

**CITY OF EL PASO, TEXAS  
REQUEST FOR COUNCIL ACTION (RCA)**

**DEPARTMENT:** Community and Human Development  
**AGENDA DATE:** 4/5/2016 (Consent Agenda)  
**CONTACT PERSON/PHONE:** Verónica R. Soto, AICP, Director (212-0138)  
**DISTRICT(S) AFFECTED:** 8

**SUBJECT:**

Discussion and action on a Resolution to approve an Empowerment Zone Revolving Loan Fund Small Business Loan application and loan funding to Star's Boutique Inc. dba Bella's Boutique, in the amount of \$90,000, as recommended by the Director of Community and Human Development; and, that the City Manager be authorized to execute any and all loan related documents by and among the City of El Paso, Star's Boutique Inc. dba Bella's Boutique, and loan guarantor(s), required to meet loan program requirements, loan disbursement, and loan securitization upon approval by the City Attorney's Office.

**BACKGROUND / DISCUSSION:**

Star's Boutique Inc. dba Bella's Boutique is a woman-owned business established in 2009. The store, engaging in retail and wholesale of women's apparel, is located at 408 S El Paso St. The company is owned by Ms. Grace Heejin Yun, a/k/a Yong Im Yun (100%).

The \$90,000 loan proceeds will leverage \$10,000 in the form of applicant's investment. Loan proceeds will be used for the purchase of inventory. The proposed loan will assist in the retention of 6 full-time jobs and 1 part-time job. Borrower is making a good faith commitment, in accordance with EZ guidelines, to making job opportunities available to EZ residents. The project meets the 1 retained/created job: \$35,000 loan requirement.

The loan will carry a fixed interest rate of 3% for a 3-year term. Security for the loan will be in the form of: (1) a first lien on the business' assets, (2) personal guaranty from owner, and (3) corporate guaranty by the company.

Internal underwriting was conducted by Community Development, in accordance with the EZ RLF Lending Guidelines approved by City Council on January 27, 2015, and the Director of Community Development recommends that City Council approve the requested EZRLF loan.

**PRIOR COUNCIL ACTION:**

none

**AMOUNT AND SOURCE OF FUNDING:**

\$90,000 Empowerment Zone Revolving Loan Fund

**BOARD / COMMISSION ACTION:**

N/A

\*\*\*\*\*REQUIRED AUTHORIZATION\*\*\*\*\*

**DEPARTMENT HEAD:**



## RESOLUTION

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:**

1. That the Empowerment Zone Revolving Loan Fund Small Business Loan application and loan funding be approved to Star's Boutique Inc. d/b/a Bella's Boutique, in the amount of \$90,000.00 for inventory purchase, as recommended by the Director of Community and Human Development; and
2. That the City Manager be authorized to execute any and all loan related documents by and among the City of El Paso, Star's Boutique Inc. dba Bella's Boutique, and loan guarantors, required to meet loan program requirements, loan disbursement, and loan securitization upon approval by the City Attorney's Office.

**APPROVED this \_\_\_\_ day of \_\_\_\_\_ 2016.**

**THE CITY OF EL PASO**

\_\_\_\_\_  
Oscar Leaser  
Mayor

**ATTEST:**

\_\_\_\_\_  
Richarda Duffy Momsen  
City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Juan S. González  
Assistant City Attorney

**APPROVED AS TO CONTENT:**

\_\_\_\_\_  
Verónica R. Soto, AICP, Director  
Community and Human Development

## MEMORANDUM

To: Verónica R. Soto, AICP, Community Development Director

From: Isela Robison, Empowerment Zone Coordinator

Date: March 24, 2016

RE: Loan Application Review - Revolving Loan Fund [G3.C3.P10(C)]  
Application - CD.96/Star's Boutique Inc. dba Bella Boutique  
408 S El Paso

Application Submission Date
Thursday, January 21, 2016
90 day Deadline
Wednesday, April 20, 2016
Application Completion Date
Thursday, January 21, 2016
30 Day Deadline
Saturday, February 20, 2016

### Community Development Director's Comments

☐ Favorable ☐ Not Favorable

Initials \_\_\_\_\_

Date \_\_\_\_\_

Comments: \_\_\_\_\_

### Assistant City Attorney's Comments

☐ Approved as to Form ☐ Not Approved as to Content

Initials \_\_\_\_\_

Date \_\_\_\_\_

Comments: \_\_\_\_\_

### City Staff Recommendation

City staff recommends approval of the above-noted loan application's \$90,000 request.

\*This recommendation is a counter-offer to applicant's original request for \$250,000/10 year note.

Purpose: **Inventory Purchase**

Recommendation made taking into consideration:

#### EZ Resident Benefit Standard

- \* Loan will retain 6 FTE and 1 PTE employees. Applicant projects an increase of employees due to this loan.
- \* Applicant has agreed to a good faith plan to provide first consideration to employment of EZ residents who reasonably can be expected to fill 35% of jobs.
- \* Service Business Activity - Principal Benefit: EZ business provides essential services to support the quality of life and the business climate in the community.
- \* Service: Retail/Wholesale Clothing and Accessories (Downtown)

#### Capacity to Pay

- \* Financial Statements note present debt/expenditures are less than income
- \* Projected cash flow adequately supports business' capacity to make monthly loan payments.

**Collateral**

- \* Applicant is proposing
 

> Inventory - Existing	\$89,400	Loan Value	CAD Value \$149,000
> Inventory - Loan Purchases	\$54,000	Loan Value	Loan funds \$90,000
Total	\$143,400	Collateral	
- \* On-line research-www./kabbage.com/blog/inventory - Inventory isn't really the strongest collateral; but, for a retailer, it is their strongest asset. Inventory financing research notes that loan value is calculated from 30%-60%.
- \* Prudent business lending practice is to proceed in 2nd lien position as minority lender. Consideration of a 2nd blanket UCC would only collateralize a \$20,000 note for this particular scenario. Applicant is seeking \$250,000.
- \* Existing inventory would underwrite a \$90,000 loan for 3 years potentially
- \* A \$90,000 loan will be 60% of collateral CAD value
- \* Personal guaranty will be signed by Ms. Grace Yun
- \* Corporate guaranty will be signed on behalf of Star's Boutique Inc.

**Strengths**

- \* Local employer
- \* Established business for six years
- \* Downtown retailer
- \* Chase had extended a line of credit at \$40,000 based on 2012 inventory figures
- \* Financial statements note sufficient capacity to pay
- \* Strong personal guaranty - Ms. Grace Yun
- \* Credit demonstrates positive payment record

**Weaknesses**

- \* Assets/Collateral is primarily the store's inventory. Liquidation valued wouldn't garner 100% of purchase value; therefore, this weakness is offset by calculating the inventory's collateral at 60%.
- \* Personal credit for each owner is relatively nominal; but, no delinquencies reported

**Additional Notes**

- \* General overview of applicant's financials reasonably justify a \$100,000 maximum note, which had been communicated to Ms. Yun via the pending letter date August 6, 2015.
- \* Applicant initially requested \$2500K. Combination of collateral, financial statements, loan purpose, and personal finance dependency on business revenue appear to best support a \$90K loan.

**Request****Loan Purpose**

- \* Inventory

**Total****Applicant Request****\$250,000****\$250,000****Recommended****\$90,000****\$90,000****Applicant Request****EZ Guidelines****Recommended**

Amount	\$250,000	up to	\$90,000	\$90,000
Monthly Payment	\$2,414		collateral	\$2,617
Term (months)	120	up to	3 years	36
Collateral	\$500,000		based on collateral	\$90,000
Applicant's Contribution	\$149,000			\$59,000

- \* The application states \$500,000 in collateral. When detailed itemization of the collateral was provided, review determined it is the business' inventory and minor equipment/furnishings. CAD values the business' personal property at \$149,000. A 60% loan value would be closer to underwriting a \$90,000 loan.
- \* Star's financials noted a \$15,000 annual profit. When you add in the \$7,566 in depreciation and \$78,000 in compensation of officers, the total profit is \$100,566. The monthly profit is \$8,380. With the collateral useful life estimated at 3 years at best, the current profits (not to mention projected profits with additional inventory purchased with loan) will more than adequately cover a \$2,617/monthly payment required for a \$90,00 loan, 3%APR, 36 months.
- \* The inventory collateral is strengthened with Ms. Yun's strong personal guaranty.
- \* The blanket UCC for Star's Boutique assets will be reinforced with a corporate guaranty.
- \* The applicant's contribution is calculated at the difference of actual inventory declared on tax return and the 60% loan value. Applicant will be augmented what she has already brought to the table in inventory purchases.

## Business

### Business Plan Summary

- \* Established 2009
- \* Justifies loan purpose. Majority of purchases are made in August/September for holiday season, therefore extended disbursement period to cover this critical time in retail sales.
- \* Business appears to have structured itself to benefit from the retail and wholesale customers.
- \* Discussions with Ms. Yun unveiled her vision of this initial cash injection of \$90,000 allowing her to increase her inventory; and, with subsequent profits, this will bump up her inventory purchasing by one level that can sustain itself in the long term.
- \* Registration with the Texas Comptroller's notes Ms. Yun has already changed her name from Yong Im Yun to Grace Heejin Yun. As per Articles and tax return, she owns 100% of the company; but, her husband Howard H. Yun is member of board. He will be signing the corporate guaranty to ensure that the corporate guaranty is fully enforceable.

### Income Statement

- \* Revenue Trend There is an increase
- \* Expenditure Trend There is a definite increase in general total; but, you can tell that the business is finding its norm with individual line items.
- \* Ratios In general, falls in line with industry ratios.

### Balance Sheet Summary

- \* Ratios Much better than industry ratios. Underwriting analysis still held footing with some of the industry standards to temper applicant's projections.
- \* Excellent debt ratio, taking into consideration the \$90K EZ loan

- \* Weakness: Short-term notes are higher than industry; although, the long term \$90,000 debt will facilitate the business fall in line with industry ratio regarding long-term debt.
- \* Strength: no accounts receivables
- \* Balance sheet data was obtained from the IRS tax returns and are strong enough to carry the recommended \$90,000 loan.

#### Cash Flow Summary

- \* Positive Net cash position
- \* Projected cash position sustains monthly loan payment

#### Income Tax Summary

- \* Consistent with financial statements

#### Industry

NAICS 448120

#### Women's clothing stores

107 EP Business'	Receipts	\$93,179,000		
Per EP Business	Receipts	\$870,831.78	% EP Market	0.93%
Applicant's	Receipts	\$910,933	% EP Market	0.98%

- \* NAICS industry information obtained from Census.gov...2007 data
- \* Per the 2007 data, Star's Boutique is reporting sales to the IRS in line with her competitors.
- \* Was not able to acquire sales figures from American FactFinder in regards to 2012 data due to small data pool.
- \* Per Hoover's data (most current data available to City's Econ Department), Star's Boutique characteristics (sales, employees, ownership type, and location type) fall in line with competitors. She is strong within her local industry characteristics.

