

MENOMONEE VALLEY EAST PROJECT

MASTER TERM SHEET

DRAFT 05/12/04

- Developer:** H-D Milwaukee, LLC, a Wisconsin limited liability company wholly-owned by Harley-Davidson Motor Company, Inc.
- Milwaukee:** The City of Milwaukee, Wisconsin (“City”) in cooperation with the Redevelopment Authority of the City of Milwaukee (“RACM”) (Collectively the City and RACM are referred to as “Milwaukee”.)
- Project Site:** Parcels comprising approximately 20± acres, including: (1) Tax Key No. 398-1221-100-9 (131 North 6th Street), comprising approximately 3.20 acres, (2) Tax Key No. 427-0531-100-X (143 South 6th Street), comprising approximately 2.88 acres, (3) Tax Key No. 397-0001-112-0 (126-152 North 6th Street), comprising approximately 7.12 acres, (4) Tax Key No. 397-0007-000-3 (400-430 West Canal Street), comprising approximately 0.95 acres, (5) Tax Key No. 428-0523-100-3 (401 West Canal Street), comprising approximately 1.64 acres, (6) Tax Key No. 428-0525-100-4 (501-515 West Canal Street), comprising approximately 3.78 acres, (7) right-of-way of former 6th Street located East of current 6th Street, comprising approximately 1.56 acres, and (8) right-of-way of West Canal Street located East of current 6th Street, comprising approximately 0.83 acres.
- Milwaukee will use best efforts to acquire control of all parcels within the Project Site, free of third-party rights, prior to February 15, 2004, and will provide reasonably satisfactory evidence of such control to Developer. Prior to Closing, City will vacate (or cause the vacation of) the former 6th Street and the West Canal Street rights-of-way described above. Developer will provide up to \$50,000 of the funding for such vacations, as part of the TID project costs described below.
- Milwaukee will provide Developer with a right of entry affording access to the Project Site at all reasonable times prior to Closing in order to allow Developer to conduct studies, tests, surveys, and other investigations.
- Project:** Developer intends to develop approximately 230,000 square feet of new facilities at the Project Site, including (1) museum, café, retail, banquet, and restaurant facilities (and related office and technical support facilities), in buildings having a total of approximately 110,000 square feet, plus site improvements at the entire Project Site supporting and creating an attractive setting for the foregoing facilities *and* future facilities (“Phase I”), (2) an expansion of the museum facilities to include archive and restoration facilities of approximately 20,000 additional square feet and additional exhibits (“Phase II”), and (3) one or more additional office

and/or commercial buildings having a total of approximately 100,000 additional square feet ("Phase III"). The current Project budget is approximately \$60,000,000.00 for Phase I, inclusive of the Purchase Price for the Project Site; approximately \$15,000,000.00 for Phase II; and approximately \$20,000,000.00 for Phase III. The current concept plan for the Project is generally depicted on the draft site plan dated January 12, 2004, by Pentagram Architecture.

Phase I shall be substantially completed within 24 months of the termination of the Traser Yards Lease described herein and the delivery of exclusive possession of the Traser Yards by the City to Developer; Phase II (or an equivalent portion of Phase III) shall be substantially completed within 24 months of the issuance of an occupancy permit or permits for all (or substantially all) of Phase I; and Phases II and III shall be substantially completed within 36 months of the issuance of an occupancy permit or permits for all (or substantially all) of Phase II (or the equivalent portion of Phase III described above). Developer may build or cause others to build the Project in two phases rather than three phases, so long as at least 110,000 square feet of museum and related facilities is completed within the time period for Phase I set forth above and at least 230,000 square feet (in the aggregate) is completed within the aggregate time period set forth above.

Prior to Milwaukee entering into the construction contract for the facilities to replace the Traser Yards, Developer shall provide Milwaukee with its environmental remediation plan for the Project Site, preliminary plans for the site improvements, preliminary scope of work, budget, and building elevations for the museum buildings and other Phase I improvements, construction contracts (if any), and evidence, reasonably satisfactory to the Commissioner of the City's Department of City Development (the "Commissioner"), of Developer's financial capacity to undertake and complete the Project.

