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SBA Lending Program Enables Small Business to 'Rise from the Ashes'

MILL CREEK – When a fire on Sept. 12, 2003, destroyed the three saw mills that constituted the heart and soul of Mill Creek Builders Supply, it was a big blow, not only to the company, but also to the town of Mill Creek, W.Va. This small business, with approximately 80 employees, situated in the timber-laden hills of West Virginia is undoubtedly the single largest employer in this small Randolph County community of 650.

Even before the fire was extinguished, Charlie Bell, president and CEO of this small family-owned sawmill founded by his father, Clyde in 1961, was thinking about ways to rebuild. “We actually started the rebuilding process once it was safe enough to bring in equipment to start clearing away what was left of the mills,” said Bell, a veteran of the timber industry with nearly 30 years of experience.

Of course, a project of this magnitude required a lot of capital to accomplish. That’s when the local lending community stepped up to the plate. “The fire happened on a Friday afternoon and the next morning, Jim Schoonover from Davis Trust Company in Elkins was here offering any assistance he could to help rebuild the mill,” added Bell.

“Charlie was going to need a lot more capital than our local community bank could provide in order to rebuild,” said Schoonover, senior vice president of loans at Davis Trust. “We were familiar with the SBA’s 504-Certified Development Company Loan Program through dealing with Tony Benedetto from the West Virginia CDC in Charleston, W.Va. It was a perfect fit for Mill Creek Builders.”

The 504-CDC program is a long-term financing tool for economic development within a community. The program provides businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A CDC is a nonprofit corporation working with the SBA and private-sector lenders to provide small business financing.

A complete 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of a project, a loan secured with a junior lien from the CDC (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business concern.

“We wouldn’t be in business today if it wasn’t for the 504 loan program,” said Bell. “Jim was a tremendous help coordinating the required paperwork and Tony made it work. He and Rob Neal from the West Virginia Capital Corporation made several trips from Charleston to help prepare the 504 application and that really made the process much easier.”

One of the main features of the 504 program is its association to the economic development of the community, the key word is ‘community’. It takes more than one individual or organization within the community to make a 504 project work.

“There must be a good economic support network for any business to succeed; a network that understands the importance of what small business mean to the community,” said Bell. “We have a tremendous economic development network within Randolph County. People like Jennifer Giovanniti at the Randolph County Development Authority, Jim Schoonover at Davis Trust, Citizens National Bank who provided the interim financing, and, of course, the small business owners all work together to help improve the economic environment in the community.”

Finding the funding along with designing and building a new saw mill are not easy tasks, but Bell was up to the challenge. “Charlie, who immediately began working on plans for the new saw mill, had design ready in about two weeks,” said Schoonover.

Once the design was on paper, Bell enlisted the services of a local small business, Reckart Equipment Company in Beverly, W.Va., to begin immediately working on the new mill equipment and structures.

Bell was in danger of losing many of his key employees who were crucial to the successful operation the mill without an operational saw mill. That is when Bell came up with an idea which not only kept the employees on the payroll, but actually sped up the construction process. “I didn’t want to let anyone go, so we actually turned people with years of saw mill experience into metal fabricators,” said Bell. “We used our own labor force to construct the building and install the new equipment and didn’t have to rely on contractors during the months of construction.”

His mother, Ella, also helped during the construction. “My mother lives just next door and serves as the company treasurer,” said Bell. “She was here everyday during the construction keeping the hot food and coffee going.”

In a little over a year after the devastating fire, a new state of the art saw mill was back in operation and just about every employee back on the job. “It took a tremendous team effort to make finish the project,” Bell said. “The 504 program helped a great deal. We wouldn’t have been able to rebuild without it.”

For more information on the 504 loan program, the SBA and the resources available to assist small businesses, contact the West Virginia District Office at 800-767-8052 extension 8 or by email at wvinfo@sba.gov, or visit their website at www.sba.gov/wv.

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