#### Personal

Credit Score 760 Grace Yun

#### Personal Financial Statement

- \* Grace Yun Net Worth: \$587,179 Liquidity: 7%
- \* Grace Heejin Yun and Yong Im Yun are one and the same.
- \* Ms. Yun has a strong credit history.

#### Other Compliance

- |                                |                                                                      |
|--------------------------------|----------------------------------------------------------------------|
| Other City Accounts and Status | * Applicant is current with other city accounts                      |
| Environmental Review           | * N/A: This is an inventory loan                                     |
| Insurance                      | * Applicant has signed good faith statement to obtain                |
| ADA Questionnaire              | * N/A: This is an inventory loan and applicant is tenant of property |
| Guarantors/Ownership           | * Grace Yun 100%                                                     |
| Guarantors                     | * Star's Boutique Inc.                                               |

Note: Delay due to high number of applications received around the same time

This application originally submitted in August and closed as incomplete. Re-opened January 2016.

**CONTINUING LIMITED GUARANTY**  
(this "Guaranty")

1. Guaranty. The undersigned Guarantor (jointly and severally if more than one) agrees to pay Lender at City of El Paso, City Hall, 300 N. Campbell, El Paso, Texas 79901, or such other address as Lender designates, when due or declared due, the Guaranteed Indebtedness. All payments may, at Lender's sole option, be applied to accrued interest, to principal or to both. This Guaranty is an unconditional, absolute and continuing guaranty of payment and performance and not of collection. "Guaranteed Indebtedness" means all indebtedness, whether now existing or hereafter arising of **STAR'S BOUTIQUE INC. DBA BELLA'S BOUTIQUE** (together with its successors, "Borrower") to Lender as evidenced by that one certain term promissory note in the original principal amount of **\$90,000.00** dated \_\_\_\_\_, 2016, and having a stated maturity date of May 15, 2019 executed by Borrower and delivered to Lender including each and all subsequent renewals, extensions, modifications, rearrangements thereof and substitutions and replacements therefor (the "Note") and all indebtedness under the Loan Documents. Guarantor and Lender specifically contemplate that Borrower may hereafter become further indebted to Lender. Guaranteed Indebtedness includes any post-petition interest and expenses (including, but not limited to attorneys' fees) whether or not allowed as a claim against Borrower under any bankruptcy, insolvency, or other similar law. All Guaranteed Indebtedness is conclusively presumed to have been made or acquired in reliance on this Guaranty. This Guaranty does not in any way cancel, amend, discharge or limit any other guaranty executed by Guarantor in favor of Lender. "Loan Documents" means the Note, any document or instrument evidencing, securing or executed in connection with the Note.
2. Termination of Guaranty. This Guaranty will continue to be in effect until final payment in full of the Guaranteed Indebtedness.
3. Continuation and Reinstatement of Guaranty. If any petition or other action is filed by or against Borrower under the Bankruptcy Code or any other law relating to liquidation, insolvency or reorganization of debtors, or any other proceeding involving the estate or assets of the Guarantor, this Guaranty will remain effective or be reinstated, as the case may be (even if the Guaranteed Indebtedness has been paid in full), with respect to any payments or transfer of assets with respect to Guaranteed Indebtedness, to the extent such payment or transfers are or may be voidable or otherwise subject to rescission or return as a preferential transfer, fraudulent conveyance or otherwise.
4. Changes to Guaranteed Indebtedness. Guarantor authorizes Lender, without notice, consent or demand, before and after termination of this Guaranty, without affecting Guarantor's liability hereunder: to take and hold security for the payment of this Guaranty and/or the Guaranteed Indebtedness, and exchange, enforce, foreclose, waive and release any security and to apply the proceeds of such security as Lender in its discretion determines; to obtain a guaranty of the

indebtedness from any one or more other persons or entities whomsoever and at any time or times to enforce, waive, rearrange, modify, limit or release such other persons or entities from their obligations under such guaranties; and to extend, rearrange, supplement, modify, settle, compromise, discharge or subordinate any of the Guaranteed Indebtedness.

5. Unenforceability or Uncollectibility of the Guaranteed Indebtedness. Guarantor will remain liable for the Guaranteed Indebtedness even though the Guaranteed Indebtedness may be unenforceable against or uncollectible from the Borrower or any other person due to incapacity, lack of power or authority, discharge, or for any reason whatsoever.
6. Guarantor Reporting. Guarantor will furnish to Lender such financial statements and other information relating to the financial condition, properties and affairs of Guarantor as Lender requests from time to time.
7. Right of Offset. Guarantor grants to Lender a right of setoff against every deposit account and all personal property in Lender's possession, whether tangible or intangible, and any claim of Guarantor (whether individual, joint, several or otherwise) against Lender, now or hereafter existing. This right of setoff is not exclusive. In addition to Lender's right of setoff and as further security for this Guaranty and the Guaranteed Indebtedness, Guarantor hereby grants Lender a security interest in all deposits and all other accounts and property of Guarantor now or hereafter on deposit with or held by Lender and all other sums at any time credited by or owing from Lender to Guarantor. These rights and remedies of Lender are in addition to other rights and remedies (including, without limitation, other rights of setoff) which Lender may have.
8. Automatic Acceleration. Guarantor agrees that if the maturity of any Guaranteed Indebtedness is accelerated by bankruptcy or otherwise, such maturity shall also be deemed accelerated for the purpose of this Guaranty without demand on or notice to Guarantor.
9. Waivers of Guarantor. Guarantor waives (i) diligence and promptness in preserving liability of any person on Guaranteed Indebtedness, and in collecting or bringing suit to collect Guaranteed Indebtedness; (ii) all rights of Guarantor under Rule 31, Texas Rules of Civil Procedure, or Chapter 34 of the Texas Business and Commerce Code, or Section 17.001 of the Texas Civil Practice and Remedies Code; (iii) to the extent Guarantor is subject to the Texas Revised Partnership Act ("TRPA"), compliance by Lender with Section 3.05(d) of TRPA; (iv) protest; (v) notice of extensions, renewals, modifications, rearrangements and substitutions of Guaranteed Indebtedness; (vi) notice of acceptance of this agreement, creation of Guaranteed Indebtedness, failure to pay Guaranteed Indebtedness as it matures, any other default, adverse change in Borrower's financial condition, release or substitution of collateral, subordination of Lender's rights in any collateral, and every other notice of every kind. If any part of the Guaranteed Indebtedness is secured by an interest in real property ("Real Property"), and such interest is foreclosed upon pursuant to a judicial or nonjudicial foreclosure sale, Guarantor



agrees that notwithstanding the provisions of Section 51.003, 51.004, and 51.005 of the Texas Property Code (as amended from time to time), and to the extent permitted by law, Lender may seek a deficiency judgment from Guarantor and any other party obligated on the Guaranteed Indebtedness equal to the difference between the amount owing on the Guaranteed Indebtedness and the amount for which the Real Property was sold at judicial or nonjudicial foreclosure sale. Guarantor irrevocably waives and shall not seek to enforce or collect upon any rights which it now has or may acquire against the Borrower, either by way of subrogation, indemnity, reimbursement or contribution, for any amount paid under this Guaranty or by way of any other obligations of the Borrower to Guarantor until 91 days after the Guaranteed Indebtedness is paid in full.

10. Representations and Agreements. This Guaranty constitutes a legal, valid, binding obligation of and is enforceable against Guarantor. Guarantor has filed all federal and state tax returns which are required to be filed, and has paid all due and payable taxes and assessments against the property and income of Guarantor. Guarantor has determined that this Guaranty will benefit Guarantor directly or indirectly. The value of the consideration received by Guarantor is reasonably worth at least as much as his liability hereunder and is fair and reasonably equivalent value for this Guaranty. No material adverse change has occurred in Guarantor's financial condition or business operations reflected in the last financial statement and application for credit provided to Lender. Guarantor has not relied and is not relying on Lender to provide to Guarantor information regarding Borrower's assets or financial condition and Lender has no duty to provide such information.
11. Subordination of Borrower's Obligations to Guarantor. (a) "Subordinated Indebtedness" means all indebtedness, liabilities, and obligations of Borrower to Guarantor, whether now existing or hereafter arising. The term "Subordinated Indebtedness" includes, without limitation, all obligations, (i) that are direct, indirect, contingent, primary, secondary, several, joint and several, or otherwise, (ii) no matter how they are evidenced (for example, by note, contract, open account, or otherwise but excluding current wages as applicable), or (iii) that may have been originally owed to someone other than Guarantor but are later acquired by Guarantor. (b) Guarantor hereby subordinates all Subordinated Indebtedness to the prior payment in full of all Guaranteed Indebtedness, and Guarantor assigns the Subordinated Indebtedness to Lender as security for the Guaranteed Indebtedness. Guarantor is not entitled to and may not accept any payment (in cash or property) of the Subordinated Indebtedness when any Guaranteed Indebtedness (including any commitment) exists. Guarantor will hold in trust for Lender's benefit any payment received from Borrower or anyone on account of the Subordinated Indebtedness, and will pay those sums to Lender upon demand without affecting Guarantor's liability under this Guaranty. Lender may apply such sums against the Guaranteed Indebtedness in any order and manner that Lender determines is appropriate. Upon Lender's request, Guarantor will execute, deliver and endorse to Lender such documents as Lender requests to perfect, preserve and enforce Lender's rights under this paragraph. (c) Guarantor further

subordinates all liens, security interest, judgment liens, charges and other encumbrances ("Liens") upon Borrower's assets securing payment of any Subordinated Indebtedness to any Liens securing any of the Guaranteed Indebtedness, regardless of when the Liens were created or attached. Without Lender's prior written consent, Guarantor must not (i) file suit against Borrower or exercise any other creditor's right against Borrower (including, but not limited to, filing any bankruptcy proceeding against Borrower), or (ii) foreclose, repossess, sequester, or otherwise take steps or institute any judicial or nonjudicial proceeding to enforce any of Guarantor's Liens on Borrower's assets. (d) If Borrower becomes subject to any receivership, bankruptcy, reorganization, rearrangement, debtor's relief, or other insolvency proceeding, Lender may prove and vote any claim under the Subordinated Indebtedness, may directly receive any dividends, distributions and payments made in respect of the Subordinated Indebtedness, and may apply those dividends, distributions and payments against the Guaranteed Indebtedness in any order and manner that Lender determines is appropriate. (e) All promissory notes, accounts receivable, ledgers, records, and other evidence of the Subordinated Indebtedness must contain a specific written notice thereon that the indebtedness evidenced thereby is subordinated under the terms of this Guaranty.

