Community Development Authority
MCRF Loan Report
May 10, 2011

Updated Project: TJ's Taylor's Once Price Cleaners

Original Project: On October 20, 2010, CDA approved a $121,440 Cap Revolving Fund Loan to TJ's Taylor's One Price Cleaners, Inc. ("Borrower") secured by a first UCC lien. The loan was evidenced by a five-year note, amortized ten years, bearing an interest rate of prime rate at closing, floating, plus .25 basis points, the first two years payable at interest only. The City of Madison would seek a $96,000 loan guaranty from Wisconsin Housing and Economic Development Authority (WHEDA) to secure a 90% loan to value as required by CDA policy.

Borrower proposed a start-up dry-cleaning business that also provides a training apparatus and funding support for a job training program for disadvantaged and developmentally-disabled persons. The MCRF loan would purchase machinery & equipment, furniture and fixtures, and fund tenant improvements to be installed in a leased facility at 4522 Verona Road ("Project").

TJ's Taylor's One Price Cleaners, Inc. ("Borrower") is a for-profit Subchapter (s) corporation with non-profit subsidiaries (MAP and TJ's Support Brokerage). Borrower proposed that the for-profit dry-cleaner will provide financial support through charitable distributions to the non-profit subsidiaries. Borrower would sub-lease a 4,500 SF space from TJ's Support Brokerage, with TJ's leasing the remaining 4,300 SF.

New Project Update: To date, Borrower has not completed the Project nor have MCRF funds been disbursed. The Project's sources and uses of funds and business model have significantly changed, requiring a new CDA review and Common Council authorizing resolution. The changes, in comparison to the original Project approved by CDA, are as follows:

Project Cost (Uses of Capital):	October, 2010	May 10, 2011
Land	$0	$0
Equipment & Installation	(241,000)	(176,000)
Furniture, Fixtures	(50,000)	(22,000)
Signage	0	(15,825)
Equipment Contingency	(25,000)	0
Tenant Improvements	(73,500)	(50,000)
Operating Reserves	(100,000)	(40,000)
Soft Cost	(92,200)	(43,200)
Total Cost	($581,700)	($347,025)
Sources of Capital:		
Equity	$43,700	63,000
Grants:	198,000	46,000
Total Equity & Grants	$241,700	$109,000
Loans:		
MCRF Loan	$120,000	120,000
MGE	30,000	0
WI Dept of Commerce	100,000	100,000
Family Investment	90,000	0
City of Madison Energy Loan (3%, 5 yr)	0	30,000
Total Loan Sources	$340,000	$250,000
Total Sources	**$581,700**	**$359,000**

Analysis of New Project:

Status of Funding Sources

MGE ($30,000) and WWBIC ($90,000) are unable to provide funds as originally planned. The pledged $90,000 family investment is no longer included in the project. WHEDA loan guaranty underwriting impacted these funding reductions. WHEDA opined that Borrower's market capture would be greatly reduced by area competitors. WHEDA decreased the production and income assumptions of the original business model, thereby reducing their total loan guaranty commitment to $100,000 for all applying lenders.

Grant funding was reduced by about $150,000 because some grant programs did not allow their funds to be used for a private business operation. Borrower has injected about $20,000 of additional equity to the project. A Wisconsin Department of Commerce ("Commerce") loan commitment for $100,000 is unconfirmed.

Project Costs Reduced
Borrower has reduced project costs commensurate with the reduced funding. Of note, Borrower will purchase secondary-market, refurbished equipment, has reduced installation cost and received donated furniture, fixtures and tenant improvements. Operating reserves were reduced from $100,000 to $40,000, apparently at the request of WHEDA, for their respective underwriting purposes.

Business Model Changes
The original business model was largely a walk-up service business projecting production of over 1,000 pieces per day. To date, the model has changed to a contract dry-cleaning, similar to a factory operation, serving large users such as church choirs, marching bands, work uniforms, etc. Production assumptions have decreased to 540 pieces per day. Walk-up business is not assumed in the new projections. Borrower has provided support letters to confirm this new contract business approach.

Charitable Distributions
Current projections no longer demonstrate forecasted charitable distributions from net income, after debt service, to Vernon Taylor and Diana Shinall ("Owners") that are then donated to MAP and TJ's Support Brokerage. It was Owners original intent to make these distributions.

Loan to Value, WHEDA Guaranty
Refurbished, secondary-market machinery and equipment is likely to demonstrate a lower resale value in a foreclosure than new equipment. Thus the WHEDA loan guaranty is even more a necessity. WHEDA has indicated that a maximum guaranty of $100,000 may be available to secure the MCRF loan.

Loan to Value Calculation

Estimated Cost	$176,000
Less: Est. Discount (66%	(116,160)
Discounted Value	$59,840
WHEDA Guaranty (80% of loan)	96,000
Total Collateral Value	$155,840
MCRF Loan	$121,440
Loan to Value - Borrower	**78%**

Cash Flow Projections **(See Attached Financials for More Detail)**

Year	**2011**	**2012**	**2013**	**2014**
Cash Balance – Beginning	13,751	53,979	66,443	45,476
Net Income	24,452	7,895	(17,467)	(40,873)
Non-Cash Depreciation	37,957	27,373	19,929	14,673
Cash Provided By (Used) in Operations	62,408	35,267	2,463	(26,200)
Debt Service	(22,180)	(22,803)	(23,429)	(24,073)
Net Increase (Decrease) in Cash	40,228	12,464	(20,966)	50,273
Cash Balance	53,979	66,443	45,476	(4,796)

Comments:

1. Meets CDA's 90% Loan to Value requirement, when factoring in the WHEDA guaranty.

2. Management question: Who will maintain existing and generate new service contracts? Experience appears to be in the walk-up business model.

3. Net Income is thin and fluctuates greatly. Initial feasibility depends upon significant owner investment, grant support and non-cash depreciation. Contract sales are critical--a lost contract customer could be problematic.