

IDA PROJECT COST/BENEFIT ANALYSIS

October 26, 2001

Applicant:

A Real Estate Holding Company TBD
City Merchandise Inc.
68 34th Street
Brooklyn, NY 11232

Project Locations:

228-240 & 248-250 40th Street
Brooklyn, NY 11232

A. Project Description:

City Merchandise Inc. ("CMI") and its affiliates, Arrow Novelty Company and Souvenir Distribution Inc., are seeking IDA assistance in order to purchase an approximately 31,000 square foot building located on a 38,000 square foot parcel of land at 248-250 40th Street and an adjacent building that is approximately 20,000 square feet located on a 11,900 square foot parcel of land at 228-240 40th Street located in the Sunset Park section of Brooklyn and the Southwest Brooklyn Empire Zone. The company plans to relocate, consolidate and expand warehouse operations currently located at 68 34th Street in Brooklyn, New York and 730 Grand Avenue, Ridgewood, New Jersey, in the new facility. The new facility which is in total 51,000 square feet will allow CMI to consolidate and eliminate the inefficiencies of two separate warehouse operations. Through the IDA, CMI will retain 31 jobs in New York City and create 3 new jobs within three years.

CMI plans to purchase the facility for \$4,200,000. Fees and soft costs are estimated to be \$50,000. Total project costs are estimated to be \$4,250,000. CMI will finance the project with a loan from a commercial bank in the amount of \$2,125,000. Empire State Certified Development Corporation will provide a second mortgage through the SBA 504 program in the amount of \$1,700,000. Company equity in the amount of \$425,000 will cover the balance of project costs.

CMI and its affiliates are distributors of over 1,000 souvenir items ranging from key chains, post cards, coffee mugs, hats, plastic bags, "I Love New York" license plates, souvenir spoons, snow globes, and magnets. CMI's customers include airport and hotel gift shops as well as several Midtown Manhattan gift shops.

B. New York City Benefits (NPV 25yrs. @ 7.75%):

Mortgage Recording Tax Waiver
Land Tax Abatement (NPV, 25 Yrs.)
Building Tax Stabilization (NPV, 25 Yrs.)
Sales Tax Exemption
Total

C. Annual New York City direct and indirect taxes to be generated by company:

(NPV 25 Yrs. @ 7.75%)



New York City
Economic Development
Corporation

FACSIMILE COVER SHEET

110 William Street
New York, NY 10038
212-312-3908

Michael G. Carey, President

Michael R. Bloomberg, Mayor

DATE: 2/14/02

TO: Rob Morel

FAX NUMBER: 718-349-0072

SUBJECT: American Building Supply DEC reg + City Merchand

FROM: Beth Marks FAX NO: ²¹²⁻312-3908 NYS45 ATTS

NO. OF PAGES (incl. Cover sheet): 10

COMMENTS:

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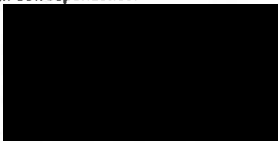
NYS-45 (1/00)

Quarterly Combined Withholding, Wage Reporting and Unemployment Insurance Return



Reference these numbers in all correspondence:

UI Employer
Registration Number
Withholding
Identification Number
Employer Legal Name



This return covers the period indicated below:

Jan 1 - Mar 31: 1
Apr 1 - Jun 30: 2
July 1 - Sep 30: **X** 3
Oct 1 - Dec 31: 0 0 4
Y Y

40019918

FOR OFFICE USE ONLY
Postmark

Due Date **Oct. 31, 2000**

If seasonal employer, check box

Received Date

CITY MERCHANDISE INC.

