

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

HOBBICO, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 18-10055 (KG)

Jointly Administered

**Objection Deadline: March 7, 2018 at
4:00 p.m. (ET) (Requested)**

**Hearing Date: March 9, 2018 at 10:00
a.m. (ET) (Requested)**

DEBTORS' MOTION FOR (I) AN ORDER (A) ESTABLISHING BIDDING PROCEDURES FOR THE SALE OF ALL, OR SUBSTANTIALLY ALL, OF THE DEBTORS' ASSETS; (B) APPROVING POTENTIAL BID PROTECTIONS; (C) ESTABLISHING PROCEDURES RELATING TO THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (D) APPROVING FORM AND MANNER OF THE SALE, CURE AND OTHER NOTICES; AND (E) SCHEDULING AN AUCTION AND A HEARING TO CONSIDER THE APPROVAL OF THE SALE; (II) AN ORDER (A) APPROVING THE SALE OF THE DEBTORS' ASSETS FREE AND CLEAR OF CLAIMS, LIENS AND ENCUMBRANCES; AND (B) APPROVING THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; AND (III) CERTAIN RELATED RELIEF

Hobbico, Inc. ("Hobbico") and its above-captioned debtors and debtors in possession (each a "Debtor" and, collectively, the "Debtors") hereby submit this motion (the "Motion") pursuant to sections 105, 363, 364, 365 and 503 of title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (as amended, the "Bankruptcy Code"), and rules 2002, 6006, 9006, 9007 and 9014 of the Federal Rules of Bankruptcy Procedure (each a "Bankruptcy Rule," and collectively, the "Bankruptcy Rules"), for (I) an order (the "Bidding Procedures Order") substantially in the form attached hereto as **Exhibit 1** (A) approving the Debtors' proposed auction (the "Auction")

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Hobbico, Inc. (9545); Arrma Durango Limited; Axial R/C Inc. (0233); Estes-Cox Corp. (2196); Great Planes Model Manufacturing, Inc. (5259); Revell Inc. (8545); Tower Hobbies, Inc. (5185); and United Model, Inc. (5302). The Debtors' headquarters are located at 2904 Research Road, Champaign, Illinois 61822.

and bidding procedures (as the same may be amended, supplemented, or otherwise modified from time to time, the “Bidding Procedures”) in substantially the form attached as an exhibit to the Bidding Procedures Order to govern the sale (the “Sale”) of all or substantially all of the Debtors’ assets (the “Assets”); (B) approving certain bid protections in connection therewith, including potential overbid protections and a break-up fee, provided certain requirements are met, all as described in greater detail below; (C) establishing procedures for the assumption and assignment of executory contracts and unexpired leases; (D) approving the form and manner of notice of the Sale, the notice of assumption and assignment of executory contracts and unexpired leases, including the form and manner of notice of proposed cure amounts (the “Cure Notice”) and the other notices set forth herein; and (E) scheduling the Auction and a hearing before this court (the “Sale Hearing”) to consider approval of the Sale; and (II) an order in substantially the form attached as **Exhibit 2** hereto (the “Sale Order”) authorizing (A) the Sale of the acquired Assets to the bidders with the highest or otherwise best bid (the “Successful Bidders”) pursuant to potential Stalking Horse Agreements, and/or Modified Asset Purchase Agreements (as defined below), in each case free and clear of all claims, liens and encumbrances as provided therein upon the consummation of such Sale and payment in full of all consideration under the Asset Purchase Agreements; and (B) the Debtors’ assumption and assignment of the applicable executory contracts and/or unexpired leases to the Successful Bidder; and (III) certain related relief.² In support of this Motion, the Debtors respectfully state as follows:

PRELIMINARY STATEMENT

1. Headquartered in Champaign, Illinois, with global operations, the Debtors and their non-Debtor affiliates (collectively, the “Company”) comprise one of the world’s largest

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Bidding Procedures, as applicable.

designers, manufacturers and distributors of radio control (“R/C”) and general hobby products, including radio control vehicles, drones, model rockets, model kits, and general hobby products. The Company markets and sells thousands of these products across more than 250 brands, many of which are proprietary, including industry-leaders Axial, ARRMA, Revell, Estes, Great Planes Model Manufacturing, DuraTrax, and Top Flite.

2. In order to support the financial requirements of several acquisitions over the years, the Debtors incurred and began carrying a heavy debt load. Beginning in 2016, the Debtors’ businesses began to struggle due to a number of factors which included a lack of investment in product innovation and its core ecommerce platform coupled with a systemic shift in the drone market. In the second half of 2016, these challenges became more acute with the disruption of the Debtors’ supply chain in Asia due to the financial distress of multiple key suppliers. These factors all combined to negatively impact the Debtors’ sales and profitability and, in conjunction with elevated debt service obligations, resulted in defaults under their debt obligations and a sharp decrease in liquidity and financial flexibility.

3. In March 2016, the Debtors’ lenders initially declared a default under the Debtors’ secured debt facilities. While searching for additional sources of financing to supply working capital liquidity, the Debtors negotiated a series of amendments to, and forbearance periods with respect to, their senior and subordinated secured debt obligations. The Debtors also engaged in a thorough review of strategic alternatives with the advice and guidance of experienced financial and legal advisors including, but not limited to, the Debtors’ investment banker, Lincoln Partners Advisors (“Lincoln”), who were retained in April 2017. Based upon that review of available options and taking into consideration the liquidity constraints of the Debtors, which worsened in the Fall of 2017, the Debtors concluded that pursuing a going-

concern sale of substantially all the assets of the Company was the optimal course by which to maximize the value of the Company's businesses.

4. Like all retail and consumer products businesses, the Debtors' vendor, customer and employee relationships are critical to the value of the enterprise. To preserve those relationships, Lincoln initiated a sale process (the "Sale Process") in late November 2017 to identify a stalking horse that provides a clear path through and out of chapter 11 (the "Chapter 11 Case" or "Bankruptcy Proceedings"). The Sale Process has provided the Debtors with ample time to run a robust marketing process for the Debtors' assets and maximize value for stakeholders, while ensuring the business emerges from the restructuring proceedings in a reasonable time frame.

5. Specifically, pursuant to the Sale Process and the sale process for substantially all of the assets of Estes-Cox Corp. (the "Estes Sale Process") conducted by Lincoln in the fall of 2017, Lincoln has contacted a total of 432 potentially interested parties of which 184 entered into confidentiality agreements with the Debtors and received a confidential information memorandum. Subsequent to distributing the confidential information memorandum, Lincoln received a meaningful number of indications of interests for substantially all the assets of the Debtors or material business units of the Debtors and have conducted numerous telephonic and in person management presentations. Subsequent to management presentations, Lincoln has received a number of refined proposals and continues to work with these parties and others to conduct due diligence, develop potential stalking horse proposals and otherwise facilitate interest in the auction in order to ensure that the highest and best bids are achieved for the Debtors' assets.

6. Based on discussions with various of the proposed purchasers described below, the Debtors believe that, prior to the proposed Auction described below, they may be able to enter into one or more agreements (the “Stalking Horse Agreements”) for the going-concern sale (the “Stalking Horse Sale”) of the Assets with one or more potential purchasers (each, a “Potential Stalking Horse Purchaser”). The Debtors would not enter into such agreements, or grant the bid protections that the Debtors expect the Potential Stalking Horse Purchasers to request, unless such purchasers meet certain well-defined minimum requirements, as described in further detail below. Any such Stalking Horse Agreements would have the effect of setting a floor for the sale of the Debtors’ assets, thus maximizing the return for the Debtors’ stakeholders.

7. In sum, the Sale process described herein provides for, among other things, (1) repayment of certain claims held by the Debtors’ secured creditors, (2) the assumption by the purchaser(s) of certain pre- and postpetition liabilities of the Debtors, and (3) the continued operation of the Debtors’ business as a going concern under new ownership post-closing. Given the Debtors’ challenged operating performance, among other factors, leading up to the commencement of the Bankruptcy Proceedings, this proposed sale process presents the best option for maximizing the value of the Debtors’ estates and stakeholder recoveries.

JURISDICTION AND VENUE

8. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 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 “Amended Standing Order”). This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and pursuant to Local 9013-1(f), the Debtors consent to the entry of a final order by the Court in connection with this Motion to the extent it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

9. Venue of this proceeding and this Motion is proper in this judicial district pursuant to 28 U.S.C. §§ 1408 and 1409.

10. The statutory predicates for the relief sought herein are in Bankruptcy Code sections 105, 363, 364, 365 and 503 and Bankruptcy Rules 2002, 6004, 6006, 9006, 9007 and 9014.

BACKGROUND

A. General

11. On January 10, 2018 (the “Petition Date”), the Debtors other than Arrma Durango Limited each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. On the Petition Date, the Debtors other than Arrma Durango Limited also jointly filed motions or applications seeking certain typical “first day” relief. Debtor Arrma Durango Limited filed its voluntary petition and similar “first day” relief on January 26, 2018.

12. The Debtors are continuing in possession of their respective properties and are continuing to operate and maintain their business as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

13. No request has been made for the appointment of a trustee or examiner. On January 22, 2018, the United States Trustee appointed an official committee of unsecured creditors (the “Committee”) pursuant to section 1102 of the Bankruptcy Code..

14. On February 14, 2018, the Court entered that certain Order Authorizing Debtors to: (A) Use Cash Collateral on a Final Basis; (B) Incur Postpetition Debt on a Final Basis; and (C) Grant Adequate Protection and Provide Security and Other Relief to Wells Fargo Bank, National Association, As Agent, and the Other Secured Parties [Docket No. 163] (the “DIP Financing Order”), pursuant to which the Court, among other things, authorized the Debtors to

enter into that certain Debtor-in-Possession Credit Agreement dated as of January 12, 2018 (the “DIP Credit Agreement”).

B. The Potential Stalking Horse Agreements and Proposed Sale

15. As noted above, the Debtors believe that they may be able to enter into one or more Stalking Horse Agreements with one or more Potential Stalking Horse Purchasers before the Auction, described in more detail below. Because the Stalking Horse Agreements would have the effect of setting a floor and maximizing the potential proceeds of the Sale, the Debtors believe that granting certain bid protections (collectively, the “Bid Protections”) to such potential purchasers would be warranted. To ensure that any Bid Protections have the intended effect of maximizing recoveries from the Sale, the following terms represent the minimum required terms of any Stalking Horse Agreements that the Debtors may, in their discretion, enter into, subject to the Bidding Procedures.

- (a) **Qualified Bid:** The Stalking Horse Agreement(s) must qualify as a “Qualified Bid,” as that term is defined in the Bidding Procedures.
- (b) **Non-Insider:** The Stalking Horse Bidder may not be an insider of the Debtors as that term is defined in section 101(31) of the Bankruptcy Code.
- (c) **Limited Closing Conditions:** In addition to customary closing conditions, including Court approval and certain regulatory matters, the obligation of the Potential Stalking Horse Purchaser(s) to consummate the transactions contemplated by the Stalking Horse Agreement(s) will be subject to the satisfaction of only the following conditions: (i) no breach of representations and warranties; (ii) no breach of covenants; (iii) sellers shall have used commercially reasonable efforts to cause the purchaser to receive duly executed assignments, patent assignments, general trademark assignments, bills of sale or certificates of title, dated as of the Closing Date, in form and substance reasonably satisfactory to Purchaser; (iv) assumption and assignment of the designated contracts having been authorized by the Court; and (v) all designated third party consents or waivers thereof having been obtained.
- (d) **Limited Termination Rights:** The Stalking Horse Agreement(s) must provide for the termination thereof by the purchaser only under the following circumstances: (a) the consummation of the Sale has not

occurred (other than through failure of seller to comply fully with its obligations under the agreement) on or before [●]; (b) any Seller files a motion to sell all or part of the Acquired Assets to a third party other than Purchaser and shall thereafter consummate such sale; (c) any Seller's Chapter 11 Case is converted to one under Chapter 7 of the Bankruptcy Code; or (d) a Seller commits a material, unwaived, and uncured breach of any provision of the Stalking Horse Agreement or any related transition services agreement.

- (e) **Limited Bid Protections.** The Potential Stalking Horse Purchaser would be entitled to a combined break-up fee and expense reimbursement of no more than 4% of the purchase price. Neither the break-up fee or the expense reimbursement would be payable if the transaction is not consummated due to a default by the Buyer(s).

C. Bidding Procedures

16. The Debtors' ability to successfully emerge from the Bankruptcy Proceedings depends on the coordinated going-concern sale of the enterprise as contemplated herein.

17. Towards that end, and to ensure that the Debtors receive the maximum value for the Assets, the Debtors will conduct an Auction, and any Stalking Horse Agreements will be subject to higher or better offers. The Bidding Procedures will govern the conduct of the Auction for the Chapter 11 Cases, and is subject to approval by this Court. As discussed further below, the Debtors propose conducting a hearing with this Court to seek approval of the Auction and the Bidding Procedures as well as, ultimately, the Sale itself.

18. While all interested bidders should read the Bidding Procedures in their entirety, the following is a summary of their salient features:³

- (a) **Provisions Governing Qualification of Bids and Bidders:** To be eligible to participate in the Auction, each Bid, and each Bidder must, respectively, be reasonably determined by the Sellers and the Agents, in

³ The following summary is qualified in its entirety by reference to the provisions of the Bidding Procedures. In the event of any inconsistencies between the provisions of the Bidding Procedures and the terms herein, the terms of the Bidding Procedures shall govern. Unless otherwise defined in the summary set forth in the accompanying text or elsewhere in this Motion, capitalized terms shall have the meanings ascribed to them in the Bidding Procedures.

consultation with the Consultation Parties, to satisfy each of the following conditions, among others:

- *Good Faith Deposit:* Each Bid must be accompanied by a cash deposit of at least five percent (5%) of the purchase price (the “Good Faith Deposit”).
- *Higher and Better Terms:* Each Bid must be on terms that the Sellers determine are higher and better for the Sellers on a cash (or cash equivalent) basis than the terms of any Stalking Horse Agreements. In the absence of a Stalking Horse Agreement for the applicable Assets, the Debtors, with the consent of the Agents, and in consultation with the Consultation Parties, shall determine which bid(s) are the highest and best bids for the Acquired Assets.
- *Executed Agreement:* Each Bid must be based on the form asset purchase agreement attached hereto as **Exhibit 3** (the “Form APA”) or, if applicable, any Stalking Horse Agreement for the relevant Acquired Assets, and such Bid must include, among other things, binding, executed, irrevocable transaction documents, signed by an authorized representative of such Bidder, pursuant to which the Bidder proposes to effectuate an Alternate Transaction (a “Modified Asset Purchase Agreement”).
- *Scope of Bid / Lots:* A Bid must be for all or substantially all of the Acquired Assets or for one or more subsets of assets defined in the Bidding Procedures (each, a “Lot”).
- *Minimum Bid:* A Bid must have a purchase price that includes a combination of cash and the assumption of postpetition liabilities and cure costs associated with the relevant Lot, and subject to any post-closing adjustments typical of similar transactions, that, in the Sellers’ reasonable business judgment (after consultation with the Consultation Parties), has a value equal to or greater than the following, subject to the terms of these Bidding Procedures:
 - (a) For substantially all of the Acquired Assets: \$38 million;
 - (b) For the U.S. Assets Lot: \$32 million;
 - (c) For the Hobby Business Lot: \$22 million;
 - (d) For the Global Mass Market Lot: \$16 million;
 - (e) For the Global Revell Lot: \$10 million;
 - (f) For the Revell Germany Lot: \$8 million; and

(g) For the Estes-Cox Lot: \$6 million.

- *Designation of Assigned Contracts and Leases; Cure Costs:* A Bid must specifically (a) identify the executory contracts and unexpired leases with respect to which the Bidder seeks assignment from the Sellers and (b) provide for the Bidder's payment in full in cash of all of the cure costs related to any such executory contracts and unexpired leases.
- *Designation of Assumed Liabilities:* A Bid must identify all liabilities which the Bidder proposes to assume.
- *Corporate Authority:* A Bid must include written evidence demonstrating appropriate corporate authorization to consummate the proposed Alternate Transaction.
- *Disclosure of Identity of Bidder:* A Bid must fully disclose the identity of each entity that will be bidding for or purchasing the Acquired Assets.
- *Proof of Financial Ability to Perform:* A Bid must include detailed, written evidence that demonstrates that the Bidder has and will continue to have the necessary financial ability to consummate the Alternate Transaction and comply with section 365 of the Bankruptcy Code, including providing adequate assurance of future performance under all contracts to be assumed and assigned in such Alternate Transaction.
- *Regulatory and Third Party Approvals:* A Bid must set forth (a) each regulatory and third-party approval required for the Bidder to consummate the Alternate Transaction, (b) the time period within which the Bidder expects to receive such regulatory and third-party approvals, (c) those actions the Bidder will take to ensure receipt of such approvals as promptly as possible, and (d) a detailed description of any steps the Bidder will take to address any delay in obtaining such approvals (e.g. transition services agreement).
- *Contact Information and Affiliates:* A Bid must provide the identity and contact information for the Bidder and full disclosure of any affiliates of the Bidder.
- *Contingencies:* Each Bid (a) may not contain representations and warranties, covenants, or termination rights materially more onerous in the aggregate to the Sellers than those set forth in any applicable Stalking Horse Agreement and (b) may not be conditioned on obtaining financing, any internal approvals or

credit committee approvals, or on the outcome or review of due diligence.

- *Irrevocable:* Each Bid must be irrevocable until at least ten (10) business days after the conclusion of the Sale Hearing.
- *Compliance with Diligence Requests:* The Bidder submitting the Bid must have complied with reasonable requests for additional information and due diligence access from the Sellers.
- *As-Is, Where-Is:* Each Bid must include a written acknowledgement and representation that the sale will be on an “as is,” “where is” basis and that the Bidder had an opportunity to conduct and is relying solely on its own diligence in making its Bid.
- *Confidentiality Agreement:* To the extent not already executed, the Bid must include an executed Confidentiality Agreement.
- *Termination Fees:* The Bid (other than a Bid pursuant to (a) a Stalking Horse Agreement or (b) the written agreement of Sellers and Agents after consultation with the Consultation Parties) must not entitle the Bidder to any break-up fee, termination fee, expense reimbursement or similar type of payment or reimbursement.
- *Adherence to Bidding Procedures:* Each Bidder agrees to abide by and honor the terms of these Bidding Procedures and agrees not to submit a Bid or seek to reopen the Auction after conclusion of the Auction.
- *Closing Date:* The Bid must include a commitment to consummate the transactions contemplated by the Modified Asset Purchase Agreement by no later than April 5, 2018 (the “Outside Date”). In no event shall the consummation of the Sale occur later than April 5, 2018 without the written consent of the Debtors and Agents (the “Extended Outside Date”).
- *Time Frame for Closing:* The Bid must be reasonably likely to be consummated within a time frame acceptable to the Sellers and the Agents.
- *No Late Bids:* Unless otherwise ordered by a Court, the Sellers will not consider any Bids submitted after the conclusion of the Auction.

(b) **Auction, Auction Procedures and Overbids:** The Auction shall be conducted according to the following procedures, subject to the terms of the Bidding Procedures:

- *Participation:* Only the Sellers, the Consultation Parties, the Agents and the Lenders, and each of their respective counsel and advisors, any Stalking Horse Purchasers and any other Qualified Bidder, in each case, along with their representatives and counsel, may attend the Auction (such attendance to be in person) and only Stalking Horse Purchasers and any such other Qualified Bidders will be entitled to make any Bids at the Auction; provided, however, that any other material creditor may attend (but not participate in) the Auction if it provides the Sellers written notice of its intention to attend the Auction on or before the Bid Deadline. Such written notice must be sent to counsel for the Sellers via electronic mail to Nicholas M. Miller (nmiller@nge.com) and Curtis Miller (cmiller@MNAT.com).
- *Auction Baseline Bids:* Prior to commencement of the Auction, the Sellers may provide each Qualified Bidder participating in the Auction with a copy of the Modified Asset Purchase Agreement that is the highest and otherwise best Qualified Bid for the applicable Acquired Assets as determined by the Sellers, with the consent of the Agents, and in consultation with the Consultation Parties (such highest and otherwise best Qualified Bid, the “Auction Baseline Bid”). In addition, at the start of the Auction, the Sellers may describe the terms of the Auction Baseline Bids.
- *Terms of Overbids:* Any Overbid after and above the Auction Baseline Bid shall be made in increments valued at not less than such amount as shall be announced at the Auction (in an amount greater than any approved bid protections or sale-related administrative expenses), in cash or in cash equivalents or, once the cash (or cash equivalent) amount of such Overbid exceeds the cash (or cash equivalent) amount of the next highest Bid, other forms of consideration acceptable to the Sellers in consultation with the Consultation Parties.
- *Scope of Bid / Lots:* A Bid must be for all or substantially all of the Acquired Assets or for one or more of the Lots.
- *Remaining Terms Are the Same as for Qualified Bids:* Subject to the Bidding Procedures, an Overbid at the Auction must comply with the conditions for a Qualified Bid.

- *Announcement of Overbids:* The Sellers will announce at the Auction the material terms of each Overbid.
 - *Consideration of Overbids:* Subject to the deadlines set forth herein, the Sellers reserve the right to make one or more continuances of the Auction to, among other things: facilitate discussions between the Sellers and individual Qualified Bidders; allow individual Qualified Bidders to consider how they wish to proceed; modify or supplement any or all of the Auction procedures or rules; or give Qualified Bidders the opportunity to provide the Sellers with such additional evidence as the Sellers in their reasonable business judgment may require.
- (c) **Additional Procedures:** The Sellers (after consulting with the Consultation Parties) may establish at or any time prior to the Auction other or additional procedural rules that are reasonable under the circumstances for conducting the Auction so long as such rules are not inconsistent in any material respect with the Bidding Procedures or any Stalking Horse Agreements.
- (d) **Backup Bidder:** Notwithstanding anything in the Bidding Procedures to the contrary, if an Auction is conducted, the Qualified Bidder with the next highest or otherwise best Bid at the Auction with respect to some or substantially all of the Acquired Assets, as determined by the Sellers, in the exercise of their business judgment with the consent of the Agents and after consulting with the Consultation Parties, will be designated as a backup bidder (a “Backup Bidder”). A Backup Bidder shall be required to keep its last submitted Bid (the “Backup Bid”) open and irrevocable until the earlier of the consummation of the transaction with the Successful Bidder or the Extended Outside Date.
- *Closing with Backup Bidder:* Following the Sale Hearing, if a Successful Bidder fails to consummate the purchase of the Acquired Assets, the Sellers may deem the Backup Bidder for such assets to have the new Successful Bid, and the Sellers will be authorized, without further order of the Court, to consummate the transaction with such Backup Bidder at the price of its last bid. The Sellers, on their behalf and on behalf of each of their respective estates, specifically reserve the right to seek all available damages, including specific performance, from any defaulting Successful Bidder (including any Backup Bidder designated as a Successful Bidder) in accordance with the terms of the Bidding Procedures.
- (e) **Alteration of Procedures:** The Sellers reserve the right (after consulting with the Consultation Parties) to modify the Bidding Procedures and implement other or additional procedural rules that the Sellers determine,

in their business judgment will better promote the goals of the bidding process and discharge the Sellers' fiduciary duties; provided however that any modification or additions to the Bidding Procedures shall not be inconsistent with the Stalking Horse Agreements, the Bidding Procedures Order or any other Order of the Court, unless agreed in writing by the applicable Stalking Horse Purchaser or otherwise ordered by the Court.

19. Subject to the execution of acceptable Confidentiality Agreements, the Debtors will permit existing interested parties and any new prospective purchaser to perform reasonable due diligence with respect to the Assets and will assist them with such efforts.

D. Applicable Notices

20. Contemporaneously herewith, the Debtors have filed a motion (the "Motion to Expedite") to schedule an expedited hearing on the Bidding Procedures Order on or before **March 9, 2018** (the "Bidding Procedures Hearing").

21. Under Bankruptcy Rule 2002(a) and (c), the Debtors must notify their creditors of the proposed Sale, including disclosure of the time and place of the Auction and the Sale Hearing, the terms and conditions of the Sale, the Bidding Procedures and the deadline for filing any objections thereto. Accordingly, the Debtors have served a copy of this Motion and the proposed Bidding Procedures Order and Sale Order, as well as the Motion to Expedite (the "Notice of Motion") in the manner set forth below. Consistent with Local Rule 6004-1(b)(iv)(C), the Debtors have highlighted elsewhere in this Motion all provisions of the proposed Sale Order to be highlighted. In addition, paragraphs 14 and 15 of the Sale Order provide for mutual releases for the Debtors and the Successful Purchaser upon the Closing, which releases are intended to ensure that the estate achieves finality at the conclusion of the Sale Process.

22. The Debtors also propose, within three (3) days after the entry of the Bidding Procedures Order, or as soon thereafter as practicable (the "Mailing Date"), to serve a copy of the Bidding Procedures Order and the Bidding Procedures by first-class mail, postage prepaid, or

by email, where available, upon (a) all entities known to have expressed a *bona fide* interest in a transaction with respect to the Assets within the past two years; (b) all entities known to have asserted any lien, claim or encumbrance in or upon any of the Assets; (c) all federal, state and local environmental, regulatory or taxing authorities or recording offices which have a reasonably known interest in the relief requested by the Motion; (d) the U.S. Trustee; (e) counsel to any Stalking Horse Purchaser; (f) counsel to the Prepetition Agent and the Postpetition Agent for the Prepetition Lenders and Postpetition Lenders, respectively; (g) the Internal Revenue Service; (h) the SEC; (i) the U.S. Attorney for the District of Delaware; and (j) all persons and entities that have filed a request for service of filings in these Chapter 11 Cases pursuant to Bankruptcy Rule 2002.

23. In addition, on the Mailing Date, or as soon thereafter as practicable, the Debtors (or their agents) will serve by first-class mail, postage prepaid, the notice of the sale, substantially in the form attached to the Bidding Procedures Order (the “Sale Notice”), upon all other known creditors of the Debtors and all counterparties to the Debtors’ executory contracts and unexpired leases.

24. Finally, on the Mailing Date or as soon as practicable thereafter, the Debtors will cause the Sale Notice to be published on one occasion in *USA Today* and the *Champaign News-Gazette*.

E. Assumption and Assignment of the Executory Contracts and Unexpired Leases

25. In accordance with the proposed Bidding Procedures Order, on or before the Mailing Date the Debtors will file with this Court and serve on each non-Debtor counterparty to

an executory contract or unexpired lease related to the Assets the Cure Notice, substantially in the form attached to the Bidding Procedures Order.⁴ The Cure Notice shall:

- (a) state the cure amounts, if any, that the Debtors believe are necessary to assume such contracts or leases pursuant to section 365 of the Bankruptcy Code (the “Cure Amount”);
- (b) notify the non-Debtor counterparty that such party’s contract(s) or lease(s) may be assumed and assigned to the Successful Bidder of the Assets at the conclusion of the Auction;
- (c) state the date of the Sale Hearing and that objections to any Cure Amount or to assumption and assignment will be heard at the Sale Hearing, or at a later hearing, as determined by the Debtors;
- (d) state the Contract Rejection Deadline (as defined below) by which the non-Debtor counterparty shall file an objection to the Cure Amount(s) or to the assumption and assignment of the applicable contract(s) and/or lease(s) (such objection, a “Contract Objection”); provided, however, that the inclusion of a contract, lease or agreement on the Cure Notice shall not constitute an admission that such contract, lease or agreement is an executory contract or unexpired lease or that it will, in fact, be assumed and assigned in connection with the Sale of the Assets. If no Cure Amount is listed, the Debtors believe that no amount to cure defaults under the respective executory contract or unexpired lease is owed by it thereunder. The Debtors reserve all of their rights, claims and causes of action with respect to the contracts, leases and agreements listed on the Cure Notice; and

26. All Contract Objections must be filed and served so as to be received by **March 21, 2018 at 4:00 p.m. (prevailing Eastern Time)** (the “Contract Objection Deadline”).

27. The Debtors propose that any Contract Objection must be in writing and filed with the Clerk of the Court, 824 Market St. N, 3rd Floor, Wilmington, Delaware 19801, and served so as to be received by the Contract Objection Deadline, on the following parties (collectively, the “Notice Parties”): **The Sellers**, 2904 Research Road, Champaign, Illinois

⁴ The Debtors intend to serve Cure Notices on the non-Debtor counterparty to an executory contract or unexpired lease related to the Assets as soon as possible after filing their schedules and statements of financial affairs. The Debtors anticipate that they will have served the Cure Notices prior to the hearing on the present Motion.

61822, Attention: Tom O'Donoghue (tom.odonoghue@cr3partners.com); **Counsel to the Sellers**, Neal Gerber & Eisenberg, LLP, 2 N. LaSalle Street, Suite 1700, Chicago, Illinois 60602, Attention: Nicholas M. Miller (nmiller@nge.com) and Mark A. Berkoff (mberkoff@nge.com); and Morris, Nichols, Arsht & Tunnell LLP, 1201 N. Market Street, 16th Floor, Wilmington, Delaware 19899, Attention: Curtis Miller (cmiller@MNAT.com) and Robert J. Dehney (rdehney@MNAT.com); **Financial advisor to the Sellers**, Lincoln Partners Advisors LLC, 633 West Fifth Street, Suite 6650, Los Angeles, California 90071, Attention: Alexander W. Stevenson (AStevenson@lincolninternational.com) and Sherman Guillema (SGuillema@lincolninternational.com); **Counsel to Wells Fargo Bank, National Association, in its capacity as Prepetition Agent and Postpetition Agent (in such capacities, the "Agents") for the Prepetition Lenders and the Postpetition Lenders (collectively, the "Lenders"), respectively**, Goldberg Kohn Ltd., 55 East Monroe Street, Suite 3300, Chicago, Illinois 60603, Attention: Randall L. Klein (randall.klein@goldbergkohn.com) and Zachary J. Garrett (zachary.garrett@goldbergkohn.com), and Burr & Forman LLP, 1201 Market Street, Suite 1407, Wilmington, Delaware 19801, Attention: J. Cory Falgowski (jfalowski@burr.com); **Financial advisor to the Agent**, Focus Management Group USA, Inc., 5001 West Lemon Street, Tampa, Florida 33609, Attention: Robert O. Riiska (r.riiska@focusmg.com) and Samuel M. Williams (s.williams@focusmg.com); **counsel to the Official Committee of Unsecured Creditors (the "Committee")**, Cullen and Dykman LLP, The Legal Center, One Riverfront Plaza, Newark, NJ 07102, Attention: S. Jason Teele (steale@cullenanddykman.com), and Whiteford Taylor Preston LLC, The Renaissance Center, Suite 500, 405 North King Street, Wilmington, Delaware 19801, Attention: Christopher M. Samis (CSamis@wtplaw.com); and **financial advisor to the Committee**, Emerald Capital

Advisors, 70 E. 55th Street, 17th Floor, New York, NY 10022, Attention: John P. Madden (jpm@emeraldcapitaladvisors.com).

28. Any Contract Objection must state (a) the basis for such objection, including objections regarding any Stalking Horse Purchaser's ability to provide adequate assurance of future performance under any executory contract or unexpired lease, and (b) with specificity what Cure Amount(s) the non-Debtor counterparty to the relevant executory contract(s) or unexpired lease(s) believes is required (in all cases with appropriate documentation in support thereof).

29. Any Contract Objection solely to the Cure Amount(s) may not prevent or delay the Debtors' assumption and assignment of assumed and assigned contract(s) or lease(s). If a party objects solely to Cure Amount(s), the Debtors may, with the consent of the relevant Successful Bidder, hold the claimed Cure Amount(s) in reserve pending further order of the Court or mutual agreement of the parties. So long as the Cure Amount(s) are held in reserve, and there are no other unresolved objections to assumption and assignment of the applicable assumed and assigned contract(s) or lease(s), the Debtors can, without further delay, assume and assign such contract(s) or lease(s). Under such circumstances, the objecting non-Debtor counterparty's recourse is limited to the funds held in reserve.

30. If no objection to the Cure Amount(s) is timely received, the Cure Amount(s) set forth in the Cure Notice shall be controlling notwithstanding anything to the contrary in any assigned contract(s) or lease(s) or other document(s) as of the date of the Cure Notice.

31. As soon as reasonably practicable after receiving the schedule from any Stalking Horse Bidder or other Qualified Bidder, the Debtors will prepare and file a list of those executory contracts and unexpired leases that such bidders elect to have assumed and assigned

(the “Designated Contracts”) at Closing pursuant to section 365 of the Bankruptcy Code, subject to any right to add or delete executory contracts or unexpired leases in accordance with the applicable Stalking Horse Agreement.

32. As soon as reasonably practicable thereafter, the Debtors will post on the website for the Bankruptcy Proceedings (the “Case Website”) (a) the list of any Designated Contracts, which the Debtors will update as and when executory contracts or unexpired leases are added or deleted by any such Bidders and (b) a description of the Bidders and information as to the Bidders’ ability to perform the Debtors’ obligations under the relevant Designated Contracts.

33. To the extent that any non-Debtor counterparty wishes to object to the adequate assurance of future performance by a Qualified Bidder (other than a Stalking Horse Bidder) under the applicable executory contract(s) or unexpired lease(s) (an “Adequate Assurance Objection” and together with a Contract Objection, an “Objection”), then such non-Debtor counterparty shall file a written Adequate Assurance Objection with the Court and serve such objection on the Debtors, the Notice Parties and the applicable Qualified Bidder(s) so that such Adequate Assurance Objection is received on or before **12:00 p.m. (prevailing Eastern Time) on Tuesday, March 27, 2018** (the “Adequate Assurance Objection Deadline”). An Adequate Assurance Objection shall be filed on or before the Adequate Assurance Objection Deadline in accordance with, and subject to, the Contract Objection Procedures set forth above.

34. To the extent that any non-Debtor counterparty does not timely file and serve an Objection as set forth above, such counterparty will be: (i) deemed to have consented to the Cure Amount(s), if any, set forth in the Cure Notice; (ii) barred, estopped and enjoined from asserting any additional Cure Amount(s) under the assumed and assigned executory contract(s) or unexpired lease(s); (iii) barred from objecting to the assumption and assignment of the

applicable assumed and assigned executory contract(s) or unexpired lease(s) to the Successful Bidder, and (iv) barred from objecting to adequate assurance of future performance by the Successful Bidder.

F. Request to Set a Date for the Sale Hearing and Sale Objection Deadline

35. The Debtors intend to present the Successful Bid for approval by Court at the Sale Hearing currently proposed on **March 28, 2018** at 10:00 a.m. The Debtors shall be deemed to have accepted a bid only when the bid has been approved by the Court at the Sale Hearing.

