

Riemeier Lumber Company Story

The Riemeier Lumber Company was founded in 1925. The company started out selling hardwood lumber to the industrial market for furniture and wagon building. The end of Prohibition moved the company into the commercial market selling lumber for distilleries and warehouses for storage of whiskey. The end of World War II vaulted Riemeier into the residential market with the large need for housing. These three markets were the core of the business.

The growth of Riemeier caused us to purchase and move into a new facility in May of 2000. The new facility more than doubled the acreage, warehouse and office space to allow for future growth.

In November of 2005, a wall panel operation was started called Riemeier Structural Solutions. This was the process of constructing exterior and interior walls at the facility and delivering them to the jobsite, resulting in reduced costs and higher quality for the builder customers. The company was prospering, and by the end of 2005, Riemeier Lumber and Riemeier Structural Solutions had record sales of approximately \$58,000,000.00 and roughly 150 employees.

Customer demand for one stop-shopping placed the company in the market for a roof truss operation. The purchase of Panel Barn Lumber/Truss Design was agreed upon in 2006, and bank financed in February 2007 adding roughly 30 jobs. We now had the business model that would carry us long into the future, being able to provide lumber, wall panels and roof trusses.

As the housing market began to struggle in 2006, our sales declined by 5% from our prior year record sales, and Riemeier Lumber experienced its first lay-off in history in November 2006. Sales for the first quarter of 2007 were poor, and in April, we made our second round of cuts. We managed to make minimal profit from April through August and added a second shift at truss in anticipation of a good September and October as those were typically strong months as builders rushed to get houses under roof prior to winter. Sales during this period were well below expectations, and we had our third round of cuts in October. We finished 2007 down, 24% in sales, causing a significant loss.

Our banking relationship that was so strong in 2005, 2006 and 2007 as we grew and expanded the business, deteriorated during the later half of 2007 as the housing market continued to decline and credit crisis accelerated. Our builder customers were affected by the downturn and the credit crisis. They were unable to pay us, which caused our credit to suffer as their unpaid receivables were not considered good collateral by the bank.

At the same time, our bank itself was suffering greatly in the credit crisis from its involvement with the subprime lending. As the credit crisis deepened at the end of 2007 and beginning of 2008 (and its effect on our bank became more evident and public), only 10 months after receiving additional financing from our bank for the truss acquisition, our bank declared Riemeier to be in default of its loan covenants.

Whereas, the bank had always previously insisted that it be the sole lender and banking institution for Riemeier, it now insisted that Riemeier find other sources of financing so that our bank's exposure would be reduced. Despite Riemeier's many, many attempts to comply with this request, it was not able to secure additional financing due to the condition of the industry and the continuing credit crisis.

The Company went through a bank supervised period of forbearance during which interest rates and bank fees were increased creating greater losses for our Company. As our bank's action became public, we began to see a more rapid decline in our sales. On August 11th the bank began the wind-down process, including letters to send to our customers and vendors explaining that we were going out of business. There was also a list of employees and their termination date and a list of current jobs in process and whether they would be completed or not. This was accomplished by the bank mandated consultant that is under contract with Riemeier as required by the forbearance.

The current state of the company is as follows: The real estate is currently for sale, assets, including trucks, office furniture, mill equipment and tools have been sold at auction. All material that could not be sold beforehand was also auctioned. There are 5 employees left, including Ken, myself and 3 accounting people to do collections until the last day we will be at the facility, which is slated for November 6th. We will then close our door forever.

Thomas E. Franke, Sr.
Executive Vice President, Riemeier Lumber Company
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