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Proposed Co-Counsel for Debtors and Debtors in Possession

**IN THE UNITED STATES BANKRUPTCY COURT
 FOR THE EASTERN DISTRICT OF VIRGINIA
 RICHMOND DIVISION**

| | | |
|---|---|-------------------------|
| In re: |) | Chapter 11 |
| GUITAR CENTER, INC., <i>et al.</i> , ¹ |) | Case No. 20-34656 (KRH) |
| Debtors. |) | (Jointly Administered) |
| |) | |

**INTERIM ORDER: (I) AUTHORIZING THE
 DEBTORS TO (A) PAY PREPETITION WAGES, SALARIES, OTHER
 COMPENSATION, AND REIMBURSABLE EXPENSES, AND (B) CONTINUE
 EMPLOYEE BENEFITS PROGRAMS; AND (III) GRANTING RELATED RELIEF**

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: Guitar Center Holdings, Inc. (3262); Guitar Center, Inc. (0862); Guitar Center Stores, Inc. (4340); GTRC Services, Inc. (9503); GC Business Solutions, Inc. (3928); Guitar Center Gift Card Company, LLC (3370); Music & Arts Instructor Services, LLC (7811); and AVDG, LLC (4440). The Debtors’ service address is 5795 Lindero Canyon Rd., Westlake Village, CA 91362.

Upon the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of an interim order: (a) authorizing, but not directing, the Debtors to (i) pay all prepetition and postpetition obligations on account of the Employee Compensation and Benefits Programs in the ordinary course of business, and (ii) continue to administer the Employee Compensation and Benefits Programs, including payment of prepetition obligations related thereto; and (b) granting certain related relief, all as more fully set forth in the Motion; and this Court having reviewed the Motion and the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Standing Order of Reference from the United States District Court for the Eastern District of Virginia*, dated August 15, 1984; and this Court having found that venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors’ estates, their creditors, and other parties in interest; and this Court having found that the Debtors’ notice of the Motion and opportunity for a hearing on the relief sought in the Motion were appropriate under the circumstances and that no other or further notice need be provided; and this Court having heard the statements in support of the relief requested in the Motion at a hearing before this Court; and this Court having determined that the legal and factual bases set forth in the Motion and at the hearing establish just cause for the relief granted in this interim order (the “Interim Order”); and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is **HEREBY ORDERED THAT**:

1. The Motion is granted on an interim basis as set forth in this Interim Order.

² Capitalized terms used but not otherwise defined in this Interim Order shall have the meanings given to them in the Motion.

2. The final hearing (the “Final Hearing”) on the Motion shall be held on December 17, 2020, at 9:00 a.m., prevailing Eastern Time. Any objections or responses to entry of a final order on the Motion shall be filed on or before 4:00 p.m., prevailing Eastern Time, on December 10, 2020 (the “Objection Deadline”), and served on the Core Group, as defined in the Order: (I) *Establishing Certain Notice, Case Management, and Administrative Procedures*; and (II) *Granting Related Relief* [Docket No. 78].

3. If no objections or responses are timely filed and served as set forth in this Interim Order, the Debtors shall, on or after the Objection Deadline, submit to this Court the final order, substantially in the form annexed to the Motion as **Exhibit B**, which final order may be entered with no further notice or need for the Final Hearing.

4. The Debtors are authorized, but not directed, to pay and honor all prepetition obligations associated with the Employee Compensation and Benefits Programs, including (a) Employee Compensation; (b) Temporary Workers Compensation; (c) Independent Contractors Compensation; (d) Withholding Obligations; (e) Payroll Administration Fees; (f) Reimbursable Expenses; (g) Commissions Programs; (h) Health and Welfare Programs; (i) Paid Leave; and (j) the Non-Insider Severance Program, and to continue programs and maintain funding in the ordinary course of business; *provided* that, prior to entry of the Final Order, no payment for wages, salaries, commissions earned by an individual Employee or on account of any amount payable in connection with the Non-Insider Severance Program by any current or former Employee shall exceed \$13,650 on account of amounts that became due and payable prepetition.

5. For the avoidance of doubt, no Insider is entitled to any Commission Program payments, nor shall any Insider be paid any amounts on account of prepetition amounts due (including for the avoidance of doubt, Reimbursable Expenses) in excess of \$13,650, other than

in connection with any payment of Vacation Time, but solely to the extent required to be paid by applicable federal or state law.

6. The Debtors are authorized, but not directed, to pay any accrued but unpaid Vacation Time to any Employee whose employment terminates postpetition, including during the interim period, for which the failure to do so would result in a violation of applicable federal or state law. To the extent that any such Employee has accrued but unused Vacation Time in excess of \$13,650 at the time of their termination, the Debtors are authorized to pay such Employee the full amount owed, but solely to the extent required to be paid under applicable federal or state law.

7. For the avoidance of doubt, between entry of this Interim Order, but pending entry of the Final Order, the Debtors will not pay any amounts before they come due in accordance with past practice and will not accelerate any postpetition payments, without further order of the Court.

