

March 30, 2018

VIA EMAIL AND OVERNIGHT MAIL

The City of Stockbridge, Georgia
Stockbridge City Hall
4640 North Henry Boulevard
Stockbridge, GA 30281

Re: Urban Redevelopment Agency of the City of Stockbridge Revenue Bond (City of Stockbridge Project), Series 2005B, Series 2006A and Series 2006C Bonds

Notice of Potential Claims/Reservation of Rights

Ladies and Gentlemen:

We represent Capital One Public Funding, LLC ("*Capital One*") with respect to those certain (a) Urban Redevelopment Agency of the City of Stockbridge Revenue Bond (City of Stockbridge Project) Series 2005B (the "*2005B Bonds*"), (b) Urban Redevelopment Agency of the City of Stockbridge Revenue Bond (City of Stockbridge Project) Series 2006A (the "*2006A Bonds*"), and (c) Urban Redevelopment Agency of the City of Stockbridge Revenue Bond (City of Stockbridge Project) Series 2006C (the "*2006C Bonds*", and with the 2005B Bonds and the 2006A Bonds, the "*Bonds*") issued by the Urban Redevelopment Agency of the City of Stockbridge (the "*Stockbridge URA*"). Capital One holds 100 percent of the Bonds.

As you may know, the Bonds were issued by the Stockbridge URA, but are payable from amounts that the City of Stockbridge (the "*City*") is obligated to pay. Specifically, pursuant to the Agreement of Sale by and between the Stockbridge URA, as seller, and the City, as purchaser, dated as of November 14, 2005 (the "*Original Sale Agreement*"), as amended by the First Amendment to the Original Sale Agreement dated as of December 14, 2005 (the "*First Amendment*") (with respect to the 2005B Bonds), and that certain Second Amendment to the Original Sale Agreement, dated as of December 21, 2006 (the "*Second Amendment*") (with respect to the 2006A and 2006C Bonds) (the Original Sale Agreement, as amended by the First Amendment and the Second Amendment, the "*Sale Agreement*"), the City agreed to (i) make installment payments of the purchase price to the Stockbridge URA in amounts sufficient to enable the Stockbridge URA to pay the principal of, premium, if any, and interest on the Bonds when due

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and (ii) agreed to levy an annual ad valorem tax on all taxable property located within the corporate limits of the City, in an amount necessary to fulfill its obligations under the Sale Agreement. The Stockbridge URA, in turn, assigned and pledged a first priority security interest in its right, title, and interest as to the Sale Agreement to Capital One, as subsequent assignee to the original purchaser of the Bonds pursuant to that certain First Amendment to Assignment and Security Agreement, made and entered into as of December 14, 2005, between the Stockbridge URA, and Wachovia Bank, National Association, the original bond purchaser, with respect to the 2005B Bonds, and that certain Second Amendment to Assignment and Security Agreement, made and entered into as of December 21, 2006, between the Stockbridge URA, and Wachovia Bank, National Association, the original bond purchaser, with respect to the 2006A Bonds and the 2006C Bonds.

As we understand, there are currently two bills that have passed the Georgia legislature, SB 262 and SB 263 (related to the City of Stockbridge and a referendum to create a new City of Eagle's Landing), that if signed into law by the Governor would materially adversely affect the Bonds and our client's benefit of its bargain. Pursuant to the changes contemplated in the legislation, a significant portion of the real property currently located within the corporate limits of the City would potentially be deannexed from the City to create the aforementioned new City of Eagle's Landing. As we understand, if SB 262 and SB 263 are signed into law, the residents who reside within the borders of the new proposed city would vote pursuant to a referendum with respect to deannexing from the City and forming the new city of Eagle's Landing.

Although the bills purport to remove over half of the real property from the City, the legislation fails to apportion the existing debt of the City (including the Bonds) between the City and what could become the new City of Eagle's Landing. If approved, by failing to apportion the City's long-term debt (including the Bonds), the resulting legislation would materially and adversely affect Capital One's rights as holder of the Bonds. Because the City's unlimited taxing power has been pledged to repay in full the Bonds, Capital One relied upon the full tax base of the City, including those portions of the City's tax base that are located in the area that potentially could be deannexed from the City, when it purchased the Bonds.

SB 262 and SB 263 infringe Capital One's constitutional rights under the Contracts Clause of the U.S. Constitution and the Georgia Constitution by taking away a significant source of the security and source of repayment for the Bonds that was contractually bargained for by the bondholders. Unless the obligation to repay the Bonds in full is properly apportioned between the City of Stockbridge and the new City of Eagle's Landing, if formed, whereby the City of Eagle's Landing is obligated to secure and repay a proportionate share of the Bonds so that the bondholders have the benefit of the full security (including, but not limited to, ad valorem tax base) that they were originally promised, we have serious concerns regarding the ability of the City to continue to pay debt service on the Bonds because it will have lost a large portion of its ad valorem tax base. By this letter, Capital One specifically reserves its rights, and does not waive any action that it

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would be entitled to take to protect its rights and the benefit of its bargain should the Governor sign SB 262 and SB 263 into law, and additionally reserves its rights and does not waive its right to pursue any and all claims that it may have in the event the City were to default upon the Bonds.

Nothing in this letter nor any delay in the exercise or omission to exercise any rights, powers or remedies available to Capital One, now or from time to time, shall impair any such rights, powers or remedies or be construed to be a waiver by Capital One of such rights, powers or remedies or be construed to be a waiver by Capital One of any impairment that may occur with respect to the Bonds or an acquiescence thereto. No remedy provided to Capital One is intended to be exclusive, and each and every remedy shall be cumulative and shall be in addition to any other remedy now or hereafter existing, at law or in equity or by statute.

This letter is not intended to and does not create any binding legal commitments or obligations on the part of Capital One and shall not be construed as a commitment by Capital One to lend money, forbear from exercising any rights or remedies or take any action against the City. In the event that Capital One takes any action to protect its rights, it will retain Georgia legal counsel to assist in any legal proceedings that may occur.

Sincerely,

CHAPMAN AND CUTLER LLP

By 

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