12. Applicable Law and Venue. This Guaranty is governed by Texas law. If any provision of this Guaranty is illegal or unenforceable, that illegality or unenforceability will not affect the remaining provisions of this Guaranty. **GUARANTOR AND LENDER AGREE THAT THIS GUARANTY WILL BE PERFORMED IN THE COUNTY IN WHICH LENDER'S PRINCIPAL OFFICE IS IN TEXAS IS LOCATED, AND THAT SUCH COUNTY IS PROPER VENUE FOR ANY ACTION OR PROCEEDING BROUGHT BY THE GUARANTOR OR LENDER, WHETHER IN CONTRACT, TORT, OR OTHERWISE. ANY ACTION OR PROCEEDING AGAINST GUARANTOR MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT IN SUCH COUNTY TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW GUARANTOR HEREBY IRREVOCABLY (A) SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURTS, AND (B) WAIVES ANY OBJECTION HE MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT OR THAT ANY SUCH COURT IS AN INCONVENIENT FORUM. GUARANTOR AGREES THAT SERVICE OF PROCESS UPON HIM MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, AT HIS ADDRESS SPECIFIED BELOW. LENDER MAY SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW AND MAY BRING ANY ACTION OR PROCEEDING AGAINST GUARANTOR OR WITH RESPECT TO ANY OF HIS PROPERTY IN COURTS IN OTHER PROPER JURISDICTIONS OR VENUES.**

13. Notice. Any notice required or permitted under this Guaranty must be given in writing by United States mail, by hand delivery or delivery service, or by telegraphic, telex, telecopy or cable communication, sent to the intended addressee at the address shown in this Guaranty, or to such different address as

the addressee designates by 10 days notice. Notice by United States mail will be effective when mailed. All other notices will be effective when received. Written confirmation of receipt will be conclusive.

14. Costs and Expenses. To the extent permitted by applicable law, Guarantor will pay on demand all attorneys' fees and all other costs and expenses incurred by Lender in connection with the preparation, administration, enforcement or collection of this Guaranty including but not limited to Lender's standard Documentation Preparation and Processing fees.
15. Miscellaneous. This Guaranty binds each Guarantor and his heirs, devisees, executors, administrators, personal representatives, trustees, and receivers and assigns and benefits Lender. The term "Lender" also includes successors and assigns of Lender. Guarantor may not assign his obligations under this Guaranty without the prior written consent of Lender. This Guaranty may be executed in multiple counterparts, and each counterpart will be deemed an original, without the need to produce any counterpart other than the one to be enforced. Any gender designation used herein includes all genders and the singular number includes the plural. Lender's delay or failure to exercise its rights is not a waiver of those rights. This Guaranty may not be amended except in a writing signed by an authorized officer of Lender and no waiver will be effective unless it is in writing. Any waiver is applicable only for the specific situation for which it is given.

THIS GUARANTY is executed as of \_\_\_\_\_, 2016.

**THIS GUARANTY REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO GUARANTOR'S GUARANTY OF GUARANTEED INDEBTEDNESS AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. NO COURSE OF DEALING BETWEEN GUARANTOR AND LENDER, NO COURSE OF PERFORMANCE, NO TRADE PRACTICES, AND NO EXTRINSIC EVIDENCE OF ANY NATURE MAY BE USED TO CONTRADICT OR MODIFY ANY TERM OF THIS GUARANTY.**

**THERE ARE NO ORAL AGREEMENTS BETWEEN GUARANTOR AND LENDER.**

GUARANTOR: Grace Heejin Yun, a/k/a Yong Im Yun

\_\_\_\_\_  
Signature of Guarantor

Date: \_\_\_\_\_, 2016

ADDRESS OF  
GUARANTOR: 6333 El Risco St, El Paso, TX 79912

*[Signatures Continue on Next Page]*

LENDER: (Lender's signature is provided as its acknowledgement of the above as the final written agreement between the parties.)

CITY OF EL PASO, TEXAS

BY: \_\_\_\_\_

NAME: Tomás González

TITLE: City Manager

**CONTINUING LIMITED GUARANTY**  
(this "Guaranty")

1. **Guaranty.** The undersigned Guarantor (jointly and severally if more than one) agrees to pay Lender at City of El Paso, City Hall, 300 N. Campbell, El Paso, Texas, 79901 , or such other address as Lender designates, when due or declared due, the Guaranteed Indebtedness. All payments may, at Lender's sole option, be applied to accrued interest, to principal or to both. This Guaranty is an unconditional, absolute and continuing guaranty of payment and performance and not of collection. "Guaranteed Indebtedness" means all indebtedness, whether now existing or hereafter arising of **STAR'S BOUTIQUE INC. DBA BELLA'S BOUTIQUE** (together with its successors, "Borrower") to Lender as evidenced by that one certain term promissory note in the original principal amount of **\$90,000.00** dated \_\_\_\_\_, 2016, and having a stated maturity date of **May 15, 2019** executed by Borrower and delivered to Lender including each and all subsequent renewals, extensions, modifications, rearrangements thereof and substitutions and replacements therefor (the "Note") and all indebtedness under the Loan Documents. Guarantor and Lender specifically contemplate that Borrower may hereafter become further indebted to Lender. Guaranteed Indebtedness includes any post-petition interest and expenses (including, but not limited to attorneys' fees) whether or not allowed as a claim against Borrower under any bankruptcy, insolvency, or other similar law. All Guaranteed Indebtedness is conclusively presumed to have been made or acquired in reliance on this Guaranty. This Guaranty does not in any way cancel, amend, discharge or limit any other guaranty executed by Guarantor in favor of Lender. "Loan Documents" means the Note, any document or instrument evidencing, securing or executed in connection with the Note.
2. **Termination of Guaranty.** This Guaranty will continue to be in effect until final payment in full of the Guaranteed Indebtedness.
3. **Continuation and Reinstatement of Guaranty.** If any petition or other action is filed by or against Borrower under the Bankruptcy Code or any other law relating to liquidation, insolvency or reorganization of debtors, or any other proceeding involving the estate or assets of the Guarantor, this Guaranty will remain effective or be reinstated, as the case may be (even if the Guaranteed Indebtedness has been paid in full), with respect to any payments or transfer of assets with respect to Guaranteed Indebtedness, to the extent such payment or transfers are or may be voidable or otherwise subject to rescission or return as a preferential transfer, fraudulent conveyance or otherwise.
4. **Changes to Guaranteed Indebtedness.** Guarantor authorizes Lender, without notice, consent or demand, before and after termination of this Guaranty, without affecting Guarantor's liability hereunder: to take and hold security for the payment of this Guaranty and/or the Guaranteed Indebtedness, and exchange, enforce, foreclose, waive and release any security and to apply the proceeds of such security as Lender in its discretion determines; to obtain a guaranty of the indebtedness from any one or more other persons or entities whomsoever and at any time or times to enforce, waive, rearrange, modify, limit or release such other persons or entities from their obligations under such

guaranties; and to extend, rearrange, supplement, modify, settle, compromise, discharge or subordinate any of the Guaranteed Indebtedness.

5. Unenforceability or Uncollectibility of the Guaranteed Indebtedness. Guarantor will remain liable for the Guaranteed Indebtedness even though the Guaranteed Indebtedness may be unenforceable against or uncollectible from the Borrower or any other person due to incapacity, lack of power or authority, discharge, or for any reason whatsoever.
6. Guarantor Reporting. Guarantor will furnish to Lender such financial statements and other information relating to the financial condition, properties and affairs of Guarantor as Lender requests from time to time.
7. Right of Offset. Guarantor grants to Lender a right of setoff against every deposit account and all personal property in Lender's possession, whether tangible or intangible, and any claim of Guarantor (whether individual, joint, several or otherwise) against Lender, now or hereafter existing. This right of setoff is not exclusive. In addition to Lender's right of setoff and as further security for this Guaranty and the Guaranteed Indebtedness, Guarantor hereby grants Lender a security interest in all deposits and all other accounts and property of Guarantor now or hereafter on deposit with or held by Lender and all other sums at any time credited by or owing from Lender to Guarantor. These rights and remedies of Lender are in addition to other rights and remedies (including, without limitation, other rights of setoff) which Lender may have.
8. Automatic Acceleration. Guarantor agrees that if the maturity of any Guaranteed Indebtedness is accelerated by bankruptcy or otherwise, such maturity shall also be deemed accelerated for the purpose of this Guaranty without demand on or notice to Guarantor.
9. Waivers of Guarantor. Guarantor waives (i) diligence and promptness in preserving liability of any person on Guaranteed Indebtedness, and in collecting or bringing suit to collect Guaranteed Indebtedness; (ii) all rights of Guarantor under Rule 31, Texas Rules of Civil Procedure, or Chapter 34 of the Texas Business and Commerce Code, or Section 17.001 of the Texas Civil Practice and Remedies Code; (iii) to the extent Guarantor is subject to the Texas Revised Partnership Act ("TRPA"), compliance by Lender with Section 3.05(d) of TRPA; (iv) protest; (v) notice of extensions, renewals, modifications, rearrangements and substitutions of Guaranteed Indebtedness; (vi) notice of acceptance of this agreement, creation of Guaranteed Indebtedness, failure to pay Guaranteed Indebtedness as it matures, any other default, adverse change in Borrower's financial condition, release or substitution of collateral, subordination of Lender's rights in any collateral, and every other notice of every kind. If any part of the Guaranteed Indebtedness is secured by an interest in real property ("Real Property"), and such interest is foreclosed upon pursuant to a judicial or nonjudicial foreclosure sale, Guarantor agrees that notwithstanding the provisions of Section 51.003, 51.004, and 51.005 of the Texas Property Code (as amended from time to time), and to the extent permitted by law, Lender may seek a deficiency judgment from Guarantor and any other party obligated on the Guaranteed Indebtedness equal to the difference between the amount owing on the Guaranteed Indebtedness and the amount for which the Real Property was sold at judicial

or nonjudicial foreclosure sale. Guarantor irrevocably waives and shall not seek to enforce or collect upon any rights which it now has or may acquire against the Borrower, either by way of subrogation, indemnity, reimbursement or contribution, for any amount paid under this Guaranty or by way of any other obligations of the Borrower to Guarantor until 91 days after the Guaranteed Indebtedness is paid in full.

