

BUSINESS LOAN PROGRAM

CREDIT MEMORANDUM

CITY OF LONG BEACH
ECONOMIC AND PROPERTY DEVELOPMENT DEPARTMENT
333 W. OCEAN BOULEVARD, 3RD FLOOR
LONG BEACH, CA 90802

MAY 13, 2016

LOAN OFFICERS: Andria Martinez & Diana Sasser

BORROWER: Sararee Corporation DBA Blue Haven Thai Cuisine
740 E. Broadway, Long Beach, CA 90802
(Council District 2)

BUSINESS: Full Service Restaurant

OWNERSHIP: The business is an S Corporation, owned 80% by Paknavin (Joseph) Khemsap and 20% by Choe Jirattikanchote.

REQUEST: \$300,000 Revolving Loan

FUNDING SOURCE: EDA and CDBG funds are proposed subject to availability.

TERM & INTEREST: A 15-year, fully amortized loan with nine (9) months of interest only payments followed by monthly principal and interest payments of \$2,456.49. Interest rate will be fixed at 5.00%, which is the current WSJ prime rate plus 1.5%. Fees total 2% of the loan amount (\$6,000).

PURPOSE: To provide funds for working capital and furniture, fixtures & equipment.

PUBLIC BENEFIT: Job creation. Ten full-time employees will be hired within 24 months.

**SOURCES AND
USES OF FUNDS:**

Sources:	City Loan	GAF Loan	Equity	Total Project
	\$300,000	\$535,000	\$250,000	\$1,085,000

Uses:				
Leasehold Improvements	\$0	\$500,000	\$100,000	\$600,000
Furniture, Fixtures & Equipment	\$180,000	\$0	\$0	\$180,000
Working Capital	\$114,000	\$0	\$150,000	\$264,000
Loan Fees	\$6,000	\$35,000	\$0	\$41,000

Total:	\$300,000	\$535,000	\$250,000	\$1,085,000
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**SOURCES OF
REPAYMENT:**

- (1) Business Cash Flow
- (2) Liquidation of Assets

COLLATERAL:

First position UCC Filing on all equipment purchased with the loan proceeds and a second position UCC-1 Broadform Filing on all other business assets, subordinate to the GAF Loan.

Third position deed of trust lien on residential property located at [REDACTED]

**INTERCREDITOR
AGREEMENT:**

The City of Long Beach and GAF will enter into an Intercreditor Agreement regarding their respective rights to the collateral and guarantees outlined in this memo. Except for purchase money security the City of Long Beach will be subordinate to GAF.

CREDIT REPORTS:



**GUARANTOR(S)
IF APPLICABLE:**

An unlimited personal guarantee of Paknavin (Joseph) Khemsap.

An unlimited personal guarantee of Mr. Choe Jirattikanchote.

An unlimited Corporate Guarantee of the affiliate: Paknavin Corp DBA Panvimarn Thai Cuisine.

A limited personal guarantee of Mrs. Tin Theam, limited to her community property interest in the affiliated company (corporate guarantor) and/or related real estate used as security in the EDA loan.

A limited personal guarantee of Mr. Somkol Tho, limited to his ownership interest in the affiliated company (corporate guarantor).

SITE DESCRIPTION:

Blue Haven Thai Cuisine, will be the second location of an existing Thai restaurant in north Long Beach and will be located in downtown Long Beach at 740 E. Broadway near the intersection of Alamitos Ave. which is approximately 7 miles away from the existing location, Panvimarn Thai Cuisine. The new restaurant consists of 4,100 SF with exclusive use of the 29 space parking lot. The lease agreement commenced in November 2014 and included 4 month's rent abatement as well as an additional 6 months at 50% of base rent. The initial term on the lease is 10 years with 2 options to extend for an additional 5

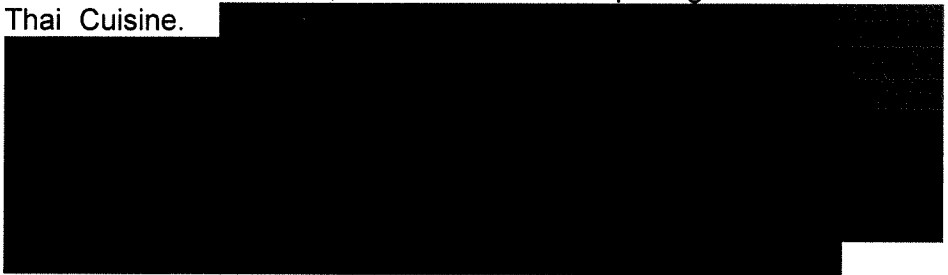
years each. Base rent started at \$2.25/SF plus \$0.40/SF NNN charges with annual increases of 3%.

**BACKGROUND
STATEMENT:**

After successfully operating **Panvimarn Thai Cuisine** since 2009, the majority owner Paknavin (Joseph) Khemsap is opening a second location in downtown Long Beach under a new corporate entity (Sararee Corporation) and name, Blue Haven Thai Cuisine. A native of Bangkok, Thailand, Joseph uses his grandmother's recipes and cooking skills he learned from her in the kitchen since the age of 11. His passion for cooking comes across in the authentic taste of his dishes and the efficiency with which he runs his kitchens. The restaurant concept is casual and affordable yet in an upscale ambiance that evokes the feeling of being on vacation in Southeast Asia.

