

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI
ABERDEEN DIVISION**

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| |) | |
| In re: |) | |
| |) | |
| UNITED FURNITURE INDUSTRIES, INC., <i>et al.</i> |) | Case No. 22-13422-SDM |
| |) | Chapter 11 |
| Debtors. |) | Jointly Administered |
| |) | |

**DECLARATION OF ERIC W. KAUP IN SUPPORT OF TRUSTEE’S
MOTION FOR INTERIM AND FINAL ORDERS AUTHORIZING
AND APPROVING SALE OF ASSETS PURSUANT TO THE CONSULTING
AND MARKETING AGREEMENT FREE AND CLEAR OF ALL LIENS,
CLAIMS, AND ENCUMBRANCES AND GRANTING RELATED RELIEF**

I, Eric W. Kaup, makes this Declaration pursuant to 28 U.S.C. § 1746, and states:

1. I am Eric W. Kaup, an Executive Vice President and General Counsel of Hilco Trading, LLC (“Hilco Trading”), which has a principal place of business at 5 Revere Drive, Northbrook, IL 60062. Hilco Trading is the parent company and Managing Member of, the following Hilco entities: Hilco Wholesale Solutions, LLC, Hilco Commercial Industrial, LLC, and Hilco Receivables, LLC (collectively, “Hilco”)

2. I submit this declaration (the “Declaration”) on behalf of Hilco in support of the *Motion for Interim and Final Orders Authorizing and Approving Sale of Assets Pursuant to the Consulting and Marketing Agreement Free and Clear of All Liens, Claims, and Encumbrances and Granting Related Relief* (the “Motion”), by which Derek Henderson, Chapter 11 trustee (the “Trustee”) for United Furniture Industries, Inc. and its affiliated debtors (collectively, the “Debtors”) in the above-captioned, jointly administered cases, is seeking authority to sell the

Inventory¹ and M&E and FF&E and collect the Receivables pursuant to the Consulting and Marketing Agreement free and clear of all liens, claims, encumbrances, and interests and certain related relief. Although not required for purposes of approval of the Motion pursuant to § 363 of the Bankruptcy Code, I submit this Declaration and disclose Hilco's connections to the Debtors and Parties in Interest (as defined below) in support thereof. I have reviewed and am familiar with the Motion and the relief sought therein.

3. The facts set forth in my Declaration are based upon my personal knowledge, information, and belief, and upon records kept in the ordinary course of business that were reviewed by other employees of Hilco Trading under my supervision and direction. If called as a witness, I would testify to the facts set forth in this Declaration.

4. In the ordinary course of its business, Hilco Trading, Hilco and its affiliates and subsidiaries (collectively, "Hilco Global") maintain a database (the "Transaction Database") for purposes of performing "conflicts checks." The Transaction Database contains information regarding present and past representations and transactions of Hilco Global. I obtained a list of names of individuals and companies provided by the Trustee for purposes of searching the Transaction Database and determining the connection(s) which Hilco Global has with such entities (attached hereto as Schedule 1; collectively, the "Parties in Interest").² Hilco ran the names of all of the Parties in Interest through the Transaction Database to determine whether Hilco Global had in the past, or currently has, any connection to such Parties in Interest.

¹ Capitalized terms used but not otherwise defined in this Declaration shall have the meanings ascribed to them in the Motion.

² Trustee also provided Hilco with the Creditor Matrix for this case. As the Creditor Matrix is in excess of 500 pages, Hilco did not attach it to Schedule 1.

5. Hilco's search of the Transaction Database identified the connections listed on and described in the attached Schedule 2.

6. Neither I, Hilco, nor any principal, partner, director, officer, or employee thereof, nor any professional retained by Hilco has agreed to share or will share any portion of the compensation to be received from the Trustee by Hilco with any other person other than the principals and regular employees of Hilco, and SB360 Capital Partners, LLC, as outlined in the Consulting and Marketing Agreement.

