IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MASSACHUSETTS
(CENTRAL DIVISION)

In re	:	Chapter 11
THE PAPER STORE, LLC, *et al.*,	:	Case No. 20-_______ ( )
Debtors.[1]	:	(Joint Administration Requested)

DECLARATION OF DON VAN DER WIEL IN
SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS

I, Don Van der Wiel, declare, pursuant to 28 U.S.C. § 1746, under penalty of perjury that:

1. I joined G2 Capital Advisors ("G2") in January 2018 and became a Managing Director in March 2018, specializing in operational and financial restructurings. I have over thirty (30) years of experience in guiding financial turnarounds, operational restructurings and system implementations. I have also served as a C-level executive for middle market companies ranging up to $1.5 billion in revenues in a wide range of industries, including retail, hospitality, e-commerce, logistics, software, off-shore sourcing and business services. On or about June 24, 2020, I became the Chief Restructuring Officer (the "CRO") of the above-captioned affiliated debtors and debtors-in-possession (collectively, the "Debtors"). Prior to being appointed CRO, beginning on or about May 21, 2020, I, along with other G2 personnel, served as financial advisors to the Debtors. In my capacities with the Debtors and G2, I have developed a detailed knowledge of, and experience with the Debtors' business and financial affairs. In my capacity as the Debtors' CRO, along with the assistance of G2 personnel, I have been involved in the Debtors' restructuring

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are The Paper Store, LLC (2442) and TPS Holdings, LLC (9193). The Debtors' corporate headquarters and service address is 20 Main Street, Acton, MA 01720.

process, which includes, but is not limited to (i) providing management leadership and support; (ii) managing and overseeing liquidity and cash disbursements; (iii) preparing for the potential bankruptcy filing and preparing to assist in the bankruptcy cases; (iv) communicating with creditors, vendors, employees and other key stakeholders; (v) assisting the Debtors' legal counsel and other professionals with any matters as requested; and (vi) consulting with the Debtors' other officers, executives, managers and member(s) of the board of directors with respect to the foregoing.

2. Concurrently with the filing of this declaration (this "Declaration") on the date hereof (the "Petition Date"), each Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), and each Debtor commenced a chapter 11 case (collectively, the "Chapter 11 Cases") in this Court.

3. The Debtors intend to operate their businesses and manage their assets and properties as "debtors-in-possession" under sections 1107(a) and 1108 of the Bankruptcy Code while they pursue the sale of substantially all of their assets pursuant to a court-approved process. To enable the Debtors to operate effectively postpetition, and to avoid any adverse effects that the Chapter 11 Cases might otherwise have on the day-to-day business operations of the Debtors, the Debtors have requested various types of relief in "first day" motions and applications (collectively, the "First Day Motions") that have been filed with this Court. Pursuant to the First Day Motions, the Debtors seek to maintain their business operations without interruption and establish administrative procedures to facilitate a smooth transition into chapter 11, in each instance for the purpose of maintaining and maximizing the value of the Debtors and their estates as a going concern in contemplation of a sale of the Debtors' assets as more fully described below. I am familiar with each of the First Day Motions, and I believe that the relief sought in each First Day

Motion is necessary, in the best interests of the Debtors, and vital to the successful sale of the Debtors' assets during the Chapter 11 Cases.

4. Except as otherwise indicated, all facts set forth in this Declaration are based upon (i) my personal knowledge and/or information that I have acquired from employees who report to me; (ii) consultation with other officers of the Debtors; (iii) review of relevant documents; or (iv) my analysis and opinion based upon experience, knowledge and information concerning the Debtors' operations, financial condition and industry. I am duly authorized to submit this Declaration on behalf of the Debtors and, if called upon to testify, I could and would testify competently to the facts set forth herein.

5. Part I of this Declaration provides an overview of the Debtors' businesses, organizational structure and prepetition capital structure, a discussion about the circumstances that led to the commencement of the Chapter 11 Cases and the objectives the Debtors seek to accomplish during the pendency of the Chapter 11 Cases. Part II discusses the basis for the relief sought in the First Day Motions. Unless otherwise indicated, the financial information contained herein is provided on a consolidated basis.

I. Description of the Debtors[2/]

6. At its inception more than 55 years ago, the original vision of The Paper Store was to serve as a local retailer offering newspapers, magazines, greeting cards and school supplies. Since then, The Paper Store has expanded beyond its original vision and has grown organically from a "mom-and-pop" shop to a regionally renowned specialty retailer. Today, The Paper Store has grown into one of the leading specialty gift chains in the Northeast with 86 locations in 7 states.

[2/] Capitalized terms used but not defined in this overview section shall have the meanings assigned to them in subsequent sections.

7. In 2020, after years of investing in the business and nimbly overcoming operational challenges, the Debtors were on the precipice of reaping the fruits of those efforts. The Paper Store was poised to become a strong enterprise capable of handling the challenges of operating a retail business in the Northeastern part of the United States, and was projected to generate significant value. As examples of the efforts that had been made, over the last five years, the Debtors had made significant cash investments to grow the business, including opening new stores, upgrading and modernizing existing stores and distribution capabilities, and implementing an omnichannel retail platform. During this period of reinvestment, the Debtors doubled their store count and revenues, and successfully navigated three major obstacles. First, the Debtors overcame rising labor costs in the Northeast that were precipitated by high wage requirements and low unemployment, making it very difficult to hire for necessary positions. Second, the Debtors effectively transitioned away from a long-time vendor that had become troubled to other high-end brand name vendors and, as a result, decreased dependency on the troubled vendor from 33% of total annual revenues to only 3%. Third, the Debtors successfully expanded their traditional brick and mortar retail operation to include an enhanced digital and e-commerce platform.

