City of Madison Community Development Authority
Madison Capital Revolving Loan Report
Tilt Media, Inc. ("Borrower")
November 9, 2010

Project: Borrower purchased 8,440 SF building on 41,950 SF of land located at 3209 Latham Drive in the City of Madison. Borrower proposes to make interior improvements to the building to convert its use into a full-service recording studio.

Project Cost (Uses of Capital):

Building and Land	$465,000	
Building Improvements	60,000	
Construction Contingency	6,000	
Total Cost	**$531,000**	

Sources of Capital:

Equity	$45,000	
Bank Loan w/ SBA 7(a) Guaranty	420,000	Terms:
MCRF Loan	$66,000	$66,000 to Borrower 7 yr note, 4% interest, fixed at closing 2nd Mortgage on Property at 3209 Latham Drive Personal Guaranty of Richard J. Rubasch Or $66,000 to Borrower 5 yr note, 10-yr amort, prime rate plus 1.0%, floating Paid annually Interest set at closing, re-priced annually 2nd Mortgage on Property at 3209 Latham Drive Personal Guaranty of Richard J. Rubasch
Total Sources	**531,000**	

Analysis:

Tilt Media, Inc. ("Borrower") is a for-profit Subchapter (s) corporation, operating a media service company including direct production of video, audio commercials, instructional videos, presentations and other media for corporate clients throughout Dane County and the Midwest. Borrower purchased the property at 3209 Latham Drive for $465,000 with a bank loan supported by a U.S. Small Business Administration (SBA) 7(a) loan guaranty. Borrower requests a $66,000 Madison Capital Revolving Fund loan to complete building improvements to the property. Tilt Projects, LLC, solely owned by Richard J. Rubasch, will own the real estate and lease it to Borrower.

In 2010, Borrower purchased the property at 3209 Latham Drive with the objective of expanding operations to include more post-production services (editing, etc.) for other area media service providers (a growing sector of Borrower's business) and the rental of their studio space to such media providers. Borrower projects an average of $36,000 per year of new rental income derived from studio rental.

For the last three years, Borrower utilized business credit card sources to finance working capital needs when such credit was easily accessible. Borrower demonstrates a history of repaying this credit in a timely fashion. As the recession has negatively impacted such credit sources, Borrower's pro forma indicates a plan to retire all credit cards by the end of 2012, relying instead on cash generated by operations over short-term borrowing.

Borrower's projected 2010 year-end operating cycle is currently negative (-17 days). Also referred to as the "cash to cash" cycle, this is the total time it takes for a business to invest cash into production, make a sale and then receive payment from the buyer. Depending on several factors, a negative operating cycle can indicate either favorable or adverse cash flow performance. In this case, Borrower demonstrates a steadily improving receivables turnover to cash (from 58 days in 2007 to 33 days in 2010) and confident creditors (historically, payables at approximately 60 days) although the high level of credit card debt, knowing that market's unpredictability, is a credit concern for the long term. However, as credit card obligations are reduced, Borrower's pro forma forecasts growth to a positive operating cycle, improving to -7 days in 2011 and +7 days in 2012.

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As is customary with Subchapter (s) corporations, Richard Rubasch, owner of Tilt Media, Inc. and sole managing director of Tilt Projects, LLC takes salary distributions from net profits.

Borrower was paying $15,024 per year in rent prior to purchase of property. Debt service on the real estate is forecasted to be about $40,000 per year.

The proposed loan meets CDA loan to value standard of 90% as demonstrated below. Debt coverage is estimated at 1.79 using projected 2011 debt service against projected 2010 net income. Debt to worth ratio as a result of the project is slightly higher than standard (5.8). An appraisal of the property provided a value range of $506-540,000. The upper end of the value range was used in this analysis.

Borrower has committed $45,000 of cash equity to the project.

Ratios:

Debt to Worth Industry Standard	4:1 or 5:1
Borrower (Current)	.58:1
Borrower (w/ Project)	5.9:1
Debt Coverage Standard	1.2 (pre-recession) to 1.7 (current)

Debt Coverage	2010	2011	2012	Terms
Net Income	91,030	94,986	107,111	
Est. D/S – Bank	30,702	30,702	30,702	$420,000, 25 yr, 5.3%
Est. D/S – MCRF	10,996	10,996	10,996	$66,000, 7 yr, 4%
Est. D/S – Bank Equipment Loan	9,263	9,263	9,263	$25,000, 7 yr, 4%
Total Debt Service	50,961	50,961	50,961	
Debt Coverage	1.79	1.86	2.10	

Loan to Value MCRF Standard	90%	
Loan to Value - Borrower	Estimated Value	$540,000
	X CDA Loan to Value	.90
	Discounted Value	$486,000
	Less: Bank Loan	($420,000)
	MCRF Loan	(66,000)
	Loan to Value - Borrower	**90%**