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December 31, 2015

RECEIVED

DEC 31 2015

CITY ATTORNEY'S OFFICE
LAWRENCE, KS

VIA HAND DELIVERY

Toni R. Wheeler, City Attorney
City of Lawrence
City Hall
Six East Sixth Street
Lawrence, KS 66044

Re: 12th & Oread Tax Increment Financing District Redevelopment Agreement,
between the City of Lawrence, Kansas and Oread Inn, L.C.

Dear Toni:

I am writing on behalf of Oread Inn and in response to Interim City Manager Diane Stoddard's December 16, 2015 letter to Oread Inn concerning certain reimbursements the City has made under the 12th & Oread Tax Increment Financing District Redevelopment Agreement between the City of Lawrence, Kansas and Oread Inn, L.C. (the "Redevelopment Agreement"). I am also writing concerning the Report of Findings and Conclusions, dated December 15, 2015, that the City commissioned from Allen, Gibbs & Houlik, L.C. ("AGH") and which was attached to Ms. Stoddard's letter.

Enclosed with this letter is a check from Oread Inn to the City in the amount of \$492,914.86, **which Oread Inn is tendering to the City in trust and under protest, and not as payment, based solely on the City's demand.** Please be advised that Oread Inn disputes the City's demand and disagrees with AGH's findings and conclusions. Oread Inn expressly reserves all rights and remedies it may have under the Redevelopment Agreement, at law, or in equity concerning this matter, including but not limited to rights and remedies concerning these funds and the demands contained in the City's letter. Oread Wholesale has retained experts to analyze

Toni R. Wheeler
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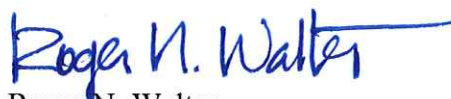
AGH's report, and Oread Inn anticipates responding further to AGH's report when this review is complete.

With respect to the second demand in your letter that Oread Inn reimburse the City the cost incurred in hiring AGH, Oread Inn respectfully takes issue as to whether it is obligated to reimburse those costs under the Redevelopment Agreement. However, more than enough funds are currently available in the Tax Increment Financing ("TIF") fund account to cover the audit cost if the city can establish any lawful basis for reimbursement.

The remainder of the City's letter makes additional demands that exceed Oread Inn's obligations under the Redevelopment Agreement. For instance, the City demands that Oread Inn agree to amend the Agreement, obtain its tenant's financial records and provide them to the City, and comply with additional City demands for audits or reviews in the future. None of these items is among Oread Inn's obligations under the Redevelopment Agreement. As you know, the City was represented by preeminent counsel (Gilmore & Bell, P.C.) in drafting and negotiating the terms of the Redevelopment Agreement. The terms of the Redevelopment Agreement are contractual in nature, binding on both parties. Oread Inn questions the City's right to unilaterally demand revisions, or refuse to follow certain provisions. Oread Inn has abided by the terms of the Redevelopment Agreement, and it will continue to do so. Further, Oread Inn has no right or authority to commit its current tenants to any new obligations, or to unilaterally amend current tenant leases.

However, Oread Inn would reserve response on these other demands until after Oread Wholesale has completed its review. It is my understanding that this review should be completed in January of 2016.

Sincerely,



Roger N. Walter

RNW:ajg
Enclosure
cc: Oread Inn, LLC (by email)