



May 13, 2014

**\$10,000,000 (not-to-exceed amount)
Sterling Lumber Company and SLC – Phoenix, LLC**

REQUEST	<p>Purpose: Bond proceeds will be used by Sterling Lumber Company, an Illinois corporation (“Sterling”), and its affiliate, SLC-Phoenix, LLC, an Illinois limited liability company (“SLC” and together with Sterling, the “Borrower”), to finance a portion of the costs of acquisition of land and a 514,000 square feet building located at 501 East 151st Street, Phoenix, Illinois, the renovation of such building and the acquisition of machinery and equipment to be installed therein, all to be used as a wood products manufacturing facility to be owned and operated by the Borrower (the “Project”).</p> <p>It is anticipated that SLC will own the subject real estate for lease to Sterling. Additionally, the Sterling is likely to be the direct obligor on the equipment financed with bond proceeds.</p> <p>Program: Industrial Revenue Bond Volume Cap required: This Project is expected to require approximately \$10.0MM 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 (October 8, 2013) – Preliminary Bond Resolution: 9 Yeas; 0 Nays; 0 Abstain; 6 Absent.</p>												
MATERIAL CHANGES	<p>None.</p>												
JOB DATA	<table border="0"> <tr> <td>112</td> <td>Current job</td> <td>50</td> <td>New jobs projected</td> </tr> <tr> <td>N/A</td> <td>Retained jobs</td> <td>10-30 (9 months)</td> <td>Construction jobs projected</td> </tr> </table>	112	Current job	50	New jobs projected	N/A	Retained jobs	10-30 (9 months)	Construction jobs projected				
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BORROWER DESCRIPTION	<ul style="list-style-type: none"> • Type of entity: Wood manufacturer • Location: Phoenix / Cook County / Northeast • The new building will be used by Sterling Lumber Company and SLC – Phoenix, LLC to establish a new centralized wood manufacturing facility to serve operations throughout the Midwest region. 												
CREDIT INDICATORS	<ul style="list-style-type: none"> • The Series 2014 Bond will be purchased directly by First Midwest Bank, N.A. as a direct investment. First Midwest will be the secured lender and direct bond investor. Additional information specifying the anticipated collateral and security to the Bank is described in the Financing Summary of page 3. 												
STRUCTURE	<ul style="list-style-type: none"> • Term: 25 amortization on real estate; 10 years on equipment (anticipated) • Rate: The Bond will be purchased directly by First Midwest 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 3.00% and 4.00%. 												
SOURCES AND USES Estimated	<table border="0"> <tr> <td>IFA Bond</td> <td>\$10,000,000</td> <td>Project Cost:</td> <td>\$10,800,000</td> </tr> <tr> <td>Equity</td> <td><u>1,000,000</u></td> <td>Costs of Issuance</td> <td><u>200,000</u></td> </tr> <tr> <td>Total</td> <td>\$11,000,000</td> <td>Total</td> <td>\$11,000,000</td> </tr> </table>	IFA Bond	\$10,000,000	Project Cost:	\$10,800,000	Equity	<u>1,000,000</u>	Costs of Issuance	<u>200,000</u>	Total	\$11,000,000	Total	\$11,000,000
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Total	\$11,000,000	Total	\$11,000,000										
RECOMMENDATION	<p>Credit Review Committee recommends approval.</p>												

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
May 13, 2014**

Project: Sterling Lumber Company and SLC – Phoenix, LLC

STATISTICS

IFA Project:	I-ID-TE-CD-8645	Amount:	\$10,000,000
Type:	Industrial Revenue Bond	IFA Staff:	Rich Frampton and Brad R. Fletcher
Location:	Phoenix	County/ Region:	Cook / 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 (October 8, 2013) – Preliminary Bond Resolution: 9 Yeas; 0 Nays; 0 Abstain; 6 Absent.

