



July 8, 2014

\$4,000,000 (not-to-exceed amount)
Peddinghaus Corporation

REQUEST	<p>Purpose: Bond proceeds will be loaned to Peddinghaus Corporation, a Delaware corporation (the “Borrower” or the “Company”), for the purpose of providing the Borrower with all or a portion of the funds for the purpose of assisting in financing all or a portion of the costs of (i) acquisition and installation of equipment at its existing manufacturing buildings located at 300 N. Washington Ave. and 301 N. Washington Ave., in Bradley (Kankakee County), Illinois, 60915, including necessary site work or improvements therein, all for use in expanding the Borrower’s manufacturing capacity of its proprietary steel fabrication machines, (ii) paying capitalized interest, if deemed necessary or desirable by the Borrower, and (iii) paying bond issuance costs, all as permitted by the Act (collectively, the “Project”).</p> <p>Program: Industrial Revenue Bond</p> <p>Volume Cap required: This Project is expected to require an anticipated \$4.0MM of IFA 2014 Volume Cap. No IFA Funds at risk. No State Funds at risk.</p>																				
BOARD ACTION	<p>Final Bond Resolution</p> <p>Voting Record (June 10, 2014) – Preliminary Bond Resolution: 10 Yeas; 0 Nays; 0 Abstain; 5 Absent.</p>																				
MATERIAL CHANGES	<p>None.</p>																				
JOB DATA	<table border="0"> <tr> <td style="padding-right: 20px;">286</td> <td style="padding-right: 20px;">Current jobs</td> <td style="padding-right: 20px;">6</td> <td>New jobs projected</td> </tr> <tr> <td>N/A</td> <td>Retained jobs</td> <td>18-20</td> <td>Peak Construction jobs projected (4-6 months)</td> </tr> </table>	286	Current jobs	6	New jobs projected	N/A	Retained jobs	18-20	Peak Construction jobs projected (4-6 months)												
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BORROWER DESCRIPTION	<ul style="list-style-type: none"> • Type of entity: Manufacturer of heavy pieces of machinery and equipment designed for cutting, drilling and punching heavy structural steel and plate steel. • Location: Bradley/Kankakee/Northeast • A key element of the Company's strategy is to expand its market share in Heavy Computerized Numerical Control (“CNC”) Machines used in structural steel and heavy plate steel fabrication, both domestically and worldwide. • IFA issued \$3,570,000 of Industrial Development Revenue Bonds on behalf of the Borrower in 2007. Bond proceeds were loaned to the Borrower to finance all or a portion of the costs of (i) the construction and equipping of a new, approximately 45,500 square foot manufacturing facility on a vacant parcel of land owned by the Borrower and located at 300 N. Washington Ave. in Bradley, Illinois, for use by the Borrower in the manufacturing of the Borrower’s proprietary cutting, slitting, and punch press industrial machines (the “2007 Project”). 																				
CREDIT INDICATORS	<ul style="list-style-type: none"> • The Series 2014 Bond will be purchased directly by First American Bank Corporation (“First American”) a direct investment. First American will be the secured lender and direct bond investor. 																				
STRUCTURE	<ul style="list-style-type: none"> • Term: Not-to-exceed 10 years (anticipated maximum term of 7 years, (i.e., 84 months) on equipment). • Rate: The Series 2014 Bond will be purchased directly by First American Corp. as a direct investment and is expected to bear a floating interest rate until maturity, currently estimated at between 3.0% and 4.0%. 																				
SOURCES AND USES ESTIMATED	<table border="0"> <tr> <td>Sources:</td> <td></td> <td>Uses:</td> <td></td> </tr> <tr> <td>IFA Bond</td> <td style="text-align: right;">\$4,000,000</td> <td>Equipment</td> <td style="text-align: right;">\$3,890,000</td> </tr> <tr> <td>Equity</td> <td style="text-align: right;"><u>160,000</u></td> <td>Site Work</td> <td style="text-align: right;">200,000</td> </tr> <tr> <td></td> <td></td> <td>Costs of Issuance</td> <td style="text-align: right;"><u>70,000</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>\$4,160,000</u></td> <td>Total</td> <td style="text-align: right;"><u>\$4,160,000</u></td> </tr> </table>	Sources:		Uses:		IFA Bond	\$4,000,000	Equipment	\$3,890,000	Equity	<u>160,000</u>	Site Work	200,000			Costs of Issuance	<u>70,000</u>	Total	<u>\$4,160,000</u>	Total	<u>\$4,160,000</u>
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RECOMMENDATION	<p>Credit Review Committee recommends approval.</p>																				