8. Approval of the Bonus Programs (other than the Retention Bonus Pools for Non-Insider Employees) shall be subject to entry of the Final Order.

9. The Debtors are authorized, but not directed, to make payments from the Retention Bonus Pool for Non-Insider Employees consistent with the terms set out in the Motion, *provided* that, the Debtors shall provide to the U.S. Trustee three (3) business days' prior notice of any such payment approved by the Chief Executive Officer, including the name and job title of each Employee to be paid or awarded, a description of the Employee's duties, the amount of the proposed payment, and the reasons for payment of such bonus (each a "Retention Payment Notice"). The Debtors will not make any such payment pending the resolution of a timely filed objection resulting from such Retention Payment Notice.

10. Nothing contained in the Motion or this Interim Order shall be deemed as authorizing or approving any payments or transfers that violate section 503(c) of the Bankruptcy Code.

11. The Debtors are authorized, but not directed, to modify or discontinue any Employee Compensation and Benefits Program to reduce or eliminate program expenses or the benefits provided thereunder, at any time, in their sole discretion, without prior Court approval to the extent permitted by the applicable agreement or law.

12. The Debtors are further authorized, but not directed, to discontinue the Furlough Program, hire new and/or rehire furloughed Employees, and otherwise continue any of the Employee Compensation and Benefits Programs at the levels that were in place before the Furlough Program.

13. The Debtors and any applicable third parties are authorized to continue to allocate and distribute Withholding Obligations to the appropriate third-party recipients or taxing authorities in accordance with the Debtors' stated policies and prepetition practices.

14. Pursuant to section 362(d) of the Bankruptcy Code, the automatic stay is lifted solely with respect to Employees who are pursuing their claims under the Workers' Compensation Program in the appropriate judicial or administrative forum.

15. Nothing contained in this Interim Order is intended or should be construed to create an administrative priority claim on account of any obligations owed under any Employee Compensation and Benefits Program; *provided, that*, nothing herein shall prejudice the Debtors' ability to seek approval of relief pursuant to section 503(c) of the Bankruptcy Code at a later time.

16. Notwithstanding anything to the contrary in this Interim Order, any payment made or action taken by any of the Debtors pursuant to the authority granted in this Interim Order must be in compliance with, and shall be subject to: (i) any interim or final order approving the Debtors' use of cash collateral and/or any postpetition financing facility (in either case, the "DIP Order"); and (ii) the documentation (including the budget) in respect of any such use of cash collateral and/or postpetition financing. To the extent there is any inconsistency between the terms of the DIP Order and this Interim Order, the terms of the DIP Order shall control.

17. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved in this Interim Order are authorized and directed to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Interim Order, without any duty of further inquiry and without liability for following the Debtors' instructions.

18. The Debtors are authorized, but not directed, to issue postpetition checks, and to issue postpetition fund transfer requests in replacement of any checks or fund transfer requests that are dishonored as a consequence of the filing of these cases with respect to prepetition amounts owed in connection with the relief granted in this Interim Order.

19. Notwithstanding the relief granted in this Interim Order and any actions taken pursuant to such relief, nothing in this Interim Order shall be deemed: (a) an admission as to the validity of any prepetition claim against any Debtor; (b) a waiver of the Debtors' or any other party in interest's right to dispute any prepetition claim, on any grounds; (c) a promise or

requirement to pay any prepetition claim; (d) an admission that any particular claim is of a type described in the Motion; (e) a request or authorization to assume, adopt, or reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) an admission as to the validity, priority, enforceability or perfection of any lien on, security interest in or other encumbrance on property of the Debtors' estates; or (g) a waiver of any claims or causes of action which may exist against any entity under the Bankruptcy Code or any other applicable law.

20. Nothing in this Interim Order or the Motion shall be construed as prejudicing the rights of the Debtors to dispute or contest the amount of or basis for any claims against the Debtors in connection with or relating to the payment of Employee Compensation and Benefits Programs and the other relief sought in the Motion.

21. The Motion satisfies the requirements of Bankruptcy Rule 6003(b).

22. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) are satisfied by such notice.

23. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order are immediately effective and enforceable upon its entry.

24. The requirement under Local Bankruptcy Rule 9013-1(G) to file a memorandum of points and authorities in connection with the Motion is waived.

25. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Interim Order.

26. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Interim Order.

Dated: Nov 24 2020
Richmond, Virginia

/s/ Kevin R Huennekens
UNITED STATES BANKRUPTCY JUDGE

Entered On Docket: Nov 24 2020

WE ASK FOR THIS:

/s/ Jennifer E. Wuebker

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CERTIFICATION OF ENDORSEMENT
UNDER LOCAL BANKRUPTCY RULE 9022-1(C)

Pursuant to Local Bankruptcy Rule 9022-1(C), I certify that the foregoing proposed order has been endorsed by or served upon all necessary parties.

/s/ Jennifer E. Wuebker