

RESOLUTION NO. 2117

A RESOLUTION OF THE CITY OF SALISBURY APPROVING A LOAN TO MOJO MANAGEMENT, LTD FROM THE CITY'S REVOLVING LOAN FUND TO ASSIST IN THE RENOVATION OF THE BUILDING LOCATED AT 213/215 E. MAIN STREET

WHEREAS, the City has a revolving loan fund for the purpose of aiding in the revitalization of the downtown area; and

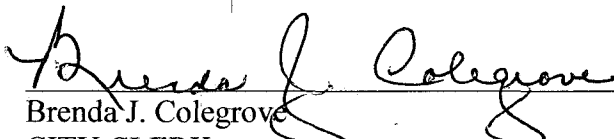
WHEREAS, Mojo Management, LTD has requested a loan from this fund to help finance the renovation of a restaurant located at 213/215 E. Main Street; and

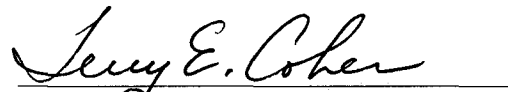
WHEREAS, the City's banking committee has reviewed this request and determined that it meets all of the guidelines for the revolving loan fund;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SALISBURY, MARYLAND that a loan of \$50,000 from the City's revolving loan fund to MoJo Management, LTD for the renovation of a restaurant building located at 213/215 E. Main St. is hereby approved subject to the conditions set forth in the attached commitment letter.

THIS RESOLUTION was duly passed at a meeting of the Council of the City of Salisbury held on November 14, 2011, and is to become effective immediately upon adoption.

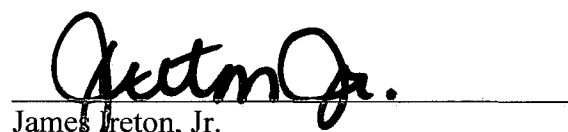
ATTEST:

  
Brenda J. Colegrove  
CITY CLERK

  
Terry E. Cohen  
PRESIDENT

APPROVED BY ME THIS:

15<sup>th</sup> day of November, 2011

  
James Breton, Jr.  
Mayor

October 26, 2011

Mojo Management, LTD  
215 E. Main Street  
Salisbury, Maryland 21801

Dear Rob and Joel:

I am pleased to advise you that the City's Banking Committee has approved your loan request for \$50,000, subject to all of the terms and conditions which follow herein and subject to approval of the City Council. This loan is being made from the City's revolving loan fund for downtown redevelopment. For simplicity, the City will be referred to as the "City", you as "Borrower", the foregoing loan as the "Loan" and the hereinafter mentioned security as the "Collateral Property".

This commitment letter is not meant to be nor shall be construed as an attempt to define all of the terms and conditions involved in this financing. Rather, it is intended only to outline certain basic points of our understanding around which the final terms and conditions are to be structured.

Upon receipt of your acceptance of our commitment, we will then schedule this matter for approval by the City Council. Assuming approval by the City Council we will schedule the loan closing.

This commitment letter is provided to you, solely for the purposes described herein, and may not be disclosed to or relied upon by any other party without prior consent from the City.

We appreciate your investment in our downtown.

#### TERMS

**Borrower:** Mojo Management, LTD  
C/O Robert Mulford & Joel Olive  
215 E. Main Street  
Salisbury, Maryland 21801

**Amount of loan:** \$50,000

**Purpose:** Provide financing for renovations to commercial building

**Collateral:** Uniform Commercial Code (UCC) - Equipment

**Guarantors:** Robert Mulford  
Joel Olive

**Amortization:** 7 years

**Interest Rate:** 10 Year Treasury Rate plus 1%

**Points:** -0-

**Payee and place of payment:**  
M & T Bank  
155 E. Carroll Street  
Salisbury, Maryland 21801

**Closing Attorney:** Paul Wilber

### **DOCUMENTATION CONDITIONS**

Prior to the disbursement of any portion of the Loan proceeds, Borrower shall have satisfied completely the following documentation conditions:

#### **Note and Mortgage**

The Loan is to be evidenced by a promissory note from the Borrower and secured by a Uniform Commercial Code (UCC) on equipment located at 213/215 East Main Street, Salisbury, Maryland, 21801, the substance of which is subject to approval by the City. The note and UCC shall be prepared by the City prior to execution and recordation. Upon approval and recordation, the City is to be furnished with conformed copies with the original recording receipts attached.