8. In March of 2020, despite the optimistic prospects for the future of the Debtors, the sudden economic impact of the global COVID-19 pandemic derailed the Debtors' plans. Like just about every retail business in the United States, the Debtors have been operating under the considerable financial strain caused by the pandemic, which has had a severe impact on revenues. Even though stores have been allowed to recently reopen in most jurisdictions, the disruption and additional cost of trying to preserve the health and safety of nearly 2000 full and part time employees has only made matters worse. The temporary closure of all of the Debtors' 86 retail stores and the disruption to the Debtors' customer base and, to a certain extent, its supply chain,

have also exacerbated the Debtors' issues related to substantial funded debt obligations and significant lease obligations.

9. In short, the filing of these Chapter 11 Cases has been caused by the COVID-19 crisis.

A. Debtors' History and Formation

10. Founded in 1964 in Maynard, Massachusetts by family patriarch, Robert Anderson, The Paper Store started as a family owned and operated retailer consisting of a traditional local paper stand and stationary store. Today, The Paper Store is the largest family owned and operated specialty gift business in the Northeast, with 86 stores in seven states – and a thriving e-commerce business – with nearly 2,000 full and part time employees who make The Paper Store "tick."

11. The Debtors offer customers a distinctive shopping experience where they can find a unique gift for any occasion. The retail locations feature merchandise comprising fashion, accessories, spa, home décor, stationery, jewelry, sports and more, from well-regarded brands such as Vera Bradley, Lilly Pulitzer, Godiva, 47 Brands, Alex and Ani, Life is Good, Vineyard Vines and Sugarfina. Plus, the Debtors are a proud Hallmark greeting cards partner, which ties into the backbone of the company's mission to commit and provide stellar service to all Hallmark Gold Crown customers and provide the offerings they have come to know and expect from Hallmark.

12. Although the Debtors began and evolved over the years entirely owned and controlled by the Anderson family, the Debtors took on a nonfamily investor in 2014. At the same time, the Debtors consolidated and expanded their funded debt platform as the business continued to expand.

13. In August 2019, the existing equityholders of the Debtors infused $5 million of additional capital into the business on a subordinated basis in order to fund the Debtors' aggressive growth plan.

B. Debtors' Business Operations

14. The Debtors bring over 55 years of experience primarily serving New England and the New York, Connecticut and New Jersey area. By combining an ever-changing assortment of exciting merchandise, a visually inspiring environment, and exceptional service, the Debtors provide their customers with an attractive shopping experience.

15. Today, the Debtors satisfy customer demand for specialty gifts in 86 retail locations and though their growing e-commerce platform. The Debtors locate their stores in high-traffic locations where customers shop often – near a grocery store, by a favorite clothing store or some other location that customers visit frequently. Each of the Debtors' 86 retail locations is under a lease with third-party landlords.

16. The typical Paper Store is approximately 8,000 square feet and stocks a wide range of on-trend and highly popular "giftable" products in over 15 major categories. Although it varies, each retail location typically employs approximately 18 employees. The Debtors' philosophy of maintaining a broad selection of products attracts customers into the stores, while the expansive selection of Hallmark products keeps customers coming back. The Debtors endeavor to provide a one-stop destination for all gift needs.

17. The Debtors lease their corporate office and distribution center from entities owned by the Anderson family. The leases are long term leases with terms at or about market rates. The Debtors are headquartered in Acton, Massachusetts.

18. Since 2011, the Debtors have run logistics from their warehouse and distribution center located in Leominster, Massachusetts. Over the years, this facility has grown in size from approximately 85,000 square feet to more than 250,000 square feet. The warehouse and distribution center has modern systems, WMS software, VAS stations, reserve put-away solutions and other technology, all of which allows the Debtors to enjoy enhanced productivity, accuracy and efficiency. Merchandise sold through the Debtors' digital platform is processed through the distribution center and put into the Debtors' distribution pipeline. The digital platform is an important component of the Debtors' omnichannel retail philosophy as it allows the Debtors the flexibility to fulfill customer needs, whether they want merchandise sent directly to their homes from an online purchase or to a favorite store for convenient pickup. At the warehouse and distribution center, the Debtors typically employ between approximately 75 to more than 200 employees, depending on the season. Over 50 of these jobs are full time positions.

C. Debtors' Organizational Structure

19. As illustrated by the organizational structure chart attached hereto as **Exhibit A**, TPS Holdings, LLC ("TPS Holdings") is the sole member of The Paper Store. The owners of TPS Holdings are Founder Investerco, Inc. ("Founder Investerco"), which owns 5,900.50 common units, Founder Holdings, which owns 59.60 units, and WV TPS Acquisition LLC ("WV TPS Acquisition"), which owns 4,040 preferred units. The Anderson family owns Founder Investerco, and WestView Capital Management, L.P. ("WestView") owns WV TPS Acquisition. The transaction through which the Anderson family divested the preferred units of TPS Holdings to WestView is described below in Section E.5.