PURPOSE

Bond proceeds will be used by **Sterling Lumber Company**, an Illinois corporation (“**Sterling**”), and its affiliate, **SLC-Phoenix, LLC**, an Illinois limited liability company (“**SLC**” and together with Sterling, the “**Borrower**”), to finance a portion of the costs of acquisition of land and a 514,000 square feet building located at 501 East 151st Street, Phoenix, Illinois, the renovation of such building and the acquisition of machinery and equipment to be installed therein, all to be used as a wood products manufacturing facility to be owned and operated by the Borrower (the “**Project**”).

IFA PROGRAM AND CONTRIBUTION

The Authority’s Industrial Revenue Bond 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., \$10.0MM).

SOURCES AND USES OF FUNDS

Sources:	IFA Bonds (IRB)	\$ 10,000,000	Uses:	Project Costs	\$ 10,800,000
	Equity	<u>1,000,000</u>		Costs of Issuance	<u>200,000</u>
	Total	\$ 11,000,000		Total	\$ 11,000,000

JOBS

Current employment:	112	Projected new jobs:	50
Jobs retained:	N/A	Construction jobs:	10-30 (9 months)

FINANCING SUMMARY

Structure/Credit

Enhancement: Conduit Industrial Revenue Bond that will be purchased directly by First Midwest Bank, N.A. as the Direct Investor/Lender.

Interest Rate: The Bond will be purchased directly by First Midwest Bank, N.A. as a direct investment and are expected to bear an interest rate that will be reset 5 years until maturity. The initial interest rate is currently estimated at between 3.00% and 4.00%.

Bank Collateral: As presently contemplated, First Midwest Bank, N.A. would be secured by a first mortgage on the subject property, a corporate guarantee by Sterling Lumber Company and a collateral assignment of Rents and Leases on the real estate portion of the Bond issue. Additionally, the Bank would be secured by a first lien on the financed equipment. It is anticipated that obligations of Sterling Lumber Company, SLC – Phoenix, LLC, and any other affiliated entities will be cross-collateralized and cross-defaulted.

Maturity: Anticipated maximum of 25 Years on real estate assets; 10 years maximum on equipment.

Anticipated Closing: June 2014

BUSINESS SUMMARY

Description: **SLC-Phoenix, LLC** (the “**Lessor**”) is a special purpose real estate holding entity established by the owners of **Sterling Lumber Company** (the “**Operating Company**” or “**Tenant**”, and together with the Lessor, the “**Borrower**”). Sterling Lumber Company was established in 1949 and incorporated under Illinois law as an S corporation in 1990.

Owners of 7.5% or more of SLC-Phoenix, LLC and Sterling Lumber Company are identified in the Economic Disclosure Statement section of this report (see pp. 4-5).

Background: In 1949, Gerhard Sterling formed a scrap metal business in Northern Illinois. By 1970, the company had evolved into a successful supplier of hardwood lumber serving steel processors (e.g., crates for coil and slit steel) and heavy highway construction sectors (e.g., wooden planking to transport heavy construction equipment across unpaved land).

In 2004, the Company began producing crane mats to serve the wind energy sector, a growth segment. Sterling quickly gained a reputation for outstanding customer service, prompt delivery, and superior hardwood quality. The Company’s sales increased more than 10-fold from 1992 to 2012. According to the Company, this sales increase was particularly attributable to its quality production of crane mats and access mats. Sterling presently employs 170 workers at facilities located in Blue Island, Illinois, and in Indiana and Missouri.

Products to be produced at the new facility include crane mats, access mats, pipeline skids, blocking lumber, dunnage, crates, coil spacers, bridge shielding, pallets and more.

Sterling Lumber’s website has additional information regarding the Company’s various products and applications (please see: <http://www.sterlinglumber.com/?vm=r>).

The Project site is located in the DCEO-designated Harvey/Phoenix/Hazel Crest Enterprise Zone and includes vacant land that would enable future expansion of the facility.

