

Term Sheet for Cooperation, Contribution, and Redevelopment Agreement Among:

Ralos, LLC ("**Ralos**")
City of Milwaukee ("**City**")
Redevelopment Authority of the City of Milwaukee ("**RACM**")

1. **The Site**. The site is approximately 6.2 acres located at 5375 South 9th Street, and is owned by Solar Paints & Varnishes, Inc.; Tax Key No. 642-9963-100-X ("the **Site**").
2. **Site Acquisition and City In Rem Action**. Ralos and City believe the Site is a "brownfield" within the meaning of Wis. Stat. §75.106. City, upon confirming that the Site is eligible for property-tax-foreclosure, shall commence a property-tax-foreclosure action against the Site under Wis. Stat. §75.521 and, per Wis. Stat. §75.106, assign its right to foreclosure judgment to Ralos. Ralos shall, per §75.106, enter into a contract with City ("**75.106 Contract**") and a contract with the DNR ("**DNR Contract**"), per City's and DNR's customary requirements regarding those type contracts, and take title to, and-become the owner of, the Site. Ralos shall accept title to and condition of the Site on an "as-is, where-is" basis. Ralos understands there are a number of risks such as redemption, answer, or bankruptcy, that may delay in rem foreclosure or make it impossible. Ralos shall have the right, prior to any entry of final judgment of foreclosure, to conduct such due diligence at its expense as would be customary in connection with a commercial sale of real estate for redevelopment purposes including the right to obtain such assurances as it may desire that, upon the entry of a final judgment, it will obtain good, marketable, and insurable title to the property, free from financial liens and other encumbrances unacceptable to Ralos but not including any environmental, geotechnical, or survey inspection contingency, or any other contingency calling for entry onto the parcel. Based upon the results of such due diligence, Ralos may terminate the Cooperation, Contribution and Redevelopment Agreement ("**CCR Contract**") and 75.106 Contract and/or direct City to dismiss its foreclosure action against the Site at any time up to the entry of final judgment. Ralos shall pay to City \$1,500 to offset City's foreclosure costs against the Site, which amount shall be non-refundable once City has commenced a foreclosure action, and if Ralos takes title, Ralos shall pay any property taxes (or special assessments, special taxes, or special charges) that won't be foreclosed as a result of City's foreclosure action.
3. **Site Remediation**. Contingent upon RACM depositing \$760,000 into the Escrow Account as described herein, Ralos will undertake investigation and remediation of environmental contamination of the Site in satisfaction of the United States Environmental Protection Agency's ("**EPA**") interest in the Site, and in accordance with a DNR-approved Remedial Action Plan ("**RAP**"), the DNR's Voluntary Clean-up Program, the DNR Contract, and the Project Plan for TID 50 (collectively, "**Remediation**" and also referred to herein as the "**Project**"). Ralos will, subject to unavoidable delays, attempt to fulfill the requirements of the RAP and Substantially Complete (as defined below) the Remediation within 150 days of the date the Escrow Account, discussed below, is funded. Remediation shall be deemed to be "Substantially Complete" when the soil excavation component of the RAP has been completed at the Site and the natural attenuation groundwater monitoring network is installed. Remediation

shall be considered “Fully Complete” when the DNR issues a “no further action letter” or “closure letter” with respect to the Site and its environmental condition.

4. **CCR Contract and Escrow Account.** City, RACM, and Ralos shall enter into a CCR Contract in accordance with this Term Sheet and the Project Plan, and in form and substance meeting City Attorney’s approval. Per the CCR Contract, RACM will become City’s agent for implementing the Project Plan for TID 50 (the “**Project Plan**”) to assist in the Remediation of the Site. An escrow account (“**Escrow Account**”) held by Chicago Title Insurance Company (“**Chicago Title**”) will be funded within five (5) days after the last of the following events has occurred: (i) the execution of the CCR Contract, (ii) signed leases for the building(s) in form and substance satisfactory to RACM’s Executive Director are secured, and (iii) title to the Site being vested in Ralos. Subject to the approval of RACM’s Executive Director, Ralos will then draw funds from the Escrow Account as required to implement the Remediation, as outlined in the preliminary budget in the Project Plan. Any eligible expenses advanced by Ralos prior to the funding of the Escrow Account shall (subject to Paragraph 5 below) be reimbursed from the Escrow Account after the Escrow Account has been funded providing, however, that expenses for legal fees will not be reimbursed or paid from the Escrow Account until the Remediation is Substantially Complete. All disbursements from the Escrow Account shall require appropriate lien waivers and dual signature (i.e. one signature by RACM’s Executive Director and one by Ralos).

- A. **Audit Rights.** RACM shall have audit rights with respect to the Escrow Account, disbursements requested therefrom, the Remediation, and Ralos. Ralos shall cooperate regarding any such audit and provide documents requested in conjunction therewith.
- B. **Escrow Expenses and Escrow Agreement.** Ralos shall pay all fees charged by Chicago Title with respect to the Escrow Account. The Escrow Account shall be subject to an Escrow Agreement among Ralos, RACM and, as escrow agent, Chicago Title, upon terms mutually acceptable to those parties.
- C. **Annual Financial Statements.** Ralos shall provide to RACM’s Executive Director annual financial statements certified by Ralos and Ralos’ accountant that they are true and accurate accountings of Ralos’ financial condition to the best of their knowledge.

