GREENSBORO

Douglas S. Harris
Attorney at Law
315 Spring Garden Street, Suite 413
Greensboro, NC 27401

SUBJECT: Sit-In Movement, Inc. and Affiliated Entities

Dear Doug,

Thank you for your letter of July 20, 2016. As noted in our letter of June 24th, we needed additional information as to several material items of credits claimed by the Museum. Your letter and our recent discussions have clarified these matters. The amount due to the City as of June 30, 2016 for the first installment is $750,000.00 (plus 2% annual interest of $7,498.43). Our Internal Auditor reviewed the books of the Museum and recommended his finding that the Museum has generated $612,510.00 in "fundraising" credits. This letter serves as our update of our recommendations regarding these differences and our response to all items addressed in your recent letter.

Subsequent to our letter, you provided us with the Carolina Bank letter of April 22, 2016. This Carolina Bank letter is sufficient to establish the Museum has an additional $100,000.00 credit. I also recommend that $5,500.00 of the 1960 Society donations should be counted. I arrived at this figure as follows: $10,968.39 of overhead divided by $49,035.70 total donations = 22% overhead for 1960 Society donations. Taking this 22% figure and applying it to the $7,083.00 in new pledges equals $5,500.00.

I are prepared to recommend that the $12,228.30 in cash raised through the Building of a Better America Fund, the Museum cash box and cash register donations, and the $10,018.00 in funds generated by special programs should be a credit ($9,348.00 in new credit). As our Internal Auditor discussed, these $21,576.30 of additional credits are contingent upon the City receiving additional documentation.

We do not agree that the $8,000.00 in untimely donations should be credited.

We strongly disagree with crediting the $463,750.55 interest paid to one Museum entity through the tax credit structure. The Historic Tax Credit and the New Market Tax Credit structure and anticipated interest payments were established prior to the "fundraising" period in our agreement. Moreover, the funds received through the tax credit structure amount to a contractual obligation rather than fundraising.

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We therefore are prepared to recommend a credit of $739,586.30 (pending additional documentation as noted above) toward a total debt of $757,498.43 that was due on June 30, 2016. Pending this documentation $10,413.70 in principal (plus $7,498.43 in interest) for a total of $17,912.13 is owed for the first installment.

In addition to the balance due for the initial loan installment, you will also be required to pay the City an additional $500,000 (plus 2% annual interest from the date of the second installment of $25,444.76) on February 20, 2017 and $250,000 (plus 2% annual interest from the date of the third installment of $12,722.38) on February 17, 2018. This leaves a current outstanding balance owed to the City of $ 760,413.70 (plus interest of $45,665.57) for a current total principal and interest amount due to the City of $806,079.27.

We are unable to respond to your suggestion to extend the credit time period for loan credits. That is a consideration for City Council, not for staff. To that end I urge you to attend the Monday Special Meeting. This meeting was specifically set for Council to consider these items and discuss them with you. As we both are aware, the New Market Tax Credit is eligible to unwind beginning August 17, 2016. The City is intent on preserving its rights under our agreement. We will, however, recommend to Council that it accept an appropriate deed of trust against the Museum building to secure our debt in lieu of our rights under our current agreement.

Sincerely,

Tom Carruthers
City Attorney

cc:
John Swaine
Sit In Movement, Inc. and Affiliated Entities
134 South Elm Street
Greensboro, NC 27401