

March 11, 2014

Mrs. Deena Hayes - Greene
Chairman of the Board
International Civil Rights Center & Museum
134 South Elm Street
Greensboro, NC 27401

Re: Follow-up Questions to the ICRCM March 11, 2014 Response

Dear Mrs. Hayes-Greene:

Thank you and the International Civil Rights Center and Museum for your work in responding to a list of questions and informational needs provided by the City of Greensboro on February 24, 2014. The City has reviewed the provided responses and has additional follow up questions. These questions are asked in an effort to seek further clarification to your responses and additional documentation, where needed.

Please provide responses to the questions below by Wednesday, March 19, 2014. The follow up questions correspond to the specific number of the original question provided on February 24, 2014. (*attached*):

1. Please provide an organizational structure flowchart that outlines the relationships of the multiple LLCs (*please see attached flowchart example*) along with how the monies are transferred between the LLCs.
5. Please provide further clarification regarding the minimum number of hours and days the museum is required to operate to comply with its tax credit obligations.
7. What is the minimum number of paid employees required to maintain the tax credits? Could volunteers be used instead of paid staff for certain functions such as tour guides?
8. Our records indicate \$4.5 million in development fees were capitalized as part of the building. Is that the correct amount of development fees?
9. Is the \$57,000 paid in asset management fees going to pay for the principal and interest on the loan or is it being used for operating expenses?
10. Please provide a copy of the letters from the financial institutions. Internal Audit reviewed all provided documentation, which did not include these letters.

11. Who owns the Museum exhibits?

13. Please provide the balance on all outstanding loans including those related to the tax credits and accounts receivables as of March 1, 2014.

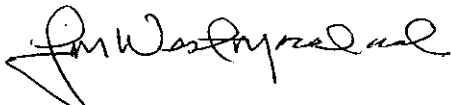
14. Based on the question, please provide documentation of position title and salary for each position.

15. Please provide a specific listing of all disbursements made using City funds including payee, amounts, check numbers, and dates.

Please confirm the letter dated February 22, 2014 from Sherbert Associates, PC, provided to the City Attorney's Office, remains an accurate representation, and is the most current opinion of your accountant.

If you have any questions or concerns, please contact me. Thank you again for your continued cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Westmoreland". The signature is written in a cursive style with a large initial "J" and "W".

Jim Westmoreland, P.E.
City Manager

JRW/dt
Attachments

cc: Greensboro Mayor and City Council
International Civil Rights Center and Museum Board of Directors and Staff

February 24, 2014

Mrs. Deena Hayes-Greene
Chairman of the Board
International Civil Rights Center & Museum
134 South Elm Street
Greensboro, NC 27401

Subject: Greensboro City Council Follow-up Requests and Agreement Status

Dear Mrs. Hayes-Greene:

During its February 21, 2014 meeting, Greensboro City Council directed me to compile a list of outstanding questions and informational needs regarding the International Civil Rights Center and Museum (ICRCM). Below are the questions that I would like to ask you and ICRCM's representatives to respond to within 10 working days of the receipt of this transmittal. To that end, the requested due date for the ICRCM response is Tuesday, March 11, 2014.

1. Rationale, function, relationship of the five LLCs. The for profit LLC seems to own the building, does another LLC own the exhibits, etc.? Please provide a summary overview of the LLCs, how monies are transferred between the LLCs, and a graphic which shows how these are connected (i.e., how this flows and which entities own what?).
2. Implications of the tax credits, historic and new market. Time remaining for both to burn off and requirements for that to occur? We believe the original time frame was five and seven years?
3. Financial/ownership status of the Museum once the tax credits have burned off. Is the building fully owned at that point with no debt and if not, what is the indebtedness and time frame?
4. What are implications of defaulting on the debt?
5. What are the minimum operating requirements to meet the terms of the tax credits? We are told the Museum must remain open at least one day each week?
6. Has the ICRCM Attorney and City Attorney determined how to collateralize the City's loan using the building as an asset? If not, what are the options to do this and how quickly can this be accomplished?
7. Is the Museum restrained in its use of volunteers? We are told that may be the case since a for profit LLC owns the building.
8. Were the development fees paid out to the Museum landlord in 2009, 2011?
9. How is the asset management fee determined (i.e., it seems very high compared to revenues)? Where does that money go? Please provide documentation showing how this works.