Number of Employees

Enter the number of full-time and part-time covered employees who worked during or received pay for the week that includes the 12th day of each month.

a. First Month

b. Second Month

c. Third Month

W

W

W

UI
SK

AI

SI

WT
SK

Part A - Unemployment Insurance (UI) Information

Part B - Withholding Tax (WT) Information

- Total remuneration paid this quarter
- Remuneration paid this quarter to each employee in excess of \$8,500 since January 1
- Wages subject to contribution (subtract line 2 from line 1)
- UI contributions due
Your tax rate is **6.725** %
(multiply line 3 x .06725)
- Re-employment service fund (multiply line 3 x .00075)
- UI previously underpaid with interest
- Total of lines 4, 5, and 6
- Enter UI previously overpaid
- Total UI amounts due (if line 7 is greater than line 8 enter difference)
- Total UI overpaid (if line 8 is greater than line 7, enter difference and check box 11 below)*
- Apply to outstanding liabilities and/or refund



- New York State tax withheld
- City of New York tax withheld
- City of Yonkers tax withheld
- Total tax withheld (add lines 12, 13 and 14)
- WT credit from previous quarter's return (see instr.)
- NYS-1 payments already made for this quarter
- Total payments (add lines 16 and 17)
- Total WT amount due (if line 15 is greater than line 18, enter difference)
- Total WT overpaid (if line 18 is greater than line 15, enter difference here and check 20a or 20b)*
- Apply to outstanding liabilities and/or refund



21. Total payment due (add lines 9 and 19; make one remittance payable to NYS Employment Taxes)

OR 20b.

*** AN OVERPAYMENT OF EITHER TAX CANNOT BE USED TO OFFSET THE AMOUNT DUE ON THE OTHER TAX**
Complete Parts D and E on back of form, if required. This is a scannable form; please file the original.

Part C - Employee Wage and Withholding Information

Quarterly employee/payee wage reporting information (if more than 5 employees or if reporting other wages, DO NOT make entries in this section; complete Form NYS-45-ATT).			Annual wage and withholding totals <small>If this return is for the 4th quarter or the last return you will be filing for the calendar year, complete columns (d) and (e)</small>	
(a) Social security number	(b) Last name, first name, middle initial	(c) UI total remuneration/ gross wages paid this quarter	(d) Gross wages subject to withholding	(e) Total tax withheld

Totals (Column (c) must equal remuneration on line 1; see instructions for exceptions.)

Sign your return: I certify that the information on this return is to the best of my knowledge and belief true, correct and complete.

Taxpayer's signature: _____ Signer's name (please print): _____ Title: _____

Date: 10/6/00

Telephone number

Quarterly Combined Withholding, Wage Reporting and Unemployment Insurance Return



40019918

FOR OFFICE USE ONLY Postmark

This return covers the period indicated below:

Jan 1 - Mar 31 1 Apr 1 - Jun 30 2 July 1 - Sep 30 3 Oct 1 - Dec 31 4 0 0 Y Y

Due Date: Oct. 31, 2000

If seasonal employer, check box

Received Date

Employer Identification Number

Employer Legal Name CITY MERCHANDISE INC.

Number of Employees Enter the number of full-time and part-time covered employees who worked during or received pay for the week that includes the 12th day of each month.

a. First Month

b. Second Month

c. Third Month

UI SK AI SI WI SK

Part A - Unemployment Insurance (UI) Information

Part B - Withholding Tax (WT) Information

- 1. Total remuneration paid this quarter
2. Remuneration paid this quarter to each employee in excess of \$8,500 since January 1
3. Wages subject to contribution
4. UI contributions due
5. Re-employment service fund
6. UI previously underpaid with interest
7. Total of lines 4, 5, and 6
8. Enter UI previously overpaid
9. Total WT amounts due
10. Total UI overpaid
11. Apply to outstanding liabilities and/or refund

- 12. New York State tax withheld
13. City of New York tax withheld
14. City of Yonkers tax withheld
15. Total tax withheld
16. WT credit from previous quarter's return
17. NYS-1 payments already made for this quarter
18. Total payments
19. Total WT amount due
20. Total WT overpaid
20a. Apply to outstanding liabilities and/or refund

21. Total payment due (add lines 9 and 19; make one remittance payable to NYS Employment Taxes)

OR 20b. Credit to next quarter withholding tax

* AN OVERPAYMENT OF EITHER TAX CANNOT BE USED TO OFFSET THE AMOUNT DUE ON THE OTHER TAX Complete Parts D and E on back of form, if required. This is a scannable form; please file the original.

