Dear Mr. Dewan and Mr. Croom.

PFM Financial Advisors LLC (“PFM”) have reviewed the interest rates offered by Scottsdale Capital Partners, LLC and Bartlett Capital, a Wisconsin LLC (the “Purchasers”) and based on our review of other recent non-rated revenue bond financing results, believe they are comparable rates based on today’s market conditions. However, we should note there are limited similar revenue bond transactions to analyze given the limited security pledge of the Authority’s Series 2020 Bonds.

The results of the financing as shown below complied with the parameters outlined in the delegation Resolution.

Amount Par Amount:  
$13,210,000 Series 2020 A1  
$1,470,000 Series 2020 A2  
$14,680,000 Series 2020 B  
$29,360,000 Total Series 2020 A1, A2 & B (as compared to the maximum amount of $33,500,000)

True Interest Cost:  
4.00% Series 2020 A1 & A2  
4.40% Series 2020B  
4.20% Overall Series 2020 (as compared to the maximum rate of 8.00%)

Final Maturity:  
July 1, 2050 Series 2020 A1, A2 & B  
(which is within the maximum bond term of 30 years)

Purchase Price:  
100.00% Series 2020 A1, A2 & B  
(as compared to the minimum purchase price of 95.00%)

Expenses to non-Authority Advisors:  
$47,500 (as compared to the maximum expense of $140,000)

Our analysis and advice, as the Authority’s municipal advisor, assisting in the review and acceptance of the offer as presented in the Purchaser’s Agreement is based on the following factors of the existing circumstances related to the ELBRA’s Limited Obligation Tax Increment Revenue Refunding Bonds, Series 2017 (Taxable) (the “Prior Bonds” or “Series 2017 Bonds”) and Developer Reimbursable Contribution (“DRC” or “Prior Contractual Obligation”), and the following benefits and considerations associated with the Series 2020 Bonds:
1. **Reduction in debt service compared to the Series 2017 Bonds, DRC and related costs:** The 2020 Bonds as proposed in the Sale Order would allow the Authority to establish a stronger probability of repayment of outstanding indebtedness with Tax Increment Revenues (the “Pledged Funds”), which are the sole security pledge of the Series 2020 Bonds. The Series 2017 Bonds, as currently structured require $52,777,179 in total debt service and $84,000 other related future cost (annual Trustee fees) over the life of the bonds, notwithstanding a potential interest accrual charge related to any shortfalls that occur should revenue projections not meet debt service requirements which is an assumption made to conservatively estimate debt service savings as compared to the Series 2017 Bonds. Further, it is our understanding the Authority has a contractual obligation to repay the DRC of $822,213.42 at the conclusion of the Series 2017 Bond term, which will in the absence of the Series 2020 Bonds will accrue interest at 5.00% annually totaling an estimated $1,991,798, bringing the aggregated anticipate cost to $54,852,977. By issuing the Series 2020 Bonds as presented in the Sale Order, to refinance the Series 2017 Bonds and DRC, the Authority is expected to pay $52,982,500 in total debt service, net of the $600,000 deposit into Bond Fund, contribute previously collected Pledged Funds of $1,298,037, and $206,000 in related future cost (annual Trustee fees) resulting in aggregate cost of $54,486,537. This refinancing would thus result in an aggregate cashflow savings of $366,440 over the life of the Series 2020 Bonds, and provide an estimated **Net Present Value savings of $2,355,618** (or 9.0% of the Prior Bonds and Prior Contractual Obligation) based on the discount rate of 4.359%, or the All in True Interest Cost of the Series 2020 Bonds. As a statistic, the present value savings figure is generally accepted as the industry standard in that it reflects the cashflow savings over the term of the financing in today’s dollars. We have attached preliminary refinancing cashflows and savings analysis in Appendix A.