10. Provide an updated letter from the financial institutions stating the current status of the tax credits.
11. Are the exhibits tied, at all, to the building?
12. Are the tax credit payments up-to-date?
13. What are the balance and the payment schedule for remaining debt and tax credits?
14. Please provide breakdown of staff salaries from 2010 through current. Please list these by position and advise how staff salaries are established (i.e., market rate, etc.)?
15. Please provide an account summary (showing any disbursements) of the restricted deposit account for the first \$750,000 loan installment.

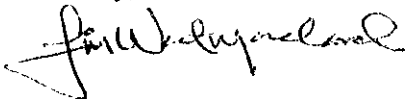
In addition to the items above, the City Council has also directed me not to execute or finalize the forgivable loan agreement between the City of Greensboro and the ICRCM until the requested information is received and found to be acceptable by Council.

However, I would request that the ICRCM execute/finalize the loan agreement on its end. Please provide me with three (3) original copies as soon as you can for our future approval. I also ask that our attorneys work together to expedite the needed amendment supplemental to the agreement, which assigns a security interest in the real property located at 134 South Elm Street. We need this to properly secure the City's forgivable loan.

Thank you again for your support and leadership of the ICRCM. As I mentioned to you last week, I am honored to be a new member of the ICRCM Board of Directors and will do my best to provide support as needed to help ensure the Museum, an important part of our community's history, is maintained and successful. To this end, I would like to volunteer to participate on the ICRCM's Audit and Strategic Planning Committees. I would also offer that it would be helpful if the ICRCM could provide the City/City Council with on-going monthly updates on its progress to improve the operations of the Museum and efforts to advance the goals outlined in the ICRCM sustainability plan.

Please let me know if you have any questions.