10. Representations and Agreements. This Guaranty constitutes a legal, valid, binding obligation of and is enforceable against Guarantor. Guarantor has filed all federal and state tax returns which are required to be filed, and has paid all due and payable taxes and assessments against the property and income of Guarantor. Guarantor has determined that this Guaranty will benefit Guarantor directly or indirectly. The value of the consideration received by Guarantor is reasonably worth at least as much as his liability hereunder and is fair and reasonably equivalent value for this Guaranty. No material adverse change has occurred in Guarantor's financial condition or business operations reflected in the last financial statement and application for credit provided to Lender. Guarantor has not relied and is not relying on Lender to provide to Guarantor information regarding Borrower's assets or financial condition and Lender has no duty to provide such information.
11. Subordination of Borrower's Obligations to Guarantor. (a) "Subordinated Indebtedness" means all indebtedness, liabilities, and obligations of Borrower to Guarantor, whether now existing or hereafter arising. The term "Subordinated Indebtedness" includes, without limitation, all obligations, (i) that are direct, indirect, contingent, primary, secondary, several, joint and several, or otherwise, (ii) no matter how they are evidenced (for example, by note, contract, open account, or otherwise but excluding current wages as applicable), or (iii) that may have been originally owed to someone other than Guarantor but are later acquired by Guarantor. (b) Guarantor hereby subordinates all Subordinated Indebtedness to the prior payment in full of all Guaranteed Indebtedness, and Guarantor assigns the Subordinated Indebtedness to Lender as security for the Guaranteed Indebtedness. Guarantor is not entitled to and may not accept any payment (in cash or property) of the Subordinated Indebtedness when any Guaranteed Indebtedness (including any commitment) exists. Guarantor will hold in trust for Lender's benefit any payment received from Borrower or anyone on account of the Subordinated Indebtedness, and will pay those sums to Lender upon demand without affecting Guarantor's liability under this Guaranty. Lender may apply such sums against the Guaranteed Indebtedness in any order and manner that Lender determines is appropriate. Upon Lender's request, Guarantor will execute, deliver and endorse to Lender such documents as Lender requests to perfect, preserve and enforce Lender's rights under this paragraph. (c) Guarantor further subordinates all liens, security interest, judgment liens, charges and other encumbrances ("Liens") upon Borrower's assets securing payment of any Subordinated Indebtedness to any Liens securing any of the Guaranteed Indebtedness, regardless of when the Liens were created or attached. Without Lender's prior written consent, Guarantor must not (i) file suit against Borrower or exercise any other creditor's right against Borrower (including, but not limited to, filing any bankruptcy proceeding against Borrower), or (ii) foreclose, repossess, sequester, or otherwise take steps or institute any judicial or nonjudicial proceeding to enforce any of Guarantor's Liens on Borrower's assets. (d) If Borrower becomes subject to any receivership, bankruptcy,

reorganization, rearrangement, debtor's relief, or other insolvency proceeding, Lender may prove and vote any claim under the Subordinated Indebtedness, may directly receive any dividends, distributions and payments made in respect of the Subordinated Indebtedness, and may apply those dividends, distributions and payments against the Guaranteed Indebtedness in any order and manner that Lender determines is appropriate. (e) All promissory notes, accounts receivable, ledgers, records, and other evidence of the Subordinated Indebtedness must contain a specific written notice thereon that the indebtedness evidenced thereby is subordinated under the terms of this Guaranty.

12. Applicable Law and Venue. This Guaranty is governed by Texas law. If any provision of this Guaranty is illegal or unenforceable, that illegality or unenforceability will not affect the remaining provisions of this Guaranty. **GUARANTOR AND LENDER AGREE THAT THIS GUARANTY WILL BE PERFORMED IN THE COUNTY IN WHICH LENDER'S PRINCIPAL OFFICE IS IN TEXAS IS LOCATED, AND THAT SUCH COUNTY IS PROPER VENUE FOR ANY ACTION OR PROCEEDING BROUGHT BY THE GUARANTOR OR LENDER, WHETHER IN CONTRACT, TORT, OR OTHERWISE. ANY ACTION OR PROCEEDING AGAINST GUARANTOR MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT IN SUCH COUNTY TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW GUARANTOR HEREBY IRREVOCABLY (A) SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF SUCH COURTS, AND (B) WAIVES ANY OBJECTION HE MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT OR THAT ANY SUCH COURT IS AN INCONVENIENT FORUM. GUARANTOR AGREES THAT SERVICE OF PROCESS UPON HIM MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, AT HIS ADDRESS SPECIFIED BELOW. LENDER MAY SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW AND MAY BRING ANY ACTION OR PROCEEDING AGAINST GUARANTOR OR WITH RESPECT TO ANY OF HIS PROPERTY IN COURTS IN OTHER PROPER JURISDICTIONS OR VENUES.**
13. Notice. Any notice required or permitted under this Guaranty must be given in writing by United States mail, by hand delivery or delivery service, or by telegraphic, telex, telecopy or cable communication, sent to the intended addressee at the address shown in this Guaranty, or to such different address as the addressee designates by 10 days notice. Notice by United States mail will be effective when mailed. All other notices will be effective when received. Written confirmation of receipt will be conclusive.
14. Costs and Expenses. To the extent permitted by applicable law, Guarantor will pay on demand all attorneys' fees and all other costs and expenses incurred by Lender in connection with the preparation, administration, enforcement or collection of this Guaranty including but not limited to Lender's standard Documentation Preparation and Processing fees.
15. Miscellaneous. This Guaranty binds each Guarantor and his successors and assigns, and receivers and assigns and benefits Lender. The term "Lender" also includes successors and assigns of Lender. Guarantor may not assign his obligations under this Guaranty without the prior written consent of Lender. This Guaranty may be executed in



multiple counterparts, and each counterpart will be deemed an original, without the need to produce any counterpart other than the one to be enforced. Any gender designation used herein includes all genders and the singular number includes the plural. Lender's delay or failure to exercise its rights is not a waiver of those rights. This Guaranty may not be amended except in a writing signed by an authorized officer of Lender and no waiver will be effective unless it is in writing. Any waiver is applicable only for the specific situation for which it is given.

THIS GUARANTY is executed as of \_\_\_\_\_, 2016.

**THIS GUARANTY REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO GUARANTOR'S GUARANTY OF GUARANTEED INDEBTEDNESS AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. NO COURSE OF DEALING BETWEEN GUARANTOR AND LENDER, NO COURSE OF PERFORMANCE, NO TRADE PRACTICES, AND NO EXTRINSIC EVIDENCE OF ANY NATURE MAY BE USED TO CONTRADICT OR MODIFY ANY TERM OF THIS GUARANTY.**

**THERE ARE NO ORAL AGREEMENTS BETWEEN GUARANTOR AND LENDER.**

GUARANTOR: Star's Boutique Inc.

\_\_\_\_\_  
Signature of Guarantor – Grace Heejin Yun, a/k/a Yong Im Yun, President-Director

\_\_\_\_\_  
Signature of Guarantor – Howard H. Yun, Secretary-Director

ADDRESS OF  
GUARANTOR: 408 S El Paso St, El Paso, Texas 79901

LENDER: (Lender's signature is provided as its acknowledgement of the above as the final written agreement between the parties.)

CITY OF EL PASO, TEXAS

BY: \_\_\_\_\_  
Tomás González, City Manager

**GENERAL SECURITY AGREEMENT  
(this "Agreement")**

**STAR'S BOUTIQUE INC. dba BELLA'S BOUTIQUE**  
408 S EL PASO ST  
EL PASO, TEXAS 79901 ("Debtor")

and

CITY OF EL PASO, TEXAS ("Secured Party"), agree as follows:

**SECTION 1. DEFINITIONS.** (a) "Collateral" means all Accounts, all Equipment, all Inventory and all Proceeds, together with all books and records of Debtor, whether in paper or electronic form, relating to the Collateral and any real property as further described herein. "Accounts" means all accounts, general intangibles, instruments, negotiable documents, chattel paper, deposit accounts and intellectual property. "Equipment" means all equipment, furniture, furnishings and fixtures, including all accessions and appurtenances to, renewals or replacements of or substitutions for any Equipment, and all documents or certificates of title relating to the foregoing; all products and proceeds, in cash or otherwise, of any of the foregoing. "Inventory" means all inventory, including without limitation materials, supplies, returned or repossessed goods, goods in transit and goods held by others under lease, consignment or other arrangements, and all documents or certificates of title relating to the foregoing. (b) "Obligations" means all debts, obligations and liabilities of every kind and character of Debtor, whether joint or several, contingent or otherwise, now or hereafter existing in favor of Secured Party, including without limitation all liabilities arising under or from any note, open account, overdraft, letter of credit, endorsement, surety agreement, guaranty, interest rate swap or other derivative product, acceptance, foreign exchange contract or depository service contract, whether payable to Secured Party or to a third party and subsequently acquired by Secured Party. Debtor and Secured Party specifically contemplate that Debtor may hereafter become further indebted to Secured Party. (c) "Past Due Rate" means the highest nonusurious rate of interest that Secured Party may contract for, charge or receive under applicable law, or 18% if applicable law does not specify such a rate. (d) "Proceeds" means all products and proceeds, in cash or otherwise, of any other Collateral. (e) "Security Interest" means the security interests created by this Agreement. (f) "UCC" means the Texas Uniform Commercial Code, as amended from time to time. All terms defined in the UCC are used in this Agreement as defined in the UCC unless otherwise defined in this Agreement.

**SECTION 2. CREATION OF SECURITY INTEREST.** To secure the payment and performance of the Obligations, Debtor grants to Secured Party a security interest in and assigns to Secured Party all Collateral which is specifically identified in **Exhibit A**, attached hereto and incorporated by reference herein, and all other Collateral which Debtor later acquires.

**SECTION 3. DEBTOR'S REPRESENTATIONS.** (a) Debtor is the sole lawful owner of the Collateral, free and clear of all encumbrances, and has the right and power to transfer the Collateral to Secured Party. No financing statement covering the Collateral, other than

in favor of Secured Party, is on file in any public office. (b) This Agreement constitutes the legal, valid and binding obligation of Debtor, enforceable in accordance with its terms. (c) The Collateral and the Debtor's use thereof comply with all applicable laws, rules and regulations, and Debtor has obtained any consents necessary to execute, deliver and perform its obligations under this Agreement. (d) The address set forth above is Debtor's place of business, if Debtor has only one place of business, Debtor's chief executive office, if Debtor has more than one place of business, or Debtor's residence, if Debtor has no place of business. (e) The Collateral is free from damage caused by fire or other casualty. (f) Except as disclosed on attached schedules, no Collateral is covered by a certificate of title or subject to a certificate of title law, or subject to registration with the Federal Aviation Administration, Coast Guard or Interstate Commerce Commission.

