

To: City of Appleton

From: Attorney Ben LaFrombois and Attorney Courtney Hollander of von Briesen & Roper, s.c.

Date: February 27, 2017

Re: Common Council action respecting Fox Cities Exhibition Center Financing

The City issued a Request for Proposal, seeking a lead lender to finance the Fox Cities Exhibition Center.

Several financial institutions responded. As discussed in the closed session meeting on February 15, 2017 an Appleton based financial institution proposed acting as lead lender to organize participating financial institutions.

The Lender requested a guaranty from the City of Appleton to assure that the interest payments under the loan would always be made timely. The guaranty would be managed with the use of an interest reserve account. The interest reserve account will be initially funded with room tax revenue in an amount of not less than \$2M and potentially higher. The City's obligation will be to maintain the interest reserve account with a balance of not less than \$1.5M. In the event the City must contribute to the interest reserve fund, the City will ultimately be repaid, with interest fees and costs, through room tax revenue.

We are requesting that the Common Council authorize the City to proceed with closing the financing consistent with the attached summary of terms, which include the guaranty provisions for the City of Appleton. When the final closing documents are ready for execution, the Common Council will be asked to approve the pledge of room taxes and the guaranty of the maintenance of the interest reserve fund.

The material terms are summarized as follows (see following pages):

Borrower:	The Redevelopment Authority of the City of Appleton, a redevelopment authority authorized under Wisconsin Statute §66.1333(3) and established by resolution dated October 11, 1972 of the Common Council of the City of Appleton.
Interest Reserve Fund (“Reserve Fund”):	Established at closing in an amount not less than \$2M. Withdrawal from the Reserve Fund shall be made in the event that room tax collections are insufficient to satisfy the term loan interest when due.
Guarantor:	The City of Appleton (the “ Guarantor ”) shall guaranty and maintain a minimum balance in the Reserve Fund of not less than \$1.5M. In the event that the Guarantor makes a Reserve Fund Loan, the Guarantor shall have been deemed to make a secured, junior loan to the Project.
Reserve Replenishment Terms:	In the event the Reserve Fund balance falls below \$2M, room tax collections shall be used to replenish the Reserve Fund based on a formula.
Lead Participant Lender:	Appleton based financial institution.
Administrative Agent:	The Fox Cities Room Tax Commission through its contracted agent, The Fox Cities Convention & Visitors Bureau, Inc.
Project:	Loan proceeds will be used to finance and construct the Fox Cities Exhibition Center (the “ Project ”) and potentially to pay the costs of issuance of the loans.
Closing Date:	As soon as practical and agreed to by the lenders.
Amounts and Note:	A borrowing of \$31,000,000 of senior secured credit notes in the form of a Draw Note and Term Note is anticipated. Additional borrowing capacity is available. A third note will be the Reserve Fund Loan Note which will be due the City for amounts paid under the guaranty.
Amortization:	There shall be no set amortization period of the Term Note except that all of the room tax collected in excess of interest and fees shall be applied to the principal balance of the Term Note.
Interest:	The Draw Note shall bear interest at a rate equal to the three month maturity of US Treasury Bill plus 2.5% (approximately 3.02%). The Term Note shall bear interest at an initial rate equal to the seven year US Treasury Note plus 2.20%, which rate shall be fixed for the first seven years of the Term Note

	(approximately 4.37%).
Loan Fee:	The lenders shall be paid a fee equal to .50% of the loan amount.
Voluntary Prepayments:	Notes may be prepaid without penalty.
Mandatory Payment of Principal:	Upon issuance of the Term Note, and subject to replenishment of the Reserve Fund, 100% of the collected room tax allocated to the FCEC under the Exhibition Center Cooperation Agreement in excess of the interest due under the Term Note shall be paid and applied to principal.
Collateral:	The loan documents and notes will be secured by a valid and perfected first priority lien on 100% of the room tax assessed and allocated for the Project and the Reserve Fund.
Assignments and Participations:	Each Lender may assign all or part of its loans and commitments without the consent of Borrower, administrator or Guarantor. Lender shall provide notice of such assignment and a form assignment agreement shall be attached to the loan agreement.
Expenses and Indemnification:	Borrower shall pay Lender's expenses, including underwriting and legal fees.

THE ABOVE TERMS DO NOT CONSTITUTE OR IMPLY A COMMITMENT TO PROVIDE FUNDING BY ANY LENDER, NOR A REPRESENTATION THAT SUCH FUNDING WILL BE MADE AVAILABLE. ANY SUCH COMMITMENT WILL BE SUBJECT TO CONTRACT, REGULATORY APPROVAL, CREDIT APPROVAL AND SATISFACTORY DUE DILIGENCE AND DOCUMENTATION.