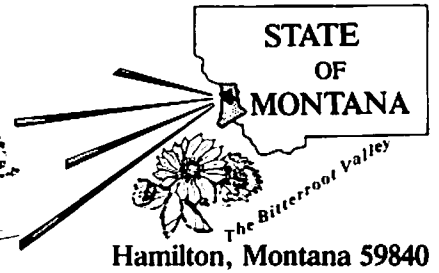
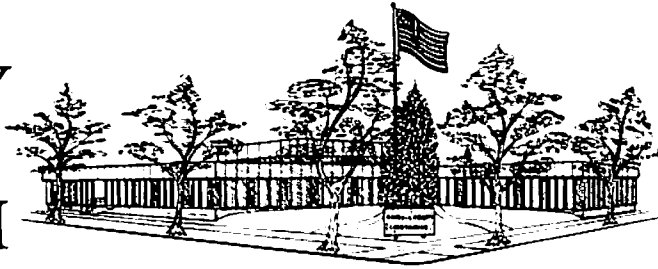


COUNTY OF RAVALLI



Ravalli County Commissioners
215 S. 4th Street, Suite A
Hamilton, MT. 59840
406-375-6500
commissioners@rc.mt.gov

December 30, 2013

Nick Rich
CDBG-ED Program Specialist
Montana Department of Commerce
301 S. Park Ave
Helena, MT 59620

RE: Ironhaus Close Out – Revised Draw #8 (Funds for this project were released June 2011)

Dear Mr. Rich,

Ravalli County Board of Commissioners and Ravalli County Economic Development Authority believe that Ironhaus Manufacturing made a good faith effort to fulfill the entire scope of work for CDBG-ED 10-06. The world's best economists were unable to predict the effect the recession would have on the economy as well as the time and path to recovery.

The purpose of this document is to explain the reasons for the revision of Draw #8, to re-cap the original scope of work, and to re-cap the accomplishments of Ironhaus during a period of severe recession. The revision will result in a reduction of Draw #8. We understand that the reduction is necessary in order for the Montana Department of Commerce to comply with HUD requirements.

In 2008 Ironhaus hit a peak sales figure of \$1.8 million. The downturn in the housing industry and the economy led to an almost 60% reduction of sales in 2009 for Ironhaus.

At the time the Ironhaus CDBG application was written this was an accurate description of the dire situation in Ravalli County:

- Super 1, a large chain grocer, recently had 200 applicants for one \$8 per hour job. (Montana Department of Labor and Industry, 2009) The local Job Service has 2,900 people logged in to check for employment and there are presently 47 job listings. Many log home companies, once a main stay of the industrial base of the area, have had huge layoffs or had gone out of business. Real estate and construction, the growth sector of the county economy, has had a 50% drop in year over year receipts. (Ravalli Republic, Feb.

2009) The nearly overnight decline of the construction industry and the new economy "timber industry" (wood products manufacturers such as log homes and door manufacturers) has caused an immediate and dramatic increase in the need for income / jobs.

Original Description of Ironhaus Working Capital Needs from December of 2010:

Ironhaus has several areas of growth and distribution directions, with an emphasis on diversity and efficiency. We have been developing a new gas fireplace that once finished will make us extremely competitive especially in the Rocky Mountain States where we sell direct to many of our clients. The fireplace is currently undergoing final UL testing and hopes are that it will be in production early in the first quarter. We have several sold already. Costs associated and timelines are as follows:

*Gas fireplace testing \$15,000; 1st quarter 2011;
Marketing \$15,000; 2nd quarter of 2011; \$15,000 2nd quarter 2012;
COG inventory for new product line \$25,000*

This will give us approximately 12 gas fireplaces to build from stock in various configurations.

We have also released a fireplace door line and have hired reps to manage through 23 states. The season for sales for this category generally happens in the last 2 quarters, but we had a slow start this year due to dealers feeling somewhat financially restricted, which resulted in them ordering displays a little late for the season. We did add 35 new dealers and there is excitement with the product line: our attendance as exhibitors at the national fireplace convention, this year in Salt Lake, should cement these relationships and result in several new rep relationships and leads for the upcoming 2011 season. Costs are \$22,000 by 1st quarter of 2011 for displays and booth space. We will also be going to several locations to cement relationships and showrooms that have requested training. (\$24,000- \$30,000 per quarter for the years 2011 and 2012) Our gas fireplace will be displayed as well. This will be the first time our whole product line has been available to the mass fireplace industry: in recent years we have attended many times but with a much more limited offering. We expect it to be very successful.

Production has several needs to accommodate these growth prospects including equipment upgrades (\$10,000 2nd ¼ 2011, \$20,000 4th ¼ 2011), inventory for door products (\$8,000 3rd ¼), some personnel expenses (\$12,000 spread evenly throughout the year), and training (\$9,000 spread evenly throughout year). An additional amount of \$16,000 will serve as a contingency fund as needed throughout the 2 year period.

*Equipment updates which will allow work currently outsourced to be brought in house thereby lowering the COG are as follows for \$20,000;
\$5000 4th quarter 2010, \$5000 2nd quarter 2011, \$10,000 4th quarter 2011*

*Personnel related working capital is as follows for \$34,000;
\$5000 4th quarter 2010, \$5000 1st quarter 2011, \$14000 4th quarter 2011 Misc \$5000 4th quarter 2010, \$2500 1st quarter 2011, \$2500 2nd quarter 2011*

This is a total need of working capital for \$230,000 the difference between this application of \$184,000 and \$230,000 will be matched by Ironhaus.

Currently the company employees 6. Through CDBG-ED assistance they will hire 15 additional employees over the next 2 years.

End of the Original Description of Ironhaus Working Capital Needs from December of 2010

The above hiring projection from the original scope of work did not come to pass. The company has on board a total of 5.5 additional full-time equivalents.

Ironhaus is a strong company today. The tenacity, innovativeness, and enthusiasm of owner Tim Campbell for his craft stabilized and saved his company - Ironhaus Manufacturing.

Mr. Campbell has focused on quality craftsmanship and working to provide good wages to employees. In 2012 two employees received \$2.50 per hour raises, and another a \$1.50 per hour raise, another raise was \$3 per hour, and finally an employee that was making \$16.73 received a .52 per hour raise.

Of the thirteen jobs at Ironhaus, 6 are over 30 hours per week, 2 are over 25 hours per week, and 5 are part time by design.

The Ironhaus financial position has strengthened substantially over the last two and half years. The outlook for this company to remain in Ravalli County and continue providing good jobs is strong.

Ravalli County Board of Commissioners thanks the Montana Department of Commerce for their support of economic development for the small businesses and citizens of Ravalli County.

Sincerely,

BOARD OF RAVALLI COUNTY COMMISSIONERS

Absent
Jeff Burrows, Chairman

Absent
Suzy Foss, Member

Greg Chilcott
Greg Chilcott, Member

J.R. Iman
J.R. Iman, Member

Ron Stoltz
Ron Stoltz, Member