

REDACTED VERSION
BUSINESS LOAN PROGRAM

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

JULY 3, 2018 – 10:00 A.M.

LOAN OFFICER: Diana Sasser - NDC

BORROWER: **PAINT ON YOUR FACE/DISCOEYES GLITTER**
811 Ohio Ave., Long Beach, CA 90804
(Council District 2)

BUSINESS: Arts and Entertainment

OWNERSHIP: The business is a Sole Proprietorship, owned 100% by Jamie Graden

REQUEST: \$50,000 Revolving Loan

FUNDING SOURCE: EDA funds are proposed subject to availability.

TERM & INTEREST: A 7-year, fully amortized loan principal and interest payments of \$736.43. Interest rate will be fixed at 6.25%, which is the current WSJ prime rate plus 1.5%. Fees total 2% of the loan amount (\$1,000).

PURPOSE: To provide funds for working capital and equipment

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

**SOURCES AND
USES OF FUNDS:**

| | | | |
|-----------------|-----------|----------|-----------|
| EDA | \$ 50,000 | \$ - | \$ 50,000 |
| Owner Equity | \$ - | \$ 1,000 | \$ 1,000 |
| Total | \$ 50,000 | \$ 1,000 | \$ 51,000 |
| | | | |
| Uses: | | | |
| Working Capital | \$ 27,000 | \$ - | \$ 27,000 |
| Equipment | \$ 22,000 | \$ 1,000 | \$ 23,000 |
| Loan Fees | \$ 1,000 | \$ - | \$ 1,000 |
| Total | \$ 50,000 | \$ 1,000 | \$ 51,000 |
| | | | |

**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.

CREDIT REPORTS:



**GUARANTOR(S)
IF APPLICABLE:**

An unlimited personal guarantee of Jamie Graden.

SITE DESCRIPTION:

Paint On Your Face and DiscoEyes Glitter are both currently operated out of Jamie Graden's residence.

**BACKGROUND
STATEMENT:**

Paint On Your Face is a face painting service based out of Long Beach that was created by artist Jamie Graden. She originally started as a face painter at the Disneyland Resort in Anaheim, and eventually grew her business from just herself to a team of ten. Since starting in 2007, Paint On Your Face has graced thousands of events all over Southern California, with clients ranging from Target, USC, Hasbro, Yogurtland, and the LA Zoo.

Before Jamie began her face painting and body art career, she worked as a children's art instructor at a fine art studio. While studying illustration at Cal State Fullerton, she began working at the Disneyland Resort in Anaheim where she supervised a team of over 30 face painters within the park from 2004-2006. After working at Disney, Jamie moved from Huntington Beach to Los Angeles to take her face painting career to the next level, and in 2007 she created Paint On Your Face.

Recently Jamie has taken her artistic talents outside of the US. She fundraised enough money in the summer of 2011 to fly to the country of Kyrgyzstan, face painting hundreds of students in rural areas with the help of Peace Corps volunteers who coordinated her trip. Jamie also explored Chichen Itza, Mexico in 2012 where she face painted over 100 festival attendees and local children in the town of Piste Pueblo. Jamie has also visited Costa Rica where she worked as the official children's face painter of the revolutionary Envision Festival.



Last year Jamie launched **DiscoEyes Glitter**, an eco-friendly, cosmetic glitter gel made from sustainable ingredients, which is currently being sold on the Etsy platform. On Etsy, DiscoEyes has made 129 retail sales in the last 9 months, and has sold 5,000 units to wholesale client (and winner of the show Shark Tank) iheartraves.com, since January of this year. It is seeing a growing demand for the product, however she needs to purchase display boxes in order to get into physical retail shops.

In addition to managing Paint On Your Face and DiscoEyes Glitter, Jamie also makes and sells handmade clothing, apparel, accessories, home decor, and does freelance art for individuals and companies.

