

Summary
Request for City of La Crosse, Wisconsin to Serve as Conduit Issuer
for
Not to Exceed \$8,100,000 Industrial Development Revenue Bonds
to Benefit S&S Cycle, Inc. Project

This will summarize the request of S&S Cycle, Inc., a Wisconsin corporation, and/or a related entity, and/or a limited liability entity to be formed (collectively, the “Company”), asking that the City of La Crosse, Wisconsin (the “City”) consider an Initial Resolution to benefit the Company through the conduit issuance of industrial development revenue bonds (“IRBs”) to finance a project located in the City consisting of the (i) acquisition and installation of equipment at the Borrower’s facility located at 322 Causeway Boulevard in the City of La Crosse, Wisconsin (the “La Crosse Facility”), (ii) acquisition and installation of equipment at the Borrower’s facility located at 14025 County Highway G in the Village of Viola, Wisconsin (the “Viola Facility” and collectively with the La Crosse Facility, the “Facilities”), (iii) rehabilitation of the Facilities which are both operated by the Borrower to manufacture motorcycle components, and (iv) payment of certain costs of issuance (collectively, the “Project”). In an IRB transaction, a state or local governmental entity issues bonds and loans the proceeds from the sale of the bonds to a private entity for an authorized project. In Wisconsin, cities, villages and towns, as well as duly constituted redevelopment authorities and community development authorities may issue IRBs.

As provided in the Project description above, the Project is a multi-jurisdictional Project, a portion of which is located in the City of La Crosse and the Village of Viola. Pursuant to Section 66.1103(3)(f) of the Wisconsin Statutes, a municipality may finance an industrial project which is located entirely outside the geographic limits of the municipality, but only if the revenue agreement for the project also relates to another project of the same eligible participant, part of which is located within the geographic limits of the municipality. Because the proposed Project is currently located in the City of La Crosse and the Village of Viola, the Borrower is requesting each municipality to consider an Initial Resolution. However, the Borrower is requesting that the City of La Crosse be the issuer of the bonds.

These IRBs are municipal bonds; however, they are not general obligations of the City. If the City agrees to issue bonds to benefit the proposed Project:

1. The City will not be liable for payment of the principal and interest on the bonds;
2. The City will not have ongoing responsibilities of monitoring or reporting with regard to the bonds or the Project.
3. The bonds do not count against the City’s borrowing capacity. The City will not levy a tax for payment of the bonds.

The City acts strictly as a conduit, which enables the Company to borrow at a lower rate of interest.

Because the bonds are issued by a governmental entity, the holder of the bond may exclude the interest on the bonds from gross income for federal tax purposes.

Inducement/Reimbursement

Companies considering IRB financing must obtain an Initial Resolution, also sometimes referred to as an “inducement resolution” or “qualified reimbursement resolution” from the municipality in which the Project being financed is located in order to preserve the option to use IRBs. The Initial Resolution is preliminary approval only and is non-binding as to the City or the Company but is required by Federal tax law and State law. If the Initial Resolution is adopted by the City, this will assure that when and if bonds are issued, all eligible project costs incurred no more than 60 days prior to the date of the Initial Resolution (including reimbursement of equity contributions or refunding of conventional financing), may be included in the ultimate IRB financing. Failure to have a qualified resolution may result in disqualifying certain costs.

The Company will benefit from the tax-exempt financing by owning and/or using the bond financed-facilities and will enjoy a lower interest rate as a result of using a bond structure. A lending institution will directly purchase the bonds. The lender for the bonds will look solely to the Company for repayment. Bondholders will not look to the City for payment. The City will assign all of its rights, liability and responsibilities under the bonds to the lender as the bondholder. The Company will be fully responsible for repaying the loan and must make the arrangements with the lender for the payment on the bonds. If the Company is not able to meet its payment obligations, the lender will realize on its collateral and enforce its rights against the Company. The City is not liable for payment.

The foregoing is just a brief discussion of tax-exempt financing. By issuing the bonds, the City will give the Company an interest rate benefit, because the tax-exempt bonds will be tax-exempt in the hands of the bondholders and, therefore, the cost savings passed along to the Company. It must be emphasized that the City will not be liable in any way on the bonds; the bonds are special, limited obligations of the City.

The Company respectfully asks that the City consider the Initial Resolution as follows:

- November 12, 2015 - Initial Resolution is introduced at Common Council meeting
- December 3, 2015 - Finance & Personnel Committee considers Initial Resolution
- December 10, 2015 - Common Council considers Initial Resolution

For agenda purposes, the City should please describe the Initial Resolution as follows:

“Consideration of an Initial Resolution Regarding Industrial Development Revenue Bond Financing for S&S Cycle, Inc. Project. Information with respect to the job impact of the project will be available at the time of consideration of the Initial Resolution.”

Someone from the Company will attend the City meetings to answer any questions.