



April 1, 2020

Mayor Ruth Beier  
City of East Lansing  
410 Abbot Road  
East Lansing, MI 48823

Dear Mayor Beier,

It is with a heightened level of sensitivity by which I write you. We recognize that the current pandemic is causing unprecedented challenges for families, employees, companies, and the world as a whole. We're extremely sympathetic to the sacrifices everyone is currently making. Perhaps we can collectively find solace in our unified effort to persevere.

Like everyone, the past couple of weeks have been extremely challenging, especially those who are personally dealing with health complications or a loss of a loved one. Never in our careers have any of us seen a variable so drastically affecting our economy, employees and employers in such a short period of time. Like so many others, we have been on the phone relentlessly with employees, tenants, suppliers, lenders and government officials, in an effort to fight – to persevere.

Despite the \$2T government stimulus package, the reality is it won't be enough for many. At Harbor Bay, we pride ourselves on being leaders within the communities we work in. That commitment of leadership does not stop now, and in fact, its importance has never been greater. We must move forward.

To that end, we'd like to please request a video call and seek your guidance on how best to proceed forward and overcome the severe downward economic pressures that we are currently facing. Recently, we received a letter from our long-term partner, TSB Capital Advisors. I have included a copy of this letter for your review. This letter is predicated, but not limited to, some of the occurrences below.

- *Foster Coffee, an Owosso-based company*, has placed all 35 of its employees on furlough for the next 120 days.
- *Barrio* has placed all 112 of its employees on furlough; only two-weeks after their Grand Opening.
- *Jolly Pumpkin* has placed 850 employees on furlough across its Michigan operations.
- Nationally, according to the most recent Creditntell Report, approximately 80,000 US retail stores have closed among national retailers (this does not take into account regional and local retailers, it also excludes F&B)
- According to CBRE, credit markets broadly and the multifamily mortgage markets have taken significant hits, effectively paralyzing credit/liquidity.

In each of our markets, including East Lansing, our first priority is to our employees, followed by our tenants, vendors, suppliers, etc. As of the date of this letter, we have maintained full employment of all our employees, even despite a complete hotel closure (mandated by local government). While we continue to experience significant financial hardship and uncertainty across our properties, we maintain a

positive spirit with our employees and team members. And, above all, remain optimists. As Winston Churchill once said, "I am an optimist. It does not seem too much use being anything else."

With that said, I return to my request for a video call, whereby we can begin to discuss and develop solutions together.

Thank you in advance for your leadership in these turbulent times.

Kind Regards,

A handwritten signature in black ink, appearing to read "M. J. Bell". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Mark J. Bell  
Chief Executive Officer  
Harbor Bay Real Estate Advisors  
3412 Commercial Avenue  
Northbrook, IL 60622

Attachment – March 29, 2020 Letter from TSB Capital Advisors – COVID-19 and Economic Recovery Strategies

## MEMORANDUM

March 29, 2020

To: Mark Bell, Chief Executive Officer  
Harbor Bay Real Estate Advisors

From: Timothy S. Bradley  
TSB Capital Advisors, LLC

Re: TSB Capital Advisors – COVID-19 and Economic Recovery Strategies

Dear Mr. Bell,

I hope sincerely that your family, loved ones, employees, and those around you are safe and healthy.

This letter serves to update you on COVID-19 and its unprecedented effects on the economy, more specifically the capital markets. As a general disclaimer, we obviously cannot firmly calculate how the economy will respond to the virus. However, at this juncture and the writing of this letter, we can offer you and your company a snapshot as to how the markets are currently reacting. And, to a broader extent, this can be used as a barometer to forecast what is likely to come, as we navigate these turbulent times together.

Overall, the capital markets have obviously reacted negatively to COVID-19. There is no question – GDP in 2Q, and 2020 in general, will be greatly affected, including but not limited to high unemployment, wage reduction/stagnation, corporate losses, etc. Market fundamentals will be stressed across all sectors. Almost overnight, liquidity/credit has largely frozen, as the market waits to examine delinquency, revenue collections, vacancy, etc., all of which will challenge values.

The Commercial Real Estate (CRE) market will be further challenged by “shelter-in-place” executive orders. As you know, CRE in general depends significantly on daily human interaction. Some of the most basic services that allow the CRE industry to function are now in jeopardy and putting downward pressure on the credit markets – inspections, surveys, maintenance, etc. Meanwhile, ground-up construction projects are of considerable risk with work stoppages.

We do believe there is optimism for a quick economic recovery, but it is dependent on certain variables, most notably, a peak of the COVID-19 virus. Companies within the CRE ranks are weathering the storm by preserving cash, communicating as best as possible with tenants, working with lenders, and above all, helping their employees manage the COVID-19 risk. This storm will pass, and we are confident that strong companies such as yours will persevere.

As we all face this challenge together, we have been in close contact with our investors and lenders that have supported your developments over the years. They strongly stand behind your developments and cherish the successes that have been accomplished. With this in mind and the unknown long-term implications of this pandemic, I must clearly and regrettably convey to you that an immediate effort and steps must be taken to reassure all parties of the long-term viability of your developments. As stated previously, we are optimistic for a quick economic recovery, but the speed of that recovery will vary with the strength of each development. Understanding the uniqueness related to the financing of your developments, everything must be on the table for reconsideration with all your public and private partners. We understand the complexity related to these discussions in normal circumstances, but as we are all aware, these are not normal circumstances.

We respectfully request that you proactively stay in contact with us and keep us apprised of your efforts. Please do not hesitate to call with any questions or comments.

Sincerely,



Timothy S. Bradley, Principal  
TSB Capital Advisors, LLC