**Milwaukee
Remedies:**

Prior to Milwaukee entering into the construction contract for the facilities to replace the Traser Yards, Developer shall provide Milwaukee with a letter of credit, issued by a commercial bank reasonably satisfactory to the Commissioner, in the amount of \$7,000,000. The amount of the letter of credit may be reduced from time to time by the same percentage as the percentage of completion of Phase I, as evidenced by AIA Document G702 (or the equivalent) signed by a project architect.

In the event Phase I is not substantially completed within the applicable period provided under "Project" above, or otherwise not under construction (with such construction being diligently pursued to completion) within such period, then Milwaukee shall have the right to draw the amount remaining under the letter of credit.

In the event Phases II and III are not substantially completed within the above periods, or otherwise not under construction (with such construction

being diligently pursued to completion) within such periods, or if within such periods office, commercial, and/or other buildings and/or uses permitted by applicable zoning and having the approximate square footage identified above for each Phase are not under construction (with such construction being diligently pursued to completion), then Milwaukee shall, as its sole remedies (in addition to a draw under the letter of credit, if applicable):

(a) have the right to terminate any further payments on the Monetary Obligation relating to the Phases(s) not so completed (or otherwise under construction, with such construction being diligently pursued to completion), as described on **Exhibit A** hereto, and/or

(b) have the right either (i) to repurchase those portions of the Project Site that are depicted on **Exhibit B** hereto, at a cost equal to \$150,000 per acre, or (ii) to sue Developer for City's actual damages as a result of Developer's failure to so develop the Project.

Such periods will be extended by the period of any delay caused in substantial part by Milwaukee or by damage or destruction, other event of *force majeure*, or other event or condition beyond the reasonable control of Developer. Such periods may also be extended by the Commissioner.

Except as provided above, the specific investment included above and the scope and timing of future Phases will be determined by Developer in its sole discretion.

- Project Funding:** Developer will advance all funding for the design, engineering, development, construction, street vacation, utility relocation, and administration of the Project, including the TID Reimbursement described herein. Any costs in excess of the current Project budget will be the sole responsibility of Developer.
- Guaranty:** Developer's obligations shall be guaranteed by Harley-Davidson Motor Company, Inc.
- Closing:** Closing will be on or before September 28, 2004, or another date mutually agreed to by Milwaukee and Developer.
- Sale of Project Site:** Milwaukee will convey the Project Site to Developer for a total Sale Price equal to \$150,000 per acre of the Project Site less the cost of demolition (to be determined by competitive bids), payable in the following installments: \$100,000 within 30 days after execution of a Purchase and Sale Agreement for the Project Site, as a fully refundable earnest money payment to be held in escrow by Chicago Title Insurance Company ("Title Company"), and the balance of the Sale Price (subject to prorations) at Closing. At Closing, Milwaukee will convey the Project Site to Developer by warranty deed, subject to encumbrances reasonably acceptable to Developer; will deliver exclusive possession of the Project Site to Developer, subject only to the

Traser Yards Lease; will deliver to Developer a commitment for title insurance, issued by Title Company, in form and substance (and with all endorsements) reasonably acceptable to Developer (and will obtain, execute, and/or deliver all instruments reasonably requested by Developer to enable Developer to obtain its title insurance). Developer shall pay all costs of the title insurance policy and all other escrow and closing fees of Title Company.

**Condition of
Project Site:**

Prior to Closing, Milwaukee will remove any equipment (not including the asphalt plant and related tank house), personal property, refuse, and debris from the Project Site, except as provided in the Traser Yards Lease. Prior to May 31, 2005, City will relocate the water main located East of 6th Street to a mutually agreeable location, consistent with Developer's proposed use of the Project Site.

In the Purchase and Sale Agreement, Milwaukee shall warrant and represent that its use of, operations at, and vacation of the Project Site (including but not limited to the Traser Yards) has been and will be in compliance with all environmental laws. No later than 90 days prior to the Closing date, Milwaukee will provide Developer with copies of all reports, studies, assessments, and similar documents in Milwaukee's possession or control, relating to environmental matters at the Project Site or any part thereof. Thereafter, but only prior to City's surrender of the Traser Yards as provided in the Traser Yards Lease, Milwaukee will provide Developer with copies of all updates thereof and additional such documents within 5 days after Milwaukee obtains possession or control of the same.