D. Prepetition Capital Structure

1. Prepetition Indebtedness

20. As of the Petition Date, the Debtors' prepetition capital structure includes approximately $45 million in funded debt, of which $40 million of such debt is held by third party institutional lenders and $5 million of which is held by insiders of the Debtors. The Debtors' funded debt obligations are summarized below:

Debt Class	Lender	Principal Outstanding as of Petition Date
Revolving Line of Credit	City National Bank, as agent	$17,000,000
Term Loan	Kayne Anderson, as agent	$22,975,000
Junior Capital Loan	Founder Investerco	$2,980,000
Junior Capital Loan	Westview Capital Partners III	$1,655,738
Junior Capital Loan	Harbourvest/Nystrs Co-Invest Fund II	$331,148
Junior Capital Loan	Beth Angelo	$33,115

2. Prepetition Credit Agreement

21. On September 29, 2014, the Debtors entered into that certain Credit Agreement (as amended, restated, supplemented, or otherwise modified from time to time, the "Credit Agreement"), among The Paper Store, as borrower, TPS Holdings as guarantor, Kayne Senior Credit II GP, LLC, as administrative agent, and City National Bank, as the revolver agent and letter of credit issuer, and other lenders from time to time party thereto (collectively, the "Lenders"), pursuant to which, among other things, the Lenders agreed to provide the Debtors with a revolving credit facility and a term loan. As of the Petition Date, the entire availability of approximately $17 million in principal amount was outstanding under the revolving loan, and approximately $23

million in principal was outstanding under the term loan.[3/] The Credit Agreement will mature on September 29, 2021.

22. Pursuant to its guaranty obligations, TPS Holdings has guaranteed the obligations under the Credit Agreement. All obligations of the Debtors, either as primary obligor or guarantor, are secured by substantially all of the assets of the respective Debtors, including accounts receivable, inventory, cash, and other personal property.

3. Anderson Note

23. On August 9, 2019, The Paper Store issued an amended and restated promissory note (the "Anderson Note") in the original principal amount of up to $10 million payable to Robert Anderson. The Anderson Note superseded a certain Promissory Note issued to Mr. Anderson by The Paper Store on August 22, 2018 in the original principal amount of $5,000,000.

24. The obligations under the Anderson Note bear interest at a *per annum* rate equal to LIBOR plus 5.5%, payable quarterly in arrears on the last day of each calendar quarter in-kind by

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3/ The original, maximum availability under the prepetition Term Loan is $31,000,000. The Lenders, and their respective prepetition commitment are set forth in the chart below. The Debtors do not have information concerning the individual holdings of the various lenders as of the Petition Date.

Lender	Prepetition commitment under Term Loan
Kayne Senior Credit Fund II L.P.	$2,421,951.87
Kayne Senior Credit Funding II LLC	$8,222,048.94
Kayne Senior Credit Funding II Offshore LLC	$6,672,671.06
Southern Farm Bureau Life	$1,802,640
Koch Companies Pension Investment Committee	$2,111,694.14
Blue Cross of California	$891,924.62
Reliance Standard Life	$482,017.47
Tokio Millennium	$482,017.47
Pension Investment Committee of FCA	$413,034.43
City National Bank	$7,500,000

capitalizing such interest and increasing the outstanding principal amount of the note, with the capitalized amount thereafter accruing interest at the stated rate.

25. The rights and obligations evidenced by the Anderson Note are subordinate to the Credit Agreement pursuant to a subordination agreement. As of the Petition Date, there is no amount due under the Anderson Note, which will mature on March 22, 2022.

4. Junior Capital Note

26. On August 9, 2019, The Paper Store issued a promissory note (the "Junior Capital Note") in the original principal amount of up to $15 million, payable to each of Founder InvestorCo, WestView Capital Partners III, L.P., HarbourVest/NYSTRS Co-Invest Fund II L.P. and Beth Angelo. Each holder of this note funded the following amounts to The Paper Store:

Holder	Commitment	Initial Loan Funded
Founder Investor Co, Inc.	$8,940,000	$2,980,000
Westview Capital Partners III, L.P.	$4,967,213	$1,655,738
Harbourvest/Nystrs Co-Invest Fund II L.P.	$993,443	$331,148
Beth Angelo	$99,344	$33,115
Total	**$15,000,000.00**	**$5,000,000.00**

27. Obligations under the Junior Capital Note bear interest at a *per annum* rate equal to 8.00%, payable in-kind annually in arrears on the last day of each calendar year, by capitalizing such interest and increasing the outstanding principal amount of the Junior Capital Note by the amount of such interest, with the capitalized amount thereafter accruing interest at the stated rate.

28. The rights and obligations evidenced by the Junior Capital Note are subordinate to the Credit Agreement and the Anderson Note pursuant to applicable subordination agreements.

As of the Petition Date, approximately $5 million in principal amount was outstanding under the Junior Capital Note, which will mature on September 22, 2022.

