December 29, 2013

**Research Appendix 1:**

# Textura and its Bank … Oops, we mean Investor.

> "If you owe your bank a hundred pounds, you have a problem.
> But if you owe a million, **it** has."
>
> *– John Maynard Keynes*

If you are reading this link, we know you're pretty curious about this story, so here's a little bonus coverage.

Textura had quite a relationship with its bank, which seems quite complex for a typical company needing … of all things … conventional commercial real estate financing; to wit, construction financing for its headquarters building. We don't know all the details why First Midwest Bank winds up with 6.7% of Textura's common stock, but it's clear they got a warrant to purchase 20,000 shares at the IPO price in addition. And it's also clear Textura was in violation of loan covenants by virtue of being cash flow negative in the first nine months of 2013, as well as fiscal 2012 … not to mention they had also been in the same relative shape in 2011, 2010, 2009, 2008, 2007, 2006, 2005, and 2004. So its dismal financial results in 2012 and 2013 couldn't have been a huge surprise.

Here's the Second Modification of Loan Agreement from 2011:
http://www.sec.gov/Archives/edgar/data/1565337/000104746913004008/a2213949zex-10_10.htm

By the time of the IPO, Textura had about $5 million cash in the bank, and was losing about $15 million a year. Without further capital injections from the insiders, it would not have been able to continue as a going concern.

Now from the IPO and the follow-on they were able to use the public's money to pay off the bank loan; Most likely the warrants bonanza will bail out some otherwise bad loan.

And Textura becomes a fully grown-up Billion Dollar Wall Street Rig Job!

**Disclosure From the S-1:**

In 2007, we purchased property and constructed our headquarters building in Deerfield, Illinois. To finance the purchase and real estate improvements, over the course of 2007 through 2009 we borrowed $11.9 million under a construction loan agreement with First Midwest Bank. The construction agreement was subsequently modified in 2009 and 2011. Under the construction loan agreement, as currently modified, our outstanding principal balance was $10,718,575 at September 30, 2012, with interest accruing at 5.5%. In fiscal 2010, we paid principal and interest under the loan of $224,550 and $671,912, respectively. In fiscal 2011, we paid principal and interest under the loan of $196,750 and $524,340, respectively. In fiscal 2012, we paid principal and interest under the loan of $500,000 and $625,262, respectively. Under the terms of the construction loan agreement, principal of $250,000 is due each February and August, until the loan matures in August 2016, at which time outstanding principal of $8,718,575 will become due. The agreement also includes a financial covenant requiring us to maintain certain debt service coverage ratios. We did not satisfy this covenant in fiscal 2012, and compliance with the covenant and any related default was waived by the First Midwest Bank through December 31, 2013.

In connection with the modification to the construction loan agreement in 2011, we also issued warrants to First Midwest Bank, to purchase 20,000 shares of our common stock. As of March 31, 2013, First Midwest Bancorp, an affiliate of First Midwest Bank, beneficially owned approximately 6.7% of our outstanding common stock through its ownership of redeemable Series A-1 preferred stock. See "Principal Stockholders." Under our bylaws, First Midwest Bank also has the right to appoint a director to our board of directors until the completion of this offering.

In November 2012, the Company received notice from First Midwest Bank waiving, until December 31, 2013, the Company's requirement to comply with the debt service coverage ratio covenant at December 31, 2012.

(4) On August 14, 2011, we granted warrants to purchase 20,000 shares of our common stock at an exercise price of $15.00 per share to First Midwest Bank in exchange for the modification of the loan agreement with us. These warrants may be exercised in whole or in part at any time prior to expiration on September 15, 2021, except for the period beginning on the day that we first file a registration statement on Form S-1 related to an initial public offering of our common stock and ending 180 days after the closing of this initial public offering.

The loan payable to First Midwest Bank has been used exclusively for the purchase of land and the construction of the corporate headquarters facility in Deerfield, Illinois. Interest under the loan is payable at the greater of the 30-day LIBOR plus 4.5% or 5.5%. Estimated interest payments assume the September 30, 2012 interest rate on the loan of 5.5%. The agreement also includes a financial covenant requiring us to maintain a ratio of net cash flow from operations to debt service (both terms as defined in the agreement) of not less than 1.10 to 1.00. Our net cash flow from operations for fiscal 2012 was negative, and we consequently did not satisfy the covenant. Compliance with the covenant and any related default was waived by First Midwest Bank through December 31, 2013. Although we do not currently intend to repay the loan, following the completion of this offering we believe we will have sufficient cash to do so in the event we are unable to obtain further waivers or a permanent modification of the covenant. Accordingly, we do not expect that any failure to satisfy such covenant in the future would have a material adverse effect on our operations.

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**From the follow-on 424B4 filed 9-20-2013:**

> Our current construction loan with First Midwest Bank contains various restrictive and financial covenants, including a ratio of net cash flow from operations to debt service of not less than 1.10 to 1.00, as well as a covenant that requires lender consent for certain future equity issuances. Our net cash flow from operations for fiscal 2012 and the nine months ended June 30, 2013 was negative, and we consequently did not satisfy the debt service covenant. Compliance with the debt service covenant and any related default was waived by First Midwest Bank until December 31, 2013. Following the completion of this offering, we intend to renegotiate the terms of the loan and/or seek proposals from other lenders to refinance the loan. However, there can be no assurance that we will be able to do so on acceptable terms or at all.

**From TXTR's 10-K filed 11-26-2013:**

> We also used $10.2 million to repay in full all outstanding indebtedness under our loan agreement with First Midwest Bank. Pending the other uses described in our prospectus filed on June 7, 2013, we have invested the remaining net proceeds in money market funds.