

# BUSINESS LOAN PROGRAM

## CREDIT MEMORANDUM

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

JANUARY 17, 2017

3:00 P.M.

**LOAN OFFICERS:** Andria Martinez – NDC  
Seyed Jalali – Economic Development Officer – City of Long Beach

**BORROWER:** **Sullivan International, Inc.**  
180 Ocean Blvd, Suite 650, Long Beach, CA 90802  
(Council District 2)

**BUSINESS:** Consulting Services

**OWNERSHIP:** The business is a C Corporation owned 100% by Barbara Sullivan.

**REQUEST:** \$60,000 Revolving Loan

**FUNDING SOURCE:** EDA and CDBG funds will be used subject to availability.

**TERM & INTEREST:** A 7-year, fully amortized loan with monthly principal and interest payments of \$848.03. 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 (\$1,200).

**PURPOSE:** To provide funds for refinancing of existing debt and working capital needs.

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

**SOURCES AND  
USES OF FUNDS:**

<b>Sources:</b>			
	<b>City Loan</b>	<b>Equity</b>	<b>Total Project</b>
	\$60,000	\$6,200	\$66,200

  

<b>Uses:</b>			
Business Acquisition	\$0	\$0	\$0
Refinance	\$15,000	\$0	\$15,000
Working Capital	\$43,800	\$6,200	\$50,000
Loan Fees	\$1,200	\$0	\$1,200

  

<b>Total:</b>	<b>\$60,000</b>	<b>\$6,200</b>	<b>\$66,200</b>
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**SOURCES OF  
REPAYMENT:**

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

**COLLATERAL:**

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

**SUBORDINATION  
AGREEMENT:**

None.

**CREDIT REPORTS:**



**GUARANTOR(S)  
IF APPLICABLE:**

An unlimited personal guarantee of Barbara A. Sullivan.

A limited personal guarantee of Louis George (limited to his community property interest in the business).

**SITE DESCRIPTION:**

**Sullivan International, Inc.**, occupies office space at 180 Ocean Blvd. in Long Beach on the 6<sup>th</sup> floor, suite 650.

**BACKGROUND  
STATEMENT:**

**Sullivan International, Inc.** is an education, human resource management, training and development company providing customized products and services to business clients ranging in size from small emerging firms to large multinational corporations. Barbara Sullivan founded Sullivan & Associates, the precursor to Sullivan International, as a sole proprietorship in 1982. The firm was located in Los Angeles, California and subsequently incorporated in 1986. Sullivan & Associates provided consulting in human resource management with an emphasis on developing equal employment opportunity programs and training.

Sullivan International now offers an array of products, programs, and services including Human Resources Consulting Services; Small Business Development Programs; Workplace Violence Training Service; Customer Services Training; and Outsourced Training & Administration. Service delivery systems include live training, online programs, presentations, consultations, and publications. Sullivan International's principal client base is in Southern California; however, the firm works with businesses throughout the United States in association with other consultants. Some of their clients include Southern California Edison, Pacific Gas & Electric (PGE), Metropolitan Water District of Southern California, Los Angeles Department of Water & Power, Metropolitan Transportation Authority of Los Angeles, and West Los Angeles College.

As a result of Sullivan International's extensive experience in training and due to the Federal, State and local governments increased emphasis on workforce training and job readiness, Sullivan International has expanded its services to include Workforce Development. In order to successfully grow its Workforce Development division, Sullivan International needs to

increase its administrative capacity by hiring additional staff, upgrading its office equipment, and developing new marketing collateral. Doing so will enable Sullivan International to effectively market to its new and existing client base, and be able to respond to their employment training requirements and needs. For this reason, Sullivan is seeking financial assistance from the City. In 1999, Sullivan International received a \$100,000 revolving loan from the City, which has since been paid in full.

The loan request is for the refinance of \$15,000 in existing business debt owed to Opportunity Fund at 15.89%, as well as increased working capital needed to service two existing contracts with Southern California Edison and Los Angeles Community College. The refinancing will support additional capital investment intended to increase business activities, as well as significantly lower the cost of financing to the borrower. The borrower will increase monthly debt service by approximately \$200/month, but receive an additional \$45,000 in working capital needed to hire employees and grow the number of programs offered per month. The 10% savings on the interest rate will also allow the borrower to reinvest more cash flow into operations over time as the company continues to grow. The owners' equity will fund additional working capital needs.