Part C - Employee Wage and Withholding Information

Table with 5 columns: (a) Social security number, (b) Last name, first name, middle initial, (c) UI total remuneration/gross wages paid this quarter, (d) Gross wages subject to withholding, (e) Total tax withheld. Includes a Totals row at the bottom.

Sign your return: I certify that the information on this return is to the best of my knowledge and belief true, correct and complete.

Taxpayer's signature Signer's name (please print) Title

Date 10/6/00 Telephone number

CITY ONE REAL ESTATE & FINANCING

236 Greenpoint Ave
Brooklyn, NY 11222
718-349-0050

* Fax 718-349-0072 *

Date: 2/5/02
Pages: 2
To: Beth Marks
Fax Phone: 212-312-3908
From: Robert Morel

RE: CITY MERCHANDISE

DEAR BETH

FOR THE EDC BIR DISCOUNT I NEED THE 4
QUARTERS OF NYS-45...I ONLY FOUND THE 1
QUARTER ATTACHED..... COULD YOU PLEASE
FAX ME THE OTHER 3 QUARTERS

THANK,
YOU,

ROB

Quarterly Combined Withholding, Wage Reporting and Unemployment Insurance Return



40019918

FOR OFFICE USE ONLY
Postmark

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Jan 1 - Mar 31	Apr 1 - Jun 30	<input checked="" type="checkbox"/> July 1 - Sep 30	Oct 1 - Dec 31	0 0
1	2	3	4	Y Y

Due Date **Oct. 31, 2000**

If seasonal employer, check box

Received Date

Employer Legal Name

CITY MERCHANDISE INC.

Number of Employees
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a. First Month

b. Second Month

c. Third Month

UI
SK

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WT
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Totals (Column (c) must equal remuneration on line 1; see instructions for exceptions.)

Sign your return: I certify that the information on this return is to the best of my knowledge and belief true, correct and complete.

Taxpayer's signature	Signer's name (please print)	Title
----------------------	------------------------------	-------

Date	Telephone number
10/6/00	

NEW YORK CITY
INDUSTRIAL DEVELOPMENT AGENCY
PROJECT FINANCING PROPOSAL

Board Meeting of October 23, 2001

APPLICANT

A Real Estate Holding Company TBD
On behalf of
City Merchandise Inc.
And its affiliates, Arrow Novelty Company and
Souvenir Distribution Inc.,
68 34th Street
Brooklyn, New York 11232

PROJECT LOCATIONS

248-250 40th Street
228-240 40th Street
Brooklyn, New York 11232

PROJECT MANAGER

Beth Marks

EMPLOYMENT

At Risk: 31 Jobs
Retained: 31 Jobs
Projected Growth: 3 Jobs
Total: 34 Jobs

PROJECT ATTORNEY

Jonathon Gellman

OUTSIDE COUNSEL

Winston & Strawn

SEEKING APPROVAL FOR

**Small Industry Incentive Program Inducement
Resolution**

TYPE OF BUSINESS

Distributor of domestic souvenirs

PROJECT SOURCES AND USES

(000's omitted)

	<u>ESCDC</u>	<u>Bank</u>	<u>Equity</u>	<u>Total Uses</u>
Land & Building				
Fees & Soft Costs				
Total Sources:				

City Merchandise Inc.

FINANCING RATES AND TERMS

A yet to be determined bank will provide a first mortgage in the amount of [REDACTED] Empire State Certified Development Corporation will provide a second mortgage through the SBA 504 program in the amount of [REDACTED] balance of project costs will be financed with company equity.

**ANNUAL SALES FOR
LAST FISCAL YEAR** [REDACTED]

REFERRED BY

Financing Initiatives Division

**ESTIMATED
IDA BENEFITS**

Real Estate Tax Benefits:

City Merchandise Inc. will receive a mortgage recording tax waiver of 2.75 percent of a mortgage in the amount of \$3,825,000.