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
July 8, 2014**

Project: Peddinghaus Corporation

STATISTICS

IFA Project:	I-ID-TE-CD-8687	Amount:	\$4,000,000 (<i>not-to-exceed amount</i>)
Type:	Industrial Revenue Bond	IFA Staff:	Rich Frampton and Brad R. Fletcher
Location:	Bradley	County/ Region:	Kankakee / Northeast

BOARD ACTION

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

VOTING RECORD

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

PURPOSE

Bond proceeds will be loaned to Peddinghaus Corporation, a Delaware corporation (the “Borrower” or the “Company”), for the purpose of providing the Borrower with all or a portion of the funds for the purpose of assisting in financing all or a portion of the costs of (i) acquisition and installation of equipment at its existing manufacturing buildings located at 300 N. Washington Ave. and 301 N. Washington Ave., in Bradley (Kankakee County), Illinois, 60915, including necessary site work or improvements therein, all for use in expanding the Borrower’s manufacturing capabilities to produce proprietary drilling, sawing, punching, and thermal cutting CNC steel fabrication equipment, (ii) paying capitalized interest, if deemed necessary or desirable by the Borrower, and (iii) paying bond issuance costs, all as permitted by the Act (collectively, the “Project”).

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 Project (i.e., anticipated amount of \$4.0MM).

SOURCES AND USES OF FUNDS

Sources:		Uses:	
IFA Bond	\$4,000,000	Equipment:	\$3,890,000
Equity	<u>160,000</u>	Site Work:	200,000
		Costs of Issuance:	<u>70,000</u>
Total	<u>\$4,160,000</u>	Total	<u>\$4,160,000</u>

JOBS

Current employment:	286	New jobs projected:	6
Jobs retained:	N/A	Construction jobs projected:	18-20 Peak (4-6 months)

FINANCING SUMMARY

Structure:	The conduit Industrial Revenue Bond will be purchased directly by First American Bank Corporation as the Direct Investor/Lender.
Interest Rate:	The Bond will be purchased directly by First American Bank Corp. as a direct investment and is expected to bear a variable interest rate that would be reset periodically until maturity, with a current rate estimated at between 3.0% and 4.0% based on current market conditions.
Bank Collateral:	First American Bank Corp. will be secured by a first lien on the financed equipment, and a blanket first security interest on real estate, and all other corporate assets.
Maturity:	Not-to-exceed 10 years (anticipated maximum of 7 years (i.e., 84 months) on equipment)
Closing:	July 2014

BUSINESS SUMMARY

Description: **Peddinghaus Corporation** (“**Peddinghaus**” or the “**Borrower**”) was founded in 1903 by Paul Peddinghaus in Gevelsberg, Germany. Peddinghaus is in its fourth generation of family ownership and is currently managed by Carl “Anton” Peddinghaus. Peddinghaus was incorporated under Delaware law on May 4, 1977.

Owners of 7.5% or more of Peddinghaus are identified in the Economic Disclosure Statement section of this report (see p. 4).

Background: Since inception, Peddinghaus has served the steel construction, plate fabrication and metal working industries by designing and manufacturing steel fabrication machines used in cutting, drilling, and punching applications. Peddinghaus machines are used worldwide to process structural steel used in the construction of steel bridges, stadiums, high-rise buildings, and other steel-framed buildings worldwide. According to the Company’s management, Peddinghaus is a global leader providing innovative machine tool technology for structural steel and plate fabrication.

