

**SCENARIOS:**

#1- \$210k Restaurant

- A) Requires new lease with landlord;
  - 1- will require landlord's acceptance of new lessee
  - 2- will include an increase in monthly lease amount
  - 3- will require cash deposit & security for the new lease
  
- B) Includes the website and rights to: EggHeavenCafe.com
  
- C) Includes all current social media accounts & passwords
  
- D) Agreements & Stipulations:
  - 1- Joe is allowed filming rights for 6 months after close of escrow on sale of Egg Heaven at no charge
  - 2- Filming Option: After the 6 months of Joe's filming rights has ended; the Filming Business can be purchased for \$10k cash, which will include the website account & password with "SuperHost" status and instructions on how to continue the business
  - 3- Joe is allowed to have his mail sent to Egg Heaven's address for up to 3 years after close of escrow
  
- E) This price of \$210k in scenario #1 is Full Cash offer due by close of escrow.

2- Partnership- 3 way split- Joe gets \$350. per week plus 30% of profits;  
Joe's duties include complete bookkeeping, organizing & paying all bills, mail, taxes, payroll, keeps current rent agreement with landlord; keeps filming project;

Esperanza- buy-in \$70k; gets pay without payroll taxes & 40% of profits, majority share because 25k already invested gets her 40% and majority share and Operational Discretion. Can buy out Joe or Rito for 70k at any time after 5years

Rito gets pay without payroll taxes & 30% profits

3- Other Scenarios & Agreements

**VALUE ADDED:**

1- Owner participation is EXTREMELY low, owner does NOT need to be involved in daily operations. THIS IS HIGHLY SIGNIFICANT, owner participates in record keeping and repairs which could be farmed out. Owner is not a working part of daily operations! The RARENESS of this business is SIGNIFICANT and therefore worth more.

2- Nature of the business- Breakfast & Lunch only. 6-7 hours per day of operation vs 12-14 hours of operation in a Breakfast, Lunch & Dinner, THIS IS HIGHLY SIGNIFICANT, and a rare find. Owner is not working 12-14 hours per day in the daily operations if they chose to be a part of the daily operations. The business is not operating 12-14 hours per day which requires 2 crews vs 1 crew for breakfast & lunch.

3- Name recognition and amount of time in business. This business has been operating for over 50 years, and has a very good Yelp & Google rating. Very rare, the oldest breakfast place in Long Beach, and probably within the top five oldest restaurant of all restaurants in Long Beach.

4- Low rent & small amount of employees. The space is the right size so as not to need several employees

5- An uncomplicated menu- breakfast food, bacon and eggs, no secret recipes.

**CURRENT VALUATION: 02/24/23**

1- Formula: 3.25 times annual discretionary income;

5500.00 per month times 12 months =

6000.00 per month times 12 months = 72,000 annual discretionary income- times 3.25 = \$216,000

6500.00 per month times 12 months = 78,000 annual discretionary income- times 3 = \$234,000.

7000.00 per month times 12 months = 84,000 annual discretionary income- times 3 = \$252,000.

2- Current valuation is being taken during the slowest time of the year

3- Current valuation is being taken after being open less than three months since being closed for a year

5- Current valuation is being taken with no advertising

6- Current valuation is being taken with no food delivery partners such as GrubHub, UberEats, DoorDash which will add to the bottom line

7- Current valuation is being taken with a few beginner mistakes that can easily be fixed and add to the bottom line. A) prices need to be increased .50 cents to \$1.00, this is due to the price of eggs, our staple menu item B) Too much payroll, currently the payroll is high because too many people and hours. Basically, could cut about 60 to 80 hours per month

**OBSERVATIONS THAT NEED ATTENTION:**

1- Too much labor cost; need a cohesive schedule

2- Too much cogs: Need to raise prices .50 cents to 1.00

3- Need a second cook!!

4- Get larger font on menu; have menu in house

5- Inventory- a) Downstairs needs inventory to be developed and organized

b) Upstairs kitchen needs inventory to be developed and organized

c) Dining area inventory: need to evaluate how it is being done

6- Kitchen refrigeration: needs to be organized and standard food handling practices need to be implemented

7- Need GrubHub, DoorDash etc w/special menu

8- Social Media Presence needs to be enhanced.

9- Duties & Responsibilities must be written, agreed to, and signed by Rito Kitchen Manager and Esperanza General Manager.

a) Need a remedy if Duties and Responsibilities are not followed

1) Written warning

2) Buy-out clause inacted