36. All objections to the Sale (a “Sale Objection”) must be in writing and filed on and served so as to be received by **March 21, 2018** at 4:00 p.m. (prevailing Eastern Time) (the “Sale Objection Deadline”) with the Clerk of the Court, 824 Market St. N, 3rd Floor, Wilmington, Delaware 19801. In addition, any Sale Objection must be served on the Notice Parties so as to be received on the Sale Objection Deadline. Notwithstanding the foregoing, any Sale Objection of any Agent or any Lender shall be in writing, filed with the Court, and served so as to be received by the Notice Parties on or before 4:00 p.m. (prevailing Eastern Time) on the later of (a) **March 27, 2018** or (b) if the Sale Hearing is adjourned or otherwise rescheduled, the day prior to the date of the Sale Hearing.

G. Table of Relevant Dates

37. The following table summarizes the proposed dates requested in connection with the Sale Process:

Bidding Procedures Objection Deadline	March 7, 2018
Bidding Procedures Hearing	March 9, 2018
Service of Sale Notice	March 12, 2018
Publication of Sale Notice	March 12, 2018
Service of Cure Notice	March 12, 2018
Publication of Designated Contracts	March 12, 2018
Contract Objection Deadline / Sale Objection Deadline	March 21, 2018
Bid Submission Deadline	March 23, 2018

Auction	March 26, 2018
Adequate Assurance Objection Deadline	March 27, 2018
Sale Hearing	March 28, 2018

BASIS FOR RELIEF

H. The Bidding Procedures Are Fair and Reasonable

38. In accordance with Bankruptcy Rule 6004(f)(1), sales of property outside the ordinary course of business may be by private sale or by auction. In accordance with the Bidding Procedures, the Debtors seek to market the Assets through a competitive bidding process to maximize value and avoid the further deterioration of the Debtors' business through a prompt sale of the Assets. Consequently, the Debtors believe that good cause exists to expose their assets to sale at auction and to approve the procedures proposed herein. An auction conducted substantially in accordance with the Bidding Procedures will enable the Debtors to obtain the highest and best offers for the Assets.

39. The Debtors believe that the Bidding Procedures are appropriate under sections 105 and 363 of the Bankruptcy Code to ensure that the bidding and sale process is conducted fairly and will yield the highest value for their estates and creditors. The Bidding Procedures are designed to facilitate a competitive bidding process in which all potential bidders are encouraged to participate and submit competing bids for Assets as provided in the Bidding Procedures. The Bidding Procedures also provide potential bidders with sufficient notice and opportunity to acquire information necessary to submit a timely and informed bid. Thus, the Debtors and all parties in interest can be assured that the consideration for the Assets will be fair and reasonable. At the same time, the Bidding Procedures provide the Debtors with the opportunity to consider all competing offers and to select, in their reasonable business judgment, and after consultation with the Consultation Parties, the highest and best offer for the Assets.

40. The Debtors believe that the Bidding Procedures provide an appropriate framework for the sale of the Assets that will enable the Debtors to review, analyze and compare, in a relatively uniform fashion, all offers received to determine which offer is the highest and best and in the best interests of the Debtors' estates and creditors. The Debtors believe that the proposed deadlines and milestones for noticing, marketing and selling the Assets offer potential bidders ample opportunity to prepare and submit Qualified Bids. Accordingly, the Debtors believe the Court should approve the Bidding Procedures. Similar procedures have been routinely approved, including in the context of asset sales involving debtor assets in the United States. See, e.g., In re Phoenix Brands, LLC, et al., Case No. 16-11242 (BLS) (Bankr. D. Del. June 7, 2016); In re Nortel Networks Inc., et al., Case No. 09-10138 (Bankr. D. Del. Mar. 3, 2009); In re the Great Atlantic & Pacific Tea Company, Inc., Case No. 15-23007 (SCC) (Bankr. S.D.N.Y. Aug. 11, 2015); In re Delia's, Inc., Case No. 14-23678 (RDD) (Bankr. S.D.N.Y. Feb. 10, 2015); In re Synagro Technologies, Inc., Case No. 13-11041 (BLS) (Bankr. D. Del. May 13, 2013); In re ICL Holding Company, Inc. (f/k/a LCI Holding Company, Inc.), Case No. 12-13319 (KG) (Bankr. D. Del. Jan. 25, 2013).

I. Approval of the Sale is Warranted Under Bankruptcy Code Section 363(b)

41. Compelling business justifications exist for the proposed Sale. Absent the transactions contemplated by the Sale Process and the DIP Credit Agreement, the Debtors would have run out of money and might have been forced to liquidate. The Sale Process provides adequate opportunity to market the business without lingering unnecessarily in bankruptcy. Given the significant value of the Company's brands, and the negative impact the proceedings may have on its brands, the Debtors cannot afford to linger in bankruptcy. As a result, and cognizant of their fiduciary obligation to maximize distributable value for all creditors, the Debtors believe that a sale of substantially all of their assets offers the best available alternative

for the business and the Debtors' stakeholders. Accordingly, the Debtors have determined that they should pursue the Sale of the Assets as set forth in the Bidding Procedures.

42. The Sale pursuant to section 363 of the Bankruptcy Code will enable the expeditious transfer of the Assets, an approach necessary to maximize and preserve the going-concern value of such Assets. Section 363 of the Bankruptcy Code provides that “[t]he [debtor-in-possession], after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate . . .” 11 U.S.C. § 363(b)(1). “It is a well-established principle of bankruptcy law that the . . . Debtor’s duty with respect to such sales is to obtain the highest price or greatest overall benefit possible for the estate.” Official Comm. of Subordinated Bondholders v. Integrated Res., Inc. (In re Integrated Res., Inc.), 147 B.R. 650, 659 (S.D.N.Y. 1992). Following the decision in In re Abbotts Dairies of Pennsylvania, Inc., 788 F.2d 143 (3d Cir. 1986), courts have used the “sound business purpose” standard for approving sales pursuant to section 363. See, e.g., In re ICL Holding Co. Inc., 802 F.3d 547, 551 (3d Cir. 2015); Myers v. Martin (In re Martin), 91 F.3d 389, 395 (3d Cir. 1996); In re Lionel Corp., 722 F.2d 1063, 107071 (2d Cir. 1983); In re Gulf Coast Oil Corp., 404 B.R. 407, 417-18 (Bankr. S.D. Tex. 2009); Dai-Ichi Kangyo Bank Ltd. v. Montgomery Ward Holding Corp. (In re Montgomery Ward Holding Corp.), 242 B.R. 147, 153 (Bankr. D. Del. 1999).

43. “In evaluating whether a sound business purpose justifies sale of property under Section 363, courts consider a variety of factors, which essentially represent a ‘business judgment’ test.” In re Culp, 550 B.R. 683, 697 (Bankr. D. Del. 2015). The “sound business purpose” test requires a debtor to establish: “(1) a sound business purpose exists; (2) the sale price is fair; (3) the debtor has provided adequate and reasonable notice; and (4) the purchaser

has acted in good faith.” In re Decora Indus., Inc., No. 00-4459, 2002 WL 32332749, at *2 (D. Del. May 20, 2002) (citing Del. & Hudson Ry. Co., 124 B.R. at 176).

44. As discussed above, the Debtors have concluded that, in light of the nature of the Debtors’ business and the liquidity problems they face, the Sale of the Assets presents the best alternative for the Company and maximizes stakeholder recoveries. Pursuing the Sale through the proposed Bidding Procedures will ensure that the Debtors can complete a transaction within a reasonable time, thereby preserving the value of the Debtors’ brands and limiting the time and cost spent during the course of the Bankruptcy Proceedings. Consequently, the proposed Sale of the Assets in accordance with the Bidding Procedures satisfies the “sound business purpose” test for the sale of assets outside the ordinary course of business under Bankruptcy Code section 363(b).

45. While the Debtors are confident that the Purchase Prices set forth in any Stalking Horse Agreements would represent fair and reasonable consideration for the Assets, adequate “market exposure” and the auction process — the best means for establishing whether a fair and reasonable price is being paid — will provide additional support.

46. In addition to a fair and reasonable value offered by the Successful Bidders for the Assets, the Sale will be the product of vigorous arms’-length, good faith negotiations between the relevant parties. In particular, the negotiations of any Stalking Horse Agreements will have involved substantial time and energy by the Sellers and such Stalking Horse Purchasers and their respective professionals, and any Stalking Horse Agreements would reflect a give-and-take, with substantial compromises and concessions made by all sides.

47. Accordingly, the Debtors submit that the Sale of the Assets as contemplated herein and in the Bidding Procedures is in the best interests of the Debtors, their estates and creditors, and should be approved.

J. The Acquired Assets Should be Sold Free and Clear of Claims, Liens and Encumbrances Under 11 U.S.C. § 363(1)

48. The Debtors also submit that, subject to the consummation of the Sale and payment in full of all of the consideration under the Asset Purchase Agreements, the Sale of the Assets that are acquired pursuant to the Asset Purchase Agreements should be free and clear of any and all claims, liens and encumbrances under Bankruptcy Code section 363(f) (other than Assumed Liabilities and Permitted Encumbrances as provided in any Asset Purchase Agreements submitted by Qualified Bidders). Bankruptcy Code section 363(f) permits a debtor to sell property free and clear of third-party interests only if:

(1) applicable nonbankruptcy law permits sale of such property free and clear of such interests; (2) such entity consents; (3) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property; (4) such interest is in bona fide dispute; or (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f). Since section 363(f) of the Bankruptcy Code is written in the disjunctive, any of the five conditions provides authority to sell free and clear of claims, liens and encumbrances. See In re Pacific Energy Resources Ltd., et al., Case No. 09-10785 (KJC) D. Del. Aug. 18, 2009); In re Flying J Inc., et al., Case No. 08-1334 (MFW) (Bankr. D. Del. July 27, 2009); In re Dundee Equity Corp., 1992 WL 53743, at *4 (Bankr. S.D.N.Y. Mar. 6, 1992); In re Collins, 180 B.R. 447, 450 (Bankr. E.D. Va. 1995).

49. The Debtors submit that each lien that is not an assumed liability or permitted encumbrance under any Asset Purchase Agreements submitted by Qualified Bidders satisfies at

least one of the five conditions of section 363(f) of the Bankruptcy Code. If an entity with liens on the Assets does not consent to the proposed Sale of such assets, the Debtors intend to demonstrate at the Sale Hearing their satisfaction of the requirements of section 363(f) of the Bankruptcy Code. Alternatively, the Debtors may, subject to the consummation of the Sale and payment in full of all of the consideration under the Asset Purchase Agreements, sell the Assets that are acquired pursuant to the Asset Purchase Agreements free and clear of any other interests under section 363(f)(5) of the Bankruptcy Code because the liens on any assets sold will attach to the proceeds of the Sale in their order of priority and entities holding such interests could be compelled to accept money satisfaction in legal or equitable proceedings. Accordingly, pursuant to Bankruptcy Code section 363, the Debtors may sell the Assets that are acquired pursuant to any Asset Purchase Agreements free and clear of all claims, liens and encumbrances upon the consummation of such Sale.

50. Moreover, the Debtors will send the Sale Notice to any purported lienholders. If such lienholders do not object to the proposed Sale, then their consent should reasonably be presumed. Accordingly, the Debtors request that unless a party asserting a lien on any of the Assets (other than with respect to Assumed Liabilities and Permitted Encumbrances) timely objects to this Motion, such party shall be deemed to have consented to any Sale approved at the Sale Hearing. See Hargave v. Twp. of Pemberton, 175 B.R. 855, 858 (Bankr. D.N.J. 1994) (by not objecting to sale motion, creditor deemed to consent); Pelican Homestead v. Wooten, 61 B.R. 661, 667 (Bankr. W.D. La. 1985) (same).

51. Subject to the consummation of the Sale and payment in full of all of the consideration under the Asset Purchase Agreements, it is also appropriate to sell the Assets that are acquired pursuant to the Asset Purchase Agreements free and clear of successor liability

relating to the Debtors' businesses. Such limitations on successor liability ensure that any Successful Bidder is protected from claims or lawsuits premised on the theory that the Successful Bidder is a successor in interest to one or more of the Debtors. Courts have consistently held that a buyer of a debtor's assets pursuant to a section 363 sale takes free and clear from successor liability relating to the debtor's business. See, e.g., In re Tran World Airlines, Inc., 322 F.3d 283, 288-90 (3d Cir. 2003) (sale of assets pursuant to section 363(f) barred successor liability claims for employment discrimination and rights under travel voucher program); In re Leckie Smokeless Coal Co., 99 F.3d 573, 585 (4th Cir. 1996) (affirming the sale of debtors' assets free and clear of certain taxes); In re Ormet, 2014 WL 3542133 (Bankr. D. July 17, 2014) (permitting a sale free and clear of successor liability claims relating to an underfunded pension plan); In re Insilco Techs., Inc., 351 B.R. 313, 322 (Bankr. D. Del. 2006) (stating that a 363 sale permits a buyer to take ownership of property without concern that a creditor will file suit based on a successor liability theory).

52. The purpose of a sale order purporting to authorize the transfer of assets free and clear of all claims, liens and encumbrances would be defeated if claimants could thereafter use the transfer as a basis to assert claims against a purchaser arising from a seller's pre-sale conduct. Moreover, without such assurances, potential bidders may choose not to participate in the Auction or, if they did, would submit reduced bid amounts. To that end, the Successful Bidder(s) should not be liable under any theory of successor liability relating to the Debtors' businesses, but should hold the Assets that are acquired pursuant to the applicable Asset Purchase Agreement free and clear upon consummation of such Sale.

K. A Successful Bidder Should be Entitled to the Protections of Bankruptcy Code Section 363(m)

53. Pursuant to section 363(m) of the Bankruptcy Code, a good faith purchaser is one who purchases assets for value, in good faith, and without notice of adverse claims. See In re Abbotts Dairies of Pennsylvania, Inc., 788 F.2d 143, 147 (3d Cir. 1986); Miami Ctr. Ltd. P'ship v. Bank of New York, 838 F.2d 1547, 1554 (11th Cir. 1988); In re Mark Bell Furniture Warehouse, Inc., 992 F.2d 7, 9 (1st Cir. 1993); In re Willemain v. Kivitz, 764 F.2d 1019, 1023 (4th Cir. 1985); In re Congoleum Corp., Case No. 03-51524, 2007 WL 1428477 (Bankr. D.N.J. May 11, 2007); In re Temtechco, Inc., 1998 WL 887256, at *4 (D. Del. 1998).

54. As noted above, any Asset Purchase Agreement executed by a Successful Bidder will have been negotiated at arm's-length and in good faith in accordance with the Bidding Procedures, with each of the parties represented by its own advisors and counsel. Accordingly, the Debtors request that the Sale Order include a provision that any Successful Bidder for the Assets is a "good faith" purchaser within the meaning of section 363(m) of the Bankruptcy Code. The Debtors maintain that providing the Successful Bidders with such protection will ensure that the maximum price will be received by the Debtors for the Assets.

L. Assumption and Assignment of Certain Executory Contracts and Unexpired Leases

55. To enhance the value of the Debtors' estates (by curtailing further administrative liability and eliminating substantial rejection claims), the Debtors request authority under section 365 of the Bankruptcy Code to assume and assign the executory contracts and/or unexpired leases associated with the Subject Assets to the Successful Bidder. The Debtors further request that the Sale Order provide that the assigned executory contracts and/or unexpired leases will be transferred to, and remain in full force and effect for the benefit of, the Successful Bidder(s) notwithstanding any provisions in such assigned contracts and/or leases, including

those described in Bankruptcy Code sections 365(b)(2), (f)(1) and (f)(3), that prohibit such assignments.

56. The Debtors may, subject to Court approval, assume and assign executory contracts and unexpired leases under Bankruptcy Code section 365. 11 U.S.C. § 365(a). Courts routinely approve motions to assume, assume and assign, or reject executory contracts or unexpired leases upon a showing that a debtor's decision to take such action will benefit the debtor's estate and is an exercise of sound business judgment. See, e.g., In re Fleming Co. Inc., 499 F.3d 300, 305 (3d Cir. 2007); Cinicola v. Scharffberger, 248 F.3d 110, 120 (3d Cir. 2001); L.R.S.C. Co. v. Rickel Home Ctrs., Inc. (In re Rickel Home Ctrs., Inc.), 209 F.3d 291, 298 (3d Cir. 2000); In re Market Square Inn, Inc., 978 F.2d 116, 121 (3d Cir. 1992); Sharon Steel National Fuel Gas Distrib. Corp. (In re Sharon Steel Corp.), 872 F.2d 36, 39-40 (3d Cir. 1989); In re NII Holdings, Inc., Case No. 14-12611 (SCC) (Bankr. S.D.N.Y. Apr. 20, 2015); In re Delia's, Inc., Case No. 14-23678 (RDD) (Bankr. S.D.N.Y. Dec. 24, 2014); In re HQ Global Holdings, Inc., 290 B.R. 507, 511 (Bankr. D. Del. 2003). The assumption and assignment of the executory contracts and/or unexpired leases related to the Assets is an integral component of the Sale, without which the Sale would not be a viable option.

57. Section 365(b)(1) of the Bankruptcy Code requires that, if there has been a default in a debtor's unexpired lease or executory contract, other than certain nonmonetary defaults as set forth in the statute, such unexpired lease or executory contract may not be assumed unless, at the time of the assumption, (i) such default is cured or there is adequate assurance that such default will be cured, (ii) compensation or adequate assurance of compensation is provided for any actual pecuniary loss resulting from such default and (iii) adequate assurance of future performance under the lease is provided. 11 U.S.C. § 365(b)(1)(A)-(C).

58. The meaning of “adequate assurance of future performance” depends on the facts and circumstances of each case, but should be given “practical, pragmatic construction.” EBG Midtown South Corp. v. McLaren/Hart Env. Eng’ g Corp. (In re Sanshoe Worldwide), 139 B.R. 585, 593 (S.D.N.Y. 1992); see also In re Fleming Co. Inc., 499 F.3d 300, 305 (3d Cir. 2007); Cinicola v. Scharffeberger, 248 F.3d 110, 120 (3d Cir. 2001).

59. As set forth above, pursuant to the terms of the proposed Bidding Procedures Order, the Debtors will send the Cure Notice to all counterparties to the executory contracts and unexpired leases notifying such counterparties of the potential assumption by the Debtors and assignment to the Successful Bidder of such contracts and/or leases. The Cure Notice will also set forth the Cure Amount, if any, owing for each such contracts and/or leases according to the Debtors’ books and records.

60. Counterparties to such contracts and/or leases will be given sufficient time (as set forth herein and in the proposed Bidding Procedures Order) to object to the proposed Cure Amounts, if any, set forth in the Cure Notice. If no objection is filed with regard to a particular Cure Amount, such Cure Amount shall be binding on the Debtors, the Successful Bidder(s) and the applicable non-Debtor counterparty. The payment of the Cure Amounts specified in the Cure Notice (or a different amount, either agreed to by the Debtors or resolved by this Court as a result of a timely-filed objection by the relevant non-Debtor counterparty) will be in full and final satisfaction of all obligations to cure defaults and compensate the counterparties for any pecuniary losses under the applicable executory contract(s) and/or lease(s) pursuant to Bankruptcy Code section 365(b)(1), unless the Debtors determine, before the Sale Hearing, that a particular lease or contract is not truly executory, and does not need to be cured to transfer the Assets to the Successful Bidder.

61. Bankruptcy Code section 365(f)(2)(B) states that a debtor may assign its unexpired leases and executory contracts if, *inter alia*, the assignee provides “adequate assurance of future performance.” 11 U.S.C. § 365(f)(2)(B). If necessary, the Successful Bidder must submit, among other things, written evidence of the ability to provide adequate assurance of future performance under the applicable contracts or leases as set forth above and in the Bidding Procedures Order. The affected non-Debtor counterparties will also be able to challenge the ability of the Successful Bidder to provide adequate assurance as provided in the Bidding Procedures Order.

62. Any assumption and assignment of an assigned contract and/or lease will be subject to all of the provisions of such contract and/or lease, to the extent required by applicable law and in accordance with applicable provisions of the Bankruptcy Code. The Bidding Procedures are designed to ensure that any Successful Bidder is financially able and prepared to undertake all of the relevant obligations under the assigned contracts and/or leases. The Debtors, together with the relevant Successful Bidder, will establish, as necessary, at the Sale Hearing, the requisite adequate assurance of future performance pursuant to Bankruptcy Code section 365 with respect to the potential assumption and assignment of the applicable assigned contracts and/or leases. Consequently, assumption and assignment of the assigned executory contracts and/or leases in connection with the Sale of the Assets is appropriate under the circumstances.

M. Holders of Prepetition Debt and Postpetition Debt Are Allowed To Credit Bid Their Claims

63. Pursuant to the Bidding Procedures, and as provided in the DIP Financing Order, the Prepetition Agent and the Postpetition Agent, for and on behalf of the Prepetition Lenders and the Postpetition Lenders, respectively, are entitled to credit bid any amounts outstanding in

respect of the Prepetition Debt and the Postpetition Debt (as such terms are defined in the DIP Financing Order).

64. Bankruptcy Code section 363(k) states: “[a]t a sale under subsection (b) of [Section 363] of property that is subject to a lien that secures an allowed claim, if the holder of such claim purchases such property, such holder may offset such claim against the purchase price of such property.” 11 U.S.C. § 363(k). Based upon this provision of the Bankruptcy Code, “[i]t is well settled among district and bankruptcy courts that creditors can bid the full face value of their secured claims under § 363(k).” Cohen v. KB Mezzanine Fund II, LP (In re SubMicron Sys. Corp.), 432 F.3d 448, 459 (3d Cir. 2006); see also RadLAX Gateway Hotel, LLC v. Amalgamated Bank, 132 S. Ct. 2065 (2012) (upholding a secured creditor’s right to credit bid, stating that it “helps to protect . . . against the risk that its collateral will be sold at a depressed price”). In addition, district and bankruptcy courts in this and other circuits have endorsed credit bidding in the full amount of the secured creditor’s claim. See, e.g., In re SubMicron Systems Corp., 432 F.3d 448, 459-60 (3d Cir. 2006) (“It is well settled among district and bankruptcy courts that creditors can bid the full face value of their secured claims under § 363(k). . . The Third Circuit has held that ‘logic demands that § 363(k) be interpreted this way; interpreting it to cap bids at the economic value of the underlying collateral is nonsensical.”); In re Radnor Holdings, Corp., 353 B.R. 820, 846 (Bankr. D. Del. 2006) (finding a credit bid valid where the bid was to the fullest extent allowed by § 363(k), namely, the full amount of the claim, plus post-petition interest and expenses that constituted obligations under the agreement); In re Morgan House Gen. P’ship, Nos. 96-MC-184 & 96-MC-185, 1997 WL 50419, at *1 (E.D. Pa. Feb. 7, 1997) (holding that secured creditors may bid “to the extent of [their] claim” under § 363(k)); In re Midway Invs., Ltd., 187 B.R. 382, 391 n. 12 (Bankr. S.D. Fla. 1995) (“[A]

secured creditor may bid in the full amount of the creditor's allowed claim, including the secured portion and any unsecured portion thereof" (citing legislative history) (alteration in original) (internal quotation marks omitted)); In re Realty Invs., Ltd. V, 72 B.R. 143, 146 (Bankr. C.D. Cal. 1987) (same); see also Criimi Mae Servs. Ltd. P'ship v. WDH Howell, LLC (In re WDH Howell, LLC), 298 B.R. 527, 532 n. 8 (Bankr. D.N.J. 2003). Accordingly, holders of the Prepetition Debt and the Postpetition Debt can bid all or any portion of such obligations to the fullest extent permitted by the DIP Financing Order and the section 363(k) of the Bankruptcy Code.

N. The Potential Bid Protections Are Fair and Reasonable and Should Be Approved

65. Approval of bid protections in connection with the sale of significant assets is analyzed under the business judgment standard and courts routinely deem bid protections appropriate in chapter 11 cases. See In re Integrated Res., Inc., 147 B.R. 650, 657-58 (S.D.N.Y. 1992) (noting that overbid procedures and break-up fee arrangements that have been negotiated by a debtor are to be reviewed according to the deferential "business judgment" standard, under which such procedures and arrangements are "presumptively valid"); In re 995 Fifth Ave. Assoc., L.P., 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1989) (holding that the business judgment standard protects break-up fees and other provisions negotiated in good faith). The Third Circuit has held that there is no "compelling justification for treating an application for a break-up fee and expenses under § 503(b) differently from other applications for administrative expenses under the same provision." See, e.g., Reliant Energy Channelview LP v. Kelson Channelview LLC (In re Reliant Energy Channelview LP), 594 F.3d 200, 206 (3d Cir. 2010).

66. Accordingly, the Third Circuit has found that bid protections must meet the standard set forth in the administrative expense provisions of the Bankruptcy Code §503(b), which is generally satisfied if such bid protections provide some benefit to the Debtor's estate.

Calpine Corp. v. O'Brien Env'tl. Energy, Inc. (In re O'Brien Env'tl. Energy, Inc.), 181 F.3d 527, 533 (3d Cir. 1999). Benefits to the Debtor's estate may be found if "assurance of a break-up fee promoted more competitive bidding, such as by inducing a bid that otherwise would not have been made and without which bidding would have been limited" and where the availability of the break-up fees and expenses "were to induce a bidder to research the value of the debtor and convert that value to a dollar figure on which other bidders can rely . . . increasing the likelihood that the price at which the debtor is sold will reflect true worth." Id. at 537.

67. Courts in this Circuit and elsewhere routinely approve protections in the form of a break-up fee and expense reimbursement, finding such protections to satisfy the business judgment rule and/or the administrative expense standard, as applicable. In re Point Blank Solutions Inc., et al., Case No. 10-11255 (PJW) (Bankr. D. Del., Oct. 5, 2011); In re Champion Enterprises, et al., Case No. 09-14019 (KG) (Bankr. D. Del. Feb. 8, 2010); In re Filene's Basement, Inc., et al., Case No. 09-11525 (MFW) (Bankr. D. Del., May 15, 2009); In re Western Nonwovens, Inc., et al., Case No. 08-11435 (Bankr. D. Del. July 28, 2009); See also In re O'Brien Env'tl. Energy, Inc., 181 F.3d at 537 (explaining that approval of break-up fees and other forms of bid protection in connection with the sale of significant assets pursuant to section 363 is an established practice in chapter 11 cases).

68. Here the potential Bid Protections would be reasonable and appropriate under both the business judgment rule and the administrative expense standard in light of the size and nature of the transactions contemplated herein, the efforts that will have been expended by any Stalking Horse Purchasers in connection therewith, the circumstances of these Chapter 11 Cases, and the value contributed to the Debtor's estate. Therefore, the Bid Protections should be approved. Moreover, the Bid Protections here are a necessary incentive to ensure that any

potential Stalking Horse Bidders are committed to the Sale process and to purchasing the Acquired Assets and assuming the Assumed Liabilities for what the Debtors believe is fair consideration. Without the Bid Protections, potential Stalking Horse Bidders may not be willing to enter into a Stalking Horse Agreement. The bid protections are further necessary to induce the potential Stalking Horse Bidders to research the value of the Debtor and to commit to a stalking horse bid, in order to ensure the price at which the Debtor is sold will reflect its true worth. Further, payment of the Bid Protections will not diminish the value of the Debtors' estates, as the Debtors do not intend to terminate or breach the Stalking Horse Agreements and pay the Bid Protections, unless doing so would permit the Debtors to accept a higher or better Bid. Finally, in light of the minimum price thresholds, maximum Bid Protection Amounts, and the limitations on closing conditions and termination rights set forth herein, the Debtors are assured that the Bid Protections granted to any Stalking Horse Bidder would be reasonable compensation for the floor that such Stalking Horse Bid would set for the Debtors' Assets through the Stalking Horse Agreement.

69. Pursuant to the proposed Bidding Procedures Order, in the absence of a breach by the Sellers, the Bid Protections would be payable in accordance with the terms of the Stalking Horse Agreements. Upon payment by Sellers of the Bid Protections, any Stalking Horse Purchaser would be precluded from pursuing any other remedy against the Sellers.

O. The Form, Manner and Extent of Notice of the Motion and the Proposed Sale are Appropriate and Adequate Under the Circumstances

70. The Debtors will serve the Sale Notice and the Cure Notice in accordance with the Bidding Procedures Order, and have served the Notice of Motion as set forth above. The notice of the proposed Sale to be provided by the Debtors as set forth herein sufficiently describes the terms and conditions of the proposed Sale.

71. Several sections of the Bankruptcy Code and Bankruptcy Rules dictate the sufficiency of notice and adequacy of service. As discussed below, the content and manner of service of this Motion and the related notices satisfy all such requirements:

- (a) Section 363 Notice — Bankruptcy Code section 363 provides that a trustee may sell property “after notice and hearing.” Under Section 102(1) of the Bankruptcy Code, the phrase “after notice and hearing” means “notice as is appropriate in the particular circumstances, and such opportunity for a hearing as is appropriate in the particular circumstances.” 11 U.S.C. § 102(1)(A). As set forth above, creditors have been provided notice of the salient details regarding this Motion and the Sale Hearing. Accordingly, notice is sufficient under Bankruptcy Code section 363.
- (b) Bankruptcy Rule 2002 — Bankruptcy Rule 2002 requires twenty-one (21) days’ notice of the proposed sale of property other than in the ordinary course of business, “unless the court for cause shown shortens the time or directs another method of giving notice.” In addition, Bankruptcy Rule 2002 provides that notice of a sale shall “include the time and place of any public sale, the terms and conditions of any private sale and the time fixed for filing objections.” Fed. R. Bankr. P. 2002. As set forth above, the notice of this Motion that has been and will be provided by the Debtors satisfies each of these requirements.
- (c) Bankruptcy Rules 6004 and 6006 — Bankruptcy Rule 6004 requires that notice of sales of property out of the ordinary course of business complies with Bankruptcy Rule 2002. As set forth above, the Debtors have complied with Bankruptcy Rule 2002. Bankruptcy Rule 6006 requires notice of a motion to assume and assign an executory contract or unexpired lease to be served on the non-Debtor counterparty to such contract or lease, as well as on other parties in interest as the Court may direct. The Sale Notice and the Cure Notice have been or will be served on counterparties to the Assigned Contracts, thereby satisfying this requirement.
- (d) Procedural Due Process — The notices of this Motion that are being provided as described herein, including the notice being provided by publication as set forth above, are “reasonably calculated” to apprise interested parties of the pendency of the matter and to afford them an opportunity to object. See Mullane v. Central Hanover Bank & Trust Co., 339 U.S. 306 (1950). Parties in interest have been and should be found to have been afforded adequate notice of this Motion, the Sale(s), the Bidding Procedures and the other relief requested herein.

72. The Debtors submit that the notice they have provided and intend to provide as outlined above with respect to the proposed Sale, the Bidding Procedures, the Bid Protections, and the Cure Amounts, as applicable, is reasonable and appropriate and constitutes good and adequate notice of the sale of the Assets and the procedures and proceedings related thereto and therefore should be approved by this Court.

P. The Stay of the Sale Order Should be Waived

73. Pursuant to Bankruptcy Rules 6004(h) and 6006(d), an order authorizing the sale of property or the assignment of an unexpired lease is stayed for fourteen (14) days after the entry of an order unless the Court orders otherwise.

74. The Debtors request that this Court order that such stay is not applicable with respect to the sale of the Assets and assignment and assumption of the related executory contracts and/or unexpired leases. To require the Debtors to effectively be liable under the applicable executory contracts and/or unexpired leases for an extra fourteen (14) days and to delay the closing and the resulting reductions of the Debtors' secured obligations and related adequate protection obligations will burden the estates and require unnecessary expenditures of the Debtors' limited resources. The Debtors note that similar requests to waive the stay imposed under Bankruptcy Rules 6004(h) and 6006(d) are routinely granted. In re Radioshack Corp., Case No. 15-10197 (BLS) (Bankr. D. Del. Feb. 10, 2015); In re Dendreon Corp., No. 14-12515 (LSS) (Bankr. D. Del. Feb. 20, 2015); In re Delia's, Inc., Case No. 14-23678 (RDD) (Bankr. S.D.N.Y. Feb. 10, 2015); In re Trump Entertainment Resorts, Inc., Case No. 14-12103 (KG) (Bankr. D. Del. Jan. 30, 2015); In re Midway Games Inc., Case No. 09-10465 (KG) (Bankr. D. Del. June 3, 2009); In re Nortel Networks Inc., et al., Case No. 09-10138 (Bankr. D. Del. Mar. 3, 2009); 10 Collier on Bankruptcy ¶ 6004.09 (15th ed. 1999) (noting that the 10-day stay period

should be eliminated to allow a sale or other transaction to close immediately where there has been no objection to the procedure).

Q. Consumer Privacy Ombudsman

75. The Debtors have consulted with the U.S. Trustee regarding the Sale Process and the potential implications such sale has with respect to the Debtors' privacy policies. As a result thereof, the Debtors and the U.S. Trustee have agreed to the appointment of Lucy Thomson as a consumer privacy ombudsman ("CPO"), who, the Debtors understand, will be appointed in the near term. The Debtors intend to work cooperatively with the CPO on the timeline contemplated. .

NO PRIOR REQUEST

76. No prior request for the relief sought herein has been requested from this Court or any other court.

NOTICE

77. Notice of this Motion has been provided to: (a) all entities known to have expressed a *bona fide* interest in a transaction with respect to the Assets at any time; (b) all entities known to have asserted any lien, claim or encumbrance in or upon any of the Assets; (c) all federal, state and local environmental, regulatory or taxing authorities or recording offices which have a reasonably known interest in the relief requested by the Motion; (d) the U.S. Trustee; (e) counsel to the Prepetition Agent and the Postpetition Agent for the Prepetition Lenders and the Postpetition Lenders; (f) the Internal Revenue Service; (g) the Securities and Exchange Commission; (h) the U.S. Attorney for the District of Delaware; and (i) all persons and entities that have filed a request for service of filings in these Chapter 11 Cases pursuant to Bankruptcy Rule 2002.

78. The Debtors submit that, under the circumstances, no other or further notice is required.

WHEREFORE, the Debtors respectfully request that the Court grant the relief requested herein and grant the Debtors such other and further relief as this Court deems just and proper.

