

FINANCE MEMORANDUM

TO: Frances Walton

FROM: Amit Nihalani
Sheila Robinson

DATE: September 6, 2011

RE: Brookman Construction Company, Inc

Purpose: To provide financial information about Brookman Construction Company, Inc (“Brookman” or the “Company”) and to determine the likely ability of the Company to repay a \$400,000 working capital loan under the Small Business and Minority and Women-Owned Business Enterprises Transportation Capital Assistance and Guaranteed Loan Program (the “Program”) administered by Empire State Development (“ESD”) and New York State Department of Transportation (“NYSDOT”). .

Project: This is a proposed \$400,000 working capital loan for Brookman Construction Company to install reinforced steel on the Van Wyck Expressway in Queens, NY, under a contract from NYSDOT. The total working capital needs are estimated to be \$1,200,000.

Borrower

- Name: Brookman Construction Company, Inc
- Corporate Location: Brooklyn, NY
- Corporate Form: Privately held S corporation
- Ownership: 100% of the capital stock is owned Jose Coello
- Nature of Business: Reinforced steel installation

Financial Information

- Industry: Structural Steel and Precast Concrete Contractors
- NAICS Code: 238120
- ESD Credit Rating (Score)*: Very Good (5)
 - Profitability:
 - Sales: Increasing over 3-year historical period.
 - Profit Margin: Above the industry median in most recent year.
 - EBITDA: Increasing over the 3 year historical period.
 - Net Income: Increasing over 3 year historical period.
 - Liquidity:
 - Current ratio: Above the industry median in most recent year and above one.
 - Solvency:

- Total debt/total assets: Above the industry median but less than 65%.
- EBITDA/Debt Service: Strong. (The Company has no interest bearing debt)
- Other:
 - Audit Status: Tax returns were provided.

Brookman Construction Company, Inc.

	<u>Industry Median</u>	<u>Years Ending December 31</u>		
		<u>2008</u>	<u>2009</u>	<u>2010</u>
Net Sales		1,061	0	269,000
EBITDA		-483	0	47,177
Pre-tax Profit		-2,485	0	30,177
Pre-tax profit/net sales	0.30%	-234%	0%	11.22%
Net Income		-2,485	0	30,177
Current Assets				78,225
Current Liabilities				34,560
Current Ratio	0.70			2.26
Total Assets				111,725
Long-term Debt				0
Total Debt				45,000
Total Liabilities				81,548
Net Worth				30,177
Total debt/total assets	0.30			0.40
EBITDA/Debt Service		-0.97		N/A

Uses & Sources

Working Capital Budget				
Use	Amount	Source	Amount	
Working Capital	1,200,000	100% NYSDOT Contract *	800,000	67%
		ESD Loan	400,000	33%
Total Project Costs	1,200,000	100%	Total: 1,200,000	100%

* Working capital NYSDOT contract is for \$800,000. Total value of NYSDOT contract is \$5.6MM payable over 4 years

ESD Credit Analysis

1. Collateral Analysis

Loans	
ESD	400,000
Total Loans:	\$400,000
Value	
Contract Value	\$800,000
Total Value:	\$800,000
Loan to Value:	50.0%

Collateral is the \$800,000 funded contract with NYSDOT (payable over 4 years) and payments on the contract will be assigned directly to ESD for payment of the debt service, and ESD will then remit the difference to the Company.

2. Personal Guarantee

A personal guarantee will be provided by Jose A. Coello, whose personal financials follow:

**Jose A. Coello
Personal Financial Statement
As of August 15, 2011**

Assets	
Cash	3,775
Life Insurance - Cash Surrender Value	9,000
Total Assets:	12,775
Liabilities	
Accounts Payable	475
Installment Account (Other)	320
Total Liabilities:	795
Net Worth:	11,980

Jose A. Coello's credit score dated August 17, 2011: 604

3. ESD Default Risk Rating: Low

Potential Loan Terms

Funding Source	Small Business and Minority and Women-Owned Business Enterprises Transportation Capital Assistance and Guaranteed Loan Program
Principal	\$400,000 working capital loan. Terms of the Program allow for a loan of up to 50% of the annual contract value, but no more than \$500,000.
ESD/NYSDOT Scoring Model	Applicant scores a minimum of 5 on the DOT scoring model. The company scored a 12.
Interest Rate	Prime rate to be set at closing (indicative rate as of 8/17/2011 is 3.25%
Term	36 months, fully amortizing
Loan to Value	Not to exceed 50%
Collateral	First assignment of NYSDOT transportation related contracts with a value of \$5.6MM
Guarantees	Personal guarantee from Jose A. Coello.
Conditions	<ul style="list-style-type: none">▪ Collateral review▪ Corporate credit check and background check for Corporate principal.

Additional Information:

- The Company was sold on July 16, 2009. 2010 performance was under new ownership while 2008 was under the previous ownership. 2009 represented a transitional year in which no sales were generated.

Findings:

- The Company received a very good credit score due to the recapitalization by a new company, improving financials, and moderate leverage with a LTV of 50% with the ESD loan. Based on historical operations, the Company would not generate sufficient cash flow from operations to service a working capital loan. However, loan repayment is secured by the contracts with NYSDOT.
- The Company has experienced increased profitability over the past three years and demonstrates strong liquidity and solvency.

*ESD Credit Rating Definitions:

Rating (Score)	Definition
Very Good (5)	The Company is strong in all 3 areas of profitability, liquidity, and long-term solvency.
Good (4)	The Company is extremely solvent and liquid.
Satisfactory (3)	The Company is strong in the areas of profitability and liquidity, but not long-term solvency.
Fair (2)	The Company is strong in only one of the areas of profitability, liquidity, and long-term solvency.
Marginal (1)	The Company is not strong in any of the areas of profitability, liquidity, and long-term solvency.
Poor (0)	The Company is very weak in all areas of profitability, liquidity, and long-term solvency.