**SECTION 4. DEBTOR'S AGREEMENTS.** (a) Debtor will warrant and defend its title to and Secured Party's interest in the Collateral against any adverse claimant. Debtor will promptly take all reasonable and appropriate steps to collect the Accounts. Debtor will not agree to a material modification of the terms of any Account without the written consent of Secured Party. (b) Notwithstanding the security interest in Proceeds granted herein, Debtor will not sell, transfer, assign or otherwise dispose of any interest in the Collateral, except as authorized in this Agreement or in writing by Secured Party, and Debtor will keep the Collateral (including Proceeds) free from unpaid charges, including taxes and assessments, and from all encumbrances other than those in favor of Secured Party. Debtor may sell or lease Inventory in the ordinary course of business. Sale in the ordinary course of business does not include a transfer in total or partial satisfaction of a debt. (c) Secured Party may require that Debtor (i) deposit all payments on the Accounts in a special bank account over which Secured Party alone has power of withdrawal, and (ii) direct each account debtor to send remittances to an address designated by Secured Party. Secured Party may hold the funds in the account as security, or apply the funds to pay the Obligations. (d) Debtor will furnish Secured Party all information Secured Party may request with respect to the Collateral. Debtor will notify Secured Party promptly of any event that could have a material adverse effect on the aggregate value of the Collateral or on the Security Interest, or any change in Debtor's location, name, identity or organizational structure. (e) Debtor will keep accurate books and records regarding the Collateral and will allow Secured Party to inspect the Collateral and to inspect and make copies (including electronic copies) of its books and records during regular business hours. Secured Party may make test verifications of the Collateral.

**SECTION 5. FURTHER ASSURANCES.** Secured Party may file this Agreement or any financing statements wherever Secured Party believes necessary to perfect the Security Interest. A photographic or other reproduction of this Agreement or any financing statement relating to this Agreement will be sufficient as a financing statement. Debtor authorizes Secured Party and irrevocably appoints Secured Party as Debtor's attorney-in-fact to file any financing statement (including any amendments) relating to this Agreement electronically, and Secured Party's transmission of Debtor's name as part of any filing relating to this Agreement will constitute Debtor's signature on the financing statement. Debtor will take such action as Secured Party may at any time require to protect, assure or enforce the Security Interest. If any Collateral is located on or in leased property, Debtor will furnish Secured Party an executed landlord's waiver satisfactory to Secured Party. Debtor will promptly deliver to Secured Party any part of the Collateral that constitutes instruments, and will make a designation on all of its chattel paper, instruments and negotiable documents to reflect the Security Interest.

**SECTION 6. DEBTOR'S USE OF COLLATERAL; INSURANCE.** (a) Debtor will keep the Equipment and the Inventory at the address set forth above or other locations of which Debtor notifies Secured Party in writing from time to time, except for temporary removal in connection with ordinary use. (b) Debtor will properly maintain the Equipment and the Inventory and will comply with all applicable laws, rules and regulations in the use, sale and production of the Equipment and the Inventory (including without limitation the Fair Labor Standards Act). Debtor will replace obsolete or worn-out Equipment with comparable new Equipment, and may sell obsolete or worn-out Equipment which has been replaced with comparable new Equipment. (c) **DEBTOR WILL MAINTAIN INSURANCE ON THE COLLATERAL** against all customary risks for goods of the same type and use, including without limitation fire and theft, and any other risks designated by Secured Party. **DEBTOR MAY FURNISH INSURANCE THROUGH EXISTING POLICIES DEBTOR OWNS OR CONTROLS OR THROUGH NEW POLICIES ISSUED BY ANY COMPANY AUTHORIZED TO TRANSACT BUSINESS IN TEXAS.** Secured Party will be named on a customary loss payee endorsement to all such insurance, providing for payment to Secured Party and Debtor (and no other person) as their interests appear, and providing for at least 30 days written notice to Secured Party before cancellation. Secured Party is irrevocably appointed attorney-in-fact for Debtor to obtain, adjust, settle and cancel such insurance. Secured Party may apply all proceeds of insurance to repayment of the Obligations, whether Debtor is in default or not.

**SECTION 7. FIXTURES AND APPURTENANCES.** If any part of the Collateral is or will be affixed to real estate or other goods, a description of the real estate or other goods and the record owner of the real estate or other goods is listed below:

**REAL ESTATE OR GOODS TO WHICH ATTACHED**

**RECORD OWNER**

N/A

None of the real estate is subject to a construction mortgage. Debtor will furnish Secured Party on demand one or more instruments signed by all persons having an interest in the real estate or other goods, subordinating any interest in any Collateral to Secured Party's interest.

**SECTION 8. COSTS AND EXPENSES.** Debtor will pay, or reimburse Secured Party for, all costs and expenses of every character incurred from time to time in connection with this Agreement (and all modifications and renewals) and the Obligations, including costs and expenses incurred (a) for mortgage or recording taxes, (b) to satisfy any obligation of Debtor under this Agreement or to protect the Collateral, (c) in connection with the evaluation, monitoring or administration of the Obligations or the Collateral (whether or not an Event of Default has occurred), and (d) in connection with the exercise of Secured Party's rights and remedies. Costs and expenses include reasonable fees and expenses of outside counsel and other outside professionals and charges imposed for the services of attorneys and other professionals employed by Secured Party or its affiliates. Any amount owing under this Section will be due and payable on demand and will bear interest from the date of expenditure by Secured Party until paid at the Past Due Rate. If any part of the Obligations is governed by Texas Finance Code Chapter 342 or 346, this Section is limited to the extent required by those chapters.

**SECTION 9. DEFAULT.** Each of the following events or conditions is an "Event of Default:" (a) Debtor fails to pay when due (or within any contractually agreed grace period)

any of the Obligations; (b) any event occurs that gives Secured Party the immediate right to declare any of the Obligations due and payable in full prior to final maturity; (c) any warranty, representation or statement contained in this Agreement or made in connection with this Agreement or any of the Obligations was false or misleading in any respect when made; (d) Debtor violates any covenant, condition or agreement contained in this Agreement or any other document relating to the Obligations; (e) any Collateral is lost, stolen, substantially damaged, destroyed, abandoned, levied upon, seized or attached; or (f) Debtor conceals or removes any part of the Collateral with intent to hinder, delay or defraud the Secured Party. After an Event of Default occurs, Secured Party may, without notice to any person, declare the Obligations to be immediately due and payable. Debtor WAIVES demand, presentment and all notices, including without limitation notice of dishonor and default, notice of intent to accelerate and notice of acceleration.

**SECTION 10. SECURED PARTY'S RIGHTS AND REMEDIES.** After an Event of Default occurs, Secured Party will have all rights and remedies of a secured party after default under the UCC and other applicable law. Secured Party may require Debtor to assemble the Collateral and make it available at a reasonably convenient place Secured Party designates. Except for the safe custody of any Collateral in its possession and accounting for moneys actually received by it, Secured Party will have no duty as to any Collateral, including any duty to preserve rights against prior parties. Debtor irrevocably appoints Secured Party Debtor's attorney-in-fact to endorse any checks or other instruments included in the Collateral, or to take any other action to enforce, collect or compromise the Collateral. Secured Party is not required to take possession of any Collateral prior to any sale, or to have any Collateral present at any sale. Secured Party may sell part of the Collateral without waiving its right to proceed against the remaining Collateral. If any sale is not completed or is defective in the opinion of Secured Party, Secured Party may make a subsequent sale of the same Collateral. Any bill of sale or other instrument evidencing any foreclosure sale will be prima facie evidence of factual matters stated or recited therein. If a sale of Collateral is conducted in conformity with customary practices of banks disposing of similar property, the sale will be deemed commercially reasonable, but Secured Party will have no obligation to advertise or to sell Collateral on credit. Written notice to Debtor mailed 10 days prior to public or private sale is reasonable notice. By exercising its rights, Secured Party will not become liable for, and Debtor will not be released from, any of Debtor's duties or obligations under the contracts and agreements included in the Collateral. Secured Party may purchase Collateral at any public sale, and may credit the purchase price against the Obligations. All remedies in this Agreement are cumulative of any and all other legal, equitable or contractual remedies available to Secured Party. Debtor WAIVES any rights to a marshalling of assets or sale in inverse order of alienation, and any rights to notice except as provided in the UCC.

**SECTION 11. ADDITIONAL AGREEMENTS.** (a) This Agreement will remain in effect until Secured Party executes and delivers to Debtor a written termination statement. (b) No modification or waiver of the terms of this Agreement will be effective unless in writing and signed by Secured Party. Secured Party may waive any default without waiving any other prior or subsequent default. Secured Party's failure to exercise or delay in exercising any right under this Agreement will not operate as a waiver of such right. No single or partial exercise of any right under this Agreement will preclude any other or further exercise of that right or any other right. (c) Any notice required or permitted under this Agreement will be given in writing by United States mail, by hand delivery or delivery service, or by telegraphic, telex, telecopy or cable communication, sent to the intended

addressee at the address shown in this Agreement, or to such different address as the addressee designates by 10 days notice. Notice by United States mail will be effective when mailed. All other notices will be effective when received. Written confirmation of receipt will be conclusive. (d) If any provision of this Agreement is unenforceable or invalid, that provision will not affect the enforceability or validity of any other provision. If the application of any provision of this Agreement to any person or circumstance is illegal or unenforceable, that application will not affect the legality or enforceability of the provision as to any other person or circumstance. (e) If more than one person executes this Agreement as Debtor, their obligations under this Agreement are joint and several, and the term Collateral includes any property described in Section 1 that is owned by any Debtor individually or jointly with any other Debtor, and the term "Obligations" includes both several and joint obligations of each Debtor. (f) The section headings in this Agreement are for convenience only and shall not be considered in construing this Agreement. (g) This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which will constitute one and the same agreement. (h) This Agreement benefits the Secured Party and its successors and assigns and is binding on Debtor and its heirs, legal representatives, successors and assigns. (i) If any of the Obligations are subject to Texas Finance Code Chapter 342 or 346 or Regulation AA of the Board of Governors of the Federal Reserve System (collectively, the "Consumer Restrictions"), (1) nothing in this Agreement waives any rights which cannot be legally waived under the Consumer Restrictions, and (2) the Collateral securing such Obligations does not include any assignment of wages or any non-possessory, non-purchase money security interest in household goods. (j) This Agreement is governed by the laws of the State of Texas. (k) Secured Party is executing this Agreement for the purpose of acknowledging the following notice, and Secured Party's failure to execute this Agreement will not invalidate this Agreement.

