

Debtors' Motion to (A) Reject Unexpired Leases of Nonresidential Real Property in Conyers, Georgia Pursuant to Section 365(A) of the Bankruptcy Code and (B) Enter into a Stipulation Limiting Rejection Damages (the "Conyers Rejection Motion").

By the Conyers Rejection Motion, the Debtors seek entry of an order authorizing the Debtors to (i) reject (a) an unexpired lease (the "Conyers 25 Lease") between Bio-Lab, Inc. ("Bio-Lab") and Ashley Conyers LLC (the "Landlord") for warehouse space located in the building at 1601 Rockdale Industrial Boulevard, Conyers, Georgia (the "Conyers 25 Leased Premises"), and (b) an unexpired lease (the "Conyers 14 Lease" and, together with the Conyers 25 Lease, the "Leases") between Bio-Lab and the Landlord for warehouse space located in the building at 1350 Lester Road, Conyers, Georgia, (the "Conyers 14 Leased Premises" and, together with the Conyers 25 Leased Premises, the "Conyers Facility"), and (ii) enter into a stipulation with respect to the proposed rejection of the Leases (the "Stipulation").¹

The Debtors' monthly cost under the Conyers 25 Lease is approximately \$128,713. The Conyers 25 Lease expires on December 31, 2010. The Debtors' monthly cost under the Conyers 14 Lease is approximately \$68,797, and the Conyers 14 Lease is scheduled to expire on October 31, 2009.

While Bio-Lab asserts that it would like to continue to use the Conyers Facility as warehouse space and as a distribution center for its products, Bio-Lab has determined that the terms of the Leases are burdensome and inconsistent with the marketplace. Accordingly, Bio-Lab has negotiated a third-party provider and warehouse agreement with Kiser-Hariss Chemical Distribution Centers, Inc. ("K-H") who in turn negotiated its own lease for the Conyers Facility. The Debtors submit that such arrangement will allow the Debtors to have the continued benefits of the Conyers Facility at a significant cost savings. Specifically, the Debtors believe that rejection of the Leases will result in a savings of \$313,218 in administrative expenses over the remaining term of the Conyers 25 Lease and a \$400,000 potential corrosion damages claim under the Conyers 14 Lease.

In addition, the Landlord has entered into the Stipulation, whereby the Landlord has agreed to waive its right to assert any claim against Bio-Lab for damages with respect to future rent otherwise due and arising from the rejection of the Leases. The Landlord, however, is permitted to file a proof of claim for prepetition unpaid rent and other amounts due under the Leases. Such unpaid amounts are (i) \$73,286.10 for the Conyers 25 Lease and (ii) \$39,946.70 for the Conyers 14 Lease.

Finally, the Debtors believe that the Leases cannot be assigned to a third party for value.

A hearing on the Conyers Rejection Motion is scheduled for October 27, 2009 at 9:45 a.m. (ET), with a corresponding objection deadline of October 20, 2009 at 4:00 p.m. (ET).

¹ Although the Debtors' deadline to assume or reject the Leases was set to expire on October 14, 2009, the Debtors and the Landlord entered into a stipulation extending the Debtors' time to assume or reject the Leases up to and including January 10, 2010 (Docket No. 1057).