

Michael P. Ridulfo (admitted *pro hac vice*)  
KANE RUSSELL COLEMAN LOGAN PC  
Galleria Tower II  
5051 Westheimer Road, 10<sup>th</sup> Floor  
Houston, Texas 77056  
Telephone: (713) 425-7442  
Telecopier: (713) 425-7700  
*Counsel for KD Cole Armstrong Holdco, LLC*

Eric C. Howlett (VSB No. 82237)  
SANDS ANDERSON PC  
1111 E. Main Street, Suite 2400 (23219)  
P.O. Box 1998  
Richmond, Virginia 23218-1998  
Telephone: (804) 648-1636  
Facsimile: (804)783-7291  
*Counsel for KD Cole Armstrong Holdco, LLC*

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION**

**In re:**

**PAPER SOURCE, INC., *et al.*,<sup>1</sup>**

**Debtors.**

**Chapter 11**

**Case No. 21-30660 (KLP)**

**Jointly Administered**

**KD COLE ARMSTRONG HOLDCO, LLC'S SUPPLEMENT TO OBJECTION  
TO DEBTORS' NOTICE OF POTENTIAL ASSUMPTION AND ASSIGNMENT OF  
EXECUTORY CONTRACTS OR UNEXPIRED LEASES AND CURE AMOUNTS**

KD Cole Armstrong Holdco, LLC ("**Landlord**") submits this Supplemental Objection to *Debtors' Notice of Potential Assumption and Assignment of Certain Executory Contracts or Unexpired Leases* (the "**Potential Assumption Notice**") [Docket No. 337] and in support hereof states as follows:

**I. BACKGROUND**

1. Landlord and Debtor, Paper Source, Inc. ("**Tenant**"), are parties to a Lease Agreement dated October 27, 2014 (the "**Lease**") with respect to premises at 4525 Cole Avenue, Dallas, Texas 75205 (Store # 647).

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Pine Holdings, Inc. (4460) and Paper Source, Inc. (8035). The Debtors' service address is 125 South Clark St., Chicago, IL 60603.

2. In June 2020, Landlord and Tenant entered into a Second Amendment to Lease (the “**Second Amendment**”) pursuant to which Landlord agreed to defer certain rent due in April, May, and June 2020 in the amount of \$39,241.23 (the “**Deferred Base Rent**”) in exchange for Tenant’s agreement to repay the Deferred Base Rent in six equal installments commencing January 4, 2021.

3. As of the Petition Date, Tenant is in arrears under the Lease in the amount of \$53,018.77, including Deferred Base Rent of \$19,620.60. As of April 1, 2021, Tenant owes \$76,623.16 under the Lease, including Deferred Base Rent of \$26,160.80.

4. On April 21, 2021, Landlord filed an *Objection to Debtors’ Notice of Potential Assumption and Assignment of Certain Executory Contracts or Unexpired Leases and Cure Amounts* (the “**Objection**”) [Docket No. 373].

5. Landlord and Tenant have now agreed to the terms of a Third Amendment to Lease that, among other things, resolves the cure amount and Tenant’s post-petition obligations through May 31, 2021.

6. On May 19, 2021, Tenant filed its *Notice of Filing of Information Supporting Prospective Purchaser’s Adequate Assurance of Future Performance Under Contracts and Leases to be Assumed and Assigned* (the “**Notice**”) [Docket No. 457]. This Supplemental Objection is filed to raise certain additional objections with respect to the Notice.

## **II. OBJECTION**

7. Landlord hereby incorporates by reference the factual statements and authorities cited in the Objection. Landlord raises the following additional concerns with respect to the Notice:

- a. Landlord objects to lack of clarity from Purchaser regarding timing of payment of Lease obligations, and requires confirmation that Purchaser

will pay all lease obligations due and payable as of and after the date of approval of the assumption of the Lease, not to be later than June 1, 2021;

- b. Landlord objects to the description of Purchaser's financial condition, which consists of representation of a liquidity amount which is burdened by an indeterminate amount of debt, and requires the submission of Purchaser's balance sheet, at a minimum, to determine if Purchaser is in fact providing adequate assurances of Purchaser's ability to satisfy its obligations under the Lease.; and
- c. Landlord objects to the lack of clarity with respect to Purchaser's operations, and requires confirmation that Purchaser intends to maintain the same level of quality of operations which Debtor maintained, rather than just that Purchaser intends to continue to operate a business involving the sale of paper goods.