**EXECUTED EFFECTIVE AS OF \_\_\_\_\_, 2016**

**This written loan agreement represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.**

**DEBTOR(S): STAR'S BOUTIQUE INC. DBA BELLA'S BOUTIQUE**

By: \_\_\_\_\_  
Name/Title: **Grace Heejin Yun,**  
**a/k/a Yong Im Yun,**  
**President-Director**

By: \_\_\_\_\_  
Name/Title: **Howard H. Yun,**  
**Secretary-Director**

**SECURED PARTY: CITY OF EL PASO, TEXAS**

By: \_\_\_\_\_  
Name: **Tomás González**  
Title: **City Manager**

## EXHIBIT "A"

1. Star's Boutique Inc. dba Bella's Boutique's: All Accounts, all Equipment, all Inventory and all Proceeds, together with all books and records of Debtor, whether in paper or electronic form, relating to the Collateral. Accounts means all accounts, general intangibles, instruments, negotiable documents, chattel paper, deposit accounts and intellectual property. Equipment means all equipment, furniture, furnishings and fixtures, including all accessions and appurtenances to, renewals or replacements of or substitutions for any Equipment, and all documents or certificates of title relating to the foregoing; all products and proceeds, in cash or otherwise, of any of the foregoing. Inventory means all inventory, including without limitation materials, supplies, returned or repossessed goods, goods in transit and goods held by others under lease, consignment or other arrangements, and all documents or certificates of title relating to the foregoing. Proceeds means all products and proceeds, in cash or otherwise, of any other Collateral.

## TERM PROMISSORY NOTE

(this "Note")

NAME AND ADDRESS OF BORROWER: <b>STAR'S BOUTIQUE INC. DBA BELLA'S BOUTIQUE</b> 408 S EL PASO ST El Paso, TX 79901	
U.S. \$90,000.00	_____ ("the DATE")
ACCOUNT NUMBER/NOTE NUMBER: <b>EZ RLF-86</b>	

FOR VALUE RECEIVED, **STAR'S BOUTIQUE INC. dba BELLA'S BOUTIQUE** (whether one or more, "Borrower") jointly and severally if more than one, promises to pay to the order of the City of El Paso, Texas ("Lender") on or before **May 15, 2019**, ("Stated Maturity Date"), at the offices of The City of El Paso (including any successors or assignees, "Lender") located at 300 N. Campbell, El Paso, Texas 79901 or at any other location as Lender may designate, in immediately available funds, **NINETY THOUSAND AND NO/100THS UNITED STATES DOLLARS (\$90,000.00)** so much thereof as may be advanced. Borrower will also pay interest on the unpaid principal balance outstanding from time to time at a fixed rate of **THREE** percent (3.0%) per annum provided, however, in no event shall interest hereon ever be charged, paid, collected or received at a rate in excess of the maximum nonusurious rate of interest from time to time permitted by applicable law, (the "Highest Lawful Rate").

To the extent that Texas law determines the Highest Lawful Rate, the Highest Lawful Rate is the weekly rate ceiling as defined in the Texas Finance Code Chapter 303.

### PAYMENT SCHEDULE:

This Note shall be due and payable as follows:

#### PRINCIPAL AND INTEREST:

- i. Interest only is computed as the outstanding principal accrues, commencing on **date of first disbursement** and continuing regularly and monthly thereafter on the 15th of each and every succeeding month including **June 15, 2016**; and,
- ii. Thereafter, principal and interest are payable in equal monthly installments of **\$2,617.31** each, commencing on **June 15, 2016**, and continuing regularly and monthly on the same day of each and every succeeding month until **May 15, 2019**, when the entire unpaid principal balance hereof, together with accrued unpaid interest is due and payable (the Maturity Date).

All remaining unpaid principal and accrued and unpaid interest is finally due and payable at the Stated Maturity Date. All payments may, at Lender's sole option, be applied to accrued interest, to principal, or to both. Interest will be computed on the basis of the actual number of days elapsed and a year comprised of 365 days.

Lender anticipates and expects that any and all payments due under the terms of this Note shall be made promptly on the date such amount is due. In the event that Lender has not received any payment due on or before the date ten (10) days after the date such payment is due and payable, Borrower will be charged, and Borrower hereby



agrees to pay to Lender, a late charge equal to five percent (5.00%) of the unpaid portion of the regularly scheduled payment then due and payable. Borrower shall be obligated to pay no more than one (1) late charge with respect to each late payment.

In addition to all principal and accrued interest on this Note, Borrower agrees to pay: (a) all reasonable costs and expenses incurred by Lender and all owners and holders of this Note in collecting this Note through probate, reorganization, bankruptcy or any other proceeding; and (b) reasonable attorney's fees if and when this Note is placed in the hands of an attorney for collection.

Borrower and Lender intend to conform strictly to applicable usury laws. Therefore, the total amount of interest (as defined under applicable law) contracted for, charged or collected under this Note will never exceed the Highest Lawful Rate. If Lender contracts for, charges or receives any excess interest, it will be deemed a mistake. Lender will automatically reform the contract or charge to conform to applicable law, and if excess interest has been received, Lender will either refund the excess to Borrower or credit the excess on the unpaid principal amount of this Note. All amounts constituting interest will be spread throughout the full term of this Note in determining whether interest exceeds lawful amounts.

The unpaid principal balance of this Note at any time will be the total amounts advanced by Lender, less the amount of all payments or prepayments of principal. Absent manifest error, the records of Lender will be conclusive as to amounts owed.

"Loan Documents" mean this Note, the General Security Agreement dated effective \_\_\_\_\_, and any document or instrument evidencing, securing, guaranteeing or given in connection with this Note or the indebtedness evidenced by this Note. "Obligations" means all principal, interest and other amounts which are or become owing under this Note or any other Loan Document. "Obligor" means Borrower and any guarantor, surety, co-signer, general partner or other person who may now or hereafter be obligated to pay all or any part of the Obligations. Where appropriate the neuter gender includes the feminine and the masculine and the singular number includes the plural number. "Revolving Loan Program" means that certain revolving loan fund established by Lender under the U.S. Department of Housing and Urban Development ("HUD"), Empowerment Zone (Round II) and administered by Lender to provide financing for businesses establishing in or expanding in the El Paso Empowerment Zone ("EZ"), in El Paso, Texas.

Each of the following events or conditions is an "Event of Default:" (1) any Obligor fails to pay any of the Obligations when due; (2) any warranty, representation or statement now or hereafter contained in or made in connection with any Loan Document was false or misleading in any respect when made; (3) any Obligor violates any covenant, condition or agreement contained in any Loan Document; (4) any Obligor fails or refuses to submit financial information requested by Lender or to permit Lender to inspect its books and records on request; (5) any event of default occurs under any other Loan Document; (6) any individual Obligor dies, or any Obligor that is an entity dissolves; (7) a receiver, conservator or similar official is appointed for any Obligor or any Obligor's assets; (8) any petition is filed by or against any Obligor under any bankruptcy, insolvency or similar law; (9) any Obligor makes an assignment for the benefit of creditors; (10) a final judgment is entered against any Obligor and remains unsatisfied for 30 days after entry, or any property of any Obligor is attached, garnished or otherwise made subject to legal process; (11) any material adverse change occurs in the business, assets, affairs or financial condition of any Obligor; and (12) any provision in any of the Loan Documents fails to comply with any requirement of the Revolving Loan Program.

If any Event of Default occurs, then Lender may do any or all of the following: (i) declare the Obligations to be immediately due and payable, without notice of acceleration or of intention to accelerate, presentment and demand

or protest or notice of any kind, all of which are hereby expressly waived; (ii) set off, in any order, against the Obligations any debt owing by Lender to any Obligor, including, but not limited to, any deposit account, which right is hereby granted by each Obligor to Lender; and (iii) exercise any and all other rights under any Loan Document, at law, in equity or otherwise.

No waiver of any default is a waiver of any other default. Lender's delay in exercising any right or power under any Loan Document is not a waiver of such right or power.

THIS NOTE IS SECURED by, among other things, under a separate security agreement covering, among other property: **All Accounts, all Equipment, all Inventory and all Proceeds, together with all books and records of Debtor, whether in paper or electronic form, relating to the Collateral.** Accounts means all accounts, general intangibles, instruments, negotiable documents, chattel paper, deposit accounts and intellectual property. Equipment means all equipment, furniture, furnishings and fixtures, including all accessions and appurtenances to, renewals or replacements of or substitutions for any Equipment, and all documents or certificates of title relating to the foregoing; all products and proceeds, in cash or otherwise, of any of the foregoing. Inventory means all inventory, including without limitation materials, supplies, returned or repossessed goods, goods in transit and goods held by others under lease, consignment or other arrangements, and all documents or certificates of title relating to the foregoing. Proceeds means all products and proceeds, in cash or otherwise, of any other Collateral.

Each and all Obligors severally waive notice, demand, presentment for payment, notice of nonpayment, notice of intent to accelerate, notice of acceleration, protest, notice of protest, and the filing of suit and diligence in collecting this Note and all other demands and notices, and consent and agree that their liabilities and obligations shall not be released or discharged by any or all of the following, whether with or without notice to them or any of them, and whether before or after the stated maturity hereof: (i) extensions of the time of payment; (ii) renewals; (iii) acceptances of partial payments; (iv) releases or substitutions of any collateral or any Obligor; and (v) failure, if any, to perfect or maintain perfection of any security interest in any collateral. Each Obligor agrees that acceptance of any partial payment shall not constitute a waiver and that waiver of any default shall not constitute waiver of any prior or subsequent default. Borrower represents and agrees that: all advances evidenced by this Note are and will be for business, commercial, investment, agricultural or other similar purpose and not primarily for personal, family, or household use. Borrower represents and warrants that no advances will be used for the purpose of purchasing or carrying any margin stock as that term is defined in Regulation U of the Board of Governors of the Federal Reserve System (the "Board").

☐ If this box is checked, then this Note is a renewal note and the following also applies. This Note is given in renewal, extension and modification of that one certain promissory note dated \_\_\_\_\_, \_\_\_\_\_, in the original principal amount of \$\_\_\_\_\_ and having a maturity date of \_\_\_\_\_. All collateral securing said note also extends to and secures this Note.

This Note is governed by Texas law. If any provision of this Note is illegal or unenforceable, that illegality or unenforceability will not affect the remaining provisions of this Note. **BORROWER AND LENDER AGREE THAT THIS NOTE WILL BE PERFORMED IN THE COUNTY IN WHICH LENDER'S PRINCIPAL OFFICE IS LOCATED IN TEXAS, AND THAT SUCH COUNTY IS PROPER VENUE FOR ANY ACTION OR PROCEEDING BROUGHT BY BORROWER OR LENDER, WHETHER IN CONTRACT, TORT, OR OTHERWISE. ANY ACTION OR PROCEEDING AGAINST BORROWER(S) MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT IN SUCH COUNTY TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW BORROWER(S) HEREBY IRREVOCABLY (A) SUBMITS TO THE NONEXCLUSIVE**

**JURISDICTION OF SUCH COURTS, AND (B) WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT OR THAT ANY SUCH COURT IS AN INCONVENIENT FORUM. BORROWER(S) AGREES THAT SERVICE OF PROCESS UPON IT MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS SPECIFIED BELOW. LENDER MAY SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW AND MAY BRING ANY ACTION OR PROCEEDING AGAINST BORROWER(S) OR WITH RESPECT TO ANY OF ITS PROPERTY IN COURTS IN OTHER PROPER JURISDICTIONS OR VENUES.**

For purposes of this Note, any assignee or subsequent holder of this Note will be considered the "Lender," and each successor to Borrower will be considered the "Borrower."

