



\$10,000,000 (not-to-exceed amount)
Freedman Seating Company, Freedman Building L.L.C., FSLH, LLC, FSLH, LLC - Series 4545, FSLH, LLC - Series 4501, FSLH, LLC - Series 7346 and FBSA LLC
September 22, 2014

REQUEST	<p>Purpose: Bond proceeds will be loaned to Freedman Seating Company, an Illinois corporation, and Freedman Building L.L.C., FSLH, LLC, FSLH, LLC - Series 4545, FSLH, LLC - Series 4501, FSLH, LLC - Series 7346 and FBSA LLC, each an Illinois limited liability company (collectively, the “Borrower”), in order to assist the Borrower in providing a portion of the funds necessary to (i) finance or refinance costs of acquisition, renovation, construction and equipping of the Borrower’s existing seating manufacturing facilities, and related manufacturing equipment, located at 4501 and 4545 West Augusta Blvd., Chicago, Illinois (the “New Money Project”), and (ii) refund the outstanding principal amount of the Authority’s Industrial Development Revenue and Refunding Bonds (Freedman Seating Company Project), Series 2012 (the “Series 2012 Bonds”) (the New Money Project and the refunding described above, collectively, the “Financing Purposes”).</p> <p>Program: Industrial Revenue Bond</p> <p>Volume Cap required: This Project is expected to require an anticipated \$4.55MM of IFA 2014 Volume Cap to finance the New Money portion of this project.</p> <p>No IFA Funds at risk. No State Funds at risk.</p>																												
BOARD ACTION	<p>Final Bond Resolution Voting Record (May 13, 2014) – Preliminary Bond Resolution: 10 Yeas; 0 Nays; 0 Abstain; 5 Absent.</p>																												
MATERIAL CHANGES	<p>In addition to the New Money portion of this project, the plan of finance now contemplates refunding the IFA Series 2012 Bond (approximately \$5.45MM outstanding as of 9/1/14). Together, the New Money portion and the Refunded Money portion of the Project will not exceed \$10.00MM.</p>																												
JOB DATA	<table border="0"> <tr> <td style="padding-right: 20px;">622</td> <td style="padding-right: 20px;">Current jobs</td> <td style="padding-right: 20px;">30</td> <td>New jobs projected</td> </tr> <tr> <td>N/A</td> <td>Retained jobs</td> <td>50</td> <td>Construction jobs projected (12 months)</td> </tr> </table>	622	Current jobs	30	New jobs projected	N/A	Retained jobs	50	Construction jobs projected (12 months)																				
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BORROWER DESCRIPTION	<ul style="list-style-type: none"> • Type of entity: Manufacturer of upholstered seating used in commercial trucks and buses. • Location: Chicago/Cook/Northeast • A key element of the Company's strategy is to grow its market share in the heavy-duty transit-seating segment of the business. Thus, the renovation of the existing building will be used by the Borrower to expand and improve existing manufacturing operations and to expand design engineering capabilities to support on-site manufacturing. 																												
CREDIT INDICATORS	<ul style="list-style-type: none"> • The Series 2014 Bond will be purchased directly by Wells Fargo Bank, N.A. as a direct investment. Wells Fargo will be the secured lender and direct bond investor. 																												
STRUCTURE	<ul style="list-style-type: none"> • Term: Not-to-exceed 40 years (anticipated maximum of 25 years on real estate assets and anticipated maximum of 10 years on equipment) • Rate: The Bond will be purchased directly by Wells Fargo Bank, N.A. as a direct investment and is expected to bear an interest rate that will be reset every 5 years until maturity. The initial interest rate is currently estimated at between 3.0% and 4.0%. • In addition to issuing approximately \$4.55MM of New Money Bonds, approximately \$5.45MM of the outstanding IFA Series 2012 Bond will be refunded as well. 																												
SOURCES AND USES ESTIMATED	<table border="0"> <tr> <td colspan="2">Sources:</td> <td colspan="2">Uses:</td> </tr> <tr> <td>IFA Bond</td> <td style="text-align: right;">\$4,550,000</td> <td>Equipment:</td> <td style="text-align: right;">\$2,050,000</td> </tr> <tr> <td>Refunding Bond</td> <td style="text-align: right;">5,450,000</td> <td>Rehabilitation</td> <td style="text-align: right;">2,250,000</td> </tr> <tr> <td>Equity</td> <td style="text-align: right;"><u>150,000</u></td> <td>Architectural/Engineering</td> <td style="text-align: right;">250,000</td> </tr> <tr> <td></td> <td></td> <td>Refunding Escrow</td> <td style="text-align: right;">5,450,000</td> </tr> <tr> <td></td> <td></td> <td>Costs of Issuance</td> <td style="text-align: right;"><u>150,000</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>\$10,150,000</u></td> <td>Total</td> <td style="text-align: right;"><u>\$10,150,000</u></td> </tr> </table>	Sources:		Uses:		IFA Bond	\$4,550,000	Equipment:	\$2,050,000	Refunding Bond	5,450,000	Rehabilitation	2,250,000	Equity	<u>150,000</u>	Architectural/Engineering	250,000			Refunding Escrow	5,450,000			Costs of Issuance	<u>150,000</u>	Total	<u>\$10,150,000</u>	Total	<u>\$10,150,000</u>
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RECOMMENDATION	<p>Credit Review Committee recommends approval.</p>																												