BUSINESS DEVELOPMENT:

Operating for the last 8 years, **Paint On Your Face** already boasts a large client base of high income families, corporate companies, and businesses. Jamie believes the step-van is the answer to growing the business, so it can create a buzz and help current clients spread the word to more friends and families. In addition to just face painting, she plans to offer arts and crafts workshops and other art-inspired activities for all ages, all of which will operate from the step-van. Compared to renting out a retail space, this will be much more profitable and favorable because it can save on the expense of rent in a competitive retail landscape. They will be able to drive and park the trailer at different events. The trailer can travel to a number of different neighborhoods with a high concentration of parents, and can “pop-up” at festivals and markets without having to incur the expense of staffing a retail shop simultaneously. The current system includes face painters driving their personal vehicles to each event, and unloading supplies, tables and chairs for their setup. By locating Paint On Your Face at a mobile, decorated trailer, the artists can more easily transport supplies in it, and provide a more cohesive, fun, and visually appealing experience for our clients. The novel mobile setup also provides ample marketing opportunities. The truck will also help cross promote all three businesses and services, as Jamie plans to advertise them and carry handpicked items for purchase at the truck. Jamie will also be painting and decorating the truck.

The Trailer will offer face painting services for private and public events to a wide demographic, as well as carry an assortment of eco-friendly glitter, art, artistic apparel and gifts for sale, as well as a photo booth outside of the trailer. The focus will be family events; however, it has been

seeing growth in young adults and teenagers with the addition of “glitter parties.” With the eco-friendly line of glitters and with the ability to sell retail out of the truck, it is sure to see growth in sales across all platforms. When it is not booked for events, the truck will be available to rent for photoshoots and film.

It will provide the following services:

- 1) Customers will have the opportunity to book the trailer for birthday parties, private events, corporate events, and company parties. The rate starts at \$1200 for 3 hours (\$400/hr);
- 2) For festivals, fairs, and pop-ups, it will park the truck at no charge and do “pay-per-face” face painting. This means that each customer will pay anywhere from \$5-\$50 per design;
- 3) It will also have add-ons for private parties- such as balloon artists, hair artists, art parties and workshops, and makeup. This will help cater to different events with an even larger demographic and age groups. It will work with guest art teachers and crafters who can offer art & craft classes;
- 4) The trailer will also be available to rent for photoshoots and film, which will add another income stream; and
- 5) The trailer can be rented as a photobooth for events and parties.

PERSONAL FINANCIAL STATEMENTS:

REDACTED

ANNUAL INCOME & PERSONAL BUDGET:

REDACTED

PROJECTED FINANCIAL INFORMATION:

REDACTED

CASH FLOW ANALYSIS & COVERAGE RATIOS:

REDACTED

HISTORICAL FINANCIAL INFORMATION:

REDACTED

CASH FLOW ANALYSIS & COVERAGE RATIOS:

REDACTED

STRENGTHS:

- The owner, Jamie Graden, has been doing face painting since 2010 and has slowly grown the business by word of mouth; and
- Sales have increased 88% from 2015 to 2017 and 161% in the interim period; and
- Costs as a percentage of sales have been improving since 2015; and
- Adjusted cash flow for 2017 and the interim period is strong at 1.32 and 3.31, respectively; and
- Adjusted cash flow for the projected periods of 2018, 2019 and 2020 is strong at 1.10, 1.30 and 1.44 respectively. This cash flow includes an increasing officer salary; and

- It's projected debt to equity ratio will be low by 2019 for the company, at 1.74:1, as Paint On Your Face has very little debt. It will increase to 3.66 in 2018 due to the size of the company but it should go down as the company grows; and
- The City of Long Beach will have a first lien on all business assets.

WEAKNESSES:

- Adjusted cash flow for the first two historic reporting periods is low, however this has been a business run out of the home and has grown slowly each year. There is sufficient cash flow in the most recent year and the projected period.
- There is insufficient collateral to cover this loan, as of today, but as the company grows, there will be more inventory and accounts receivable, for which the City will have a first position on these assets.

This credit memorandum was prepared by:

D. Sasser

Diana Sasser, Grow America Fund Loan Officer

Reviewed by:

Seyed Jalali, Economic Development Officer

Approved for Loan Committee:

John Keisler, Director of Economic Development