#### **Hazard Insurance**

Borrower shall furnish to the City, standard fire insurance policies issued by a company acceptable to the City (together with "Paid" premium invoice) in an amount which is the greater of the amount of the Loan or 100% of the insurable value of the Collateral Property, with extended coverage, vandalism and malicious mischief insurance. Said policy shall contain standard mortgagee loss payable clauses in favor of the City.

### **Flood Insurance**

If the Property is located in a flood zone, flood insurance is required, and the Borrower is to provide the City with a standard flood insurance policy issued under the National Flood Insurance Program containing standard mortgagee loss payable clauses in favor of the City.

### **Other Documents/Requirements/Conditions**

Borrower shall furnish such other instruments, documents, opinions and/or assurances as the City may require.

Borrower will provide the City with all signed leases as of the date the Borrower signs this commitment letter.

### **Equipment Valuation**

A satisfactory valuation of equipment will be required on the proposed collateral.

### **Financial Statements**

Borrower and or guarantor(s) agree to provide at least annually, unless otherwise requested, an updated personal and/or business financial statement and tax returns as well as any other reasonable financial information within thirty (30) days of said request.

### **Waiver by the City**

The City reserves the right to waive, in whole or in part, any of the terms and conditions hereunder or in any of the documents referenced herein. The City further reserves the right to reinstate any such term or condition so waived subsequent to any such waiver.

### **Approval of Loan Documentation and Fees and Expenses**

The Loan shall be made without cost to the City. Borrower shall pay all costs and expenses incurred in connection with this Loan whether or not the Loan is closed, including, but not limited to, hazard insurance premiums, equipment valuation fees, and legal fees. All requisite Loan documents and related instruments shall, at the option of the City, be submitted to the City Attorney for review and approval, and by the acceptance of this commitment as hereinafter set forth, Borrower shall be deemed to have expressly agreed to pay all legal fees incurred by the City in connection therewith.

## **Representations of Borrower**

The validity of this commitment is subject to the accuracy of all information, representations and materials submitted with, and in support of, Borrower's application for the Loan. In the event the City determines that any information or representations contained in the Loan application are not accurate or correct, the City shall have the right to terminate this commitment, whereupon the City shall have no further obligations hereunder.

## **Assignment or Modification**

Neither this commitment nor the Loan can be modified or assigned without prior written consent of the City.

## **Acceptance of this Commitment**

In order for this commitment to remain effective, the acceptance copy of this commitment must be executed by Borrower and returned to the City at 125 North Division Street, Salisbury, Maryland, 21801 on or before the expiration of twenty (20) days from the date hereof. Any extension of such time for acceptance must be in writing and signed by the City.

## **Expiration of Commitment**

To cause this commitment to remain in effect, the Loan must be closed and the City must disburse Loan proceeds prior to December 31, 2012, and any extension of such date must be in writing and signed by the City.

## **Termination of Commitment**

The City may terminate this commitment if any material change shall occur with respect to the Borrower, Guarantors, Permanent Lender, Collateral Properties, or with respect to any other entity or person connected with the Loan or the Collateral for the Loan, or other source of repayment of the Loan at any time prior to the closing of the Loan. Termination of this commitment could also occur if any part of the Collateral Properties shall have been taken in condemnation or other like proceeding, or any such proceeding is pending at the time of closing, unless approved in writing by the City.

The terms and conditions of this commitment shall survive settlement and any violation of said terms and conditions will constitute default under the note and mortgage.

If you have any questions relating to this commitment, please contact me at 410-548-3100. We appreciate the opportunity to provide for your financing needs and look forward to a mutually rewarding relationship.