Dated: February 26, 2018
Wilmington, Delaware

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

/s/ Matthew O. Talmo

Robert J. Dehney (No. 3578)
Curtis Miller (No. 4583)
Matthew O. Talmo (No. 6333)
1201 N. Market Street, 16th Floor
P.O. Box 1347
Wilmington, Delaware 19899-1347
Telephone: (302) 658-9200
Facsimile: (302) 658-3989
rdehney@mnat.com
cmiller@mnat.com
mtalmo@mnat.com

- and -

NEAL, GERBER & EISENBERG LLP
Mark A. Berkoff (admitted pro hac vice)
Nicholas M. Miller (admitted pro hac vice)
Thomas C. Welford (admitted pro hac vice)
Two North LaSalle Street, Suite 1700
Chicago, Illinois 60602
Telephone: (312) 269-8000
Facsimile: (312) 269-1747
mberkoff@nge.com
nmiller@nge.com
twelford@nge.com

Co-Counsel to the Debtors and Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

HOBBICO, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 18-10055 (KG)

Jointly Administered

Objection Deadline:

March 7, 2018 at 4:00 p.m. (ET)
(Requested)

Hearing Date:

March 9, 2018 at 10:00 a.m. (ET)
(Requested)

NOTICE OF DEBTORS' MOTION FOR (I) AN ORDER (A) ESTABLISHING BIDDING PROCEDURES FOR THE SALE OF ALL, OR SUBSTANTIALLY ALL, OF THE DEBTORS' ASSETS; (B) APPROVING POTENTIAL BID PROTECTIONS; (C) ESTABLISHING PROCEDURES RELATING TO THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (D) APPROVING FORM AND MANNER OF THE SALE, CURE AND OTHER NOTICES; AND (E) SCHEDULING AN AUCTION AND A HEARING TO CONSIDER THE APPROVAL OF THE SALE; (II) AN ORDER (A) APPROVING THE SALE OF THE DEBTORS' ASSETS FREE AND CLEAR OF CLAIMS, LIENS AND ENCUMBRANCES; AND (B) APPROVING THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; AND (III) CERTAIN RELATED RELIEF

PLEASE TAKE NOTICE that on February 26, 2018, Hobbico, Inc. and its affiliated debtors and debtors in possession (collectively, the "Debtors") in the above-captioned chapter 11 cases filed the **Debtors' Motion For (I) An Order (A) Establishing Bidding Procedures For The Sale Of All, Or Substantially All, Of The Debtors' Assets; (B) Approving Potential Bid Protections; (C) Establishing Procedures Relating To The Assumption And Assignment Of Executory Contracts And Unexpired Leases; (D) Approving Form And Manner Of The Sale, Cure And Other Notices; And (E) Scheduling An Auction And A Hearing To Consider The Approval Of The Sale; (II) An Order (A) Approving The Sale Of The Debtors' Assets Free And Clear Of Claims, Liens And Encumbrances; And (B) Approving The Assumption And Assignment Of Executory Contracts And Unexpired Leases; And (III) Certain Related Relief** (the "Motion").

PLEASE TAKE FURTHER NOTICE that any party wishing to oppose the entry of an order approving the Motion must file a response or objection ("Objection") if any, to the

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Hobbico, Inc. (9545); Arrma Durango Limited; Axial R/C Inc. (0233); Estes-Cox Corp. (2196); Great Planes Model Manufacturing, Inc. (5259); Revell Inc. (8545); Tower Hobbies, Inc. (5185); and United Model, Inc. (5302). The Debtors' headquarters are located at 2904 Research Road, Champaign, Illinois 61822.

Application with the Clerk of the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801 on or before **March 7, 2018 at 4:00 p.m. (ET) (Requested)**. At the same time, you must serve such Objection upon the undersigned counsel for the Debtors so as to be received on or before the Objection Deadline.

PLEASE TAKE FURTHER NOTICE THAT A HEARING ON THE MOTION WILL BE HELD ON **MARCH 9, 2018 AT 10:00 A.M. (ET) (REQUESTED)** BEFORE THE HONORABLE KEVIN GROSS AT THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 NORTH MARKET STREET, 6TH FLOOR, COURTROOM #3, WILMINGTON, DELAWARE 19801. ONLY PARTIES WHO HAVE FILED A TIMELY OBJECTION WILL BE HEARD AT THE HEARING.

IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: February 26, 2018
Wilmington, DE

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

/s/ Matthew O. Talmo
Robert J. Dehney (No. 3578)
Curtis S. Miller (No. 4583)
Matthew O. Talmo (No. 6333)
1201 N. Market Street, 16th Floor
P.O. Box 1347
Wilmington, Delaware 19899-1347
Telephone: (302) 658-9200
Facsimile: (302) 658-3989
rdehney@mnat.com
cmiller@mnat.com
mtalmo@mnat.com

- and -

NEAL, GERBER & EISENBERG LLP
Mark A. Berkoff (admitted *pro hac vice*)
Nicholas M. Miller (admitted *pro hac vice*)
Thomas C. Wolford (admitted *pro hac vice*)
Two North LaSalle Street, Suite 1700
Chicago, Illinois 60602
Telephone: (312) 269-8000
Facsimile: (312) 269-1747
mberkoff@nge.com
nmiller@nge.com
twolford@nge.com

*Counsel to the Debtors and
Debtors in Possession*

EXHIBIT 1

BIDDING PROCEDURES ORDER

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

In re:

HOBBICO, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 18-10055 (KG)

Jointly Administered

**ORDER (A) ESTABLISHING BIDDING PROCEDURES FOR THE SALE
OF ALL, OR SUBSTANTIALLY ALL, OF THE DEBTORS' ASSETS; (B) APPROVING
POTENTIAL BID PROTECTIONS; (C) ESTABLISHING PROCEDURES
RELATING TO THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY
CONTRACTS AND UNEXPIRED LEASES; (D) APPROVING FORM AND
MANNER OF THE SALE, CURE AND OTHER NOTICES; AND (E) SCHEDULING
AN AUCTION AND A HEARING TO CONSIDER THE APPROVAL OF THE SALE**

Upon the motion (“Motion”)² of the debtors and debtors in possession in the above-captioned cases (collectively, the “Debtors” or the “Company”) pursuant to sections 105, 363, 364, 365 and 503 of title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (as amended, the “Bankruptcy Code”), and rules 2002, 6004, 6006, 9006, 9007 and 9014 of the Federal Rules of Bankruptcy Procedure (each a “Bankruptcy Rule,” and collectively, the “Bankruptcy Rules”), for (I) an order (the “Bidding Procedures Order”) (A) approving the Debtors’ proposed auction (the “Auction”) and the bidding procedures (as the same may be amended, supplemented, or otherwise modified from time to time, the “Bidding Procedures”) to be employed in connection with the proposed sale (the “Sale”) of all, or substantially all, of the Debtors’ assets (the “Assets”); (B) approving certain potential bid protections in connection therewith; (C) establishing procedures for the assumption and assignment of executory contracts and

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Hobbico, Inc. (9545); Arrma Durango Limited; Axial R/C Inc. (0233); Estes-Cox Corp. (2196); Great Planes Model Manufacturing, Inc. (5259); Revell Inc. (8545); Tower Hobbies, Inc. (5185); and United Model, Inc. (5302). The Debtors’ headquarters are located at 2904 Research Road, Champaign, Illinois 61822.

² Capitalized terms used but not defined herein have the meaning ascribed to them in the Motion.

unexpired leases; (D) approving the form and manner of notice of the Sale, the notice of assumption and assignment of executory contracts and unexpired leases, including the form and manner of notice of proposed cure amounts (the “Cure Notice”) and the other notices set forth herein; and (E) scheduling the Auction and a hearing before the court (the “Sale Hearing”) to consider approval of the Sale (collectively, (I) (A) through (E) above, the “Bidding Procedures Relief”); and (II) an order (the “Sale Order”) authorizing (A) the Sale of the Assets to the bidder(s) with the highest or otherwise best bid(s) (the “Successful Bidder”) free and clear of all claims, liens and encumbrances as provided therein; and (B) the Debtors’ assumption and assignment of the applicable executory contracts and/or unexpired leases to the Successful Bidders; and (III) certain related relief; and the Court having considered that portion of the Motion seeking the Bidding Procedures Relief, and the arguments of counsel made and the evidence adduced, at the hearing held on that portion of the Motion (the “Bidding Procedures Hearing”); and due and sufficient notice of the Bidding Procedures Hearing and the relief sought therein having been given under the particular circumstances; and it appearing that no other or further notice need be provided; and it appearing that the Bidding Procedures Relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors and other parties in interest; and after due deliberation thereon and good and sufficient cause appearing therefor, it is hereby:

FOUND, CONCLUDED AND DETERMINED THAT:³

A. This Court has jurisdiction to consider the Motion under 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(b). Venue of these cases and this

³ The findings and conclusions set forth herein constitute this Court’s findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

Motion in this District is proper under 28 U.S.C. §§ 1408 and 1409. The statutory and legal predicates for the relief requested in the Motion are Bankruptcy Code sections 105, 363, 364, 365, 503 and Bankruptcy Rules 2002, 6004, 6006 and 9014.

B. The relief granted herein is in the best interests of the Debtors, their estates and creditors, and other parties in interest.

C. The Debtors have articulated good and sufficient business reasons for the Court to (i) approve the Bidding Procedures, Bid Protections, the Assumption and Assignment Procedures, the form and manner of the Sale Notice, the Cure Notice and the other notices of the Motion, the Auction and the Sale Hearing as set forth herein, (ii) set the date for the Auction, the Sale Hearing, and the other dates set forth herein and (iii) grant the relief requested in the Motion as provided herein.

D. Due, sufficient and adequate notice of the Bidding Procedures Hearing and the relief granted in this Order has been given in light of the circumstances and the nature of the relief requested, and no other or further notice thereof is required. The Debtors' notice of the Motion and the relief requested in the Motion for which approval was sought at the Bidding Procedures Hearing is appropriate and reasonably calculated to provide all interested parties with timely and proper notice under Bankruptcy Rules 2002, 4001, 6004 and 6006, and no other or further notice of, or hearing on, this Bidding Procedures Order and that portion of the Motion being approved hereby is required.

E. The Debtors' proposed Sale Notice, Cure Notice and other notices contemplated hereunder with respect to the Sale, the Auction, the assumption and assignment procedures set forth in section E of the Motion (the "Assumption and Assignment Procedures"), and the Sale

Hearing are appropriate and reasonably calculated to provide all interested parties with timely and proper notice thereof and no further notice of each is necessary or required.

F. The Bidding Procedures, substantially in the form attached as Exhibit A, and incorporated herein by reference as if fully set forth herein, and the potential Bid Protections are fair, reasonable and appropriate, were negotiated in good faith and represent the best method for maximizing the value of the Debtors' estates in connection with the Sale.

G. The Bid Protections, to the extent payable under any Stalking Horse Agreements and the terms and restrictions of this Order, shall be deemed (i) an actual and necessary cost of preserving the Debtors' estates within the meaning of Bankruptcy Code section 503(b), (ii) of substantial benefit to the Debtors' estates, and (iii) reasonable and appropriate in light of the size and nature of the transactions.

H. The Assumption and Assignment Procedures are reasonable and appropriate.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. Those portions of the Motion seeking approval of the Bidding Procedures Relief are GRANTED, as set forth herein.

2. Any objection to the portions of the Motion seeking approval of the Bidding Procedures Relief or any other relief granted in this Order, to the extent not resolved, waived or withdrawn, and all reservations of rights included therein, is hereby overruled and denied on the merits.

3. The form agreement attached to the Motion as Exhibit 3 (the "Form APA") is hereby approved as the Form APA for purposes of serving as a Stalking Horse Agreement or, if no Stalking Horse Agreement exists, a Baseline Bid at the Auction, and is appropriate and reasonably calculated to enable the Debtors and other parties in interest to easily compare and contrast the differing terms of the Bids presented at the Auction.

A. Bidding Procedures

4. The Bidding Procedures in the form attached hereto as Exhibit A and incorporated herein by reference as if fully set forth in this Order are hereby APPROVED. The Debtors are authorized to take any and all actions necessary or appropriate to implement the Bidding Procedures. The failure to specifically include or reference any particular provision of the Bidding Procedures in this Order shall not diminish or impair the effectiveness of such procedures, it being the intent of this Court that the Bidding Procedures be authorized and approved in their entirety.

B. The Bid Deadline

5. As further described in the Bidding Procedures, a potential Bidder who desires to make a Bid for the Assets that satisfies the bidding requirements set forth in the Bidding Procedures shall deliver its Bid, so as to be received by no later than **5:00 p.m. (prevailing Central Time) on March 23, 2018** (the “Bid Deadline”) to (the parties in paragraph 5(a) through 5(vi) collectively, the “Notice Parties”):

- (i) **The Sellers**, 2904 Research Road, Champaign, Illinois 61822, Attention: Tom O’Donoghue (tom.odonoghue@cr3partners.com);
- (ii) **Counsel to the Sellers**, Neal Gerber & Eisenberg, LLP, 2 N. LaSalle Street, Suite 1700, Chicago, Illinois 60602, Attention: Nicholas M. Miller (nmiller@nge.com), Mark A. Berkoff (mberkoff@nge.com) and Bruce A. Fox (bfox@nge.com); and Morris, Nichols, Arsht & Tunnell LLP, 1201 N. Market Street, 16th Floor, Wilmington, Delaware 19899, Attention: Curtis Miller (cmiller@MNAT.com) and Robert J. Dehney (rdehney@MNAT.com);
- (iii) **Financial advisor to the Sellers**, Lincoln Partners Advisors LLC, 633 West Fifth Street, Suite 6650, Los Angeles, California 90071, Attention: Alexander W. Stevenson (ASTevenson@lincolninternational.com) and Sherman Guillema (SGuillema@lincolninternational.com);
- (iv) **Counsel to Wells Fargo Bank, National Association, in its capacity as Prepetition Agent and Postpetition Agent (in such capacities, the “Agents”) for the Prepetition Lenders and the Postpetition Lenders**

(collectively, the "**Lenders**"), respectively, Goldberg Kohn Ltd., 55 East Monroe Street, Suite 3300, Chicago, Illinois 60603, Attention: Randall L. Klein (randall.klein@goldbergkohn.com) and Zachary J. Garrett (zachary.garrett@goldbergkohn.com), and Burr & Forman LLP, 1201 Market Street, Suite 1407, Wilmington, Delaware 19801, Attention: J. Cory Falgowski (jfalgowski@burr.com);

- (v) **Financial advisor to the Agent**, Focus Management Group USA, Inc., 5001 West Lemon Street, Tampa, Florida 33609, Attention: Robert O. Riiska (r.riiska@focusmg.com) and Samuel M. Williams (s.williams@focusmg.com);
- (vi) **counsel to the Official Committee of Unsecured Creditors** (the "**Committee**"), Cullen and Dykman LLP, The Legal Center, One Riverfront Plaza, Newark, NJ 07102, Attention: S. Jason Teele (steele@cullenanddykman.com) and ; and Whiteford Taylor Preston LLC, The Renaissance Center, Suite 500, 405 North King Street, Wilmington, Delaware 19801, Attention: Christopher M. Samis (CSamis@wtplaw.com); and
- (vii) **financial advisor to the Committee**, Emerald Capital Advisors, 70 E. 55th Street, 17th Floor, New York, NY 10022, Attention: John P. Madden (jpm@emeraldcapitaladvisors.com).

C. Notices of Sale, Bidding Procedures, Bid Protections and the Sale Hearing

6. The notices described below are hereby approved, and service or publication thereof (as applicable) as set forth below constitutes proper, timely, adequate and sufficient notice of the Sale, the Bidding Procedures, the Bid Protections and the Sale Hearing, and no other or further notice shall be required.

7. Within three (3) Business Days after the entry of this Order, or as soon thereafter as practicable (the "**Mailing Date**"), the Debtors (or their agents) shall serve this Order and the Bidding Procedures by first-class mail, postage prepaid, or by email, where available, upon:

- (a) all entities known to have expressed a *bona fide* interest in a transaction with respect to the Assets within the past two years;
- (b) all entities known to have asserted any lien, claim or encumbrance in or upon any of the Assets;

- (c) all federal, state and local environmental, regulatory or taxing authorities or recording offices which have a reasonably known interest in the relief requested by the Motion;
- (d) the U.S. Trustee;
- (e) the Agents;
- (f) the Internal Revenue Service;
- (g) the Securities and Exchange Commission;
- (h) the U.S. Attorney for the District of Delaware; and
- (i) all persons and entities that have filed a request for service of filings in these Chapter 11 Cases pursuant to Bankruptcy Rule 2002.

8. On the Mailing Date, or as soon thereafter as practicable, the Debtors (or their agents) shall serve by first-class mail, postage prepaid, the notice of the Sale, substantially in the form attached hereto as **Exhibit B** (the “Sale Notice”), upon all other known creditors of the Debtors and all counterparties to the Debtors’ executory contracts and unexpired leases.

9. The Debtors shall publish a notice, substantially in the form of the Sale Notice, on one occasion in *USA Today* and the *Champaign News-Gazette* on the Mailing Date or as soon as practicable thereafter. Such publication notice shall be deemed sufficient and proper notice of the Sale to any other interested parties whose identities are unknown to the Debtors.

10. The Sale Hearing to approve the Sale shall be held on **March 28, 2018 at 10:00 a.m. (prevailing Eastern Time)**, at the United States Bankruptcy Court for the District of Delaware, 824 Market St. N, 3rd Floor, Wilmington, Delaware 19801, before the Honorable Kevin Gross.

11. All objections to the Sale (a “Sale Objection”) must be in writing and filed on and served so as to be received by **March 21, 2018 at 4:00 p.m. (prevailing Eastern Time)** (the “Sale Objection Deadline”) with the Clerk of the Court, 824 Market St. N, 3rd Floor,

Wilmington, Delaware 19801. In addition, any Sale Objection must be served on the Notice Parties and counsel to any Stalking Horse Purchasers (at the addresses identified in any pleadings filed with the court by such Stalking Horse Purchaser) so as to be received on the Sale Objection Deadline; provided however, that any objections to the conduct of the Auction or selection of the Successful Bid or Back-Up Bids (a “Supplemental Objection”) shall be in writing, filed with the Court, together with proof of service, and served so as to be received by the Notice Parties and any Stalking Horse Purchasers, on or before **4:00 p.m. (prevailing Eastern Time) on March 27, 2018**. Notwithstanding anything in this Order, the Sale Order, or the Sale Notice to the contrary, any Sale Objection or Supplemental Objection of any Agent or any Lender shall be in writing, filed with the Court, and served so as to be received by the Notice Parties on or before 4:00 p.m. (prevailing Eastern Time) on the later of (a) March 27, 2018 or (b) if the Sale Hearing is adjourned or otherwise rescheduled, the day prior to the date of the Sale Hearing.

12. Failure to file and serve a Sale Objection or Supplemental Objection as aforesaid shall be deemed to be consent to the Sale for purposes of section 363(f) of the Bankruptcy Code.

13. The Sale Hearing may be adjourned by the Debtors, in consultation with the Consultation Parties, from time to time without further notice to creditors or other parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing, or by filing a notice on the docket of the court, in each case subject to the Bidding Procedures; provided however, that the Sale Hearing may not be adjourned to a date later than **March 29, 2018** without the prior written consent of the Agents.

D. The Auction

14. The Debtors are authorized, in consultation with the Consultation Parties and subject in all respects to the terms of this Order and the Bidding Procedures, to conduct the Auction with respect to the Assets. The Auction shall take place on **March 26, 2018 at 10:00 a.m. (prevailing Central Time)** at the offices of Neal Gerber & Eisenberg, LLP, 2 N. LaSalle Street, Suite 1700, Chicago, Illinois 60602, or such other place and time as the Debtors shall notify all Qualified Bidders and each of their respective counsel and advisors, and the Consultation Parties. The Debtors are authorized, subject to the terms of this Order and the Bidding Procedures, to take actions reasonably necessary, in the discretion of the Debtors, to conduct and implement the Auction.

15. Only the Debtors, the Consultation Parties, the Agents, the Lenders, and the Qualified Bidders, in each case, along with their respective representatives and counsel, may attend the Auction (such attendance to be in person) and only Stalking Horse Purchasers and such other Qualified Bidder(s) will be entitled to make any Bids at the Auction; provided, however, that any material creditor may attend the Auction if it provides the Debtors with written notice of its intention to attend the Auction on or before the Bid Deadline. Such written notice must be sent to counsel for the Sellers via electronic mail to Nicholas M. Miller (nmiller@nge.com) and Curtis Miller (cmiller@MNAT.com). The Debtors and their professionals shall direct and preside over the Auction, and the Auction shall be transcribed.

16. Each Stalking Horse Purchaser (in its capacity as a Qualified Bidder) and each other Qualified Bidder participating in the Auction must confirm that it has (a) not engaged in any collusion with respect to the bidding or Sale of the Assets, (b) reviewed, understands and accepts the Bidding Procedures and (c) consented to the core jurisdiction of the Court.

17. Subject to the rights of parties in interest to (i) challenge the Sale or the Sale Process, (ii) challenge the Debtors' decisions with respect to the Sale Process, (iii) argue that such decisions are not governed by the "business judgment" standard or (iv) such other rights as such parties may have under applicable law, the Debtors may, in each case pursuant and subject to, and in accordance with, the Bidding Procedures, (a) determine, in their business judgment, which Qualified Bid is the highest and best proposal for the Assets and which is the next highest and best proposal for the Assets and (b) reject any bid that, in the Debtors' business judgment, is (x) inadequate or insufficient, (y) not in conformity with the requirements of the Bidding Procedures, the Bankruptcy Code, the Bankruptcy Rules or the Local Bankruptcy Rules or (z) contrary to the best interests of the Debtors and their estates.

18. Notwithstanding anything to the contrary herein, and for the avoidance of doubt, for all purposes under the Bidding Procedures, the Stalking Horse Purchasers shall be Qualified Bidders.

E. The Stalking Horse Agreements and Bid Protections

19. The Debtors may, in their discretion, with the consent of the Agents, enter into one or more Stalking Horse Agreement(s), provided that such agreements include the following minimum required terms:

- (a) **Qualified Bid:** The Stalking Horse Agreement(s) must qualify as a "Qualified Bid," as that term is defined in the Bidding Procedures.
- (b) **Non-Insider:** The Stalking Horse Bidder may not be an insider of the Debtors as that term is defined in section 101(31) of the Bankruptcy Code.
- (c) **Limited Closing Conditions:** In addition to customary closing conditions, including Court approval and certain regulatory matters, the obligation of the Potential Stalking Horse Purchaser(s) to consummate the transactions contemplated by the Stalking Horse Agreement(s) will be subject to the satisfaction of only the following conditions: (i) no breach of representations and warranties; (ii) no breach of covenants; (iii) sellers

shall have used commercially reasonable efforts to cause the purchaser to receive duly executed assignments, patent assignments, general trademark assignments, bills of sale or certificates of title, dated as of the Closing Date, in form and substance reasonably satisfactory to Purchaser; (iv) assumption and assignment of the designated contracts having been authorized by the Court; and (v) all designated third party consents or waivers thereof having been obtained.

- (d) **Limited Termination Rights:** The Stalking Horse Agreement(s) must provide for the termination thereof by the purchaser only under the following circumstances: (a) the consummation of the Sale has not occurred (other than through failure of seller to comply fully with its obligations under the agreement) on or before ten (10) business days after the conclusion of the Sale Hearing; (b) any Seller files a motion to sell all or part of the Acquired Assets to a third party other than Purchaser and shall thereafter consummate such sale; (c) any Seller's Chapter 11 Case is converted to one under Chapter 7 of the Bankruptcy Code; or (d) a Seller commits a material, unwaived, and uncured breach of any provision of the Stalking Horse Agreement or any related transition services agreement.
- (e) **Limited Bid Protections.** The Potential Stalking Horse Purchaser would be entitled to a combined break-up fee and expense reimbursement of no more than 4% of the purchase price. Neither the break-up fee or the expense reimbursement would be payable if the transaction is not consummated due to a default by the Buyer(s).

20. The Bid Protections, to the extent payable under the Stalking Horse Agreements, are granted; provided that under no circumstances shall Debtors be obligated to pay any one of these Bid Protections more than once.

21. Pursuant to sections 105, 363, 364 and 503 of the Bankruptcy Code, the Debtors are hereby authorized to pay the Bid Protections pursuant to and subject to the terms and conditions set forth in the Stalking Horse Agreements.

22. Upon entry of this Order, the Bid Protections shall constitute a superpriority administrative expense of the Debtors with priority over any and all administrative expenses of any kind, including those specified in sections 503(b) or 507(b) of the Bankruptcy Code, but shall be subordinate only to the Carve-Out and to the administrative expense claims granted to,

or in respect of, the Secured Parties and the Aggregate Debt (as such terms are defined in the DIP Financing Order) pursuant to the DIP Financing Order.

23. The Bid Protections shall be the sole remedy of the Stalking Horse Purchasers if the applicable Stalking Horse Agreement is terminated under circumstances where the Bid Protections are payable.

F. Contract Assumption and Assignment Procedures

24. The Assumption and Assignment Procedures as set forth in the Motion are hereby approved and made part of this Order as if fully set forth herein. The Assumption and Assignment Procedures are appropriate and fair to all non-Debtor counterparties and comply in all respects with the Bankruptcy Code.

25. The decision to assume and assign the applicable assumed and assigned contracts and/or leases to the Successful Bidder(s) is subject to Court approval and the consummation of a Sale of the Assets. Accordingly, absent the consummation of such Sale, the applicable assumed and assigned contracts and/or leases shall not be deemed assumed and/or assigned and shall, in all respects, be subject to further administration under the Bankruptcy Code.

(a) Cure Notice

26. The Cure Notice, substantially in the form attached hereto as Exhibit C, is (a) reasonably calculated to provide sufficient effective notice to all non-Debtor counterparties to assumed and assigned contracts or leases and any other affected parties of the Debtors' intent to assume and assign some or all of such contracts or leases and to afford the non-Debtor counterparty to each such contract or lease the opportunity to exercise any rights affected by the Motion pursuant to Bankruptcy Rules 2002, 6004 and 6006, and (b) hereby approved.

27. The inclusion of a contract on a Cure Notice shall not constitute or be deemed a determination or admission by the Debtors, the applicable Stalking Horse Purchaser, the

Successful Bidder(s) or any other party in interest that such document is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code or that such contract or lease will be assumed in connection with the Sale of the Assets. The Debtors retain all of their rights, claims and causes of action with respect to the contracts or leases listed on the Cure Notice.

28. On the Mailing Date, the Debtors will file with this Court and serve on each non-Debtor counterparty to an executory contract or unexpired lease related to the Assets the Cure Notice, substantially in the form attached to the Bidding Procedures Order. The Cure Notice shall:

- (i) state the cure amounts, if any, that the Debtors believe are necessary to assume such contracts or leases pursuant to section 365 of the Bankruptcy Code (the “Cure Amount”);
- (ii) notify the non-Debtor counterparty that such party’s contract(s) or lease(s) may be assumed and assigned to the Successful Bidder of the Assets at the conclusion of the Auction;
- (iii) state the date of the Sale Hearing and that objections to any Cure Amount or to assumption and assignment will be heard at the Sale Hearing, or at a later hearing, as determined by the Debtors;
- (iv) state the Contract Rejection Deadline (as defined below) by which the non-Debtor counterparty shall file an objection to the Cure Amount(s) or to the assumption and assignment of the applicable contract(s) and/or lease(s) (such objection, a “Contract Objection”); provided, however, that the inclusion of a contract, lease or agreement on the Cure Notice shall not constitute an admission that such contract, lease or agreement is an executory contract or unexpired lease or that it will, in fact, be assumed and assigned in connection with the Sale of the Assets. If no Cure Amount is listed, the Debtors believe that no amount to cure defaults under the respective executory contract or unexpired lease is owed by it thereunder. The Debtors reserve all of their rights, claims and causes of action with respect to the contracts, leases and agreements listed on the Cure Notice; and

(b) Contract Objection Procedures

29. All Contract Objections must be filed and served so as to be received by **March 21, 2018 at 4:00 p.m. (prevailing Eastern Time)** (the “Contract Objection Deadline”).

30. Any Contract Objection must be in writing and filed with the Clerk of the Court, 824 Market St. N, 3rd Floor, Wilmington, Delaware 19801, and served so as to be received by the Contract Objection Deadline on the Notice Parties.

31. Any Contract Objection must state (a) the basis for such objection and (b) with specificity what Cure Amount(s) the non-Debtor counterparty to the relevant executory contract(s) or unexpired lease(s) believes is required (in all cases with appropriate documentation in support thereof).

32. Any Contract Objection solely to the Cure Amount(s) shall not prevent or delay the Debtors’ assumption and assignment of assumed and assigned contract(s) or lease(s). If a party objects solely to Cure Amount(s), the Debtors may, with the consent of the relevant Successful Bidder, hold the claimed Cure Amount(s) in reserve pending further order of the Court or mutual agreement of the parties. So long as the Cure Amount(s) are held in reserve, and there are no other unresolved objections to assumption and assignment of the applicable assumed and assigned contract(s) or lease(s), the Debtors can, without further delay, assume and assign such contract(s) or lease(s). Under such circumstances, the objecting non-Debtor counterparty’s recourse is limited to the funds held in reserve.

33. If no objection to the Cure Amount(s) is timely received, the Cure Amount(s) set forth in the Cure Notice shall be controlling notwithstanding anything to the contrary in any assigned contract(s) or lease(s) or other document(s) as of the date of the Cure Notice.

34. As soon as reasonably practicable after receiving the schedule from any Stalking Horse Bidder or other Qualified Bidder, the Debtors will prepare and file a list of those

executory contracts and unexpired leases that such bidders elect to have assumed and assigned (the “Designated Contracts”) at Closing pursuant to section 365 of the Bankruptcy Code, subject to any right to add or delete executory contracts or unexpired leases in accordance with the applicable Stalking Horse Agreement.

35. As soon as reasonably practicable thereafter, the Debtors will post on the website for the Bankruptcy Proceedings (the “Case Website”) (a) the list of any Designated Contracts, which the Debtors will update as and when executory contracts or unexpired leases are added or deleted by any such Bidders and (b) a description of the Bidders and information as to the Bidders’ ability to perform the Debtors’ obligations under the relevant Designated Contracts.

36. To the extent that any non-Debtor counterparty wishes to object to the adequate assurance of future performance by a Qualified Bidder under the applicable executory contract(s) or unexpired lease(s) (an “Adequate Assurance Objection” and together with a Contract Objection, an “Objection”), then such non-Debtor counterparty shall file a written Adequate Assurance Objection with the Court and serve such objection on the Debtors, the Notice Parties and the applicable Qualified Bidder(s) so that such Adequate Assurance Objection is received on or before **12:00 p.m. (prevailing Eastern Time) on Tuesday, March 27, 2018** (the “Adequate Assurance Objection Deadline”). An Adequate Assurance Objection shall be filed on or before the Adequate Assurance Objection Deadline in accordance with, and subject to, the Contract Objection Procedures set forth above.

37. To the extent that any non-Debtor counterparty does not timely file and serve an Objection as set forth above, such counterparty will be: (i) deemed to have consented to the Cure Amount(s), if any, set forth in the Cure Notice; (ii) barred, estopped and enjoined from asserting any additional Cure Amount(s) under the assumed and assigned executory contract(s)

or unexpired lease(s); (iii) barred from objecting to the assumption and assignment of the applicable assumed and assigned executory contract(s) or unexpired lease(s) to the Successful Bidder, and (iv) barred from objecting to adequate assurance of future performance by the Successful Bidder.

G. Consumer Privacy Ombudsman

38. Pursuant to section 332(a) of the Bankruptcy Code, the Office of the United States Trustee for the District of Delaware is directed to appoint one (1) disinterested person (other than the U.S. Trustee) to serve as the consumer privacy ombudsman in these chapter 11 cases.

39. Subject to further order of the Court, the consumer privacy ombudsman shall perform the functions set forth in section 332(b) of the Bankruptcy Code.

40. The consumer privacy ombudsman shall at all times comply with section 332(c) of the Bankruptcy Code.

41. The consumer privacy ombudsman shall be compensated pursuant to section 330 of the Bankruptcy Code upon approval by the Court of a request for compensation.

H. Related Relief

42. Nothing in this Order does or will modify or otherwise affect any of the terms of the DIP Financing Order or any other Postpetition Document (as defined in the DIP Financing Order), including, without limitation, any of the Sale Covenants (as defined in the Postpetition Loan Agreement (as defined in the DIP Financing Order)).

43. The Debtors are hereby authorized and empowered to take such actions as may be reasonably necessary to implement and effect the terms and requirements established by this Order.

44. This Order shall constitute findings of fact and conclusions of law and shall take effect immediately upon execution hereof.

45. The Debtors are authorized to proceed with the Sale without the necessity of complying with any state or local bulk transfer laws or requirements.

46. This Order shall be binding on the Debtors, including any chapter 7 or chapter 11 trustee or other fiduciary appointed for the Debtors' estates.

47. Notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 6006(d), 7052, 9014 or otherwise, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

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

Dated: _____, 2018
Wilmington, Delaware

THE HONORABLE KEVIN GROSS
UNITED STATES BANKRUPTCY JUDGE

Exhibit A

Bidding Procedures

BIDDING PROCEDURES

These bidding procedures (the “Bidding Procedures”) set forth the process by which Hobbico, Inc. and certain of its subsidiaries (collectively, the “Company” or the “Sellers”)¹ shall conduct a sale (the “Sale”) by auction (the “Auction”) of some or substantially all of their assets.

On [•], 2018, the United States Bankruptcy Court for the District of Delaware (the “Court”) entered an order (the “Bidding Procedures Order”), which, among other things, authorized the Sellers to determine the highest and otherwise best offer(s) for their assets, subject to the process and procedures set forth below.

The Court presides over the Sellers’ jointly administered chapter 11 bankruptcy cases (the “Chapter 11 Cases”) captioned *In re Hobbico, Inc.. et al.*, Ch. 11 Case No. 18-1055 (KG) (Bankr. D. Del. Jan. 10, 2018).

On [•], 2018, the Sellers filed the *Motion for (I) an Order (A) Establishing Bidding Procedures for the Sale of All, or Substantially All, of the Debtors’ Assets; (B) Approving Bid Protections; (C) Establishing Procedures Relating to the Assumption and Assignment of Executory Contracts and Unexpired Leases; (D) Approving Form and Manner of the Sale, Cure and Other Notices; and (E) Scheduling an Auction and a Hearing to Consider the Approval of the Sale; (II) an Order (A) Approving the Sale of the Debtors’ Assets Free and Clear of Claims, Liens and Encumbrances; and (B) Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases; and (III) Certain Related Relief* (the “Sale Motion”).² The Bidding Procedures Order and the order approving the Sale are referred to herein, collectively, as the “Sale Orders.”

As referenced in the Sale Motion, the Sellers have been in active negotiations with numerous prospective buyers that may submit, or already have submitted, letters of intent and/or indications of interest to become a stalking horse purchaser for some or all of the Sellers’ assets (collectively, the “Prospective Purchasers”). After consulting with their lenders, and to meet the various deadlines established in their postpetition credit facility, the Sellers sought and obtained court approval of procedures by which the Sellers may, in their discretion, with the consent of the Agents, enter into one or more stalking horse asset purchase agreements, each of which must qualify as a Qualified Bid (as defined below) (including all exhibits, schedules and ancillary agreements related thereto, and as amended and in effect, the “Stalking Horse Agreements”), with one or more Prospective Purchasers, each of which must qualify as a Qualified Bidder (as defined below) (collectively, the “Stalking Horse Purchasers”), which Stalking Horse Agreements contemplate a purchase and sale of some or substantially all of the Sellers’ assets to the Stalking Horse Purchasers, on the terms and subject to the conditions provided therein.

¹ The Sellers are as follows: Hobbico, Inc. (9545); Arrma Durango Limited; Axial R/C Inc. (0233); Estes-Cox Corp. (2196); Great Planes Model Manufacturing, Inc. (5259); Revell Inc. (8545); Tower Hobbies, Inc. (5185); and United Model, Inc. (5302).

² Capitalized terms used but not defined herein have the meaning ascribed to them in the Sale Motion.

I. ASSETS TO BE SOLD

The Sale Motion contemplates one or a combination of multiple offers to purchase all or substantially all of the Sellers' assets (such assets that a Successful Bidder acquires pursuant to the terms of the applicable Stalking Horse Agreement or Modified Asset Purchase Agreement (as defined below) that is consummated in connection with the Successful Bid of such Successful Bidder, collectively, the "Acquired Assets"). A party may participate in the bidding process by submitting a Bid (as defined below) for all of the Acquired Assets or for smaller subsets of the Acquired Assets (as described in more detail below, the "Lots").

Subject to the terms of the Sale Orders, upon the consummation of the Successful Bid and payment of all consideration in accordance with the terms thereof, all of the Sellers' right, title and interest in and to the Acquired Assets shall be sold free and clear of any pledges, liens, security interests, encumbrances, claims, charges, options and interests thereon (collectively, the "Liens") except as otherwise provided in the Stalking Horse Agreement or Modified Asset Purchase Agreement (as defined below) submitted by a Successful Bidder (as defined below) (including any exhibits or schedules thereto), with such Liens to attach to the proceeds of the sale of the Acquired Assets with the same validity and priority as such Liens applied against the Acquired Assets immediately prior to the consummation of such Successful Bid.

II. THE CONSULTATION PARTIES

The Sellers will consult Wells Fargo Bank, National Association, in its capacity as Prepetition Agent and Postpetition Agent (in such capacities, collectively, "Agents") on behalf of the Prepetition Lenders and the Postpetition Lenders (collectively, the "Lenders"), respectively, and the other Secured Parties (as such terms are defined in the DIP Financing Order³), the official committee of unsecured creditors appointed to represent unsecured creditors in the Chapter 11 Cases pursuant to Bankruptcy Code Section 1102 (the "Committee"), and each of their respective counsel and advisors (each, a "Consultation Party" and collectively, the "Consultation Parties") as explicitly provided for in the Bidding Procedures; provided, however, that the Sellers shall not be required to consult with any Consultation Party during the Auction process to the extent such Consultation Party has submitted a Bid (as defined below) or has had a Bid submitted on its behalf for so long as such Bid remains open, if the Sellers determine, in their reasonable business judgment, that consulting with such Consultation Party regarding any issue, selection or determination would be likely to have a chilling effect on potential bidding or otherwise be contrary to the goal of maximizing value for the Sellers' estates from the sale process; provided, further, however, that the Committee shall not independently communicate with any Prospective Purchaser, Preliminary Interested Purchaser (as defined below), or Bidder (as defined below), in each case, without the prior written consent of Sellers.

To the extent the Bidding Procedures require the Sellers to consult with any Consultation Party in connection with making a determination or taking an action, or in connection with any

³ Order Authorizing Debtors To: (A) Use Cash Collateral On A Final Basis; (B) Incur Postpetition Debt On A Final Basis; and (C) Grant Adequate Protection And Provide Security And Other Relief To Wells Fargo Bank, National Association, As Agent, And The Other Secured Parties (Docket No. 162) (the "DIP Financing Order").

other matter related to the Bidding Procedures or the Auction, the Sellers will do so in a regular and timely manner prior to making such determination or taking such action.

Subject to the terms of any Orders entered in the Chapter 11 Cases and except as otherwise provided in these Bidding Procedures (including, without limitation, in respect of the consent rights of the Agents provided herein), after consultation with the Consultation Parties, the Sellers shall have the right and obligation to make all decisions regarding Bids and the Auction as provided herein as it determines to be in the best interest of their estates, whether or not Consultation Parties agree with that decision.

III. BIDDING PROCESS

A. Overview

The Sellers and their advisors will, subject to the other provisions of these Bidding Procedures, including the consultation obligations and Agent consent rights set forth herein:

1. coordinate the efforts of Preliminary Interested Purchasers (as defined below) in conducting their due diligence investigations;
2. receive offers from Bidders (as defined below);
3. determine whether any person is a Qualified Bidder (as defined below); and
4. conduct the Auction and further negotiate any offers made to purchase the Acquired Assets.

B. Key Dates For Potential Competing Bidders

The Bidding Procedures provide interested parties with the opportunity to qualify for and participate in the Auction to be conducted by the Sellers and to submit competing bids for the Acquired Assets. The Sellers will assist Preliminary Interested Purchasers in conducting their respective due diligence investigations and will accept Bids until **March 23, 2018 at 5:00 p.m. (prevailing Central Time)** (the “Bid Deadline”), subject to any extension of the Bid Deadline in accordance with, and subject to, these Bidding Procedures.

The key dates for the Sale process are as follows:⁴

March 23, 2018 at 5:00 p.m. CST	<u>Bid Deadline:</u> Due Date to submit a Qualified Bid and Good Faith Deposit (each as defined below)
---------------------------------	---

⁴ These dates are subject to extension or adjournment as provided for herein, in each case, with the prior written consent of Agents and in consultation with the Consultation Parties, subject to the terms of the Postpetition Loan Agreement and the other Postpetition Documents (as such terms are defined in the DIP Financing Order).

March 26, 2018 at 10:00 a.m. CST	<u>Auction:</u> To be held at Neal, Gerber & Eisenberg, LLP, 2 N. LaSalle St., Suite 1700, Chicago, IL 60602
March 28, 2018 at 10:00 a.m. EDT	<u>Sale Hearing:</u> To be held at the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 6th Floor, Courtroom #3, Wilmington, Delaware 19801

C. Access to Diligence Materials

To participate in the bidding process either as a Stalking Horse Bidder or to effectuate an alternate sale transaction for some or substantially all of the Acquired Assets (an “Alternate Transaction”) and to receive access to due diligence materials (the “Diligence Materials”), a party must submit to the Sellers an executed confidentiality agreement in substantially the same form as that which was previously approved by Lincoln (as defined below) and the Agents and circulated to Prospective Purchasers, and otherwise in form and substance satisfactory to Lincoln and the Agents (a “Confidentiality Agreement”), and provide preliminary evidence satisfactory to the Sellers and their advisors and the Agents, in consultation with the Consultation Parties, of such party’s financial wherewithal to consummate a transaction as a Stalking Horse Bidder or through an Alternate Transaction.

A party who executes such a Confidentiality Agreement for access to Diligence Materials, and provides such preliminary evidence of financial wherewithal, shall be a “Preliminary Interested Purchaser.” The Sellers will afford any Preliminary Interested Purchaser the time and opportunity to conduct reasonable due diligence in accordance with a diligence protocol determined by the Sellers and their advisors; provided, however, that the Sellers shall not be obligated to furnish any due diligence information after the Bid Deadline to any party that has not submitted a Qualified Bid (as defined below) on or before the Bid Deadline and may, in consultation with the Consultation Parties, limit the amount of further due diligence available to Qualified Bidders after the Bid Deadline.

The Sellers reserve the right to withhold any Diligence Materials that the Sellers, in consultation with the Consultation Parties, determine are business-sensitive or otherwise not appropriate for disclosure to a Preliminary Interested Purchaser who is a competitor or customer of the Sellers or is affiliated with any competitor or customer of the Sellers. Neither the Sellers nor their representatives shall be obligated to furnish information of any kind whatsoever to any person that is not determined to be a Preliminary Interested Purchaser.

All due diligence requests must be directed to Lincoln Partners Advisors LLC (“Lincoln”), Attention: Alexander W. Stevenson (AStevenson@lincolninternational.com) and Sherman Guillema (SGuillema@lincolninternational.com).

D. Due Diligence from Bidders

Each Preliminary Interested Purchaser and each Bidder shall comply with all reasonable requests for additional information and due diligence access by the Sellers or their advisors regarding such Preliminary Interested Purchaser or Bidder, as applicable, and its contemplated transaction. Failure by a Preliminary Interested Purchaser or Bidder (other than any Stalking Horse Purchaser) to comply with requests for additional information and due diligence access may be a basis for the Sellers, with the consent of the Agents, to determine that such Bidder is not a Qualified Bidder.

IV. AUCTION QUALIFICATION PROCESS

A. Qualifying Bids

To be eligible to participate in the Auction, each offer, solicitation or proposal (each, a “Bid”), and each party submitting such a Bid (other than any party designated as a Stalking Horse Purchaser) (each, a “Bidder”), must be reasonably determined by the Sellers and Agents, in consultation with the Consultation Parties, to satisfy each of the following conditions:

1. Good Faith Deposit: Each Bid must be accompanied by a cash deposit, paid by wire transfer of immediately available funds, in the amount of five percent (5%) of the purchase price (excluding any Assumed Liabilities) contained in the Modified Asset Purchase Agreement (as defined below), which deposit shall be held in an escrow account to be identified and established by the Sellers (the “Good Faith Deposit”).
2. Higher and Better Terms: In connection with any Bid for the Acquired Assets, such Bid must be on terms that the Sellers, in their business judgment and after consulting with the Consultation Parties, determine are higher and better for the Sellers on a cash (or cash equivalent) basis than the terms of any Stalking Horse Agreements. In the absence of a Stalking Horse Agreement for the applicable Assets, the Debtors, with the consent of the Agents, and in consultation with the Consultation Parties, shall determine which bid(s) are the highest and best bids for the Acquired Assets.
3. Executed Agreement: Each Bid must be based on the form asset purchase agreement attached hereto (the “Form APA”) or, if applicable, any Stalking Horse Agreement for the relevant Acquired Assets, and such Bid must include binding, executed, irrevocable transaction documents, signed by an authorized representative of such Bidder, pursuant to which the Bidder proposes to effectuate an Alternate Transaction (a “Modified Asset Purchase Agreement”). A Bid must also include a copy of the Modified Asset Purchase Agreement (including all exhibits thereto) marked against the applicable Form APA or, if applicable, Stalking Horse Agreement to show all changes requested by the Bidder (including those related to purchase price and to remove any provisions that apply only to a Stalking

Horse Purchaser, such as the expense reimbursement and break-up fee provisions contained in any Stalking Horse Agreement, which terms shall not be in any Modified Asset Purchase Agreement). Each Modified Asset Purchase Agreement must provide representations that the Qualified Bidder will (i) make all necessary filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), if applicable, and (ii) submit and pay the fees associated with all necessary filings under the HSR Act as soon as reasonably practicable; provided, however, that the timing and likelihood of receiving HSR Act approval will be a consideration in determining the highest and best Bid. Each Modified Asset Purchase Agreement, unless submitted by any Agent or its designee, must exclude (a) any and all claims and causes of action of the Debtors against Agents, Lenders, and the other Secured Parties (as such terms are defined in the DIP Financing Order), (b) any and all Commercial Tort Claims (as defined in the Form APA) owned by the Debtors, including, without limitation, the Commercial Tort Claims described on Exhibit H of the Postpetition Security Agreement (as defined in the DIP Financing Order), and (c) except as otherwise provided in any Bid with the written consent of the Sellers and Agents, any and all Estate Causes of Action and other Excluded Assets (as such terms are defined in the Form APA).

4. Scope of Bid / Lots: A Bid must be for all or substantially all of the Acquired Assets or for one or more of the following Lots (or such other Lots as the Sellers and the Agents may otherwise agree to, in each case, in consultation with the Consultation Parties):⁵
 - (a) substantially all of the Assets except the equity in or assets of Revell GmbH (the “U.S. Assets Lot”);
 - (b) substantially all of the assets of Hobbico, Inc., Tower Hobbies, Inc., Axial R/C Inc., Arrma Durango Ltd., and Great Planes Model Manufacturing, Inc. (the “Hobby Business Lot”);
 - (c) substantially all of the assets of Estes-Cox Corp., Revell GmbH, Revell Inc., and United Model, Inc. (the “Global Mass Market Lot”);
 - (d) substantially all of the assets of Revell Inc. and 100% of the equity interests in Revell GmbH (the “Global Revell Lot”);

⁵ Any Bid for the assets of Revell, Inc. that does not also include a bid for the assets of Revell GmbH, and vice versa, must include a commitment to enter into an IP sharing agreement on substantially the same terms that exist today.

- (e) substantially all of the assets of Revell GmbH (the “Revell Germany Lot”); and
 - (f) substantially all of the assets of Estes-Cox Corp. (the “Estes-Cox Lot”);
- 5. Minimum Bid: A Bid must have a purchase price that includes a combination of cash and the assumption of postpetition liabilities and cure costs associated with the relevant Lot, and subject to any adjustments typical of similar transactions, that, in the Sellers’ reasonable business judgment (after consultation with the Consultation Parties), has a value equal to or greater than the following, subject to the terms of these Bidding Procedures:
 - (a) For substantially all of the Acquired Assets: \$38 million;
 - (b) For the U.S. Assets Lot: \$32 million;
 - (c) For the Hobby Business Lot: \$22 million;
 - (d) For the Global Mass Market Lot: \$16 million
 - (e) For the Global Revell Lot: \$10 million
 - (f) For the Revell Germany Lot: \$8 million
 - (g) For the Estes-Cox Lot: \$6 million
- 6. Designation of Assigned Contracts and Leases; Cure Costs: A Bid must specifically (a) identify the executory contracts and unexpired leases with respect to which the Bidder seeks assignment from the Sellers and (b) provide for the Bidder's payment in full in cash of all of the cure costs related to any such executory contracts and unexpired leases.
- 7. Designation of Assumed Liabilities: A Bid must identify all liabilities which the Bidder proposes to assume.
- 8. Corporate Authority: A Bid must include written evidence reasonably acceptable to the Sellers demonstrating appropriate corporate authorization to consummate the proposed Alternate Transaction; provided that, if the Bidder is an entity specially formed for the purpose of effectuating the Alternate Transaction then the Bidder must furnish written evidence reasonably acceptable to the Sellers of the approval of the Alternate Transaction by the equity holder(s) of such Bidder.
- 9. Disclosure of Identity of Bidder: A Bid must fully disclose the identity of each entity that will be bidding for or purchasing the Acquired Assets, including any equity holders in the case of a Bidder which is an entity

specially formed for the purpose of effectuating the contemplated transaction, or otherwise participating in connection with such Bid (including any co-bidder or team bidder), and the complete terms of any such participation, including any agreements, arrangements or understandings concerning a collaborative or joint bid or any other combination concerning the proposed Bid. A Bid must also fully disclose any connections or agreements with the Sellers, any Stalking Horse Purchaser or any other known, potential, prospective Bidder or Qualified Bidder, and/or any officer, director or equity security holder of the Sellers.

10. Proof of Financial Ability to Perform: A Bid must include detailed, written evidence that the Sellers and the Agents may conclude, in consultation with their advisors and the Consultation Parties, demonstrates that the Bidder has and will continue to have the necessary financial ability to consummate the Alternate Transaction and comply with section 365 of the Bankruptcy Code, including providing adequate assurance of future performance under all contracts to be assumed and assigned in such Alternate Transaction. Such information must include, *inter alia*, the following:
 - (a) contact names and numbers for verification of financing sources;
 - (b) evidence of the Bidder's internal resources and proof of unconditional debt funding commitments from a recognized banking institution and, if applicable, equity commitments in an aggregate amount equal to the cash portion of such Bid or the posting of an irrevocable letter of credit from a recognized banking institution issued in favor of the Sellers in the amount of the cash portion of such Bid as are needed to consummate the Alternate Transaction;
 - (c) the Bidder's current financial statements (audited if they exist) or other similar financial information reasonably acceptable to the Sellers;
 - (d) a description of the Bidder's pro forma capital structure; and
 - (e) any such other form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Sellers and the Agents, in consultation with the Consultation Parties, demonstrating that such Bidder has the ability to consummate the Alternate Transaction.
11. Regulatory and Third Party Approvals: A Bid must set forth (a) each regulatory and third-party approval required for the Bidder to consummate

the Alternate Transaction, (b) the time period within which the Bidder expects to receive such regulatory and third-party approvals, (c) those actions the Bidder will take to ensure receipt of such approvals as promptly as possible, and (d) a detailed description of any steps the Bidder will take to address any delay in obtaining such approvals (e.g. transition services agreement).

12. Contact Information and Affiliates: A Bid must provide the identity and contact information for the Bidder and full disclosure of any affiliates of the Bidder.
13. Contingencies: Each Bid (a) may not contain representations and warranties, covenants, or termination rights materially more onerous in the aggregate to the Sellers than those set forth in any applicable Stalking Horse Agreement, as determined by the Sellers, in consultation with the Consultation Parties, in good faith, and (b) may not be conditioned on (i) obtaining financing, (ii) any internal approvals or credit committee approvals, or (iii) the outcome or review of due diligence, including with respect to any environmental, employee, vendor, labor, health and/or safety matters.
14. Irrevocable: Each Bid must be irrevocable until ten (10) business days after the conclusion of the Sale Hearing; provided that if such Bid is accepted as the Successful Bid or the Backup Bid (each as defined herein), such Bid shall continue to remain irrevocable until the earlier of the consummation of the Sale or the Extended Outside Date (as defined below).
15. Compliance with Diligence Requests: The Bidder submitting the Bid must have complied with reasonable requests for additional information and due diligence access from the Sellers to the reasonable satisfaction of the Sellers, in consultation with the Consultation Parties.
16. As-Is, Where-Is: Each Bid must include a written acknowledgement and representation that the Bidder: (i) has had an opportunity to conduct any and all due diligence regarding the applicable Acquired Assets prior to making its offer; (ii) has relied solely upon its own independent review, investigation, and/or inspection of any documents and/or the applicable Acquired Assets in making its Bid; and (iii) did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied by operation of law, or otherwise, regarding the applicable Acquired Assets or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in any applicable Stalking Horse Agreement.
17. Confidentiality Agreement: To the extent not already executed, the Bid must include an executed Confidentiality Agreement.

18. Termination Fees: The Bid (other than a Bid pursuant to (a) a Stalking Horse Agreement or (b) the written agreement of Sellers and the Agents after consultation with the Consultation Parties) must not entitle the Bidder to any break-up fee, termination fee, expense reimbursement or similar type of payment or reimbursement and, by submitting the Bid, the Bidder waives the right to pursue a substantial contribution claim under 11 U.S.C. § 503 related in any way to the submission of its Bid or participation in any Auction.
19. Adherence to Bid Procedures: By submitting its Bid, each Bidder is agreeing to abide by and honor the terms of these Bidding Procedures and agrees not to submit a Bid or seek to reopen the Auction after conclusion of the Auction.
20. Closing Date: The Bid must include a commitment to consummate the transactions contemplated by the Modified Asset Purchase Agreement by no later than **April 5, 2018** (the “Outside Date”). In no event shall the consummation of the Sale occur later than **April 5, 2018** without the written consent of Debtors and Agents (any such date, the “Extended Outside Date”). In the event the Bid contemplates an Extended Outside Date in order to address any antitrust, regulatory or permitting issues, the Bid must include a mechanism to cover any and all costs incurred after the Outside Date in a manner acceptable to the Sellers and Agents in consultation with the Consultation Parties.
21. No Late Bids: Unless otherwise ordered by a Court, the Sellers shall not consider any Bids submitted after the conclusion of the Auction, and any and all such bids shall be deemed untimely and shall under no circumstances constitute a Qualified Bid.
22. Bid Notice: The following parties must receive a Bid in writing (in both PDF and Word format), on or before the Bid Deadline:
 - (a) The Sellers, 2904 Research Road, Champaign, Illinois 61822, Attention: Tom O’Donoghue (tom.odonoghue@cr3partners.com);
 - (b) Counsel to the Sellers, Neal Gerber & Eisenberg, LLP, 2 N. LaSalle Street, Suite 1700, Chicago, Illinois 60602, Attention: Nicholas M. Miller (nmiller@nge.com), Mark A. Berkoff (mberkoff@nge.com) and Bruce A. Fox (bfox@nge.com); and Morris, Nichols, Arsht & Tunnell LLP, 1201 N. Market Street, 16th Floor, Wilmington, DE 19899, Attention: Curtis Miller (cmiller@MNAT.com) and Robert J. Dehney (rdehney@MNAT.com);

- (c) Financial advisor to the Sellers, Lincoln Partners Advisors LLC, 633 West Fifth Street, Suite 6650, Los Angeles, California 90071, Attention: Alexander W. Stevenson (AStevenson@lincolninternational.com) and Sherman Guillema (SGuillema@lincolninternational.com);
- (d) Counsel to Wells Fargo Bank, National Association, in its capacity as Agents, Goldberg Kohn Ltd., 55 East Monroe Street, Suite 3300, Chicago, Illinois 60603, Attention: Randall L. Klein (randall.klein@goldbergkohn.com) and Zachary J. Garrett (zachary.garrett@goldbergkohn.com) and Burr & Forman LLP, 1201 Market Street, Suite 1407, Wilmington, Delaware 19801, Attention: J. Cory Falgowski (jfalgowski@burr.com);
- (e) Financial advisor to the Agent, Focus Management Group USA, Inc., 5001 West Lemon Street, Tampa, Florida 33609, Attention: Robert O. Riiska (r.riiska@focusmg.com) and Samuel M. Williams (s.williams@focusmg.com);
- (f) counsel to the Official Committee of Unsecured Creditors (the “Committee”), Cullen and Dykman LLP, The Legal Center, One Riverfront Plaza, Newark, NJ 07102, Attention: S. Jason Teele (steale@cullenanddykman.com) and ; and Whiteford Taylor Preston LLC, The Renaissance Center, Suite 500, 405 North King Street, Wilmington, Delaware 19801, Attention: Christopher M. Samis (CSamis@wtplaw.com).
- (g) financial advisor to the Committee, Emerald Capital Advisors, 70 E. 55th Street, 17th Floor, New York, NY 10022, Attention: John P. Madden (jpm@emeraldcapitaladvisors.com).

A Bid received from a Bidder before the Bid Deadline that meets all of the above requirements for the Acquired Assets shall constitute a “Qualified Bid” and such Bidder shall constitute a “Qualified Bidder”; provided that if the Sellers receive a Bid prior to the Bid Deadline that is not a Qualified Bid, the Sellers will promptly provide the Bidder with notice of the basis for the disqualification of such Bid and provide such Bidder with the opportunity to remedy any deficiencies prior to the Auction; provided, further, that, for the avoidance of doubt, if any Qualified Bidder fails to comply with reasonable requests for additional information and due diligence access from the Sellers to the satisfaction of the Sellers, then the Sellers, with the consent of the Agents, and in consultation with the Consultation Parties, may disqualify any Qualified Bidder and Qualified Bid, in the Sellers’ discretion and such Bidder shall not be entitled to attend or participate in the Auction. The Sellers will consult with the Consultation Parties to evaluate bids for non-conforming Lots on a case-by-case basis.

Any amendments, supplements or other modifications to any Bids (including pursuant to this paragraph) shall be delivered to the parties listed in paragraph 23 above as provided therein. All Qualified Bids will be considered, but the Sellers reserve their right to reject any or all bids, subject to the consent of the Agents and in consultation with the Consultation Parties. However, bids that are unconditional and contemplate sales that may be consummated on or soon after the Sale Hearing are preferred. Additionally, notwithstanding anything herein to the contrary, any Stalking Horse Agreement submitted by a Stalking Horse Purchaser shall be deemed a Qualified Bid, and any Stalking Horse Purchaser shall be deemed a Qualified Bidder. The Sellers will inform counsel to the Consultation Parties, counsel to the Stalking Horse Purchasers, and any Qualified Bidders whether the Sellers consider any Bid to be a Qualified Bid as soon as practicable but in no event later than one day before the Auction.

Each Qualified Bidder, by submitting a Bid, shall be deemed to acknowledge and agree that it is not relying upon any written or oral statements, representations, promises, warranties or guarantees of any kind whether expressed or implied, by operation of law or otherwise, made by any person or party, including the Sellers and their agents and representatives (other than as may be set forth in a definitive agreement executed by the Sellers), regarding the Sellers, any of the Acquired Assets, the Auction, these Bidding Procedures or any information provided in connection therewith.

Without the consent of the Sellers and the Agents, a Qualified Bidder may not amend, modify or withdraw its Bid, except for proposed amendments to increase the amount or otherwise improve the terms of the Bid, during the period that such Bid is required to remain irrevocable and binding.

Notwithstanding anything herein to the contrary, without any further action of any kind: (a) each Agent (and any designee of any Agent, including, without limitation, any entity that may be formed by or on behalf of any of the Lenders) is, and will be deemed to be, a Qualified Bidder for all purposes under and in connection with these Bidding Procedures and may credit bid all or any portion of the Aggregate Debt (as defined in the DIP Financing Order) in accordance with 11 U.S.C. § 363(k), including, without limitation, at any Auction; (b) any credit bid made by any Agent (or any such designee) is, and will be deemed to be, a Qualified Bid in each instance for all purposes under and in connection with the Bidding Procedures and will be deemed to be, and will be evaluated by the Sellers and the Consultation Parties as, a cash Qualified Bid (including, without limitation, for all purposes of Sections IV(A)(2), VI(E)(1), and VI(E)(2) hereof); and (c) subject to the proviso at the end of this sentence, none of the Agents (or any such designee) is or will be subject to any of the terms or conditions of Sections IV(A)(1), (5), (10), (11), (13)(b)(ii), 15, or 17 above; provided, however, that any Agent (or any designee thereof) submitting a credit bid will provide a Good Faith Deposit, provided that such Good Faith Deposit shall consist of a reduction in the applicable secured claim of such Agent in the Chapter 11 Cases and will not be payable in cash notwithstanding the terms of Section IV(A)(1) above. These Bidding Procedures are subject to the terms and provisions of the DIP Financing Order, including, without limitation, Paragraphs 4(e), 6, 9, 10, and 12 thereof.

V. AUCTION

A. Auction

If multiple Qualified Bids (including any Stalking Horse Agreements) with respect to the same Acquired Assets are submitted by the Bid Deadline, the Sellers will conduct the Auction to determine the highest and otherwise best Qualified Bid with respect to such Acquired Assets.

B. Assessment Criteria

The Sellers' determination, with the consent of the Agents, of the highest and otherwise best Qualified Bid with respect to the Acquired Assets will take into account any factors the Sellers, in consultation with the Consultation Parties, reasonably deem relevant to the value of the Qualified Bid to the estates and may include, but are not limited to, the following:

1. the amount and nature of the consideration, including any assumed liabilities and retention of employees;
2. the type and nature of any modifications to the Form APA or Stalking Horse Agreement, as applicable, requested by each Bidder in such Bidder's Modified Asset Purchase Agreement;
3. the extent to which such modifications are likely to delay the consummation of the sale of the applicable asset(s) and the cost to the Sellers of such modifications or delay;
4. the total consideration to be received by the Sellers and the net consideration to be received by the Sellers after taking into account any Stalking Horse Purchaser's Bid Protections with respect to each round of bidding;
5. the likelihood of the Bidder's ability to consummate a transaction and the timing thereof, including the ability to obtain, or waive, as applicable, regulatory approvals;
6. the net benefit to the Sellers' estates (collectively, the "Bid Assessment Criteria").

C. Cancellation of the Auction

If multiple Qualified Bids for the Acquired Assets have not been timely received, then the Auction for the Acquired Assets will be canceled. If the only Qualified Bid for the relevant Acquired Assets is a Stalking Horse Bid, then the corresponding Stalking Horse Agreement shall be the Successful Bid for such Acquired Assets, and the Stalking Horse Purchasers shall be the Successful Bidders for such Acquired Assets.

VI. PROCEDURES FOR THE AUCTION

If multiple Qualified Bids for the Acquired Assets have been timely submitted by the Bid Deadline, then the Sellers will, after consulting the Consultation Parties, commence the Auction on **March 26, 2018 at 10:00 a.m.** (prevailing Central Time) at the offices of Neal, Gerber & Eisenberg, LLP, 2 N. LaSalle St., Suite 1700, Chicago, Illinois 60602, or such other place and time as the Sellers shall notify all Qualified Bidders and the Consultation Parties, subject to these Bidding Procedures.

The Auction will be conducted according to the following procedures:

A. Participation

Only the Sellers, the Consultation Parties, the Agents and the Lenders, and each of their respective counsel and advisors, any Stalking Horse Purchasers and any other Qualified Bidder, in each case, along with their representatives and counsel, may attend the Auction (such attendance to be in person) and only Stalking Horse Purchasers and any such other Qualified Bidders will be entitled to make any Bids at the Auction; provided, however, that any other material creditor may attend (but not participate in) the Auction if it provides the Sellers written notice of its intention to attend the Auction on or before the Bid Deadline. Such written notice must be sent to counsel for the Sellers via electronic mail to Nicholas M. Miller (nmiller@nge.com) and Curtis Miller (cmiller@MNAT.com).

B. The Sellers Shall Conduct the Auction

The Sellers and their advisors shall direct and preside over the Auction, and the Auction shall be transcribed. The Sellers (in consultation with the Consultation Parties) will conduct the Auction in the manner they reasonably determine will result in the highest and otherwise best Qualified Bid(s), including, without limitation, by requiring separate rounds of bulk and/or Lot bidding and sealed bidding, open outcry, or any other form of Bid submission (including in connection with any bulk or Lot bidding). The Sellers will consult in good faith with the Consultation Parties throughout the Auction process to the extent reasonably practicable. Any rules developed by the Sellers will provide that each Qualified Bidder will be permitted what the Sellers determine to be an appropriate amount of time to respond to the previous bid at the Auction.

C. Auction Baseline Bids

Prior to commencement of the Auction, the Sellers will provide each Qualified Bidder participating in the Auction with a copy of the Modified Asset Purchase Agreement that is the highest and otherwise best Qualified Bid for the applicable Acquired Assets as determined by the Sellers, with the consent of the Agents, in consultation with the Consultation Parties (such highest and otherwise best Qualified Bid, the “Auction Baseline Bid”). In addition, at the start of the Auction, the Sellers will describe the terms of the Auction Baseline Bids to the other Qualified Bidders.

D. Joint Bidding and Anti-Collusion Representations

Each Qualified Bidder participating in the Auction must confirm that it (1) has not engaged in any collusion with respect to the bidding or sale of any of the assets described herein, (2) has reviewed, understands and accepts the Bidding Procedures and (3) has consented to the core jurisdiction of the Court.

Before submitting any Bid with co-bidding or team bidding arrangements, whether formal or informal, among a Qualified Bidder and any third party (including any other Preliminary Interested Purchaser or Qualified Bidder) (such a Bid, a “Joint Bid”), each Qualified Bidder must disclose such Joint Bid to the Sellers, and the Sellers may determine, in their discretion, whether the Joint Bid constitutes a Qualified Bid for purposes of participating in the Auction. The identity of any and all co-bidders or team bidders involved in submitting any Joint Bid, if the Sellers determine that such Joint Bid constitutes a Qualified Bid, will be disclosed on the record at the Auction.

E. Terms of Overbids

The Sellers will accept Overbids, as further described below. An “Overbid” is any bid made at the Auction subsequent to the Sellers’ announcement of the Auction Baseline Bid. To submit an Overbid for purposes of this Auction, a Bidder must comply with the following conditions:

1. Minimum Overbid Increments: Any Overbid after and above the Auction Baseline Bid shall be made in increments valued at not less than such amount as shall be announced at the Auction (in an amount greater than any approved bid protections or sale-related administrative expenses), in cash or in cash equivalents or, once the cash (or cash equivalent) amount of such Overbid exceeds the cash (or cash equivalent) amount of the next highest Bid, other forms of consideration acceptable to the Sellers and the Agents, in consultation with the Consultation Parties.
2. Credit Bidding: Holders of Postpetition Debt and/or Prepetition Debt (as such terms are defined in the DIP Financing Order) shall be entitled to submit Overbids in cash, cash equivalents or other forms of consideration, as described above, or additional credit bid amounts (which credit bid amounts shall in each case be treated and considered as cash amounts for all purposes) up to the aggregate amount of any outstanding obligations under the Postpetition Documents in respect of the Postpetition Debt or the Prepetition Documents in respect of the Prepetition Debt (as such terms are defined in the DIP Financing Order), as applicable, including any accrued but unpaid prepetition interest, to the extent permitted by applicable law, provided that only a Stalking Horse Purchaser, if any, may credit bid the amount of any Bid Protections.
3. Remaining Terms Are the Same as for Qualified Bids: Except as modified herein, an Overbid at the Auction must comply with the conditions for a

Qualified Bid set forth above, provided, however, that the Bid Deadline shall not apply. Any Overbid must include, in addition to the amount and the form of consideration of the Overbid, a description of all changes requested by the Bidder to the applicable Stalking Horse Agreement or Modified Asset Purchase Agreement, as the case may be, in connection therewith. Any Overbid must remain open and binding on the Bidder as provided herein.

At the Sellers' discretion with the consent of the Agents, to the extent not previously provided, a Bidder submitting an Overbid at the Auction must submit, as part of its Overbid, written evidence (in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Sellers), reasonably demonstrating such Bidder's ability to consummate the Alternate Transaction proposed by such Overbid.

F. Announcement and Consideration of Overbids

1. Announcement of Overbids: The Sellers will announce at the Auction the material terms of each Overbid, the total amount of consideration and form offered in each such Overbid (including the cash or cash equivalent component thereof), and the basis for calculating such total consideration. The Sellers also will provide the terms of each Overbid, including non-economic terms, to the Consultation Parties.
2. Consideration of Overbids: Subject to the deadlines set forth herein, the Sellers reserve the right, in their reasonable business judgment, to make one or more continuances of the Auction to, among other things: facilitate discussions between the Sellers and individual Qualified Bidders; allow individual Qualified Bidders to consider how they wish to proceed; modify or supplement any or all of the Auction procedures or rules; or give Qualified Bidders the opportunity to provide the Sellers with such additional evidence as the Sellers in their reasonable business judgment may require, that the Qualified Bidder has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed Alternate Transaction at the prevailing Overbid amount. When comparing Overbids to the immediately preceding Qualified Bid, the Sellers will treat any credit bid as being made in cash or in cash equivalents.

G. Other Procedures

1. Jurisdiction of the Court: All Qualified Bidders (including the Stalking Horse Purchasers) at the Auction shall be deemed to have consented to the core jurisdiction of the Court and waive any right to a jury trial in connection with any disputes relating to the marketing process, the determination of what constitutes a Qualified Bid and the procedures used to make that determination, the Auction, and the construction and

enforcement of the Qualified Bidder's fully executed sale and transaction documents, as applicable.

2. Stalking Horse Purchaser Bid: Stalking Horse Purchasers, if any, shall be entitled to (a) credit bid all or a portion of their respective Bid Protections, consistent with these Bidding Procedures; and (b) submit additional bids and make modifications to the applicable Stalking Horse Agreement at the Auction consistent with these Bidding Procedures.
3. Additional Bids; Modifications: All Qualified Bidders, including any Stalking Horse Purchasers, shall have the right to submit additional bids and make additional modifications to any Stalking Horse Agreement or Modified Asset Purchase Agreement at the Auction, as applicable, provided that any such modifications to such Stalking Horse Agreement or Modified Asset Purchase Agreement on an aggregate basis and viewed in whole, shall not, in the Sellers' business judgment (in consultation with the Consultation Parties), be less favorable to the Sellers than the terms of such original agreement.
4. Subsequent Bids: Each Qualified Bidder must submit a subsequent Bid that satisfies the minimum bid increment in each round of bidding in order to continue participating in the Auction. Qualified Bidders shall not be allowed to skip rounds of bidding on a particular Lot once they participate in the Auction for any given Lot.

H. Additional Procedures

The Sellers (after consulting with the Consultation Parties) may at any time establish, at or prior to the Auction, other or additional procedural rules that are reasonable under the circumstances for conducting the Auction so long as such rules are not inconsistent in any material respect with the Bidding Procedures or any Stalking Horse Agreements. Any Auction rules adopted by the Sellers that would modify any of the terms of any Stalking Horse Agreements or the rights of the Stalking Horse Purchasers under the Bid Procedures (as may be consensually modified at the Auction) requires the consent of the relevant Stalking Horse Purchaser.

I. Sale Is As Is/Where Is

Except as otherwise may be provided in a Stalking Horse Agreement, any Modified Asset Purchase Agreement, or any order by the Court approving any Sale of the Acquired Assets as contemplated hereunder, the Acquired Assets sold pursuant to the Bidding Procedures shall be conveyed upon the consummation of the purchase and sale in their then-present condition, **"AS IS, WHERE IS, WITH ALL FAULTS, AND WITHOUT ANY WARRANTY WHATSOEVER, EXPRESS OR IMPLIED."**

J. Closing the Auction

The Auction will continue in additional rounds of bidding until the Sellers select, with the consent of the Agents, and after consulting with the Consultation Parties, the Bid(s) that represent the highest and otherwise best offer(s) for the Acquired Assets (a “Successful Bid,” and the Bidder(s) submitting such Successful Bid(s), a “Successful Bidder”). The Successful Bidders shall have the rights and responsibilities of the purchaser as set forth in the applicable Stalking Horse Agreement or Modified Asset Purchase Agreement. In selecting each Successful Bid, the Sellers, in consultation with the Consultation Parties, will consider the Bid Assessment Criteria.

The Sellers may close the Auction when all Successful Bidder(s) submit fully executed sale and transaction documents memorializing the terms of the Successful Bid(s), in each case, in form and substance acceptable to Agents, and the Sellers announce the Successful Bid(s) and the Successful Bidder(s). Promptly after the Auction closes, the Sellers will file with the Court a notice of the Successful Bid(s) and the Successful Bidder(s).

The Sellers shall not consider any Bids submitted after the conclusion of the Auction.

K. Backup Bidder

Notwithstanding anything in the Bidding Procedures to the contrary, if an Auction is conducted, the Qualified Bidder with the next highest and otherwise best Bid at the Auction with respect to some or substantially all of the Acquired Assets, as determined by the Sellers, in the exercise of their business judgment, with the consent of the Agents, and after consulting with the Consultation Parties, will be designated as a backup bidder (a “Backup Bidder”). A Backup Bidder shall be required to keep its last submitted Bid (the “Backup Bid”) open and irrevocable until the earlier of the consummation of the transaction with the Successful Bidder or the Extended Outside Date.

Following the Sale Hearing, if a Successful Bidder fails to consummate the purchase of the Acquired Assets, the Sellers may deem the Backup Bidder for such assets to have the new Successful Bid, and the Sellers will be authorized, without further order of the Court, to consummate the transaction with such Backup Bidder at the price of its last bid. Such Backup Bidder will be deemed to be the Successful Bidder and the Sellers will be authorized, but not directed, to effectuate a sale to such Backup Bidder subject to the terms of the Backup Bid without further order of the Court. All Qualified Bids (other than the Successful Bid and the Backup Bid) shall be deemed rejected by the Sellers on and as of the date that the Court approves the Bid as the Successful Bid. The Sellers, on their behalf and on behalf of each of their respective estates, specifically reserve the right to seek all available damages, including specific performance, from any defaulting Successful Bidder (including any Backup Bidder designated as a Successful Bidder) in accordance with the terms of the Bidding Procedures.

For the avoidance of doubt, in the event that there is a Successful Bidder (other than a Stalking Horse Purchaser) with respect to some or substantially all of the Acquired Assets, and the Stalking Horse Purchaser is the Backup Bidder, the Stalking Horse Purchaser will be deemed

to be the Backup Bidder at the price of its last overbid with respect to such Acquired Assets and will be subject to the terms contained in the immediately preceding paragraph.

VII. BID PROTECTIONS

Pursuant to the Bidding Procedures Order, each Stalking Horse Purchaser is entitled to the Bid Protections in the amounts set forth in, and in accordance with the terms of, the applicable Stalking Horse Agreement and the Bidding Procedures Order.

Pursuant to the Bidding Procedures Order, except for any Stalking Horse Purchasers, no other party submitting an offer or Bid or a Qualified Bid shall be entitled to any expense reimbursement, breakup fee, termination or similar fee or payment unless Sellers, with the consent of the Agents, and in consultation with the Consultation Parties, agree in writing to provide any such bid protections.

VIII. SALE HEARING

The Successful Bid and Backup Bid (or, if no Qualified Bid other than that of the Stalking Horse Purchasers is received, then the Stalking Horse Agreements) will be subject to approval by the Court. The sale hearing to approve the Successful Bids and any Backup Bids shall take place on **March 28, 2018** at 10:00 a.m. (EDT) before the Court (the “Sale Hearing”).

Nothing herein or contemplated hereby constitutes, or will be deemed to constitute or otherwise result in, the consent or approval of any Consultation Party, any Agent, any Lender, or any other party in interest to the Sale, any Sale Order, or any Bid, or to any agreement or motion or other pleading relating thereto, or the waiver or modification of any of the terms of, or any rights under, any existing agreement, instrument or document, including, without limitation, any Postpetition Document (as defined in the DIP Financing Order), or any default arising thereunder or relating thereto. Any and all rights of such parties and parties in interest to object or otherwise oppose any Sale, Sale Order, or Bid, or any agreement or pleading related thereto are hereby expressly preserved and reserved.

The Sale Hearing may be adjourned by the Sellers, in consultation with the Consultation Parties and the Stalking Horse Purchasers, subject to the terms herein; provided, however, that the Sale Order must be entered on or before **March 29, 2018**.

IX. RETURN OF GOOD FAITH DEPOSITS

The Good Faith Deposits of all Qualified Bidders (except the Stalking Horse Bidders) shall be held in one or more escrow accounts by the Sellers, but shall not become property of the Sellers’ estates absent further order of the Court or as expressly provided below. The Good Faith Deposit of any Qualified Bidder that is neither a Successful Bidder nor a Backup Bidder shall be returned to such Qualified Bidder not later than three (3) business days after the conclusion of the Sale Hearing. The Good Faith Deposit of a Backup Bidder, if any, shall be returned to such Backup Bidder no later than seventy-two (72) hours after the consummation of the transaction with the Successful Bidder. If the Successful Bidder timely consummates the winning transaction, its Good Faith Deposit shall be credited towards the applicable purchase price. If the Successful Bidder (or Backup Bidder, if applicable) fails to consummate an Alternate

Transaction because of a breach or failure to perform on the part of such Successful Bidder (or Backup Bidder, if applicable), the Sellers will not have any obligation to return the Good Faith Deposit deposited by such Successful Bidder (or Backup Bidder, if applicable), and such Good Faith Deposit shall irrevocably become property of the Sellers. The Good Faith Deposit of any Stalking Horse Purchasers shall be held as provided in the Stalking Horse Agreements and shall be returned to the Stalking Horse Purchasers in accordance with any such Stalking Horse Agreements.

X. RESERVATION OF RIGHTS OF THE SELLERS

Notwithstanding anything to the contrary herein, the Sellers further reserve the right as they may reasonably determine to be in the best interest of their estates, in each case, with the consent of the Agents, and in consultation with the Consultation Parties, to:

- A. determine which Bidder(s) is a Qualified Bidder(s);
- B. determine which Bid(s) is a Qualified Bid(s);
- C. determine which Qualified Bid is the highest and best proposal for the Acquired Assets and which is the next highest and best proposal for the Acquired Assets;
- D. reject any Bid that is (1) inadequate or insufficient, (2) not in conformity with the requirements of the Bidding Procedures or the requirements of the Bankruptcy Code or (3) contrary to the best interests of the Sellers and their estates;
- E. determine any Lots and revise the minimum bid values above with respect to any Lot, in each case, with the agreement of Agents and in consultation with the Consultation Parties;
- F. impose additional terms and conditions with respect to all potential Bidders;
- G. extend the deadlines set forth herein; and
- H. modify the Bidding Procedures and implement additional procedural rules that the Sellers determine, in their business judgment, will better promote the goals of the bidding process and discharge the Sellers' fiduciary duties; provided however that any modification or additions to the Bidding Procedures shall not be inconsistent with the Stalking Horse Agreements, the Bidding Procedures Order or any other Order of the Court, unless agreed in writing by the applicable Stalking Horse Purchaser and Sellers or otherwise ordered by the Court.

EXHIBIT B
SALE NOTICE

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

In re:

HOBBICO, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 18-10055 (KG)

Jointly Administered

NOTICE OF BIDDING PROCEDURES, AUCTION DATE, AND SALE HEARING

PLEASE TAKE NOTICE THAT:

1. On January 10, 2018, Hobbico, Inc. (the “Company”) and certain of its subsidiaries (collectively with the Company, the “Debtors” or “Sellers”) filed for relief before the United States Bankruptcy Court for the District of Delaware (the “Court”). The Court presides over the Sellers’ jointly administered chapter 11 bankruptcy cases (the “Chapter 11 Cases”) captioned *In re Hobbico, Inc. et al.*, Ch. 11 Case No. 18-10055 (KG) (Bankr. D. Del. Jan. 10, 2018).

2. On February [●], 2018, the Sellers filed with the Court the Motion for (I) an Order (A) Establishing Bidding Procedures for the Sale of All, or Substantially All, of the Debtors’ Assets; (B) Approving Potential Bid Protections; (C) Establishing Procedures Relating to the Assumption and Assignment of Executory Contracts and Unexpired Leases; (D) Approving Form and Manner of the Sale, Cure and Other Notices; and (E) Scheduling an Auction and as Hearing to Consider the Approval of the Sale; (II) an Order (A) Approving the Sale of the Debtors’ Assets Free and Clear of Claims, Liens and Encumbrances; and (B) Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases; and (III) Certain Related Relief (the “Sale Motion”).² By the Sale Motion, the Sellers seek, inter alia, to conduct a sale (the “Sale”) by auction (the “Auction”) of all or substantially all of their assets (the “Assets”) and to assume and assign certain executory contracts and unexpired leases (the “Designated Contracts”), potentially pursuant to asset purchase agreements by and among the Sellers and certain stalking horse purchasers (the “Stalking Horse Agreements”). Any Stalking Horse Agreements will be subject to higher or otherwise better offers at the Auction.

3. On March [●], 2018, pursuant to the Sale Motion, the Court entered an order (the “Bidding Procedures Order”) approving the Auction and bidding procedures (as the same may be amended, supplemented, or otherwise modified from time to time, the “Bidding Procedures”) in connection with the proposed Sale. A copy of the Sale Motion, the Bidding

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Hobbico, Inc. (9545); Arrma Durango Limited; Axial R/C Inc. (0233); Estes-Cox Corp. (2196); Great Planes Model Manufacturing, Inc. (5259); Revell Inc. (8545); Tower Hobbies, Inc. (5185); and United Model, Inc. (5302). The Debtors’ headquarters are located at 2904 Research Road, Champaign, Illinois 61822.

² Capitalized terms used herein but not otherwise defined in this notice (the “Notice”) shall have the meanings ascribed to them in the Sale Motion.

Procedures Order and the Bidding Procedures can be obtained free of charge on <http://www.jndla.com/cases/hobbico>.

4. The Auction shall take place on **March 26, 2018 at 10:00 a.m. (prevailing Central Time)** at the offices of Neal Gerber & Eisenberg, LLP, 2 N. LaSalle Street, Suite 1700, Chicago, Illinois 60602, or such other place and time as the Sellers shall notify all Qualified Bidders (as defined in the Bidding Procedures) and the Consultation Parties (as defined in the Bidding Procedures).

5. A hearing to approve the Sale (the “Sale Hearing”), including the assumption and assignment of the Designated Contracts, will be held on **March 28, 2018 at [10:00 a.m.] (prevailing Eastern Time)** before the Court.

6. Pursuant to the Bidding Procedures Order, any objections to the Sale (“Sale Objections”) must be set forth in writing and must state with particularity the grounds for such objections or other statements of position. All Sale Objections must be in writing and filed on and served so as to be received by **March 21, 2018 at 4:00 p.m. (prevailing Eastern Time)** (the “Sale Objection Deadline”) at the Clerk of the Court, 824 Market St. N, 3rd Floor, Wilmington, Delaware 19801; provided that objections to the conduct of the Auction or selection of the Successful Bid (as defined in the Bidding Procedures) or Backup Bid (a “Supplemental Objection”), which shall be in writing, may be filed with the Court, together with proof of service, and served so as to be received by the Notice Parties (defined below) on or before **4:00 pm (prevailing Eastern Time) on March 27, 2018**. Any Sale Objection or Supplemental Objection must be served on the following parties so as to be received by the Sale Objection Deadline: **The Sellers**, 2904 Research Road, Champaign, Illinois 61822, Attention: Tom O’Donoghue (tom.odonoghue@cr3partners.com); **Counsel to the Sellers**, Neal Gerber & Eisenberg, LLP, 2 N. LaSalle Street, Suite 1700, Chicago, Illinois 60602, Attention: Nicholas M. Miller (nmiller@nge.com), Mark A. Berkoff (mberkoff@nge.com) and Bruce A. Fox (bfox@nge.com); and Morris, Nichols, Arsht & Tunnell LLP, 1201 N. Market Street, 16th Floor, Wilmington, Delaware 19899, Attention: Curtis Miller (cmiller@MNAT.com) and Robert J. Dehney (rdehney@MNAT.com); **Financial advisor to the Sellers**, Lincoln Partners Advisors LLC, 633 West Fifth Street, Suite 6650, Los Angeles, California 90071, Attention: Alexander W. Stevenson (AStevenson@lincolnternational.com) and Sherman Guillema (SGuillema@lincolnternational.com); **Counsel to Wells Fargo Bank, National Association, in its capacity as Prepetition Agent and Postpetition Agent for the Prepetition Lenders and the Postpetition Lenders, respectively** (the “Agent”), Goldberg Kohn Ltd., 55 East Monroe Street, Suite 3300, Chicago, Illinois 60603, Attention: Randall L. Klein (randall.klein@goldbergkohn.com) and Zachary J. Garrett (zachary.garrett@goldbergkohn.com) and Burr & Forman LLP, 1201 Market Street, Suite 1407, Wilmington, Delaware 19801, Attention: J. Cory Falgowski (jfalgowski@burr.com); **Financial advisor to the Agent**, Focus Management Group USA, Inc., 5001 West Lemon Street, Tampa, Florida 33609, Attention: Robert O. Riiska (r.riiska@focusmg.com) and Samuel M. Williams (s.williams@focusmg.com); **counsel to the Official Committee of Unsecured Creditors** (the “Committee”), Cullen and Dykman LLP, The Legal Center, One Riverfront Plaza, Newark, NJ 07102, Attention: S. Jason Teele (steele@cullenanddykman.com), and Whiteford Taylor Preston LLC, The Renaissance Center, Suite 500, 405 North King Street, Wilmington, Delaware 19801, Attention: Christopher M. Samis (CSamis@wtplaw.com); and **financial advisor to the Committee**, Emerald Capital

Advisors, 70 E. 55th Street, 17th Floor, New York, NY 10022, Attention: John P. Madden (jpm@emeraldcapitaladvisors.com).

7. UNLESS AN OBJECTION IS TIMELY FILED AND SERVED IN ACCORDANCE WITH THIS NOTICE, IT MAY NOT BE CONSIDERED BY THE COURT AND THE COURT MAY GRANT THE RELIEF REQUESTED WITHOUT FURTHER HEARING AND NOTICE.

8. This Notice is subject to the fuller terms and conditions of the Sale Motion and the Bidding Procedures Order, which shall control in the event of any conflict, and the Sellers encourage parties-in-interest to review such documents in their entirety.

Dated: March [●], 2018
Wilmington, Delaware

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

Robert J. Dehney (No. 3578)
Curtis Miller (No. 4583)
Matthew O. Talmo (No. 6333)
1201 N. Market Street, 16th Floor
P.O. Box 1347
Wilmington, Delaware 19899-1347
Telephone: (302) 658-9200
Facsimile: (302) 658-3989
rdehney@mnat.com
cmiller@mnat.com
mtalmo@mnat.com

- and -

NEAL, GERBER & EISENBERG LLP
Mark A. Berkoff (admitted pro hac vice)
Nicholas M. Miller (admitted pro hac vice)
Thomas C. Wolford (admitted pro hac vice)
Two North LaSalle Street, Suite 1700
Chicago, Illinois 60602
Telephone: (312) 269-8000
Facsimile: (312) 269-1747
mberkoff@nge.com
nmiller@nge.com
twolford@nge.com

Co-Counsel to the Debtors and Debtors in Possession

EXHIBIT C
CURE NOTICE

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

In re:

HOBBICO, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 18-10055 (KG)

Jointly Administered

**NOTICE OF POTENTIAL
ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY
CONTRACTS AND UNEXPIRED LEASES AND PROPOSED CURE AMOUNTS**

PLEASE BE ADVISED that on January 10, 2018 Hobbico, Inc. (the “Company”) and certain of its subsidiaries (collectively with the Company, the “Debtors” or “Sellers”) filed for relief before the United States Bankruptcy Court for the District of Delaware (the “Court”). The Court presides over the Sellers’ jointly administered chapter 11 bankruptcy cases (the “Chapter 11 Cases”) captioned *In re Hobbico Inc. et al.*, Ch. 11 Case No. 18-10055 (KG) (Bankr. D. Del. Jan. 10, 2018).

PLEASE BE ADVISED that on February [●], 2018 the Sellers filed with the Court the *Motion for (I) an Order (A) Establishing Bidding Procedures for the Sale of All, or Substantially All, of the Debtors’ Assets; (B) Approving Potential Bid Protections; (C) Establishing Procedures Relating to the Assumption and Assignment of Executory Contracts and Unexpired Leases; (D) Approving Form and Manner of the Sale, Cure and Other Notices; and (E) Scheduling an Auction and as Hearing to Consider the Approval of the Sale; (II) an Order (A) Approving the Sale of the Debtors’ Assets Free and Clear of Claims, Liens and Encumbrances; and (B) Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases; and (III) Certain Related Relief* (the “Sale Motion”).² By the Sale Motion, the Sellers seek, *inter alia*, to conduct a sale (the “Sale”) by auction (the “Auction”) of all or substantially all of their assets (the “Assets”) and to assume and assign certain executory contracts and unexpired leases (the “Designated Contracts”) to the successful bidder for such Assets (the “Purchaser”).

PLEASE BE FURTHER ADVISED that, on March [●], 2018, pursuant to the Sale Motion, the Court entered an Order (the “Bidding Procedures Order”), which, among other things, approves auction and bidding procedures (as the same may be amended, supplemented, or otherwise modified from time to time, the “Bidding Procedures”) in connection with the

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Hobbico, Inc. (9545); Arrma Durango Limited; Axial R/C Inc. (0233); Estes-Cox Corp. (2196); Great Planes Model Manufacturing, Inc. (5259); Revell Inc. (8545); Tower Hobbies, Inc. (5185); and United Model, Inc. (5302). The Debtors’ headquarters are located at 2904 Research Road, Champaign, Illinois 61822.

² Capitalized terms used herein but not otherwise defined in this notice (the “Notice”) shall have the meanings ascribed to them in the Sale Motion.

proposed Sale. A copy of the Sale Motion, the Bidding Procedures Order and the Bidding Procedures can be obtained free of charge at <http://www.jndla.com/cases/hobbico>.

PLEASE BE FURTHER ADVISED that a hearing to approve the Sale (the “Sale Hearing”), including the assumption and assignment of certain Stalking Horse Purchaser Designated Contracts, will be held on **March 28, 2018 at 10:00 a.m. (prevailing Eastern Time)**, before the Court.

PLEASE BE FURTHER ADVISED that pursuant to the Motion, the Sellers may assume and assign the contract(s) identified on Exhibit A (the “Subject Contract(s)”) to the Successful Bidder for the Subject Contract(s) at the Auction.³ The cure amount (the “Cure Amount”), if any, the Sellers believe is required to satisfy all amounts and obligations due and owing under each Subject Contract by the Sellers, including any monetary defaults and compensation for pecuniary losses, is listed on Exhibit A (the “Cure Schedule”).

PLEASE BE FURTHER ADVISED that the deadline to file an objection to the assumption and assignment of the Subject Contract(s) and the Cure Amount(s) for such Subject Contract(s) (together, “Cure Objections”) is **March 21, 2018 at 4:00 p.m.** (prevailing Eastern Time) (the “Cure Objection Deadline”).

PLEASE BE FURTHER ADVISED that Cure Objections, if any, must be filed with the Court, and all such Cure Objections must also be served upon: **The Sellers**, 2904 Research Road, Champaign, Illinois 61822, Attention: Tom O’Donoghue (tom.odonoghue@cr3partners.com); **Counsel to the Sellers**, Neal Gerber & Eisenberg, LLP, 2 N. LaSalle Street, Suite 1700, Chicago, Illinois 60602, Attention: Nicholas M. Miller (nmiller@nge.com), Mark A. Berkoff (mberkoff@nge.com) and Bruce Fox (bfox@nge.com); and Morris, Nichols, Arsht & Tunnell LLP, 1201 N. Market Street, 16th Floor, Wilmington, Delaware 19899, Attention: Curtis Miller (cmiller@MNAT.com) and Robert J. Dehney (rdehney@MNAT.com); **Financial advisor to the Sellers**, Lincoln Partners Advisors LLC, 633 West Fifth Street, Suite 6650, Los Angeles, California 90071, Attention: Alexander W. Stevenson (ASTevenson@lincolninternational.com) and Sherman Guillema (SGuillema@lincolninternational.com); **Counsel to Wells Fargo Bank, National Association, in its capacity as Prepetition Agent and Postpetition Agent for the Prepetition Lenders and the Postpetition Lenders, respectively** (the “Agent”), Goldberg Kohn Ltd., 55 East Monroe Street, Suite 3300, Chicago, Illinois 60603, Attention: Randall L. Klein (randall.klein@goldbergkohn.com) and Zachary J. Garrett (zachary.garrett@goldbergkohn.com) and Burr & Forman LLP, 1201 Market Street, Suite 1407, Wilmington, Delaware 19801, Attention: J. Cory Falgowski (jfalgowski@burr.com); **Financial advisor to the Agent**, Focus Management Group USA, Inc., 5001 West Lemon Street, Tampa, Florida 33609, Attention: Robert O. Riiska (r.riiska@focusmg.com) and Samuel M. Williams (s.williams@focusmg.com); **counsel to the Official Committee of Unsecured Creditors** (the “Committee”), Cullen and Dykman LLP, The Legal Center, One Riverfront Plaza, Newark, NJ 07102, Attention: S. Jason Teele (steele@cullenanddykman.com), and Whiteford Taylor

³ The Sellers may modify the list of Available Contracts that will be assumed and assigned in connection with the Sale. In addition, the inclusion of any contract or agreement on Exhibit A shall not constitute an admission by the Sellers that any such Subject Contract is an executory contract or unexpired lease within the meaning of section 365 of the Bankruptcy Code and the Sellers reserve all rights with respect thereto.

Preston LLC, The Renaissance Center, Suite 500, 405 North King Street, Wilmington, Delaware 19801, Attention: Christopher M. Samis (CSamis@wtplaw.com); and **financial advisor to the Committee**, Emerald Capital Advisors, 70 E. 55th Street, 17th Floor, New York, NY 10022, Attention: John P. Madden (jpm@emeraldcapitaladvisors.com).

PLEASE BE FURTHER ADVISED that the Cure Objection must state (i) the basis for the objection and (ii) with specificity, what Cure Amount(s) the party to the Subject Contract(s) believes is required (in all cases with appropriate documentation in support thereof).

PLEASE BE FURTHER ADVISED that any objection solely to the Cure Amount(s) may not prevent or delay the Sellers' assumption and assignment of the Subject Contract(s) by a Successful Bidder. If a non-Seller counterparty (a "Contract Counterparty") objects solely to Cure Amount(s), the Sellers may, with the consent of the Successful Bidder, hold the claimed Cure Amount(s) in reserve pending further order of the Court or mutual agreement of the parties. So long as Cure Amount(s) are held in reserve, and there are no other unresolved objections to assumption and assignment of the applicable Subject Contract(s), the Sellers can, without further delay, assume and assign such Subject Contract(s) to the Successful Bidder. Under such circumstances, the objecting Non-Seller Counterparty's recourse is limited to the funds held in reserve.

PLEASE BE FURTHER ADVISED that any objections to the adequate assurance of future performance by any Successful Bidder under the applicable Subject Contract(s) must be filed with the Court and served on the Notice Parties and the applicable Successful Bidder so that such objection is received on or before **12:00 p.m. (prevailing Eastern Time)** the day before the Sale Hearing (the "Adequate Assurance Objection Deadline").

PLEASE BE FURTHER ADVISED that unless a Cure Objection or an objection to adequate assurance of future performance, as applicable, is filed and served by a Non-Seller Counterparty to any Subject Contract by the Cure Objection Deadline or the Adequate Assurance Objection Deadline, as applicable, such Non-Seller Counterparty shall be (i) deemed to have waived and released any right to assert a Cure Objection and to have otherwise consented to the assignment of such Subject Contract, (ii) forever barred from objecting to the assumption and assignment of such Subject Contract or the failure of the Successful Bidder to provide adequate assurance of future performance and (iii) forever barred and estopped from asserting or claiming any Cure Amount, other than the Cure Amount listed on the Cure Schedule.

PLEASE BE FURTHER ADVISED that the hearings with respect to Cure Objection(s) or objection(s) to the adequate assurance of future performance may be held (a) at the Sale Hearing, or (b) at such other date as the Court may designate.

PLEASE BE FURTHER ADVISED that all requests for information concerning the Sale should be in writing and directed to US counsel to the Sellers at the address referenced below.

Dated: March[●], 2018
Wilmington, Delaware

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

Robert J. Dehney (No. 3578)
Curtis Miller (No. 4583)
Matthew O. Talmo (No. 6333)
1201 N. Market Street, 16th Floor
P.O. Box 1347
Wilmington, Delaware 19899-1347
Telephone: (302) 658-9200
Facsimile: (302) 658-3989
rdehney@mnat.com
cmiller@mnat.com
mtalmo@mnat.com

- and -

NEAL, GERBER & EISENBERG LLP
Mark A. Berkoff (admitted pro hac vice)
Nicholas M. Miller (admitted pro hac vice)
Thomas C. Wolford (admitted pro hac vice)
Two North LaSalle Street, Suite 1700
Chicago, Illinois 60602
Telephone: (312) 269-8000
Facsimile: (312) 269-1747
mberkoff@nge.com
nmiller@nge.com
twolford@nge.com

Co-Counsel to the Debtors and Debtors in Possession

EXHIBIT A

Cure Schedule

<u>Name of Subject Contract</u>	<u>Name of Non-Debtor Counterparty</u>	<u>Cure Amount</u>

Exhibit 2

Sale Order

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

In re:

HOBBICO, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 18-10055 (KG)

Jointly Administered

[PROPOSED] ORDER² (A) APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF THE DEBTOR PURSUANT TO SECTION 363 OF THE BANKRUPTCY CODE FREE AND CLEAR OF ALL LIENS, CLAIMS, INTERESTS, AND ENCUMBRANCES; (B) APPROVING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES PURSUANT TO SECTION 365 OF THE BANKRUPTCY CODE; (C) AUTHORIZING THE DEBTORS TO CONSUMMATE TRANSACTIONS RELATED TO THE ABOVE; AND (E) GRANTING CERTAIN OTHER RELIEF

Upon the motion (the “Motion”)³ of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) pursuant to sections 105(a), 363, and 365 of title 11 of the United States Code (the “Bankruptcy Code”) and rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) for entry of an order (this “Sale Order”) (a) approving the sale of the Acquired Assets to [_____] (“Buyer”) pursuant to the Asset Purchase Agreement dated as of [_____] , 2018 by and among [_____] and Buyer (the “Asset Purchase Agreement”), (b) approving the assumption and assignment of certain executory contracts and unexpired leases pursuant to section 365 of the Bankruptcy Code, (c) authorizing the Debtors to consummate related sale transactions, and

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Hobbico, Inc. (9545); Arrma Durango Limited; Axial R/C Inc. (0233); Estes-Cox Corp. (2196); Great Planes Model Manufacturing, Inc. (5259); Revell Inc. (8545); Tower Hobbies, Inc. (5185); and United Model, Inc. (5302). The Debtors’ headquarters are located at 2904 Research Road, Champaign, Illinois 61822.

² **This Form of Order may serve as the Form Order for a Stalking Horse Bid or, if no such Bid, a Baseline Bid, as such terms are defined in the Motion.**

³ Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Asset Purchase Agreement (as defined herein).

(d) granting other relief, all as more fully described in the Motion; and the Court having entered on March [●], 2018, the *Order (A) Establishing Bidding Procedures for the Sale of All or Substantially All of the Debtors' Assets, (B) Approving Potential Bid Protections, (C) Establishing Procedures Relating to the Assumption and Assignment of Executory Contracts and Unexpired Leases, (D) Approving Form and Manner of the Sale, Cure, and Other Notices, and (E) Scheduling an Auction and a Hearing to Consider the Approval of the Sale* [Docket No. ___] (the "Bidding Procedures Order"); and the Debtors having determined that the highest and otherwise best offer for the Acquired Assets was made by Buyer; and the Court having conducted a hearing on March [●], 2018 (the "Sale Hearing"), at which time all parties in interest were offered an opportunity to be heard with respect to the proposed sale of the Acquired Assets, and the Court having considered: (i) the Motion and any objections thereto; (ii) the proposed sale of the Acquired Assets by Sellers to Buyer pursuant to the Asset Purchase Agreement (the "Sale"); (iii) the arguments of counsel made, and evidence adduced, related thereto; and (iv) the full record in these Chapter 11 Cases, including the record related to the hearing to consider the Bidding Procedures Order and the Sale Hearing held before the Court; all parties in interest having been heard, or having had the opportunity to be heard, regarding the sale of the Acquired Assets and other related transactions; and it appearing that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; it is hereby

FOUND, CONCLUDED, AND DETERMINED THAT:⁴

A. The findings and conclusions set forth herein constitute this Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to these Chapter 11 Cases pursuant to Bankruptcy Rule 9014.

B. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

C. This Court has jurisdiction over the Motion and over the property of Debtors, including the Acquired Assets to be sold, transferred, and conveyed pursuant to the Asset Purchase Agreement, pursuant to 28 U.S.C. §§ 157 and 1334. Consideration of the Motion constitutes a core proceeding under 28 U.S.C. § 157(b)(2). Venue for the Cases and proceedings on the Motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

D. This Sale Order constitutes a final order within the meaning of 28 U.S.C. § 158(a). Notwithstanding Bankruptcy Rules 6004(h) and 6006(d), and to any extent necessary under Bankruptcy Rule 9014 and rule 54(b) of the Federal Rules of Civil Procedure, as made applicable by Bankruptcy Rule 7054, this Court finds that there is no just reason for delay in the implementation of this Sale Order, and directs entry of judgment as set forth herein.

E. The Acquired Assets constitute property of Sellers' estates and title thereto is vested in Sellers' estates within the meaning of section 541(a) of the Bankruptcy Code.

F. The statutory bases for the relief requested in the Motion are sections 105(a), 363, and 365 of the Bankruptcy Code, Bankruptcy Rules 2002, 6004, 6006, and 9014 and Local Rule 4001-2.

⁴ All findings of fact and conclusions of law announced by the Court at the Sale Hearing in relation to the Motion are hereby incorporated herein to the extent not inconsistent herewith.

G. On January 10, 2018 (the “Petition Date”), the Debtors other than Arrma Durango Limited each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “Court”) commencing these Chapter 11 Cases. On the Petition Date, the Debtors other than Arrma Durango Limited also jointly filed motions or applications seeking certain typical “first day” relief. Debtor Arrma Durango Limited filed its voluntary petition and similar motions for “first day” relief on January 26, 2018.

H. The Debtors are continuing in the management and operation of their businesses and properties as debtors in possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in these Cases.

I. On January 22, 2018, the Office of the United States Trustee (the “U.S. Trustee”) appointed an official committee of unsecured creditors in these Cases pursuant to Section 1102 of the Bankruptcy Code (the “Committee”).

J. This Court entered the Bidding Procedures Order on March [●], 2018: (1) establishing bidding and auction procedures for the sale of the Acquired Assets; (2) approving potential bid protections; (3) establishing procedures relating to the assumption and assignment of executory contracts and unexpired leases; (4) approving the form and manner of the sale, cure and other notices; and (5) scheduling the Auction and the Sale Hearing to consider the sale of the Acquired Assets.

K. As evidenced by the affidavits of service and publication previously filed with the Court [Docket Nos. ____], and based on the representations of counsel at the Sale Hearing, due, proper, timely, adequate, and sufficient notice of the Motion, the Sale Hearing, the Auction, the Sale, and the assumption and assignment of the executory contracts and unexpired leases to be

assumed and assigned at Closing pursuant to this Sale Order has been provided in accordance with sections 102(1), 363, and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 9007, and 9014 and in compliance with the Bidding Procedures Order, to each party entitled to such notice, including, as applicable: (a) all entities known to have expressed a *bona fide* interest in a transaction with respect to the Acquired Assets within the past two years; (b) all entities known to have asserted any lien, claim or encumbrance in or upon any of the Acquired Assets; (c) all federal, state and local environmental, regulatory or taxing authorities or recording offices which have a reasonably known interest in the relief requested by the Motion; (d) the U.S. Trustee; (e) counsel to Wells Fargo Bank, National Association, in its capacity as Prepetition Agent and Postpetition Agent (in such capacities, collectively, "Agents") on behalf of the Prepetition Lenders and the Postpetition Lenders (collectively, the "Lenders"), respectively, and the other Secured Parties (as such terms are defined in the DIP Financing Order⁵); (f) the Internal Revenue Service; (g) the SEC; (h) the U.S. Attorney for the District of Delaware; and (i) all persons and entities that have filed a request for service of filings in these Chapter 11 Cases pursuant to Bankruptcy Rule 2002. With respect to entities whose identities are not reasonably ascertained by the Debtors, publication of the Sale Notice in *USA Today* and the *Champaign News Gazette*, on March [●], , 2018, as evidenced by the affidavit of service filed by the Debtors' notice and claims agent on March [●], 2018, [Docket No. [●]], was, and is deemed, sufficient, and reasonably calculated under the circumstances to reach such entities. The notices

⁵ Order Authorizing Debtors To: (A) Use Cash Collateral On A Final Basis; (B) Incur Postpetition Debt On A Final Basis; and (C) Grant Adequate Protection And Provide Security And Other Relief To Wells Fargo Bank, National Association, As Agent, And The Other Secured Parties (Docket No. 162) (as amended, supplemented or modified from time to time in accordance with the terms thereof, the "DIP Financing Order").

described above were good, sufficient, and appropriate under the circumstances, and no other or further notice of the Motion, the Auction, the Sale, and the Sale Hearing is, or shall be, required.