5. **Contributions to Escrow Account.**

- A. **By RACM (\$775,000).** Contingent upon RACM approval and City Common Council approval, upon RACM getting EPA revolving loan funds (“EPA BCRLF loan”) for this transaction (and EPA approval of use of those EPA BCRLF loan funds for the Project), upon Ralos acquiring title to the Site, and upon Ralos making its required contribution: RACM will contribute \$775,000 of the EPA BCRLF loan funds, on behalf of the City, for the implementation of the Project Plan and pay \$760,000 of those funds into the Escrow Account.

B. **By Ralos.** Ralos shall make a minimum equity contribution of \$442,821 toward Remediation and redevelopment project costs. Ralos will contribute \$224,011 of that minimum contribution by paying same (i.e. \$224,011) into the Escrow Account, except that Ralos' contribution to the Escrow Account may be reduced by any documented, sworn Eligible Expenses (as defined below) paid by Ralos prior to funding of the Escrow Account.

6. **Expenses Eligible For Reimbursement.** The out-of-pocket expenses payable to third parties, other than Ralos, eligible for reimbursement to be paid out of, or to be paid from, the Escrow Account are expenses and costs associated with Remediation of the Site as contemplated by the component items of "total project costs" (without regard to the specific estimates set forth therein) in the "detailed list of estimated project costs" in the Project Plan ("Eligible Expenses"), and that will lead toward meeting the requirements of the RAP and/or the DNR Contract so as to receive the appropriate closure documentation from the DNR. (See Para. 4 above: costs for legal fees, however, cannot be paid or reimbursed from the Escrow Account until Remediation has been completed).

If there are funds remaining in the Escrow Account after Substantial Completion of Remediation, the balance will be distributed to RACM and applied toward the EPA BCRLF loan. The minimum market valuation amount shall be reduced in direct proportion to the amount distributed to RACM under this provision.

7. **Repayment of EPA BCRLF Loan:** Positive tax-increment revenue generated within the TID will be used by City to pay RACM so RACM can repay the EPA BCRLF loan.

8. **Grants.** Ralos shall covenant to take requisite actions to obtain grant funds or otherwise perform in accordance with grant requirements with respect to the State of Wisconsin Dept. of Commerce Brownfield Grant, the PECFA program funding, the County grant, and the SAG grant.

9. **Security.** As security for ensuring Ralos' guarantee of minimum market valuation, Ralos' duty to pay tax shortfalls resulting from assessments being less than the minimum market valuation, and Ralos' duty to undertake and complete the Remediation of the Site (regardless of whether there are project cost overruns), Ralos shall execute a promissory note ("Note") in favor of RACM secured by a recourse first mortgage lien ("Mortgage") on the Site (including improvements, including the "New Building" and "Existing Building" as those terms are defined below), by a Collateral Assignment of Rents and Leases ("CARL") with respect to any leases now or hereafter affecting the Site, and by the funds in the Escrow Account. The Note, Mortgage and CARL shall be binding on successors and assigns. Upon receipt of a closure letter from the DNR and termination of the Market Valuation Guarantee described below, RACM shall issue a cancellation of Note and a Satisfaction of CARL and of Mortgage to terminate its Mortgage, Note and CARL interest in the Site.

A.. **Possible Subordination.** After Remediation is Substantially Complete, upon request by Ralos, RACM will agree to subordinate its first Mortgage and first CARL positions to accommodate then-new financing (not refinancing) for new construction at the Site;

providing, however: (a) that RACM's Executive Director first reviews and approves the plans and specifications for the new construction, the construction budget, and the terms of the new financing; and; (b) the new financing is on terms that are in accordance with then-prevailing conditions in the marketplace.

10. **Special Provision in CCR Contract and Escrow Agreement.** If Ralos fails to complete the Remediation of the Site, the Escrow Agreement and CCR Contract shall provide that RACM may (if it chooses) conclude the Remediation with any funds remaining in the Escrow Account and RACM may withdraw those funds upon written demand to Chicago Title signed only by RACM.

11. **Minimum Market Valuation Guarantee.** Contingent upon RACM depositing \$760,000 into the Escrow Account, as described herein, Ralos shall guarantee to the City and RACM that, as of each January 1 starting with January 1, 2003, the minimum market valuation of the Site for the imposition of real property taxes for land and improvements following equalization by the Wisconsin Department of Revenue, shall be not less than \$1,366,600. The foregoing Market Valuation Guarantee (as same shall be required in the CCR Contract) shall (i) terminate when the City has provided sufficient funds to RACM for the purpose of repaying, in full, the \$775,000 EPA BCRLF loan funds or the tax incremental district has expired, whichever occurs first, and (ii) provide that if the City's assessor does not determine that the land and improvements have a minimum market valuation as described above, then Ralos shall pay annually any tax deficiency at the then current tax rates resulting from an annual assessed market valuation being less than the agreed-upon minimum market valuation. Ralos' shall not be released from its Minimum Market Valuation Guarantee without the prior written consent of RACM's Executive Director.

