collectively, the "Customer Obligations") arising both before and after the Petition Date. The Customer Programs promote customer satisfaction and inure to the goodwill of the Debtors' business and the value of their brands. Accordingly, maintaining the goodwill of their customers is important to the Debtors' ongoing operations in these Chapter 11 cases, and is necessary to maximize value for the benefit of all of the Debtors' stakeholders. The Debtor's Customer Obligations are described in detail on Exhibit A of the Customer Programs Motion. The Customer Obligations include the Debtors' Gift Card and Merchandise Credit Programs, Coupons, Sales Promotions, and Service Program (as those terms are defined in the Customer Programs Motion).

118. In addition to cash, the Debtors accept the following methods of payment from customers at in-store and online points of sale: (i) Visa, MasterCard, Discover, American Express,

and debit cards; (ii) PayPal at online points of sale only; and (iii) checks at in-store points of sale only (the “Non-Cash Payments”). To process Non-Cash Payments, the Debtors are party to certain agreements (the “Payment Processing Agreements”) with payment processors (the “Payment Processing Companies”). Pursuant to the Payment Processing Agreements, the Debtors generally receive the net customer sales less any chargebacks, returns, and processing fees charged. The processing fees charged by each company vary, but are in the range of 0.2 percent to 2.5 percent.

119. The Debtors’ continued acceptance of Non-Cash Payments is essential to the operation of the Debtors’ business because the majority of the Debtors’ sales are made using Non-Cash Payments. Declining to accept Non-Cash Payments would have a severe negative effect on the Debtors’ ongoing operations, the cost of which would be borne by their estates. To avoid disrupting these vital payment processing services, the Debtors seek authority to continue paying the Processing Obligations in the ordinary course of their business pursuant to the terms of the Payment Agreements, and request that the Court authorize the Payment Processing Companies to continue to set off the Processing Obligations against amounts remitted to the Debtors, whether arising before or after the Petition Date, in a manner consistent with past practices.

- o. Debtors’ Motion for Entry of Interim and Final Orders (i) Authorizing the Debtors to Pay Prepetition Claims of Lien Claimants, Import Claimants, and Royalty Claimants (ii) Confirming Administrative Expense Priority of Outstanding Orders, and (iii) Granting Related Relief (the “Prepetition Claim Motion”).

120. The Debtors’ business depends on the uninterrupted flow of inventory and other goods through its supply chain and distribution network, including the purchase, import, warehousing, and shipment of the Debtors’ merchandise and other personal property (the “Merchandise”). Generally, the Debtors source inventory from third-party manufacturers that supply the Debtors with bicycles and other merchandise, which are located in North America (the

“Vendors”). The Debtors utilize the services of shippers and warehousemen to transport the Merchandise from the Vendors to the Debtors (the “Shippers and Warehousemen”).

121. Additionally, the Debtors periodically employ various general contractors and vendors to assist with remodels and on-site construction and repairs at the corporate headquarters, warehouses, and retail stores (the "Non-Merchant Lienholders" and, together with the Shippers and Warehousemen, the "Lien Claimants"). In particular, the Non-Merchant Lienholders provide renovation and repair services in the Debtors' corporate headquarters, warehouses, or retail stores. Some of the Non-Merchant Lienholders are not required to perform future services, but rather perform work and related services on an order-by-order basis. It is imperative that the Non-Merchant Lienholders continue providing these services. Otherwise, the Non-Merchant Lienholders may not make necessary repairs in the Debtors' corporate headquarters, warehouses, and retail stores.

122. Under certain non-bankruptcy laws, the Lien Claimants may be able to assert liens on the goods in their possession to secure payment of the charges or expenses owed to them (the “Lien Charges”). Accordingly, in the event the Lien Charges remain unpaid, the Lien Claimants are likely to attempt to assert such possessory liens, and may refuse to deliver or release goods in their possession until their claims are satisfied and their liens redeemed. The Lien Claimants' retention of the Debtors' goods and supplies would disrupt the Debtors' operations at a time when they are sourcing Merchandise for the important holiday season and affect the Debtors' ability to efficiently administer these chapter 11 cases.