Rationale: The proposed project will enable Sterling Lumber Company to retain and expand its primary facility in Illinois. The Company has reached full production capacity at its current facility in Blue Island. The new facility in Phoenix will provide significant space for Sterling Lumber Company to expand operations in the future. Upon relocation, the expanded facility will enable Sterling Lumber to increase production capacity and improve operating efficiencies.

PROJECT SUMMARY (FOR FINAL BOND RESOLUTION)

Bond proceeds will be used by **Sterling Lumber Company**, an Illinois corporation (“**Sterling**”), and its affiliate, **SLC-Phoenix, LLC**, an Illinois limited liability company (“**SLC**” and together with Sterling, the “**Borrower**”), to finance a portion of the costs of acquisition of land and a 514,000 square feet building located at 501 East 151st Street, Phoenix, Illinois, the renovation of such building and the acquisition of machinery and equipment to be installed therein, all to be used as a wood products manufacturing facility to be owned and operated by the Borrower (the “**Project**”).

Estimated project costs consist of the following:

Land/Building Acquisition	\$2,150,000
Building Renovation/Rehabilitation	2,250,000
New Equipment	5,500,000
Architectural/Engineering	250,000
Legal & Professional	650,000
Total New Money Project Costs	<u>\$10,800,000</u>

ECONOMIC DISCLOSURE STATEMENT

Applicant: Sterling Lumber Company/SLC – Phoenix, LLC, c/o Mr. Christian Sterling, Vice President, 3415 West 127th Street, Blue Island, IL 60406

Financial Advisor to Borrower: Mr. Anthony R. (“Tony”) Grant, Managing Director, Total Capital Solutions, Inc., 28 Iowa Street, Oak Park, IL 60302; Ph.: 708-660-0494; Email: tgrant@totalcapitalsolutionsinc.com

Project name: IFA Industrial Revenue Bond (Sterling Lumber Company Project), Series 2013

Location: 501 East 151st Street, Phoenix (Cook County), Illinois 60426

Ownership Information: All anticipated LLC Managers [i.e., Managing Partners] or individuals holding a 7.5% or greater ownership [i.e., Membership] interest (i.e., IFA private company disclosure threshold) for the Borrower and its affiliate include:

(i) SLC-Phoenix, LLC, an Illinois Limited Liability Company (and the proposed Owner/Lessor of the subject real estate):

- John Sterling: 20%
- Christian Sterling, Manager 20%
- Carson Sterling, Manager 20%
- Cooper Sterling, Manager 20%
- Carter Sterling, Manager 20%

(ii) Sterling Lumber Company, a corporation incorporated under State of Illinois law (the Tenant and Operating Company):

- John Sterling, CEO: 20%
- Christian Sterling, VP 20%
- Carson Sterling, VP 20%
- Cooper Sterling, VP 20%
- Carter Sterling, VP 20%

PROFESSIONAL & FINANCIAL

Borrower Counsel:	Much Shelist, P.C.	Chicago, IL	Scott David
Outside Accountant:	Mulcahy, Pauritsch, Salvador & Co.	Orland Park, IL	
Financial Advisor to Borrower:	Total Capital Solutions, Inc.	Oak Park, IL	Tony Grant
Bank (Direct Purchaser/ Lender):	First Midwest Bank, N.A.	Palos Heights, IL	Guy Weir
Bond Counsel:	Greenberg Traurig, LLP	Chicago, IL	Matt Lewin
Bank Counsel:	To be determined		
Bond Trustee:	Not applicable (bank direct purchase)		
General Contractor:	Harbour Contractors, Inc.	Plainfield, IL	
Rating Agency:	Not applicable (bank direct purchase)		
IFA Counsel:	Requested		
IFA Financial Advisor:	Acacia Financial Group, Inc.	Chicago, IL	Jim Beck

LEGISLATIVE DISTRICTS

Congressional:	2
State Senate:	15
State House:	30