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
September 22, 2014**

**Project: Freedman Seating Company, Freedman Building L.L.C., FSLH, LLC,
FSLH, LLC - Series 4545, FSLH, LLC - Series 4501, FSLH, LLC - Series
7346 and FBSA LLC**

STATISTICS

IFA Project:	I-ID-TE-CD-8681	Amount:	\$10,000,000 (<i>not-to-exceed amount; including not-to-exceed \$4.55MM of New Money</i>)
Type:	Industrial Revenue Bond	IFA Staff:	Rich Frampton and Brad R. Fletcher
Location:	Chicago	County/ Region:	Cook / Northeast

BOARD ACTION

Final Bond Resolution Conduit Industrial Revenue Bond and Refunding Bond	No IFA funds at risk
Credit committee recommends approval	No extraordinary conditions

VOTING RECORD

Voting Record (May 13, 2014) – Preliminary Bond Resolution: 10 Yeas; 0 Nays; 0 Abstain; 5 Absent.

PURPOSE

Bond proceeds will be loaned to **Freedman Seating Company**, an Illinois corporation, and Freedman Building L.L.C., FSLH, LLC, FSLH, LLC - Series 4545, FSLH, LLC - Series 4501, FSLH, LLC - Series 7346 and FBSA LLC, each an Illinois limited liability company (collectively, the “**Borrower**”), in order to assist the Borrower in providing a portion of the funds necessary to (i) finance or refinance costs of acquisition, renovation, construction and equipping of the Borrower’s existing seating manufacturing facilities, and related manufacturing equipment, located at 4501 and 4545 West Augusta Blvd., Chicago, Illinois (the “**New Money Project**”), and (ii) refund the outstanding principal amount of the Authority’s Industrial Development Revenue and Refunding Bonds (Freedman Seating Company Project), Series 2012 (the “**Series 2012 Bonds**”) (the New Money Project and the refunding described above, collectively, the “**Financing Purposes**”).

IFA PROGRAM AND CONTRIBUTION

The Authority’s Industrial Revenue Program provides tax-exempt financing for qualifying manufacturing projects.

VOLUME CAP

The Authority’s Industrial Revenue Bond Program provides low interest rate financing for qualifying manufacturing projects. IFA’s issuance of the Industrial Revenue Bond will enable the Borrower to obtain a lower interest rate on this capital project. It is anticipated that IFA will provide 100% of the Volume Cap allocation required to finance the New Money portion of this Project (i.e., anticipated amount of \$4.55MM; together, the final par amount of the New Money portion and the Refunded Money portion of this Project will equal \$10.0MM).

SOURCES AND USES OF FUNDS

Sources:		Uses:	
IFA Bond	\$4,550,000	Equipment:	\$2,050,000
Refunding Bond	5,450,000	Rehabilitation	2,250,000
Equity	<u>150,000</u>	Architectural/Engineering	250,000
		Refunding Escrow	5,000,000
		Costs of Issuance	<u>150,000</u>
Total	<u>\$10,150,000</u>	Total	<u>\$10,150,000</u>

JOBS

Current employment:	622	New jobs projected:	30
Jobs retained:	N/A	Construction jobs projected:	50 (12 months)

FINANCING SUMMARY

Structure/Credit

Enhancement: The conduit Industrial Revenue Bond will be purchased directly by Wells Fargo Bank, N.A. as the Direct Investor/Lender.

Interest Rate: The Bond will be purchased directly by Wells Fargo Bank, N.A. as a direct investment and is expected to bear an interest rate that will be reset every 5 years until maturity. The initial interest rate is currently estimated at between 3.0% and 4.0% for the initial term.