Sincerely,

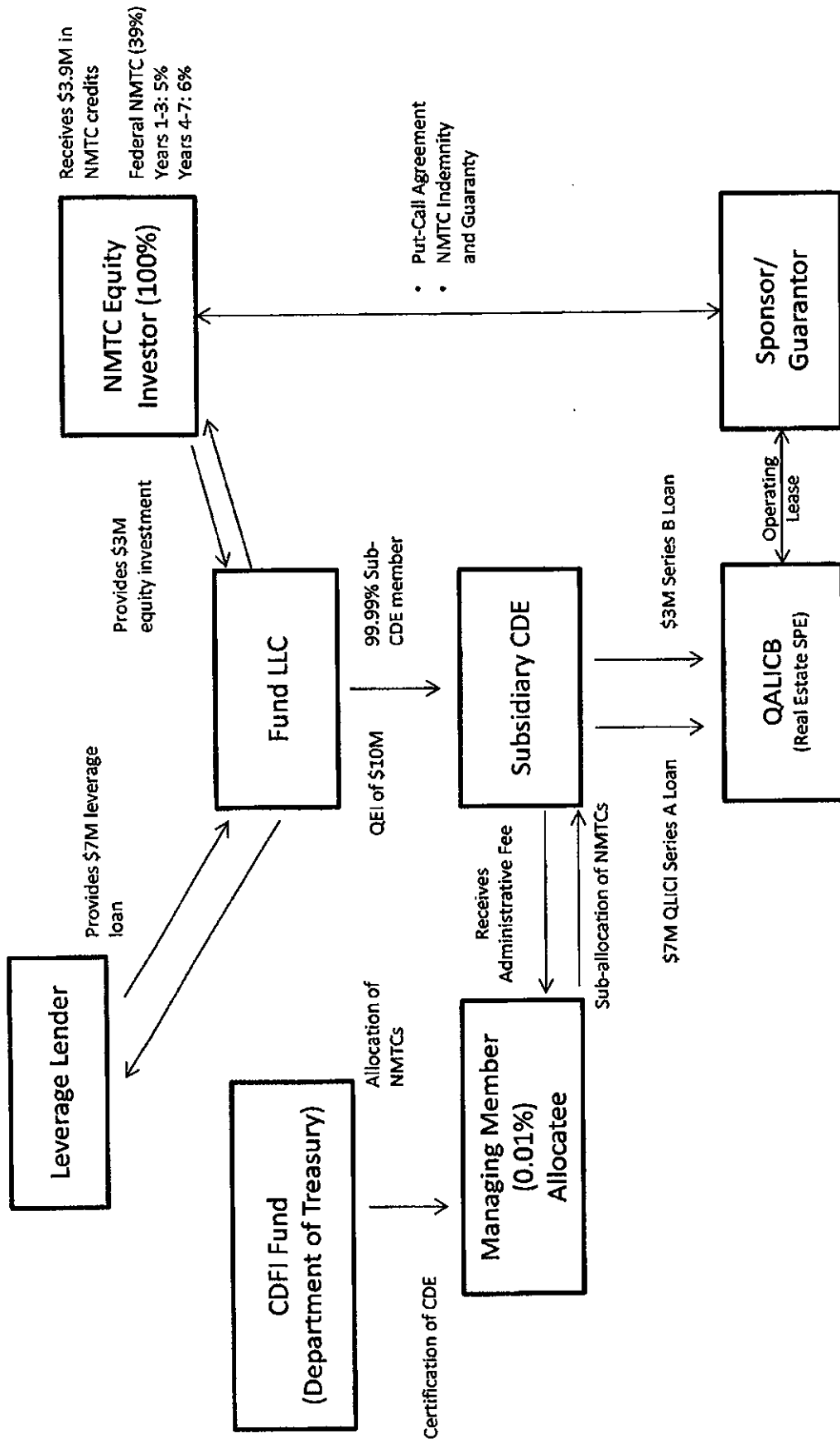


Jim Westmoreland, P.E.
City Manager

JRW/mm

cc: Greensboro City Council
International Civil Rights Center and Museum Board of Directors and Staff

New Markets Tax Credits – Leveraged Structure



New Markets Tax Credit – Key Terms

CDEs

From the CDFI Fund website:

A CDE, or Community Development Entity, is a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in Low-Income Communities (LICs). Benefits of being certified as a CDE include being able to apply to the CDFI Fund to receive a New Markets Tax Credit (NMTC) allocation to offer its investors in exchange for equity investments in the CDE and/or its subsidiaries; or to receive loans or investments from other CDEs that have received NMTC allocations.

To become certified as a CDE, an organization must submit a CDE Certification Application to the Fund for review. The application must demonstrate that the applicant meets each of the following requirements to become certified:

- Be a legal entity at the time of application;
- Have a primary mission of serving LICs; and
- Maintain accountability to the residents of its targeted LICs.

QEIs

A QEI is a Qualified Equity Investment. An investor with a QEI is entitled to claim the NMTC, if a credit allowance date occurs during the investor's taxable year. For each equity investment in the CDE, examiners should determine whether the investment is a QEI for purposes of IRC §45D.

QLICI

A QLICI is a Qualified Low-Income Investment. The CDE must invest the QEIs in QLICIs. The investments can be:

- A capital or equity investment in, or loan to, any qualified active low-income community business.
- The purchase from another CDE of any loan that was a QLICI either at the time the loan was made or at the time the CDE purchases it. It is not necessary for the CDE from which the loan is purchased to have received an NMTC allocation. See Treas. Reg. §1.45D-1(d)(1)(ii)(B) if the original loan was made before the CDE was certified. See Treas. Reg. §1.45D-1(d)(ii)(1)(C) regarding multiple purchases of a loan, and Treas. Reg. §1.45D-1(d)(1)(ii)(D) for examples.
- Providing financial counseling or other services to qualified active low-income community businesses located in, or residents of, a low-income community.
- An equity investment in, or loan to, another CDE, but only to the extent that the second, third or fourth CDE uses the investment or loan to make a QLICI. See Treas. Reg. §1.45D-1(d)(1)(iv) for complete discussion and examples of investments by CDEs in other CDEs.

QALICB

QALICB is a Qualified Low-Income Community Business. QALICBs are any for-profit or non-profit corporation or partnership if;

- i. At least 50% of the total gross income of that business is derived from the active conduct of its business within any QLIC,
- ii. A substantial portion (defined as at least 40%) of the use of the tangible property of that business (whether owned or leased) is within any QLIC,
- iii. substantial portion (defined as at least 40%) of the services performed by that business' employees are performed in any QLIC; the business is not primarily holding collectibles.
- iv. If (ii) or (iii) are 50% or more than (i) is deemed to have been met.
- v. Less than 5% of the property is attributable to collectables (e.g. art and antiques), other than those held for sale in the ordinary course of business or is attributable to nonqualified financial property (e.g. debt instruments with term in excess of 18 months).

LIC

Low Income community (LIC) is any population census tract that meets one of the following criteria (as reported in the most recently completed decennial census published by the U.S. Bureau of the Census):

- i The poverty rate for such census tract is at least 20%; or
- ii The Median Family Income (MFI) of such census tract does not exceed 80% of:
 - (a) The statewide MFI, if the tract is not located within a metropolitan area, or
 - (b) The greater of statewide MFI or the metropolitan area MFI, if the tract is located within a metropolitan area.