#### **BUSINESS DEVELOPMENT:**

**Sullivan International** is primarily made up of 2 divisions: Workforce Development and Supplier Development. Under Workforce Development, Sullivan International provides workforce training and employee development to individuals, non-profit and community-based organizations, and employers. Services and products in this division include workforce training consulting, a hospitality training program, ETP (Employment Training Panel) training services and technical assistance. Under Business Development, Sullivan International offers services that provide technical assistance, training and leadership development to owners of companies that provide services to other companies (B2B). Services under this division include business assessments, coaching, contract readiness, supplier development and capacity building workshops and courses.

Sullivan International currently has two large contracts. The first contract is \$103,000 with Southern California Edison to provide technical assistance and capacity building training to vendors, as well as an internal training program on utilities finance through 12/31/2018. The second contract is for \$520,000 with Los Angeles Community College to provide short-term workforce training programs in the hospitality and retail industries through 12/31/2018. Balances remaining under both contracts combined total more than \$520,000 as of 12/31/2016. There is a 90-day funding gap between needing to fulfill payroll for instructors and fund class materials and when the contract expenses are reimbursed. In addition, Sullivan International needs to hire a recruiter and administrative staff.

Additional revenue streams still under development are not included in the projections, but are expected to come online in the next year include workforce development training programs with Long Beach City College and individual consulting with private corporations.

Sullivan International currently employs 2 full-time people and 4-5 instructors via 1099 contract. The company plans to add at least 2 additional full-time positions within the next 2 years.

**Barbara Sullivan, Founder & CEO:** Ms. Sullivan has a Bachelor of Science in Sociology and a Masters of Arts in Education from Tuskegee University in Alabama. Completion of Tuck Executive Education and Atlanta University Executive management programs are also among her achievements. She was the Coordinator and Instructor of the HR Certification program at Cal-State University Long Beach for over 12 years. She is an active member of The American Association of Blacks in Energy. Ms. Sullivan is currently on the Board of Directors for Long Beach Transit system, Angels for Sight and Speak Up Empowerment Foundation. Ms. Sullivan has served as a Director on the Board of National Black Business Council, The Long Beach Chamber of Commerce and the Downtown Long Beach Associates. Vice Chairperson of the Board of Directors of the Black Business Association of Los Angeles, Vice Chairperson of the Transportation Business Advisory Board, member of the Southern California Edison Consumer Affairs Panel, Board member of National Association of Woman Business Owners and served with distinction as a Commissioner on the Long Beach Economic Development Commission.

**PERSONAL FINANCIAL STATEMENTS:**

**REDACTED**

**ANNUAL INCOME & PERSONAL BUDGET:**

**REDACTED**

**PROJECTED FINANCIAL INFORMATION:**

**REDACTED**

**HISTORICAL FINANCIAL INFORMATION:**

**REDACTED**

**CASH FLOW ANALYSIS & COVERAGE RATIOS:**

**REDACTED**

**STRENGTHS:**

- Barbara Sullivan has been in business over 35 years and has extensive experience in her field.
- Adjusted cash flow for the projected periods (2017 and 2018) is strong at 1.59 and 4.33 based on existing contracts totaling more than \$520,000.
- Proforma debt to equity ratio is reasonable at 3.23:1 for 2017 and very low at 0.77:1 for 2018.
- Sullivan International is previous borrower of the Grow Long Beach Fund and repaid all debts owed in full.

**WEAKNESSES:**

- Revenues have been declining significantly over the past 3 years. In 2014, Ms. Sullivan was in position to sell her company to an entrepreneurial MBA graduate who had been working with her for about a year. The sale fell through at the last minute as the buyer took a position with a larger corporation instead. Ms. Sullivan had not been personally negotiating new contracts in 2015 and additionally her main client, SCE, drastically cut their existing programs from 6 to 3 per month. In 2016, she began actively promoting her services again and revamped her business plan. She also secured an extension on the existing SCE contract and signed a new contract with LACC for more than \$500K. She is now well positioned once again to grow her company.
- Despite pledging all business assets, there is a collateral shortfall due to the service based nature of the company and a lack of fixed assets.
- Risk associated with the consulting industry is high.

***This credit memorandum was prepared by:***

***A. Martinez***

**Andria Martinez, Grow America Fund Loan Officer**

***Reviewed by:***

***Seyed Jalali***

**Seyed Jalali, Economic Development Officer**

***Approved for Loan Committee:***

***John Keisler***

**John Keisler, Director of Economic and Property Development**