12. **Loan Policy of Title Insurance.** Ralos shall provide to RACM, at Ralos' expense, a loan policy of title insurance issued by Chicago Title insuring RACM's first mortgage lien in the Site in an amount of \$775,000.

13. **Possible Existing Liens Against Site.** With respect to Ralos' desire to obtain good, marketable, and insurable title to the property, free from financial liens and other encumbrances unacceptable to Ralos (see para. 2 above), Ralos understands that successful in rem property-tax foreclosure under Wis. Stat. §75.521 can eliminate some (but not necessarily all) liens. Ralos agrees to take such actions as it deems reasonable and prudent under the circumstances to ensure that status of title to the Site will be as Ralos desires, including, performing its obligations under its Prospective Purchaser Agreement with the EPA in order to assure the release of EPA liens that may affect the Site (approximately \$439,000 in possible EPA liens), and taking such actions as Ralos deems appropriate to ensure that other possible federal liens (including IRS liens) do not, or will not, encumber title.

14. **Tenants at Site.**

A. **Ralos Tenants.** The Site is or will be leased by Ralos to various commercial tenants including Marshall Erecting, Inc. and Excel Connection, Inc. Ralos shall provide to RACM's Executive Director full and complete copies of all such leases

(and all other leases or subleases affecting the Site at any time there are funds in the Escrow Account). As part of the security referred to in para.9 above, those leases will be collaterally assigned to RACM under the CARL.

B. Residential Tenant. There is an existing residential tenant occupying a house at the Site. Ralos shall warrant to City and RACM that the residential tenants are month-to-month tenants and that Ralos has the authority to terminate their tenancy. Ralos shall hold harmless and indemnify City and RACM with respect to any claims or demands that those tenants may make, or attempt to make, against City and/or RACM with regard to their tenancy or the Project – including, but not limited to, any claim or demand concerning security deposits or relocation benefits.

C. Ralos, LLC PASA. Ralos is the buyer under a certain Commercial Offer to Purchase (as amended, the “PASA”) with Solar Paints and Varnishes, Inc. (“Solar”) and William McCann (“Bill”) (Solar and Bill are collectively herein called the “Seller”) concerning the Site. Ralos shall indemnify and hold City and RACM harmless with respect to any claim or demand that Solar, Bill, or Seller, may make or attempt to make upon either City or RACM with regard to the PASA or the Site (including but not limited to any claim for damages concerning the termination or elimination of the PASA or other rights or interest of Solar, Bill, or Seller as a result of City’s 75.521 foreclosure against the Site and its 75.106 assignment to Ralos).

D. Ralos Representation. Ralos shall warrant and represent to City and RACM in the CCR Contract that no person has or will be “relocated” as a result of the Project or Remediation within the meaning of Wis. Stat. §66.1105(4)(f). Ralos shall be solely responsible for claims or demands made by any tenant of the Site (including residential tenants and commercial tenants).

14. Project Cost Overruns. In the event the Remediation costs for the Site exceed the Escrow Account amount, Ralos will be responsible for such, including seeking additional grants or providing funding sources to complete the Remediation and redevelopment.

15. Improvements. Ralos shall construct or cause to be constructed at the Site, for lease to Marshall Erecting, Inc., Excel Connection, Inc., and/or other industrial tenants a building of approximately 33,000 sq. ft., in aggregate (“New Building”). Ralos shall also renovate the existing 8,400 sq. ft. building on the Site (“Existing Building”).

16. Zoning and TID Status. Ralos shall not seek to change zoning for the Site for the life of the TID that would, in any way, adversely alter its status as “zoned for industrial use” under Wis. Stat. §66.1105(4)(gm)4.a. or §66.1101; and, Ralos shall not take any other action that would adversely affect the status of the Site under the TID law or the TID District No. 50 itself.

17. Indemnification. In addition to indemnification and hold harmless provisions customarily required in City’s 75.106 Contract, Ralos shall release, indemnify, and hold

harmless the City and RACM from claims, demands, and causes of action related to environmental and other property conditions except to the extent caused by any act or omission of the City or RACM.

18. **Timing.** Subject to unavoidable delays, completion of the construction of the New Building and of rehabilitation of the Existing Building shall begin within 120 days of the Remediation of the Site in accordance with the RAP and shall be completed within 360 days of such date.

19. **Disadvantaged Business Enterprises.** Ralos agrees to use its “best efforts” to utilize certified Disadvantaged Business Enterprises for 18% of the cost of the Site Remediation.

20. **Federal Requirements.** In addition, Ralos shall comply with all applicable requirements of federal law with respect to any Project costs funded with federal funding – including the EPA BCRLF loan funds.

21. **RACM Executive Director.** Actions or matters required to be taken or approved by RACM’s Executive Director may be taken or approved by the Executive Director’s designee.

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