

TERM SHEET

3/8/16

Pursuant to Milwaukee County Board Resolution 15-260, the County and the Milwaukee Art Museum ("MAM") have engaged in discussions regarding the potential acquisition of the O'Donnell Property by MAM. In accordance with such Resolution, the retention of public use and access to the property were important elements of such discussions. After significant (but not yet complete) due diligence, MAM has determined to submit an offer to acquire the O'Donnell Property on terms that vary from those contained in File 14-837. The following are the terms that MAM is offering to acquire O'Donnell.

I. O'Donnell Terms:

Price and Consideration: MAM proposes to acquire all of the improvements located at the O'Donnell Property (the "O'Donnell Improvements"); the County shall retain ownership of the land beneath the O'Donnell Improvements. The purchase of the O'Donnell Improvements will also include the transfer to MAM of ownership of the Kahler Building (inclusive of the new East Addition) and the space within the Saarinen Base Building currently occupied by MAM (the "Saarinen Space"). The O'Donnell Improvements, Kahler Building and the Saarinen Space will be conveyed to MAM via two condominium regimes, as described herein. The County will continue to own the land beneath the O'Donnell Improvements, Kahler Building and the Saarinen Space. In conjunction with such conveyances, the existing lease between the County and MAM for the Kahler Building and Saarinen Space will terminate and MAM will assume full responsibility for the County's current 84 year obligation for capital maintenance and repair for those facilities, the net present value of which is \$28.8 million. Thus, the consideration to Milwaukee County for the transfer of the O'Donnell Improvements is MAM's assumption of \$28.8 million of County taxpayer obligations.

Structure of the Deal: The O'Donnell Improvements, the Kahler Building and the Saarinen Space would be transferred in a fee simple title to MAM, free and clear of all liens and encumbrances. The County will continue to own all land beneath the structures. The units within the O'Donnell condominium would be:

1. O'Donnell Land Unit. O'Donnell Unit #1 will include all of the O'Donnell Property land presently owned by the County and will be retained by the County.
2. MAM Unit. O'Donnell Unit #2 will include all improvements on the Land, including without limitation, the Parking Structure, the Pavilion, sidewalks, driveways, above ground and below ground utilities, airspace, landscaping and lawn. This unit will be transferred to MAM.

Possession: MAM would take ownership and Possession of O'Donnell Unit #2 upon closing of the O'Donnell Improvements.

Restrictions: The City of Milwaukee deed restriction on the northern half of the O'Donnell Property (i.e., north of Wisconsin Avenue) would remain in place and could only be removed with the consent of the City and the County. It is MAM's responsibility to amend the City of Milwaukee deed restriction to allow for the transfer. In addition to the existing City of Milwaukee deed restriction, a new deed restriction will be recorded restricting the southeastern portion of the site (the area designated as "Area 2" on Exhibit A attached hereto) to a public park. The new deed restriction could only be modified or removed

with consent of the County. The area designated as "Area 1" on Exhibit A would not be encumbered by any restrictive covenants. MAM may rebuild any portion of O'Donnell Unit #2, provided that all encumbered areas are continued to be maintained and restricted as a public park (with accessory parking if MAM so elects). In areas that are a public park, MAM will not limit the public's access, ability to assemble, or ability to exercise free speech in a manner that is inconsistent with public parks that are owned by Milwaukee County. The County will provide waivers and subordinations needed on O'Donnell Unit #1 to allow for such rebuilding.

Due Diligence: The executable document from MAM would be an option to purchase, with an option fee of \$1.00 and an initial term of 6 months, which can be extended an additional 6 months for an additional \$1.00. During the due diligence period, MAM would have to amend the City of Milwaukee deed restriction to allow for the sale to MAM and resolve any property tax exemption issues.

Reserve: Subsequent to the closing, MAM will establish and maintain a restricted capital reserve account to meet the annual capital obligations of the O'Donnell Improvements, the Kahler Building, the Saarinen Space and the Calatrava Building. MAM shall deposit into such reserve on an annual basis an amount equal to the greater of ten percent of its annual operating budget or \$1.5 million.

Betty Brinn: MAM understands that MAM will acquire title to the O'Donnell Improvements subject to the existing lease and other binding agreements between the County and Betty Brinn. MAM will honor such agreements and further agrees to negotiate any modifications to same with Betty Brinn in good faith prior to execution of the option for the O'Donnell Improvements.

