

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

In re:

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

Debtors.

Chapter 11

Case No. 16-10527 (MFW)

(Jointly Administered)

Ref. Docket Nos. 11, 134 & 765

**SUPPLEMENTAL ORDER APPROVING THE BONDING
AGREEMENT AND THE PROVISIONS THEREIN**

Upon the Debtors' Motion for Entry of (A) an Order (I) Authorizing Debtors to Honor and Continue Certain Customer Programs and Customer Obligations in the Ordinary Course of Business, and (II) Approving Agreement by and Between Debtors and Zurich American Insurance Company Relating to Prepetition Bonds, on an Interim Basis; and (B) a Supplemental Order Approving Such Bonding Agreement on a Final Basis and Granting Related Relief [D.I. 11] (the "Motion")² filed by the above-captioned debtors and debtors in possession (collectively, the "Debtors"); and the Court having reviewed the Motion; and the Court having found that it has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334(b) and 157, and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012; the Court having found that venue of these cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and the Court having found that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and the Court having determined

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

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



that it may enter a final order consistent with Article III of the United States Constitution; and it appearing that notice of the Motion has been given as set forth in the Motion and that such notice is adequate and no other or further notice need be given; and the Court having considered the First Day Declaration; and the Court having determined that the legal and factual basis set forth in the Motion establish just cause for the relief granted herein; and the Court having determined that the relief sought in the Motion is in the best interests of the Debtors and their estates; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED as set forth herein.
2. The Bonding Agreement, a copy of which is attached hereto as Exhibit 1, and the provisions therein are approved on a final basis.
3. The collateral received by Zurich as consideration for extending new bonding capacity, as described in and pursuant to the Bonding Agreement, allowed the Debtors' business to go forward uninterrupted and not shall not be deemed to have been a preferential transfer under section 547 of the Bankruptcy Code. This finding by the Court with respect to the absence of a preference as related to the Bonding Agreement shall be binding on the Debtors, their estates, successors, the Official Committee of Unsecured Creditors, and any trustee (including a chapter 7 trustee) subsequently appointed in these Chapter 11 Cases.
4. The types of bonds issued by Zurich are contracts to extend financial accommodations within the meaning of section 365(c)(2) of the Bankruptcy Code. Zurich is hereby deemed to have waived its right to terminate coverage as to postpetition obligations that are bonded. To the extent that Zurich pays a postpetition obligation on a bond, Zurich shall be entitled to an administrative expense priority claim under section 503 of the Bankruptcy Code.

5. Notwithstanding the relief granted in this Order and any actions taken pursuant to such relief, nothing in this Order shall be deemed (a) an admission as to the validity or priority of any claim against the Debtors or their estates; (b) a waiver of the Debtors' right to dispute any claim on any grounds; (c) a promise or requirement to pay any claim; (d) an implication or admission that any particular claim is of a type specified or defined in this Order or the Motion; (e) a request or authorization to assume any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; or (f) a waiver of the Debtors' rights under the Bankruptcy Code or any other applicable law.

6. This Court shall retain jurisdiction over any matters arising from or related to the implementation, interpretation, and enforcement of this Order.

Dated: March 24, 2016
Wilmington, Delaware



MARY F. WALRATH
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

BONDING AGREEMENT

(see attached)

**AMENDED AND RESTATED AGREEMENT TO PROVIDE SURETY
CAPACITY AS A FINANCIAL ACCOMMODATION**

This Agreement (the "Amended Agreement") is made as of February 18, 2016 by and among Zurich American Insurance Company on its own behalf and on behalf of certain of its affiliates, including without limitation, Fidelity & Deposit Company of Maryland (collectively "Zurich"), TSA Stores, Inc. ("Sports Authority"), a Delaware Corporation, and Sports Authority Holdings, Inc., Slap Shot Holdings, Corp., and The Sports Authority, Inc. (collectively with Sports Authority, the "Indemnitors").