Sincerely,

Loré L. Chambers  
Assistant City Administrator

**The undersigned hereby accepts the foregoing commitment and the terms and conditions herein set forth and agrees to be bound thereby:**

**Accepted:**

**MOJO MANAGEMENT, LTD**

\_\_\_\_\_  
By: Robert Mulford  
Individually

\_\_\_\_\_  
Joel Olive  
Individually

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## Financing Structure

<b>Total Project Cost</b>	<b><u>\$185,000.00</u></b>
<b>Revolving Loan Request</b>	<b>50,000.00</b>
<b>Maryland Capital Enterprise</b>	<b>35,000.00</b>
<b>Bank of Delmarva</b>	<b>65,000.00</b>
<b>Owner Investment</b>	<b>35,000.00</b>
<b>Loan To Value (City of Salisbury)</b>	<b>27%</b>
<b>Loan To Value (Based on Profit)</b>	<b>8.9%</b>
<b>Equity in Property (furnishing &amp; Equipment)</b>	<b>40,000.00</b>

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INTER

OFFICE

MEMO

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*OFFICE OF THE MAYOR*

**To:** John R. Pick  
**From:** Loré L. Chambers, Ph.D. (Candidate) *LLC*  
**Subject:** Revolving Loan Fund Loan – Mojo Management, LTD  
**Date:** October 26, 2011

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Attached are a Resolution and a letter of commitment for a loan from the Revolving Loan Fund, which the City's Banking Committee recommends to be made to Mojo Management, LTD. The proceeds of the loan will help finance their renovation of the restaurant located at 213/215 E. Main Street. The amount of the loan is \$50,000. It is to be secured by a Uniform Commercial Code (UCC) filing with the State of Maryland, half of which will be first position, and half will be second position security on equipment within the facility. Mojo Management, LTD has also been approved for a \$65,000.00 line of credit by the Bank of Delmarva. The building in question is formerly Flavors of Italy Restaurant.

The Banking Committee has reviewed this project, including pro forma cash flow projections for the business, and unanimously recommends this loan for approval. The total estimated cost of the project is approximately \$185,000.00.

By way of background, the City's Revolving Loan Fund was established in FY 83 using Community Development Block Grant (CDBG) funds that were originally intended for a bulk-heading project. When the project could not be undertaken, the City was given permission to use the money to establish a Revolving Loan Fund for downtown revitalization. Since that time these funds have been loaned to various property owners and have assisted in the revitalization of a number of properties in the downtown, primarily on Main Street. To date a total investment of \$1,117,000.00 has been made for downtown revitalization from this revolving loan fund.

The fund is maintained on the City's books. The money in the fund is invested by the Finance Director until it is loaned out. All loans are processed by the Assistant City Administrator, reviewed by the Banking Committee, and approved by the City Council. The loans are serviced by M&T Bank under an agreement with the City. If any borrower becomes delinquent in payments, M&T Bank notifies the City.



The Banking committee is currently comprised of Martin Neat, from First Shore Federal Bank, Lauren Kimlel, from M&T Bank, Dennis Hebert from Shore Bank, William Turner, from Farmer's Bank of Willards, and Loré L. Chambers, Assistant City Administrator. This committee meets on a quarterly basis and more frequently if needed to review and approve loan applications. There are no terms of office for committee members.

In order to qualify for a loan, the applicant must own or lease the property, use the proceeds of the loan to establish a business in the downtown area; and, in most cases, must be willing to personally guarantee the loan. The Banking Committee reviews the information presented by the applicant, and makes a recommendation to the City Council based on a number of factors, including the ability of the applicant to repay the loan. Most, if not all, of the loans made under this program have been for the purpose of exterior or interior renovations to the building owned or leased by the applicant.

In the history of this loan fund, we have never had a loan to default. The standard Deed of Trust prepared for these loans includes a provision giving the City the ability to "declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law" in the event the borrower breaches the Deed of Trust.

Please forward this information to the City Council for consideration at the November 7, 2011, work session.

#### Attachments

cc: James Ireton, Jr.  
Mayor