5. Acquisition Note

29. On September 29, 2014, the Debtors, among other parties, entered into a Unit Purchase Agreement, pursuant to which the then owners of the Debtors restructured their ownership interests in the Debtors in order to bring in WV TPS Acquisition as an equity holder. At the conclusion of the restructuring, the Anderson family retained substantially all of the common equity in TPS Holdings[4/] and WestView became the owner of all of the preferred equity in TPS Holdings. TPS Holdings is the sole owner of The Paper Store.

30. Pursuant to the terms and conditions of the Unit Purchase Agreement, The Paper Store issued a promissory note in the original principal amount of $42,158,874.00 payable to Founder Investerco. Thereafter, on August 19, 2019, the promissory note was amended and restated (the original note as superseded by the amended and restated note, the "Acquisition Note") at the same, original principal amount.

31. The obligations under the Acquisition Note bear interest at a *per annum* rate equal to 5.00%, payable quarterly in arrears on the last day of each calendar quarter in cash. To assist with the cash needs of the business and help ameliorate certain seasonal cash flow concerns, however, the holders of the Acquisition Note (*i.e.*, the Anderson family) typically would permit the Debtors to pay the interest due and owing under the Acquisition Note on a bi-annual basis or annually in arrears after the conclusion of the Christmas holiday season when the Debtors' cash flow is not constrained.

[4/] 59.60 common units were transferred to Founder Holdings, which is owned 99% by Founder Investerco and 1% by Robert Anderson. Founder Holdings holds the equity interest for incentive purposes for non-Anderson family management.

32. Recognizing the high likelihood that the Debtors would need to close all of their retail stores in response to the COVID-19 pandemic, in mid-March 2020, the Anderson family agreed to an interest hiatus under the Acquisition Note for the entire 2020 year.

33. The rights and obligations evidenced by the Acquisition Note are subordinate to the Credit Agreement, the Anderson Note and the Junior Capital Note pursuant to applicable subordination agreements. As of the Petition Date, the entire $42,158,874.00 in principal amount was outstanding under the Acquisition Note, which will mature on September 29, 2024.

6. Ownership of the Debtors

34. TPS Holdings is the sole member of The Paper Store. The capitalization of TPS Holdings is as follows:

Equity Type	Holders	# Shares	% Ownership
Preferred	WestView	4040	38.5%
Common	Founder Investerco	5960	56.8%
Common (Incentive)	Non-Anderson family management	500	4.8%
Total		10,500	100%

7. General Unsecured Claims

35. In addition to their funded debt and other promissory note obligations, the Debtors routinely incur fixed, liquidated, and undisputed payment obligations in the ordinary course of business to various third-party providers of goods and services, including landlords for the various retail store locations.

36. As of the Petition Date, the Debtors estimate that the unaudited general unsecured claims for unpaid accounts payable total approximately $13.5 million, including approximately $3.7 million owed to landlords for past due rent.

E. Events Leading up to the Bankruptcy

37. The Debtors' most profitable month of the year is December, which marks the culmination of the holiday selling season. The holiday season for the Debtors runs from Thanksgiving Day until Christmas Eve. In 2019, however, the Debtors experienced a shortened holiday season due to the fact that Thanksgiving fell one week later than usual (this happens approximately every seven years). In addition to the shortened holiday season, the early winter of 2019 brought with it an abundance of snowfall that adversely impacted the Debtors' operations. The Debtors were forced to close stores early, open stores late, and undergo complete store shutdowns on multiple days related to multiple storms.

38. The abbreviated operating hours caused by snow storms significantly reduced customer traffic and put further downward pressure on sales and revenues in an already challenging holiday season. This extreme holiday season hit the Debtors' bottom line, translating to a significant decrease in anticipated sales by approximately $2 million and a reduction in annual EBITDA by approximately $1 million.

39. For fiscal years ended 2019 and 2018, net revenues of the Debtors totaled approximately $167,007,608 and $161,907,701, respectively, yielding an EBITDA of approximately $9,533,506 and $10,737,718, respectively.

40. During the first two months of 2020, the Debtors essentially were on plan for the year, although sales of sports items were below last year's performance numbers due to the failure of the New England Patriots to advance in the NFL playoffs. Shortly after Valentine's Day, however, the Debtors noticed a drop off in per store sales traced to the growing concern of customers over the SARS CoV-2 coronavirus ("COVID-19"), which was beginning to receive national and local press coverage.

1. Debtors' Response to COVID-19

41. On March 11, 2020, the World Health Organization declared the spread of COVID-19 a pandemic. In response to COVID-19, national, state and local governments imposed quarantines, social distancing protocols, and shelter-in-place orders. To protect the health and safety of the Debtors' customers and employees, the Debtors voluntarily closed all of their stores and dramatically reduced supply chain operations approximately one week before such actions were mandated by state and local officials. These unprecedented events have severely impacted the Debtors' business and liquidity.

42. The impact of COVID-19 on the Debtors cannot be overstated. The Debtors have experienced a significant decline in store traffic and related consumer spending as well as numerous operational challenges as a result of the COVID-19 pandemic, especially on account of the actions taken by governments and citizens in response to the public health crisis. Store closures have significantly contributed to missed sales targets, unsold inventory, and have depressed profit margins.