L. The Debtors and their professionals marketed the Acquired Assets and conducted the marketing and sale process in compliance with the Bidding Procedures and the Bidding Procedures Order. Based upon the record of these proceedings, creditors and other parties in interest and prospective purchasers were afforded a reasonable and fair opportunity to bid for the Acquired Assets.

M. At the conclusion of the Auction and after reviewing all Qualified Bids (as defined in the Bidding Procedures), the Debtors determined in a valid and sound exercise of their business judgment and in consultation with the Consultation Parties that the highest and best Qualified Bid for the Acquired Assets is represented by the terms contained in the Successful Bid(s) submitted by Buyer.

N. The Debtors have articulated good and sufficient reasons for this Court to grant the relief requested in the Motion regarding the sales process, including approval and authorization to serve the Sale Notice.

O. The Sale Notice provided all interested parties with timely and proper notice of the Sale, the Sale Hearing, and the Auction.

P. The disclosures made by the Debtors in the Motion, the Sale Notice, and related documents filed with the Court concerning the Auction, the Sale and the Sale Hearing were good, complete and adequate.

Q. The Bidding Procedures set forth in the Bidding Procedures Order were non-collusive, proposed and executed in good faith as a result of arms'-length negotiations, and were substantively and procedurally fair to all parties.

R. The Debtors conducted the sale process in accordance with, and have otherwise complied in all respects with, the Bidding Procedures Order. The sale process set forth in the Bidding Procedures Order afforded a full, fair, and reasonable opportunity for any entity to make a higher and otherwise better offer to purchase the Acquired Assets.

S. The terms contained in the Asset Purchase Agreement constitute the highest and best offer for the Acquired Assets and will provide a greater recovery for Sellers' estate for the Acquired Assets than would be provided by any other available alternative. Sellers' determination that the Asset Purchase Agreement constitutes the highest and best offer for the Acquired Assets constitutes a valid and sound exercise of Sellers' business judgment.

T. The Asset Purchase Agreement and the Sale contemplated thereby represent a fair and reasonable offer to purchase the Acquired Assets under the circumstances of the Chapter 11 Cases. No other entity or group of entities has presented a higher and better offer to Sellers to purchase the Acquired Assets.

U. Approval of the Motion and the Asset Purchase Agreement and the consummation of the Sale contemplated thereby is in the best interests of the Debtors, their creditors and estates, and other parties in interest.

V. The Debtors have demonstrated compelling circumstances and a good, sufficient, and sound business purpose and justification for the Sale of the Acquired Assets because, among other reasons: (1) the Asset Purchase Agreement constitutes the highest and best offer for the Acquired Assets; (2) the Asset Purchase Agreement and the consummation thereof will present the best opportunity to realize the value of the Acquired Assets on a going-concern basis and avoid decline and devaluation of the Acquired Assets; and (3) any other transaction would not have yielded as favorable an economic result.

W. The Buyer is purchasing the Acquired Assets in good faith and is a good-faith buyer within the meaning of section 363(m) of the Bankruptcy Code and is not an “insider” of any Debtor (as defined under section 101(31) of the Bankruptcy Code), and, therefore, is entitled to the full protections of that provision, and otherwise has proceeded in good faith in all respects in connection with these Chapter 11 Cases in that: (1) the Buyer recognized that the Debtors were free to deal with any other party interested in acquiring the Acquired Assets; (2) the Buyer complied with the provisions in the Bidding Procedures Order; (3) the Buyer agreed to subject its bid to the competitive bidding procedures set forth in the Bidding Procedures Order; (4) all payments to be made by the Buyer and other agreements or arrangements entered into by the Buyer in connection with the Sale have been disclosed; (5) the Buyer has not violated section 363(n) of the Bankruptcy Code by any action or inaction; and (6) the negotiation and execution of the Asset Purchase Agreement, including the Sale contemplated thereby, were at arms’ length and in good faith.

X. The Asset Purchase Agreement and the transactions contemplated thereby cannot be avoided under section 363(n) of the Bankruptcy Code. The Debtors and the Buyer have not engaged in any conduct that would cause or permit the Asset Purchase Agreement or the consummation of the transactions contemplated thereby to be avoided, or costs or damages to be imposed, under section 363(n) of the Bankruptcy Code.

Y. The consideration provided by the Buyer pursuant to the Asset Purchase Agreement: (1) is fair and adequate and constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia (including the Uniform Fraudulent Transfer Act); (2) is fair consideration under the Uniform Fraudulent Transfer Act; (3) is reasonably

equivalent value, fair consideration, and fair value under any other applicable laws of the United States, any state, territory, or possession thereof, or the District of Columbia; and (4) will provide a greater recovery for the Debtors' creditors than would be provided by any other reasonably practicable available alternative.

Z. The Asset Purchase Agreement, which constitutes reasonably equivalent value and fair consideration, was not entered into, and the Sale is not consummated, for the purpose of hindering, delaying or defrauding creditors of the Debtors under the Bankruptcy Code or under any other law of the United States, any state, territory, possession thereof, or the District of Columbia, or any other applicable law. Neither the Seller, any Debtor nor the Buyer has entered into the Asset Purchase Agreement or is consummating the Sale with any fraudulent or otherwise improper purpose.

AA. By consummating the Sale, the Buyer is not a mere continuation of Sellers or any other Debtor or any Debtor's estate, and there is no continuity between the Buyer and any Debtor. The Buyer is not holding itself out to the public as a continuation of any Debtor. The Buyer is not a successor to any Debtor or any Debtor's estate by reason of any theory of law or equity, and the Sale does not amount to a consolidation, merger, or de facto merger of the Buyer and the Debtors. Except as provided in the Asset Purchase Agreement, neither the Buyer nor any of its Affiliates shall assume any obligation or liability of any Debtor and/or any Debtor's estate.

BB. Good faith negotiations between the Buyer and the Debtors' management or key employees regarding compensation or future employment are ongoing, and the Buyer anticipates that agreements regarding employment and compensation will be reached. With respect to any agreements entered into between the Buyer and the Debtors' management or key employees

regarding compensation or future employment, if any exist, the Buyer has disclosed the material terms of such agreements.

CC. The Sale neither impermissibly restructures the rights of the Debtors' creditors nor impermissibly dictates the terms of a liquidating plan of reorganization of the Debtors. The Sale does not constitute a *sub rosa* plan.

DD. The Debtors, acting by and through their existing agents, representatives, and officers, have full corporate power and authority to execute and deliver the Asset Purchase Agreement and all other documents contemplated thereby, and the Debtors require no further consents or approvals are required for the Debtors to consummate the Sale contemplated by the Asset Purchase Agreement, except as otherwise set forth in the Asset Purchase Agreement.

EE. The transfer of each of the Acquired Assets to the Buyer will be, subject to the consummation of the Closing, a legal, valid, and effective transfer of such assets, and vests or will vest the Buyer with all right, title, and interest of Sellers to the Acquired Assets free and clear of all Interests or Claims (as defined below) accruing, arising or relating thereto any time prior to the consummation of the Closing unless otherwise assumed pursuant to the Asset Purchase Agreement with such Interests or Claims to attach to the proceeds of the sale of the Acquired Assets with the same validity and priority as such Interests or Claims applied against the Acquired Assets immediately prior to the consummation of the Closing, except as otherwise specifically provided Asset Purchase Agreement and consented to by the Agents.

FF. Sellers may sell the Acquired Assets pursuant to the Asset Purchase Agreement free and clear of all Interests or Claims against the Acquired Assets (unless otherwise assumed in the Asset Purchase Agreement) because, in each case, the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code has been satisfied. Those holders of Interests or Claims against the

Acquired Assets who did not object, or who withdrew their objections, to the Sale or the Motion are deemed to have consented thereto pursuant to section 363(f)(2) of the Bankruptcy Code. Those holders of such Interests or Claims against the Acquired Assets who did object fall within one or more of the other subsections of section 363(f) and are adequately protected by having their Interests or Claims against the Acquired Assets, if any, in each instance against Sellers, their estates, or any of the Acquired Assets, attach to the proceeds of the Sale, in the same order of priority, with the same validity, force, and effect that such creditor had immediately prior to the Sale, subject to any claims and defenses that Sellers or any other Debtor may possess with respect thereto.

GG. If the Sale were not free and clear of all Interests or Claims against the Acquired Assets (except as otherwise assumed in the Asset Purchase Agreement), or if the Buyer would, or in the future could, be liable for any of the Interests or Claims against the Acquired Assets (except as otherwise assumed in the Asset Purchase Agreement), the Buyer would not have submitted the Asset Purchase Agreement and would not consummate the Sale, thus adversely affecting the Debtors and their estates and creditors.

HH. Sellers have demonstrated that it is an exercise of their sound business judgment for Sellers to assume and assign the Assigned Contracts to the Buyer, in each case in connection with the consummation of the Sale, and the assumption and assignment of the Assigned Contracts is in the best interests of Sellers, the other Debtors, their estates and creditors, and other parties in interest. The Assigned Contracts being assigned to the Buyer under the Asset Purchase Agreement are an integral part of the Asset Purchase Agreement and the Sale and, accordingly, such assumptions and assignments are reasonable and enhance value to the Debtors estates. Any non-Debtor counterparty to any Assigned Contract that has not actually filed with

the Court an objection to such assumption as of the date hereof is deemed to have consented to such assumption and assignment.

II. Sellers and the Buyer have, to the extent necessary, satisfied the requirements of section 365 of the Bankruptcy Code, including sections 365(b)(1)(A), 365(b)(1)(B), and 365(f) of the Bankruptcy Code, in connection with the sale and assumption and assignment of the Assigned Contracts to the extent provided under the Asset Purchase Agreement and have: (1) cured any default existing prior to the date hereof under any of the Assigned Contracts, within the meaning of section 365(b)(1)(A) of the Bankruptcy Code; and (2) provided compensation or adequate assurance of compensation to any party for any actual pecuniary loss to such party resulting from a default prior to the date hereof under any of the Assigned Contracts, within the meaning of section 365(b)(1)(B) of the Bankruptcy Code, and the Buyer has provided adequate assurance of future performance of and under the Assigned Contracts, within the meaning of sections 365(b)(1) and 365(f)(2) of the Bankruptcy Code. Each provision of the Assigned Contracts or applicable non-bankruptcy law that purports to prohibit, restrict or condition, or could be construed as prohibiting, restricting or conditioning, assignment of any Assigned Contracts has been satisfied or is otherwise unenforceable under Bankruptcy Code section 365.

JJ. The Asset Purchase Agreement and Sale must be approved and the Closing must occur promptly to preserve the value of the Debtors' assets.

KK. Given all of the circumstances of the Chapter 11 Cases and the adequacy and fair value of the consideration provided by the Buyer under the Asset Purchase Agreement, the Sale constitutes a reasonable and sound exercise of Sellers' business judgment, is in the best interests

of Sellers and the other Debtors, their estates, their creditors, and other parties in interest, and should be approved.

LL. The consummation of the Sale is legal, valid, and properly authorized under all applicable provisions of the Bankruptcy Code, including sections 105(a), 363(b), 363(f), 363(m), 365(b), and 365(f) of the Bankruptcy Code and all of the applicable requirements of such sections have been complied with in respect of the Sale.

MM. The consummation of the Sale will not, and will not be deemed to, release, waive, compromise, modify, or otherwise affect in any manner whatsoever any Interests or Claims of any Person in, under, to, or against any assets or properties of the Debtors (including, without limitation, any Excluded Assets) or any other Person that are not Acquired Assets.

Based upon the foregoing findings and conclusions, the Motion and the record before the Court with respect to the Motion, and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED that:

1. The relief requested in the Motion is granted as set forth herein.
2. Any and all objections and responses to the Motion that have not been withdrawn, waived, settled, or resolved, and all reservations of rights included therein, are hereby overruled and denied on the merits.
3. Notice of the Motion, the Auction, the Sale Hearing, and the Sale was fair and equitable under the circumstances and complied in all respects with section 102(1) of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, and 6006.

Approval of the Sale of Acquired Assets

4. Pursuant to section 363(b) of the Bankruptcy Code, each of the Debtors and the Buyer, acting by and through their existing agents, representatives and officers, are authorized, empowered, and directed to take any and all actions necessary or appropriate to: (a) consummate

the Sale pursuant to and in accordance with the terms and conditions of the Asset Purchase Agreement; (b) consummate the Sale as contemplated in the Asset Purchase Agreement and this Sale Order; (c) transfer and assign all right, title, and interest to all property, licenses, and rights to be conveyed in accordance with the terms and conditions of the Asset Purchase Agreement; and (d) execute and deliver, perform under, consummate, and implement the Asset Purchase Agreement and all additional instruments and documents that may be reasonably necessary or desirable to implement the Asset Purchase Agreement and the Sale, including any other ancillary documents, or as may be reasonably necessary or appropriate to the performance of the obligations as contemplated by the Asset Purchase Agreement and such other ancillary documents.

5. This Sale Order shall be binding in all respects upon the Debtors, their estates, all creditors (including the Committee), all holders of equity interests in the Debtors, all holders of any Interests or Claims (whether known or unknown) against any Debtor, any holders of Interests or Claims against or on all or any portion of the Acquired Assets, all counterparties to any executory contract or unexpired lease of the Debtors, the Buyer and all successors and assigns of the Buyer, and any trustees, examiners, or other fiduciary under any section of the Bankruptcy Code, if any, subsequently appointed in any of the Debtors' Chapter 11 Cases or upon a conversion to chapter 7 under the Bankruptcy Code of the Debtors' cases.

6. The terms and provisions of the Asset Purchase Agreement and this Sale Order shall inure to the benefit of the Debtors, their estates, and their creditors, the Buyer, and their respective Affiliates, successors and assigns, and any other affected third parties, including all persons asserting any Interests or Claims in the Acquired Assets to be sold to the Buyer pursuant to the Asset Purchase Agreement, notwithstanding any subsequent appointment of any trustee,

party, entity, or other fiduciary under any section of any chapter of the Bankruptcy Code, as to which trustee, party, entity, or other fiduciary such terms and provisions likewise shall be binding.

Sale and Transfer of Acquired Assets

7. Pursuant to sections 105(a), 363(b), 363(f), 365(b) and 365(f) of the Bankruptcy Code, subject to the consummation of the Closing, and pursuant to and except as otherwise set forth in the Asset Purchase Agreement, the Acquired Assets shall be transferred to the Buyer free and clear of all encumbrances, claims, interests, and liens, including the Excluded Liabilities, mortgages, restrictions, hypothecations, charges, indentures, loan agreements, instruments, collective bargaining agreements, leases, licenses, options, deeds of trust, security interests, other interests, conditional sale or other title retention agreements, pledges, and other liens (including mechanics', materialman's, and other consensual and non-consensual liens and statutory liens), judgments, demands, encumbrances, rights of first refusal, offsets, contracts, recoupment, rights of recovery, claims for reimbursement, contribution, indemnity, exoneration, products liability, alter-ego, environmental, or tax, decrees of any court or foreign or domestic governmental entity, or charges of any kind or nature, if any, including any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership, debts arising in any way in connection with any agreements, acts, or failures to act, including any pension liabilities, retiree medical benefit liabilities, liabilities related to the Employee Retirement Income Security Act of 1974, liabilities related to the Internal Revenue Code, or any other liability relating to Debtors' current and former employees, including any withdrawal liabilities (to the extent not assumed under the Asset Purchase Agreement), of the Debtors or any of the Debtors' predecessors or Affiliates, claims, whether known or unknown, choate or inchoate, filed or unified, scheduled or unscheduled, noticed or unnoticed, recorded or unrecorded, perfected or unperfected, allowed or

disallowed, contingent or non-contingent, liquidated or unliquidated, matured or unmatured, material or non-material, disputed or undisputed, whether arising prior to or subsequent to the commencement of these bankruptcy cases, and whether imposed by agreement, understanding, law, equity or otherwise, including claims otherwise arising under doctrines of successor liability (other than Assumed Liabilities) (collectively, the “Interests or Claims”), with all such Interests or Claims to attach to the proceeds of the Sale in the order of their priority, with the same validity, force, and effect that they have immediately prior to the consummation of the Closing as against the Acquired Assets, subject to any claims and defenses the Debtors may possess with respect thereto. Furthermore, except as otherwise provided in the Asset Purchase Agreement, the Buyer and/or its Affiliates shall not have any liabilities for the prepetition and pre-Closing Date conduct of the Debtors or any of their officers, directors, employees, or agents, including any conduct which may be the subject of ongoing investigations by the federal government.

8. Upon consummation of the Closing, this Sale Order shall be construed and shall constitute for any and all purposes a full and complete general assignment, conveyance, and transfer of all of the Acquired Assets or a bill of sale transferring good and marketable title in such Acquired Assets to the Buyer pursuant to the terms and allocations set forth in the Asset Purchase Agreement. For the avoidance of doubt, the Excluded Acquired Assets set forth in the Asset Purchase Agreement are not included in the Acquired Assets.

9. Subject to the terms and conditions of this Sale Order, the transfer of Acquired Assets to the Buyer pursuant to the Asset Purchase Agreement and the consummation of the Sale and any related actions contemplated thereby (x) do not require any consents other than as specifically provided for in the Asset Purchase Agreement, (y) will, upon consummation of the Closing, constitute a legal, valid, and effective transfer of the Acquired Assets, and (z) upon

consummation of the Closing, shall vest the Buyer with right, title, and interest of the Debtors in and to the Acquired Assets as set forth in the Asset Purchase Agreement, as applicable, free and clear of all Interests or Claims of any kind or nature whatsoever (except as otherwise assumed in the Asset Purchase Agreement), with all such Interests or Claims to attach to the proceeds of the Sale in the order of their priority, with the same validity, force, and effect that they have immediately prior to the consummation of the Closing as against the Acquired Assets, subject to any claims and defenses the Debtors may possess with respect thereto.

10. To the greatest extent available under applicable law and except as provided in the Asset Purchase Agreement, the Buyer, as provided by the Asset Purchase Agreement, shall be authorized, upon consummation of the Closing, to operate under any license, permit, registration, and governmental authorization or approval of the Debtors with respect to the Acquired Assets, and all such licenses, permits, registrations, and governmental authorizations and approvals are deemed to have been, and hereby are, directed to be transferred to the Buyer upon consummation of the Closing as provided by the Asset Purchase Agreement. To the extent provided by section 525 of the Bankruptcy Code, no governmental unit may revoke or suspend any grant, permit, or license relating to the operation of the Acquired Assets sold, transferred, assigned, or conveyed to the Buyer on account of the filing or pendency of these Chapter 11 Cases or the consummation of the Sale.

11. All entities that are presently, or immediately prior to the consummation of the Closing may be, in possession of the Acquired Assets to be sold, transferred, or conveyed (wherever located) to the Buyer pursuant to the Asset Purchase Agreement are hereby directed to surrender possession of the Acquired Assets to the Buyer upon consummation of the Closing.

12. Upon consummation of the Closing set forth in the Asset Purchase Agreement, if any person or entity that has filed financing statements, mortgages, mechanic's liens, *lis pendens*, or other documents or agreements evidencing Interests or Claims against or in the Acquired Assets shall not have delivered to the Debtors prior to the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfactions, releases of all Interests or Claims that the person or entity has with respect to the Acquired Assets (unless otherwise assumed in the Asset Purchase Agreement), or otherwise, then: the Buyer is hereby authorized to file, register, or otherwise record a certified copy of this Sale Order, which, once filed, registered or otherwise recorded, shall constitute conclusive evidence of the release of all Interests or Claims in the Acquired Assets of any kind or nature (except as otherwise assumed in the Asset Purchase Agreement).

13. Upon consummation of the Closing, all entities, including all lenders, debt security holders, equity security holders, governmental, tax, and regulatory authorities, parties to executory contracts and unexpired leases, customers, employees and former employees, dealers and sale representatives, and trade or other creditors holding Claims or Interests of any kind or nature whatsoever against or in the Acquired Assets prior to the consummation of the Closing will be deemed barred, estopped, and permanently enjoined from asserting any such Claims or Interests in the Acquired Assets of any kind or nature whatsoever (except to the extent such Claims or Interests are assumed by the Buyer pursuant to the Asset Purchase Agreement) against the Buyer and its successors, designees, permitted assigns, or property, or the Acquired Assets conveyed in accordance with the Asset Purchase Agreement.

14. The Buyer (and any assignee of the Buyer's rights under the Asset Purchase Agreement) and their respective owners, members, shareholders, managers, directors, officers,

partners, employees, agents, attorneys, investment bankers and financial advisors are hereby generally released by the Debtors, their Affiliates, their respective estates and their respective owners, members, shareholders, managers, directors, officers, partners, employees, agents, attorneys, investment bankers and financial advisors from any and all claims that the Debtors and their Affiliates or estates or any party claiming derivatively through the Debtors may have against the Buyer, other than claims against the Buyer arising under the Asset Purchase Agreement or as otherwise provided in this Sale Order; provided however that such release will not be in effect until the later of the Closing or all obligations under the Asset Purchase Agreement have been fulfilled.

15. The Debtors, their estates and their respective owners, members, shareholders, managers, directors, officers, partners, employees, agents, attorneys, investment bankers and financial advisors are hereby generally released by the Buyer and its Affiliates and their respective owners, members, shareholders, managers, directors, officers, partners, employees, agents, attorneys, investment bankers and financial advisors from any and all claims that the Buyer and its Affiliates may have against the Debtors, their Affiliates and estates, other than claims against the Debtors, their Affiliates and estates arising under the Asset Purchase Agreement or as otherwise provided in this Sale Order; provided however that such release will not be in effect until the later of the Closing or all obligations under the Asset Purchase Agreement have been fulfilled.

16. As of and after the consummation of the Closing: (a) each of the Debtors' creditors is hereby authorized and directed to execute such documents and take all other actions as may be necessary to release their Claims or Interests in the Acquired Assets (if any) as such Claims or Interests may have been recorded or may otherwise exist; and (b) any Acquired Asset

that may be subject to a statutory or mechanic's lien shall be turned over and such liens shall attach to the sale proceeds in the same priority they currently enjoy with respect to the Acquired Assets.

17. The consummation of the Sale will not, and will not be deemed to, release, waive, compromise, modify, or otherwise affect in any manner whatsoever any Interests or Claims of any Person in, under, to, or against any assets or properties of the Debtors (including, without limitation, any Excluded Assets) or any other Person that are not Acquired Assets.

Contracts to be Assumed and Assigned

18. Pursuant to sections 105(a), 363, and 365 of the Bankruptcy Code, and subject to and conditioned upon the occurrence of the Closing Date, Sellers' assumption and assignment to the Buyer, and the Buyer's assumption on the terms set forth in the Asset Purchase Agreement of the Assigned Contracts is hereby approved in its entirety, and the requirements of section 365 of the Bankruptcy Code with respect thereto are hereby deemed satisfied.

19. The Debtors are hereby authorized in accordance with sections 105(a), 363, and 365 of the Bankruptcy Code to assume and assign to the Buyer, effective upon the consummation of the Closing of the sale of the Acquired Assets, the Assigned Contracts free and clear of all Interests or Claims of any kind or nature whatsoever and execute and deliver to the Buyer such documents or other instruments as may be necessary to assign and transfer the Assigned Contracts to the Buyer.

20. To the extent that an objection by a counterparty to any Assigned Contract, including all objections related to Cure Amounts, is not resolved prior to the Closing Date, the Debtors, in consultation with the Buyer, may elect to: (i) not assume such Assigned Contract; (ii) postpone the assumption of such Assigned Contract until the resolution of such objection; or (iii) reserve the disputed Cure Amount and assume the Assigned Contract on the Closing Date.

So long as the Debtors hold the claimed Cure Amount in reserve, and there are no other unresolved objections to the assumption and assignment of the applicable Assigned Contract, the Debtors can, without further delay, assume and assign the Assigned Contract that is the subject of the objection. Under such circumstances, the respective objecting counterparty's recourse is limited to the funds held in reserve.

21. Upon the consummation of the Closing, in accordance with sections 363 and 365 of the Bankruptcy Code, the Buyer shall be fully and irrevocably vested in all right, title, and interest of each Assigned Contract. To the extent provided in the Asset Purchase Agreement, the Debtors shall cooperate with, and take all actions reasonably requested by, the Buyer to effectuate the foregoing.

22. Upon the consummation of the Closing, the Assigned Contracts shall be transferred to, and remain in full force and effect for the benefit of, the Buyer in accordance with their respective terms, notwithstanding any provision in any such Assigned Contract that is assumed and assigned to the Buyer pursuant to the Asset Purchase Agreement (including those of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer.

23. Pursuant to sections 365(b)(1)(A) and (B) of the Bankruptcy Code, at the Closing, the Buyer shall pay the Assumed Cure Costs relating to any Assigned Contract.

24. The Cure Costs to which no objections have been filed are hereby fixed at the amounts set forth in the Assumption Schedule filed by the Debtors, or as otherwise agreed, in writing and with the reasonable consent of the Buyer, between the Debtors and the non-Debtor third parties to such Assigned Contracts, and the non-Debtor parties to such Assigned Contracts are forever bound by such Cure Costs and, upon payment of such Cure Costs, are hereby

enjoined from taking any action against the Buyer or the Acquired Assets with respect to any claim for cure under any Assumed Agreement.

25. The payment of the Assumed Cure Costs (if any) shall effect a cure of all defaults existing as of the date that such executory contracts or unexpired leases are assumed and compensate for any actual pecuniary loss to such non-Debtor party resulting from such default. No other amounts will be owed by the Debtors, their estates or the Buyer with respect to amounts first arising or accruing during, or attributable or related to, the period before Closing with respect to the Assigned Contracts, and any and all persons or entities shall be forever barred and estopped from asserting a claim against the Debtors, their estates, or the Buyer that any additional amounts are due or defaults exist under the Assigned Contracts that arose or accrued, or relate to or are attributable to the period before the Closing.

26. Upon the consummation of the Closing, the Buyer shall have assumed the Assigned Contracts, and pursuant to section 365(f) of the Bankruptcy Code, the assignment by the Debtors of such Assigned Contracts shall not be a default thereunder. After the payment of the relevant Cure Costs by the Debtors, neither the Debtors nor the Buyer shall have any further liabilities to the counterparties to the Assigned Contracts, other than the Buyer's obligations under the Assigned Contracts that accrue and become due and payable on or after the date that such Assigned Contracts are assumed.

27. Any provisions in any Assigned Contracts that prohibit or condition the assignment of such Assigned Contract or allow the party to such Assumed Agreement to terminate, recapture, impose any penalty, condition on renewal or extension or modify any term or condition upon the assignment of such Assigned Contract constitute unenforceable anti-assignment provisions that are void and of no force and effect. All other requirements and

conditions under sections 363 and 365 of the Bankruptcy Code for the assumption by the Debtors and assignment to the Buyer of the Assigned Contracts have been satisfied.

28. Any party having the right to consent to the assumption or assignment of any Assigned Contract that failed to object to such assumption or assignment as of the date hereof is deemed to have consented to such assumption and assignment as required by section 365(c) of the Bankruptcy Code.

29. Upon the consummation of the Closing, the Buyer shall be deemed to be substituted for the Debtors as a party to the applicable Assigned Contracts, and the Debtors shall be relieved, pursuant to section 365(k) of the Bankruptcy Code, from any further liability under the Assigned Contracts.

30. The Buyer shall have provided adequate assurance on or before the Closing of future performance under the relevant Assigned Contracts within the meaning of sections 365(b)(1)(C), 365(b)(3) (to the extent applicable) and 365(f)(2)(B) of the Bankruptcy Code.

31. There shall be no assignment fees, increases, rent-acceleration, or any other fees charged to the Buyer or the Debtors as a result of the assumption and assignment of the Assigned Contracts. Pursuant to sections 105(a), 363, and 365 of the Bankruptcy Code, upon consummation of the Closing, all counterparties to the Assigned Contracts are forever barred and permanently enjoined from raising or asserting against the Debtors or the Buyer any assignment fee, default, breach, claim, pecuniary loss, or condition to assignment, arising under or related to the Assigned Contracts, existing as of the date that such Assigned Contracts are assumed or arising by reason of the Closing.

32. All counterparties to the Assigned Contracts shall cooperate and expeditiously execute and deliver, upon the reasonable requests of the Buyer, and shall not charge the Debtors or the Buyer for any instruments, applications, consents or other documents which may be required or requested by any public or quasi-public authority or other party or entity to effectuate the applicable transfers in connection with the Sale of the Acquired Assets.

33. Neither the Buyer nor any successor of the Buyer shall be responsible for or have any Interests or Claims or obligations arising out of any of the contracts, agreements, or understandings that are Non-Assigned Contracts after the Closing Date (except as specifically provided by the Asset Purchase Agreement).

No Successorship

34. Neither the Buyer nor any of its Affiliates are successors to the Debtors or their estates by reason of any theory of law or equity, and neither the Buyer nor any of its Affiliates shall assume or in any way be responsible for any liability or obligation of any of the Debtors and/or their estates, except as otherwise provided in the Asset Purchase Agreement.

Time is of the Essence

35. Time is of the essence in consummating the Sale. In order to maximize the value of the Acquired Assets, it is essential that the sale and assignment of the Acquired Assets occur within the time constraints set forth in the Asset Purchase Agreement.

Modification of the Automatic Stay

36. The automatic stay provisions of section 362 of the Bankruptcy Code are lifted and modified to the extent necessary to implement the terms and conditions of the Asset Purchase Agreement and the provisions of this Sale Order.

Payment of Certain Indebtedness

37. The Debtors are authorized and directed to immediately remit the Purchase Price to Agents for application to the Aggregate Debt (as defined in the DIP Financing Order) in accordance with the Aggregate Debt, the Prepetition Documents and the Postpetition Documents; provided, however, that notwithstanding anything to the contrary contained in this Order, any such payments to the Agents shall be expressly subject to the terms of the DIP Financing Order, specifically including such terms in paragraph 12 of the DIP Financing Order.

Additional Provisions

38. Effective upon the consummation of the Closing and except as otherwise provided in this Sale Order or the Asset Purchase Agreement, all entities are forever prohibited and permanently enjoined from commencing or continuing in any manner any action or other proceeding, whether in law or equity, in any judicial, administrative, arbitral, or other proceeding against the Buyer, its successors and assigns, or the Acquired Assets, with respect to any: (a) Interests or Claims arising under, out of, in connection with, or in any way relating to the Debtors, the Acquired Assets, or the operation of the Debtors' businesses or the Acquired Assets prior to the consummation of the Sale; or (b) successor liability by virtue of the consummation of the Sale contemplated by the Asset Purchase Agreement (except to the extent the Buyer assumed any such successor liability pursuant to the Asset Purchase Agreement), including the following actions: (i) commencing or continuing in any manner any action or other proceeding against the Buyer, its successors or assigns, assets, or properties, including with respect to the Interests or Claims; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the Buyer, its successors, assigns, assets, or properties; (iii) creating, perfecting, or enforcing any Interests or Claims against the Buyer, its successors, assigns, assets, or properties; (iv) asserting any setoff, right of subrogation, or recoupment of any kind against

any obligation due the Buyer or its successors or assigns; (v) commencing or continuing any action, in any manner or place, that does not comply or is inconsistent with the provisions of this Sale Order or other orders of this Court, or the agreements or actions contemplated or taken in respect thereof, or (vi) revoking, terminating, or failing or refusing to issue or renew any license, permit, or authorization to operate any of the Acquired Assets or conduct any of the businesses operated with the Acquired Assets.

39. Except as otherwise provided in the Asset Purchase Agreement, the Buyer shall have no obligation, as successor or otherwise (including with respect to successor or vicarious liabilities of any kind or character), to pay wages, bonuses, severance pay, benefits (including contributions or payments on account of any under-funding with respect to any and all pension plans) or any other payment to employees of Debtors or their Affiliates. Except as otherwise provided in the Asset Purchase Agreement, the Buyer shall have no liability, as successor or otherwise (including with respect to successor or vicarious liabilities of any kind or character), with respect to any collective bargaining agreement, labor practice agreement, employee pension plan, employee welfare or retention, benefit, and/or incentive plan to which Debtors or their Affiliates are a party and relating to the Debtors' businesses (including arising from or related to the rejection or other termination of any such agreement), and the Buyer shall in no way, as successor or otherwise (including with respect to successor or vicarious liabilities of any kind or character), be deemed a party to or assignee of any such agreement, and no employee of the Buyer shall be deemed in any way covered by or a party to any such agreement, and all parties to any such agreement are hereby enjoined from asserting against the Buyer any and all Interests or Claims arising from or relating to such agreement.