123. In connection with the import and export of goods, the Debtors may be required to pay various charges (the “Import Charges”), including customs duties, detention and demurrage fees, tariffs and excise taxes, freight forwarding, and other similar obligations. The Debtors seek

authority to pay any and all necessary and appropriate Import Charges incurred on account of prepetition transactions. Absent such payment, parties to whom the Debtors owe Import Charges (the “Import Claimants”) may interfere with the transportation of the Imported Goods. If the flow of Imported Goods were to be interrupted, the Debtors may be deprived of the inventory necessary to stock the shelves in their stores, which means the Debtors would not have inventory to sell to their customers. The ultimate value of such sales is worth far more to the Debtors (both in terms of future receipts and the maintenance of valuable customer goodwill) than the aggregate amount of incurred, but unpaid, Import Charges.

124. Prior to the Petition Date and in the ordinary course of business, the Debtors have also entered into sponsorship agreements with various athletes and/or celebrities to endorse the Debtors’ products (the “Sponsors”). As part of these sponsorship agreements, the Debtors may owe royalty payments to the Sponsors (the “Royalties”). In order to preserve the Debtors’ relationship with the Sponsors that advertise the Debtors’ products, the Debtors are requesting authority to pay such individuals the Royalties that are currently due on the normal course of business. Although some of the Royalties may have arisen prepetition, the Debtors submit that such sums are de minimus when compared to the Debtors’ overall expenditures. Paying the Sponsors the Royalties due would permit the Debtors to maintain their current advertising and marketing programs and preserve the goodwill generated by the Sponsors.

125. Given the necessity of the payments described above, the Debtors seek authority, but not direction, to pay the Lien Charges, the Import Charges, and Royalties. On behalf of the Debtors, I respectfully submit that the Court should approve the Prepetition Claim Motion.

ii. Other Motions

126. In addition to the First Day Motions, the Debtors have filed other motions on the Petition Date that do not require expedited consideration, but are still critical to these Chapter 11 Cases.

p. Debtors' Motion for Entry of an Order: (i) Approving the Sale or Sales of Up to Substantially all of the Debtors' Assets, and the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (ii) Approving Certain Bidding Procedures, Assumption and Assignment Procedures, and the Form and Manner Thereof, and (iii) Scheduling Hearings for Such Relief, and (iv) Granting Related Relief (the "Auction Motion")

127. As part of the negotiations with Wells Fargo regarding the terms and conditions of the debtor-in-possession financing facility, the Debtors agreed to several milestones related to the sale of their Assets as set forth in the Auction Motion.

128. The Debtors intend to solicit bids for all of the Assets, either on the basis of a single Debtor's Assets or some combination (including all) of the Debtors' Assets, in accordance with the Bidding Procedures. The Bidding Procedures are attached to the Auction Motion and describe among other things, the Assets available for sale, the manner in which bids become "qualified," the coordination of diligence efforts among the bidders and the Debtors, the receipt and negotiation of bids received, the conduct of an auction, the selection and approval of the Successful Bidder, and the selection of the Back-Up Bidder.

129. The Debtors' goal is to obtain maximum exposure of their Assets to potential buyers as quickly as possible under the circumstances. The Debtors, along with Wells Fargo have developed the Bidding Procedures to provide potential purchasers with flexibility to propose acquisition transactions. The Debtors will consider any transaction that will result in obtaining the highest and best value for their Assets. Whether such sales consist of the Debtors' inventory, intellectual property and brands, going-concern operations or any combination thereof. By keeping multiple transactional avenues open, the Debtors and their stakeholders can use all of the

tools available under the Bankruptcy Code to preserve value at all levels of their capital structure. The Auction Motion contemplates an Auction to be held on December 18, 2018.

q. Emergency Motion for Authority to Reject Certain Executory Contracts with Ideal Bicycle Corporation (the “Motion to Reject Ideal Contracts”)

130. The Motion to Reject Ideal Contracts seeks authority to reject certain executory contracts with Ideal Bicycle Corporation, a/k/a Ideal Bike Corporation effective as of the Petition Date. Specifically, the contracts sought to be rejected include a Trademark License Agreement between ASI, ASE and Ideal dated December 15, 2017 (the “TLA”) and a Manufacturing and Marketing Agreement between ASI and Ideal dated December 31, 2011, as amended August 15, 2016 (together, the “MMA”). The MMA sets forth the terms and conditions pursuant to which Ideal is permitted to manufacture the Debtors’ brand bicycles. The TLA and MMA set forth the terms and conditions pursuant to which Ideal may use the Debtors’ licensed trademark(s) in connection with the sale of bicycles and related parts and accessories in the territories designated by the TLA and the MMA.