The existing location, Panvimarn Thai Cuisine, is situated in north Long Beach at 4101 N. Bellflower Blvd. near Long Beach City College and the intersection of Carson Street. They completed a large expansion project in October 2015 taking over an adjacent unit and growing from 2,374 SF to 4,570 SF. The restaurant now consists of 3,060 SF on the main floor and 1,510 SF on the second floor mezzanine with 2 fully functioning kitchens, a sushi bar and full bar area with additional seating. The project cost was approximately \$750K and included financing from BBCN Bank, equipment leasing company as well as equity from the operations of the company. The sales exceeded \$2.3M in 2015 and are expected to increase above \$3M for 2016. The company currently employs 35 individuals, 13 full time and 22 part time.

Blue Haven Thai Cuisine is a new corporate entity, Sararee Corporation, owned 80% by Paknavin (Joseph) Khemsap and 20% by Choe Jirattikanchote, who is Joseph's great uncle. The general manager and main investor in the new restaurant is Choe's granddaughter, Sararee (Blue) Jirattikanchote. She has been in the US for the past 4 years on a student visa and has been actively involved in the day to day operations of Panvimarn for the last 3 years as well as helped manage the expansion project that was completed in 2015. Blue and Joseph are cousins and share the same family traditions of home cooked recipes and family run restaurants in Thailand. Blue has invested more than \$300,000 to date into the opening of the Blue Haven Thai Cuisine.



The City Loan will be in conjunction with a GAF Loan in the amount of \$535,000 to complete leasehold improvements in the amount of \$500,000 as well as provide \$35,000 in soft & closing costs. Three construction bids have been collected and the applicants have chosen CM Design and Construction, Inc. (Lic. #795191), a 15 year-old design build general contractor with commercial and residential experience operating out of Garden Grove, CA. The architectural plans have been

reviewed and building permits issued by the City of Long Beach. To date, the owners have completed approximately \$100,000 of construction work which includes fencing, demolition, asbestos testing & abatement and the start of plumbing and framing work. The remaining construction work to be funded includes HVAC, electrical, concrete, roofing, drywall, finishings, exterior weather proofing, etc.

**BUSINESS
DEVELOPMENT:**

Blue Haven Thai Cuisine will be similar in concept to Panvimarn but will provide an expanded menu and focus on delivery service and catering services to downtown businesses and events. The full service restaurant will provide dine-in waiter service and a full bar as well as take-out and delivery. Operating 7 days a week, the average price range for entrees will be \$9-\$25.

Panvimarn Thai Cuisine is a casual Thai restaurant providing an upscale ambiance and décor with full bar, sushi bar and dine-in waiter service as well as take-out and delivery. Private shared parking lot with 25+ spaces makes dining in convenient. Good for large parties and groups with mezzanine level seating that is able to accommodate private parties as well. Operating 7 days a week, Mon-Thu 11 am – 10 pm, Fri-Sat 11 am – 10:30 pm and Sundays 11 am – 9:30 pm. Price range for entrees is \$11-\$30.

Please visit: <https://panvimarn.com/> for a video of the restaurant and owners.

**PERSONAL FINANCIAL
STATEMENTS:**

[REDACTED]

[REDACTED]

[REDACTED]

CASH FLOW ANALYSIS & COVERAGE RATIOS:

HISTORICAL FINANCIAL INFORMATION:

CASH FLOW ANALYSIS & COVERAGE RATIOS:

STRENGTHS:

- The owner, Paknavin (Joseph) Khemsap, has 8 years of successful operating history as a restaurant owner.
- The corporate guarantor has experienced more 55% sales growth since 2012 and is consistently profitable.
- Projected adjusted cash flow coverage is strong at 1.51 to 1.00.
- Strong personal credit scores (700+) of the owner and guarantors.

WEAKNESSES:

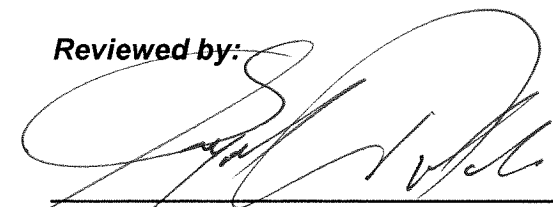
- Industry and economic risk of a start-up business is high.
- Existing adjusted cash flow coverage for 2015 is lacking at 0.74 to 1.00. The shortfall represents \$88K, which is a relatively small shortfall. Projected cash flow coverage is strong.
- Collateral coverage to secure the loan amount is lacking due to the subordinated lien positions, however, this security risk is being mitigated by the unlimited personal guarantee of the owner, Paknavin (Joseph) Khemsap, secured by his personal real estate asset.

This credit memorandum was prepared by:

A. Martinez

Andria Martinez, Grow America Fund Loan Officer

Reviewed by:



Seyed Jalali, Economic Development Officer

Approved for Loan Committee:

Michael Conway, Director of Economic and Property Development