

STATE OF NORTH CAROLINA  
RANDOLPH COUNTY

IN THE GENERAL COURT OF JUSTICE  
SUPERIOR COURT DIVISION  
23-CVS-1786

BANK OF AMERICA, N.A.,

Plaintiff,

v.

KLAUSSNER FURNITURE  
INDUSTRIES, INC.; CANDOR  
CREEK INVESTMENTS, LLC;  
KLAUSSNER INTERNATIONAL,  
LLC; KLAUSSNER CORPORATE  
SERVICES, INC.; COMMUNITY  
DENTAL NETWORK, LLC;  
PRESTIGE FABRICATORS, INC.;  
KLAUSSNER FURNITURE OF  
CALIFORNIA, INC.; and EAGLE  
INTERMEDIATE HOLDINGS, INC.,

Defendants.

**Supplement to Brief in Support of**  
**Motion to Expedite**

Focus Management Group USA, Inc. (“**Focus**”) and Michael Grau, as Focus’s Agent (collectively, “**Receiver**”),<sup>1</sup> as general receiver for Klaussner Furniture Industries, Inc., Candor Creek Investments, LLC, Klaussner International, LLC, Klaussner Corporate Services, Inc., Community Dental Network, LLC, Prestige Fabricators, Inc., Klaussner Furniture of California, Inc. and Eagle Intermediate Holdings, Inc. (collectively, “**Defendants**”), by and through undersigned counsel, hereby submits this Supplement to Brief in Support of Motion to Expedite pursuant

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<sup>1</sup> The Receiver is the general receiver over the Defendants, including all tangible and intangible assets of Defendants (the “**Receivership Estate**”) pursuant to that certain Order Appointing General Receiver entered in the above-captioned proceeding on September 1, 2023 [ECF No. 23].

to the *Notice of Status Conference* [ECF No. 90] entered November 17, 2023. In support thereof, the Receiver represents as follows:

1. The Court ordered that the Receiver file “[a] list of the categories of known non-inventory assets, (*see* ECF No. 87), including a brief description of the assets and an estimated sale price for that asset. The list should also include a statement regarding whether the liquidator(s) retained by the Receiver have received any offers to purchase the asset[.]” Notice of Status Conference, p.1.

2. In accordance with such order, the Receiver submits the attached Schedule of Raw Materials, attached hereto as **Exhibit A**, demonstrating the known non-inventory assets, the current price estimates, and pending bids received from potential purchasers.

3. The Court also ordered that the Receiver file “[a] statement from counsel for the Receiver setting forth the basis for their statement that ‘BANA holds the only properly perfected security interest in the Non-Inventory Assets.’” *Id.* at 2.

4. A Uniform Commercial Code lien search performed by Receiver’s counsel (“**KLG**”) on each of the Defendant entities showed that Defendants were encumbered by four liens, held by: (1) Bank of America, N.A. (“**BANA**”), (2) The CIT Group/Commercial Services, Inc., (3) Prime Alliance Bank, Inc., and (4) Milberg Factors, Inc. A copy of the UCC search results are attached in a chart format as **Exhibit B**, and a full listing of the individual search results are attached as **Exhibit C**.

5.

6. The creditors other than BANA who filed UCC-1 financing statements asserted liens in specific collateral and not all asset liens. The collateral involved are accounts receivable that have been factored to either Milberg or CIT under their respective agreements. The Prime Alliance collateral is specific collateral under the terms of the Master Lease referenced in its agreement. There are a few other creditors who have asserted freight or materialman's liens upon inventory assets but not Non-Inventory Assets that are the subject of the Motion.

7. After reviewing the types of various stored goods constituting the Non-Inventory Assets located at certain of the Defendants' leased locations, and the scope of the existing liens filed against the Defendants, the Receiver and KLG has determined that such assets are under no further encumbrance other than the first priority lien held by BANA.

This is the 20th day of November, 2023.

**K&L GATES LLP**

/s/ Margaret R. Westbrook

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## CERTIFICATE OF SERVICE

A copy of this document was electronically filed using the Business Court's online filing system and, therefore, will be served in accordance with Rule 3.9(a) of the Business Court Rules by issuance of a Notice of Filing sent to the parties:

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Dated: November 20th, 2023

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