

**MINUTES  
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND  
LOAN COMMITTEE**

**Wednesday, April 22, 2015  
Room 207, City Hall, 4:30 p.m.**

**ROLL CALL:**

Gary Delveaux	x	Ald. Tim De Wane	x
Matt Schueller	x	Mike Vogel	x
Mike Borlee	x		

Others Present: Kevin Vonck, Wendy Townsend, Economic Development; Tom Sonntag, HC Miller; Carla Andres, Godfrey & Kahn; Attorney Jim Mueller, City of Green Bay

The meeting was called to order by G. Delveaux at 4:30 p.m. All members were present as indicated above.

**1. Approval of minutes from March 30, 2015 meeting**

Motion to approve the minutes of the March 30, 2015 meeting of the Revolving Loan Fund Committee made by M. Schueller, seconded by Ald. De Wane. Motion carried.

**2. Review and action regarding the request by HC Miller to sign the Release of Security Interest and forgive the remaining loan balance of \$82,038.19.**

W. Townsend stated that HC Miller has a Revolving Loan with the City of Green Bay for equipment. The origination date was November 1, 2010 for the amount of \$134,000. During the first year \$446.67 was made for interest payments only. Full payments were made the second year including interest and principal. HC Miller requested to pay interest only due to business hardship in 2013. In 2014 HC Miller resumed regular payments thru March 31, 2015. The balance for the Revolving Loan currently is \$83,781.40. The principal paid to date is \$50,218.60; total interest paid to date is \$20,285.09.

HC Miller began operations in 1988 as a manufacturer of ledger books and a distributor of office supplies and furniture. Over the years the company has scrambled to reinvent itself several times to ensure its existence. Today, the company is faced with the most critical financial challenge in its history.

Sales, consisting primarily of commodity index tabs, chart dividers and filebacks for the medical, legal and financial industry, peaked in 2003 at \$17.5 million. Typical

customers were wholesale distributors and commercial printers. With a move to electronic record keeping driven by legal mandate and the cost disadvantage of hard copies versus electronic copies, sales have dropped \$10 million to \$7.6 million as of 12/31/14.

Since commercial printing peaked in 2007 sales have dropped markedly due to over capacity, declining prices, erosion of print based marketing and digital substitutions. In a 20 year span from 1993-2013 commercial printing has experienced a loss of over 20,000 printers. Commercial print forecasts have sales declining 2-4% per year for the next 5 years.

In 2006 the company added a significant amount of debt in the form of Goodwill to support the \$8.7 million purchase by the employees to form the Employee Stock Ownership Plan. At the time the company's assets were valued at approximately \$1.2 million. To cover the difference between the purchase price and the asset value the company took on \$7.2 million in Goodwill.

Goodwill is defined as the premium buyer willing to pay above and beyond the asset value for a company. A large bank loan was taken out to fund this ESOP activity in 2006. This loan currently stands at \$4,609 million.

The company incurred an additional \$115,500 in landlord debt in the form of temporary rent reduction and owes the City of Green Bay Redevelopment Authority \$83,781.40.

The total long-term debt as of 12/31/14 stands at \$4.953 million.

Through a national search HC Miller had two potential offers that met the requirements of preserving jobs and maximizing sales price were uncovered during the search. After a careful review by the board of directors, a business offer was selected to pursue. The offer would maintain most of the jobs; provide equipment and customers to increase sales and profits.

The offer from this company is for \$1.70 million for all of the company's assets excluding cash. The company would pick-up HC Miller's current accounts payable as long as minimum working capital requirements are met by HC Miller.

Tom Sonntag, HC Miller explained that the company has been around for 130 years. In 2006 the federal law changed to electronic medical records. In 2003 HC Miller was doing \$17 million worth of business at the time which eroded down to \$2 million currently. The company fell hard and the equipment is old and outdated. HC Miller was making enough money just to get by. The City of Green Bay was the only one receiving principal payments. The bank has not received a principal payment for a long time; which they have been patient.

HC Miller decided to find an investor and preserve jobs in the Green Bay area and maximize sales and return to the debtors. After a search conducted throughout the

Midwest, HC Miller had two offers. Van Lanen in Green Bay was the best offer and they have the equipment. Van Lanen has agreed to keep the employee base, expand the building and relocate in one location. HC Miller has the customer base that will help Van Lanen and satisfy the market place.

T. Sonntag stated that HC Miller and its Advisory Board of Directors approve the sale as a voluntary surrender of assets to the bank and a purchase of the HC Miller assets from the bank by Van Lanen. The sales proceeds will be paid to the bank leaving a long term debt unpaid and uncollectable after consummation of the deal. No other funds are available to pay debt. HC Miller will be liquidated and any remaining assets will be distributed to the ESOP participants.

Motion made by M. Vogel, seconded by M. Schueller to convene in closed session. Motion carried. G. Delveaux read the closed session notice and roll call was taken with all members present.

Motion made by M. Borlee, seconded by Ald. De Wane to reconvene in open session. Motion carried.

After the Committee's review, a motion was made by M. Vogel, seconded by M. Borlee and unanimously carried to direct staff to continue to negotiate within guidelines and report back to committee.

### **3. Adjourn**

There being no further business, a motion to adjourn was made by Ald. De Wane, seconded by M. Schueller. Motion carried.