

Memorandum of Understanding
Kettle Park West Development
Tax Increment Guarantee Letter of Credit
June 9, 2015

1. *Background Information.* The City of Stoughton (the "City") and Kettle Park West, LLC (the "Developer") are parties to the Amended and Restated Agreement to Undertake Development (Kettle Park West Development) entered into as of November 13, 2014 (the "Agreement"), which may be replaced and superseded by a Second Amended and Restated Agreement to Undertake Development (Kettle Park West Development) entered into as of June 9, 2015 (Collectively the "Agreement"). Section D. 4. of the Agreement requires the Developer to provide a letter of credit (the "Letter of Credit") to the City, and allows for the amount of the Letter of Credit to be reduced under certain circumstances.
2. *Purpose.* The purpose of this Memorandum of Understanding is to set forth in greater detail the parties' understanding and agreement regarding the amount of the Letter of Credit required by Section D.4. of the Agreement, and the procedure that will apply to calculating reductions of the Letter of Credit, in order to implement the Agreement.
3. *Definitions.* The terms used in this Memorandum of Understanding that are defined in the Agreement shall have the meaning set forth in the Agreement.
4. *Amount and form of Initial Letter of Credit.*
 - A. Under section D.4.(b) of the Agreement, the amount of the initial and each renewed or replacement Letter of Credit is required to equal the total principal and interest payments on all remaining Annual Debt Service payments on City Borrowing. The City intends to sell Note Anticipation Notes on or about September 22, 2015. The City intends to pay the Note Anticipation Notes in approximately October 2018, using a combination of Actual Tax Increment held by the City at that time, and the proceeds of a Refunding Obligation to be issued by the City. The City Borrowing shall initially be the Note Anticipation Notes, and shall subsequently be the Refunding Obligations. The planned City Borrowing is described in Attachment A to this Memorandum of Understanding.
 - B. The City and Developer agree that, before the City sells the Note Anticipation Notes, and in order to satisfy the condition in Section E. 6 of the Agreement, Developer shall provide an initial Letter of Credit in the amount of \$4,848,705.00, which is the estimated total amount the City will need to pay the Note Anticipation Notes in 2018. The initial letter of credit shall be in the form attached as Attachment B to this Memorandum of Understanding. The City and Developer agree that \$4,848,705.00 is based on certain estimates, including an estimate of the interest rate that will apply to the Note Anticipation Notes. Developer agrees that when the Note Anticipation Notes are actually sold, and before the City finally approves the sale, the City may require Developer to

provide either a replacement Letter of Credit or a supplemental Letter of Credit, such that the City has one or more Letters of Credit in the aggregate amount the City determines is actually needed to pay the Note Anticipation Notes in 2018.

5. *Letter of Credit Recalculation Prior to Sale of Refunding Obligations.* The City intends to pay the Note Anticipation Notes in 2018 using a combination of Actual Tax Increment held by the City at that time, and the proceeds of a Refunding Obligation to be issued by the City. Before the City sells the Refunding Obligation, the City will calculate the amount of the Letter of Credit required to secure repayment of the Refunding Obligation. The amount of the Letter of Credit required to secure repayment of the Refunding Obligation shall be equal to the total principal and interest payments on the Refunding Obligation, less the amount of that principal and interest that will be paid using Actual Tax Increment that has been created in the District and will be allocated to pay Annual Debt Service pursuant to Section D.3 of the Agreement. The amount of Actual Tax Increment that has been created in the District shall be calculated as described in Section 6 of this Memorandum of Understanding. The amount of the recalculated Letter of Credit shall not be less than \$1,000,000.00 unless the Actual Tax Increment that has been created within the District is projected to generate an amount equal to or greater than 110 percent of the total principal and interest payments on the Refunding Obligations. If Developer does not provide the City with an amended or replacement Letter of Credit in the amount the City has calculated as needed to secure repayment of the Refunding Obligation, the City may draw upon the existing Letter of Credit, in an amount not to exceed the amount the City has calculated for the amended or replacement letter of credit, and may either use the proceeds to pay the Note Anticipation Notes, or use the proceeds to make debt service payments on the Refunding Obligation.
6. *Reductions to Letter of Credit.* Under Section D.4.(b) of the Agreement, the amount of the Letter of Credit may be reduced by the amount of the Annual Debt Service that will be paid by Actual Tax Increment that has been created within the District, and will be allocated to pay Annual Debt Service as provided in Section D.3 of the Agreement. Section D.4(b) of the Agreement further provides that the Annual Debt Service payments that will be paid by Actual Tax Increment that has been created within the District shall be calculated by the City, using the actual Value Increment that has been created within the District at the time the required amount of the Letter of Credit is calculated, using the mil rate effective at that time. Developer and the City agree that the Value Increment that has been created within the District at a given point in time will be the equalized value of the District that has most recently been certified by the Wisconsin Department of Revenue, minus the base value of the District as certified by the Wisconsin Department of Revenue. Developer and the City agree that Actual Tax Increment that has been created within the District, and that will be available to pay Annual Debt Service, will be the Value Increment, multiplied by the most recently established mil rate at which taxable property in the City is taxed to levy taxes for all taxing jurisdictions in which the District is located, multiplied by the number of years that Actual Tax Increment may lawfully be allocated to pay Annual Debt Service. Developer and the City agree that, for purposes of calculating reductions in the Letter of Credit, the Annual Debt Service to be paid by Actual Tax Increment shall be calculated based upon the Refunding Obligation. Before

the Refunding Obligation is sold, the Annual Debt Service shall be the estimated total principal and interest on the planned Refunding Obligation, as determined by the City. After the Refunding Obligation is issued, the Annual Debt Service shall be the actual unpaid principal and interest on the Refunding Obligation. Developer agrees that the Letter of Credit shall not be reduced below \$1,000,000.00 until the Actual Tax Increment that has been created within the District is projected to generate an amount equal to or greater than 110 percent of the remaining Annual Debt Service Payments on City Borrowing. The first opportunity for a reduction in the Letter of Credit shall come on September 1, 2016, and subsequent opportunities for reduction will be evaluated each anniversary thereafter.

7. *Agreement.* The City and Developer agree that this Memorandum of Understanding accurately describes their understanding and agreement regarding the amount of the Letter of Credit required by Section D.4. of the Agreement, and the procedure that will apply to calculating reductions of the Letter of Credit, in order to implement the Agreement.

DEVELOPER:

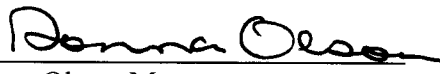
KETTLE PARK WEST LLC

By 
David Jenkins, Managing Partner

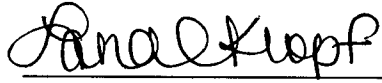
Dated: June 18, 2015.

CITY:

CITY OF STOUGHTON
Dane County, Wisconsin

By 
Donna Olson, Mayor

ATTEST:


Lana C. Kropf, City Clerk

Dated: June 18, 2015.