War Memorial Center: MAM agrees to work cooperatively with the War Memorial Center (WMC) to create a mutually acceptable kiosk/signage opportunity on the north portion of the O'Donnell Improvements directing the public to the WMC facilities.

II. Kahler/Saarinen Terms:

Background: The MAM campus includes the Calatrava Building, the Kahler Building (including the East addition), and the Saarinen Space within the Saarinen Building. The Calatrava Building is owned by MAM and is on land leased from the Milwaukee Harbor District and from Milwaukee County. The Kahler Building and the land it sits on are owned by Milwaukee County. The Saarinen Building includes a Base Building, a Pedestal Building, a North Parking Lot, and an Under-Bridge Storage facility. The Saarinen Base Building (which essentially comprises the Saarinen Space) is primarily occupied by MAM with the exception of the North Lobby, Veterans Courtyard, elevators, stairwells and various storage and maintenance offices which are occupied by the WMC (the "WMC Spaces in the Saarinen Building"). The Pedestal building is entirely occupied by the WMC. The North Parking Lot is entirely occupied by WMC with the exception of MAM's loading dock and access as defined in the current lease agreement. The Under-Bridge Storage facility is primarily occupied by WMC with the exception of various mechanical shelters.

Structure of the Deal: The Kahler Building and Saarinen Building portions of the MAM Campus ("Campus") will be divided into three Condominium units.

1. Land Unit. Campus Condo Unit #1 will include all of the Land presently owned by the County and will be retained by the County. (Note: Although the existing lease between the

- County and MAM will be terminated, it will likely be necessary to enter into a new ground lease for the portion of the County's land located beneath the Calatrava Building.)
2. MAM Unit. Campus Condo Unit #2 will include the Kahler Building (including the East addition) and the Saarinen Base Building, excluding the WMC Spaces in the Saarinen Building. This Unit will be transferred to MAM. The County will retain easements within the Base Building for access through the North Lobby, as well as ingress and egress for maintenance work and visitor access in stairwells and elevators.
 3. County/WMC Unit. Campus Condo Unit #3 will include the Saarinen Pedestal, the WMC Spaces in the Saarinen Building, the Northern Parking Lot and the Under-Bridge Storage facility. The exterior, structural and mechanical elements of this unit will continue to be owned by the County and leased to WMC under the existing terms of the WMC lease. The condominium declaration shall expressly state that Campus Unit #3 shall be restricted in its uses to those of a war memorial, as determined by the WMC board. MAM will be granted easements for the mechanical shelters located in the Under-Bridge Storage facility, as well as ingress and egress easements for maintenance work and visitor access across North Parking Lot. Unit #3 will be granted an easement to use Fitch Plaza consistent with the uses as presently set forth in the October 1, 2013 Cooperation Agreement.
 4. Unit Boundaries. The boundaries of Campus Condo Unit #2 will be: (a) the exterior surfaces of the southern, northern, western and eastern exterior walls of the Kahler Building and of the southern and eastern exterior surfaces of the Saarinen Base Building (with the northern and western exterior surfaces of the Saarinen Base Building to be part of Campus Unit #3), (b) the exterior surfaces of the foundations of the Kahler and Saarinen Base Buildings, and (c) the top surface of the structural elements on the top of the Kahler Building and Saarinen Base Building, not including the Veterans Courtyard, the Lobby Floor above the Saarinen Base Building, and the stone and poured concrete elements added on top of the surface of the Saarinen Base Building, which shall be part of Campus Condo Unit #3. Detailed drawings will need to be prepared during due diligence period. Laterals that supply utilities (including the chilled water lines) to the Kahler Building and Saarinen Building shall be common or limited common elements, depending upon whether such laterals benefit one or more units. The condominium documents shall respect the existing occupancy rights of WMC, the County and MAM and shall be acceptable to all parties.

Restrictions: MAM may not transfer any portion of Unit #2 without permission from the County. MAM may only occupy Unit #2 for purposes of operating an Art Museum. MAM may not change the exterior appearance of Unit #2 without County Permission. The County may not transfer or enter into a new lease (other than with WMC) for any portion of Unit #3 without permission from MAM and WMC. The County shall not change the exterior appearance of Unit #3 without MAM permission. Milwaukee County shall not sell or lease Campus Unit #3 except to the WMC. MAM shall continue to comply with the requirements of the Public Trust Doctrine, as set forth in its current lease. The MAM and/or WMC may not transfer or lease any space without a written response from the Comptroller and the County's Bond Counsel that the action is in compliance with Section IV.

