# TERM SHEET FOR PABSTCITY DEVELOPMENT AGREEMENT BETWEEN JUNEAU AVENUE PARTNERS LLC AND THE CITY OF MILWAUKEE

| | |
|---|---|
| PROJECT: | The redevelopment of the former Pabst Brewery complex located in a 6 1/2 block area at the junction of Interstate 43 and at the Park East Freeway corridor (see site plan attached as Exhibit A). The Project will include a mix of new construction renovation of existing structures and will contain over 1.1 million square feet of retail, restaurant, entertainment, office and residential space. Anchor tenants may include a House of Blues, a multi-screen movie theater and a Gameworks entertainment center. The estimated allocations for the projected uses are set forth on Exhibit A. Total Project costs will be in the range of $315 million. |
| DEVELOPER: | Juneau Avenue Partners LLC, a Wisconsin limited liability company, the members of which include Wispark LLC and The Ferchill Group. |
| CITY GRANT: | Subject to the terms and conditions set forth herein, the City in cooperation with RACM shall provide financial assistance to the Project in the maximum amount of $39 million, which shall be contributed as a grant (the "Grant"). The Grant shall be facilitated and funded through the creation of a tax increment district (the "TID"). Approximately $16 million of the Grant shall be used to pay for public infrastructure improvements necessary to serve the Project, such as streets, sidewalks, sewer, water lighting and acquisition of easements and public right-of-way (the "Infrastructure Improvements"), approximately $14 million of the Grant shall be used to pay for TID-eligible interior demolition, site remediation and site preparation costs and approximately $9 million of the Grant shall be used to help defray the expense of retaining and rehabilitating the exterior facades and exposed structural components of various historic buildings and retaining |

historical architectural elements throughout the Project. The Developer shall grant RACM façade easements with respect to such historical buildings.

| | |
|---|---|
| FUNDING RATIOS AND DISBURSEMENTS: | The Grant shall fund 100% of the costs of the Infrastructure Improvements within the Project (up to a maximum of $9 million).<br><br>The remainder of the Grant shall be disbursed on a pro-rata basis with the Developer's debt, equity and other grant funds as part of each construction draw. For example, if (i) the cost of the Project is $315 million, and (ii) $30 million of the Grant is available after deducting the $9 million maximum permitted amount of direct funding for the cost of the Infrastructure Improvements, then the City will fund 30/306 (or approximately 9.8%) of each monthly construction draw. ( See GRANT RESET CONDITIONS section below for potential adjustments to the amount of the Grant.) If actual Project costs exceed $315 million, the Developer will be responsible for all overages. The City's Commissioner of the Department of City Development (the "Commissioner") or the Commissioner's designee shall review each draw request and may withhold funds in the event of problems with the performance of work or inaccuracies in documentation. The City, RACM and Developer shall enter into a mutually acceptable disbursing agreement with Developer's construction lender. |
| CONDITIONS TO FUNDING: | The City shall commence disbursing the Grant after the Commissioner has approved the following:<br><br>A. The final plans and specifications for the Project, including the plans and specifications for the Infrastructure Improvements (which shall conform to standard City requirements). However, at the request of Developer, the City shall fund its pro rata share of the costs of demolition and remediation (expected to commence in the fall of '05) upon the |

Commissioner's approval of the concept design for the Project provided that the Commissioner has approved the other items set forth below.

B. The final budget for the Project.

C. Evidence from Developer that, together with the Grant, debt, equity and other grant funds are available and committed (and all preconditions to funding satisfied) to pay for the costs of the Project.

D. The leases for the House of Blues, the multi-screen movie theater and an entertainment center (Gameworks or industry equivalent).

E. The Residents Preference Program and Emerging Business Enterprise agreements executed by Developer as described below.

F. The Management entity and the leasing and marketing programs for the Project.

CONSTRUCTION OF PUBLIC IMPROVEMENTS: The scale and complexity of the Project requires coordinated construction activity. Accordingly, Developer and Developer's construction manager shall schedule and oversee the building and construction of the Infrastructure Improvements and other public improvements within the Project. To the extent required by law, all bidding shall conform to City ordinances and requirements. All plans and specifications for the Infrastructure Improvements and other public improvements shall conform to City ordinances and requirements and will be prepared by or subject to review by the City's Department of Public Works ("DPW"). DPW shall inspect the work as it progresses.

COMMENCEMENT AND COMPLETION: Developer contemplates that demolition and remediation work will commence on or about September 1, 2005 and that the Project will be completed on or about September 30, 2007. Developer shall guaranty substantial completion by no later than [March 31, 2008], subject to force majeure.