**Zoning and Other
Approvals:**

The parties will cooperate to apply for all TID, zoning, land use plan, remediation, dockwall, building plan, street vacation, utility, and other governmental and third-party changes, permits, and approvals required for the development, construction, and operation of the Project, including, but not limited to, a Redevelopment Plan developed by RACM in consultation with Developer and consistent with Developer's current conceptual plan for the Project. Such changes, permits, and approvals shall include, without limitation, a reduction in width of the MMSD easement area located East of 6th Street and the reasonable approval by the Commissioner of the final design of the Project improvements. Milwaukee staff will use all good faith efforts to assist Developer in obtaining such changes, permits, and approvals.

Developer's obligations to purchase the Project Site and proceed with the Project shall be contingent upon (1) 30 days prior to Closing, Milwaukee acquiring control of all parcels within the Project Site, free of third-party rights, and providing reasonably satisfactory evidence of such control to Developer, and (2) prior to Closing (which may be delayed by the parties if all contingencies have not been satisfied), all TID, zoning, land use plan and street vacation changes, permits, and approvals, and the reduction in width of the MMSD easement area shall have been obtained without, in any such case, delay or expense unacceptable to Developer.

Tax Incremental District:

Milwaukee intends to create a Tax Incremental District (“TID”) and adopt a TID project plan to assist in funding certain project costs necessary for the development, construction, and operation of the Project, as described in the TID Reimbursement Term Sheet attached hereto as *Exhibit A*.

Traser Yards Lease:

Following Closing, Developer will lease the Traser Yards to City, on an absolutely-net basis, for a term ending February 28, 2006, at a total base rental of \$1 per year.

If City has not vacated and delivered exclusive possession of the Traser Yards to Developer by February 28, 2006, (as extended by any delay caused in substantial part by Developer or by damage or destruction, other event of *force majeure*, or other event or condition beyond the reasonable control of Milwaukee, or as such date may be extended by Developer), then Developer will, as its sole remedies, have the option, in its sole discretion, to extend the term of the Traser Yards Lease for up to one year, at a base rent of \$10,000 per month, and/or either (a) to “put” the Project Site to Milwaukee, at a Repurchase Price equal to \$150,000 per acre, or (b) to sue Milwaukee for Developer’s actual damages as a result of Milwaukee’s failure to vacate the Traser Yards.

City will remove all equipment (not including the asphalt plant and related tank house), personal property, refuse, and debris from the Traser Yards, prior to expiration of its tenancy.

Human Resource Requirements:

Developer shall enter into an Emerging Business Enterprise Agreement to utilize EBEs, as defined in Chapter 360, Milwaukee Code of Ordinances, for not less than 18% of the combined site improvement and construction cost of the Project. Developer shall use best efforts to utilize unemployed residents of the Community Development Block Grant area for up to 21% of the total Project hours deemed eligible pursuant to Residents Preference Program guidelines.

Streets, Riverwalk, and Walkways:

All streets, riverwalk, and walkway areas within the Project Site (other than 6th Street, and West Canal Street located West of 6th Street) will be owned and maintained by Developer, and open to the public at such times and to such extent as Developer deems appropriate, provided that the Cooperation, Reimbursement, and Redevelopment Agreement will provide for reasonable public access to the riverwalk. All riverwalk and walkway areas within the Project Site shall be in compliance with the requirements of the Americans with Disabilities Act.

General:

This Master Term Sheet does not constitute an agreement between City, RACM, and Developer. The terms set forth herein, and other provisions customary for a transaction of this sort, shall be incorporated into one or more written agreements to be approved by the parties, including, but not limited to, a Purchase and Sale Agreement, a Cooperation, Reimbursement, and Redevelopment Agreement, a Traser Yards Lease, and an Emerging

Business Enterprises Agreement, to be entered into by and among Developer, City, and/or RACM, as applicable. In recognition that there will be adjustments of the dates and descriptions above which will require the exercise of reasonable discretion on behalf of Milwaukee, the Commissioner will be authorized under these agreements to exercise such discretion.

EXHIBIT A

MENOMONEE VALLEY EAST PROJECT

TID REIMBURSEMENT TERM SHEET

Tax Incremental District:

Milwaukee intends to create a Tax Incremental District (“TID”) and adopt a TID project plan to assist in funding certain project costs necessary for the development, construction, and operation of the Project. TID project costs consist of the extraordinary site development costs for each Phase, including, but not limited to, environmental remediation, foundation pilings, methane ventilation systems, dockwall repairs and construction, street vacation, utility relocation, and other similar or related costs.

The TID shall be known as TID No. _____ (Menomonee Valley East Project).

Project Funding:

Developer will advance all funding for the design, engineering, development, construction, street vacation, utility relocation, and administration of the Project, including the TID Reimbursement described herein. Any costs in excess of the current Project budget will be the sole responsibility of Developer.

TID Reimbursement:

The TID Reimbursement will consist of a limited and conditional Monetary Obligation to repay Developer an amount equal to TID project costs, in the maximum amount of \$7,000,000, plus interest at a rate of 5.0% per annum (the “Interest Rate”, which will be adjusted to an equivalent tax-exempt rate if the obligation is revised so, and a tax counsel opinion obtained, that the interest will be tax-exempt), but in no event more than the tax incremental revenue actually received by City from the TID. Payments are to be made annually but only in amounts equal to the tax incremental revenues actually received by City each year from the TID, less (to the extent not previously funded by Developer) an amount required to administer and conduct an audit of the TID, in an amount not to exceed \$10,000 per annum. Tax incremental revenues will not be pledged to the payment of the Monetary Obligation, and the Monetary Obligation shall not constitute a general obligation of City or RACM or count against City’s statutory debt limits.

Developer will be deemed to have advanced TID project costs as and when project cost expenditures are made by or on behalf of Developer and approved in writing or deemed approved by RACM.

Interest:

The Interest Rate shall be applicable for all installments covering the entire Monetary Obligation. Interest shall accrue on all funding advanced by Developer for the TID project costs, from the dates that expenditures are certified by Developer to RACM, *provided* such expenditures are approved in writing or deemed approved by RACM.

**Material
Disturbance:**

If Phases I, II, and III of the Project are not substantially completed (or otherwise under construction, with such construction being diligently pursued to completion) within the periods provided above in the Master Term Sheet (as such periods may be extended as provided above), then the Common Council may adopt a resolution terminating any further payments on the Monetary Obligation relating to the Phase(s) not so completed (or otherwise under construction, with such construction being diligently pursued to completion).

If, following completion of Phase I, no substantial part of the Project is used for museum and related purposes or any other operation of Developer or any affiliate thereof, or any other purpose or operation acceptable to Milwaukee, and such failure continues for any 12-month period during the life of the TID (unless caused in substantial part by damage or destruction, other event of *force majeure*, or other event or condition beyond the reasonable control of Developer), then the Common Council may adopt a resolution terminating any further payments on the Monetary Obligation.

**Milwaukee
Recovery of
Demolition Cost:**

Without the prior written consent of Developer, tax increments collected and allocated to the TID shall not be applied for any purpose other than the payment of the Monetary Obligation or the costs of administration and audit of the TID as provided herein. The foregoing notwithstanding, if the principal of and accrued interest on the Monetary Obligation have been fully paid (except to the extent that City has terminated further payments due to a Material Disturbance as provided herein), then, thereafter (but only thereafter), City may apply tax increments collected and allocated to the TID to the payment to or reimbursement of City and/or RACM for, and in an aggregate amount not greater than, the cost of demolition (as determined by competitive bids and used to reduce the Sale Price, as provided above in the Master Term Sheet).

General:

This TID Reimbursement Term Sheet does not constitute an agreement between City, RACM, and Developer. The terms set forth herein, and other provisions customary for a transaction of this sort, such as all parties acting reasonably, shall be incorporated into a written Cooperation, Reimbursement, and Redevelopment Agreement, to be entered into by and among Developer, City, and RACM.