The estimated 2001/2002 land taxes are \$23,077. City Merchandise Inc. will receive a full annual land tax abatement since the project is located in the Southwest Brooklyn Empire Zone. The maximum land tax abatement benefit over the 25-year term will be phased-out at 20 percent each year for years 22 through 25.

The current building taxes are \$45,389. The new building taxes are expected to be \$97,911 after the purchase. Through the IDA, the taxes will be stabilized for 25 years, phased out at 20 percent each year for years 22 through 25.

Sales Tax Exemption:

There are no renovations or equipment purchases contemplated as part of this project. City Merchandise Inc. will not receive sales tax exemption.

Mortgage Recording Tax Waiver
Land Tax Abatement (NPV, 25 Yrs.)
Building Tax Stabilization (NPV, 25 Yrs.)
Sales Tax Exemption
Total



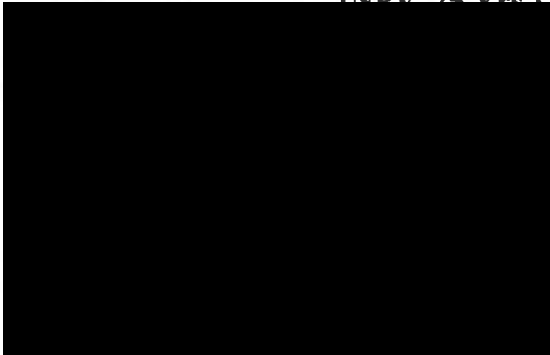
Estimated Benefits per Jobs Retained & Projected

OTHER BENEFITS

City Merchandise Inc. will apply to the Energy Cost Savings Program.

City Merchandise Inc.

ESTIMATED FINANCING FEES

	<u>At Closing</u>	<u>On-Going Fees</u> <small>(NPV, 25 Yrs)</small>
IDA Financing Fee		
IDA Counsel		
Project Counsel		
Annual IDA Fee		
<u>Total:</u>		
<u>Total Financing Costs:</u>		

SEQRA DETERMINATION

Staff has reviewed the Environmental Assessment Form and recommends that the Board adopt a SEQRA determination that there are no significant impacts on the environment.

City Merchandise Inc.

PROJECT DESCRIPTION

City Merchandise Inc. (“CMI”) and its affiliates, Arrow Novelty Company and Souvenir Distribution Inc., are seeking IDA assistance in order to purchase an approximately 31,000 square foot building located on a 38,000 square foot parcel of land at 248-250 40th Street and an adjacent building that is approximately 20,000 square feet located on a 11,900 square foot parcel of land at 228-240 40th Street. Both properties are located in the Sunset Park section of Brooklyn and the Southwest Brooklyn Empire Zone.

The company plans to relocate, consolidate and expand warehouse operations currently located at 68 34th Street in Brooklyn, New York and 730 Grand Avenue, Ridgewood, New Jersey, in the new facility. Current locations comprise approximately 50,000 square feet. The new facility which is in total 51,000 square feet will allow CMI to consolidate and eliminate the inefficiencies of two separate warehouse operations. Through the IDA, CMI will retain 31 jobs in New York City and create 3 new jobs in the next three years.

CMI plans to purchase the facility for [REDACTED] Fees and soft costs are estimated to be [REDACTED] Total project costs are estimated to be [REDACTED]

CMI will finance the project with a loan from a commercial bank in the amount of [REDACTED] Empire State Certified Development Corporation will provide a second mortgage through the SBA 504 program in the amount of \$ [REDACTED] Company equity in the amount of [REDACTED] will cover the balance of project costs.

CMI and its affiliates are distributors of over 1,000 souvenir items ranging from key chains, post cards, coffee mugs, hats, plastic bags, “I Love New York” license plates, souvenir spoons, snow globes, and magnets. CMI’s customers include airport and hotel gift shops as well as several Midtown Manhattan gift shops.

City Merchandise Inc.

