

TMA AWARDS

SMALL COMPANY: KLAUSNER LUMBER ONE/KLAUSNER LUMBER TWO

The unusual cases of debtors Klausner Lumber One (KL1) and Klausner Lumber Two (KL2), two abandoned sawmills with the same U.S. and Austrian parents, could have easily become forced liquidations. Instead, professionals led by Asgaard Capital turned the sawmills located in rural Florida and North Carolina into two successful, high-priced sales.

The KL1 mill had operated in Live Oak, Florida, for about three years, when Austrian parent Klausner Lumber tanked financially. KL2 in Enfield, North Carolina, was worse off, as the mill had never been operational. Klausner abandoned both mills at the start of the COVID epidemic when Klausner managers and technicians returned to Europe. Sawmill employees were left without pay or benefits, and Suwannee County, Florida, and Halifax County, North Carolina, lost major tax contributors. Logging and other suppliers were poised to permanently lose a potential customer and funds they were owed. Even more

alarming, the KL2 property ownership reverted to Halifax County when employment terms went unmet.

Both estates had virtually no cash and almost no salable assets that weren't already fully encumbered by liens. No current data or records were available. Lawsuits and judgements were multiplying almost daily. Asgaard Capital Senior Managing Director Charlie Reardon had the vision for a tough but workable pathway to sales of the two sawmills. KL1 filed Chapter 11 April 30, 2020, and KL2 followed suit on June 10, 2020.

Financing for KL1 arrived from Big Shoulders Capital in early 2020 soon after its filing. Asgaard's Mike Freeman, serving as CRO for KL1, moved to the site area, even as COVID ravaged the U.S., and partnered with the county. As a hands-on CRO, Freeman personally led tours of the facility, recorded enticing drone videos of the property, undertook clean-up and repair projects, and rehired key staff to restart operations.

Meanwhile, Asgaard's Bob Prusak, serving as CRO of KL2, had to sell some mobile equipment to pay for the minimum funding to keep the mill from failing and being forced into a Chapter 7 liquidation. After some time, a DIP loan for KL2 arrived from a firm with limited bankruptcy financing experience. Prusak helped convince Halifax County to reconvey the property for a sale and to restore security and utilities.

Jason Wright of Curtis Mallet, who served as specialty EB-5 counsel to the estates, was able to structure a transaction that gave the foreign EB-5 investors a continuing chance to obtain green cards. This helped the proposed sale to occur.

The bids were amazing. Austrian lumber business Binderholz bought both mills, paying approximately \$63 million for KL1 and \$83.5 million (plus the assumption of liabilities) for KL2. Today, Binderholz Live Oak LLC (formerly KL1) is already operating with two full shifts, and KL2 will follow.



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Winners not pictured: Michael Freeman, Asgaard Capital LLC