

RESOLUTION AUTHORIZING A LOAN OF HUD SECTION 108 FUNDS
IN AN AMOUNT NOT TO EXCEED \$400,000 AND A LOAN OF
ENHANCED ENTERPRISE COMMUNITY ECONOMIC
DEVELOPMENT INITIATIVE (“EEC EDI”) FUNDS IN AN AMOUNT
NOT TO EXCEED \$400,000 TO SUNRISE SPECIALTY COMPANY TO
ASSIST THE COMPANY’S RELOCATION AND EXPANSION PROJECT

WHEREAS, in November 2000, Sunrise Specialty Company, a California S-Corporation (Sunrise), acquired the former Granny Goose Foods, Inc. snack chip processing facility located at 98th Avenue and San Leandro Street (Project Property) in East Oakland; and

WHEREAS, Sunrise has relocated its successful bathroom fixture and accessory business from Emeryville to the Project Property to expand operations and provide space for future growth; and

WHEREAS, Sunrise expects to more than double its current 22-person workforce within the next two years as a result of its expansion; and

WHEREAS, Sunrise is renovating the Project Property to suit its operations and provide leased space for the relocation of another company and the expansion of an adjacent one; and

WHEREAS, Sunrise has invested approximately \$2 million and depleted its working capital reserves carrying out the acquisition and renovation of the Project Property, and purchasing equipment, fixtures and inventory for its business expansion; and

WHEREAS, Sunrise must invest in additional Project Property renovation, equipment, inventory, marketing and other working capital to carry out its expansion; and

WHEREAS, Sunrise has applied to the City for \$800,000 of total financing to fund the necessary investments and working capital; and

WHEREAS, City has reviewed Sunrise’s request and determined that it meets the requirements for a \$400,000 EEC HUD Section 108 loan and a \$400,000 EEC EDI loan; and

WHEREAS, Sunrise’s request was reviewed by the City’s Loan Review Committee (“LRC”) on December 20, 2000 and February 8, 2001 and unanimously approved subject to the terms and conditions listed below; and

WHEREAS, sufficient HUD Section 108 and EDI funds are included in the FY99-01 adopted policy budget to fund the proposed loans; now, therefore, be it

RESOLVED: That the City Council does hereby authorize a \$400,000 EEC HUD Section 108 loan (“Section 108 Loan”) and a \$400,000 EEC EDI loan (“EDI Loan”) to Sunrise for Project Property renovation, equipment purchases and working capital needed for its business expansion (collectively the “City Loans”); and be it

FURTHER RESOLVED: That the making of the City Loans shall be contingent upon and subject to such appropriate terms and conditions as the City Manager or his designee may determine, including, but not limited to the following:

1. The \$400,000 EEC HUD Section 108 loan shall carry a fixed interest rate of 8.5% and be fully amortized over 15 years beginning one month after final disbursement, and be secured by a) a 1st deed of trust on approximately 45% of a portion of the Project Property commonly known as 10203 E Street and 9957 Medford Avenue (“Medford Avenue Property) and b) a 3rd deed of trust on an adjacent portion of the Project Property commonly known as 930 – 98th Avenue (the “98th Avenue Property”).
2. The \$400,000 EDI loan shall carry a fixed interest rate of 4.25% and be fully amortized over 15 years beginning one month after final disbursement, and be secured by a) a 2nd deed of trust on the Medford Avenue Property that will also secure the Section 108 loan, b) a 4th deed of trust on the 98th Avenue Property.
3. The personal guaranty of both City loans by Sunrise principal, Robert Weinstein.
4. A senior UCC filing on all equipment, furniture and fixtures purchased with proceeds of the City loans.
5. City’s determination that the portion of the Medford Avenue Property that remains under the ownership of Sunrise has sufficient value to provide a maximum 70% loan to value (“LTV”) ratio on the total of the City Loans and Owens Financial or other private loan.
6. The City’s receipt of a favorable HUD project eligibility determination.
7. The City’s completion of a satisfactory environmental review of the project according to HUD standards.
8. A complete standard Flood Hazard Determination (FEMA 81-93) satisfactory to the City.
9. Disbursement of a maximum of \$200,000 of the Section 108 Loan and \$200,000 of the EDI Loan until a) the closing of the scheduled sale of a portion of the 98th Avenue property as described in the City Council staff report dated March 27, 2001 that accompanies this resolution (“Council Staff Report”) and b) the pay-off of the \$500,000 balance outstanding on the Owens Financial Group loan as described in the Council Staff Report.
10. Evidence of fire and hazard insurance in the amount of full replacement cost that is satisfactory to the City and covers the real estate, equipment and furniture collateral of the City.

11. Sunrise's reasonable good faith effort to create the 20 new employment positions that it projects it will be able to create within two years of final approval of the City Loans.
12. Sunrise's utilization of employment referral services offered by the City and appropriate agencies for the hiring of all new and replacement positions in the company.
13. Sunrise's submission of semi-annual employment reports and regular financial statements as required by City.
14. A monthly loan servicing fee equal to 1% of the monthly payment, and a late charge equal to 5% of the monthly payment on the City Loans.
15. Sunrise's compliance with the City's Small and Local Business and Prevailing Wage requirements for all renovation work on the Project funded with City Loans' proceeds.
16. Sunrise's maintenance of a business in the Project Property during the term of the City Loans;
17. Certification by the City Council that the Project complies with relevant environmental regulations; and be it

FURTHER RESOLVED: That the City Manager or his designee is authorized to conduct negotiations, execute documents, administer the Loans, extend or modify repayment terms, resubordinate the Loans, so long as the LTV ratio for any senior loan and the City Loans does not exceed 70%, and take any other action with respect to the loans and the Project that are consistent with this Resolution and its basic purpose; and be it

FURTHER RESOLVED: That prior to execution, all loan documents shall be reviewed and approved as to form and legality by the Office of the City Attorney.