

900 NEW HAMPSHIRE, LLC
110 McDonald Drive
Lawrence, Kansas 66044

September 27, 2012

VIA E-MAIL

Diane Stoddard
Assistant City Manager
City of Lawrence, Kansas
6 East 6th Street
Lawrence, Kansas 66044

*Re: 900 New Hampshire, LLC (“Developer”)
Ninth & New Hampshire Tax Increment Financing (“TIF”) Plan;
Redevelopment Agreement (the “Agreement”)*

Dear Diane:

I am writing to highlight Developer’s proposed revisions to the Ninth & New Hampshire South Project Plan (the “**Plan**”) and the Agreement between Developer and the City of Lawrence, Kansas (the “**City**”). Developer’s proposed revisions are consistent with our prior discussions, and are primarily clarifications regarding the mechanics and implementation of the Plan.

1. **Interest.** The Plan and the Agreement always permitted Developer to recover interest on its eligible TIF and Transportation Development District (“**TDD**”) costs. The most recent drafts of the Plan and the Agreement include a defined term that clarifies the rate at which such eligible costs will accrue interest. Generally, the agreed-upon rate is equal to Developer’s actual rate of interest paid on borrowed funds, with a cap equal to the prime rate plus three percent (3%). Developer also requests clarification in the Plan and the Agreement that Developer’s share of reimbursement payments from TIF or TDD revenues will first be applied against accrued but unpaid interest, in the same manner as an ordinary promissory note.

2. **Project Costs.** Exhibit G to the Plan has been revised to include Developer’s land acquisition costs. Developer is under contract to purchase the subject real estate, and land acquisition costs are eligible for reimbursement under the TIF statutes, K.S.A. 12-1770 *et seq.* Developer is not requesting an increase in the \$3,500,000 cap of reimbursable TIF expenses, only the ability to certify acquisition costs for reimbursement in the same fashion as the underground parking facility, for example.

3. **Art Commons.** Developer agrees that the City shall be entitled to five percent (5%) of all TIF revenue, for use in connection with the proposed Art Commons area generally located south of the Lawrence Arts Center. Developer proposes, however, that if the City elects not to proceed with the Art Commons project within sixty (60) months after the execution of the

Agreement, the City's five percent (5%) be re-allocated to reimburse Developer's eligible TIF expenses, up to the \$3,500,000 cap amount.

4. **Order of Reimbursement.** The Agreement establishes two (2) separate funds, one for the repayment of TIF expenses and a second for repayment of TDD expenses. Because Developer may certify certain expenses for reimbursement under both the TIF and TDD funds, Developer has proposed language to describe how reimbursement from one fund affects the balance of the other fund. Developer believes such clarification is necessary to reduce the likelihood of confusion in the future, and is fair to both parties.

5. **Physical Changes.** Developer has proposed some minor physical modifications to the proposed hotel project, as described in the Springsted memorandum dated September 26, 2012.

Developer looks forward to proceeding diligently towards implementing these revisions, the approval of the Plan and the Agreement, and commencing construction as soon as reasonably possible.

Very truly yours,

900 NEW HAMPSHIRE, LLC

Bill

William N. Fleming,
General Counsel