HUMAN RESOURCE REQUIREMENTS: Prior to disbursement of any portion of the Grant, Developer, the City and RACM shall enter into an agreement for not less than 18% participation by

Emerging Business Enterprises and a 21% Residents Preference agreement, both in forms consistent with similar transactions and acceptable to the Commissioner and the Developer. Pursuant to such agreements, the Developer shall establish a Diversity Advisory Committee to work with the Developer to maximize participation in the Project by the contractors and residents identified in the agreements. The Developer shall also implement a retail incubator program for minority owned businesses as part of its leasing and marketing activities.

| | |
|---|---|
| DEVELOPMENT AGREEMENT: | The City, Developer and RACM shall enter into a cooperation and development agreement containing terms consistent with this Term Sheet and customary for such cooperation and development agreements. The cooperation and development agreement may be collaterally assigned by Developer to its construction and/or permanent lender. |
| PILOT PAYMENTS: | The cooperation and development agreement will require payments in lieu of taxes with respect to any taxable parcel within the Project that subsequently becomes exempt from real property taxes (the parties acknowledge that the Base Pro Forma contemplates that one of the parking structures will be tax exempt). |
| GRANT RESET CONDITIONS: | Developer, City and RACM have agreed upon a project pro forma, a copy of which is on file with the Commissioner and which are summarized in the TID Project Plan, that contains the parties' best estimates as to the cost of the Project and the sources of funds that will be available to fund the costs of the Project (the "Base Pro Forma") and upon which the amount of the Grant is premised. This Base Pro Forma includes the following components:<br><br>A. Development budget<br>B. Operating income and expense, loan amortization and equity cash flow projections; and<br>C. Additional detail regarding the anticipated scope and cost of construction |

Items A and B in the above list are as presented to the City by the developer via electronic mail on April 29, 2005. Item C is as presented to the City within the original January 25, 2005 Pabst City Tax Increment Financing Application, as amended by the developer's April 29, 2005 submission via electronic mail. In general, if (a) the aggregate amount of actual debt, equity, New Market Tax Credit Funds and/or grants (other than the Grant) procured for the Project exceed the aggregate amount of such items set forth in the Base Pro Forma, or (b) the Project is able to obtain equity through the federal rehabilitation tax credit (10% or 20%) or preservation easement programs, or (c) the construction and third party construction-related contracts are less than anticipated or the actual total cost of the Project is less than the cost of the Project set forth in the Base Pro Forma, then in each or any instance the amount of the Grant shall be reduced by 85% of the excess funds raised, the net rehabilitation tax credit/preservation easement equity contribution obtained or the contract or Project cost savings realized, respectively. In general the foregoing adjustments shall not apply to sources of funds obtained by Developer to cover increases in Project costs arising from unforeseen conditions within the original scope. A chart setting forth the terms of the foregoing reset mechanism is attached hereto as Exhibit B.

| | |
|---|---|
| DEBT SERVICE GUARANTY: | Developer shall guaranty that there will be sufficient net tax increment revenue generated annually by the Project to repay the City's "guaranteed debt service" on the Grant. "Guaranteed debt service" means the principal of the Grant amortized over 30 years at the City's cost of funds (using taxable and tax exempt rates, as appropriate). The amortization schedule will include a "phase-in" for the early years, with capitalized interest as appropriate, to reflect the build up of tax revenues. If the actual net tax increment revenue in a given year falls short of the guaranteed debt service payment for that year, then the Developer shall pay the difference to the City (which payment may be funded through special assessments). This |

payment will constitute a contingent loan. The City will repay advances from future net tax increment revenue that exceeds the guaranteed payments; provided, however, that the Developer's right to receive repayments of prior advances shall be subordinate to the City's right to receive repayments (from annual net tax increment revenue ) of all debt service incurred by the City for the Grant. (Any outstanding Developer advances not repaid at the end of the 30th year will be forgiven and not repaid.) Developer's obligation to make a shortfall payment will be secured by a subordinate mortgage against the Project. If a shortfall payment is required, the City will initiate the levy of a special assessment for that year, which shall have the same priority as a property tax lien.

PROJECT BORROWING: RACM shall issue Redevelopment Authority variable rate revenue bonds ("Revenue Bonds") in the amount of the Grant plus amounts necessary for capitalized interest, insurance premium, debt service reserve and issuance costs, to fund the Grant. Alternatively, at the determination of the City Comptroller, following consultation with the Commissioner, the City may issue general obligation bonds, pursuant to existing budgetary authority, to fund the Grant. If RACM issues the Revenue Bonds, the City shall provide its moral obligation to appropriate sufficient funds to make payments, when due, on the Revenue Bonds should the net tax increment revenue be insufficient to meet annual debt service.

CITY CASH FLOW PARTICIPATION: