

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

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

Chapter 11

Case No. 16-10527 (MFW)

(Jointly Administered)

Ref. Nos. 664 and 932

**LIMITED RESPONSE OF SP IMAGES, INC. TO TERM LOAN AGENT’S REPLY
(I) IN SUPPORT OF DEBTORS’ CONSIGNED GOODS MOTION AND
OTHER FIRST DAY RELIEF; AND (II) TO VENDORS’ OBJECTIONS TO SAME**

SP Images, Inc. (“SPI”), by and through its undersigned counsel, hereby files this limited response (the “**Response**”) to the *Term Loan Agent’s Reply (i) in Support of Debtors’ Consigned Goods Motion and Other First Day Relief; and (ii) to Vendors’ Objections to Same* (the “**Reply**”) [Docket No. 932]. In support of this Response, SPI respectfully submits as follows:

BACKGROUND

1. On March 2, 2016 (the “**Petition Date**”), each of the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the District of Delaware (the “**Court**”).

2. Prior to the Petition Date, SPI and TSA Stores, Inc. (“TSA”) had entered into a consignment agreement (the “**Consignment Agreement**”), pursuant to which SPI periodically consigned goods to TSA for sale in various Sports Authority brand stores across the country. SPI’s consigned goods and the proceeds derived therefrom that were in the Debtors’ possession as of the Petition Date are referred to herein collectively as the “**SPI Property**”.



3. Prior to the Petition Date, SPI filed a UCC-1 financing statement to perfect its interests in the SPI Property. Contemporaneous with the filing of its financing statement, SPI provided written notice of its security interest to each of the existing secured lenders of TSA.

4. Despite having previously received proof of SPI's proper perfection of its security interests, on or about March 15, 2016, the Debtors commenced an adversary proceeding against SPI by filing a complaint seeking, among other things, declaratory judgment that the Debtors have a senior interest in the SPI Property (the "**Adversary Proceeding**"). In the Adversary Proceeding, the Debtors contend that SPI did not provide notice of its security interest to the Debtors' secured lenders.

5. In a letter dated March 30, 2016, SPI provided counsel for the Term Loan Lender with copies of SPI's purchase money security interest notices, together with proof of delivery to the secured lenders. Both notices were delivered *via* certified mail, return receipt requested. Attached hereto as Exhibit A is the March 30, 2016 letter to counsel for the Term Loan Lender.

RESPONSE

6. SPI files this Response to clarify an on-going misstatement in these Cases and a blatant misrepresentation by the Term Loan Lenders in their Reply. Specifically, in the Reply, the Term Loan Lenders once again wrongly allege that no vendor that is subject to the Adversary

Proceedings properly filed a financing statement or filed a financing statement prior to the 90-day preference period. *See* Reply at ¶29. However, as set forth herein, SPI has properly perfected its security interest in its consigned goods and provided the requisite notice to the Debtors' lenders.

Dated: April 4, 2016
Wilmington, Delaware

CHIPMAN BROWN CICERO & COLE, LLP

/s/ William E. Chipman, Jr.

William E. Chipman, Jr. (No. 3818)

Mark D. Olivere (No. 4291)

Hercules Plaza

1313 North Market Street, Suite 5400

Wilmington, Delaware 19801

Telephone: (302) 295-0191

Facsimile: (302) 295-0199

Email: chipman@chipmanbrown.com

olivere@chipmanbrown.com

Counsel for SP Images, Inc.

EXHIBIT A

**CHIPMAN BROWN
CICERO & COLE**

DELAWARE | NEW YORK

CHIPMAN BROWN CICERO & COLE, LLP
HERCULES PLAZA
1313 N. MARKET STREET, SUITE 5400
WILMINGTON, DELAWARE 19801
WWW.CHIPMANBROWN.COM

MARK D. OLIVERE
(302) 295-0195

OLIVERE@CHIPMANBROWN.COM

March 30, 2016

VIA E-MAIL & FEDEX

Robert Klyman, Esquire
Sabina Jacobs, Esquire
Gibson, Dunn & Crutcher LLP
333 South Grand Avenue
Los Angeles, CA 90071
RKlyman@gibsondunn.com
SJacobs@gibsondunn.com

**RE: Sports Authority Holdings, Inc., et al.
Case No. 16-10527 (MFW)**

**TSA Stores, Inc., et al. v. SP Images, Inc.
Adversary Proceeding No. 16-50342 (MFW)**

Dear Counsel:

As you may be aware, we represent SP Images, Inc. in connection with the above referenced bankruptcy cases and adversary proceeding. In the Debtors' complaint, the Debtors acknowledge that SP Images properly perfected its security interest as a consignor of goods. However, the Debtors allege, upon information and belief, that SP Images failed to provide notice of its security interest to the secured lenders. Enclosed are copies of SP Images' purchase money security interest notices delivered to the secured lenders. Both notices were delivered by Certified Mail on September 4, 2015, and October 16, 2015 (*See* attached green card receipts signed for by TSA Stores, Inc. and Bank of America, N.A.).

Sports Authority Holdings, Inc., *et al.*
March 30, 2016
Page 2

SP Images has properly perfected its interest in its consigned goods and provided the requisite notice to the Debtors' lenders. Accordingly, we request that the Debtors immediately dismiss the Complaint with prejudice. Additionally, pursuant to Judge Walrath's ruling on March 16, 2016, please remit all proceeds from the sale of SP Images' goods in accordance with the terms of its agreement with TSA Stores, Inc. As always, if you have any questions, please feel free to call.

Sincerely,



Mark D. Olivere

cc: Robert J. Stark, Esquire (via: email)
Greg Taylor, Esquire (via: email)
Daniel Butz, Esquire (via: email)
Donald E. Rothman, Esquire (via: email)



1000 Franklin Village Drive, Suite 104 Franklin, MA 02038 Office (508) 530-3225 Fax (508) 530-3691

September 2, 2015

To: Bank of America, N.A., as Collateral Agent
101 North Tryon Street, 15th Floor
Charlotte, NC 28255

7011 2970 0002 9516 1935

Re: Notice of Consignment Arrangement and PMSI

Dear Sir/Madam:

A search of the records of the office of the Department of State of Delaware indicates that you have filed one or more financing statements asserting a consignment and/or security interest in certain inventory of TSA Stores, Inc. (the “**Merchant**”). Notice is hereby given that on or after or before the date hereof, the following goods shall be delivered on consignment by or on behalf of SP Images, Inc. (the “**Consignor**”) to the Merchant, as consignee (the “**Consignee**”): sports and entertainment licensed products and any other property or goods which may from time to time be consigned by Consignor to or for the account of Merchant (such inventory, together with any and all proceeds from any sale or disposition of such inventory, is referred to collectively as the “**Consigned Merchandise**”).

The address of the Consignor (defined below) is 1000 Franklin Village Drive, Suite 104, Franklin, Massachusetts 02038.

The address of the Consignee is 1050 West Hampden Avenue, Englewood, CO 80110.

A financing statement has been filed by the Consignor covering the Consigned Merchandise. This notice is furnished to you in accordance with applicable provisions of the Uniform Commercial Code. By virtue of this notice and the provisions of the Uniform Commercial Code, the Consignor has a perfected, first priority consignment/purchase money security interest in the Consigned Merchandise, including, without limitation, the proceeds thereof. This letter shall constitute an authenticated notice of such consignment.

[SIGNATURES APPEAR NEXT PAGE]

Very truly yours,

SP Images, Inc. (the "Consignor")

By: 
Name: John Capuano
Title: Vice President



1000 Franklin Village Drive, Suite 104 Franklin, MA 02038 Office (508) 530-3225 Fax (508) 530-3691

September 2, 2015

To: Bank of America, N.A., as Collateral Agent
100 Federal Street, 9th Floor
Boston, MA 02110

7011 2970 0002 9516 1942

Re: Notice of Consignment Arrangement and PMSI

Dear Sir/Madam:

A search of the records of the office of the Department of State of Delaware indicates that you have filed one or more financing statements asserting a consignment and/or security interest in certain inventory of TSA Stores, Inc. (the “**Merchant**”). Notice is hereby given that on or after or before the date hereof, the following goods shall be delivered on consignment by or on behalf of SP Images, Inc. (the “**Consignor**”) to the Merchant, as consignee (the “**Consignee**”): sports and entertainment licensed products and any other property or goods which may from time to time be consigned by Consignor to or for the account of Merchant (such inventory, together with any and all proceeds from any sale or disposition of such inventory, is referred to collectively as the “**Consigned Merchandise**”).