INDUCEMENT

To relocate, consolidate and expand operations in New York City, CMI requires assistance from the IDA to finance the purchase of a 31,000 square foot building located on a 38,000 square foot parcel of land at 248-250 40th Street and an adjacent 20,000 square foot building located on a 11,900 square foot parcel of land at 228-240 40th Street in the Sunset Park section of Brooklyn and the Southwest Brooklyn Empire Zone. The company is currently occupying a total of 50,000 square feet at 68 34th Street, Brooklyn, New York and 730 Grand Avenue, Ridgewood, New Jersey. The new 51,000 square foot facility on 40th Street will allow CMI to consolidate and eliminate the inefficiencies of two separate warehouse operations.

The company has looked at several other locations outside of New York City including several suitable locations in Northern New Jersey such as Elizabeth and Newark, which offer lower operating costs, good access to customers and suppliers, and lower taxes.

It would be impossible for CMI to consider the purchase of a site in New York City without IDA assistance. CMI cannot afford to operate the new facility in New York City without the tax benefits associated with the Small Industry Incentive Program. Without these benefits, CMI would be forced to move outside New York City. Finally, the project will retain 31 jobs in New York City and will create 3 new jobs within the next three years.

City Merchandise Inc.

COMPANY BACKGROUND

History and Nature of Business

CMI is a distributor of souvenir items ranging from key chains, post cards, coffee mugs, plastic bags, hats, "I Love New York" license plates, souvenir spoons, snow globes, and magnets. The company was founded in 1986 by CMI's current owner and President, Jack Gindi.

Mr. Gindi started the company in his basement. Within two years he outgrew his basement and moved into a 3,000 square foot building in Manhattan. He sold most of his souvenirs to mid-town Manhattan hotels. In 1988 he had 3 employees and sold approximately 100 souvenir items. By 1991 the company relocated and expanded into a 10,000 square foot warehouse in Brooklyn.

In 1994 the company acquired Arrow Novelty, a distributor of novelty items, and expanded into another 10,000 square foot building in Brooklyn. In 2000, CMI purchased another distributor of novelty items, Souvenir Distribution Inc., and Young American Merchandise Corporation, a distributor of dye cast souvenirs. Currently, CMI distributes over 1,000 souvenir items and has grown to 31 employees.

Market Analysis

CMI has few competitors including King International in Manhattan, Harvey Hunter in Ossining, New York, and Empire Design in Queens. All three competitors have sales in the \$1 million range while CMI's sales are as much as \$5.1 million.

CMI's suppliers are souvenir manufacturers located primarily overseas in Taiwan with affiliate offices in New York City. Suppliers include Cain Win Corp., Host International, Schmutter Strull, and New York embroidery. CMI's inventory is shipped to the manufacturer's United States affiliate before merchandise is ultimately shipped to CMI.

The company sells to many businesses including hotels, drug stores, and news stands. Customers include Hudson News, the Marriott Hotels, and Rite Aid Pharmacy.

City Merchandise Inc.

MANAGEMENT

Jack Gindi, owner and President, founded CMI in 1986. Mr. Gindi is responsible for the overall operations of the company including his primary function of sales and marketing to potential customers.

City Merchandise Inc.

FINANCIAL ANALYSIS

Compiled financial statements for City Merchandise Inc. were prepared by Wolfson, Milowsky, & Melzer, certified public accountants, for fiscal years ending December 31, 1998, December 31, 1999, and December 31, 2000.

Sales and Growth

- In FY98, CMI's sales were \$3.8 million. In FY00 sales were \$5.1 million, an increase of 34 percent.
- In FY98 the cost of goods sold were \$2.8 million, and in FY00 the cost of goods sold increased to \$3.4 million, a 21 percent change. Cost of goods sold consists of inventory, purchases, and direct labor.
- Profits have increased from \$1 million in FY98 up to \$1.7 million in FY00 representing an increase of 70 percent.

Balance Sheet

- Accounts receivable were \$315,000 in FY98 and \$552,000 in FY00, an increase of 78 percent.
- Total liabilities decreased from \$788,000 in FY98 to \$379,000 in FY00, a change of 52 percent.
- Cash on hand decreased from \$296,000 in FY98 to \$205,000 in FY00, a 31 percent change.