8. Landlord also hereby joins in any Objections filed by similarly situated landlords.

WHEREFORE, Landlord respectfully requests that (i) as a condition of any assumption of the Lease, Purchaser address to the satisfaction of Landlord, the issues raised herein; (ii) that Landlord be provided all the protections of 11 U.S.C. § 365; and (iii) that Landlord be awarded such other and further relief to which it may be entitled.

Dated: May 12, 2021

Respectfully submitted,

/s/ Eric C. Howlett

Eric C. Howlett (VSB No. 82237)

SANDS ANDERSON PC

1111 E. Main Street, Suite 2400 (23219)

P.O. Box 1998

Richmond, Virginia 23218-1998

Telephone: (804) 648-1636

Facsimile: (804)783-7291

E-mail: ehowlett@sandsanderson.com

*Counsel for KD Cole Armstrong Holdco, LLC*

- and -

Michael P. Ridulfo (admitted *pro hac vice*)  
Texas State Bar No. 16902020  
KANE RUSSELL COLEMAN LOGAN PC  
Galleria Tower II  
5051 Westheimer Road, 10<sup>th</sup> Floor  
Houston, Texas 77056  
Telephone: (713) 425-7400  
Telecopier: (713) 425-7700  
E-mail: mridulfo@krcl.com  
*Counsel for KD Cole Armstrong Holdco, LLC*

**CERTIFICATE OF SERVICE**

I hereby certify that on this 12<sup>th</sup> day of May, 2021, the foregoing Objection was filed using the Court's ECF system, which caused electronic notification of filing to be served on all registered users of the ECF system that have requested such notification in this case. I further certify that a true copy of the foregoing Objection was served by electronic mail and/or first-class U.S. Mail to all parties listed below:

Paper Source, Inc.  
Attn: Ronald Kruczynski  
125 South Clark Street  
Chicago, IL 60603

WHITEFORD TAYLOR & PRESTON, LLP  
Attn: David William Gaffey, Jae Won Ha, Christopher A. Jones  
Email: dgaffey@wtplaw.com; Jha@wtplaw.com; cajones@wtplaw.com  
*CO-COUNSEL FOR DEBTORS AND DEBTORS IN POSSESSION*

WILLKIE FARR & GALLAGHER LLP  
Attn: John C. Longmire, Matthew A. Feldman, James H. Burbage  
Email: jlongmire@willkie.com; mfeldman@willkie.com; jburbage@willkie.com  
*CO-COUNSEL FOR DEBTORS AND DEBTORS IN POSSESSION*

HAHN & HESSEN LLP  
Attn: Mark S. Indelicato, Mark T. Power, Janine Figueiredo, Aleksandra Abramova  
Email: mindelicato@hahnessen.com; mpower@hahnessen.com;  
jfigueiredo@hahnessen.com; aabramova@hahnessen.com  
*COUNSEL TO THE CREDITORS' COMMITTEE*

HIRSCHLER FLEISCHER, P.C.

Attn: Robert S. Westermann and Brittany B. Falabella

Email: rwestermann@hirschlerlaw.com; bfalabella@hirschlerlaw.com

*COUNSEL TO THE CREDITORS' COMMITTEE*

PROSKAUER ROSE LLP

Attn: Charles A. Dale III and Elliot R. Stevens

Email: cdale@proskauer.com; estevens@proskauer.com

*COUNSEL TO THE DIP AGENT AND PREPETITION FIRST LIEN AGENT*

PROSKAUER ROSE LLP

Attn: David Hillman

Email: dhillman@proskauer.com

*COUNSEL TO THE DIP AGENT AND PREPETITION FIRST LIEN AGENT*

KATTEN MUCHIN ROSENMAN LLP

Attn: Mark R. Grossmann, Mark D. Rasmussen, and Peter A. Siddiqui

Email: mg@katten.com; mark.rasmussen@katten.com; peter.siddiqui@katten.com

*COUNSEL TO THE SECOND LIEN PREPETITION AGENT*

Office of the United States Trustee

Attn: Kathryn Montgomery and Jason B. Shorter

Email: Kathryn.montgomery@usdoj.gov; jason.b.shorter@usdoj.gov

Office of the United States Trustee

Attn: Nicholas S. Herron

Email: nicholas.s.herron@usdoj.gov

/s/ Eric C. Howlett