



City of Greensboro  
North Carolina

Office of the City Attorney

November 25, 2013

Willie Gary, Esq.  
Senior Partner  
Gary, Williams, Parenti, Watson & Gary, P.L.  
Waterside Professional Building  
221 S.E. Osceola Street  
Stuart, FL 34994

James Leonard Brown, Esq.  
5900 Wilshire Blvd. Suite 2645  
Los Angeles, CA 90036

Michael Jones, Esq.  
100 East Parish Street  
Chancellor Building, Suite 450  
Durham, NC 27701

Re: October 31, 2013 Demand Letter on Behalf of Black Network Television  
("BNT")

Dear Messrs. Gary, Brown and Jones:

I am the City Attorney of Greensboro, North Carolina, and I have been asked to respond to your October 31, 2013 letter to the Mayor and City Council, and City Manager Denise Turner Roth. Your letter concerns a proposed loan offered to your client BNT Ad Agency, LLC ("BNT") which is a business operated by your clients Michael and Ramona Woods (the "Woods").

At its June 18, 2013 meeting, the Greensboro City Council authorized a \$300,000.00 loan to BNT related to the "Whatcha Cookin'" situation comedy. The terms of the loan are memorialized in the resolution approved by the Council. A copy of this resolution is attached as Attachment A. As noted, the terms are clear in that the Council required (by a 7-2 vote) that:

- "8) City loan will be secured by a note and deed of trust with the City's interest secured by no more than a 2<sup>nd</sup> lien on the real property and improvements located at 5018 Carlson Dairy Road.
  - a. Current appraised assessed valued of land and improvements is \$975,000.00.
  - b. Current mortgage debt outstanding is \$509,000.00."

Before City Council approved the loan, City staff received a "Personal Financial Statement" from the Woods that stated that the total amount of mortgages on the 5018 Carlson Dairy Road residence was "\$509,000." A copy of this statement is also attached as Attachment B.

During discussions with City staff, the Woods did not state that there was a first mortgage and a home equity line on the 5018 Carlson Dairy Road residence. The only information provided to staff was that a first mortgage was on the property. The Council's intent was clear from the resolution enacted – the City would be in no worse than second position.

Following Council's June 18 approval of the loan, on June 21, 2013, Donnie Sparrow, representing BNT and the Woods, requested that the loan needed to close by June 28, 2013. This was so BNT could make payroll on "Whatcha Cookin." Mr. Sparrow, as part of the process of working toward closing the loan, advised Assistant City Attorney Michael Williams that the 5018 Carlson Dairy Road residence had a first mortgage and a home equity line on the property. Sparrow also advised that the total indebtedness on the residence was approximately \$580,000.00.

This was the first point in time that the City knew the full details of the amount and nature of the liens against the Woods' residence, as the City earlier relied on the Woods' self-reporting. While your letter alleges that the City "had full details regarding the amount and nature of the liens against the Woods' residence, including the fact that there was already a 'first' and 'second' lien against the property," *the City did not have details, full or otherwise, until Mr. Sparrow provided the information.* If the City had full knowledge of the amount and nature of the liens on June 18, 2013, Council could have acted in accordance with that information. This was not the case.

Once the City became aware of the differences in the amount of indebtedness and the presence of a home equity line, meaning the City could be in no better than third position to secure its loan, my office sent a June 26, 2013 memorandum to the Mayor and Council. The memorandum summarized the information learned from Mr. Sparrow and how it impacted the loan approved by Council. A copy of the memorandum is attached as Attachment C.

As noted in the memorandum, the new information caused concerns for the City. Specifically:

Council's resolution stated that the \$300,000 loan will be secured by a lien that is no more than the second deed of trust in the property. With the home equity line, the City would have at best a third deed of trust, and the City would be behind the first mortgage and the home equity line. Council's discussions and intent makes it clear that Council did not intend to be third priority. For this loan to close, either the Woods' lender would need to agree to allow the City to have the second lien (which is highly unlikely to occur) or the Council would need to modify the resolution to allow the City to take less than a second lien. Also, the resolution states that the current mortgage debt is \$509,000. This would need to be modified to the correct indebtedness of approximately \$580,000.

Modification [of the loan] would have to take place at a Council meeting. As no Council meetings are currently scheduled between now [June 26, 2013] and July 16, [2013] Council would need to call a special meeting with at least 48 hours notice. So, the earliest any meeting could be held would be July 1, [2013] which falls after the requested closing date. If Council wishes to handle this issue prior to July 16, [2013] please let us know.

The Council did not request to consider BNT's loan modification prior to the July 16, 2013 Council meeting. At the July 16, 2013 Council meeting, the Council considered modifying the loan terms so that your clients could meet the terms for the loan. While your clients may have believed that the "purpose of the ... meeting was perfunctory," it was to ensure that if the loan were to close that the Council approved the new terms necessitated by the City's receipt of the new and accurate information. A copy of the agenda item and related documents reviewed by the Council on July 16 are attached as Attachment D. Ramona Woods was present for the discussion, and even spoke to Council during its consideration of the agenda item. The Council did not to modify the loan, but it (despite your assertions) did not renege on its commitment or revoke the loan. If anything, the City and your clients could proceed under the original terms as was mentioned during the meeting. The original terms are still available. However, based on the information provided by your clients' attorney, your clients may be unable to meet the original loan terms.