43. Before implementing a furlough program that began on March 28, 2020, the Debtors employed approximately 474 full time and 1,597 part time and seasonal employees in their stores, headquarters and distribution center. Due to store closures in response to the COVID-19 pandemic, the Debtors made the decision to furlough almost all of their employees, retaining an emergency crew in the headquarters and distribution center. Given their cash crisis, the Debtors implemented a tiered salary reduction program for the remaining employees that were not furloughed. In addition, the Anderson family members, as officers of the Debtors, typically do not take a full year's worth of salaries from The Paper Store, and typically do not start collecting salaries until June in any given year. This year, as the COVID-19 pandemic was about to devastate

the Debtors' business, each member of the Anderson family voluntarily waived their respective annual salaries in their entirety in order to help ameliorate the Debtors' liquidity crisis. As discussed below, the Debtors have begun to reopen their stores pursuant to state and local guidelines, which have allowed the Debtors to restore some of the cut backs and reactivate certain store-level employees. As of the Petition Date, the Debtors employ approximately 393 full time and 554 part time active employees. It is the hope and goal of the Debtors, through the consummation of the anticipated going concern sale, to re-employ all of the approximately 2,000 employees who previously worked for The Paper Store.

44. Historically, two of the most profitable months for the Debtors are May and June (December is typically the most profitable month). The COVID-19 shut-down hit the Debtors right during these two critical months – the Debtors missed sales for Easter, Mothers' Day, school graduations and year-end gifts for teachers. In addition, the Debtors lost the selling season for their fashion catalogue and their spring gift catalogue. These catalogues traditionally are mailed to customers during the winter, and help drive foot traffic to the stores in the spring. As discussed below, the Debtors' digital platform has seen a significant increase in sales compared to last year, but these sales only compensate for a fraction of the lost in-store revenues.

45. With its traditional business essentially at a standstill, the Debtors began to discuss the renegotiation of existing lease terms with their landlords. Most landlords, however, were not interested in entering into written agreements to modify existing leases. Negotiations with landlords have also been hampered by the fact that the Debtors have not paid most rent obligations for the months of April, May and June. As of the Petition Date, unpaid rent obligations total approximately $3.7 million.

46. After taking aggressive steps to conserve liquidity, including drawing on their revolving credit facility, the Debtors were also forced to stretch accounts payable owing to their vendors. At the same time, the Debtors have been able to negotiate new terms with several vendors and suppliers, which have included discounts and extended payment terms. As of the Petition Date, the Debtors' accounts payable (beyond 30 days) total approximately $13.5 million.

47. After the Debtors closed all of their retail stores in response to the COVID-19 pandemic, they shifted their focus from brick and mortar retail and, instead, concentrated their business efforts on their digital platform and social media outreach. In order to make the digital platform successful, the Debtors pivoted from their traditional direct mail marketing to electronic mail and search engine marketing in order to drive customer traffic to the Debtors' website. In addition, the Debtors had to enhance their product sourcing and management through new and different domestic and international vendors. These efforts have proven successful. For more than the past 100 days, the Debtors have been selling personal protective equipment ("PPE") to customers, as well as fulfilling customer needs for more traditional merchandise. The focus on PPE sales have enabled the Debtors to experience sizable growth in digital sales, which have increased more than 1,000% between April 1st to June 1st, and are up over 500% for the year, primarily due to sales of PPE, which account for over 50% of the increase. E-Commerce sales totaled $5.9 million for 2019 and are projected to reach $18.8 million in 2020 and $15.6 million in 2021.

48. Aside from, but related to the operational issues caused by the pandemic, the Debtors can no longer cover their pre-bankruptcy debt service. Prior to filing, the Debtors approached their lenders to discuss restructuring the senior secured debt. Possible solutions included reducing the total amount of the debt, selling the debt at a substantial discount, and

exchanging debt for equity. Although discussions have been ongoing for months leading up to the bankruptcy filing, ultimately, the parties could not reach an agreement.

2. Store Reopenings

49. On or about May 20, 2020, the Debtors reopened approximately 13 locations in New Hampshire, Connecticut and Rhode Island. These reopened stores represent almost one half of the Debtors' stores located in those states. As sales trended positively, albeit at depressed historical levels, in these 13 reopened stores, the Debtors reopened the rest of the remaining stores located in those three states.

50. In early June, Massachusetts, followed by New York and New Jersey, permitted the Debtors to reopen stores located in those states. The reopening trend in this second group of states has continued so that, as the Petition Date, the Debtors have reopened approximately 82 of their 86 store locations. The Debtors, through new, actively managed staffing standards, reduced their employment costs through the summer of 2020 as operating hours and payroll hours are projected to be 30% lower compared to the same period in the prior year. Marketing expense has been targeted for a 30% reduction as well.

51. To account for the impact of COVID-19 on the business, the Debtors are projecting their year-over-year sales to be 75% of the prior year levels through the end of the third quarter, and 80% of prior year sales through the end of the year.

52. For fiscal year 2020, assuming the Debtors consummate a going concern sale that includes substantial reductions in rent expenses and operating expenses, the Debtors forecast net sales and Adjusted EBITDA of approximately $133 million and $2.8 million, respectively. These amounts are estimates due to the impact of COVID-19 and represent an approximate 21% decline in sales from fiscal year 2019. Having reopened the vast majority of their stores, and getting back to a sense of

normalcy, the Debtors are projected to perform at 75%-80% of prior year sales based on sales from this period in 2019 for the remainder of the fiscal year.