40. Except as provided in the Asset Purchase Agreement and without limiting other applicable provisions of this Sale Order, the Buyer is not, by virtue of the consummation of the Sale, assuming, nor shall it be liable or responsible for, as a successor or otherwise (including with respect to successor or vicarious liabilities of any kind or character), under any theory of law or equity, including any theory of antitrust, environmental successor or transferee liability, labor law, de facto merger, or substantial continuity, whether known or unknown as of the Closing Date, now existing or hereafter raised, which may be asserted or unasserted, fixed or contingent, liquidated or unliquidated with respect to the Debtors, or any of their predecessors or Affiliates or any obligations of the Debtors or their predecessors or Affiliates arising prior to the Closing Date, for any liabilities, debts, commitments, or obligations (whether known or unknown, disclosed or undisclosed, absolute, contingent, inchoate, fixed or otherwise) in any way whatsoever relating to or arising from the Acquired Assets or the Debtors' operation of their businesses or use of the Acquired Assets prior to the Closing Date or any such liabilities, debts, commitments, or obligations that in any way whatsoever relate to periods prior to the Closing Date or are to be observed, paid, discharged, or performed prior to the Closing Date (in each case, including any liabilities that result from, relate to or arise out of tort or other product liability claims), or any liabilities calculable by reference to the Debtors or their assets or operations, or relating to continuing conditions existing prior to the Closing Date, including with respect to any of Debtors' predecessors or Affiliates, which liabilities, debts, commitments, and obligations are hereby extinguished insofar as they may give rise to successor liability, without regard to whether the claimant asserting any such liabilities, debts, commitments, or obligations has delivered to the Buyer a release thereof. Without limiting the generality of the foregoing and except as provided in the Asset Purchase Agreement, by virtue of the consummation of the Sale

contemplated by the Asset Purchase Agreement, the Buyer shall not be liable or responsible, as a successor or otherwise, including with respect to successor or vicarious liabilities of any kind or character, for the Debtors' liabilities, debts, commitments, or obligations, whether calculable by reference to the Debtors, arising prior to the Closing and under or in connection with: (a) any employment or labor agreements (including any collective bargaining agreements or labor practice agreements), consulting agreements, severance arrangements, change-in-control agreements or other similar agreement to which the Debtors are a party; (b) any pension, welfare, compensation or other employee benefit plans, agreements, practices, and programs, including any pension plan of the Debtors; (c) the cessation of the Debtors' operations, dismissal of employees, or termination (including rejection) of employment or labor agreements (including any collective bargaining agreements or labor practice agreements) or pension, welfare, compensation or other employee benefit plans, agreements, practices, and programs, obligations that might otherwise arise from or pursuant to the Employee Retirement Income Security Act of 1974, as amended, the Fair Labor Standard Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination and Employment Act of 1967, the Federal Rehabilitation Act of 1973, the National Labor Relations Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Consolidated Omnibus Budget Reconciliation Act, or the Worker Adjustment and Retraining Notification Act; (d) workmen's compensation, occupational disease or unemployment or temporary disability insurance claims, (e) environmental liabilities, debts, claims or obligations arising from conditions first existing on or prior to Closing (including the presence of hazardous, toxic, polluting, or contaminating substances or wastes), which may be asserted on any basis, including under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 *et seq.*; (f) any bulk sales, bulk transfer, or similar law; (g) any liabilities,

debts, commitments, or obligations of, or required to be paid by, the Debtors for any Taxes of any kind; (h) any liabilities, debts, commitments, or obligations relating to the businesses of the Debtors or the Acquired Assets for or applicable to the pre-Closing period; (i) any litigation; (j) any products liability, other tort or similar claims, whether pursuant to any state or any federal laws or otherwise including those arising from products or distribution thereof by or on behalf of Debtors; and (k) any Excluded Liabilities as set forth in the Asset Purchase Agreement. The Buyer has given substantial consideration under the Asset Purchase Agreement for the benefit of the holders of any Interests or Claims. The consideration given by the Buyer shall constitute valid and valuable consideration for the releases of any potential claims of successor liability of the Buyer, which releases shall be deemed to have been given in favor of the Buyer by all holders of Interests or Claims against or interests in the Debtors or any of the Acquired Assets.

41. The recitation, in the immediately preceding paragraph of this Sale Order, of specific agreements, plans, or statutes is not intended, and shall not be construed, to limit the generality of the categories of liabilities, debts, commitments, or obligations referred to therein.

42. The Sale may include the transfer of “personally identifiable information” within the meaning of section 101(41A) of the Bankruptcy Code.

43. The Buyer hereby waives, and shall be deemed to waive, any requirement of compliance with, and any claims related to non-compliance with, the provisions of any bulk sales, bulk transfer, or similar law of any jurisdiction that may be applicable.

44. Following the Closing, no holder of a Claim or Interest in or against the Debtors or the Acquired Assets shall interfere with the Buyer’s title to or use and enjoyment of the Acquired Assets based on or related to such Claim or Interest or any actions that the Debtors may take in these Chapter 11 Cases or any successor cases.

45. The Debtors, including their respective officers, employees and agents, are hereby authorized to execute such documents and do such acts as are necessary or desirable to carry out the transactions contemplated by the terms and conditions of the Asset Purchase Agreement and this Sale Order. The Debtors shall be, and they hereby are, authorized to take all such actions as may be necessary to effectuate the terms of this Sale Order.

46. The Sale contemplated by the Asset Purchase Agreement is undertaken by the Buyer without collusion and in good faith, as that term is defined in section 363(m) of the Bankruptcy Code, and accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Sale shall not affect the validity of the Sale (including the assumption and assignment of the Assigned Contracts by the Buyer, and the Sale free and clear of all Interests or Claims in the Acquired Assets (unless otherwise assumed in the Asset Purchase Agreement)), unless such authorization and consummation of such Sale are duly stayed pending such appeal. The Buyer is a good-faith buyer within the meaning of section 363(m) of the Bankruptcy Code and, as such, is entitled to the full protections of section 363(m) of the Bankruptcy Code.

47. As a good-faith purchaser of the Acquired Assets, the Buyer has not colluded with any of the other bidders, potential bidders, or any other parties interested in the Acquired Assets, and therefore neither the Debtors nor any successor in interest to the Debtors' estates nor any other party in interest shall be entitled to bring an action against the Buyer or any of its Affiliates, and the sale of the Acquired Assets may not be avoided pursuant to section 363(n) of the Bankruptcy Code.

48. Nothing contained in any plan of reorganization or liquidation, or order of any type or kind entered in these Chapter 11 Cases, any subsequent chapter 7 or chapter 11 case of

the Debtors, or any related proceeding subsequent to entry of this Sale Order, shall directly conflict with or directly derogate from the provisions of the Asset Purchase Agreement or the terms of this Sale Order.

49. The failure specifically to include any particular provisions of the Asset Purchase Agreement including any of the documents, agreements, or instruments executed in connection therewith in this Sale Order shall not diminish or impair the efficacy of such provision, document, agreement, or instrument, it being the intent of this Court that the Asset Purchase Agreement and each document, agreement or instrument be authorized and approved in its entirety.

50. All time periods set forth in this Sale Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

51. To the extent that this Sale Order is inconsistent with any prior order or pleading with respect to the Motion in these Chapter 11 Cases, the terms of this Sale Order shall govern.

52. To the extent there are any inconsistencies between the terms of this Sale Order and the Asset Purchase Agreement (including all ancillary documents executed in connection therewith), the terms of this Sale Order shall govern.

53. Any agreements, documents, or other instruments related to the Asset Purchase Agreement may be modified, amended or supplemented by the parties thereto in accordance with the terms thereof without further order of this Court.

54. The provisions of this Sale Order are nonseverable and mutually dependent.

55. Notwithstanding Bankruptcy Rules 6004(h), 6006(d), 7062, and 9014, this Sale Order shall be effective immediately upon entry, and the Debtors and the Buyer are authorized to

consummate the Sale immediately upon entry of this Sale Order, in accordance with the Asset Purchase Agreement.

56. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Sale Order.

57. This Court shall retain jurisdiction to, among other things, interpret, implement, and enforce the terms and provisions of this Sale Order and the Asset Purchase Agreement, all amendments thereto and any waivers and consents thereunder and each of the agreements executed in connection therewith to which the Debtors are a party or which has been assigned by the Debtors to the Buyer, and to adjudicate, if necessary, any and all disputes concerning or relating in any way to the Asset Purchase Agreement or the Sale.

Dated: _____, 2018
Wilmington, Delaware

THE HONORABLE KEVIN GROSS
UNITED STATES BANKRUPTCY JUDGE

Exhibit 3

Form APA

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

**HOBBICO, INC.
TOWER HOBBIES, INC.
GREAT PLANES MODEL MANUFACTURING, INC.
UNITED MODEL, INC.
REVELL INC.
ESTES-COX CORP.
AXIAL R/C INC.
ARRMA DURANGO LIMITED**

as Sellers

AND

[•]

as Purchaser

[•], 2018

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS.....	1
1.1 Definitions.....	1
ARTICLE II SALE AND PURCHASE OF ASSETS	7
2.1 Sale and Purchase of Assets.....	7
2.2 Excluded Assets	9
2.3 Assumed Liabilities	11
2.4 Excluded Liabilities	11
2.5 Purchase Price	11
2.6 Deposit	11
ARTICLE III CLOSING; CONDITIONS TO CLOSING	12
3.1 Closing	12
3.2 Court Approval Required.....	12
3.3 Conditions to Obligations of Purchaser	12
3.4 Conditions to Obligations of Sellers	13
3.5 Delivery of Possession of Assets	14
ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLERS.....	14
4.1 Organization, Good Standing and Power.....	14
4.2 Authority Relative to this Agreement; Execution and Binding Effect	14
4.3 No Defaults	15
4.4 Governmental and Other Consents	15
4.5 No Brokers	15
ARTICLE V REPRESENTATIONS AND WARRANTIES OF PURCHASER.....	15
5.1 Organization, Good Standing and Power.....	15
5.2 Authority Relative to this Agreement; Execution and Binding Effect	16
5.3 No Defaults	16
5.4 Governmental and Other Consents	16
5.5 Financial Ability	16
5.6 No Brokers	16
ARTICLE VI COVENANTS	17
6.1 Operation of Business	17
6.2 Bidding Procedures Order.....	17
6.3 Approval Order	17
6.4 Access to Facilities, Personnel, and Information.....	18
6.5 Further Assurances.....	18
6.6 Employee Matters	18
6.7 Tax Matters	20
6.8 Transition Services Agreement.....	20

TABLE OF CONTENTS
(continued)

	Page
6.9 Directors and Officers Liability Coverage.....	20
6.10 Transaction-Related Documents.....	21
ARTICLE VII TERMINATION; EFFECT OF TERMINATION	21
7.1 Termination.....	21
7.2 Effect of Termination.....	22
7.3 Deposit	22
ARTICLE VIII GENERAL PROVISIONS	22
8.1 “As Is”, “Where Is”, and “With all Faults” Transaction.....	22
8.2 Transaction Expenses.....	23
8.3 Certain Interpretive Matters and Definitions	23
8.4 Termination of Representations and Warranties.....	23
8.5 Amendment.....	23
8.6 Waiver.....	23
8.7 Notices	23
8.8 Jurisdiction.....	24
8.9 Governing Law	24
8.10 Damages.....	24
8.11 Time is of the Essence	24
8.12 Severability	24
8.13 Titles and Headings.....	24
8.14 Assignment; Successors and Assigns	24
8.15 No Third-Party Rights.....	24
8.16 Confidentiality Agreement.....	25
8.17 Entire Agreement.....	25
8.18 Execution of this Agreement	25

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this “Agreement”) is made and entered into this [●] day of [●], 2018, by and between **HOBBICO, INC.**, an Illinois corporation (“Hobbico”), **TOWER HOBBIES, INC.**, an Illinois corporation (“Tower”), **GREAT PLANES MODEL MANUFACTURING, INC.**, an Illinois corporation (“Great Planes”), **UNITED MODEL, INC.**, an Illinois corporation (“United Model”), **REVELL INC.**, an Illinois corporation (“Revell-US”), **ESTES-COX CORP.**, a Delaware corporation (“Estes”), and **AXIAL R/C INC.**, a California corporation (“Axial”), **ARRMA DURANGO LIMITED**, a company organized under the laws of the United Kingdom (“ADL” and, collectively with Hobbico, Tower, Great Planes, United Model, Revell-US, Estes and Axial, “Sellers”), and [PURCHASER], a [●] (“Purchaser”).

WHEREAS, Sellers are collectively in the business of manufacturing and distributing radio-controlled (“R/C”) and general hobby products, including without limitation (i) R/C surface vehicles, (ii) model rockets and related products, (iii) hobby drones, helicopters and related products, and (iv) model airplanes and related products (the “Business”);

WHEREAS, on January 10, 2018 (the “Petition Date”), each Seller except ADL filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §101, *et seq.* (the “Bankruptcy Code”), in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”), consolidated as Case No. 1:18-bk-10055 (the “Chapter 11 Case”);

WHEREAS, on January 26, 2018, ADL filed a voluntary petition for relief under the Bankruptcy Code in the Bankruptcy Court, and such case has been consolidated into the Chapter 11 Case;

WHEREAS, each Seller continues in the possession and control of its assets and properties in accordance with §§1107 and 1108 of the Bankruptcy Code; and

WHEREAS, Sellers desire to sell to Purchaser substantially all of their assets that are used in connection with the conduct of the Business pursuant to the terms and conditions of this Agreement, and Purchaser desires to so purchase and acquire such assets from Sellers (the “Acquisition”), in accordance with §§363 and 365 of the Bankruptcy Code.

NOW, THEREFORE, in consideration of the foregoing premises, the representations, warranties, covenants and agreements contained herein, and certain other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

1.1 Definitions.

As used herein, the following terms shall have the following meanings:

“Accounts Receivable” shall mean all accounts receivable of Sellers and other receivables of Sellers in existence as of the Closing Date (whether or not billed).

“Acquired Assets” has the meaning assigned to that term in Section 2.1.

“Acquisition” has the meaning assigned to that term in the Preamble.

“ADL” has the meaning assigned to that term in Section 2.1(l).

“Agreement” has the meaning assigned to that term in the Preamble.

“Ancillary Agreements” means any certificate, agreement, document or other instrument to be executed and delivered in connection with this Agreement.

“Approval Order” has the meaning assigned to that term in Section 6.3(a).

“Assigned Contracts” has the meaning assigned to that term in Section 2.1(h).

“Assumed Liabilities” has the meaning assigned to that term in Section 2.3.

“Assumed Trade Payables” means bona fide trade payables of Sellers arising after the date of the Bankruptcy Petition and incurred in the ordinary course of business consistent with past practices through the Closing in respect of goods received or to be received after the date of the Bankruptcy Petition, and services rendered or to be rendered after the date of the Bankruptcy Petition.

“Avoidance Actions” means all avoidance claims or causes of action under the Bankruptcy Code or applicable Law (including, without limitation, any preference or fraudulent conveyance), and all other claims or causes of action under any other provision of the Bankruptcy Code or applicable laws relating to the Acquired Assets and/or Assumed Liabilities, including, without limitation, all actions relating to vendors and service providers used in the Business that are counterparties to Assigned Contracts or relating to Assumed Liabilities.

“Axial” has the meaning assigned to that term in the Preamble.

“Bankruptcy Code” has the meaning assigned to that term in the Preamble.

“Bankruptcy Court” has the meaning assigned to that term in the Preamble.

“Bankruptcy Petition” means a voluntary bankruptcy petition filed by a Seller with the Bankruptcy Court on the Petition Date.

“Bidding Procedures Order” has the meaning assigned to that term in Section 6.2.

“Business” has the meaning assigned to that term in the Preamble.

“Business Day” means any day on which commercial banking institutions are open for business in Wilmington, Delaware.

“Causes of Action” shall mean any and all causes of action, defenses, and counterclaims accruing to a Debtor or that is property of the Estate, based upon facts, circumstances and transactions that occurred prior to the Closing Date.

“Chapter 11 Case” has the meaning assigned to that term in the Preamble.

“Closing” has the meaning assigned to that term in Section 3.1.

“Closing Date” has the meaning assigned to that term in Section 3.1.

“Commercial Tort Claims” has the meaning given to it in Section 9-102(13) of the Uniform Commercial Code as in effect in the State of Illinois.

“Confidentiality Agreement” has the meaning assigned to that term in Section 8.16.

“Contracts” means all agreements, contracts, leases, consensual obligations, promises or undertakings, other than Employee Benefit Plans.

“Cure Amounts” means all amounts, costs and expenses required by the Bankruptcy Court to cure all defaults under the Assigned Contracts so that they may be assumed and assigned to Purchaser pursuant to §§363 and 365 of the Bankruptcy Code.

“D&O Insurer” has the meaning assigned to such term in Section 6.9.

“Debtor” shall mean a Seller.

“Deposit” has the meaning assigned to that term in Section 2.6.

“Employee Benefit Plans” shall mean (i) all “employee benefit plans” (as defined in §3(3) of ERISA), including any employee pension benefit plans; (ii) all employment, consulting, non-competition, employee non-solicitation, employee loan or other compensation agreements, and (iii) all bonus or other incentive compensation, equity or equity-based compensation, stock purchase, deferred compensation, change in control, severance, leave of absence, vacation, salary continuation, medical, life insurance or other death benefit, educational assistance, training, service award, dependent care, pension, welfare benefit or other material employee or fringe benefit plans, policies, agreements or arrangements, whether written or unwritten, qualified or unqualified, funded or unfunded and all underlying insurance policies, trusts and other funding vehicles, in each case currently maintained by or as to which a Seller has or could reasonably be expected to have any obligation or liability, contingent or otherwise, thereunder for current or former employees, directors or individual consultants of such Seller.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and regulations and formal guidance issued thereunder.

“Escrow Agent” has the meaning assigned to that term in Section 2.6.

“Escrow Agreement” has the meaning assigned to that term in Section 2.6.

“Estate” shall mean the estate of a Debtor created by §541 of the Bankruptcy Code upon the filing of the Bankruptcy Petition.

“Estate Causes of Action” shall mean any and all Causes of Action except for (i) Causes of Action that relate to an Assigned Contract, (ii) Causes of Action arising from breaches of warranty relating to the Acquired Assets, (iii) Causes of Action against past and present vendors or customers of a Seller, and (iv) Causes of Action against the directors, officers or other insiders of a Seller; for the avoidance of doubt, "Estate Causes of Action" shall include (and "Purchased Causes of Action" shall not include), without limitation, (A) Avoidance Actions, and (B) Causes of Action against any administrative or other agent, lender or secured party related to any credit facility existing at any time whether prior to or after the filing of the Bankruptcy Petition.

“Estes” has the meaning assigned to such term in the Preamble.

“Excluded Assets” has the meaning assigned to that term in Section 2.2.

“Executory Contracts and Unexpired Leases” has the meaning assigned to that term in Section 2.1(h).

“Final Order” means an order of the Bankruptcy Court that has not been appealed, reversed, modified, amended or stayed and the time to appeal from or to seek review or rehearing of such order has expired.

“Governmental Authorization” means any consent, franchise, license, registration, permit, order or approval issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Law, including, as the context may require, any declarations or filings with, or expiration of waiting periods imposed by, any such Governmental Body.

“Governmental Body” means any (i) nation, state, county, city, town, borough, village, district or other jurisdiction, (ii) federal, state, local, municipal, foreign or other government, (iii) governmental or quasi-governmental body of any nature (including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental or quasi-governmental powers), (iv) multinational organization or body, (v) body exercising, or entitled or purporting to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power, or (vi) official of any of the foregoing.

“Great Planes” has the meaning assigned to such term in the Preamble.

“Hobbico” has the meaning assigned to that term in the Preamble.

“Hobbico Germany” has the meaning assigned to the term in Section 2.1(l).

“Intellectual Property” means all trademarks, trade names, corporate names, company names, business names, product or brand names, service marks, patents, copyrights (including but not limited to moral rights), and any applications for or registrations of any of the foregoing, works of authorship, know-how, logos, proprietary information, protocols, schematics, specifications, software, software code (in any form, including source code and executable or object code), subroutines, techniques, user interfaces, URLs, domain names, web sites, works of authorship and other forms of technology (whether or not embodied in any tangible form and including all tangible embodiments of the foregoing, such as instruction manuals, laboratory notebooks, prototypes, samples, studies and summaries) inventions, trade secrets and any other intellectual property or intangible property that are used in the Business as presently conducted and any rights relating to any of the foregoing.

“Inventory” means all supplies, goods, materials, work in process, inventory and stock in trade owned by a Seller exclusively for use or sale in the ordinary course of Business, but specifically excluding (1) goods which belong to sublessees, licensees or concessionaires of such Seller, and (2) goods held by such Seller on memo, on consignment, or as bailee.

“Law” means any applicable federal, state, local, municipal, foreign, international, multinational or other constitution, law, ordinance, principle of common law, code, regulation, statute or treaty.

“Liability” means any and all obligations, liabilities, debts and commitments, whether known or unknown, asserted or unasserted, fixed, absolute or contingent, matured or unmatured, accrued or unaccrued, liquidated or unliquidated, due or to become due, whenever or however arising (including, without limitation, whether arising out of any contract or tort based on negligence, strict liability, or otherwise) and whether or not the same would be required by GAAP to be reflected as a liability in financial statements or disclosed in the notes thereto.

“Lien” means any mortgage, deed of trust, lien, pledge, charge, title defect, security interest, pledge, leasehold interest or other legal or equitable encumbrance of any kind.

“Lincoln” has the meaning assigned to that term in Section 4.5.

“Material Adverse Change” means only such change, circumstance, or effect as shall have arisen after the date on which this Agreement shall have been executed by Sellers and prior to the Closing that has a materially adverse effect on (i) the operations, assets or properties of Sellers, taken as a whole, or (ii) the ability of any of the parties hereto to consummate the transactions contemplated by this Agreement; provided, however, that any change, circumstance, or effect that arises out of, results from or relates to the commencement or conduct of the Chapter 11 Case shall not be considered in determining whether a Material Adverse Change has occurred and, in addition, no change, event, effect, condition, circumstance or occurrence related to any of the following shall be deemed to constitute, and none of the following shall be taken into account in determining whether there has been, a Material Adverse Change: (i) national or international business, economic, political or social conditions, including the engagement by the United States of America in hostilities, affecting (directly or indirectly) the industry in which the Sellers operate, whether or not pursuant to the

declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States of America, except to the extent that such change has a disproportionate adverse effect on the Sellers relative to the adverse effect that such changes have on other companies in the industry in which the Sellers operate; (ii) financial, banking or securities markets (including any disruption thereof or any decline in the price of securities generally or any market or index), except to the extent that such change has a disproportionate adverse effect on the Sellers relative to the adverse effect that such changes have on other companies in the industry in which the Sellers operate; (iii) any change in GAAP or Law, except to the extent that such change has a disproportionate adverse effect on the Sellers relative to the adverse effect that such changes have on other companies in the industry in which the Sellers operate; (iv) compliance with this Agreement or any related agreement, including the taking of any action required hereby or thereby or the failure to take any action that is not permitted hereby or thereby; (v) any change directly attributable to the announcement of this Agreement, including by reason of the identity of Purchaser or any of its Affiliates or any communication by Purchaser or any of its Affiliates of their plans or intentions regarding the operation of the Business; (vi) any act of God or other force majeure event, except to the extent that such change has a disproportionate adverse effect on the Sellers relative to the adverse effect that such changes have on other companies in the industry in which the Sellers operate; or (vii) in the case of Sellers, any failure to meet or exceed any projection or forecast provided to or reviewed by the Purchaser.

“Permitted Liens” means (i) Liens for Taxes, assessments and other governmental levies, fees or charges that are not yet due and payable, (ii) pledges or deposits in connection with workers’ compensation, unemployment insurance and other social security legislation, (iii) Liens which constitute mechanics’, carriers’, workmens’, repairmens’, agricultural or other like Liens arising or incurred in the ordinary course of business for which amounts are not delinquent, (iv) Liens arising out of operating leases with third parties, (v) with respect to real property, encumbrances reflected on policies of title insurance related to such real property and all recorded encumbrances, covenants and restrictions with respect to such real property, (vi) Liens created by Purchaser, (vii) any Lien that constitutes an Assumed Liability, and (viii) those Liens set forth on Schedule 1.1.

“Person” means any individual, corporation, partnership, joint venture, trust, association, limited liability company, unincorporated organization, other entity, or governmental body or subdivision, agency, commission or authority thereof.

“Personal Property” has the meaning assigned to that term in Section 2.1(a).

“Petition Date” has the meaning assigned to that term in the Preamble.

“Purchase Price” has the meaning assigned to that term in Section 2.5.

“Purchased Causes of Action” means any and all Causes of Action other than the Estate Causes of Action.

“Purchaser” has the meaning assigned to that term in the Preamble.

“R/C” has the meaning assigned to that term in the Preamble.

“Real Property” has the meaning assigned to that term in Section 2.1(a).

“Revell Germany” has the meaning assigned to that term in Section 2.1(l).

“Revell-US” has the meaning assigned to that term in the Preamble.

“Rights in Transaction-Related Privileges” has the meaning assigned to such term in Section 2.2(k).

“Sellers” has the meaning assigned to that term in the Preamble.

“Tail Coverage” has the meaning assigned to that term in Section 6.9.

“Tax” or “Taxes” means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, custom duties, capital stock, franchise, profits, withholding, social security (or similar excises), unemployment, disability, ad valorem, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not, by any governmental authority responsible for imposition of any such tax (domestic or foreign).

“Tower” has the meaning assigned to such term in the Preamble.

“Transaction-Related Documents” has the meaning assigned to such term in Section 2.2(k).

“Transactions” has the meaning assigned to that term in Section 2.4.

“Transferred Employees” has the meaning assigned to that term in Section 6.6(a).

“Transition Services Agreement” has the meaning assigned to that term in Section 6.8.

“Trustee” means any trustee or fiduciary appointed to act on behalf of a Debtor or as successor to a Debtor.

“United Model” has the meaning assigned to such term in the Preamble.

“WARN” has the meaning assigned to such term in Section 2.3.

ARTICLE II SALE AND PURCHASE OF ASSETS

2.1 **Sale and Purchase of Assets.** On the terms and subject to the conditions set forth in this Agreement, on the Closing Date, Purchaser shall purchase from each Seller, and each Seller shall sell, assign, transfer, convey and deliver to Purchaser, all of such Seller’s right, title and interest in and to all assets, properties, rights, interests, benefits and privileges of

whatever kind or nature, both tangible and intangible, real and personal, wherever located, whether owned or leased, that are used by such Seller in connection with the operation of the Business (except for the Excluded Assets), to the extent transferable under applicable Law, the Bankruptcy Code or otherwise, as those assets, properties, rights, interests, benefits and privileges exist on the Closing Date, free and clear of any Lien other than Permitted Liens. Without limiting the foregoing, the assets, properties, rights, interests, benefits and privileges sold, assigned, transferred, conveyed and delivered by each Seller hereunder (collectively, the “Acquired Assets”) shall include all of such Seller’s right, title and interest in and to the following except to the extent any of the following are included within Excluded Assets:

(a) all of such Seller’s interests in real property, together with all plants, buildings, structures, fixtures and improvements of all kinds situated thereon, and all privileges, rights, easements, hereditaments and appurtenances belonging to or for the benefit of such real property (collectively, “Real Property”);

(b) all of such Seller’s supplies (including packaging materials), materials, machinery, equipment (including equipment that is subject to a capital lease, but only to the extent that Purchaser assumes such capital lease as an Assigned Contract), tools, vehicles, furniture, fixtures, furnishings, leasehold improvements, goods, and other tangible personal property owned by such Seller, including, but not limited to, any owned computer hardware and software (collectively, “Personal Property”);

(c) all of such Seller’s Accounts Receivable and all prepaid expenses, advances and deposits, excluding (i) Accounts Receivable and prepaid expenses, advances and deposits allocable to Executory Contracts and Unexpired Leases that are not Assigned Contracts, and (ii) any deposits, security retainers paid to professionals or other prepaid amounts referred to in Section 2.2(a) or Section 2.2(f) below¹;

(d) all of such Seller’s Inventory;

(e) all of such Seller’s rights in Purchased Causes of Action;

(f) all of such Seller’s books and records relating to the Acquired Assets, including production records, accounting records, Tax records, financial records, property records, mailing lists, and customer and vendor lists, provided that such Seller may obtain and retain, at its own expense, copies of any or all such books and records before their transfer to Purchaser;

(g) all of such Seller’s rights in Intellectual Property, to the extent assignable;

¹ If a bidder is proposing to acquire the equity interests in Hobbico Germany but excluding the U.S. assets of Hobbico and its domestic subsidiaries, then the Acquired Assets may also include Hobbico’s rights under (i) that certain Unsecured and Subordinated Mezzanine Loan Facility dated February 9, 2012 between Hobbico and Hobbico Germany, and (ii) that certain Intecompany [sic] Revolving Credit Facility Agreement dated May 30, 2017 between Hobbico and Revell Germany (collectively, the “Intercompany Notes”).

(h) all of such Seller's Contracts, agreements, licenses, leases, warranties, commitments, and purchase and sale orders with respect to Personal Property, Intellectual Property, Real Property or otherwise (collectively, "Executory Contracts and Unexpired Leases"), solely to the extent that such Executory Contracts and Unexpired Leases are designated by Purchaser to be assumed and assigned on the Closing Date in accordance with the Bidding Procedures Order and provided further that Purchaser shall have provided adequate assurance of future performance under §365(b)(1)(C) of the Bankruptcy Code with respect to any designated contract (collectively, "Assigned Contracts"), together with the right to receive income in respect of such Assigned Contracts on and after the Closing Date, and the right to bring any causes of action which may be brought by such Seller relating to past or current breaches of the Assigned Contracts;

(i) all of such Seller's Governmental Authorizations and all of such Seller's pending applications therefor or renewals thereof, in each case to the extent transferable to Purchaser and excluding Governmental Authorizations or pending applications therefor required for the continued operation of an Excluded Asset;

(j) all of such Seller's rights with respect to Employee Benefit Plans;

(k) all of such Seller's assets, properties and rights identified on Schedule 2.1(k); and

(l) solely with respect to Hobbico, all of the outstanding equity interests in its foreign subsidiary Hobbico Deutschland Holding GmbH, a company organized under the laws of Germany ("Hobbico Germany") which is in turn the sole owner of Revell GmbH, a company organized under the laws of Germany ("Revell Germany").²

2.2 Excluded Assets. Notwithstanding the provisions of Section 2.1 or any other provision of this Agreement, the Acquired Assets do not include, and no Seller shall transfer to Purchaser, any of the following assets, properties, rights, interests, benefits and privileges (collectively, the "Excluded Assets");

(a) all cash, bank deposits, securities and cash equivalents, including for this purpose (i) all cash and cash equivalents if credited to a Seller's bank account(s) prior to the Closing Date, and (ii) all deposits and other prepaid amounts arising outside of the ordinary course of a Seller's business, including without limitation all such amounts held by a Seller's landlords, utility providers, vendors, attorneys, accountants, investment bankers, restructuring advisors, notice and claims agents, public relations advisors, and other professional advisors;

(b) all Contracts, agreements, licenses, leases, warranties, commitments, and purchase and sale orders with respect to Personal Property, Intellectual Property, Real Property

²It may be desirable for Purchaser to acquire the equity interests in one or both of Estes and ADL, rather than their assets. In such case, appropriate changes will be made regarding the identity of the selling parties, the Acquired Assets, and the Excluded Assets.

or otherwise and the rights associated therewith other than the Executory Contracts and Unexpired Leases assumed as provided in Section 2.1(h)³;

(c) except as set forth in Section 2.1(l), all shares of capital stock or other equity interests in any Seller held by any Seller, and all corporate minute books and records of internal corporate proceedings, stock transfer ledgers, blank stock certificates, corporate seals, tax and accounting records, work papers and other records relating to the organization or maintenance of the legal existence of a Seller;

(d) any books, records or other information related solely and exclusively to the Excluded Assets;

(e) all records that a Seller is required by law to retain;

(f) all refunds, credits or deposits of Taxes with respect to the period prior to the Closing Date, including without limitation any refunds, credits or deposits of Taxes arising as a result of Seller's operation of the Business or ownership, operation, utilization or maintenance of the Acquired Assets prior to the Closing Date;

(g) all Estate Causes of Action;

(h) all rights to receive mail and other communications addressed to a Seller that do not relate to the Acquired Assets or the Assumed Liabilities;

(i) the corporate franchise of any Seller and any and all prepaid expenses and deposits in respect of franchise Taxes and the like;

(j) all property, rights and assets relating to an Excluded Asset or arising from and relating to the defense, release, compromise, discharge or satisfaction of any of the Liabilities which are not Assumed Liabilities;

(k) all documents, emails and other communications relating to the transactions contemplated hereby or any preparations or planning with respect thereto, including without limitation all such materials consisting of this Agreement, the Ancillary Agreements, memoranda, research, analysis, planning, due diligence reports, quality of earnings reports, agreements with financial advisors, investment bankers, accountants or legal counsel, whether or not subject to any attorney-client privilege, work product privilege, or any other privilege (the "Transaction-Related Documents"), and any Seller's right to exercise or waive any attorney-client privilege, work product privilege or other privilege with respect to the transactions contemplated hereby or any of the Transaction-Related Documents (the "Rights in Transaction-Related Privileges");

(l) all rights of Sellers arising under this Agreement, the Ancillary Agreements, and under any other agreement between Sellers and Purchaser entered into in connection with this Agreement;

³ A bidder for the Hobbico assets that is not also seeking to acquire the equity interests in Hobbico Germany should reflect the Intercompany Notes as Excluded Assets.

(m) all good faith or other bid deposits submitted by any third party under the terms of the Bidding Procedures Order;

(n) all insurance policies of any of the Sellers and/or their subsidiaries for directors', managers', and officers' liability and all rights of any nature with respect thereto, including all insurance recoveries, prepaid premiums, and unearned premiums thereunder and rights to assert claims with respect to any such insurance recoveries;

(o) all Commercial Tort Claims of the Sellers; and

(p) all assets, properties and rights identified on Schedule 2.2(i).

2.3 **Assumed Liabilities.** Upon the terms and subject to the conditions set forth herein, at the Closing, Purchaser shall assume and shall timely perform and discharge in accordance with their respective terms (a) all Liabilities and Cure Amounts with respect to the Assigned Contracts, (b) all Liabilities (including for any Tax) that arise on or after the Closing Date with respect to Purchaser's ownership or operation of the Acquired Assets on and after the Closing, (c) all post-petition accounts payable and accrued post-petition expenses of any Seller for work done in the ordinary course of Business (excluding any expenses incurred with respect to the administration of the Bankruptcy Case unless such expenses are incurred as a result of Purchaser delaying the Closing) which would qualify as administrative priority expenses under §503(b) of the Bankruptcy Code, (d) all Liabilities with respect to Employee Benefit Plans, other than those relating to equity compensation under Hobbico's employee stock ownership plan, (e) all Liabilities for wages, salaries, compensation, bonuses, employment-related expense reimbursement, deferred compensation, overtime, workers' compensation, 401(k) matching, sick pay, vacation, paid time off, personal days and severance benefits for Transferred Employees, including without limitation all associated payroll taxes, deductions and withholdings, (f) all Liabilities under the Workers Adjustment and Retraining Notification Act ("WARN") and similar state laws; (g) all Liabilities with respect to Assumed Trade Payables, and (h) such other Liabilities of a Seller set forth on Schedule 2.3 (collectively "Assumed Liabilities").

2.4 **Excluded Liabilities.** Purchaser, by its execution and delivery of this Agreement and the Ancillary Agreements and its performance of the transactions contemplated by this Agreement and the Ancillary Agreements (the "Transactions"), shall not assume or otherwise be responsible for any Liability other than the Assumed Liabilities.

2.5 **Purchase Price.** The aggregate consideration payable to Sellers for the sale and transfer of the Acquired Assets shall be (a) [●] Dollars (\$[●]) (the "Purchase Price"), and (b) the assumption by Purchaser of the Assumed Liabilities. At the Closing, Purchaser shall deliver the Purchase Price (less the Deposit) to Hobbico, as agent for Sellers, by wire transfer of immediately available funds to one or more accounts designated in writing by Hobbico.

2.6 **Deposit.** Within three (3) Business Days of the execution of this Agreement by Purchaser and Sellers, Purchaser shall deposit with [●] as escrow agent (the "Escrow Agent"), pursuant to an escrow agreement in form and substance to be mutually agreed to by and among

the Escrow Agent, Purchaser and Sellers (the “Escrow Agreement”), [●] Dollars (\$[●])⁴ (the “Deposit”) by cashier’s check or wire transfer. The Deposit shall be credited against the Purchase Price at the Closing if Purchaser is the successful bidder for the Acquired Assets. If this Agreement is terminated for any reason, then the Deposit shall be forfeited to Sellers or returned to Purchaser as provided in Article VII.