Bank Collateral: Wells Fargo Bank, N.A. will be secured by a first mortgage on the subject property, a first lien on the financed equipment, a corporate guarantee by Freedman Seating Company, Inc. and a collateral assignment of Rents and Leases any real estate and equipment that is leased to Freedman Seating Company, Inc.

Maturity: Not-to-exceed 40 years (anticipated maximum of 25 Years on real estate assets and anticipated maximum of 10 years on equipment)

Closing: September 2014

BUSINESS SUMMARY

Description: **Freedman Building, L.L.C.** (the “**LLC**”) is a special purpose real estate entity that is owned by the principal owners of **Freedman Seating Company, Inc.** (the “**Company**”) (and collectively with Freedman Building, L.L.C., FSLH, LLC, FSLH, LLC - Series 4545, FSLH, LLC - Series 4501, FSLH, LLC - Series 7346 and FBSA LLC, each an Illinois limited liability company, the “**Borrower**”). Freedman Building, L.L.C. or affiliates will own the subject real estate while Freedman Seating Company, Inc. or affiliates will own the subject equipment.

Owners of 7.5% or more of Freedman Seating Company, Inc. and its various affiliates are identified in the Economic Disclosure Statement section of this report (see pp. 5-6). The Company has been owned by members of the Freedman family since it was founded in the 1890s. The same parties will also be involved in any successor affiliate that serves as a co-borrower on the subject financing.

Background: **Freedman Seating Company, Inc.** was originally founded by members by the Freedman family over 120 years ago as a manufacturer of seat cushions for horse drawn buggies. The Company has been based in Chicago since its inception and continues to be owned by members of the Freedman family. Freedman Seating has evolved over time, with the Company's principal market now consisting of manufacturing upholstered seating products used in buses and commercial trucks.

Freedman has posted steady growth since 1999, when the Company relocated from the Ravenswood neighborhood to its present facility on Chicago's West Side which enabled the Company to quadruple its production capacity.

IFA issued approximately \$2.24MM of Industrial Development Revenue Bonds in 2005 that financed the acquisition of equipment to enable the Company to add a transit seat production line under a joint venture with the USSC Group (all payments on the IFA Series 2005 Bonds have been paid as scheduled and are current). Since installation of the transit seat line in 2006, Freedman has added lines to manufacture school bus seat headrests and seat belts.

Freedman Seating has steadily expanded its employment from 265 at the time of its 1998 expansion/relocation from Ravenswood, to 363 in 2005 (prior to the IFA-financed equipment expansion) to 622 presently. Additionally, the Company anticipated creating 43 new jobs within two years of completing its 2005 IFA-financed expansion (resulting in 406 total jobs pursuant to their 2005 forecast). Instead, Freedman Seating's continued growth resulted in additional hiring – the Company's headcount in 2012 of 530 significantly exceeded their forecast of 406 based on their 2005 application.

Moreover, in 2012, Freedman Seating returned to the IFA to purchase, renovate, and equip the subject facility at 4501 W. Augusta Blvd. that is being renovated (and built-out) as part of the New Money portion of this financing. Freedman also refunded \$1,085,000 principal amount of the Authority's Industrial Development Revenue Bonds (Freedman Seating Company Project), Series 2005, and \$1,855,000 principal amount of City of Chicago Industrial Development Revenue Bonds, Series 1998, as part of the 2012 transaction. At the time of the IFA application in 2012, the Company again anticipated creating 43 new jobs within two years of completing its 2012 IFA-financed expansion (resulting in 573 total jobs pursuant to their 2012 forecast). Instead, Freedman Seating's continued growth resulted in additional hiring – the Company's headcount in 2014 of 622 significantly exceeded their forecast of 573 in their 2012 application.

Freedman Seating Company, Inc. produces over 50 products in five product lines. Freedman Seating's on-site production is comprised of the following activities: metal forming, bending and welding, fabric cutting and sewing, upholstery and assembly. These production activities are supported by a 40-member design and engineering team, as well as a quality testing department. According to the Company's management, Freedman Seating has been gaining market share in the heavy-duty transit seating segment of the upholstered seating business by providing reduced lead times and improved sales support and also providing replacement seating to OEM manufacturers.

Key OEM bus builders with U.S. operations that purchase seating include Daimler Benz/Freightliner, Navistar, New Flyer, Neoplan, North America Bus, and Gillig.