3. Lack of Liquidity and Need for Going Concern Sale

53. Notwithstanding the great strides the Debtors have made in attempting to recover from the COVID-19 shutdown, the Debtors will soon run out of cash and will be unable to make timely purchases of holiday-season inventory, which are necessary in order to maintain the viability of the Debtors as a going concern. As noted above, the Debtors' most profitable month of the year is December, which marks the culmination of the holiday shopping season. The holiday shopping season is preceded by months of careful merchandising, including identifying, locating, ordering and warehousing sufficient inventory to make available for sale to the Debtors' customers during the holiday shopping season. The Debtors' holiday merchandising process, particularly the placement and payment of orders for inventory, generally begins early in early August, but must start no later than the beginning of September, at the very latest. The timeline for inventory purchases cannot be delayed, first, because the Debtors maintain only one warehouse to service their 86 stores as well as their e-commerce business, and the Debtors must allow their warehouse workforce sufficient time to process incoming holiday inventory, and, second, any delay in holiday merchandise ordering will place the Debtors at a severe competitive disadvantage because the Debtors' vendors, many of which are overseas and receive orders from retailers throughout the world, likely will have already sold the merchandise that the Debtors require. It is estimated that the Debtors will require approximately $12 - $15 million of cash starting at the end of August in order to purchase the inventory needed to support projected sales for the third quarter as well as the holiday shopping season. After paying the Debtors' anticipated operating expenses through August, the Debtors' cash position will be insufficient to allow the Debtors to make the necessary

purchases of holiday inventory starting at the end of August and through the beginning of September.

54. If the Debtors' stores are not properly stocked with holiday merchandise, their holiday sales will wither, and the future of the Debtors as a going concern may be compromised. It also will be highly unlikely, if not impossible, to sell the Debtors as a going concern to a third-party if the Debtors are unable or fail to conduct a robust holiday selling season. In short, the Debtors' viability depends in large part on the success of the upcoming holiday shopping season which, in turn, is dependent upon the ability to place orders and pay for inventory starting at the end of August.

55. In consultation with its professionals, the Debtors have considered possible sources of liquidity which would fund the required inventory purchases but, due to the amount of the Debtors' existing secured debt and the fact that it is secured by liens on virtually all assets, and also due to the fact that the Debtors are experiencing reduced cash flow on account of the pandemic, the Debtors are unable to obtain alternative sources of capital on acceptable terms. In the absence of an acceptable source of capital, the Debtors, in consultation with their professionals, have concluded in the exercise of their business judgment that they must attempt to conduct a going concern sale of their assets to a buyer which will have the capital to immediately invest for the purpose of purchasing the required holiday-season inventory that the Debtors are otherwise unable to finance. Such a sale as a going concern will preserve the Debtors' 86 store locations, the majority of which are located in Massachusetts and other parts of eastern New England, and, most importantly, will preserve the jobs of the approximately 2,000 employees who have been employed by the Debtors.

56. One of the lynchpins for the successful accomplishment of such a sale is the timing of closing. If a sale cannot be closed by the end of August so that a buyer can timely place the necessary inventory orders for the holiday season, it may dissuade going-concern buyers from making any bid or, at a minimum, it might significantly reduce the value of the Debtors and their assets, thereby risking the viability of the Debtors as a going concern.

57. The Debtors, in consultation with their professionals, have formulated a timeline that will enable the Debtors to run a fair sale process that will expose their assets to the marketplace, while ensuring that the ultimate buyer will have adequate time to place orders for holiday merchandise. Accordingly, the Debtors developed the following marketing and sale timeline:

Date	**Event**
July 23, 2020	Service of approved bidding procedures, auction and sale notice
August 21, 2020	Deadline for qualified bids
August 21, 2020	Deadline to file any objections to the sale
August 24, 2020	Auction
August 26, 2020	Sale Hearing

58. I believe that the Lenders understand the need for a sale process that results in a closing by the end of August, and that they support the foregoing timeline (with a full reservation of rights with respect to all other issues in these cases). In fact, as described below, the Debtors have filed a motion for the use of cash collateral contemporaneously herewith. Pursuant to the motion to use cash collateral, the Debtors and the Lenders have agreed upon milestones that mirror the foregoing timeline (with a reservation of rights with respect to any use of cash collateral after

a final hearing on such cash collateral motion). If the Debtors fail to comply with the sale milestones, they risk losing the Lenders' consent to the continued use of cash collateral.

59. In order to implement the Debtors' sale strategy, on the Petition Date, the Debtors filed their *Expedited Motion of Debtors for the Entry of (I) an Order (A) Authorizing and Approving the Sale of Substantially All of the Assets of the Debtors Free and Clear of All Liens, Claims and Encumbrances, (B) Approving Auction Sale Timing and Format, Bidding Procedures, and Certain Bid Protections in the Event a Stalking Horse Bidder Is Designated by the Debtors; (C) Approving Form of Notice To Be Provided To Interested Parties; and (D) Approving Procedures Related To the Assumption of Certain Executory Contracts and Unexpired Leases* (the "Bidding Procedures Motion")*;* pursuant to which they seek entry of an order (a) approving the sale of substantially all of the assets of the Debtors free and clear of liens, claims and encumbrances; (b) approving the form of an asset purchase agreement for prospective bidders; (c) approving an auction sale format and timing, bidding procedures, and certain bid protections in the event that a stalking horse bidder is designated by the Debtors; (d) approving the form of notice to be provided to interested parties; (e) approving procedures related to the assumption and assignment of executory contracts and unexpired leases; (f) scheduling an auction to be held no later than on August 24, 2020; and (g) scheduling a sale hearing for the Court to approve the winning bidder and enter an order approving the sale.