Possession: MAM is already in possession of Condo Unit #2. MAM would take ownership of Condo Unit #2 upon closing of the O'Donnell Property.

Utilities: Each Party will be responsible for the cost of utilities related to its unit. MAM, as owner of Condo Unit #2, will be responsible for supplying to Condo Unit #3 the following: hot water and chilled water for HVAC (and emergency back up and pneumatic controls), hot water, water, natural gas, electrical feed, telephone feed, and fire and alarm system. (It is the intention that the proposed arrangement will match the current agreements.) These items may be separately metered by MAM and the metered cost for Condo Unit #3 may be billed to the County as owner of the unit (or to WMC as tenant). Such costs will be billed at cost with no additional mark up. Any maintenance cost for elements of these systems that are within Condo Unit #2 shall be the responsibility of MAM. Any maintenance cost for elements of these systems that are within Condo Unit #3 shall be the responsibility of the County.

Movement of Bathrooms: The County has, as part of a Development Agreement, agreed to replace bathrooms for the WMC. After further review by the WMC and the County, the bathrooms should be placed in the North Lobby where there is existing WMC storage and MAM security dressing rooms. These former uses will be relocated to the space occupied by the existing bath room.

Existing Capital Plans for all Condo Units: The existing improvements as part of the Development Agreement that the County was previously responsible for would continue to be completed by the County.

III. Other Terms:

Operating Contribution: At the expiration of the current operating contribution agreement to the Art Museum, the County would extend the operational support by 10 years at a reduced amount of \$500,000 per year.

Arbitration: The current arbitration between the County and MAM would be settled at \$1.9 Million paid by the County at \$190,000 per year for 10 years.

Transaction Costs: Each party shall bear its own expenses in documenting and completing this transaction.

Maintenance Standards. Commercially reasonable provisions will be added to the condominium documentation regarding (a) MAM's maintenance of the condo units that MAM owns, and (b) MAM's responsibility to remove the O'Donnell parking structure after its useful life, as determined by MAM.

Nonbinding: This term sheet does not constitute a binding contract, and the parties do not intend to be legally bound unless and until a definitive Option to Purchase and related documents have been executed by both parties. The signatures below indicate an understanding of what MAM's offer is and what will be presented to the County Board. If approved by the County Board, final documents will be prepared.

IV. No Private Business Use.

MAM agrees that it has not and will not use or permit the use of the Kahler, Saarinen, and 2015 East Addition Buildings (the "Buildings") in a manner that would result in Private Business Use of the Buildings to the extent necessary to maintain the tax-exempt status of the interest on outstanding bonds issued or to be issued by County to finance improvements to the Buildings (the "Bonds"). "Private Business Use" means direct or indirect use in a trade or business carried on by any person other than a state or local government unit (as defined in Section 1.103-1 of the Treasury Regulations) where an organization described in Section 501(c)(3) of the Code is treated as a state or local government unit (as defined in Section 1.103-1 of the Treasury Regulations) with respect to its activities which are not unrelated trades or businesses (without regard to whether the activity results in unrelated trade or business income subject to taxation under Section 512(a) of the Code), determined under Section 513(a) of the Code. Without limiting the foregoing, MAM agrees that it will not sub-lease or otherwise permit others to use any portion of the Buildings unless it delivers to the County Comptroller an opinion from County's Bond Counsel to the effect that the proposed sub-lease or other use will not adversely affect the validity of the Bonds or result in the interest paid or payable on any Bond becoming includable for federal income tax purposes in the gross income of any owner of the Bonds. This provision shall remain in force as long as the County has Bonds outstanding.

Executed this 8 day of March 2016.

Milwaukee Art Museum Inc.

BY:



Name: Daniel T. Keegan

Title: Director

Date: 3/8/16

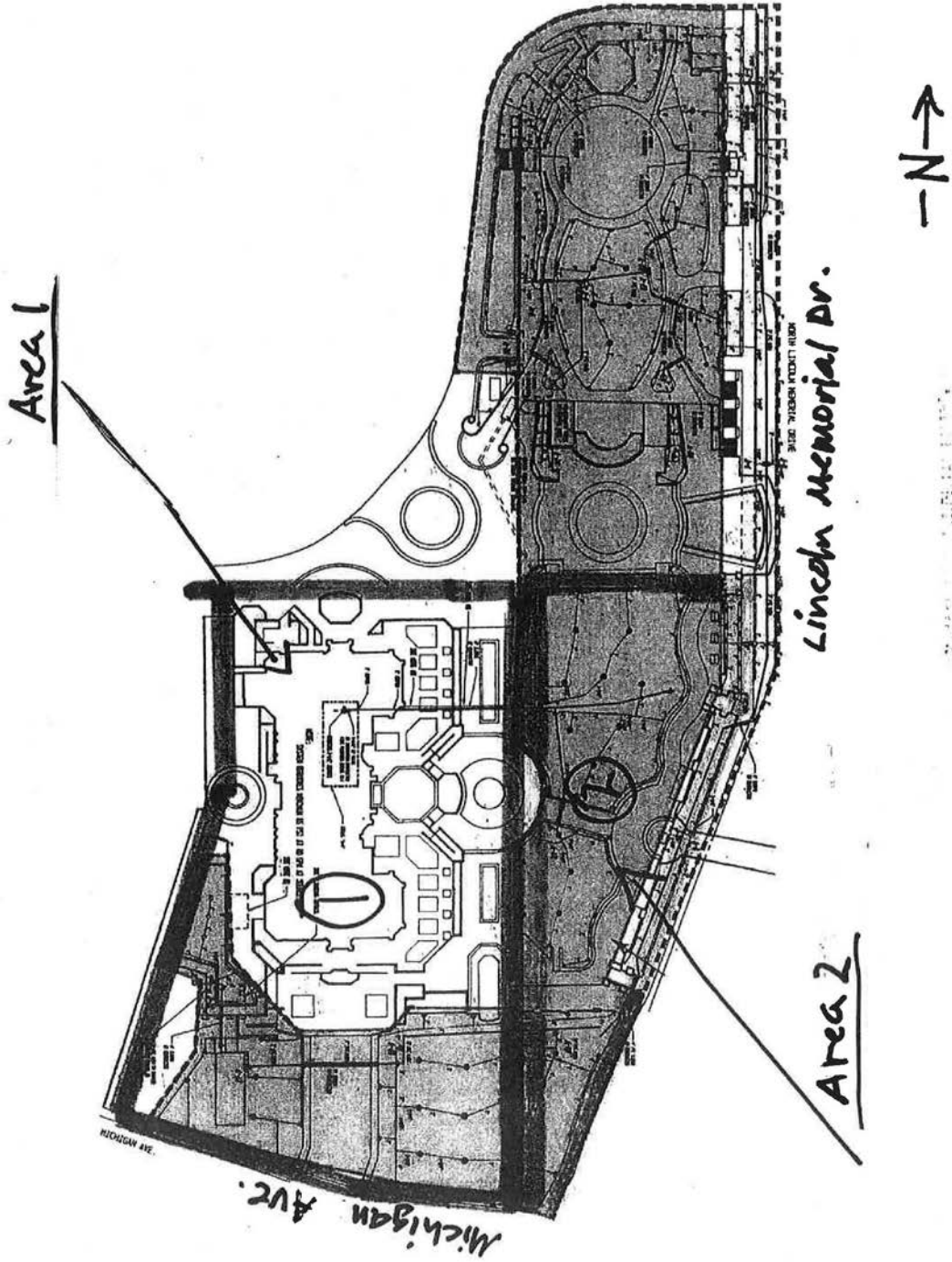
Attachments:

Exhibit A – Drawing

Appendix A – Modifications Necessary for WMC Release

Appendix B – Modifications Necessary for BBCM Release

EXHIBIT A



Appendix A

Modifications Necessary for WMC Release

The Milwaukee County War Memorial, Inc. (WMC), is currently a tenant of the Saarinen Pedestal Building, the North Lot, the Underbridge Storage Area and portions of the Saarinen Base Building pursuant to a lease agreement dated October 1, 2013. With extension rights of the WMC, the end of the lease could be as late as 2097. WMC, pursuant to the lease has certain approval rights over assignments and transfer of ownership related to the building. In order for the WMC to approve the assignment, transfer of ownership and the condominium, WMC has required the following:

Campus Unit #3. Campus Unit #3 will be divided into Campus Unit #3A and Campus Unit #3B. Campus Unit #3A will include the following: all interior spaces of the Saarinen occupied by WMC under its current lease, including without limitation, interior walls, ceiling and floors. Campus Unit #3B will include the remainder of the Saarinen including without limitation, the exterior, structural elements, windows, mechanical, electrical, HVAC, and plumbing components of the Saarinen Pedestal Building, the North Parking Lot and the Under-bridge Storage Facility. Campus Unit #3A will be transferred to WMC at no additional cost free and clear of all liens and shall be WMC's responsibility to maintain. Campus Unit #3B will continue to be owned by the County and leased to WMC under terms similar to WMC's existing lease for those areas.