In addition to bringing back production that was previously sourced offshore, Freedman Seating also sources many parts from steel, plastic, hardware, and screw machine parts from U.S.-based suppliers located in Illinois and nearby states.

Rationale: The proposed Project is necessary to enable Freedman Seating to increase production capacity to serve the heavy-duty transit-seating segment of the seating business. Tax-Exempt Industrial Revenue Bond financing will help the Company finance its capital intensive growth at a significantly lower interest rate, thereby enabling the Company to more effectively compete with foreign competition based in Europe, Asia, or South America.

According to the Company, Freedman Seating is the largest employer in the 37th Ward of the City of Chicago.

PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)

Bond proceeds will be loaned to **Freedman Seating Company**, an Illinois corporation, and Freedman Building L.L.C., FSLH, LLC, FSLH, LLC - Series 4545, FSLH, LLC - Series 4501, FSLH, LLC - Series 7346 and FBSA LLC, each an Illinois limited liability company (collectively, the “**Borrower**”), in order to assist the Borrower in providing a portion of the funds necessary to (i) finance or refinance costs of acquisition, renovation, construction and equipping of the Borrower’s existing seating manufacturing facilities, and related manufacturing equipment, located at 4501 and 4545 West Augusta Blvd., Chicago, Illinois (the “**New Money Project**”), and (ii) refund the outstanding principal amount of the Authority’s Industrial Development Revenue and Refunding Bonds (Freedman Seating Company Project), Series 2012 (the “**Series 2012 Bonds**”) (the New Money Project and the refunding described above, collectively, the “**Financing Purposes**”).

Estimated New Money project costs consist of the following:

Equipment	\$2,050,000
Rehabilitation	2,250,000
Architectural/Engineering	250,000
Total New Money Project Costs	<u>\$4,550,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: Freedman Seating Company, Inc. and its affiliates, c/o Mr. Lynn Crim, Controller, Freedman Seating Company, Inc., 4545 W. Augusta Blvd., Chicago, IL 60651; Ph. 773-524-2440; Email: lynnc@freedmanseat.com

Website: www.freedmanseating.com

Project name: IFA Industrial Revenue Bond (Freedman Seating Project), Series 2014

Locations: 4501 W. Augusta Blvd., 914 N. Kilbourn Ave., 976 W. Kilbourn Ave., 4500 W. Chicago Ave., all in Chicago, Illinois 60651

Ownership Information: All management employees or individuals holding a 7.5% or greater ownership interest (i.e., IFA private company disclosure threshold) in Freedman Seating Company, Inc. are listed below:

(i) **Real Estate Tenant/Operating Company/Equipment Owner/Equipment Lessee/Corporate Guarantor:**

**Freedman Seating Company, an Illinois corporation:
Ownership:**

- Craig Freedman, President;
- Daniel Smith-Cohen, VP Sales;
- David L. Cohen, Vice President; and
- Wendy Freedman-Borsuk (no operational ties)*

* Note: 100% of common stock of Freedman Seating Company is held within the Freedman family.

(ii) **Limited Liability Company Affiliates of Freedman Seating Company (and Owners of Various Assets financed by Series 2014 Bond Proceeds):**

Freedman Building, L.L.C., FSLH, LLC, FSLH, LLC - Series 4545, FSLH, LLC - Series 4501, FSLH, LLC - Series 7346 and FBSA LLC (each entity is an Illinois Limited Liability Company) an Illinois limited liability company):

- Craig Freedman, Manager;
- Daniel Smith-Cohen, Member (VP Sales); and
- David L. Cohen, Member (Vice President).

PROFESSIONAL & FINANCIAL

General Counsel:	Robbins Salomon & Patt, Ltd.	Chicago, IL	Richard Gayle
Accounting:	FLS Group, LLC	Skokie, IL	
Bank (Direct Purchaser/ Lender):	Wells Fargo Bank, N.A.	Chicago, IL	Mary K. Webster Sean D. Fox
Bond Counsel:	Greenberg Traurig LLP	Chicago, IL	Matt Lewin
Bank Counsel:	Thompson Coburn LLP	Chicago, IL	Thomas C. Smith
Architect/Contractor:	Inbalance LLC	Chicago, IL	
IFA Counsel:	Schiff Hardin LLP	Chicago, IL	Bruce Weisenthal
IFA Financial Advisor:	Acacia Financial Group, Inc.	Chicago, IL	Jim Beck

LEGISLATIVE DISTRICTS

Congressional:	7
State Senate:	5
State House:	10