60. For a number of weeks, the Debtors and their professionals have been in discussions with a group that has expressed an interest in making a stalking horse bid to purchase all of the Debtors' assets in a sale pursuant to section 363 of the Bankruptcy Code. I am informed that this bidding group is comprised of at least two investment entities, one of which is a current creditor of the Debtors but otherwise has no other connection with the Debtors, and one of which is

beneficially owned by members of the Debtors' founders, the Anderson family, who are current officers, directors and the majority equity holders of the Debtors.

61. Before the filing of these bankruptcy cases, the Debtors, with the full support of the Anderson family, took a number of steps and actions to ensure that the Debtors were not unduly influenced by any incentives or goals of any bidder that might include an "insider" (as defined in the Bankruptcy Code), and that the Debtors would deal with all bidders at arm's length to ensure that they would be treated on a level playing field along with all other potential bidders. For example, as soon as it became apparent that the Anderson family was considering becoming part of a group that might make a bid for the assets of the Debtors, the Debtors' professionals arranged for the appointment of an independent director, who would have complete and unfettered discretion to determine whether or not to file for bankruptcy, whether to pursue a 363 sale process, and whether any bid presented to the Debtors was desirable and acceptable. Mr. Michael T. Sullivan of MTS Advisors, a former principal of Angelo Gordon, a leading, privately-held alternative investment firm, and a seasoned independent director, was appointed and, in the exercise of his business judgment, has authorized the filing of these cases and the making of the Bid Procedures Motion. The Debtors also appointed me as CRO to take over the financial affairs of the Debtors and make day-to-day decisions for the Debtors so as to maintain the Debtors' value for all bidders. Finally, the Debtors retained SSG Capital Advisors, LLC ("SSG") a well-known and well-respected investment banker, to market the Debtors as a going concern to the broadest possible spectrum of potential buyers, and also to run the sale process. Simultaneously, the Anderson family retained its own legal counsel, and the bidding group is represented by its own counsel.

62. I am informed that this bidding group will present a bid for the Debtors' assets prior to the date of the requested hearing to approve the procedures proposed in the Bidding Procedures Motion. In fact, as of the Petition Date, the bidding group, through counsel, has indicated that the Debtors can expect to receive an Asset Purchase Agreement shortly. Irrespective of whether the Debtors receive a bid from such investor group or not, the Debtors are up against a deadline. I believe that in order to conduct an open and fair marketing process, and in order to have that process conclude in time to have a closing of a sale of the Debtors as a going concern by the end of August, the sale and marketing process specified in the Bidding Procedures Motion must start now. If it does not, the disposition of the Debtors' assets may need to take on a very different form, which will not be beneficial to the Debtors or any of their stakeholders. In short, the Debtors cannot wait any longer if they are to conduct a process that is fair to all prospective bidders. Accordingly, the Debtors, in the exercise of their business judgment, have decided that the implementation of this dual track strategy – the commencement of a sale process without a stalking horse bidder, while continuing to negotiate with a potential stalking horse bidder – is appropriate, advisable, and will maximize the value of the Debtors' estates.

63. SSG has worked diligently to become familiar with the Debtors and their operations, and has already begun the marketing process by preparing a so-called "teaser" and by reaching out to certain likely interested parties. I am confident that SSG, in coordination with the Debtors' professionals, will be able to run a full and fair marketing process on the requested timeline.

64. Reviewing the available options under these exigent circumstances, and in consultation with the Lenders and other stakeholders, the Debtors are proposing the bidding procedures, along with the form asset purchase agreement filed along with the Bidding Procedures

Motion, as a means to move forward the marketing and sale process, and achieve the best and highest possible recovery for the estates.

II. First Day Pleadings

65. To enable the Debtors to minimize the adverse effects on their ongoing business operation upon the filing of the Chapter 11 Cases and to promote a smooth transition, the Debtors have requested various relief in the First Day Motions. The First Day Motions seek authority to, among other things, use cash collateral, pay certain prepetition claims in order to preserve customer relationships, pay prepetition wages in order to maintain employee morale, ensure the continuation of the Debtors' cash management system, and maintain business operations without disruption. Obtaining Court approval of the relief sought in the First Day Motions is essential to giving the Debtors an opportunity to work towards the proposed sale.

A. First Day Motions Concerning Use of Cash Collateral and Payment of Certain Prepetition Claims

66. To enable the Debtors to continue fulfilling the needs of their customers and to avoid a disruption of their business operations, the Debtors require the use of cash collateral for the continuation of their operations. Without authorization to use cash collateral in accordance with the Debtors' budget, the Debtors' operations will cease to the detriment of all parties involved, including the prepetition secured lenders, the Debtors' employees, customers, and creditors.

