

RESOLUTION NO. 07-127

**A RESOLUTION APPROVING A LOAN TO S.G.S. CAUSEWAY BAIT & TACKLE PER THE GROW PORT ARTHUR FUND FOR THE CONSTRUCTION OF A BUILDING, PURCHASE OF EQUIPMENT, AND INVENTORY FOR A BAIT & TACKLE BUSINESS.**

**WHEREAS**, pursuant to Resolution No. 06-425 the City Council approved an agreement between the EDC and the National Development Council for the Grow Port Arthur Fund; and

**WHEREAS**, the City of Port Arthur capitalized the Grow Port Arthur Fund with \$115,000; and

**WHEREAS**, the Economic Development Corporation capitalized the Grow Port Arthur Fund with \$385,000; and

**WHEREAS**, the National Development Council has also provided \$500,000 in kind contribution to the Grow Port Arthur Fund; and

**WHEREAS**, the Grow Port Arthur Fund desires to make a loan of \$200,000 to S.G.S. Causeway Bait & Tackle with \$50,000 of said monies being derived from the \$115,000 capitalization of the City; and

**WHEREAS**, the City Council makes a finding that their project will encourage economic development on Pleasure Island; and

**WHEREAS**, the City Council of the City of Port Arthur deems it in the best interest of the City to approve this loan with the terms as denoted in Exhibit "A".

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF  
THE CITY OF PORT ARTHUR:**

**SECTION 1.** That the facts and opinions in the preamble are true and correct.

**SECTION 2.** That the City Council of the City Port Arthur, Texas approves a loan of \$200,000 at prime plus 1% over 25 years to Herbert and Sheila Schwarznau doing business as S.G.S. Causeway Bait & Tackle with the terms as more fully described in Exhibit "A".

**SECTION 3.** That the National Development Council will provide a copy of the loan documents to the City Secretary's Office and will make reports to the City and to the EDC all in accordance with Resolution No. 06-425.

**SECTION 4.** That Herbert and Sherry Schwarznau shall sign the necessary note and security instruments as prepared by the National Development Council and as delineated in Exhibit "A", all in accordance with Resolution No. 06-425.

**SECTION 5.** That a copy of the caption of this Resolution shall be spread upon the Minutes of the City Council.

**READ, ADOPTED AND APPROVED ON THE** 20<sup>th</sup> **day of** March  
A.D. 2007, at a Regular Meeting of the City Council of the City of Port Arthur, Texas by  
the following vote:

AYES:

Mayor Ortiz

City Council: Lewis, Henderson, Beard,  
William<sup>son</sup> and Jinesal.

NOES: None.

Oscar M. Ortiz  
OSCAR ORTIZ, MAYOR

Attest:

Evangeline Green  
EVANGELINE GREEN, CITY SECRETARY

APPROVED:

Floyd Batiste  
FLOYD BATISTE, EDC CEO  
APPROVED AS TO FORM:

(SEE CONFIDENTIAL MEMO)  
MARK T. SOKOLOW, CITY ATTORNEY

# **EXHIBIT "A"**

Grow America Fund, Inc.  
5650 Greenwood Plaza Blvd. – Suite 218  
Greenwood Village, Colorado 80111  
(720) 488-0303, fax (720) 488-0300  
Jpalyo@nationaldevelopmentcouncil.org

March 9, 2007

Sent via email to Carmelia Staley at cstaley@paedc.org

Herbert & Sherry Schwarznau  
d/b/a S.G.S. Causeway Bait & Tackle  
P.O. Box 2772  
Port Arthur, Texas 77643

**RE: Request for financing**

Dear Mr. & Mrs. Schwarznau:

It was a pleasure meeting you last week. Thank you for your recent submissions of financial documentation. Based on the information that you have provided to us, we have completed our preliminary review of your loan request.

We have taken the liberty of preparing a draft term sheet of the financing which we would be able to provide through the Grow America loan program. That summary is attached for your review and consideration. I am available at your convenience to discuss the details and any questions you may have. Once we reach agreement on the structure of the proposed financing, we will move forward in finalizing our commitment to you in support of your ambitious expansion project Port Arthur.

Please take the time to review the attached information and contact me at 720/488-0303 or Stephanie Dugan at 325/668-6555 at your earliest convenience. We are very much looking forward to working with you on this exciting project.