7. Except with respect to entry into the Consulting and Marketing Agreement, and except as set forth in Schedule 2 hereto, to the best of my knowledge, neither I, Hilco, nor any principal, partner, director, officer, or employee thereof, nor any professional retained by Hilco, insofar as I have been able to ascertain, is a creditor, equity security holder, or an insider of the Debtors.

8. To the best of my knowledge, neither I, Hilco, nor any principal, partner, director, officer, or employee thereof, nor any professional retained by Hilco, insofar as I have been able to ascertain, is or has been, within two years before the date of the filing of the petition(s) herein, a director, officer or employee of the Debtors.

9. To the best of my knowledge, neither I, Hilco, nor any principal, partner, director, officer, or employee thereof, nor any professional retained by Hilco, insofar as I have been able to ascertain, holds or represents any interest adverse to the Debtors or their estates with respect to the matter(s) upon which Hilco is engaged, by reason of any direct or indirect relationship to, or connection with, or interest in, the Debtors or for any other reason.

10. Hilco is conducting further inquiries regarding Hilco's engagement by any creditors of the Debtors, and upon conclusion of that inquiry, or at any time during the period of Hilco's

engagement if Hilco should discover any facts bearing on the matters described herein, Hilco will supplement the information contained in this Declaration.

[Remainder of page intentionally left blank]

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: February 21, 2023

Hilco Wholesale Solutions, LLC, Hilco Commercial Industrial, LLC, and Hilco Receivables, LLC

By: /s/ Eric W. Kaup
Eric. W. Kaup
Executive Vice President and General Counsel

Schedule 1

Parties in Interest

Debtors

United Furniture Industries, Inc.
FW Acquisition LLC
UFI Exporter, Inc.
UFI Royal Development LLC
UFI Transportation LLC
United Furniture Industries CA, Inc.
United Furniture Industries NC LLC
LS Logistics
United Wood Products
Associated Bunk Bed Company
Furniture Wood Inc.

Equity/Board

David Belford (director, majority shareholder)
Stage Capital LLC (Belford family office)
Stage Capital Florida LLC (Belford family office)
Jason Gabauer (director, CFO of Stage Capital)

DBA

Lane Furniture (licensed trademark)

Current Officers

Alpesh Amin (CRO), Riveron Consulting
Kimberly Harper (CFO)

Pre-Closure Employees Rehired By Kim Harper to Assist Company Wind-Down

James Davis
Helen Benefield
Carol Davis
Isaiah Hurd
Russell Conerly
Amanda Spencer
Starla Reaves
Sonya Duke
Bill Burke

Lenders

Wells Fargo
Renasant Bank
Bank of New Albany
Belford Trust

Advisors

Focus Management Group

Former C-Suite Officers

Lynda Barr
Todd Evans

Top 50 Creditors

WATERS TRUCK & TRACTOR COMPANY
TDI WORLDWIDE, LLC
CHICAGO DOWEL CO, INC
CITY OF OKOLONA PUBLIC WORKS MILESTONES COMPANY
MID-STATE FORKLIFT
WALTER PRINTING COMPANY, INC.
MAGNOLIA FREIGHT SERVICE, LLC
WILLIAMS SCOTSMAN, INC.
SOUND FURNITURE
SECURITY ASSOCIATES OF MS LLC
MEREEN-JOHNSON LLC
SCRUGGS LAWN CARE INC.
CUSTOM GLASS/TUPELO DOOR & NC MOULDING ACQUISITION, LLC
BAKER DISTRIBUTING COMPANY
UMR
COMCAST
GUILFORD COUNTY TAX DEPARTMENT
EXPERT DIE, INC.
UNUM LIFE INSURANCE COMPANY
TOWN OF HATLEY WATER DEPT
TNT PARTS INC
DRX HIGH POINT, PLLC
WEIMA AMERICA INC
THE BAXTER COMPANY OF NORTH MS
BUSY B RENTALS
ABIGAIL LANE
CINTAS CORP #045
ARAMARK UNIFORM SERVICES
VPDD UNITED FURNITURE IND.
ULTIMATION INDUSTRIES LLC
GLOBAL EQUIPMENT CO INC
AMPTAB, INC