WHEREAS, Zurich has made available to Sports Authority, The Sports Authority, Inc. and other affiliates certain bonding capacity under and pursuant to a General Agreement of Indemnity dated November 14, 2006 (the "Bonding Program"); and

WHEREAS, in January, 2016 Zurich issued Notices of Cancellation for the bonds issued pursuant to the Bonding Program, with cancellation dates mostly on or after February 22, 2016; and

WHEREAS, the Indemnitors have requested that Zurich provide replacement bonds for the bonds that it cancelled and new bonds to replace certain other bonds cancelled by an unrelated surety; and

WHEREAS, Zurich has indicated its willingness to do so on the terms and conditions set forth herein; and

WHEREAS, Zurich and the Indemnitors (together, the "Parties") previously executed that certain Agreement to Provide Surety Capacity as a Financial Accommodation, dated February 18, 2016 (the "Original Agreement"); and

WHEREAS, the Parties wish to amend and restate the Original Agreement as set forth herein.

NOW THEREFORE, be it agreed and it hereby is agreed as follows:

1. The Original Agreement is hereby superseded in its entirety by this Amended Agreement.
2. Issuance of new bonds. Because of time constraints it is physically impossible to issue new bonds before the pending expiration dates. Therefore Zurich agrees that as to the bonds with respect to which it has issued Notices of Cancellation, it will, upon receipt of the collateral described herein, rescind the notices of cancellation. For any bond where the cancellation date has occurred it will rescind those cancellations but will issue a replacement bond if the obligee so requests.
3. Upon receipt of the collateral described herein, Zurich will make available new bonding capacity in an amount not to exceed \$500,000.00 to support additional license, utility and custom bonds (the "New Bonds") with a sub-limit of no more than \$120,000.00 for utility and custom bonds.
4. In consideration of the total bonding capacity of approximately \$5,000,000.00 under the Bonding Program and as set forth in Paragraphs 1 and 2 above, the Indemnitors will cause a Letter of Credit in form and substance satisfactory to Zurich to be delivered by a financial institution satisfactory to Zurich in the amount of \$2,800,000.00. No reinstatements or issuance of New Bonds will occur until the Letter of Credit is delivered.
5. In connection with the Original Agreement, the Indemnitors executed the new General Agreement of Indemnity attached hereto as Exhibit A.
6. In the event Sports Authority and/or any of its affiliates (collectively, the "Debtors") files a voluntary petition under title 11 of the United States Code (a "Chapter 11 Proceeding"), the Debtor(s) agree to take commercially reasonable steps to procure the following

relief from the bankruptcy court with jurisdiction over the Chapter 11 Proceeding, in connection with the commencement of a Chapter 11 Proceeding; such relief a "First Day Order" if obtained at the outset of the Chapter 11 Proceeding, and a "Second Day Order," if obtained twenty-one days or later following the commencement of the Chapter 11 Proceeding:

- (a) A First Day Order permitting the payment of all licensing fees or other amounts due to state authorities, as they come due, which have been bonded by Zurich.
- (b) A First Day Order authorizing payment of all prepetition customs duties.
- (c) A First Day Order approving this Amended Agreement, on an interim basis.
- (d) A Second Day Order finding, on a final basis, that the collateral received by Zurich is not a preference and specifically approving the provisions of Paragraph 7 below.

7. The Second Day Order as described in Paragraph 6(d) above shall also acknowledge that the types of bonds issued by Zurich are contracts to extend financial accommodations within the meaning of 11 U.S.C. § 365(c)(2); provide that Zurich upon court approval is waiving its right to terminate coverage as to post-petition obligations bonded; and provide that to the extent Zurich pays a post-petition obligation on a bond it, will be entitled to an administrative expense priority claim under 11 U.S.C. § 503.

8. Indemnitors specifically acknowledge that Zurich had the legal right to cancel the bonds; that the decision by Zurich to reinstate the bonds by rescinding the cancellation and the decision to extend additional bonding capacity is new value and does not constitute an obligation substituted for an existing obligation; and that without Zurich's willingness to reinstate and issue

new bonds, the Indemnitors would have needed to post approximately \$5,000,000.00 in cash to substitute for the bonds.

9. This Amended Agreement, the General Agreement of Indemnity and any bonds issued by Zurich for the benefit of Indemnitors, constitute the full contract and agreements between the Parties and there are no oral understandings that modify the same.

Intending to be legally bound the Parties hereto hereunto set their hands and seals as of the date first above written.

ZURICH AMERICAN INSURANCE COMPANY

By: 

Title: VP National Accounts C

THE SPORTS AUTHORITY, INC.

By: 

Title: SVP

SPORTS AUTHORITY HOLDINGS, INC.

By: 

Title: SVP

SLAP SHOT HOLDINGS CORP.

By: 

Title: SVP

TSA STORES, INC.

By: 

Title: SVP