

Recycled Paper Greetings moving to West Loop

Recycled Paper Greetings Inc., which needed a cash infusion in April from the private-equity firm that bought the company 18 months ago, is planning to move its headquarters downtown.

Recycled Paper, a Lakeview neighborhood fixture best-known for offbeat cards such as ones that celebrate divorce and humorous cards by children's book artist and author Sandra Boynton, has signed a long-term lease at 111 N. Canal St. in the West Loop.

The move is designed to polish the company's image, as well as provide its 155 headquarters employees easier access to public transportation and bolster recruiting efforts.

"We wanted to find a new location that was a little more in tune with where we're looking to take the company. We're looking to grow," says Jim Gurney, executive vice-president of operations, who oversaw the search for a new headquarters.

The company will occupy one floor, about 57,800 square feet, in the distinctive red building known as River Center, which was built in 1923 and is just west of the Chicago River between Washington and Randolph streets. The move is planned for November.

"When we looked at other downtown buildings, they were very similar and lacking the personality we wanted," Mr. Gurney says. "We didn't want to look like just another corporate office or a public accounting firm."

Recycled Paper was represented in the transaction by Strategic Advisory Group, the tenant-representation arm of the John Buck Co., and Malet Realty Ltd. Fred Friedman, a general partner with the group that owns River Center and the building's

director of leasing, couldn't be reached for comment.

Recycled Paper, which does about \$100 million in annual sales, was founded by former college roommates Phil Friedmann and Mike Keiser in 1971 and has been based at 3636 N. Broadway St. for about 25 years. Messrs. Friedmann and Mr. Keiser, who own the Lakeview building and now hold a minority stake in the company, were both traveling and unavailable for comment.

Cambridge, Mass.-based Monitor Clipper Partners LLC bought Recycled Paper in December 2005 in a deal that reportedly valued the company at more than \$250 million. The deal also saddled Recycled Greetings with about \$217 million in debt, according to a Moody's Investors Service credit rating report.

The hefty debt load has become an issue as sales growth failed to meet expectations in the 12 months ended Jan. 26, according to a Standard & Poor's report, and the company fell out of compliance with its loan covenants and temporarily lost access to its \$20-million revolving credit line.

Both S&P and Moody's downgraded the company's \$200 million of debt in April and questioned whether the firm would be able to renegotiate its loan covenants and make a \$5.5-million interest payment due April 30.

An agreement to relax the covenants was reached April 27, according to S&P, in a deal that also required Monitor Clipper to commit \$15 million in equity — \$10 million of which was used to pay down some debt. The April 30 payment was made, but the credit rating agencies are

wary of Recycled Greeting's prospects.

"We remain concerned about the company's ability to generate sufficient free operating cash flow, reduce debt, and grow its business with new and existing customers," S&P analyst Bea Chiem said in a June 4 statement.

Recycled Paper chief financial officer Ed Stassen downplayed the situation and credit rating company reports.

"It's not uncommon in my personal experience for private equity-owned companies to have some speed bumps early in the ownership cycle," says Mr. Stassen, a former Quaker Oats executive who joined the company in May after a six-year stint with a private equity-owned firm in Michigan. "We feel good about our business plan and our ability to meet goals to continue to service the debt and meet the owner's expectations."

Mr. Stassen counts himself among employees looking forward to the move downtown.

"I live in the suburbs," he says. "It's going to be nice for me."

Cameron Benninghoven, a vice-president with Buck's Strategic Advisory Group who represented Recycled Greetings, says River Center won out over other buildings because the company could fit on one floor, its proximity to train stations and the building's character.

"This was the one site that really met their location and image needs," Mr. Benninghoven says.