

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

In re:

SPORTCO HOLDINGS, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 19-11299 (LSS)

(Jointly Administered)

**DEBTORS' APPLICATION FOR ENTRY OF AN ORDER PURSUANT TO
SECTIONS 327(a) AND 328(a) OF THE BANKRUPTCY CODE AUTHORIZING
THE EMPLOYMENT AND RETENTION OF HILCO RECEIVABLES, LLC AS
RECEIVABLES SERVICER *NUNC PRO TUNC* TO AUGUST 22, 2019**

SportCo Holdings, Inc. and certain of its wholly-owned direct and indirect subsidiaries, as debtors and debtors in possession (collectively, the “Debtors”) in the above-captioned chapter 11 cases (these “Chapter 11 Cases”), hereby submit this Application (the “Application”) for entry of an order, substantially in the form of **Exhibit A** attached hereto, pursuant to sections 327(a) and 328(a) of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2014 and 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 2014-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), authorizing the Debtors to retain and employ Hilco Receivables, LLC (“Hilco”) as the Debtors’ accounts receivables collection agent, *nunc pro tunc* to August 22, 2019. In support of the Application, the Debtors submit the Declaration of Buddy Beaman (the “Beaman Declaration”), attached hereto as **Exhibit B**, and respectfully represent as follows:

¹ The Debtors, together with the last four digits of each Debtor’s federal tax identification number, are: Bonitz Brothers, Inc. (4441); Ellett Brothers, LLC (7069); Evans Sports, Inc. (2654); Jerry’s Sports, Inc. (4289); Outdoor Sports Headquarters, Inc. (4548); Quality Boxes, Inc. (0287); Simmons Guns Specialties, Inc. (4364); SportCo Holdings, Inc. (0355); and United Sporting Companies, Inc. (5758). The location of the Debtors’ corporate headquarters and the service address for all Debtors is 267 Columbia Ave., Chapin, SC 29036.

JURISDICTION AND VENUE

1. 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. This is a core proceeding pursuant to 28 U.S.C. § 157(b).

2. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The statutory bases for the relief requested herein are Bankruptcy Code sections 327(a) and 328(a), Bankruptcy Rules 2014(a) and 2016, and Local Rule 2014-1.

4. Pursuant to Local Rule 9013-1(f), the Debtors consent to the entry of a final order by the Court in connection with this Application to the extent that 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.

BACKGROUND

5. On June 10, 2019 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief in this Court commencing a case for relief under chapter 11 of the Bankruptcy Code.

6. The Debtors continue to operate their business and manage their properties as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108.

7. On June 17, 2019, an Official Committee of Unsecured Creditors (the “Unsecured Creditors’ Committee”) was appointed by the United States Trustee. *See Notice of Appointment of Creditors’ Committee* [Docket No. 58]. No trustee, examiner, or other official committee has been appointed in these Chapter 11 Cases.

8. A full description of the Debtors' businesses, capital structure and events leading to these Chapter 11 cases is set forth in the *Declaration of Bradley P. Johnson in Support of the Debtors' Chapter 11 Petitions and First Day Pleadings* (Docket No. 9), incorporated herein by reference (the "First Day Declaration").

RELIEF REQUESTED

9. By this Application, Debtors seek authority to employ Hilco as their accounts receivables collection agent, pursuant to the terms of the Collection Services Agreement between United Sporting Companies, Inc. and Hilco Receivables, LLC (the "Collection Agreement"), which is attached hereto as **Exhibit C** and incorporated herein by reference

10. The Debtors submit this Application because of the critical importance of a receivables collector to assist in the performance of the Debtors' duties. As described below, the Debtors believe that Hilco is well qualified to provide these services and that the terms of its retention are reasonable. The Debtors further believe that, given the amount of accounts receivable and underlying documentation, the retention of Hilco will help facilitate expeditious resolution of a significant portion of the outstanding accounts receivable.

BASIS FOR RELIEF REQUESTED

11. Bankruptcy Code sections 327(a) and 328(a) provide that a debtor, subject to Court approval, may employ one or more attorneys, accountants, appraisers, auctioneers, or other professional persons, that do not hold or represent an interest adverse to the estate, and that are disinterested persons, to represent or assist the Debtors in carrying out the Debtors' duties under this title. *See* 11 U.S.C. §§ 327, 328. Furthermore, Bankruptcy Rule 2014(a) provides that an "order approving the employment of attorneys, accountants, appraisers, auctioneers, agents, or other professionals pursuant to §327 . . . of the Code shall be made only on application of the

trustee or committee.” Fed. R. Bankr. P. 2014. Bankruptcy Rule 2014 requires that an application for retention of a professional includes specific facts showing the necessity for employment, the name of the firm to be employed, the reasons for the selection, the professional services to be rendered, any proposed arrangement for compensation, and to the best of the applicant’s knowledge, all of the firm’s connections with the debtor, creditors, any other party in interest, their respective attorneys and accountants, the U.S. Trustee, or any person employed in the office of the U.S. Trustee. *Id.* Local Rule 2014-1 requires that “any entity seeking approval of employment of a professional person . . . shall file with the Court a motion, a supporting affidavit or verified statement of the professional person and a proposed order for approval.” Del. Bankr. L.R. 2014(a).