67. In further support of the Debtors' use of cash collateral, I have submitted contemporaneously herewith a separate declaration styled, "Declaration of Don Van der Wiel in Support of Debtors' Use of Cash Collateral."

68. Additionally, several of the First Day Motions request authority to pay certain prepetition claims.[5/] Rule 6003 of the Federal Rules of Bankruptcy Procedure, provides, in relevant part, that "[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 21 days after the filing of the petition, issue an order granting . . . a motion to pay all or part of a claim that arose before the filing of the petition." In light of this requirement, the Debtors have narrowly tailored the relief requested for immediate authority to pay certain prepetition claims the failure of which to pay would cause immediate and irreparable harm to the Debtors and their estates. Other relief will be deferred for consideration at a later hearing.

B. Additional First Day Motions

69. Pursuant to the *Motion of Debtors for Entry of Interim and Final Orders (A) Authorizing Debtors To Use Existing Cash Management System; (B) Authorizing and Directing Banks and Financial Institutions To Honor and Process Checks and Transfers; (C) Extending the Deadline for Debtors To Comply with the Requirements of Section 345(b) of the Bankruptcy Code; and (D) Authorizing Debtors To Use Existing Bank Accounts and Existing Business Forms* (the "Cash Management Motion"), the Debtors seek entry of interim and final orders: (a) authorizing the Debtors to (i) continue to operate their Cash Management systems; (ii) honor certain

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5/ The following First Day Motions request the authority, *inter alia*, to pay certain prepetition claims of the Debtors: (i) Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Pay Prepetition Wages, Salaries, Reimbursable Expenses, and Other Obligations on Account of Compensation and Benefits Programs and (B) Continue Compensation and Benefits Programs and (II) Granting Related Relief; (ii) Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Continue their Insurance Programs and (B) Pay All Obligations with Respect thereto, and (II) Granting Related Relief; (iii) Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Continue Customer Programs in the Ordinary Course of Business, and (B) Pay Prepetition Obligations Related Thereto, and (II) Granting Related Relief; c(iv) Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Certain Prepetition Tax Obligations, and (II) Granting Related Relief.

prepetition obligations related thereto; (iii) maintain existing Business Forms in the ordinary course of business; and (b) granting related relief.

70. The Debtors' Cash Management Systems are similar to the centralized cash management systems used by other comparably sized companies to manage cash flow. The Debtors use their Cash Management Systems in the ordinary course to transfer and distribute funds and to facilitate cash monitoring, forecasting, and reporting. The bank accounts maintained by each of the Debtors are set forth in the Cash Management Motion.

71. Because of the disruption that would result if the Debtors were forced to close their existing bank accounts, I believe that it is critical that the existing Cash Management Systems remain in place. I believe that the relief requested in the Cash Management Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in chapter 11.

72. By their *Motion of Debtors for Entry of Interim and Final Orders (I) Approving Proposed Form of Adequate Assurance of Payment To Utility Providers, (II) Establishing Procedures for Determining Adequate Assurance of Payment for Future Utility Services, (III) Prohibiting Utility Providers from Altering, Refusing, or Discontinuing Utility Service, And (IV) Granting Related Relief* (the "Utility Motion"), the Debtors are requesting approval of their proposed form of adequate assurance of payment to utility providers, approval of certain procedures for determining adequate assurance of payment for future utility services (the "Adequate Assurance Procedures"), and a prohibition on utility providers from altering, refusing, or discontinuing utility service on account of the commencement of these chapter 11 cases or outstanding prepetition invoices.

73. In the ordinary course of business, the Debtors incur expenses for, among other things, electricity, natural gas, water, sewage, telecommunications, and waste service, and other utilities. Approximately 82 utility providers provide services to the Debtors directly or indirectly through a landlord, including those entities identified on **Exhibit C** to the Utility Motion. I believe any interruption in utility services—even for a brief period of time—would seriously disrupt the Debtors' ability to continue operations and service their customers.

74. Furthermore, I believe the Adequate Assurance Procedures are necessary for the Debtors to effectuate their chapter 11 strategy without unnecessary and costly disruptions on account of discontinued utility services. If the Adequate Assurance Procedures are not approved, the Debtors likely will be confronted with and forced to address numerous requests by their utility providers at a critical time for their businesses. I understand that the Debtors' utility providers could unilaterally decide that they are not adequately protected and, therefore, may make exorbitant demands for payment to continue providing service or discontinue providing service to the Debtors altogether. Such an outcome could seriously jeopardize the Debtors' operations and their ability to maximize the value of their estates.

* * *

75. I have reviewed each of the First Day Motions. The facts stated therein are true and correct to the best of my information and belief, and I believe that the relief sought in each of the First Day Motions is necessary to enable the Debtors to operate in chapter 11 with minimal disruption of their business operations in order to bridge to the proposed sale of the Debtors' assets. Accordingly, on behalf of the Debtors, I believe that the relief requested in each of the First Day Motions is in the best interests of the Debtors' estates, and should be granted.

[*signature on next page*]

I declare under penalty of perjury that, after reasonable inquiry, the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed July 14, 2020

/s/ *Don Van der Wiel*
Don Van der Wiel
Chief Restructuring Officer
The Paper Store, et al.,
Debtors and Debtors in Possession

Exhibit A

Organizational Chart

The Paper Store Structure