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November 29, 2010

Mr. Dave Corliss
City Manager
City of Lawrence
8 East 6th Street
Lawrence, KS 66044

Dear Mr. Corliss

As we discussed last week, Mr. Karl Capps and I had a meeting with Mayor Amyx to discuss how to move forward with the Community Improvement District for the 23rd and Ousdahl properties achieving the goals of the City of Lawrence and making substantial progress to improvement of the storm water issue at this intersection. What we suggest is that the City of Lawrence approve a Community Improvement District that includes the three properties on the north side of 23rd Street and the Hobby Lobby Property on the south side of 23rd.

As you are aware, Hobby Lobby has not opposed the formation of a CID and while we have had substantial discussions with Hobby Lobby, they simply are not ready to proceed with detailed development of improvement plans until they complete their internal process which could take a number of months. We think it critical that the Hobby Lobby property be included in the CID and while we cannot force them to make improvements due to the nature of their lease, we think that an "in place" CID will be incentive for them to move forward with construction of the detention basin along 23rd Street, site and landscaping improvements and expansion and renovation of the existing building.

I think we all agree that a "Development Agreement" is a critical part of the approvals and documentation of the terms and conditions for both the City of Lawrence and us as the developer. We would suggest that the City approve the Community Improvement District subject to the following:

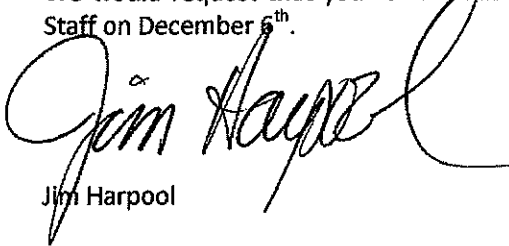
1. The properties on the north and south side of 23rd would be included.
2. The approval is specifically subject to the City Commission approving a "Development Agreement" between the City and Developer.
3. The Development Agreement shall include the following terms and conditions as requirements prior to consideration by the City Commission.
 - a. Developer will work with staff and revise plans to include a "bioswale" in the landscaped area adjacent to 23rd Street.
 - b. Developer will work with the School District to make "bioswale" and detention improvements along the north property line of the north side properties and on school

district property and such agreement shall be presented with the Development Agreement to City Commission.

- c. Developer and City of Lawrence agree that the Community Improvement District funds generated by the north side properties and the Hobby Lobby property shall be segregated into separate escrow accounts.
- d. CID funds generated by the north side properties may be dispersed upon certification by the City of Lawrence to the Developer for costs expended in conformance with the CID budget.
- e. CID funds generated by Hobby Lobby will be held in escrow until such time as Hobby Lobby submits to the City Commission, for review and approval, detailed plans for additional detention, landscaping, site improvements and architectural enhancements to the existing building in accordance with the submitted and approved CID Budget.
- f. Should Hobby Lobby vacate the building prior to making such improvements, Developer agrees to submit to the City of Lawrence plans for such improvements listed above within 120 days after Hobby Lobby vacates the space.

We think this is a way to move forward with the north side properties and to provide assurance to the City of Lawrence that no funds generated by Hobby Lobby will be expended until such time as the City Commission is fully satisfied with regard to the improvements to be made on the Hobby Lobby property. This plan does provide substantial incentive for Hobby Lobby to move forward and in the interim the north side properties are improved, we achieve an essential step in reducing the storm drainage issue at the intersection and we demonstrate unprecedented cooperation between a private developer and the School District to the benefit of the City as a whole.

We would request that you review this request and we look forward to discussion with you and City Staff on December 6th.

A handwritten signature in black ink, appearing to read "Jim Harpool", with a large, sweeping flourish extending from the end of the name.

Jim Harpool