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The address of the Consignee is 1050 West Hampden Avenue, Englewood, CO 80110.

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[SIGNATURES APPEAR NEXT PAGE]

Very truly yours,

SP Images, Inc. (the "Consignor")

By: 
Name: John Capuano
Title: Vice President

SENDER: COMPLETE THIS SECTION

- Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
TSA STORES, INC.
1050 W. HEMADEN AVE.
ENGLEWOOD, CO
80110

2. Article Number **7011 2970 0002 9516 1911**
 (Transfer from service label)

PS Form 3811, July 2013 Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 Addressee

B. Received by (Printed Name) _____ C. Date of Delivery _____

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail® Priority Mail Express™
 Registered Return Receipt for Merchandise
 Insured Mail Collect on Delivery

4. Restricted Delivery? (Extra Fee) Yes

SENDER: COMPLETE THIS SECTION

- Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
BANK OF AMERICA, N.A.
100 FEDERAL ST.
9th FLOOR
BOSTON, MA 02110

2. Article Number **7011 2970 0002 9516 1942**
 (Transfer from service label)

PS Form 3811, July 2013 Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 Addressee

B. Received by (Printed Name) **HOBBS HILLIS** C. Date of Delivery _____

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail® Priority Mail Express™
 Registered Return Receipt for Merchandise
 Insured Mail Collect on Delivery

4. Restricted Delivery? (Extra Fee) Yes

SENDER: COMPLETE THIS SECTION

- Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
BANK OF AMERICA
101 N. TRYON ST.
15th FLOOR
CHARLOTTE, NC 28255

2. Article Number **7011 2970 0002 9516 1935**
 (Transfer from service label)

PS Form 3811, July 2013 Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY

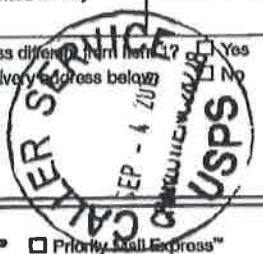
A. Signature Agent
 Addressee

B. Received by (Printed Name) **Pelley** C. Date of Delivery _____

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail® Priority Mail Express™
 Registered Return Receipt for Merchandise
 Insured Mail Collect on Delivery

4. Restricted Delivery? (Extra Fee) Yes



KELLY HART

MATTHEW W. LUENSMANN
matthew.luensmann@kellyhart.com

TELEPHONE: (817) 878-9383
FAX: (817) 878-9868

October 13, 2015

Via Certified Mail, Return Receipt Requested

7011 2970 0002 9516 2857

Bank of America, N.A., as Collateral Agent
100 North Tryon Street, Suite 170
Charlotte, NC 28202

Re: Notice of Consignment Arrangement and PMSI

Dear Sir/Madam:

Enclosed please find a Notice of Consignment Arrangement and PMSI regarding a consignment arrangement between SP Images, Inc. and TSA Stores, Inc. We received confirmation that the notice was received, but it was later returned to us.

Sincerely,



Matthew W. Luensmann

Enclosure

SP Images Consignm. Notice

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 BANK OF AMERICA
 100 N. TRYON ST. SUITE 170
 CHARLOTTE, NC 28202

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *O Spain* Agent
 Addressee

B. Received by (Printed Name) C. Date of Delivery
 /10/16

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail® Priority Mail Express™
 Registered Return Receipt for Merchandise
 Insured Mail Collect on Delivery

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number
 (Transfer from service label) 7011 2970 0002 9516 2857