

Community Development Authority  
MCRF Loan Report  
May 10, 2011

Loan Application: Cathay Pacific Inc. (Hong Kong Café)

Project:

Cathay Pacific Inc. ("Borrower"), a C Corporation, operating as a restaurant and d/b/a Hong Kong Café, proposes to construct an outdoor seating area adjacent to the property at 2 S. Mills Street (occupied by Borrower's subsidiary, Hong Kong Café. Total project cost is \$87,635. (See Attached Cost Estimate). In 2010 Borrower received two (2) Façade Grants for a total of \$20,000 for the existing structure at 2 S. Mills. A subsidiary of Borrower, New World Investments, LLC ("New World") owns both the 2 S. Mills Street property and the adjacent property at 1107 Regent since about 1993. The ownership of Borrower and New World is among the same family members (See Attached May 4, Letter from Sorge CPA).

Comments:

Borrower has building permits authorized and intends to break ground the week of May 9.

Staff received the application on May 5, twelve hours before the CDA packet went out. Borrower has neither completed nor signed the MCRF Application. Borrower is requesting \$80,000. Borrower is adamant on a 5/10 and 5/12 review due to timing issues.

Borrower states that there are no mortgages or liens on both subject properties. Aggregate 2010 Assessed Value of the parcels is \$523,800. Prior to closing, Staff would commission a 30-year title report to confirm mortgage/lien status. MCRF policy requires an appraisal demonstrating 90% loan to value including the MCRF loan.

Borrower's tax returns from 2008-10 report declining Gross Revenue and positive and varying Net Income:

Year	2008	2009	2010
Gross Revenue	492,200	453,900	432,000
Cost of Sales	(179,600)	(166,100)	(159,500)
Gross Profit	312,600	287,800	272,500
Operating Expenses	(305,100)	(272,800)	(261,900)
Net Income	6,500	15,000	10,600

New World's tax returns from 2008-10 report a slightly declining net worth and net income. New World reported a net loss in 2010 on real estate operations.

Year	2008	2009	2010
Gross Revenue – Rent	34,000	31,500	12,000
Cost of Sales	0	0	0
Gross Profit	34,000	31,500	12,000
Operating Expenses	24,400	23,600	(24,800)
Net Income	9,600	7,900	(12,800)

Loan to Value Calculation

Estimated Value	\$523,000
X 90% LTV Ratio	<u>.90</u>
Discounted Value	\$470,700
Total Loans	<u>80,000</u>

Loan to Value                      17%



## Hong Kong Café Patio Project

### Plans & Permits By Owner

Excavation	\$4,500.00
Concrete	\$14,700.00
Block/Brick	\$11,800.00
Metal Work - Gates, Gutters	\$3,800.00
Metal Overhang	
Ornamental Posts	
Framing Material	\$1,350.00
Aluminum Store Front	\$2,300.00
Metal Wrap Beam	\$3,600.00
Epoxy Concrete Slab	\$3,700.00
Insulation, Drywall & Paint	\$900.00
Bike Rack	\$550.00
Dumpster	\$350.00
Labor	\$3,700.00
Electrical	\$6,500.00
Portable Fence	\$1,300.00
Gas Fired Modeen for Kitchen Hood	\$7,700.00
Tables, Chairs & Umbrellas	\$10,300.00
Carpentry	\$3,800.00
Sewer Lateral	\$3,200.00
Subtotal	\$84,050.00
Project Management	\$3,585.00
<b>Total</b>	<b>\$87,635.00</b>

May 4, 2011

Joseph E. Gromacki  
Office of Real Estate Services  
215 Martin Luther King, Jr. Blvd.  
Madison WI 53701-2983

Dear Mr. Gromacki,

Cathay Pacific, Inc. dba Hong Kong Café is a C Corporation owned and operated by the same family that owns New World Investment, LLC. Essentially, New World owns the land and building that Hong Kong Café rents from. I can attest that all six partners of New World Investments LLC (Mui Hung Kam, Siu Wah (Terry) Leung, Siu Hong Leung, Siu Wing Leung, Yee Man Leung and Siu Cheung (Philip) Leung) are shareholders of Cathay Pacific, Inc. and are in agreement for pursuing this loan.

The loan application for the Madison Capital Revolving Fund is to request funds to aid in the construction of an outdoor seating area along Regent St. adjacent to the building that Hong Kong Café occupies. This outdoor seating area is expected to create approximately 5 part-time jobs and increase revenue for Hong Kong Café by 10%.

New World Investments is financially sound in that it owns its assets free and clear. Any liabilities that are noted in the tax returns are liabilities that the partnership owes to individual partners. Cathay Pacific, Inc. is just as strong with its 2010 total assets at \$216,564 and liabilities at \$78,978.

Financial statements and tax returns for New World Investments for tax years 2008, 2009 and 2010 have been provided. Financial statements for Cathay Pacific are unable to be taken directly from the software but copies of the adjusted financial statements have been included in addition to the tax returns. Additionally, I am providing you with the first quarter of 2011 for Cathay Pacific, Inc. New World Investments financial statements will not be completed until year end.

If there is anything further I can provide you, please contact me.

Warm Regards,



Amy Raven  
Sorge CPA & Business Advisors  
5221 Monona Drive  
Madison, WI 53716  
(608) 221-2253 Extension 118  
amy@sorgecpa.com

**Sorge CPA & Business Advisors, S.C.**

