



MEMORANDUM

TO: Members of the Authority

FROM: Caren S. Franzini
Chief Executive Officer

DATE: July 25, 2011

SUBJECT: Green Horse Properties, LLC
Bellmawr, New Jersey
\$906,250 Statewide Loan Pool participation (P#21636)

Request:

- 1) Consent to substitution of lender and increase in credit line from Continental Bank (\$750,000) to North Mill Capital, LLC (\$3,000,000) to corporate guarantor, Green Horse Media, LLC ("GHM"). In exchange for our consent, EDA will obtain a 1st mortgage on commercial real estate at 9 West Browning Road, Bellmawr, New Jersey valued at \$203,000.
- 2) Consent to releasing the 9 West Browning Road mortgage upon GHM meeting existing bank loan covenants of: a) debt service coverage ratio of 1.2x; and b) a maximum senior debt to effective net worth of 2.5x. EDA will also require the borrower to provide an updated appraisal on the primary business property evidencing a maximum LTV of 100%.

Background:

Green Horse Properties, LLC ("GHP") is the real estate holding company formed to purchase an 82,378 square foot warehouse on 13.6 acres in Bellmawr for its related operating company, GHM which was formed to purchase the business assets of Evergreen Printing & Publishing, Inc., a full service printer specializing in the printing and distribution of daily, weekly, and monthly newspapers, trade publications, brochures, and catalogs. The company currently employs 151 at the project site.

In September 2008, the members approved a \$1,250,000 (29%) participation in a \$4,250,000 loan from Continental Bank of Pennsylvania for the purchase of the subject property. EDA's participation loan has been paid down to \$906,250 and has been paid as agreed. In addition to providing a mortgage, Continental Bank also provided a \$750,000 line of credit and term debt aggregating \$2.75 million.

In 2010, the borrower realized a significant loss due to the write off of uncollectible accounts receivable. As a result, the company sought to increase its credit line with the bank to provide cash to support operations while it implemented significant changes to its revenue mix and credit collection measures. Continental Bank was not in position to manage an asset based line of credit, and therefore recommended the borrower to seek financing from North Mill Capital, LLC, who specializes in this type of facility.

North Mill Capital LLC has agreed to provide a \$3,000,000 asset based line of credit to replace Continental Bank's \$750,000 line of credit. The new increased line will provide additional working capital to the company and will be secured by a \$3,500,000 first lien on accounts receivable and inventory of GHM. Staff has reviewed the Bank's commitment which has terms customary for an asset based facility.

Continental Bank and the Borrower have asked EDA to consent to the substitution of lenders and the increase in our subordination from \$750,000 currently to \$3 million. As consideration, EDA will obtain a 1st mortgage on a commercial property located in Bellmawr and owned by the principal. The Members are also being asked to approve the release of this mortgage upon GHM meeting current covenants (debt service coverage ratio of 1.2x and maximum senior debt to worth of 2.5x). The company is projecting to meet these covenants at 12/31/2011. An updated appraisal will also be required evidencing a maximum LTV of 100%.

Recommendation:

- 1) Consent to lender substitution and increase in GHM's line of credit from \$750,000 to \$3,000,000 to support the company's working capital needs as it realigns its business model. In consideration for the approval, the principal will pledge a first mortgage on commercial property valued at \$203,000.
- 2) Consent to releasing this mortgage upon GHM meeting existing bank loan covenants of a debt service coverage ratio of 1.2x and a maximum senior debt to effective net worth of 2.5x and an updated appraisal acceptable to staff on the subject property showing a maximum LTV of 100%.



Prepared by: Natalia Nagovsky