Restrictions: WMC may not transfer title to any portion of Unit #3A without permission from the County. WMC may only occupy Unit #3 for purposes of operating a War Memorial consistent with past practices and consistent with the Private Activity rules set forth below. The County may not transfer any portion of Campus Unit #3B without permission from MAM and WMC. The County shall not change the exterior appearance of Campus Unit #3B without WMC and MAM permission. WMC shall continue to comply with the requirements of the Public Trust Doctrine, as set forth in its current lease. The North Parking Lot shall remain a WMC parking lot and may not be converted to other uses by a party other than WMC without the prior written consent of the WMC and payment to WMC of an amount sufficient to compensate for its lost property interest and revenue stream derived from its operation.

War Memorial Due Diligence: The executable document from the WMC will be an option to take title to the interior space of Campus Unit #3A, with an option fee of \$1.00 and an initial term of 6 months, which can be extended an additional 6 months for an additional \$1.00. If the WMC declines to take title to Campus Unit #3A, it will retain rights to the Campus Unit #3A and #3B in accordance with the terms of its existing lease with the County.

Capital Repair Assurances. The County will continue to perform the capital projects required under the Development Agreement dated October 1, 2013. The County will continue to maintain Condo Unit #3B in accordance with the existing lease terms, except for such obligations related to Campus Units 1 and 2 that may be transferred to MAM pursuant to the Term Sheet executed with MAM. The County will assign as co-beneficiaries any recovery rights it has against the owner of Condo Unit #2 in the event that Condo Unit #2 is not properly maintained and jointly enforce those rights with WMC.

Transaction Costs: County shall reimburse the WMC for its reasonable transaction costs, including attorney fees, incurred in connection with this transaction up to \$25,000. Other than the foregoing, each party shall bear its own expenses in documenting and completing this transaction.

Possession: The WMC is already in possession of Condo Unit #3A and would take ownership of Condo Unit #3A at or about the time of closing of the O’Donnell Property or such other time as WMC may elect during the option period.

Material Changes: WMC’s willingness to proceed is also premised upon the understandings between MAM and County as set forth in the Term Sheet. Any changes to the MAM/County Term Sheet (or resulting definitive agreements) that impact the WMC will require WMC prior approval.

Operational Support: The County is committed to supporting the operations and the continued success of the WMC, as it provides valuable public services, veteran’s programming, and educational opportunities for the public. The WMC understands the financial challenges of the County and is committed to fundraising and developing revenue models that allow the WMC to increase financial independence from the County. The current operating commitment for the WMC from the County is \$4.86 million payable over 10 years, with the final year being 2023. Both the County and WMC understand that resources cannot be removed immediately after 2023 and there needs to be a transition towards financial independence. Consequently, the County will contribute an additional \$2.44 million to WMC from 2024 to 2033, payable under the terms below. WMC and the County will continue to discuss in good faith during those years any additional amounts the County may be able to provide on an annual basis taking into account then available County resources, other available cultural institution funding and WMC need based on progress under its sustainability plan. Both the County and WMC reserve the right to continuously and mutually evaluate the potential need for a level of continued financial support to ensure the sustainability of the WMC.

2024	\$442,000	2029	\$222,000
2025	\$398,000	2030	\$178,000
2026	\$354,000	2031	\$134,000
2027	\$310,000	2032	\$90,000
2028	\$266,000	2033	\$46,000

Nonbinding: This term sheet does not constitute a binding contract, and the parties do not intend to be legally bound unless and until a definitive Option to Purchase and related documents have been executed by both parties. The signatures below indicate an understanding of what WMC’s terms for release are and what will be presented to the County Board, provided however that no release shall take effect or be deemed to have occurred until such time as a definitive Option to Purchase and subsequent closing documents (including a written release) have been finalized and executed by the WMC. If approved by the County Board, final documents will be prepared.

Private Business Use.