Each Borrower represents and warrants to Lender as of the date hereof that the following statements are and shall remain true and correct until all Obligations are paid in full: if it is not a natural person, it is duly organized and validly existing and in good standing under the laws of the state of its incorporation or organization; has full power to own its properties and to carry on its business as now conducted; is duly qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it makes such qualification desirable; and has not commenced any dissolution proceedings; and that all information provided to Lender in connection with the loan evidenced by this Note is true and correct and an inducement for Lender to make this loan under the Revolving Loan Program. Each Borrower that is subject to the Texas Revised Partnership Act ("TRPA") agrees that Lender is not required to comply with Section 3.05(d) of the TRPA and agrees that Lender may proceed directly against one or more partners or their property without first seeking satisfaction from partnership property. Each Borrower represents and warrants that if it conducts business under an assumed business or professional name it has properly filed Assumed Name Certificate(s) in the office(s) required by Chapter 36 of the Texas Business and Commerce Code. Each of the persons signing below as Borrower represents and warrants that he/she has full requisite power and authority to execute and deliver this Note to Lender on behalf of the party for whom he/she signs and to bind such party to the terms and conditions of this Note and that this Note is enforceable against such party.

Borrower acknowledges and agrees that the loan evidenced by this Note is provided pursuant to a Revolving Loan Program established by Lender for the purpose of providing for businesses establishing in or expanding in the El Paso Empowerment Zone ("EZ"), in El Paso, Texas under the HUD Empowerment Zone Program and Borrower agrees to execute and deliver any other document required by Lender in order to comply with any federal or state rules, regulations, laws or guidelines affecting the Revolving Loan Program or in furtherance of the requirements of the Revolving Loan Program or to satisfy any requirements now or hereafter imposed.

**NO COURSE OF DEALING BETWEEN BORROWER AND LENDER, NO COURSE OF PERFORMANCE, NO TRADE PRACTICES, AND NO EXTRINSIC EVIDENCE OF ANY NATURE MAY BE USED TO CONTRADICT OR MODIFY ANY TERM OF THIS NOTE OR ANY OTHER LOAN DOCUMENT.**

**THIS NOTE AND THE OTHER WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.**

**THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

*Signatures Begin on Next Page.*

IN WITNESS WHEREOF, Borrower has executed this Note effective as of the \_\_\_\_ day of \_\_\_\_\_, 2016.

**BORROWER: Star's Boutique Inc. dba Bella's Boutique**

**BORROWER ADDRESS: 408 S. El Paso St., El Paso, Texas 79901**

By: \_\_\_\_\_  
Name/Title: **Grace Heejin Yun, a/k/a**  
**Yong Im Yun, President-Director**

By: \_\_\_\_\_  
Name/Title: **Howard H. Yun,**  
**Secretary-Director**

Lender's signature is provided as its acknowledgement of the above as the final written agreement between the parties and as its agreement with each Borrower subject to TRPA that Lender is not required to comply with Section 3.05(d) or TRPA.)

*Acknowledgments Begin on Next Page.*

(ACKNOWLEDGMENT)

STATE OF TEXAS       )  
COUNTY OF EL PASO   )

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2016, by **Grace Heejin Yun, a/k/a Yong Im Yun**, as **President-Director of Star's Boutique Inc. dba Bella's Boutique**, on behalf of said entity.

Notary's Commission Expires:

\_\_\_\_\_  
Notary Public, State of Texas  
Notary's Name (Printed)  
\_\_\_\_\_

STATE OF TEXAS       )  
COUNTY OF EL PASO   )

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2016, by **Howard H. as Secretary-Director of Star's Boutique Inc. dba Bella's Boutique**, on behalf of said entity.

Notary's Commission Expires:

\_\_\_\_\_  
Notary Public, State of Texas  
Notary's Name (Printed)  
\_\_\_\_\_

**LENDER: CITY OF EL PASO, TEXAS**

By: \_\_\_\_\_

Name: Tomás González

Title: City Manager

**EMPOWERMENT ZONE REVOLVING LOAN FUND PROGRAM  
LOAN AGREEMENT**

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THIS LOAN AGREEMENT (the "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2016, by and between the **CITY OF EL PASO, TEXAS**, a home-rule municipal corporation, (the "City") and **STAR'S BOUTIQUE INC. D/B/A BELLA'S BOUTIQUE** (the "Borrower").

**WHEREAS**, the City has established an Empowerment Zone Revolving Loan Fund ("RLF") to utilize revolving loan funds provided to the City by the U.S. Department of Housing and Urban Development ("HUD") and administered by the City to provide financing for businesses establishing in or expanding in the El Paso Empowerment Zone ("EZ"), as amended by the El Paso City Council (the "Empowerment Zone Revolving Loan Fund Program"); and

**WHEREAS**, the Borrower has applied to the City for loan assistance from the RLF to undertake activities which are consistent with the provisions of the Empowerment Zone Revolving Loan Fund Program Lending Guidelines.

**NOW THEREFORE**, in consideration of the mutual promises and covenants contained in this Agreement, the City and the Borrower agree as follows:

**1. City's Obligations.**

A. Subject to the Borrower's compliance with the terms and conditions of this Agreement, the City shall lend an amount not to exceed \$90,000.00 (the "Loan"), to the Borrower with the Loan bearing an interest rate of three percent (3%) per annum. The Loan is subject to the requirements of federal regulations and other applicable law and is contingent upon the availability of RLF funds. The City's obligation to loan RLF funds to the Borrower shall be contingent upon the following conditions: (a) the representations and warranties of the Borrower herein and in its application are true and accurate as of the date this Agreement; and (b) prior to disbursement of any RLF funds, the Borrower shall execute and deliver to the City all loan documents, including security instruments, that reasonably may be required by the City to effect the terms and conditions of this Agreement.

**B. Loan Disbursement:**

(1) Loan disbursements shall be made within ten (10) business days upon receipt by City of Borrower's written request for such, the documentation as required herein and only for work completed, as applicable. Disbursement request period will expire 180 days from the day and year first above written. Disbursement will be made only upon approval by the Director of the Department of Community and Human Development of the City (the "Director"). Approval of disbursements may be withheld by the Director if, in the reasonable exercise of the Director's discretion, there is a determination that the request or its backup material is inaccurate, unreasonable, or inadequate, or if Borrower is in any way in default hereunder. Representatives of the City may, at all reasonable times, examine work in progress.

C. Provided Borrower complies with the terms of all loan documents, including security instruments, makes timely scheduled payments of the entire principal amount and accrued interest, and incurs no late fees on the Loan, upon the maturity date of the Loan, Borrower will be entitled to a rebate from the City in an amount equal to the lesser of twenty percent (20%) of the original principal loan amount or \$20,000.00. The City agrees to use its best efforts to process Borrower's rebate request within 30 days following receipt. Any late fee assessment or prepayment of the Loan will cancel the City's rebate obligation.

2. Borrower's Obligations. Borrower agrees to use the Loan funds only for the purposes set forth herein and in its application submitted to the City. Borrower agrees to sign and deliver to City upon request one or more promissory notes to evidence the Loan. The Loan Note shall be in a form and substance satisfactory to City. Borrower agrees to repay the Loan in accordance with the terms of the respective Loan Note. Borrower agrees that its receipt and retention of the RLF funds under this Agreement are contingent upon Borrower's full and satisfactory performance of its obligations under this Agreement.

3. Security. The Loan from the City shall be secured by:

(A) A first lien on all Accounts, all Equipment, all Inventory and all Proceeds, together with all books and records of Debtor, whether in paper or electronic form, relating to the Collateral. Accounts mean all accounts, general intangibles, instruments, negotiable documents, chattel paper, deposit accounts and intellectual property. Equipment means all equipment, furniture, furnishings and fixtures, including all accessions and appurtenances to, renewals or replacements of or substitutions for any Equipment, and all documents or certificates of title relating to the foregoing; all products and proceeds, in cash or otherwise, of any of the foregoing. Inventory means all inventory, including without limitation materials, supplies, returned or repossessed goods, goods in transit and goods held by others under lease, consignment or other arrangements, and all documents or certificates of title relating to the foregoing. Proceeds means all products and proceeds, in cash or otherwise, of any other Collateral.

The lien in the form of a Uniform Commercial Code financing statement shall be filed with the Secretary of State of Texas to protect the City's lien interest in the collateral identified above for the term of the Loan.

Borrower and/or loan guarantors shall execute and deliver to the City, simultaneously with execution and delivery of this Agreement, a Security Agreement.

4. Term. The term of this Agreement shall commence on the day and year first above written and expire on May 15, 2019, or the date on which all of the requirements of this Agreement have been satisfied and Borrower has made full payment on the Note evidencing the Loan, whichever date is later.

5. Purpose. Proceeds of the Loan shall be used for: Inventory Purchase

6. Job Creation. In consideration for the Loan described above, Borrower agrees to create or retain at least one full-time employment position for every \$35,000.00 in RLF loan funds loaned within one (1) year at its facility located in El Paso, Texas. "Full-time" means any permanent, full-time

position where an employee is required, as a condition of employment, to work at least 40 hours per week and 2,080 hours per year including paid leave and holidays. At its discretion, the City or its designee will conduct monitoring of job retention and employment performance of employees placed under this Agreement during the term of the Loan [Note[u]].

7. Relocation. Borrower shall not relocate the business out of the boundaries of the Expanded EZ during the term of this Agreement. Without limitation, relocation shall include the following events: closure of the business, going out of business, failing to retain its operations in the Expanded EZ boundaries, or moving to another location outside the Expanded EZ boundaries.

8. EZ Resident Benefit Standard. Borrower warrants and represents that a majority (51 percent) of Borrower's business activities from the business will benefit the residents of the Empowerment Zone directly or indirectly by stimulating business activity within the Empowerment Zone; Borrower will make reasonable, good faith efforts to employ and retain as employees, residents of the EZ for the business. Under this Agreement, "reasonable, good faith efforts" shall mean developing a good faith plan to provide first consideration to employment of EZ residents who reasonably be expected to fill 35 percent of the jobs, public notification of employment opportunities, and participation in job fairs that are targeted to EZ residents.

