

City of Peoria
ECONOMIC DEVELOPMENT DEPARTMENT
MEMO

DATE: January 27, 2020

TO: Patrick Urich, City Manager

FROM: Cesar J. Suarez, Senior Development Specialist

SUBJECT: Loan Review Panel Recommendation – Paper Investment & IVEX

Paper Investment LLC (Owner), IVEX Specialty LLC (Operator), and Brent Earnshaw (Major Equity Investor) have submitted a loan application requesting \$250,000 in gap financing from the City's RLF Program. A total investment of \$4.275 million is planned to a) purchase IVEX Paper mill as a going concern, b) upgrade its machinery and equipment, and c) obtain working capital funding. IVEX Specialty Paper Mill is located at 1 Sloan Street and consists of 125,000 sf on 10 acres. The project would save/retain 46 jobs and create 5 new jobs.

Upon review of the loan application (attached) and supporting documentation the Loan Review Panel recommended on January 27, the loan be approved based on the following:

The loan meets the following Revolving Loan Fund Guidelines:

1. The business will provide 10% equity or more, (5% or more if MBE)
2. The revolving loan does not exceed 33% of the project cost (50% if MBE).
3. There amount of loan is within \$25,000 per job retained/created (\$30,000 if MBE).
4. There is sufficient cash flow to cover all required payments
5. The loan is sufficiently collateralized.

The following terms of the loan are recommended:

1. A loan amount of \$250,000 at an interest rate of 4% for a term of 10 years, amortized over 20 years, with a 1% closing fee. The loan would be fully disbursed at closing, with principal and interest payments starting at the beginning of the first month full month.
2. Signatories on loan will be Brent Earnshaw, and authorized signatories of both LLCs.
3. Loan to be secured with: a) co-signing of Brent Earnshaw and both LLC's, b) a \$250,000 2nd mortgage on 1 Sloan Street, c) a UCC on all business assets subordinate to bank loan.
4. City to be named additional insured in business insurance policy.

The following conditions are recommended:

1. Receipt of final executed Purchase agreement
2. Receipt and validation of real estate appraisal and equipment appraisal and other assets pledged as collateral.
3. Receipt and validation of the required equity in cash and marketable securities.
4. Receipt and validation of the required debt in the form of promissory note from bank.
5. Participating bank/s environmental review and approval.