Peddinghaus is headquartered in Bradley, Illinois and employs approximately 286 FTEs, with engineering facilities in Andrews, South Carolina and Vitoria, Spain. International sales and service affiliates are located in Gevelsberg, Germany, the UK, Netherlands, Hong Kong, and Mexico. The shares of the Company are held in the Peddinghaus Family Trust.

IFA issued approximately \$3.57MM of Industrial Development Revenue Bonds in 2007 that financed the construction and equipping of a manufacturing facility (comprising approximately 45,000 SF) on vacant land owned by the Borrower that enabled the Company to expand its

operations in Bradley with a second production facility (located across the street from the Company's original Bradley facility). All payments on the IFA Series 2007 Bonds have been paid as scheduled and are current.

Peddinghaus' Bradley, IL production facilities are located in the DCEO-designated *Kankakee River Valley Enterprise Zone*.

Rationale: The proposed project will enable Peddinghaus Corporation to increase production capacity of its steel fabrication machines used in cutting, drilling, and punching heavy structural steel and plate steel.

Tax-Exempt Industrial Revenue Bond financing will help the Borrower finance its capital intensive growth at a significantly lower interest rate and enable the Company to maintain more competitive pricing against worldwide competition.

PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)

Bond proceeds will be loaned to Peddinghaus Corporation, a Delaware corporation (the "Borrower"), for the purpose of providing the Borrower with all or a portion of the funds for the purpose of assisting in financing all or a portion of the costs of (i) acquisition and installation of equipment at its existing manufacturing buildings located at 300 N. Washington Ave. and 301 N. Washington Ave., in Bradley (Kankakee County), Illinois, 60915, including necessary site work or improvements therein, all for use in expanding the Borrower's manufacturing capabilities to produce proprietary drilling, sawing, punching, and thermal cutting CNC equipment for the metal working and fabricating industries, (ii) paying capitalized interest, if deemed necessary or desirable by the Borrower, and (iii) paying bond issuance costs, all as permitted by the Act (collectively, the "Project").

Estimated Project costs consist of the following:

Equipment	\$3,890,000
Site Work	<u>200,000</u>
Total New Money Project Costs	<u>\$4,090,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: Peddinghaus Corporation, c/o Greg Kubick, Chief Financial Officer, 300 North Washington Avenue, Bradley (Kankakee County), Illinois 60915; Ph.: 815-937-3800

Website: www.peddinghaus.com

Project name: IFA Industrial Revenue Bond (Peddinghaus Corporation Project), Series 2014

Locations: 300 N. Washington Ave. & 301 N. Washington, Bradley (Kankakee County), IL 60915

Ownership

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

- Carl U. Peddinghaus Trust (Bradley, IL) 65.8%*
- Verena Peddinghaus (Germany) 11.4%
- Barbara Peddinghaus (Germany) 11.4%
- Alexandra Peddinghaus (Germany) 11.4%

* Note: Carl G. Peddinghaus, CEO/President, owns a 26% pro rata share of common stock of Peddinghaus Corporation through the Carl U. Peddinghaus Trust.

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Peddinghaus Corporation (in-house)	Bradley, IL	David D. Zeglis
Accounting:	Smith, Koelling, Dykstra & Ohm, P.C.	Bourbonnais, IL	
Bank (Direct Purchaser/ Lender):	First American Bank Corp.	Elk Grove Village, IL	Steve Eikenberry Mark Kroencke
Bond Counsel:	Ice Miller LLP	Chicago, IL	Jim Snyder Enzo Incandela
Bank Counsel:	First American Bank Corp. (in-house)	Elk Grove Village, IL	James Benton
IFA Counsel:	Miller, Hall & Triggs LLP	Peoria, IL	Richard Joseph
IFA Financial Advisor:	Acacia Financial Group, Inc.	Chicago, IL	Jim Beck

LEGISLATIVE DISTRICTS

Congressional:	2
State Senate:	40
State House:	79
