

BUSINESS LOAN PROGRAM

CREDIT MEMORANDUM

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

MARCH 28, 2017 – 3:00 PM

LOAN OFFICERS: Andria Martinez – NDC
Seyed Jalali – Economic Development Officer

BORROWER: **GIOVANNA FERRARO DBA GROUNDWORK FITNESS**
333 Pine Ave., Long Beach, CA 90802
(Council District 1)

BUSINESS: Personal Training Gym

OWNERSHIP: The business is a sole proprietorship owned 100% by Giovanna Ferraro.

REQUEST: \$30,000 Revolving Loan

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

TERM & INTEREST: A 7-year, fully amortized loan with monthly principal and interest payments of \$427.55. Interest rate will be fixed at 5.25%, which is the current WSJ prime rate plus 1.50%. Fees total 2% of the loan amount (\$600).

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

PUBLIC BENEFIT: Job creation. One full-time equivalent employee will be hired within 24 months.

SOURCES AND USES OF FUNDS:

Sources:			
	City Loan	Equity	Total Project
	\$30,000	\$6,000	\$36,000

Uses:			
Business Acquisition	\$0	\$0	\$0
Refinance	\$29,400	\$0	\$29,400
Working Capital	\$0	\$6,000	\$6,000
Loan Fees	\$600	\$0	\$600

Total:	\$30,000	\$6,000	\$36,000
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**SOURCES OF
REPAYMENT:**

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

COLLATERAL:

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

**SUBORDINATION
AGREEMENT:**

None.

CREDIT REPORTS:



**GUARANTOR(S)
IF APPLICABLE:**

An unlimited personal guarantee of Giovanna Ferraro.

SITE DESCRIPTION:

Groundwork Fitness occupies 1,800 SF of ground floor space plus 1,500 of mezzanine space with two ADA restrooms at 333 Pine Ave. in Long Beach. The lease agreement started in November 2013 with a 5-year term plus two additional options to renew the lease for 5 years each.

**BACKGROUND
STATEMENT:**

Groundwork Fitness is a personal training gym located in downtown Long Beach, CA. Groundwork has established itself as a community location, where local celebrities work out along with retirees and college students. Through the functional movement training, incorporating core work, strength and cardio, participants of the group classes and small group personal training cheer each other on to reach their highest fitness potential.

The mission of Groundwork Fitness is to help clients develop a solid foundation with continuous support to develop a groundbreaking attitude towards fitness. The company provides highly motivated fitness coaches to help guide clients through the path to overcome obstacles and lead to desired fitness goals. No matter what level clients start out at, step-by-step coaches empower them to continuously reach optimum fitness and health.

The loan request is for the refinance of \$29,400 in existing business debt owed to Chase, Capital One and School's First Bank with interest rates ranging from 10.25% to 18.74% The refinancing will support additional capital investment intended to increase business activities and hire employees as well as significantly lower the cost of financing to the borrower. The borrower will decrease monthly debt service by approximately \$300/month. The drastic 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:**

Groundwork Fitness is unique and special due to Giovanna's inspiring determination to make sure her business is fully immersed within the

community. Not only as an entity that participates in the community, but as one that gives back and creates a positive impact. One of the ways she does this is through her partnership with the non-profit Century Villages at Cabrillo. Groundwork Fitness helps tackle the issue of homelessness in Long Beach by hosting fundraisers and providing fitness classes and health and wellness workshops for the homeless population at the Villages who are in desperate need of a helping hand.

In addition, Groundwork Fitness works to KEEP LBC FIT through movement. The KEEP LBC FIT movement is the company's community involvement program, as Giovanna understands the need to give back. The program helps support fitness and health through education by helping those in need connect to resources. This movement and Sock with Mission Project partners with The Multi-Service Center, Mental Health America and Beacon for Him. We also offer some free fitness events as well as collaborate with other local community organizations.

Additional revenue streams include renting upstairs space to karate classes for children & young adults, massage therapy and corporate wellness classes provided on a contract basis.

Her staff of three part time trainers offers group classes and private training in different formats at Groundwork Fitness. The company plans to add at least one additional FTE within the next 2 years.

Giovanna Ferraro, Owner: After being laid off from the Pasadena Fire Department due to budget cuts in 2004, Ferraro seized the career juncture to attend college at Cal State Long Beach, something that had been in the back of her mind for years. She moved to Long Beach and earned her bachelor's degree in Health Science, with an emphasis on Health Education in 2008. The degree lead to a job teaching ninth grade health at a high school in South L.A. Two years into the job, Los Angeles Unified made cuts to its department, resulting in health education becoming an elective—even in parts of the district that needed health education the most. Ferraro decided she'd turn to full-time physical training once and for all.

In 2014 she opened up a boutique gym in the heart of downtown Long Beach, on Pine Avenue, using all of her experience to create a program that enhances movement functionality and healthy living. Impassioned by her father's eventual homelessness and death on the street, Ferraro is actively involved in Beacon for Him and programs to help the homeless at First Congregational Church. Ferraro is also the chair of the Downtown Long Beach Associates' Public Safety Committee and a participant of the Pacific Gateway Workforce Investment Network, which pairs student interns with businesses, tapping into the owners' network and experience to help the students further their career. She has been a certified personal trainer since 2005 and has also worked as a massage therapist, a firefighter, an EMT and an ER technician. Her lifelong passion lies in the fitness, health and medical fields.

PERSONAL FINANCIAL STATEMENTS:
REDACTED

ANNUAL INCOME & PERSONAL BUDGET:
REDACTED

**PROJECTED FINANCIAL INFORMATION:
REDACTED**

**HISTORICAL FINANCIAL INFORMATION:
REDACTED**

**CASH FLOW ANALYSIS & COVERAGE RATIOS:
REDACTED**

STRENGTHS:

- The owner, Giovanna Ferraro, has been in business over 3 years and has significant education and experience in her field.
- The business sales have grown 60% since inception in 2014 and are up another 60% as of March 10, 2017.
- Existing cash flow for the historical periods (2015 and 2016) is strong at 1.69 and 4.01.
- Adjusted cash flow for the projected periods (2017 and 2018) is strong at 3.55 and 7.86 based on existing revenues and growth trends.
- [REDACTED]

WEAKNESSES:

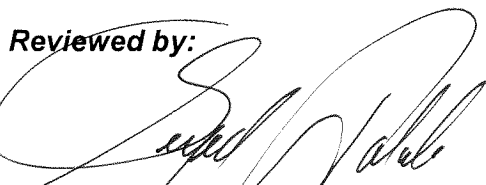
- Despite pledging all business assets, there is a collateral shortfall due to the service based nature of the company and a lack of fixed assets.
- Risk associated with a relatively young business is high.

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:



John Keisler, Director of Economic and Property Development