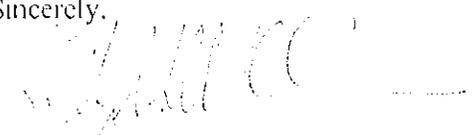
The Council's basis for not modifying the loan was clear from their discussions which are reviewable in the minutes of the meeting and the video from the meeting (beginning 6 hours and 35 minutes into the meeting). The Council's concern was the fact that it would be in third position on the property in the event of a default. The Council was also concerned about the information presented to the City at the time of the June vote, was not accurate.

I note that a significant portion of your letter attempts to argue that the City made its decision based on the Woods' race. This is incorrect, and your statements appear to ascribe motives to the City Council that do not exist. While you cite the City's disparity study in support of your position, your argument is flawed in that the disparity study concentrated on construction contracts, procurement contracts, and professional services contracts. It did not discuss economic development incentives. Nevertheless, the City's decision was not motivated by racial discrimination. If accurate information had been provided by your clients to Council prior to June 18, 2013, none of the parties would be in this situation.

While the City is always willing to sit down and discuss your client's claims, please understand that the City's views of the claims may mean that the City is unwilling to make a settlement offer in the range your clients may expect, if it chooses to make one at all. But the City is willing to sit down in good faith to discuss the issues.

I look forward to hearing from you and hope that you have a Happy Thanksgiving.

Sincerely,



S. Mujeeb Shah-Khan  
City Attorney

SMS/ms

Enclosures

cc: Mayor and City Council  
Denise Turner Roth/City Manager  
Jim Westmoreland/Deputy City Manager  
Andrew Scott/Assistant City Manager  
Kathi Dubel/Economic Development and Business Support  
Michael Williams, Esq./Assistant City Attorney

172-13

**RESOLUTION AUTHORIZING A 120 MONTH \$300,000.00 LOAN FOR BNT AD AGENCY LLC TO  
PRODUCE A NEW FAMILY SITCOM IN EAST GREENSBORO AND CREATE APPROXIMATELY 3 NEW  
FULL-TIME AND 5 PART-TIME JOBS**

WHEREAS, BNT Ad Agency LLC has requested City participation in the production of a new family sitcom at their production studio located at 1325 South Eugene Street in the City of Greensboro;

WHEREAS, the producer has presented the concept and received positive feedback on the syndication potential of the show from Baruch Cartwright Entertainment;

WHEREAS, production of this sitcom in east Greensboro is expected to have a positive impact on employment, exposure, and the viability and quality of life in the surrounding neighborhood and City of Greensboro;

WHEREAS, the borrower is required to confirm compliance with the following conditions prior to the City's loan closing to protect the public funds invested in the project;

- 1) Producer will document projected expenses totaling approximately \$1,013,105 required to produce the sitcom and provide the City with documentation that the remaining \$713,105 is available and has been invested into producing the sitcom before the City's \$300,000 loan is disbursed.
- 2) City will complete a title search confirming no additional liens are outstanding on the 5018 Carlson Dairy Road property that will secure the City's loan beyond the first mortgage that is currently outstanding.
- 3) City will confirm that the first mortgage balance does not exceed \$509,000.00
- 4) City will be provided with a satisfactory Phase I Environmental Site Assessment on the 1325 South Eugene Street property.
- 5) City will be provided with an assignment of all leases for the 1325 South Eugene Street property.
- 6) City will be provided with the Unconditional Joint and Several Guarantee of Mr. Michael Woods and Mrs. Ramona Woods and the corporate Guarantees of Ashtae Products Inc.
- 7) City will require acceptable personal credit reports on the two guarantors, Michael and Ramona Woods.
- 8) City loan will be secured by a note and deed of trust with the City's interest secured by no more than a 2nd lien on the real property and improvements located at 5018 Carlson Dairy Road.
  - a. **Current appraised assessed value of land and improvements is \$975,000.00.**
  - b. **Current mortgage debt outstanding is \$509,000.00.**
- 9) Borrower will be responsible for all closing costs associated with perfecting the City's secured interest to include any external attorney fees, a title search, title insurance, etc.
- 10) City will be provided with annual financial statements and/or tax returns for Ashtae Products Inc, BNT Ad Agency LLC, and an updated personal financial statement to include personal federal tax returns within 6 months of year-end each year.
- 11) BNT Ad Agency will provide employment details to include number of full-time and part-time employees no later than March 31 of each year after closing while the loan is outstanding and confirm retention of their existing 8 employees.
- 12) Production of the 13 initial episodes must be complete by August 31, 2013.

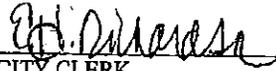
- 13) The tenant is required to create at least 3 full-time and 5 part-time positions above their current level of 8 full-time employees by May 31, 2014.
- 14) City will be provided with copies of correspondence with syndicator, Baruch Cartwright Entertainment, and will be informed in a timely manner regarding the status of the sitcom being picked up by the networks.

Violation of any of these conditions will constitute the loan being in default at which time the loan will become immediately due and payable in full if the default is not cured within 30 days from the date BNT Ad Agency LLC is notified in writing of the default.

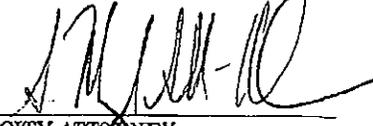
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GREENSBORO:

The City of Greensboro is hereby authorized to execute the necessary note and agreements with BNT Ad Agency LLC in accordance with the above terms and conditions.

THE FOREGOING RESOLUTION WAS ADOPTED  
BY THE CITY COUNCIL OF THE CITY OF GREENSBORO  
ON THE 18th DAY OF JUNE, 2013.

  
\_\_\_\_\_  
CITY CLERK

APPROVED AS TO FORM

  
\_\_\_\_\_  
CITY ATTORNEY