



SPRING 2021

Independence Lumber, VA & NC Sawmills, Seeks bids for May 26th Auction

FACILITIES LOCATION:

Virginia & North Carolina



INDUSTRY:

Sawmill

COMPANY HIGHLIGHTS:

- Two leading regional sawmills
- 180,000 BF Sawing Capacity per eight-hour shift
- 1.2 million BF Kiln Drying capacity
- Integrated operations include logging, log storage and trucking

The Federal Receiver has accepted a Stalking Horse Bid of \$4.0 million for all the assets of Independence Lumber and is soliciting overbids for a proposed auction of the Company's two locations (separately or combined). Overbids are due on May 24th, 2021.

COMPANY OVERVIEW

Founded in 1981, Independence Lumber Inc. (the "Company") operates two leading sawmills, approximately 40 miles from each other, in Virginia ("VA") and North Carolina ("NC"). From these two automated locations, the Company primarily produces green and kiln-dried lumber and ancillary products such as sawdust, wood chips, firewood, and pallets. The Company's products have been traditionally sold to domestic manufacturers and to overseas markets through brokers. Each represents approximately 50% of the company's revenue.



The larger of the two facilities, located in VA, has a capacity of 100,000 board feet ("BF") per eight-hour shift. In that same facility the Company can dry nearly 900,000 BF in its kiln operations. This facility operates on 211 acres and has room for expanded operations. Over 4,000,000 BF of timber can be stored at this location. Purchased in 2014, the smaller of the two facilities has a capacity of 80,000 BF per eight-hour shift, a kiln capacity of 270,000 BF and storage for 1,000,000 BF of timber. This facility operates on 38 acres, located in NC, with room for expanded operations.

The Company employs two full-time logging crews. Species agnostic, the Company has operated with a mix of hardwoods and pine. Timber is sourced from the 100-mile radius surrounding the Company's locations. Gate timber is purchased from loggers in addition to timber sourced from owned or leased timber tracts. In addition to mill storage, two additional log yards can store 1,000,000 BF of timber.

The tariffs instituted by the Chinese government during 2018 and 2019, combined with the COVID-19 pandemic induced

manufacturing slowdown, caused demand to weaken, lumber prices to fall and margins to decrease, leaving the business without sufficient cash to operate. For 2019, the Company reported revenue of nearly \$31 million, which has fallen to just below \$25 million for 2020. For the first quarter of 2021 the Company achieved a net income before restructuring expenses of \$85,155 and EBITDA of \$425,126.

A Federal Receiver was appointed in July 2020 to manage the operations. The Receiver continues to operate both sawmills and purchase logs. The management team and key employees have remained with the Company throughout the Receivership.

CURRENT SITUATION – REQUEST FOR OVERBIDS

A Stalking Horse Bid ("SHB") of \$4.0 million for substantially all assets of the Company has been secured. The Receiver is soliciting qualified Overbids in an out of court auction process with the final sale subject to court approval. Overbids are due by 5PM EDT on May 24th, 2021. Three Twenty-One Capital Partners has been retained as the exclusive investment banker representing the Company. The Federal Receiver is entertaining qualified Overbids for the Company's assets, either as a whole and on an individual basis.

Process Dates*

- Overbids due 05/24
- Auction 05/26
- SHB: \$4.0M

**Subject to change*

FOR MORE INFORMATION

Please complete and return a signed Confidentiality Agreement (CA) on the next page for access to the Confidential Information Presentation and supporting Virtual Data Room. Signed CA's should be emailed to jacob@321capital.com.

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CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (this "Agreement") is dated as of _____, 2021, and is by and between _____, (the "Company") and _____ (the "Recipient").

1. **Confidential Information; Representatives.** The Company is interested in entering into a possible transaction involving the Recipient (the "Transaction"), and in order to assist the Recipient in evaluating the Transaction, the Company is prepared to make available to the Recipient certain confidential, non-public or proprietary information concerning the business, assets, operations, projections and finances of the Company, its affiliates and/or its related entities (any and all such information, provided to the Recipient before, on or after the date of this Agreement by or on behalf the Company (including, without limitation, all such information provided by Aurora Management Partners, Inc and its representatives), its affiliates and/or its related entities, regardless of the format of such information or manner in which such is provided, together with all notes, summaries, analysis, compilations, studies, interpretations, memoranda and other documents based thereon or extracts, copies and other reproductions thereof is herein referred to as the "Confidential Information"). As a condition to the Confidential Information being furnished to the Recipient and its directors, officers, employees and professional advisors (collectively, "Representatives"), the Recipient agrees to treat the Confidential Information in accordance with the provisions of this Agreement and to take or abstain from taking certain other actions hereinafter set forth.

2. **Excluded Information.** The Confidential Information shall not include information that (i) is or becomes generally available to the public other than as a result of any disclosure resulting from an act or omission by the Recipient or any of its Representatives, (ii) is or becomes lawfully known to the Recipient on a non-confidential basis from a source other than the Company, Aurora Management Partners, Inc or any of their respective affiliates or related entities or any of their respective representatives, provided that such source is not known to the Recipient, after due inquiry, to be subject to any contractual, legal, fiduciary or other obligation of confidentiality with respect to such information, (iii) is within the possession of the Recipient or any of its Representatives prior to being furnished to the Recipient pursuant hereto, or (iv) is independently developed by Recipient or any of its Representatives without the use of the Confidential Information.

3. **Non-Disclosure of Confidential Information.** The Recipient and its Representatives shall use the Confidential Information solely for the purpose of evaluating the Transaction and for no other purpose whatsoever. The Recipient shall keep the Confidential Information in strict confidence and shall not disclose any of the Confidential Information in any manner whatsoever; provided, however, that (i) the Recipient may make any disclosure of information contained in the Confidential Information to which the Company gives its prior written consent, and (ii) any information contained in the Confidential Information may be disclosed to the Recipient's Representatives who (a) need to know such information for the purpose of evaluating the Transaction, (b) have been informed by the Recipient of the confidential nature of such information and the existence and terms of this Agreement and (c) agree to act in accordance with the terms and conditions of this Agreement to the same extent as if they were a party hereto. The Recipient shall be liable for any breach or other violation of this Agreement by any of its Representatives as if the Recipient had committed such breach or other violation.

4. **Non-Disclosure of Existence of Negotiations.** Without the prior written consent of the Company, or unless required by applicable law or regulation (and then only after compliance with paragraph 6 below), neither the Recipient nor any person or entity acting on its behalf shall disclose to any other person that it has received the Confidential Information or that discussions or negotiations are taking place between the parties concerning a possible Transaction, including the status of such discussions or negotiations.

5. **Return of Confidential Information.** At anytime upon the request of the Company, the Recipient will (i) destroy all notes, summaries, analysis, compilations, studies, interpretations, memoranda and other documents prepared by the Recipient or its Representatives that contain or reflect the Confidential Information and (ii) return to the Company or destroy all Confidential Information, including any copies in the possession of Recipients of its Representatives. If requested by the Company, the Recipient shall

promptly confirm its compliance with this paragraph to the Company in writing. Notwithstanding the foregoing, neither Recipient nor Recipient's Representatives shall be required to return or destroy (i) any computer records or files containing Confidential Information that have been created pursuant to automatic archiving or back-up procedures or (ii) any Confidential Information to the extent Recipient or any such Representative (as applicable) is required to retain Confidential Information to comply with applicable law, rule, regulation, legal process or established document retention policy.

6. **Subpoena or Court Order.** In the event that the Recipient or anyone to whom it discloses the Confidential Information receives a request to disclose all or any part of the Confidential Information or the information described in paragraph 4 above under the terms of a subpoena or other order issued by a court of competent jurisdiction or by another governmental agency, the Recipient shall (i) promptly notify the Company of the existence, terms and circumstances surrounding such a request, (ii) consult with the Company on the advisability of taking steps to resist or narrow such request, (iii) if disclosure of such Confidential Information or the information described in paragraph 4 above is required, furnish only such portion of the Confidential Information or the information described in paragraph 4 above as the Recipient is advised by its legal counsel is legally required to be disclosed, and (iv) cooperate with the Company in its efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to such portion of the Confidential Information or the information described in paragraph 4 above that is required to be disclosed.

7. **Disclaimer of Warranty.** None of the Company, its affiliates or related entities, nor any of their respective directors, officers, employees, agents or other representatives (including, without limitation, Aurora Management Partners, Inc and its representatives) has made or makes any representation or warranty as to the accuracy or completeness of the Confidential Information. The Recipient agrees that none of the Company, its affiliates or related entities, nor any of their respective directors, officers, employees, agents or other representatives (including, without limitation, Aurora Management Partners, Inc and its representatives) shall have any liability to the Recipient or any of its Representatives resulting directly or indirectly from the Recipient's use of the Confidential Information or the use of the Confidential Information by the Recipient's Representatives.

8. **Property Rights.** All Confidential Information disclosed by or on behalf of the Company, its affiliates and/or related entities, to the Recipient or its Representatives shall remain the property of the Company, its affiliates and/or related entities, as applicable. No licenses or rights under any patent, copyright, trademark, trade name, trade secret or other intellectual property are granted to the Recipient or any of its Representatives, or are to be implied by reason of this Agreement.

9. **Definitive Agreement.** Unless and until a definitive written agreement between the Company and the Recipient with respect to a Transaction has been executed and delivered, neither the Company nor the Recipient will be under any legal obligation of any kind whatsoever with respect to such a Transaction by virtue of this or any other written or oral expression by either of them or their Representatives except, in the case of this Agreement, for the matters specifically agreed to herein.

10. **Remedies.** The Recipient acknowledges that in the event of any breach of this Agreement, the Company would be irreparably damaged and could not be made whole by monetary damages. Accordingly, the Company, in addition to any other remedy to which it may be entitled in law or in equity, shall be entitled to seek an injunction to prevent breaches of this Agreement, and to seek an order compelling specific performance of this Agreement, without the necessity of posting bond or other security. The non-prevailing party in any such action shall reimburse the prevailing party for all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party.

11. **Entire Agreement; Amendments.** This Agreement represents the entire understanding and agreement of the parties hereto with respect to the matters contained herein, and may be amended, modified or waived only by a separate writing executed by the Company and the Recipient expressly so amending, modifying or waiving this Agreement.

12. **No Waiver.** No failure or delay by the Company in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.

13. **Governing Law.** This Agreement shall be governed and construed in accordance with the laws of the State of North Carolina, United States of America, without regard to the laws of conflict of laws.

14. **Captions; Counterparts; Facsimile; Term.** The Captions contained in this Agreement are for convenience only and shall not affect the construction or interpretation of any provisions of this Agreement. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same Agreement, and may be delivered by facsimile or other reliable electronic means. This Agreement shall terminate and be of no further force or effect **one year** from and after the date hereof, provided that, without limiting the Recipient's other obligations contained herein, the obligations set forth herein shall continue with respect to any Confidential Information not returned or destroyed in accordance with paragraph 5 hereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, THIS AGREEMENT is executed and delivered effective as of the date first written above.

Company:

[NAME]

Name: Laura Kendall

Title: Senior Managing Director
Aurora Management Partners, Inc.

Recipient:

Company: _____

By: _____

Name: _____

Title: _____

Email: _____

Phone: _____

Address line 1: _____

Address line 2: _____