WMC agrees that it has not and will not use or permit the use of the Saarinen Building, North Parking Lot, or Under-bridge Storage Facilities (the “Buildings”) in a manner that would result in Private Business Use of the Buildings to the extent necessary to maintain the tax-exempt status of the interest on outstanding bonds issued or to be issued by County to finance improvements to the Buildings (the “Bonds”). “Private

Business Use" means direct or indirect use in a trade or business carried on by any person other than a state or local government unit (as defined in Section 1.103-1 of the Treasury Regulations) where an organization described in Section 501(c)(3) of the Code is treated as a state or local government unit (as defined in Section 1.103-1 of the Treasury Regulations) with respect to its activities which are not unrelated trades or businesses (without regard to whether the activity results in unrelated trade or business income subject to taxation under Section 512(a) of the Code), determined under Section 513(a) of the Code. Without limiting the foregoing, WMC agrees that it will not sub-lease or otherwise permit others to use any portion of the Buildings unless it delivers to the County Comptroller an opinion from County's Bond Counsel to the effect that the proposed sub-lease or other use will not adversely affect the validity of the Bonds or result in the interest paid or payable on any Bond becoming includable for federal income tax purposes in the gross income of any owner of the Bonds. This provision shall remain in force as long as the County has Bonds outstanding.

Executed this 8th day of March, 2016.

Milwaukee County War Memorial, Inc.

BY:

David J. Drent

Name: David J. Drent

Title: Executive Director

Date: 3-8-16

Appendix B

Modifications Necessary for BBCM Lease

The Betty Brinn Children’s Museum, Inc. (BBCM), is currently a tenant at O’Donnell Park and occupies portions of the Miller Pavilion pursuant to a lease agreement, as amended on September 1, 2008. With extension rights of the BBCM, the end of the lease could be as late as 2033. Under its existing lease, BBCM does not have approval rights over any transfer of the building by the lessor. With the transfer of O’Donnell Park from a public entity to a private entity, BBCM has sought additional protections within its lease in order to assist BBCM with its mission and operations at substantially similar economic terms as it has had with the County. MAM has been willing to consider BBCM’s requested modifications within the lease document in exchange for other concessions by BBCM. The BBCM requests are as follows:

Parking. Convenient, affordable and available parking is essential to ensuring that BBCM remains accessible for all of the children and families it serves, including many disadvantaged families whose parking fees are paid by BBCM. In light of likely increases to parking rates within the parking garage following any transfer of the parking garage and to ensure the cost of parking is not an insurmountable barrier to BBCM’s work in providing a quality school-readiness experience for families with young children, BBCM has proposed caps on visitor, member and staff parking fees. Further, BBCM is requesting that the garage operator make reasonable efforts to ensure that these discounted parking spaces are actually available for its visitors and members.

Right of First Offer. Other than space within O’Donnell Park that may be utilized by MAM, Betty Brinn seeks the right to have a right of first offer to lease any available space on market terms.

Rent. Since rent is comprised of a base rent amount (“Base Rent”) and an amount attributable to operating expenses (“Additional Rent”), BBCM seeks assurances that the Additional Rent is increased on a planned basis that is affordable to BBCM, and MAM seeks to ensure that Additional Rent can be increased on a reasonable basis to ensure sustainability of the O’Donnell Park Pavilion. Consequently, in memorializing the agreements between MAM and BBCM, a provision will be included that Additional Rent, as defined in BBCM’s existing lease, will be adjusted to the following amounts, measured from the date MAM takes title to O’Donnell:

Year 1	\$50,000	Year 6	\$57,373
Year 2	\$50,000	Year 7	\$60,242
Year 3	\$51,500	Year 8	\$63,254
Year 4	\$53,045	Year 9	\$66,416
Year 5	\$55,166	Year 10	\$69,737

After Year 10, the Additional Rent will be increased by 5% every year.

Termination Right. Provide BBCM with the right to terminate the Lease upon 6 months notice.

Communications. In addition to general confidentiality provisions, Betty Brinn seeks limits on MAM’s communications on any future redevelopment of O’Donnell Park, should it occur, so that Betty Brinn can ensure it is not harmed by such communication with donors and visitors.

Miller Room. Betty Brinn seeks assurance that it can still use the Miller Room for up to 6 dates per year for its standard annual events for which the Miller Room has been used in the past by Betty Brinn.

Basement. BBCM seeks rights to utilize the basement space at a rental rate that does not exceed the rent currently paid by the current tenant for such space.

Nonbinding: This term sheet does not constitute a binding contract, and the parties do not intend to be legally bound unless and until a definitive Option to Purchase and related documents have been executed by both parties. The signatures below indicate an understanding of what BBCM’s terms for release are and what will be presented to the County Board. If approved by the County Board, final documents will be prepared.

Executed this _____ day of _____, 2016.

Betty Brinn’s Children’s Museum, Inc.

BY:

Name: _____

Title: _____

Date: _____