9. Records. Borrower shall prepare and maintain fiscal records and supporting documentation for all expenditures of Loan funds made under this Agreement. Upon request of the City, Borrower shall furnish any personnel records, which are necessary for the City to determine whether the employment performance of the Borrower complies with the terms of this Agreement. Borrower shall give the City, HUD, the Office of the Inspector General, the Comptroller General of the United States and their respective designees, complete access to its premises and business for monitoring and related purposes, and to inspect, audit, and copy all books and records of any kind of Borrower. Borrower shall also provide reports to the City at such times, and in a format, satisfactory to the City. Borrower shall furthermore provide to the City upon request: quarterly financial statements including income statement and balance sheet; Borrower's and Guarantors federal income tax return and all schedules thereto; and state tax returns of Borrower.

10. Compliance with Laws. Borrower shall comply with all applicable federal, state and local laws, municipal ordinances and codes and regulations. Borrower understands and shall ensure that the Loan funds shall be used in a manner free from religious influence. Borrower understands and agrees that no Empowerment Zone loan funds will be released until the City has conducted an environmental review. Notwithstanding any provision of this Agreement, the parties hereto agree and acknowledge that this Agreement does not constitute a commitment of funds and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review. The parties further agree that the provision of any funds to the project is conditioned on the City's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review.

11. Non-Discrimination. No person in the United States shall, on the grounds of race, creed, color, national origin (including immigration status where an alien holds proper work authorization), religion, sex, age, or disability be excluded from participation in, be denied the benefits of, or be otherwise subjected to segregation or discrimination in any way, shape or form in employment or under projects or activities funded in whole or in part with funds made



available to the Borrower pursuant to this Agreement, as set forth in Title VI of the Civil Rights Act of 1964 (42 U.S.C. Section 2000d) and implementing regulations at Title 24 C.F.R. Part 1; Age Discrimination Act of 1975 (42 U.S.C. Sections 6101-07) and implementing regulations at Title 24 C.F.R. Part 146; Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794) and implementing regulations at Title 24 C.F.R. Part 8; and Title 1 of the Americans with Disabilities Act of 1990 (ADA) and implementing regulations at Title 28 CFR Part 35. Borrower must file the Assurance required under City Ordinance 9779, prohibiting discrimination against disabled persons. Failure to do so in any manner that impairs the quality of performance hereunder, or affects the administration of the funds provided hereunder, shall constitute a breach of this Agreement.

**12. Indemnity. THE CITY SHALL NOT BE SUBJECT TO ANY OBLIGATIONS OR LIABILITIES OF THE GRANTEE INCURRED IN THE PERFORMANCE OF THIS AGREEMENT. THE BORROWER, AND/OR ITS INSURER, EXPRESSLY AGREES TO INDEMNIFY, HOLD HARMLESS, AND DEFEND THE CITY, ITS OFFICERS, AGENTS, AND EMPLOYEES FROM ANY AND ALL CLAIMS, SUITS, ACTIONS, DEMANDS, LIABILITIES AND OBLIGATIONS OF ANY KIND AND NATURE, INCLUDING INJURY OR DEATH OR PROPERTY DAMAGE MADE UPON THE CITY, INCIDENT TO, OR ARISING OUT OF, OR IN CONNECTION WITH THE BORROWER'S PERFORMANCE UNDER THIS AGREEMENT, INCURRED DUE TO BORROWER'S NEGLIGENCE, ANY OF BORROWER'S NEGLIGENT ACTS, OR ANY OMISSION TO ACT, ANY BREACH OF CONTRACT, OR ANY ACTIONS OF THE BORROWER OUTSIDE THE SCOPE OF THIS AGREEMENT, INCLUDING ANY ACT OR OMISSION OR NEGLIGENCE BY THE BORROWER'S AGENTS, EMPLOYEES OR SUBCONTRACTORS WHILE THIS AGREEMENT EXISTS, ALL WITHOUT HOWEVER WAIVING ANY GOVERNMENT IMMUNITY AVAILABLE TO THE CITY UNDER TEXAS LAW. THIS INDEMNITY SHALL COVER ATTORNEY'S FEES, COURT COSTS, WITNESS EXPENSES, AND ALL OTHER RELATED COSTS, INCLUDING AWARDS AND SETTLEMENTS AND ANY INTEREST THEREON.**

**13. Representations. Borrower hereby represents, warrants, and covenants to the City the following, as of the date of this Agreement and continuing thereafter throughout the term of this Agreement, acknowledging the City's reliance thereon: (a) if an entity, Borrower is a validly organized and existing entity in good standing under the laws of the state of its organization, is duly qualified under the laws of the state of its organization and the State of Texas to transact business and to perform its services, and has taken all requisite organizational action to authorize execution and performance of this Agreement by Borrower; (b) Borrower is fully and duly authorized to execute and perform this Agreement, and the person signing below has been properly authorized and directed to do so; (c) the execution and performance of this Agreement by the Borrower shall not violate any federal, state, local, or other law; (d) the execution and performance of this Agreement by Borrower shall not breach another agreement or contract of the Borrower; (e) Borrower has not made any misrepresentation of material fact, or failed to disclose any material fact, in connection with efforts to obtain award of Loan funds under this Agreement; (g) Borrower has not directly or indirectly, made or caused to be made and will not make or cause to be made, any illegal gratuity, gift, bribe, favor, entertainment or other benefit having monetary value or other payment, for himself or herself or for another person or entity,**

with respect to the award of the Loan or performance of this Agreement; and (h) all information furnished to the City by Borrower herein or in any related loan document or application is true, correct, and complete in all material respects, and states all material facts required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements are made, true, correct, and complete.

14. Conflict of Interest. Borrower shall ensure that no employee, officer, representative, or agent of the Borrower shall participate in the selection, or in the award or administration of a contract or subcontract supported by funds provided herein if a conflict of interest, real or apparent, would be involved. Such conflict of interest would arise when: 1) The employee, officer, representative or agent; 2) any member of his or her immediate family; 3) his or her partner; or, 4) any organization which employs, or is about to employ any of the above, has a financial interest or other interest in the firm or person selected to perform the contract or subcontract. The officers, employees, and agents of the Borrower shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or subcontractors.

15. Default. Failure of Borrower to comply with or to perform any material term, obligation, covenant or condition contained in this Agreement or in any related documents, and Borrower fails to cure such failure within thirty (30) days after written notice from the City describing such failure shall be deemed an event of default. If such failure cannot be cured within such thirty (30) day period in the exercise of all due diligence, but if Borrower also fails or refuses to commence such cure within such thirty (30) day period or fails or refuses to continuously thereafter diligently prosecute the cure of such failure, such act or omission shall be deemed an event of default. Upon an event of default the City, at its discretion, may declare as immediately due and payable the entire outstanding principal advanced and all accrued interest of the Loan and the City shall be entitled to exercise all rights and remedies under the law or in equity.

16. Amendments. This Agreement may not be amended, modified, or altered except where in writing and signed by the parties.

17. Severability. The invalidity of any provision in this Agreement shall not affect the validity of the remaining provision, which shall remain in full force and effect.

18. Headings. The headings in this Agreement are for convenience of reference only and shall not be construed as forming part of this Agreement.

19. Additional Agreements. Any amounts due from Borrower to the City, and any part thereof, shall be paid without claim of set-off, counterclaim, or deduction of any nature or for any cause whatsoever. Time is of the essence with respect to Borrower's obligations under this Agreement and the Note. The representations, warranties, covenants, and indemnities made by Borrower in this Agreement, as well as all other provisions which expressly or by their nature extend beyond termination of this Agreement, shall survive execution, performance, and /or termination of this Agreement. Nothing herein is intended to, or shall be construed to provide any rights or remedies to any third party, or to create any third party beneficiary. This Agreement, and every provision thereof, shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns. Wherever the context shall require, the singular shall include the plural, and the male gender shall include the female gender and the neuter, and vice versa. In

the event the City brings an action to enforce or interpret any provision of this Agreement, City, if the prevailing party, will be entitled to recover its costs and expenses including, without limitation, reasonable attorney's fees, costs, and necessary disbursements, in addition to any other relief to which the City shall be entitled to receive. No consent or waiver, express or implied, by a party to or for any breach of any provision hereunder by the other party shall be deemed a consent or waiver to or for any other breach of the same provision or any other provision hereunder. The parties have jointly prepared this Agreement, and no ambiguity shall be construed against any party based on the identity of the author of this Agreement. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AND IS PERFORMABLE IN EL PASO COUNTY, TEXAS.** This Agreement may be executed in original or facsimile signatures, in multiple counterparts. This Agreement does not constitute a joint venture, partnership, or similar venture, or any employer-employee relationship, of any kind between the parties hereto. Borrower is contracting with the City as an independent contractor only, and not as an employee, officer, or representative of the City. No term or provision hereof or act of Borrower in performance of this Agreement shall be construed as making Borrower an agent or employee of the City. All officers and employees of Borrower shall be solely responsible to Borrower, and the City shall not have any authority, responsibility, or liability with respect thereto. If Borrower is more than one person or entity, all references herein refer to all of the same, singly and collectively, and the obligations thereof shall be joint and several.

20. Employment of Undocumented Workers. During the term of this Agreement, Borrower agrees not to knowingly employ any undocumented workers as defined in Texas Government Code Section 2264.001. If convicted of a violation under 8 U.S.C. Section 1324a(f), Borrower shall repay the amount of the Loan received by Borrower from the City as of the date of such violation not later than one hundred twenty (120) days after the date Borrower is notified by City of a violation of this section, plus interest from the date the Loan was issued to Borrower, at the rate of seven percent (7%) per annum. The interest will accrue from the date the Loan was issued to Applicant until the date the reimbursement payments are repaid to the City. The City may also recover court costs and reasonable attorney's fees incurred in an action to recover the Loan subject to repayment under this section. Borrower is not liable for a violation by its subsidiary, affiliate, or franchisee, or by a person which whom Borrower contracts.

21. Entire Agreement. This Agreement and the accompanying loan documents is the final, complete, integrated, and entire agreement between the parties with respect to the subject matter and supersedes all prior communications, oral or written, between the parties.

*Signatures Begin on Next Page.*

**IN WITNESS WHEREOF**, this Agreement has been duly executed and delivered by the parties hereto as of the date above written.

**CITY OF EL PASO:**

\_\_\_\_\_  
Tomás González  
City Manager

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Juan S. González  
Assistant City Attorney

**APPROVED AS TO CONTENT:**

\_\_\_\_\_  
Verónica R. Soto, AICP, Director  
Community and Human Development

**BORROWER:**  
**STAR'S BOUTIQUE INC. DBA BELLA'S**  
**BOUTIQUE**

**ADDRESS:**  
408 S El Paso St,  
El Paso, Texas 79901

By: \_\_\_\_\_  
Grace Heejin Yun, a/k/a Yong Im Yun, President-  
Director

By: \_\_\_\_\_  
Howard H. Yun  
Secretary-Director