



May 2, 2016

Via E-Mail Only

Wes Bowen, Esq.
Rudy N. Watkins
HARVEST GROUP, LLC
3024 Centre Oak Way
Germantown, TN 38138

Re: Headquarters of the Surface Mining and Technology Division of Caterpillar Inc. (“Caterpillar”)

Gentlemen:

We are writing in our capacity as the “Executive Officers” of the Rio Nuevo Multipurpose Facilities District (“District”) in connection with Caterpillar’s intention to establish the division’s headquarters in Tucson. In that capacity, we have read the Economic Impact Report prepared by Applied Economics for Sun Corridor, Inc. and have had numerous discussions with the Caterpillar’s representatives. Based upon these efforts, we believe it is in the District’s best interest to assist Caterpillar in its relocation to Tucson. Subject to approval of the District’s Board of Directors (“Board”) at a special public meeting to be called/held after Caterpillar’s announcement of its intent to move to Tucson, the following sets forth the District’s portion of the incentive/benefit package to Caterpillar.

Moving Costs: The District will provide Caterpillar with an up-front payment of \$2,000,000 to help defray its cost of moving to Tucson.

The Site: The City of Tucson currently holds title to Caterpillar’s desired property (the “Site”) – a parcel approximately five acres in size that lies west of the Santa Cruz River, south of Cushing Street and along the Modern Streetcar Line. Because the Site lies within the District’s tax increment financing boundaries, the Board has the legal authority to acquire the Site from the City. The District will acquire the Site from the City without any acquisition costs from Caterpillar.

The Headquarters: The District is prepared to construct for Caterpillar a headquarters building capable of housing 700-900 employees (“Improvements”). With Caterpillar’s involvement at every stage of the process, the Improvements will be designed and constructed in accordance with the District’s Procurement Code and Title 34. Caterpillar’s participation will commence immediately so that Improvements are designed and constructed to Caterpillar’s specific standards and will include Caterpillar’s participation in the preparation and evaluation of the necessary requests for proposals and/or qualifications, which evaluations do not necessarily require low bidder acceptance. The anticipated budget for the design and construction of the Improvements will be slightly less than \$50,000,000.

The Lease: The District will lease the Site and Improvements (collectively “Subject Property”) to Caterpillar for a period of twenty-five (25) years (the “Lease”). The Lease will be “triple-net” and, should Caterpillar so desire, the Lease will include an “Option” to purchase the Subject Property. The Option could be exercised either (a) at the end of the Lease term for a nominal amount or (b) during the Lease term by payment in full of the remaining principal balance of the District’s Site acquisition and Improvement costs.

The rental rate will be based upon the amortization of the District’s actual costs of designing and constructing the Improvements. In addition, the District will provide a pass-through abatement of the property taxes for the first eight (8) years of the Lease term. During the following seven (7) years, the rent will gradually increase until this property tax relief expires.

Public Meeting: As soon as practicable after Caterpillar’s public announcement of its intent to move to Tucson, we are prepared to call a Special Meeting of the Board to consider a Memorandum of Understanding (“MOU”) which will set forth the foregoing incentives/benefits in more detail. Based upon our information, that public announcement is scheduled for May 3, 2016 at 6:00am Tucson time. If that occurs as scheduled, we will be able to convene a Special Meeting of the Board at 3:30pm (Tucson time) on May 4th. Assuming the Board approves the MOU, we will direct staff and counsel to proceed immediately with the preparation and execution of all necessary agreements.

Very truly yours,

RIO NUEVO MULTIPURPOSE FACILITIES
DISTRICT

By _____
Fletcher McCusker, Chair

By _____
Mark Irvin, Secretary

By _____
Chris Sheafe, Treasurer

APPROVED:

Mark L. Collins, Esq.
Counsel for Rio Nuevo