



December 12, 2018
City of Lawrence, Kansas
City Manager's Office
P.O Box 708
Lawrence, KS 66044

Attention: Diane Stoddard, Assistant City Manager
Reference: Section 179D Tax Deduction Passthrough Credit

Dear Diane:

Section 179D of the Internal Revenue Code provides a tax deduction for designers of energy efficient buildings. Since tax-exempt entities cannot benefit from tax deductions, the Internal Revenue Service created a provision for public property owners to pass the economic value of the tax deduction to the designer to encourage and reward energy efficient design.

Willdan anticipates the work performed in approximately 39 city buildings may qualify for a tax deduction. As designer of the energy efficient system and the beneficiary of the tax deduction, we would like to share a portion of the benefit with the City of Lawrence, recognizing that Willdan would not be eligible for said tax deduction without its partnership with the City on the City projects.

We are prepared to offer the City 50% of the post-tax benefit net of our costs. This is estimated as follows:

| | |
|-----------------------------------|------------------------------------|
| Deduction: | \$ 800,000 (conservative estimate) |
| Tax Rate: | 21% |
| Post Tax benefit: | \$ 168,000 |
| Certification | \$ 40,000 (estimate) |
| Economic Value of Deduction | \$ 128,000 |
| Free Services/Check to City (50%) | \$ 64,000 (estimate) |

By signing this document, the City of Lawrence is acknowledging that Willdan is pursuing the 179D tax deduction for energy efficient commercial buildings, and that the City shall receive a check from Willdan equal to 50% of the post-tax benefit Willdan receives if Willdan's application for a 179D tax deduction is granted. Willdan agrees that it shall pay the City its share of the tax deduction as outlined in this letter within 14 days of Willdan's filing its income tax return with the Section 179D tax deduction. Further, Willdan agrees it shall make any and all of Willdan's records related to the Section 179D Internal Revenue Code tax deduction available to the City for review, upon the City's request.

For Willdan to finalize tax deduction paperwork, the City of Lawrence will need to sign the attached EPAct allocation letter on City of Lawrence letterhead.

The amount indicated above is a preliminary estimate and is subject to change based on final calculations.

Willdan, Inc.

City of Lawrence

12/12/2018

Authorized Signature:

Date:

Authorized Signature:

Date:

