

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ROME DIVISION

IN RE:)	CASE NO. 04-_____
)	
SOUTHWEST RECREATIONAL)	CHAPTER 11
INDUSTRIES, INC., <u>et al.</u> ,)	
)	JUDGE _____
Debtors.)	
_____)	

DEBTORS’ MOTION FOR INTERIM AND FINAL ORDERS (i) AUTHORIZING THE DEBTORS TO USE CASH COLLATERAL, AND (ii) AUTHORIZING AND APPROVING GRANT OF ADEQUATE PROTECTION

Southwest Recreational Industries, Inc. (“SRI”), E.J. Renner & Associates, Inc. d/b/a Malott Peterson Renner, Inc. (“EJR”), and AWS Construction, Inc. (“AWS”), as debtors and debtors in possession herein (collectively, the “Debtors”), by this motion (the “Motion”), respectfully seek the issuance and entry of an interim order (the “Interim Order”) and a final order (the “Final Order”) for authority to, among other things, (i) pursuant to Section 363 of Title 11 of the United States Code (the “Bankruptcy Code”), use, subject to certain terms and conditions, cash collateral within the meaning of Section 363(a) of the Bankruptcy Code in which the Lenders (as defined herein) have a perfected first priority security interest, and (ii) provide adequate protection under Sections 361 and 363 of the Bankruptcy Code on account of such use.

This Motion is based on the Affidavit of Robert A. Hale in Support of Chapter 11 Petitions and First Day Orders filed contemporaneously herewith (the “Hale Affidavit”). In support of this Motion, the Debtors respectfully represent as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction of this Motion pursuant to 28 U.S.C. §§ 1334 and 157. Venue of the Debtors' Chapter 11 cases and this Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. Consideration of the Motion constitutes a core proceeding under 28 U.S.C. § 157(b)(2). The statutory predicates for the relief sought herein are Sections 105, 361, 363 and 507 of the Bankruptcy Code and Rules 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

FACTS

A. Introduction

2. On February 13, 2004 (the "Petition Date"), each of the Debtors filed a voluntary petition under Chapter 11 of the Bankruptcy Code.

3. No trustee or examiner has been appointed in the Debtors' Chapter 11 cases.

B. Organizational Structure and Business Operations

4. SRI, a privately-held Texas corporation, is the parent company of each of the other Debtors and is a wholly owned indirect subsidiary of American Sports Products Group Inc. ("ASPG").

5. ASPG, a closely-held Delaware corporation with headquarters located in Leander, Texas, is principally a holding company. ASPG owns 100% of the outstanding common stock of American Sports Systems, Inc. ("ASSI"), which in turn owns substantially all of the outstanding common stock of three operating subsidiaries: (i) SRI, (ii) Sport Court, Inc. ("SCI") and (iii) American Sports International, Ltd., d/b/a American Athletic, Inc. ("AAI"). Through these three principal subsidiaries, ASPG

participates in certain “niche” institutional sporting goods and leisure products markets, as described in greater detail below.

C. SRI

6. SRI is an internationally-recognized participant in the sports surfacing industry. Together with its subsidiaries, SRI designs, manufactures, sells and installs high-quality indoor and outdoor synthetic and natural grass athletic surfaces, including field, track, indoor and tennis surfaces.

7. SRI’s products are marketed and sold throughout the United States, Europe, Asia, Canada and South America. Its widely-recognized products and brand names include the HPG™, AstroPlay®, NeXturf® and AstroTurf® brands, which are SRI’s primary field products, Invitational™, Relay™ and Starter™ brands, which are SRI’s principal track products.

8. SRI’s corporate headquarters offices are located in Leander, Texas. The Debtors’ primary manufacturing operations for its synthetic turf playing surfaces are located in Dalton and Chatsworth, Georgia. The Debtors have an additional manufacturing facility in Colorado and sales offices worldwide.

9. During the fiscal year ended December 31, 2003, the Debtors generated total revenues of approximately \$156.9 million on a consolidated basis. For the quarter ended December 31, 2003, the Debtors had total revenues of approximately \$26.2 million on a consolidated basis. As of December 31, 2003, the Debtors had total assets (book value) of approximately \$102 million and total liabilities (book value) of approximately \$88 million. Shortly before the Petition Date, the Debtors had approximately 510 employees. As a result of the partial shutdown of the Debtors’ operations discussed in

greater detail below, the Debtors had approximately 130 employees as of the Petition Date.

D. SCI and AAI

10. SCI is a prominent player in the modular synthetic sports flooring and backyard game courts markets. SCI manufactures and distributes modular sports floors for indoor and outdoor applications, residential backyard game courts and golf putting greens and portable protective surfaces. SCI's products are primarily sold to a network of installer dealers, which then sell to institutional buyers such as high schools, universities, athletic clubs, and professional arenas.

11. AAI is a prominent player in the sports equipment market, specifically for gymnastics, volleyball, and basketball. AAI's customers include elementary, junior high and high schools, colleges and universities, athletic clubs, and sports facilities. Its products are sold primarily in the institutional sporting goods market through architects designing new or renovated sporting facilities, as well as through regional and local sporting goods dealers selling products in the secondary market.

12. ASPG, ASSI, AAI and SCI (which are non-debtors) are jointly and severally liable with the Debtors with respect to their major indebtedness. As discussed in greater detail below, AAI and SCI are the subject of ongoing marketing efforts which commenced in November 2003 and are expected to result in the sale of both businesses as going concerns within the next several months.

E. The Debtors' Primary Prepetition Liabilities

13. Prepetition Credit Facility. The Debtors are parties to a Second Amended and Restated Credit Agreement dated as of June 26, 2002 (as subsequently amended, the

“Prepetition Credit Agreement”) by and among (i) ASSI, SRI, SCI, AAI and EJR, as Borrowers; (ii) ASPG, AWS and Portable Floor Rentals, Inc. (a subsidiary of AAI) as Credit Parties, and (iii) General Electric Capital Corporation, as successor to Heller Financial, Inc., as Agent for it and certain other lenders set forth in the Interim Order (collectively, the “Lenders”). Pursuant to the Pre-Petition Credit Agreement, the Lenders made available term loan and revolving credit facilities to the Borrowers and Credit Parties. As of the Petition Date, the aggregate outstanding principal and accrued interest under the Pre-Petition Credit Agreement was approximately \$40 million. All of the obligations under the Pre-Petition Credit Agreement are guaranteed by each of the Debtors on a joint and several basis with the other Borrowers and Credit Parties, and are secured by a lien on and security interest in substantially all assets of the Debtors and the other Borrowers.

14. Subordinated Indebtedness. SRI, EJR and certain non-debtor subsidiaries of ASPG issued subordinated debt in the form of 15% Senior Subordinated Notes Due 2008 (the “Senior Subordinated Notes”), pursuant to a Note and Warrant Purchase Agreement, dated as of June 26, 2002 by and among (i) ASSI, SRI, SCI, AAI and EJR as Issuers, (ii) ASPG, (iii) Blackstone Mezzanine Partners, L.P., Blackstone Mezzanine Holdings, L.P., and General Electric Capital Corporation, as Purchasers, and (iv) G.E. Capital CFE, Inc. The Senior Subordinated Notes are due June 26, 2008, with interest payable on a quarterly basis. The Debtors are jointly and severally liable with the other Issuers for all obligations under the Senior Subordinated Notes, and AWS is a guarantor of such obligations. As of the Petition Date, the total outstanding obligations under the Senior Subordinated Notes was approximately \$21.8 million. The obligations under the

Senior Subordinated Notes are subordinated to the obligations under the Prepetition Credit Agreement.

15. New Blackstone Credit Agreement. As discussed in greater detail below, AAI and SCI are being marketed for sale. As a result of the termination of financing under the Prepetition Credit Agreement, AAI and SCI will be entering into a new short-term financing agreement, for the purpose of meeting the working capital needs of AAI and SCI through the conclusion of the sale process for those businesses. The Debtors are not parties to the New Blackstone Credit Agreement.

16. Seller Notes. ASPG and SRI are obligors under several unsecured promissory notes (collectively, the “Seller Notes”) made in connection with the acquisition of various assets and businesses. The largest of the Seller Notes is a certain Promissory Note, dated June 22, 1999, made by SRI to the order of Martin Surfacing, Inc. (“Martin”), a subsidiary of Armstrong World Industries, Inc., in the original principal amount of \$4,500,000 (the “Martin Note”). The obligations under the Martin Note are the subject of litigation pending in the United States Bankruptcy Court for the District of Delaware.

17. The outstanding obligations under the other Seller Notes aggregate approximately \$2 million, a portion of which are direct obligations of SRI.

18. Other Prepetition Liabilities. In addition to the Prepetition Credit Agreement, the Senior Subordinated Notes and the Seller Notes, the Debtors have accounts payable and other accrued expenses in the approximate amount of \$9 million. The Debtors are also defendants in various pending litigations which may give rise to additional claims.

F. Events Leading to the Commencement of the Chapter 11 Cases

19. SRI experienced consistent and profitable financial performance from 1998 through 2002. However, in 2003, the Debtors' financial performance was significantly adversely impacted by a confluence of certain internal and external factors that resulted in negative EBITDA for the year. External factors included a substantial decline in the performance of the synthetic turf business as a result of price reductions, increased competition and the loss of a significant portion of SRI's market share in the premium turf industry to SRI's primary competitor.

20. At the same time, SRI experienced difficulty in servicing its own customers because the volume of its business was too large to be managed profitably through SRI's existing infrastructure. This overburdening of the infrastructure resulted in mistakes in execution of orders, shipping and delivery mistakes and bidding errors, thereby causing SRI to incur additional costs. SRI also experienced abnormally high expenses arising from the performance of warranty-related work on synthetic turf fields. In addition, SRI incurred capital expenditure costs in connection with the shutdown of its polyurethane flooring operations in Hunt Valley, Maryland, and the consolidation of those operations into SRI's Chatsworth, Georgia facility, which also caused a temporary slowdown of operations. SRI's ability to address these problems was partially impaired as a result of management conflicts during the first half of 2003.

21. The foregoing factors, combined with the highly leveraged capital structure of the ASPG corporate group, resulted in a shortage of cash flow needed to pay principal and interest due in connection with their credit facilities in addition to ongoing expenses on a day-to-day basis.

G. Out-of-Court Turnaround and Marketing Efforts

22. Beginning in June 2003, in an effort to address SRI's financial problems and their impact on the ASPG corporate group, ASPG implemented a number of initiatives. First, with respect to SRI, key changes in the management team were made, including the placement of a new Chief Executive Officer charged with the task of developing and implementing a turnaround business plan for SRI. In addition, ASPG, retained the investment banking firm of Duff & Phelps, LLC ("D&P"), for the purpose of exploring the possibility of a sale of one or more of ASPG's subsidiaries. Finally, ASPG retained the financial advisory firm of Carl Marks Capital, LLC, to assist in addressing the group's liquidity issues.

23. In November 2003, ASPG, in consultation with its advisors, determined that there was an active market for SCI and AAI and that it was appropriate to undertake a thorough marketing process for the sale of SCI and AAI as going concerns. That process led to competitive bidding for both SCI and AAI, and it is anticipated that final bidders will be selected and closings will occur within the next 60 days. It is unknown how much proceeds from the sale of SCI and AAI will be available to satisfy the obligations under the Prepetition Credit Agreement.

H. Debtors' Decision To Wind-Down Operations

24. With respect to SRI, the management team continued to work on a business plan while the company searched for strategic investors with potential interest in SRI. As a result of SRI's continuing cash flow problems and decline in performance, defaults occurred under the Prepetition Credit Agreement in December 2003 and January 2004. As a result, the Lenders imposed reserves on the company's cash receipts and tight

restrictions on usage. SRI's management team proposed a recovery plan for SRI, which included a new business plan to address the company's operational issues, while simultaneously negotiating with their principal creditor constituencies to provide SRI with working capital necessary for SRI to implement its business plan and/or market its business for sale as a going concern.

25. Because of the continuing defaults under the Prepetition Credit Agreement and SRI's inability to obtain financing for continued operations despite exhaustive efforts, the Debtors concluded, upon consultation with their advisors, that the interests of creditors would be best served by the commencement of an orderly wind-down of operations and the commencement of Chapter 11 proceedings. The Debtors have discontinued the operation of their turf manufacturing facility in Chatsworth, Georgia, terminated all non-essential employees and will continue to operate their track and flooring divisions in order to complete their work under substantially performed contracts and collect payments thereunder. The Debtors anticipate that this orderly wind-down will generate greater recoveries for creditors than an immediate and total cessation of operations.

I. The Debtors' Need For Financing

26. Notwithstanding the operating costs that will be averted as a result of the cessation of operations at the Chatsworth facility, the Debtors will not have sufficient capital to fund their remaining wind-down expenses without immediate access to capital. As such, the Debtors would be forced to convert their cases to Chapter 7 unless they are able to obtain sufficient financing to enable them to conduct an orderly liquidation and wind-down of their estates. The Debtors anticipate that the liquidation and wind-down

process through confirmation of a plan will take approximately thirteen weeks. Accordingly, the Debtors require financing which will be sufficient to cover their expenses through approximately the end of May, 2004.

27. To meet their financing needs, the Debtors seek Court authority to use their cash collateral, subject to the terms and conditions of the Motion, the Budget (as defined below), the Interim Order and the Final Order. The Lenders support the Debtors' use of Cash Collateral, subject to the terms and conditions of the Motion, the Budget, the Interim Order and the Final Order.

RELIEF REQUESTED

A. Relief Sought

28. By this Motion, the Debtors seek the entry of the Interim Order, substantially in the form of that which is attached hereto as Exhibit "A," (i) authorizing the Debtors to use the "Cash Collateral," defined as any cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents now or hereafter in the possession, custody or control of the Debtors, subject to the terms and conditions of the Motion, the Interim Order and a Final Order and (ii) authorizing and approving grant of adequate protection on account of such use. Further, the Debtors seek the entry of a Final Order, after at least 15 days' notice of the Motion.

29. Bankruptcy Rule 4001(b) requires a final hearing on a motion for authorization to use cash collateral to be held on no less than 15 days notice. Rule 4001(b) permits the Court to conduct a preliminary hearing, prior to the expiration of the 15 day period, to consider authorizing the Debtors to use that amount of Cash Collateral

as is necessary to avoid immediate and irreparable harm to the estate pending the final hearing.

30. As indicated above, the Debtors will not have sufficient funds to cover their expenses, including payroll for their remaining employees, that would accrue until a final hearing could be held on the Motion. Thus, without authorization to use Cash Collateral on an immediate basis, the Debtors would be forced to convert their cases to Chapter 7, which would cause irreparable harm to their estates. The Debtors believe that an orderly wind-down and liquidation in Chapter 11 will result in greater, faster and more efficient recoveries for their creditors than those that would be achieved in a Chapter 7 proceeding.

31. Accordingly, the Debtors are requesting that the Court exercise its authority to enter the Interim Order pursuant to Bankruptcy Rule 4001(b)(2). Entry of the Interim Order will not cause irreparable harm to interested parties, because such parties will be granted an opportunity to assert an objection to the Motion subsequent to the entry of the Interim Order (until approximately 15 days after service of the Motion). The Interim Order permits the interim use of Cash Collateral in accordance with the Budget (as defined herein) pending a final hearing which will be scheduled pursuant to the Interim Order.

B. Terms

32. The specific financial terms and conditions of the Debtors' proposed use of Cash Collateral are as set forth in the Interim Order. The principal elements of the Interim Order are summarized as follows:

(a) Use of Cash Collateral. The Debtors will be permitted to make disbursements of Cash Collateral Account in their discretion, for the purpose of meeting the Debtors' cash needs from the date of entry of the Interim Order through February 27, 2004, provided that the amount of each disbursement shall not exceed the amount specified in the two-week budget of the Debtors, substantially in the form of that which is attached hereto as Exhibit "B" (the "Budget"). The Debtors shall use the Cash Collateral solely to fund their efforts to wind down their operations and to sell and liquidate their assets in an orderly manner, and consistent with the Orders of this Court in respect of certain limited pre-petition claims, at all times in accordance with the Budget. For each weekly period set forth in the Budget, the Debtors' actual cash disbursements for such period shall not exceed the line item amount for such category as set forth in the Budget, provided, however, that notwithstanding the foregoing, (i) expenditures of the Debtors under any line item of the Budget for any period may exceed the expenditure amount budgeted for such line item by ten percent (10%), so long as aggregate total expenditures during the term of this order do not exceed the total amount budgeted for such period, and (ii) any line item expenditures budgeted during the week of February 16, but not actually paid or expended during such week, may be paid during the following week. In no event shall aggregate total expenditures by the Debtors through the Termination Date exceed the Total Authorized Expenditure Amount, provided, however, that through the Termination Date, Agent and Debtors may, in their sole discretion, agree to increase cash disbursements and operating expenditures in the Budget by an amount not to exceed fifteen percent (15%) of the Total Authorized Expenditure Amount and upon written

agreement by the Agent to so modify the Budget, Debtors will be authorized to use Cash Collateral in such amount without the need for any further order of the Court.

(b) Replacement Liens. As adequate protection for any Cash Collateral expended by the Debtors pursuant to the Interim Order, the Agent (for the benefit of the Lenders) will receive, pursuant to §§ 361(1) and 363(e) of the Bankruptcy Code, a first lien (the “Replacement Liens”) to secure an amount of Lenders’ claims equal to (i) the amount of Cash Collateral actually expended by the Debtors and (ii) an amount equaling the aggregate decline in the value of the Pre-Petition Collateral (subject only to non-avoidable, valid, enforceable and perfected liens and security interests in the assets of Debtors, as pre-petition debtors, that existed on the Petition Date and are not subject to avoidance pursuant to the Code, in favor of such third parties holding perfected liens or security interests which are superior in priority, after giving effect to any existing subordination or intercreditor arrangements, to Agent’s (for the benefit of the Lenders) security interests in and liens on the assets of Debtors, as pre-petition debtors), on all real and personal property and assets of the Debtors, of any kind or nature whatsoever, whether now owned or hereafter acquired by any Debtors, and all proceeds, rents or profits thereof (collectively, the “DIP Collateral”).

(c) Superpriority Administrative Claim. The Lenders shall have an allowed administrative expense claim in an amount equal to the amount of Cash Collateral actually expended by Debtors pursuant to this Order, which claim shall have the highest administrative priority under Sections 503(b), 507(a)(1) and 507(b) of the Code (the “Super-Priority Claim”), and such claim shall have priority over, and be senior to, all other administrative claims.

(d) Professional Fees. Notwithstanding anything to the contrary, the Replacement Lien and priority claims granted to Agent and Lenders pursuant to the Interim Order and pursuant to the Pre-Petition Credit Agreement shall be subject and subordinate to the payment of the following (to the extent that there are not sufficient, unencumbered funds in Debtors' estates to pay such amounts at the time payment is required to be made and, in the case of Debtor Professionals (as defined below), to the extent that such Debtor Professionals do not have an adequate cash security deposit or retainer balance on hand): (a) compensation and expense reimbursement (collectively, "Professional Expenses") of Alston & Bird LLP as prospective attorneys for Debtors (the "Debtor Professionals") to the extent that such Professional Expenses, (i) were incurred on or after the Petition Date and prior to the earlier to occur of the Termination Date or receipt by Debtor Professionals from Agent of written notice of a Carve-Out Event (as defined below), (ii) are approved for payment by a final order of the Court, after notice and a hearing, or pursuant to an administrative procedure established by Court order, and (iii) do not exceed, without the prior written consent of Agent, in the aggregate as to all amounts paid or to be paid post-petition, the sum of \$100,000 plus any retainer held by the Debtor Professionals on the Petition Date; (b) quarterly fees required to be paid to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6); and (c) the expenses of the Clerk's Office of the United States Bankruptcy Court (collectively, the "Carve-Out"); provided, however, that no Cash Collateral and no amounts received pursuant to the Carve-Out shall be used by any person or entity to pay Professional Expenses incurred in connection with any attempt to invalidate, set aside or subordinate the Pre-Petition Indebtedness, the Pre-Petition Liens or the Replacement Lien. The term

"Carve-Out Event" shall mean any act or omission by Debtors in violation of the terms of this Order.

(e) Replenishment of the Cash Collateral Account. After the entry of the Interim Order, all collections of accounts receivable, Cash Collateral and all proceeds of sales and all other cash which shall come into the Debtors' possession or control, or to which the Debtors shall become entitled, shall be deposited into the accounts (the "Blocked Accounts") as described in the Motion for Authorization to Continue Cash Management System, filed concurrently herewith (except no sweep of cash from such accounts into any "concentration account" shall occur as of the Petition Date). Pending further order, all such cash shall remain in the Blocked Accounts, except for Cash Collateral authorized to be used by the Interim Order. Cash Collateral of Debtor's non-debtor affiliates, American Sports International, Ltd. and Sport Court, Inc., will not be intermingled with cash collateral of the Debtors or spent by the Debtors.

(f) Limitations on § 506(c) Charges. Under the Interim Order, no costs or expenses of administration or other charge, lien, assessment or claim incurred between the Petition Date and February 27, 2004 of any person or entity shall be imposed against Agent, the Lenders, their claims or their collateral under § 506(c) of the Bankruptcy Code or otherwise, unless, prior to incurring such costs or expenses: (i) the party proposing to incur such costs or expense shall obtain the written consent of Agent allowing such charge to be imposed (y) against Agent or the Lenders or (z) Agent and the Lenders' collateral under § 506(c) of the Code, or (ii) this Court enters an order allowing such charge to be imposed against (y) Agent or the Lenders or (z) Agent and the Lenders' collateral under § 506(c) of the Code.

(g) Default. A failure by the Debtors to comply with any provisions of the Interim Order, which failure is not remedied within one day of such failure, shall automatically terminate the Debtors' authority to use or spend any further Cash Collateral without (i) further order of this Court and (ii) notice and the opportunity to be heard by the Agent and the Lenders at a hearing prior to granting of such order..

(h) Stipulation by the Debtors. The Debtors stipulate that the security interests and liens granted to the Lenders pursuant to the Pre-Petition Credit Agreement constitute valid and perfected first priority security interests and liens, not subject to avoidance or subordination under the Bankruptcy Code or applicable non-bankruptcy law. However, the Interim Order does not preclude any creditor, a Creditors' Committee of any subsequently appointed trustee from objecting to or otherwise challenging the validity or amount of the Pre-Petition Indebtedness or the extent, validity or perfection of Lender's pre-petition liens upon and security interests in the Pre-Petition Collateral.

33. The Debtors submit that the proposed use of cash collateral in accordance with the Interim Order was negotiated in good faith and at arms' length, with all parties represented by counsel, and is fair and reasonable under the circumstances of these cases.

C. The Lenders' Interests Are Adequately Protected.

34. Where a debtor has proposed to use cash collateral, the Court pursuant to Section 363(c) of the Bankruptcy Code, may permit the use of cash collateral so long as the debtor provides "adequate protection of such interest" in accordance with Section 361 of the Bankruptcy Code. Section 361 of the Bankruptcy Code sets forth three non-exclusive examples of adequate protection. In re Nashua Trust Co., 73 B.R. 423, 430 (Bankr. D.N.J. 1987). Adequate protection "is left to the vagaries of each case . . .

but its focus is protection of the secured creditor from diminution in the value of its collateral during the reorganization process.” In re Mosello, 195 B.R. 277, 288 (Bankr. S.D.N.Y. 1996) (quoting In re Beker Indus. Corp., 58 B.R. 725, 736 (Bankr. S.D.N.Y. 1986)). Section 361 states, in pertinent part, that when “adequate protection” of an entity’s interest in property is required under Section 363, such adequate protection may be provided by:

- (1) requiring the [debtor in possession] to make a cash payment or periodic cash payments to such entity, to the extent that the . . . use, sale, or lease under section 363 of this title . . . results in a decrease in the value of such entity’s interest in such property;
- (2) providing to such entity an additional or replacement lien to the extent that such . . . use, sale [or] lease . . . results in a decrease in the value of such entity’s interest in such property; or
- (3) granting such other relief, other than entitling such entity to compensation allowable under section 503(b)(1) of this title as an administrative expense, as will result in the realization by such entity of the indubitable equivalent of such entity’s interest in such property.

35. Provision of a replacement lien in property equal to the value of the cash collateral used specifically complies with Section 361(2) and provides adequate protection within the meaning of Section 363(e) of the Bankruptcy Code. See, e.g., MBank Dallas, N.A. v. O’Connor (In re O’Connor), 808 F.2d 1393, 1398 (10th Cir. 1987); In re T.H.B. Corp., 85 B.R. 192, 195 (Bankr. D. Mass. 1988). The focus of the requirement of adequate protection is to protect a secured creditor from diminution in the value of its interest in the particular collateral during the period of use. See In re Club Associates, 107 B.R. 385, 394 (Bankr. N.D. Ga. 1989); Ridgemont Apartment Associates Ltd. v. Atlanta English Village Ltd., 110 B.R. 77, 82 (Bankr. N.D. Ga. 1989).

36. The Debtors respectfully submit that pursuant to Section 361(2) of the Bankruptcy Code, the Replacement Liens granted to the Agent on behalf of the Lenders constitute adequate protection for the Debtors' use of Cash Collateral. In addition, the Debtors also note that AAI and SCI, which are co-liable with the Debtors under the Prepetition Credit Agreement, provide other collateral for the Lenders' loans as well. As such, the Replacement Collateral provides a more than adequate equity cushion to protect the Lenders' interests. Therefore, the Replacement Lien provides the Lenders with adequate protection of their interests for the Debtors' use of cash collateral. The additional granting of the superpriority administrative expense claim to the Agent further establishes that the Agent and the Lenders are adequately protected.

38. For the reasons set forth herein, the Debtors submit that, under all of the circumstances of these cases, the interests of the Agent and the Lenders are adequately protected from the Debtors' use of the cash collateral subject to the Interim Order. Thus, approval of the relief requested herein will allow the Debtors to fund an orderly liquidation of their assets and wind-down of their estates, thereby maximizing value for their creditors without harming or prejudicing the rights or interests of the Agent and the Lenders.

NOTICE AND PRIOR APPLICATIONS

39. On February 13, 2004, the Debtors served a copy of this Motion, with all attachments, along with a Notice of Interim Hearing on the Motion, by facsimile or overnight mail, upon (i) the Office of the United States Trustee, (ii) counsel for the Lenders and (iii) counsel for holders of the 20 largest unsecured claims against the Debtors (on a consolidated basis) (the "Noticed Parties"). Upon entry of the Interim

Order, the Debtors shall promptly mail executed copies of the Interim Order to the Noticed Parties. In light of the nature of the relief requested herein, the Debtors submit that no further notice of the Motion is necessary or required.

40. No prior application for the relief requested herein has been made to this or any other Court.

WHEREFORE, the Debtors respectfully request that this Court issue and enter the attached Interim Order and a Final Order granting this Motion, and grant such other and further relief as the Court may deem just and proper.

Respectfully submitted, this 13th day of February, 2004.

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