

CHAPTER 5

SECTION 4

Case Studies of Successful RLF Business Loans

A. Wholesale Distribution Center

In the Spring of 1995, Furry Sons approached the First Mid-Illinois Bank of Mattoon, Coles County, Illinois to purchase and renovate the Columbia Machine Building on the City's east side. Considered one of the biggest industrial eyesores in the area, the project proposal was to create a multi-purpose office and wholesale distribution center by adding a new roof, putting down concrete flooring and repairing the door bays. The total cost was about \$290,000. The project would create eight jobs with over 51 percent of the jobs going to persons of low-to-moderate income. Most of the owners of the property the bank was dealing with were located outside of Illinois. The one Illinois owner wanted to retain ownership in the remaining 13 acres of the original 15 acre site of which the Columbia property was then a part. Also, the original owners were, at first, reluctant to sell the site preferring to lease it. After extensive discussions, the owners were persuaded to sell the property outright. The Bank was, subsequently, interested in the deal, but wanted additional subordinated RLF financing to participate as it fell short of conventional bank lending standards. The Bank was willing to provide \$175,000 and the owners \$40,000. However, there was a "financial gap" of \$75,000 which need to be filled to complete the project. Furry Sons applied to Mattoon's RLF for the gap financing which was approved. Thanks to Mattoon's RLF, eight jobs were created, a major industrial eyesore was renovated, and a large distribution center was established. The newest distribution center customer is the Mattoon School District which stores most of their supplies at the center.

B. Bicycle Helmet Manufacturer

In the late 1980's and the early 1990's, a manufacturer of bicycle helmets and accessories located in north Champaign County was in the midst of a needed expansion to remain competitive with national and international competitors. Low interest loan financing was needed to underwrite this expansion. The complex financing package totaled approximately \$3,000,000. The manufacturer applied to the Champaign County RLF fund for over \$800,000 to complete the package. The firm received two CDAP RLF loans totaling \$840,000 from the Champaign County RLF fund. RLF financing was critical in that it permitted the infusion of approximately \$2,100,000 equity and bank capital needed to accommodate fast track growth. This project featured intercreditor and subordination agreements designed to spell out collateral assignments and lien positions of the lenders. The resulting financing was so advantageous that 550 jobs were created and retained, a venture capitalist who was part of an earlier financing bowed out after the successful sale of \$15,000,000 of common stock, and the company's profitability was substantially increased.