ICE MACHINES OF TUPELO
MAHAFFEYS QUALITY PRINTING
ALLEN RED
PRODUCTION TOOL SUPPLY
HOMESTEAD FURNITURE
JORDAN-COOPER WOOD PRODUCT
INC
EQUIPMENT INC
WILTON WOOD PRODUCTS LLC
FARLOW OIL COMPANY
COMER SANITARY SERVICE INC
MAXXSOUTH BROADBAND
CHRIS VERELL
MCNEELY PEST CONTROL, INC.
MONROE COUNTY ELECTRIC POWER
RAFCO BHI LLC
ELECTRIC MOTOR SALES & SERVICE
ALPHA LOGIX
Truist
PNC Bank
Xtra Lease

Landlords

City of Okolona
Trautman
Shirley Parchman
IHFC Properties SPE, LLC
Davidson Co. & City of Lexington
Harry G. Grier, Jr and Christa-Maria G.
Grier
Trinity American Corporation
North Carolina Railroad
Kepwood, LLC
HIGCOV-SCLC-DC1 LLC (Stirling Capital
Investments prior to 10/01/21 Owner)
Lincoln Drive LLC
Nguyen Thi My Kieu
Williams Transfer and Storage
Community Development Foundation
Klaussner Furniture Industries, Inc.
Galiana Investments, Inc.

**Litigation Counterparties (WARN and
others)**

Dominick Alcantara
Mario Gonzalez

Tori Neal
Francie Alomari
Willie Poe
John R. Westmoreland
Hedrick Fears
Dewayne Parker
Tabitha Long
Willie Poe,
Timmy Williams
Nomlfill L. Mathews
Sandahl Burleson
Shakedia Logan
Chad Decanter
Lacorey Starks
Isaiah Gray
Willie C. Williams
Kendrick Grice
Brandon Hankins
Sharon M. Poe
Jasper Nichols
Carley Wright
Tyler Gregory
Kimberly Hankins
Glenda McVay
Benjamin, McVay
Isaiah Taylor
Torey Doss
Sean Woods
Stanley W. Bailey
William Crenshaw
Quintavius Bowens
Marvin Gathings
Corey Gunn
Demonta Moore
Daveon Gooden
Habacue Hernandez
Alejandro Murillo
Yasmin Gomez
Hector Martinez
Crystal Connell
Ultra-Mek, Inc.
Specialty Retail Shops Holding Corp.
Alfred Giuliano, Trustee, Art Van Furniture
Heritage Home Group LLC
FBI Wind Down, Inc., Liquidating Trust
NEHDS Logistics, Inc.