Conclusion

Assuming a 25-year term at a 6.5 percent interest rate the debt service is estimated to be \$313,579 per year. The debt service coverage ratio is 2.76 based on FY00 net income plus rent, incomes taxes, and retained earnings minus PILOT. CMI demonstrates the ability to service this debt.

$$\frac{x}{313,579} = 2.76$$

$$\$ 865,478$$

Ret. earnings =
$$\begin{array}{r} \$613,366 \\ + 151,000 \\ + 47,000 \\ + 120,000 \\ \hline \$911,366 \end{array}$$

8

City Merchandise Inc.

DUE DILIGENCE

Bank of Account	Chase Manhattan Bank
Bank Check	Relationship is reported to be satisfactory.
Supplier Checks	Relationships are reported to be satisfactory.
Customer Checks	Relationships are reported to be satisfactory.
Union Affiliation	No union affiliation.
Vendex	Due to technical computer problems, the VENDEX due diligence on this company cannot be completed at this time. Presentation of this item to the Board for an Authorizing Resolution will be subject to a satisfactory VENDEX report.
Attorney	Ed Toptani 12 East 59 th Street, 3 rd Floor New York, NY 10022
Accountant	Marc Weiselthier Wolfson, Milowsky, & Melzer 225 West 34 th Street, Suite 1008 New York, NY 10122

Beth Marks
Vice President

Date

SCHEDULE I
SELECTED FINANCIAL DATA
(\$000s omitted)

	31-Dec-98	31-Dec-99	31-Dec-00	
	FYE	FYE	FYE	
Sales: (\$)	3,801	4,819	5,111	
(% annual growth)	n/a	26.78%	6.06%	
COGS: (\$)	2,771	3,688	3,379	
(% of sales)	72.90%	76.53%	66.11%	
Gross Margin (\$)	1,030	1,131	1,732	
Gross Margin (%)	27.10%	23.47%	33.89%	
Total G & A	838	914	1,434	
(% of sales)	22.05%	18.97%	28.06%	
Other Expenses				
- Interest Expense	0	0	0	
- Commission income	0	0	0	
- Rental activities	71	100	120	
Provision for income taxes	22	21	47	
Total Other Expenses	93	121	167	
Net Income (loss)	99	96	131	
(% of sales)	0.27%	0.26%	0.36%	<i>Benchmarks</i>
Liquidity Ratio				
Current Ratio	1.30	2.37	2.78	1.80
Debt Management Ratios				
Total Debt to Total Assets	1.64	2.38	2.81	1.30
Profitability Ratios				
Profit Margin on Sales	3%	2%	3%	2.50%
ROA (%)	8%	9%	12%	12.30%
SIC: 5199 Dun & Bradstreet Industry Assets \$100,000- \$250,000				

SCHEDULE I
SELECTED FINANCIAL DATA
(\$000s omitted)

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Liquidity Ratio				
Current Ratio	1.30	2.37	2.78	1.80
Debt Management Ratios				
Total Debt to Total Assets	1.64	2.38	2.81	1.30
Profitability Ratios				
Profit Margin on Sales	3%	2%	3%	2.50%
ROA (%)	8%	9%	12%	12.30%
SIC: 5199 Dun & Bradstreet Industry Assets \$100,000- \$250,000				

**SCHEDULE II
BALANCE SHEET DATA
(\$000s omitted)**

	31-Dec-98 FYE	31-Dec-99 FYE	31-Dec-00 FYE
<i>Cash</i>	296	188	205
<i>Accounts Receivable</i>	315	444	552
<i>Inventory</i>	415	421	295
<i>Misc.</i>	270	4	12
Total Assets	1,296	1,057	1,064
<i>Loans</i>	371	278	184
<i>Accounts payable</i>	416	164	188
<i>Income taxes payable</i>	1	2	7
Total Liabilities	788	444	379
Net Worth	508	613	685
Total Liabilities and Net Worth	1,296	1,057	1,064