Sincerely,

John V. Palyo, GAF Chief Credit Officer

Enc.

cc: Carmelia Staley, City of Port Arthur  
Stephanie Dugan, NDC

**RECEIVED MAR 13 2007**

Herbert & Sherry Schwarz nau d/b/a S.G.S. Causeway Bait & Tackle  
 March 9, 2007

**DRAFT GAF TERM SHEET**

**March 9, 2007**

**BORROWER NAME:** Herbert & Sherry Schwarz nau  
 d/b/a S.G.S. Causeway Bait & Tackle  
**CURRENT ADDRESS:** P.O. Box 2772  
 Port Arthur, Texas 77643  
**PHONE #:** 409-590-8908      **FAX #:**  
**Email:**

**CONTACT PERSONS:** Herbert & Sherry Schwarz nau

<b>PROPOSED GAF LOAN:</b>			
<b>AMOUNT:</b>	\$200,000		
<b>RATE:</b>	WSJ Prime + 1.00%	(Formula)	9.25% (Initial Rate)
	The loan will have a variable rate set at WSJ Prime + 1.00% throughout the term of the loan. The indicative rate today rate would be 9.25%.		
<b>TERM:</b>	25	Years [300 months]	
<b>PAYMENTS:</b>	\$1,721.77	Initial monthly payment of Principal & Interest	
	6 payment(s) of interest only on the first day of the first month following the date of closing. On the first day of the 7 <sup>th</sup> month and the first day of each and every month thereafter for the term of the financing, regular payments of principal and interest in an amount sufficient to fully amortize the loan balance over the remaining term.		
<b>PROPOSED DRAWDOWNS:</b>	6 over six months.		
<b>COMMITMENT FEE/ BORROWER'S DEPOSIT:</b>	1% fully applied to out of pocket closing expenses at closing.		
<b>SBA GUARANTEE:</b>	\$4,500 (one time, paid by borrower, may be paid from proceeds).		
<b>GAF LEGAL:</b>	Hourly bill, payable at closing, may be paid from proceeds		
<b>BORROWER LEGAL:</b>	All borrower legal and loan costs (including title, title insurance, recording, filing, etc) paid by borrower, may be paid from proceeds		
<b>PREPAYMENT PENALTIES:</b>	Sliding scale for years 1 through 3 for prepayments greater than 25%.		
<b>ELIGIBLE USES OF FUNDS:</b>	\$200,000 for construction of a new building in Port Arthur, Texas.		

**COLLATERAL AND GUARANTEES**

- (a) A first deed of trust lien on land & improvements located at 3897 TB Ellison Parkway, Port Arthur, TX 77643 ; and
- (b) A first lien filing on all business assets
- (c) Unlimited personal guarantees of Herbert Schwarz nau, secured by Deed of Trust Real Estate on 3897 TB Ellison PKY, Port Arthur, Texas; and
- (d) Unlimited personal guarantees of Sherry Schwarz nau, secured by Deed of Trust Real Estate on 3897 TB Ellison PKY, Port Arthur, Texas; and
- (e) Life insurance in the aggregate amount of the GAF loan on Herbert Schwarz nau and/or Sherry Schwarz nau ; and
- (f) The guarantee of the SBA for at least 75% of the GAF loan amount.

**COVENANTS AND CONDITIONS**

- (a) All of the Borrower/Guarantor equity, \$125,000 (\$85,000 for construction, \$40,000 for M&E and \$10,000 for project related soft and closing costs) must be expended prior to initial disbursement of GAF funds; and
- (b) Continuing participation of Port Arthur Economic Development Corporation in GAF; and
- (c) Borrower/SBC commitment to standby and subordinate debt owed in the amount of \$140,000; and
- (d) "As Built" appraisal satisfactory to GAF on land & building located at 3897 TB Ellison PKY, Port Arthur, with a value of at least \$267,000; and
- (e) Environmental investigations on 3897 TB Ellison PKY, Port Arthur, must be reviewed and found satisfactory to GAF and the US SBA; and
- (f) Life insurance in the aggregate amount of the GAF loan on Herbert Schwarz nau; and Sherry Schwarz nau; and
- (g) Future YE financial statements to be submitted to GAF on an accrual basis; and
- (h) If construction is being funded with GAF proceeds, a guaranteed maximum price contract and a performance and completion bond will be required from the General Contractor; and
- (i) Balance of the Boiler Plate as usual.