Rent-a-Box, Inc.
DST Trading

C-BD LLC
Seagrove Lumber

Schedule 2

Disclosures

- a. From time to time, Hilco engages in business on a joint venture basis with other nationally recognized retail liquidation firms, including, without limitation, its joint venture partner in this case, SB360 Capital Partners, LLC (“SB360”).
- b. Hilco Merchant Resources, LLC (“HMR”), the parent company of Hilco Wholesale Solutions, LLC, has an interest in HGB AVF Lending, LLC, the successor in interest to the original term lenders to Art Van Furniture and/or its affiliates. Additionally, as part of the Art Van Furniture bankruptcy proceedings, Art Van Furniture sought to engage HMR and certain of its affiliates, as well as HMR’s joint venture partner Gordon Brothers Retail Partners, LLC (“Gordon Brothers”), and certain of Gordon Brothers’ affiliates, to conduct sales of certain assets owned by Art Van Furniture and its affiliated debtors and debtors in possession pursuant to that certain *Debtors’ Emergency Motion for Entry of Interim and Final Orders (I) Approving Procedures for Store Closing Sales, (II) Authorizing Customary Bonuses to Employees of Closing Stores, (III) Authorizing Assumption of the Consulting Agreement Under §§ 363 and 365 of the Bankruptcy Code, (IV) authorizing the Debtors to Retain Certain Consultant Entities as Special Asset Disposition Advisors to the Debtors Pursuant to §327(a) of the Bankruptcy Code, and (V) Granting Related Relief*, filed on March 9, 2020 (Case No. Case No. 20-10553, Bankr. D. Del. (2020); Docket No. 52) (the “Store Closing Motion”). As a result of the outbreak of the Covid 19 pandemic, the Art Van Furniture cases were converted to Chapter 7 prior to entry of a final order on the Store Closing Motion.
- c. Ashley Furniture, Inc. made an offer to purchase certain assets of the Debtors as part of a proposal submitted to the Debtors by Hilco and SB360. Ashley will be contacted as a potential purchaser of assets of the Debtors. In addition, HMR was engaged on several occasions in the past to provide inventory disposition services to franchisees or affiliates of Ashley Furniture.
- d. In 2021, HMR and its joint venture partners, Planned Furniture Promotions, Inc., SB360, and Gordon Brothers, provided retail liquidation services to Loves Furniture, Inc. and its affiliated debtors and debtors in possession pursuant to that certain *Final Order (I) Authorizing the Debtor to (A) Assume Prepetition Consulting Agreements; (B) Enter into the Consulting Agreement, (II) Authorizing and Approving the Conduct of Store Closing Sales, with Such Sales to be Free and Clear of all Liens, Claims, and Encumbrances, (III) Authorizing and Approving the Store Closing Procedures, and (IV) Granting Related Relief* (Case No. Case No. 21-40083, Bankr. E.D. Mich. (2021); Docket No. 191).
- e. In 2019, (i) HMR and its joint venture partner, Gordon Brothers, provided inventory liquidation services and (ii) HRE provided real estate consulting services to Specialty Retail Shops Holding Corp. during its Chapter 11 bankruptcy proceedings.
- f. Hilco Real Estate, LLC (“HRE”), an affiliate of Hilco, provides lease acquisition, disposition, and restructuring services to its commercial real estate clients. In the course of providing such services, HRE may have transacted with one or more of the parties-in-interest identified as landlords of the Debtors on matters unrelated to the Debtors.
- g. Affiliates of Hilco have a credit facility in place in which Bank of America, N.A., BMO Harris Bank, and U.S. Bank, N. A. are among the lenders. Hilco is an obligor under such facility.

- h. In matters unrelated to the Debtors, affiliates of Hilco have previously performed inventory liquidation, retail store fixtures liquidation, asset appraisal, enterprise valuation, and/or field exam services, expert witness, or other advisory, monetization or valuation services for (or related to) the following entities: (i) Bank of America, (ii) BB&T Equipment Finance Corp., (iii) Beall's Inc., BNP Paribas, (iii) CIT Group (iv) PNC Bank, (v) Sears, (vi) Wells Fargo Bank, (vii) TJX Companies, (viii) The Home Depot, and (ix) The Huntington National Bank.
- i. Affiliates of Hilco were named in a suit brought by Rosenthal & Rosenthal, Inc. The suit was resolved in 2021 and was wholly unrelated to the Debtors and these cases.
- j. From time to time, affiliates of Hilco may work with other law firms, advisory firms or entities categorized as professional service providers, including but not limited to (i) B.Riley Advisory Services, (ii) BDO USA, (iii) Great American Group, (iv) Riveron, (v) Katten Muchin Rosenman LLP, (vi) McDonald Hopkins LLC, (vii) Klehr Harrison Harvey Branzbur, (viii) Morris, Nichols & Tunnell LLP, and (ix) McGuire Woods LLP.
- k. Because of the magnitude of the entire creditor list in this case, it is possible that Hilco may represent or may have represented other creditors of the Debtors but does not represent any such creditors in connection with this case. Hilco presently or in the past has served as a professional person in other matters, wholly unrelated to the Debtors or this case, in which other attorneys, accountants and other professionals of the Debtors, creditors, or other parties in interest may have also served or serve as professional persons.