ARTICLE III CLOSING; CONDITIONS TO CLOSING

3.1 **Closing.** Subject to the terms and conditions of this Agreement, the closing (the “Closing”) of the sale and purchase of the Acquired Assets and the assumption of the Assumed Liabilities shall take place on or before [●] at a location to be specified by Hobbico. The time and date upon which the Closing occurs is referred to herein as the “Closing Date.” All transactions at the Closing shall be deemed to take place simultaneously and none shall be deemed to have taken place until all shall have taken place. Effective immediately upon the Closing, the Purchased Causes of Action against the directors, officers or other insiders of any Seller shall automatically be deemed waived by Purchaser without further action.

3.2 **Court Approval Required.** Purchaser and Sellers acknowledge and agree that the Bankruptcy Court’s entry of the Approval Order shall be required in order to consummate the Transactions, and that the requirement that the Approval Order be entered is a condition that cannot be waived by any party.

3.3 **Conditions to Obligations of Purchaser.** The obligation of Purchaser to consummate the transactions contemplated by this Agreement is subject to the satisfaction, at or before the Closing, of each of the following conditions, any of which conditions may, except for the condition set forth in Section 3.2, be waived by Purchaser in its sole discretion:

(a) **Representations and Warranties.** The representations and warranties of Sellers set forth in Article IV of this Agreement, taken as a whole, shall be true and correct in all material respects (except for those representations and warranties qualified by materiality, which shall be true and correct in all respects) on the date hereof and on and as of the Closing Date, as though made on and as of the Closing Date (except for representations and warranties made as of a specified date, which shall be true and correct only as of the specified date).

(b) **Agreements and Covenants.** Sellers shall have performed and complied with each agreement, covenant and obligation required to be performed or complied with by them under this Agreement at or before the Closing in all material respects.

(c) **Deliveries at Closing.** Sellers shall have used commercially reasonable efforts to cause Purchaser to receive duly executed assignments, patent assignments, general trademark assignments, bills of sale or certificates of title, dated as of the Closing Date, in form and substance reasonably satisfactory to Purchaser, for the transfer to Purchaser of all of such Seller’s right, title and interest in and to the material Acquired Assets free and clear of any Lien

⁴The Deposit amount will be ten percent (10%) of the Purchase Price.

other than Permitted Liens, provided however that Sellers shall not have any duty to make any payment or incur any material expense in connection therewith.

(d) Assumption and Assignment of Assigned Contracts. Each Seller shall have assigned to Purchaser the Assigned Contracts to which it is a party by virtue of the Approval Order.

(e) Consents. All consents, authorizations, or approvals required to be obtained from any Governmental Authority set forth on Schedule 4.4 shall have been obtained and be in full force.⁵

(f) Transition Services Agreement. Sellers shall have executed and delivered to Purchaser the Transition Services Agreement.

3.4 Conditions to Obligations of Sellers. The obligation of each Seller to consummate the transactions contemplated by this Agreement is subject to the satisfaction, at or before the Closing, of each of the following conditions, any of which conditions may, except for the condition set forth in Section 3.2, be waived by any Seller in its sole discretion:

(a) Representations and Warranties. The representations and warranties of Purchaser set forth in Article V of this Agreement shall be true and correct in all material respects (except for those representations and warranties qualified by materiality, which shall be true and correct in all respects) on the date hereof and on and as of the Closing Date, as though made on and as of the Closing Date (except for representations and warranties made as of a specified date, which shall be true and correct only as of the specified date).

(b) Agreements and Covenants. Purchaser shall have performed and complied with each agreement, covenant and obligation required to be performed or complied with by it under this Agreement at or before the Closing in all material respects.

(c) Receipt of Purchase Price. Hobbico, as agent for Sellers, shall have received (i) the Purchase Price (less the Deposit) from Purchaser, and (ii) the Deposit from the Escrow Agent.

(d) Orders. The Bankruptcy Court shall have entered the Approval Order and the Bidding Procedures Order, and such orders shall have become Final Orders.

(e) Deliveries at Closing. Sellers shall have received from Purchaser all fully executed instruments or documents as any Seller may reasonably request to fully effect

⁵Note that if and to the extent that Purchaser is not itself already in possession of all licenses and permits necessary for its operation of the Business following the Closing, then Purchaser may (i) purchase the equity interest in the applicable Seller and continue operations under its currently existing licenses and permits, with full responsibility for any compliance activities required by virtue of the change of control of such Seller, (ii) purchase all of the Acquired Assets at closing and assume full responsibility for all licensing and permitting obligations of the Business following the Closing, or (iii) propose a method of addressing such license or permit issue in accordance with law by means of a Transition Services Agreement acceptable to Sellers and all applicable governmental authorities.

the transfer of the Acquired Assets and assumption of the Assumed Liabilities and to otherwise consummate the Transactions.

(f) Consents. All consents, authorizations, or approvals required to be obtained from any Governmental Authority set forth on Schedule 4.4 shall have been obtained and be in full force.

(g) Transition Services Agreement. Purchaser shall have executed and delivered to Sellers the Transition Services Agreement and performed all obligations required to be performed or paid by it prior to the Closing under the Transition Services Agreement.

3.5 Delivery of Possession of Assets. Right to possession of all Acquired Assets shall transfer to Purchaser at the Closing. Purchaser shall bear all risk of loss with respect to the Acquired Assets from and after the Closing.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLERS

Each Seller represents and warrants to Purchaser, with respect to itself only, severally and not jointly, that the statements contained in this Article IV are true and correct as of the date hereof and will be true and correct in all material respects on the Closing Date (except for those representations and warranties qualified by materiality, which shall be true and correct in all respects).

4.1 Organization, Good Standing and Power. Such Seller is legally formed and in good standing under the laws of the State of its incorporation. Subject to the applicable provisions of the Bankruptcy Code, such Seller has the power to own its properties and carry on its business as now being conducted and is qualified to do business and is in good standing in each jurisdiction in which the failure to be so qualified and in good standing would result in a Material Adverse Change.

4.2 Authority Relative to this Agreement; Execution and Binding Effect. Such Seller has full power and authority to execute and deliver this Agreement and the Ancillary Agreements and, subject to receipt of any necessary Bankruptcy Court approval in accordance with the Bankruptcy Code, to consummate the Transactions applicable to such Seller. The execution and delivery of this Agreement and the Ancillary Agreements and the consummation of the Transactions have been duly and validly approved and adopted by the board of directors of such Seller, and, except for Bankruptcy Court approval or as set forth on Schedule 4.4, no other proceedings or approvals on the part of such Seller are necessary to approve this Agreement and the Ancillary Agreements and to consummate the Transactions. This Agreement has been duly and validly executed and delivered by such Seller. Assuming due authorization, execution and delivery by Purchaser, this Agreement constitutes, and each of the Ancillary Agreements at the Closing will constitute, the valid and binding obligation of such Seller, enforceable against such Seller in accordance with their terms, except as such enforcement may be limited by (a) the effect of bankruptcy, insolvency, reorganization, receivership, conservatorship, arrangement, moratorium or other laws affecting or relating to the rights of creditors generally, or (b) the rules governing the availability of specific

performance, injunctive relief or other equitable remedies and general principles of equity, regardless of whether considered in a proceeding in equity or at law.

4.3 **No Defaults.** Subject to receipt of any necessary Bankruptcy Court approval in accordance with the Bankruptcy Code and except as set forth on **Schedule 4.3**, the execution and delivery by such Seller of this Agreement and the Ancillary Agreements and the consummation of the Transactions do not and will not (a) with or without the giving of notice or the lapse of time, or both, conflict with, or result in the breach of or constitute a default under, or result in the modification, cancellation, lapse or termination of, or limitation, or curtailment under, or violate any (i) provision of Law, or (ii) agreement, Employee Benefit Plan, Contract, lease, power of attorney, commitment, instrument, insurance policy, arrangement, undertaking, order, decree, ruling or injunction to which such Seller is subject or a party or by which it is bound (or with respect to which its properties or assets are subject or bound), except for any breach, default, modification, cancellation, lapse, termination, limitation, curtailment or violation that would not result in a Material Adverse Change; or (b) violate the certificate of incorporation or bylaws of such Seller.

4.4 **Governmental and Other Consents.** Except for the receipt of any necessary Bankruptcy Court approval in accordance with the Bankruptcy Code or as set forth on **Schedule 4.4**, no consent, notice, authorization or approval of, or exemption by, or filing with or notifications to any Governmental Authority or any other Person, whether pursuant to contract or otherwise, is required in connection with the execution and delivery by such Seller of this Agreement and the Ancillary Agreements and the consummation of the Transactions.

4.5 **No Brokers.** Except for the representation of Sellers by Lincoln Partner Advisors LLC ("Lincoln"), pursuant to that certain order entered by the Bankruptcy Court on [●] and the obligation of Sellers to pay Lincoln a commission, fees and expenses at Closing in accordance with the terms and provisions of such order, no Seller has incurred or will incur, directly or indirectly, as a result of any action taken or permitted to be taken by or on behalf of such Seller, any Liability for brokerage or finders' fees or agents' commissions or similar charges in connection with the execution and delivery by such Seller of this Agreement and the Ancillary Agreements and the consummation of the Transactions.

ARTICLE V REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Sellers that the statements contained in this Article V are true and correct as of the date hereof and will be true and correct in all material respects on the Closing Date (except for those representations and warranties qualified by materiality, which shall be true and correct in all respects).

5.1 **Organization, Good Standing and Power.** Purchaser is legally formed and in good standing under the laws of the state of its formation. Purchaser has the power to own its properties and carry on its business as now being conducted and is qualified to do business and is in good standing in each jurisdiction in which the failure to be so qualified and in good standing would result in a Material Adverse Change.

5.2 Authority Relative to this Agreement; Execution and Binding Effect.

Purchaser has full power and authority to execute and deliver this Agreement and the Ancillary Agreements and to consummate the Transactions. The execution and delivery of this Agreement and the Ancillary Agreements and the consummation of the Transactions have been duly and validly approved and adopted by all necessary action of Purchaser and no other proceedings or approvals (shareholder, member or otherwise) on the part of Purchaser are necessary to approve this Agreement and the Ancillary Agreements and to consummate the Transactions. This Agreement has been duly and validly executed and delivered by Purchaser. Assuming due authorization, execution and delivery by each Seller, this Agreement constitutes, and each of the Ancillary Agreements at the Closing will constitute, the valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with their terms, except as such enforcement may be limited by (a) the effect of bankruptcy, insolvency, reorganization, receivership, conservatorship, arrangement, moratorium or other laws affecting or relating to the rights of creditors generally, or (b) the rules governing the availability of specific performance, injunctive relief or other equitable remedies and general principles of equity, regardless of whether considered in a proceeding in equity or at law.

5.3 No Defaults. The execution and delivery by Purchaser of this Agreement and the Ancillary Agreements and the consummation of the Transactions do not and will not (a) with or without the giving of notice or the lapse of time, or both, conflict with, or result in the breach of or constitute a default under, or result in the modification, cancellation, lapse or termination of, or limitation, or curtailment under, or violate any (i) provision of Law, or (ii) agreement (including without limitation any loan or financing agreement), Contract, lease, power of attorney, commitment, instrument, insurance policy, arrangement, undertaking, order, decree, ruling or injunction to which Purchaser is subject or a party or by which it is bound (or with respect to which its properties or assets are subject or bound), except for any breach, default, modification, cancellation, lapse, termination, limitation, curtailment or violation that would not result in a Material Adverse Change; or (b) violate the certificate of incorporation, bylaws or any comparable instruments of Purchaser.

5.4 Governmental and Other Consents. Except for the receipt of any necessary Bankruptcy Court approval in accordance with the Bankruptcy Code, no consent, notice, authorization or approval of, or exemption by, or filing with or notifications to any Governmental Authority or any other Person, whether pursuant to contract or otherwise, is required in connection with the execution and delivery by Purchaser of this Agreement and the Ancillary Agreements and the consummation of the Transactions.

5.5 Financial Ability. Purchaser has cash available that is sufficient to enable it to pay the Deposit, the Purchase Price and any of its obligations under the Transition Services Agreement as well as all other amounts (including Cure Amounts) otherwise payable to consummate the Transactions pursuant to and in accordance with this Agreement.

5.6 No Brokers. Purchaser has not incurred and will not incur, directly or indirectly, as a result of any action taken or permitted to be taken by or on behalf of Purchaser, any Liability for brokerage or finders' fees or agents' commissions or similar charges in connection with the execution and delivery by Purchaser of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby.

ARTICLE VI COVENANTS

6.1 **Operation of Business.** Subject to the requirements of, and the obligations imposed upon, each Seller as debtor-in-possession and pursuant to the Bankruptcy Code and except as otherwise contemplated by this Agreement or the Bidding Procedures Order or as required to comply with debtor-in-possession financing obtained by such Seller, from the date hereof and until the Transactions shall have been consummated or abandoned as contemplated herein, each Seller shall operate the Business in the ordinary course (relative to that in effect immediately prior to the execution of the Agreement) and, consistent with such operation and the budget set forth in Seller's debtor-in-possession credit agreement, and consistent with acting as a debtor-in-possession in a Chapter 11 bankruptcy case, shall use commercially reasonable efforts to maintain the goodwill associated with the Business and the relationships with the employees, customers and suppliers of the Business.

6.2 **Bidding Procedures Order.** The purchase and sale of the Acquired Assets will be subject to competitive bidding in accordance with (and only in accordance with) the terms of an order of the Bankruptcy Court approving sale and bidding procedures substantially in the form set forth in Exhibit A (the "Bidding Procedures Order"). Within a reasonable period of time after entering into this Agreement, Sellers shall seek the Bidding Procedures Order from the Bankruptcy Court.

6.3 **Approval Order.**

(a) Prior to the Closing, and subject to the provisions of this Agreement, Purchaser and Sellers shall use their commercially reasonable efforts to obtain entry of an order or orders by the Bankruptcy Court pursuant to §§363 and 365 of the Bankruptcy Code (the "Approval Order"), which shall approve of this Agreement and the transactions described herein, and which shall contain the following provisions in terms reasonably acceptable to the parties (it being understood that certain of such provisions may be contained in either the findings of fact or conclusions of law to be made by the Bankruptcy Court as part of the Approval Order):

(i) that each Seller may sell, transfer and assign the applicable Acquired Assets and assume and assign the applicable Assigned Contracts to Purchaser pursuant to this Agreement and Bankruptcy Code §§105, 363 and 365, as applicable, and that any Executory Contract or Unexpired Lease not assigned to Purchaser is rejected;

(ii) the transfers of the Acquired Assets by each Seller to Purchaser (A) vest or will vest Purchaser with all right, title and interest of such Seller in and to the Acquired Assets, free and clear of all Liens other than Permitted Liens, and (B) constitute transfers for reasonably equivalent value and fair consideration under the Bankruptcy Code and the laws of the State of Delaware;

(iii) the transactions contemplated by this Agreement are undertaken by Purchaser and Sellers at arm's length, without collusion and in good faith within the

meaning of section 363(m) of the Bankruptcy Code, and such parties are entitled to the protections of section 363(m) of the Bankruptcy Code;

(iv) a determination that selling the Acquired Assets free and clear of all Liens other than Permitted Liens is in the best interest of each Seller's Estate; and

(v) that Purchaser shall not assume any of the Excluded Liabilities.

(b) If the Approval Order or any other orders of the Bankruptcy Court relating to this Agreement shall be appealed by any person (or a petition for certiorari or motion for rehearing or reargument shall be filed with respect thereto), each party hereto agrees to use commercially reasonable efforts to obtain an expedited resolution of such appeal; provided, however, that nothing herein shall preclude the parties hereto from consummating the Transactions if the Approval Order shall have been entered and has not been stayed in which event Purchaser shall be able to assert the benefits of §363(m) of the Bankruptcy Code.

6.4 **Access to Facilities, Personnel, and Information.**

(a) Prior to the Closing, each Seller shall permit representatives of Purchaser to have reasonable access during regular business hours and upon reasonable notice, and in a manner so as not to interfere with the normal business operations of such Seller, to all premises, property, books, records (including Tax records), Contracts, and documents of or pertaining to the Business which are under such Seller's control (provided that any representatives of Purchaser shall be subject to the confidentiality obligations under the Confidentiality Agreement or otherwise agree in writing to be bound by the terms of such Confidentiality Agreement applicable to Purchaser thereunder).

(b) From the Closing Date through and including the second anniversary of the Closing Date, Purchaser shall grant each Seller, each Trustee, and their respective representatives reasonable access to the books and records transferred to Purchaser pursuant to this Agreement during regular business hours and upon reasonable notice for the purpose of allowing such Seller or its successor, such Trustee, or their respective representatives to perform the duties necessary for the liquidation of each Debtor's Estate. To the extent reasonably required by any Seller, Purchaser shall make one or more of the Transferred Employees available to such Seller to assist in such Seller's wind-down of its Estate provided that such access does not unreasonably interfere with the conduct of the Business by Purchaser.

6.5 **Further Assurances.** Purchaser and each Seller agree to take such further actions and execute such other documents as may be reasonably required to fulfill the conditions to Closing and, after Closing, to fully effect the transactions contemplated by this Agreement and the Ancillary Agreements and further secure to each party the rights intended to be conferred hereby and thereby.

6.6 **Employee Matters.**

(a) Purchaser shall make offers of employment to all employees of each Seller effective as of the Closing, subject to Purchaser's right to require successful completion of customary employee background checks and drug testing prior to offering employment to

any such employee (such employees who are hired by Purchaser, the “Transferred Employees”). Each Seller shall terminate the employment of all Transferred Employees employed by such Seller as of immediately prior to the Closing and reasonably assist Purchaser in effecting the change of employment of such Transferred Employees as of the Closing in an orderly fashion. Purchaser’s obligations under this Agreement are not conditioned upon any particular employees agreeing to employment with Purchaser.

(b) Purchaser may, to the extent permitted by Law, replace benefits provided with respect to a Transferred Employee under any Employee Benefit Plan assumed by Purchaser pursuant to Section 2.1 with benefits provided under an employee benefit plan maintained by Purchaser, provided that Purchaser shall recognize the service of Transferred Employees prior to the Closing Date as service with Purchaser in connection with any employee pension benefit plan and employee welfare benefit plan and policy (including vacations and severance policies) maintained by Purchaser which is made available following the Closing Date by Purchaser for purposes of any waiting period, vesting, eligibility and benefit entitlement (provided that Purchaser is not required to count such service of the Transferred Employees prior to the Closing Date in calculating the amount of that employee’s benefit under Purchaser’s plan or policy and provided further that such crediting shall not result in the duplication of benefits with respect to any Transferred Employee). In addition, Purchaser shall (i) waive, or cause its insurance carriers to waive, all limitations as to pre-existing conditions, if any, with respect to participation and coverage requirements applicable to Transferred Employees under any employee welfare benefit plan (as defined in §3(1) of ERISA) which is made available to Transferred Employees following the Closing Date by Purchaser and (ii) provide credit to Transferred Employees for any co-payments, deductibles and out-of-pocket expenses paid by such employees under the employee benefit plans, programs and arrangements of any Seller during the portion of the relevant plan year including the Closing Date.

(c) Purchaser and each Seller agree to use the alternative procedure set forth in Revenue Procedure 2004-53 with respect to wage reporting for the Transferred Employees. Each Seller, as the predecessor employer, shall have no employment tax reporting responsibilities for the Transferred Employees following the Closing.

(d) Purchaser and each Seller shall execute all documents and take all actions necessary to transfer the Employee Benefit Plans and their related liabilities to Purchaser as provided hereunder. Each Seller shall provide Purchaser with all documents, employee data or other information relating to such Employee Benefit Plans, provided that Purchaser shall execute any confidentiality documents or other similar agreements as necessary to comply with applicable laws protecting the confidentiality of such documents, data and information.

(e) Nothing in this Agreement shall constitute any commitment, Contract or understanding (expressed or implied) of any obligation on the part of Purchaser to a post-Closing employment relationship of any fixed term or duration or upon any terms or conditions other than those that Purchaser may establish pursuant to individual offers of employment. Nothing in this Agreement shall be deemed to prevent or restrict in any way the right of Purchaser to terminate, reassign, promote or demote any of the Transferred Employees after the

Closing or to change adversely or favorably the title, powers, duties, responsibilities, functions, locations, salaries, future benefits, other compensation or terms or conditions of Purchaser's employment of such employees.

(f) If any of the arrangements described in this Section 6.6 are determined by any Governmental Body to be prohibited by applicable Law, Purchaser and Sellers shall modify such arrangements to as closely as possible reflect their expressed intent and retain the allocation of economic benefits and burdens to the parties contemplated herein in a manner that is not prohibited by applicable Law.

(g) Notwithstanding anything in this Section 6.6 to the contrary, nothing contained herein, whether express or implied, shall be treated as an amendment or other modification of any Employee Benefit Plan or employee benefit plan maintained by Purchaser or any of its affiliates, or shall limit the right of Purchaser to amend, terminate or otherwise modify any Employee Benefit Plan or employee benefit plan maintained by Purchaser or any of its affiliates following the Closing Date. If (i) a party other than the parties hereto makes a claim or takes other action to enforce any provision in this Agreement as an amendment to any Employee Benefit Plan or employee benefit plan maintained by Purchaser or any of its affiliates, and (ii) such provision is deemed to be an amendment to such Employee Benefit Plan or employee benefit plan maintained by Purchaser or any of its affiliates even though not explicitly designated as such in this Agreement, then, solely with respect to the Employee Benefit Plan or employee benefit plan maintained by Purchaser or any of its affiliates at issue, such provision shall lapse retroactively and shall have no amendatory effect with respect thereto.

6.7 **Tax Matters.**

(a) All sales, use, transfer, stamp, conveyance, value added or other similar Taxes, duties, excises or governmental charges imposed by any Tax authority, domestic or foreign, and all recording or filing fees, notarial fees and other similar costs of Closing will be borne by Purchaser.

(b) Purchaser and Sellers shall negotiate in good faith, on or prior to the Closing Date, an allocation of the Purchase Price among the Acquired Assets. Purchaser and Sellers shall each file all Tax returns (and IRS Form 8594, if applicable) on the basis of such agreed upon allocation, as it may be amended, and no party shall thereafter take a Tax return position inconsistent with such allocation unless such inconsistent position shall arise out of or through an audit or other inquiry or examination by the Internal Revenue Service or other Governmental Body responsible for Taxes.

6.8 **Transition Services Agreement.** At the Closing, Sellers and Purchaser shall execute and deliver to one another a transition services agreement in the form of Exhibit B attached hereto (the "Transition Services Agreement").

6.9 **Directors and Officers Liability Coverage.** At the Closing, Purchaser shall cause the issuer of the directors and officers liability insurance policy currently in effect with respect to Sellers (the "D&O Insurer") to issue and deliver to Sellers a fully-paid and unlimited

extended reporting endorsement (“Tail Coverage”) with respect to such policy, for the risks and in the amounts currently reflected in such policy. Seller shall cooperate with Purchaser to any reasonable extent in the process of obtaining such Tail Coverage, provided however that all premiums therefor shall be paid by Purchaser.

6.10 **Transaction-Related Documents.** In light of the fact that all Transaction-Related Documents are excluded assets, and notwithstanding any other provision hereof, each Seller and its designated representative shall have the right to cause the removal of any and all Transaction-Related Documents which may exist in any of the files of such Seller or on any of its computer systems. The parties hereto acknowledge that notwithstanding the foregoing, certain Transaction-Related Documents may inadvertently be or remain resident in the files or computer systems of a Seller following the Closing. Accordingly, Purchaser covenants and agrees that it shall not seek to access, review or copy any of such Transaction-Related Documents which may remain in any of the files of a Seller or on any of its computer systems, including without limitation its back-up, business continuity or archive systems, at any time, and shall promptly delete or destroy any of such Transaction-Related Documents of which it may become aware. In addition, at the written request of any Seller from time to time for so long as the Chapter 11 Case shall not have been discharged, Purchaser shall permit any Seller and its designated representatives reasonable access to Purchaser’s facilities and systems, including without limitation its back-up, business continuity or archive systems, upon reasonable notice and during business hours, as necessary to access Transaction-Related Documents or other Acquired Assets for the limited purpose of removing or destroying any such Transaction-Related Documents or otherwise taking action necessary or appropriate in connection with the Chapter 11 Case, and shall cooperate with any Seller in connection therewith, and each Seller agrees to exercise such right in a manner reasonably designed to protect the confidentiality of Purchaser’s information and to minimize interference with the operation of its business.

ARTICLE VII TERMINATION; EFFECT OF TERMINATION

7.1 **Termination.** This Agreement may, by notice given prior to or at the Closing, be terminated:

- (a) by mutual consent of Purchaser and Sellers;
- (b) by Purchaser or any Seller in the event the Closing has not occurred (other than through failure of any party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before [●];
- (c) by any Seller if, incident to the Bid Procedures Order, such Seller accepts and closes on a competing bid for the purchase of all or part of the Acquired Assets;
- (d) by Purchaser if (i) any Seller shall file a motion to sell all or part of the Acquired Assets to a third party other than Purchaser and shall thereafter consummate such sale, or (ii) any Seller’s Chapter 11 Case is converted to one under Chapter 7 of the Bankruptcy Code; or

(e) by the non-breaching party upon a material breach of any provision of this Agreement or the Transition Services Agreement (including without limitation Purchaser's failure to pay any amount due from Purchaser under the Transition Services Agreement), provided that such breach has not been waived by the non-breaching party and has continued after notice to the breaching party by the non-breaching party without cure for a period of five (5) Business Days (provided that the non-breaching party shall have an immediate right to terminate if the breaching party has willfully breached any provision of this Agreement or the Transition Services Agreement, which breach is not cured).

7.2 **Effect of Termination.** If this Agreement is terminated pursuant to Section 7.1, (a) Purchaser shall have no Liability or obligations under this Agreement except for the possible forfeiture of the Deposit on the terms and conditions set forth in Section 7.3, and (b) no Seller shall have any Liabilities under this Agreement; provided, however, that the obligations in Sections 8.2 shall survive.

7.3 **Deposit.** If any Seller terminates this Agreement pursuant to Section 7.1(e) with respect to a breach by Purchaser, then the Deposit shall be forfeited to Hobbico, as agent for Sellers. If this Agreement is terminated pursuant to Section 7.1 for any other reason, the Deposit shall be returned to Purchaser.

ARTICLE VIII GENERAL PROVISIONS

8.1 **"As Is", "Where Is", and "With all Faults" Transaction.** PURCHASER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS EXPRESSLY PROVIDED IN ARTICLE IV, SELLERS MAKE NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY MATTER RELATING TO THE ACQUIRED ASSETS, INCLUDING (A) FINANCIAL PROJECTIONS, REVENUES, PROFITS OR INCOME TO BE DERIVED OR COSTS OR EXPENSES TO BE INCURRED IN CONNECTION WITH THE ACQUIRED ASSETS, (B) THE PHYSICAL CONDITION OF ANY ACQUIRED ASSETS, (C) THE ENVIRONMENTAL CONDITION OR OTHER MATTERS RELATING TO THE PHYSICAL CONDITION OF THE REAL PROPERTY, (D) THE ZONING OF THE REAL PROPERTY, (E) THE VALUE OF THE ACQUIRED ASSETS OR ANY PORTION THEREOF, (F) THE TRANSFERABILITY OF THE ACQUIRED ASSETS, (G) THE TERMS, AMOUNT, VALIDITY OR ENFORCEABILITY OF ANY ASSUMED LIABILITIES, (H) TITLE TO ANY OF THE ACQUIRED ASSETS OR ANY PORTION THEREOF, (I) THE MERCHANTABILITY OR FITNESS OF THE ACQUIRED ASSETS OR ANY PORTION THEREOF FOR ANY PARTICULAR PURPOSE, OR (J) ANY OTHER MATTER OR THING RELATING TO THE ACQUIRED ASSETS OR ANY PORTION THEREOF. PURCHASER ACKNOWLEDGES THAT PURCHASER HAS CONDUCTED AN INDEPENDENT INSPECTION AND INVESTIGATION OF THE PHYSICAL CONDITION OF ALL ACQUIRED ASSETS AND ALL SUCH OTHER MATTERS RELATING TO OR AFFECTING THE ACQUIRED ASSETS AS PURCHASER DEEMS NECESSARY OR APPROPRIATE AND THAT IN PROCEEDING WITH ITS ACQUISITION OF THE ACQUIRED ASSETS, EXCEPT FOR ANY REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN SECTION IV, PURCHASER IS

DOING SO BASED SOLELY UPON SUCH INDEPENDENT INSPECTIONS AND INVESTIGATIONS. ACCORDINGLY, PURCHASER WILL ACCEPT THE ACQUIRED ASSETS AT THE CLOSING “AS IS,” “WHERE IS,” AND “WITH ALL FAULTS.”

8.2 **Transaction Expenses.** Except as expressly provided for herein, each party shall pay all fees, costs and expenses incurred by it with respect to this Agreement, whether or not the transactions contemplated by this Agreement are consummated.

8.3 **Certain Interpretive Matters and Definitions.** Unless the context requires, (a) references to the plural include the singular and references to the singular include the plural, (b) references to any gender includes the other gender, (c) the words “include,” “includes” and “including” do not limit the preceding terms or words and shall be deemed to be followed by the words “without limitation”, (d) the terms “hereof”, “herein”, “hereunder”, “hereto” and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, and (e) all references to Sections, Articles, Exhibits or Schedules are to Sections, Articles, Exhibits or Schedules of or to this Agreement.

8.4 **Termination of Representations and Warranties.** The representations and warranties of the parties set forth in this Agreement shall terminate and be of no further force or effect after the Closing.

8.5 **Amendment.** This Agreement may be amended or modified in whole or in part at any time by an agreement in writing among the parties.

8.6 **Waiver.** The waiver by a party of a breach of any covenant, agreement, condition or undertaking contained herein shall be made only by a written waiver in each case. No waiver of any breach of any covenant, agreement, condition or undertaking contained herein shall operate as a waiver of any prior or subsequent breach of the same covenant, agreement, condition or undertaking or as a waiver of any breach of any other covenant, agreement, condition or undertaking.

8.7 **Notices.** All notices, requests and other communications hereunder will be deemed to have been duly given if delivered personally, by an established overnight delivery company, or by certified or registered mail, postage prepaid, return receipt requested, as follows:

(a)	If to any Seller:	Mr. Thomas O'Donoghue Chief Restructuring Officer [name of particular Seller] c/o Hobbico, Inc. 2904 Research Road Champaign, Illinois 61822
	with a copy to:	Bruce A. Fox, Esq. Neal, Gerber & Eisenberg LLP 2 North LaSalle Street, Suite 1700 Chicago, Illinois 60602

(b) If to Purchaser: [•]

with a copy to: [•]

or to such other address as may hereafter be designated by a party by the giving of notice in accordance with this Section 8.7. All notices, requests or other communications shall be deemed given when actually delivered if delivered personally or by an established overnight delivery company or upon actual receipt if delivered by certified or registered mail, postage prepaid, return receipt requested.

8.8 **Jurisdiction.** The parties agree that the Bankruptcy Court shall retain exclusive jurisdiction to resolve any controversy or claim arising out of or relating to this Agreement or the implementation or breach hereof.

8.9 **Governing Law.** To the extent not governed by the Bankruptcy Code, this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to rules governing the conflict of laws.

8.10 **Damages.** NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, NO PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, EXEMPLARY, SPECIAL, INDIRECT OR PUNITIVE DAMAGES (INCLUDING LOST PROFITS, LOSS OF PRODUCTION OR OTHER DAMAGES ATTRIBUTABLE TO BUSINESS INTERRUPTION) ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

8.11 **Time is of the Essence.** Time is of the essence in this Agreement, and all of the terms, covenants and conditions hereof.

8.12 **Severability.** If any provision of this Agreement shall be held invalid, illegal or unenforceable, in whole or in part, the validity, legality, and enforceability of the remaining part of such provision, and the validity, legality and enforceability of all other provisions hereof or thereof, shall not be affected thereby.

8.13 **Titles and Headings.** Titles and headings of sections of this Agreement are for convenience of reference only and shall not affect the construction of any provision of this Agreement.

8.14 **Assignment; Successors and Assigns.** This Agreement and the rights, duties and obligations hereunder may not be assigned by any party without the prior written consent of the other party, and any attempted assignment without consent shall be void. Subject to this Section 8.14, this Agreement and the provisions hereof shall be binding upon each of the parties, their successors and permitted assigns.

8.15 **No Third-Party Rights.** The parties do not intend to confer any benefit hereunder on any Person other than the parties hereto.

8.16 **Confidentiality Agreement.** The parties acknowledge that the Confidentiality Agreement dated as of [●], between Purchaser and Hobbico (the “Confidentiality Agreement”) shall remain in full force and effect during the term specified therein.

8.17 **Entire Agreement.** This Agreement, the Ancillary Agreements and the Confidentiality Agreement constitute the entire agreement between the parties regarding the subject matter hereof and no extrinsic evidence whatsoever may be introduced in any proceeding involving this Agreement, the Ancillary Agreements or the Confidentiality Agreement.

8.18 **Execution of this Agreement.** This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by electronic transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by electronic transmission shall be deemed to be their original signatures for all purposes.

(Signatures appear on following page)

IN WITNESS WHEREOF, the parties have caused their duly authorized officers to execute this Agreement as of the day and year first written above.

SELLERS:

HOBBICO, INC.,
an Illinois
corporation

By: _____
Name: _____
Title: _____

TOWER HOBBIES, INC.,
an Illinois
corporation

By: _____
Name: _____
Title: _____

GREAT PLANES MODEL MANUFACTURING,
an Illinois
corporation

By: _____
Name: _____
Title: _____

UNITED MODEL, INC.,
an Illinois
corporation

By: _____
Name: _____
Title: _____

REVELL INC.,
an Illinois
corporation

By: _____
Name: _____
Title: _____

ESTES-COX CORP.,
a Delaware
corporation

By: _____
Name: _____
Title: _____

ARIAL R/C INC.,
a California
corporation

By: _____
Name: _____
Title: _____

ARRMA DURANGO LIMITED,
a company
organized under the laws of the United
Kingdom

By: _____
Name: _____
Title: _____

PURCHASER:

[●]
a [●]

By: _____
Name: _____
Title: _____

EXHIBIT A

Proposed Bidding Procedures Order

EXHIBIT B

Form of Transition Services Agreement

Schedule 1.1

Permitted Liens

SCHEDULE 2.1(k)

Other Acquired Assets

SCHEDULE 2.2(o)

Other Excluded Assets

SCHEDULE 2.3

Other Assumed Liabilities

SCHEDULE 4.3

No Defaults

SCHEDULE 4.4

Governmental and Other Consents