

Minutes of the Special Board Meeting of the
Gun Barrel City Economic Development Corporation

The Gun Barrel City Economic Development Corporation met in a Special Board meeting at the office located at 1720 West Main Street, Gun Barrel City, Texas, 75156 on Saturday, January 25, 2014 at 11:00 a.m. Rankin called the meeting to order at 11:00 a.m. with the following directors present: Janow, Osborne, Braswell, and Cavanaugh. Pat Cassady was absent. A quorum was established.

Citizens in attendance: Councilman Dennis Baade & Curtis Webster. Randy Hester/Hometown Cinema was present by phone.

Citizen's Comment: None

Item #1: Discuss and/or take action to approve the 380 Agreement between GBC EDC, GBC, and HomeTown Cinemas.

Randy Hester outlined his plan for buying and renovating the cinema. His partner Gary Schubert did not need financing and said Gary's net worth was over ten million dollars and he would also sign the performance agreement. The EDC would not be out any money until the cinema was opened and paying taxes.

The cinema was going to be purchased Thursday, January 30th.

Hester was concerned about the time lines in the performance agreement, because there were things that he had no control over that could delay the opening. Rankin would discuss the time lines with Hester.

The employment terms were an issue for Hester, because there was a big turn over in this business. Rankin would review the terms for employment.

Hester questioned the financial assistance (page 7) stating the EDC would not be obligated to make any payment to Developer unless the taxable sales were equivalent to \$1,050,000. Rankin said that figure was based on what the previous owners of the theatre taxable sales. Hester's breakeven was one million fifty seven thousand. That number would be discussed also.

Hester suggested changing the thirty (30) days default notice to cure to read thirty (30) days from receipt of notice. Linda thought that was fair. Hester thought there should be a deadline for an uncured default.

Assignment: Hester had language that he had used in his leases that he would like to use in this section. Curtis Webster said the EDC & Council wanted sole discretion on any assignment of the cinema. If the plans were to flip the theatre in a couple of years everyone would like to know that up front. Hester would send his suggested wording when he sent the financials for Gary Schubert. Rankin said they would look at his wording.

Hester asked for a definition on safety features required by law. Rankin said it referred to ADA Compliance. He was ok with that.

Hester asked if the board was thinking of turning him down. If so, he needed to know now. The board reassured him that they were all in agreement to go forward with him. Webster said the key to it was getting the other member of the limited liability company's financial statement. Get it to us ASAP.

Osborne: He was dilly dallying around, he didn't know he was going to pay cash, his partner, whatever, now they are going to close it anyway. So now we've got-in one hour-we didn't know what we were going to do, but now we are going to close on it Thursday. He's got a good deal going. This is a guy that's done this all his life, this is his MO and back in the 80's he could get it done.

Braswell: He didn't answer Curtis's question about flipping it later, tell us now.

Osborne: That's what this whole deal is about. That's what he is planning on doing.

Damiano: It seems to me he is saying if you don't give me what I want, I'm not buying it.

Braswell: If he closes on the loan, he's not asking for anything.

Rankin: He sees it as two separate things. He does not see this tied to him purchasing the cinema.

Cavanaugh: He's going to purchase it either way.

Braswell: He said he was going to close on it Thursday.

Rankin: But he has still come to us for assistance. So that is a separate deal all together. It has nothing to do with closing on the cinema.

Baade: So the time pressure is off as far as-I mean we still need to get it done if we are going to do it. But it's on him to get us the information from the other guy.

Rankin: He is trying to beat the April deadline to get his building redone.

Braswell: You don't think he goes to the bank and closes the deal, he's not going to set on it, he's going to open it up.

Rankin: He's going to open it up. That's why he's come to the EDC for assistance because 1. The inspection that was passed by the city that was not up to code. He's got some legitimate complaints.

Baade: Sometime the city uses outside inspectors, other times they use John.

Braswell: He is getting the feeling that we are not going to approve it and that's why he asked the question.

Rankin: I still think that we as the EDC and City should go forward with our portion.

Webster: It's dependent on the other partner's financial statement. You are not really giving him anything, he's putting money in. You're just giving him a hundred thousand dollars. It's a lot of money. His last year's tax return, the sales tax that they got was six thousand nine hundred fifty seven and if you times that by five years. He is only going to get thirty or forty thousand dollars over a five year period in sales tax.

Braswell asked Curtis why he asked him about flipping the cinema.

Webster: Because real estate investors gets it built up and flip it and that's probably his idea.

The limited liability company owns the business, but they may individually have a different partnership.

Baade: When I worked at the bank, the bank sold the building, a sixty story building in the center of downtown Chicago. They leased it back and twenty years later they bought it back so they could depreciate it again. They struck that deal when they sold it originally.

Webster: One thing that is important and I'm not chewing anyone out. Linda, you can't give somebody's word and not expose it to your board. Even though you are the president of the board you have to tell the board the whole information. I'm not chewing you out.

Baade: You really are representing the city and it's the taxpayer's money.

Rankin: OK. If I tell you then can we clear the air on that?

Webster: Tell me what.

Rankin: I tell you how much he put down; two hundred and fifty thousand.

Webster: In my opinion if we get the other financial statement for ten million dollars I'd do the deal. You don't have anything to loose and we need to get the theatre sold.

Multiple conversations.

Osborne: This is an ok deal. If we approve it now and he doesn't open the theatre we haven't lost anything.

Rankin: One thing I need to ask you on the financial assistance is do you want to lower the projection to his million fifty seven thousand.

All directors said yes.

Rankin: Also if you are alright with this I'll change the certificate of occupancy to three months; he'll be open in April.

Osborne: We are not out any money until he has receipts.

Damiano: We have up to forty days when he turns in his receipts to pay him

Osborne: We need to know what he is going to spend that money on so we can see the before and the after.

Rankin asked the board if they wanted to do business with this guy.

Osborne: You've given him his charge. If you don't have all of his stuff that's you've asked him for; we've asked for the partner's credentials and whatever else you've asked him for. We just don't need to talk about it anymore; we've just wasted time.

Baade: If he actually closes, let's see the contract; get the back ground check from the other guy.

Rankin: The bank is going to want to know if the EDC is supporting this guy when he closes. They will probably want a letter showing what the EDC was offering.

Damiano: The bank is not requesting the letter.

Rankin: He's not requesting the letter, but the bank asked us for it whenever it was the other guy.

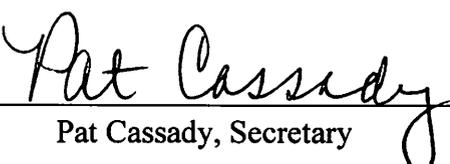
Braswell: We can't answer the bank until we get the information.

Rankin: I just want to make sure we are moving forward if the bank ask me I can answer them.

Cavanaugh: He made a good point, he said I'm talking in good faith, but I'm going to close it anyway. If he gives us all the financial information and it's good, then yes we should give him consensus that we agree to a hundred thousand dollars toward renovations and give the rebate on the taxes for 5 years.

Sandy made a motion to adjourn the meeting at 12:20 p.m. Braswell seconded. All directors voted 'aye'. Motion carried.

Approved by: 
Linda Rankin, President

Attest by: 
Pat Cassady, Secretary