

BUSINESS LOAN PROGRAM

CREDIT MEMORANDUM

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

NOVEMBER 29, 2016 – 3:00 P.M.

LOAN OFFICERS: Andria Martinez – NDC, Grow America Fund
Seyed Jalali, Economic Development Officer

BORROWER: **Lasher Hospitality Group LLC**
DBA Lasher's Kitchen
5295 2nd Street, Long Beach, CA 90803
(Council District 3)

BUSINESS: Full Service Restaurant

OWNERSHIP: The business is a California Limited Liability Company owned 60% by Ray Lasher, 30% by Rayne Sherman and 10% by Raquel Jubron.

REQUEST: \$95,000 Revolving Loan

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

TERM & INTEREST: A 10-year, fully amortized loan with three (3) months of interest-only payments followed by monthly principal and interest payments of \$1,027.56. 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 (\$1,900).

PURPOSE: To provide funds for business acquisition of an existing restaurant.

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

**SOURCES AND
USES OF FUNDS:**

Sources:			
	City Loan	Equity	Total Project
	\$95,000	\$105,000	\$200,000
Uses:			
Business Acquisition	\$93,100	\$46,900	\$140,000
Furniture, Fixtures & Equipment	\$0	\$41,000	\$41,000
Working Capital	\$0	\$17,100	\$17,100
Loan Fees	\$1,900	\$0	\$1,900
Total:	\$95,000	\$105,000	\$200,000

**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 first position UCC-1 Broadform Filing on all other business assets.

**SUBORDINATION
AGREEMENT:**

None.

CREDIT REPORTS:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**GUARANTOR(S)
IF APPLICABLE:**

An unlimited personal guarantee of Raymond P. Lasher.

An unlimited personal guarantee of Lynn A. Lasher.

A limited personal guarantee of Rayne Sherman.

An unlimited Corporate Guarantee of the affiliate: Restaurant Logistics, Inc.

SITE DESCRIPTION:

Lasher's Kitchen, will be a full service restaurant located in the Belmont Shore neighborhood of Long Beach on lower 2nd Street. It consists of approximately 1,180 SF and 35-40 seats including an outdoor patio area.

**BACKGROUND
STATEMENT:**

Lasher's Kitchen is a new entity connected to Lasher Hospitality Group LLC, a limited liability company based in Long Beach, California. The location in Long Beach is a well-established restaurant and accessible site for the current and future customer base while providing an exciting feel to the restaurant. This will allow an expanded market outside the loyal patronage the Lasher's Restaurants have enjoyed over the last eighteen years.

The loan request is for the asset acquisition of an existing restaurant Pho Nomenon Inc. which includes inventory, equipment, machinery, furniture, fixtures, Lease Agreement, and ABC 41 License assets. The owners' equity will fund the Goodwill and Intangible asset value of the going-concern as well as additional FF&E and working capital needed for licenses, fees, deposits and operating capital.

BUSINESS DEVELOPMENT:

Lasher's Kitchen will offer a casual and creative menu served in an upscale but comfortable environment. Friendly, detailed service at all levels of the restaurant will be a signature characteristic of Lasher's Kitchen. The menus will feature inspired food, crafted beers, popular wines and unique soft beverages. Along with consistently high quality, Lasher's Kitchen will be recognized for value and affordability. A special emphasis will be placed on local sourcing, sustainable products and environmentally responsible vendors.

Lasher's Kitchen will offer weekend brunch, lunch, happy hour and dinner with a variety of menus, promotions, and specials geared for each of these "profit center" periods. This will create five unique reasons for guests to patronize the restaurant and bar. This not only widens the customer base but creates a longer, more fluid operating schedule each day.

The management team will be led by Ray Lasher and Lynn Lasher in the initial stages of opening and operation. The Executive Chef is Raquel Jubron, a 10% member of the LLC. Ray Lasher will direct and supervise the project and direct day to day activities through members of the team.

Ray Lasher is a professional restaurateur and has been involved in numerous food and beverage operations in both corporate and entrepreneurial operations for the last 40 years. This includes high volume restaurants, hotels, industrial food service and multi-unit supervision including Vice President of Operations for C.B.B. Restaurant Group in Santa Monica, California. He was also the Owner of RLL Limited and American Restaurant Group which operated Lasher's Restaurants in Long Beach and Burbank, California. He is currently the Chief Operating Officer for Restaurant Logistics Inc. and will supervise the restaurant operations of Lasher's Kitchen Restaurant.

Ray Lasher, General Manager: Create and execute the restaurant concept, negotiate the sale, lease, and funding agreements, research and create all budgets and financial projections, outline and enforce progress schedules, complete food and beverage menus with Chef, create floorplans and service area maps, choose all vendors, set up all human resources including interviewing, hiring and training of staff, obtain all necessary licenses and permits, formulate and institute the complete marketing plan, set up accounting and POS systems, daily supervision of all pre-opening activities, ensure compliance with all regulatory requirements, complete all operational planning for the opening and launch of the restaurant.

Raquel Jubron, Executive Chef: Create menus and food programs, set up kitchen and production facilities, outline schedules and staff kitchen personnel, set up vendors and suppliers, create recipes and tastings, ensure compliance with health department and permit requirements. Outline pre-opening inventory requirements.

Rayne Sherman, Investor Partner: Utilize Sherman Design Group and expertise to help create a front of the house design, create conceptual drawings and plans, assist in the acquisition of furniture and fixtures, assist with contractors and design execution.

PERSONAL FINANCIAL STATEMENTS:

REDACTED

ANNUAL INCOME & PERSONAL BUDGET:

REDACTED

PROJECTED FINANCIAL INFORMATION:

[REDACTED]

HISTORICAL FINANCIAL INFORMATION:

CASH FLOW ANALYSIS & COVERAGE RATIOS:

STRENGTHS:

- The owner, Ray Lasher, has over 40 years of experience in the restaurant industry.
- Existing sales of Pho Nomenon Inc. have been consistently above the break-even point for the last three years. Although sales have been down the last year, with Ray's experience he can easily improve upon the existing business.

- [REDACTED]

[REDACTED]

- [REDACTED]

WEAKNESSES:

- With pledging all available assets, there is a collateral shortfall. Collateral is estimated at 0.78:1 based on a discounted value for the business asset acquisition.
- Mr. Lasher's credit report shows multiple late payments but he has worked diligently to meet all obligations and rebuild his personal credit after selling both his previous restaurant businesses.
- Risk associated with the restaurant industry is high.

This credit memorandum was prepared by:

A. Martinez

Andria Martinez, Grow America Fund Loan Officer

Reviewed by:

[Signature]

Seyed Jalali, Economic Development Officer

Approved for Loan Committee:

[Signature]
For Kathryn McDermott, Interim Director of Economic and Property Development