A. Hilco’s Qualifications

12. Hilco Receivables, LLC is a subsidiary of the Hilco Global family of companies. Hilco Global operates over twenty businesses and specializes in valuation, advisory, monetization, and liquidation services for its commercial clients. Hilco is recognized as a national leader in the servicing and collection of accounts receivables. Hilco is comprised of leading industry professionals with considerable experience in consumer and commercial trade receivables, specializing in distressed debt monetization and valuation services, including commercial and consumer underperforming or non-performing accounts receivable and loan portfolios. The principals of Hilco have over 25 years’ experience in the collection of accounts receivable portfolios and have been engaged in numerous similar roles for debtors in other bankruptcy proceedings.

13. The Debtors believe that Hilco has the requisite skills and experience to perform the collection services for which its retention is proposed. The Debtors submit that Hilco is

eminently qualified to serve in these Chapter 11 Cases and that the employment of Hilco is in the best interests of the Debtors' estates, creditors, and all parties in interest.

B. Hilco's Services

14. As set forth in the Collection Agreement, the Debtors have requested that Hilco serve as its receivables servicer during these Chapter 11 Cases to collect on outstanding accounts due and owing to the Debtors (the "Accounts"). Those services include the following:

- (a) To implement a collection plan for all outstanding Accounts;
- (b) To collect, service, and otherwise resolve the Accounts;
- (c) To handle collection disputes on behalf of the Debtors and settle Accounts pursuant to settlement guidelines established by the Debtors;
- (d) To manage the collection of the Accounts and facilitate payments to the Debtors;
- (e) To provide weekly electronic reports to the Debtors, specifying the actions taken by Hilco, the results obtained as of the relevant date, and the current status of the Account;

15. The Debtors request that the Court approve Hilco's retention *nunc pro tunc* to August 22, 2019. This is appropriate because, since that date, Hilco has been diligently providing critical services to the Debtor, including reviewing accounts receivable records, collecting data, and preparing strategies for collection processes.

C. Hilco's Professional Compensation

16. Section 328(a) provides, in relevant part, that a debtor, "with the court's approval, may employ or authorize the employment of a professional person under section 327 or 1103 of this title, as the case may be, on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, on a fixed or percentage fee basis, or on a contingent fee basis." Section 328 provides courts with flexibility to approve alternative fee structures beyond the customary hourly rate. Hilco has requested compensation pursuant to its general practices,

which is payment of a contingency fee based upon a percentage of the collected Accounts. As described more fully in the Collection Agreement, and subject to the Court's approval, Hilco will be paid according to the following schedule:

Gross Cash Receipts	Fee
\$1 to \$5,000,000	1.0% of Gross Cash Receipts Received
\$5,000,001 to \$10,000,000	1.5% of Gross Cash Receipts Received
\$10,000,001 and over	2.0% of Gross Cash Receipts Received

17. These rates are comparable to the rates Hilco's competitors charge for similar services and are reasonable given the quality of Hilco's services and its level of expertise. The Debtors believe that, by basing Hilco's fees on cash receipts received, the proposed fee structure will incentivize Hilco to provide the requested services in an efficient manner. The Debtors submit that such fees and expenses should be approved by the Court under section 328(a) of the Bankruptcy Code.

D. Hilco's Disinterestedness

18. To the best of the Debtors' knowledge, except as set forth in the Beaman Declaration, Hilco: (a) is not a creditor, equity security holder or insider of the Debtors; (b) is not and was not, within two years before the Petition Date, a director, officer or employee of the Debtors; (c) does not hold or represent any interest materially adverse to the interests of the Debtors' estates or any class of creditors or equity security holders; and (d) is not related to any judge of this Court, the U.S. Trustee, or any employee of the U.S. Trustee in this District. As set forth in more detail in the Beaman Declaration, the Debtors believe that Hilco is a "disinterested person" within the meaning of section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, and its representation of the Debtors is permissible under sections 327(a) and 328 of the Bankruptcy Code and is in the best interests of all parties-in-interest.

WAIVER OF LOCAL RULE 2016-2

19. Because Hilco's compensation is based on a predetermined percentage of cash receipts received, without regard to hours worked or services rendered, the Debtors submit that there is no need for Hilco to file fee applications. Furthermore, as Hilco's compensation will be calculated and paid based upon a percentage fee, the Debtors submit that Hilco should not be required to maintain or file time records in accordance with Local Rule 2016-2 and the United States Trustee Fee Guidelines. The Debtors propose that the Court waive these requirements. The Trustee further proposes that Hilco's fees be paid directly out of proceeds generated from the collection of the Accounts in accordance with the Collection Agreement and without further order of this Court. This arrangement is reasonable and customary under the circumstances given the proposed method of compensation.

NOTICE

20. The Debtors have provided notice of this Application to: (a) the Office of the United States Trustee for the District of Delaware; (b) counsel to the Unsecured Creditors' Committee; (c) counsel to the Prepetition Term Loan Agent; and (d) any party that has requested notice pursuant to Bankruptcy Rule 2002. The Debtors submit that, under the circumstances, no other or further notice is required.

NO PRIOR REQUESTS

21. No prior request for the relief requested herein has been made to this or any other court.

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WHEREFORE, the Debtors respectfully request the entry of an order, substantially in the form attached hereto to as **Exhibit A**, authorizing the Debtors to retain and employ Hilco as the Debtors' accounts receivables collection agent and granting such other and further relief as this Court deems just and proper.

Dated: September 16, 2019

/s/ Dalton Edgecomb

Dalton Edgecomb
Chief Restructuring Officer
SportCo Holdings, Inc.