131. Rejection of the TLA and MMA will substantially enhance the value of the trademark(s) that the Debtors seek to sell. After rejection of the MMA and TLA, the licensed trademark(s) will no longer be restricted by any license to Ideal of the Debtors’ trademarks. After the MMA and TLA are rejected, Ideal would not be permitted to engage in the manufacture and/or sale of bicycles and related parts and accessories that are branded with the Debtors’ trademarks.

r. Retention of Professionals and Admission *Pro Hac Vice*

132. The Debtors seek to retain the following professionals (the “Professionals”) to assist them in these Chapter 11 cases: (i) Flaster/Greenberg P.C. (bankruptcy counsel); (ii) Northen Blue, LLP (bankruptcy counsel); (iii) Clear Thinking Group, Inc. (financial advisors); (iv) DA Davidson (investment advisors); (v) A&G Realty Partners (real estate consultants); and (vi) Grant

Thornton (tax accountants). Each of these professionals provides necessary services to the Debtors to assist them in successfully navigating the Chapter 11 Cases.

133. The Debtors seek the admission, *pro hac vice*, of the following attorneys that are not admitted to practice before the United States District Court for the Middle District of North Carolina. Each attorney to be admitted *pro hac vice* is identified along with the states in which he is admitted as a member of that particular state bar in good standing: (i) William J. Burnett (PA, NJ, DE); (ii) Harry J. Giacometti (PA, NJ); (iii) E. Richard Dressel (PA, NJ); (iv) Douglas S. Stanger (NJ, NY); and (v) Damien Nicholas Tancredi (PA, NJ, DE).

s. Debtors' Motion for Establishment of Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals (the "Compensation Motion")

134. The Debtors seek to establish procedures by which professionals approved by the Court in the Chapter 11 Cases (the "Professionals") may obtain monthly payment of a portion of their fees and expenses, subject to review and adjustment in connection with regular fee applications filed with the Court.

135. As set forth on Exhibit A to the Compensation Motion, the requested procedures would permit each Professional to serve on counsel to the Debtors, the Office of the U.S. Bankruptcy Administrator, and counsel for any official committee appointed in these cases, a statement of fees and expenses incurred by the Professional during the immediately preceding month (a "Monthly Statement"). The Debtors would be authorized to pay each Professional eighty percent (80%) of fees and one hundred percent (100%) of expenses requested in the Monthly Statement in the absence of an objection received within twenty (20) days after service of the Monthly Statement. All fees and expenses of each Professional retained under Sections 327 or 1103 of the Bankruptcy Code, whether or not paid or objected to in connection with a Monthly Statement, would remain subject to review and approval by the Court in connection with interim

and final fee applications under Sections 330 and 331. The Compensation Motion will contain a formula for the allocation of fees and expenses among the jointly administered but not substantively consolidated estates.

136. The Debtors propose that these procedures also apply to members of any official committee appointed in these cases seeking reimbursement of expenses pursuant to section 503(b)(3)(F) of the Bankruptcy Code. However, these procedures will not apply to professionals retained in the ordinary course of business or those retained pursuant to 28 U.S.C. § 156 (in the case of the claims and noticing agent).


VI. Conclusion

137. For the reasons stated herein and in each of the First Day Motions filed concurrently or in connection with the commencement of these cases, I respectfully request that each of the First Day Motions be granted in its entirety, together with such other and further relief as this Court deems just and proper.

[signature page to follow]

Pursuant to 28 U.S.C. § 1746, I certify under penalty of perjury that, based upon my knowledge, information and belief as set forth in this Declaration, the foregoing is true and correct.

Executed on November 15, 2018, at Chapel Hill, North Carolina.



Patrick J. Cunnane