2. **Avoidance of Series 2017 Bonds debt payment shortfall:** As of the date of this letter, approximately $1,316,000 of Pledged Funds have been collected and is currently being held by Huntington National Bank (the “Trustee”) to make debt service payments on the Series 2017 Bonds. The Authority’s Series 2017 Bonds has an interest payment of $3,741,429 due on December 1, 2020 related to the Series 2017 Bonds, rendering a payment shortfall of approximately $2.425 million absent a refunding of the Series 2017 Bonds. Executing the refinancing of the Series 2017 Bonds as presented in the Sale Order, will allow the Authority to avoid encountering such a shortfall and resulting implications. The implications of incurrence of such a shortfall beyond the financial matters also could involve considerable headline and reputational risk as well as a negative impact on future credit worthiness. However entering into the Series 2020 Bonds agreement is not without future debt service shortfall risk given the uncertainly of the future Pledged Funds collections. Nonetheless the Authority will avoid a shortfall on December 1, 2020.

3. **Tax-exempt and taxable interest rates:** Although there is not a direct comparable transaction, based on our review of other public, revenue security, unrated taxable and tax exempt bond transactions, shown in Appendix B, we believe a tax exempt interest rate of 4.00% and a taxable interest rate of 4.40% are reasonable interest rates. We believe these interest rates are reasonable due to namely the Series 2020 Bonds sole revenue Pledged being the Pledged Funds, a Debt Service Reserve Fund is not available to the Series 2020 bondholders in the event the Pledged Funds are insufficient to pay annual debt service, narrow projected revenue to debt service coverage over the life of the Series 2020 Bonds (annually projected at 1.01 x Pledged Funds to debt service and related costs).

4. **Series 2020 Bonds provide improved Pledged Funds coverage:** The resulting lower debt service payments and the final maturity (July 1, 2050) to coincide with the final levy date
of the Pledged Funds (December 2049) of the Series 2020 Bonds will provide greater revenue-to-debt service coverage. While there is no guarantee that revenues will be realized as currently projected after the issuance of the Series 2020 Bonds, the Series 2020 Bonds provide lower annual debt service cost and increased revenue coverage improving the Authority’s ability to generate sufficient revenues to pay debt service requirements in the future.

5. **The Series 2020 Bonds provide no additional security Pledged:** The issuance of the Series 2020 Bonds as proposed would require no additional security beyond the Pledged Funds (which would continue to be limited to $55,952,038 during the Brownfield Plan and authorized for collection through December 2049) which were legally pledged for repayment of the Series 2017 Bonds and DRC, yet will lower debt service costs paid by the Pledged Funds.

6. **Inclusion of extraordinary redemption provision:** In order to provide additional flexibility to further reduce Series 2020 Bonds debt service costs, in the event that Pledged Funds grow at a rate greater than projected, the Authority will utilize an extraordinary redemption feature to accelerated repayment of principal of the Series 2020 Bonds. Accelerate Series 2020 Bonds principal repayment reduces the debt service cost paid by the Authority from the Pledged Funds over the life of the Bonds, improving future revenue-to-debt service coverage ratios and bolstering the ability of the Series 2020 Bonds to meet its debt service requirements in the future. An increase in Pledged Fund collections spread, as compared to the current projections, may arise for a higher-than-projected increase in taxable values of parcels within the BRA 24 or increases in millages being captured, both/either of which would increase the Pledged Funds collection rate as compared to the current projections.

7. **Optional Redemption Call feature could be used to refinance or restructure the Series 2020 Bonds at the sole option of the ELBRA:** The Series 2020 Bonds will be structured with an optional redemption provision allowing the ELBRA to refinance the Series 2020 Bonds should it make economic sense or be needed to restructured, to further strengthen the Authority’s ability to match debt service requirements with projected taxable value growth and resulting revenues. The bonds will be subject to optional redemption at a price of 103% of par upon closing, reduce to 102% on July 2, 2024, 101% on July 2, 2027 and 100% on July 2, 2030, resulting in greater flexibility than the municipal bonds industry standard ten year par call.

8. **Lack of interest resulting from an issuance of a Direct Purchase or Private Placement Request for Purchase Proposal (“RFP”) to market participants:** On October 14, 2020, the ELBRA directly issued the RFP, with the assistance PFM, Miller, Canfield, Paddock and Stone, P.L.C. (“Bond Counsel”) and Robert W. Baird & Co., Inc. The RFP was sent to over seventy (70) market participants, or potential investors, soliciting bids for purchase of the Series 2020 Bonds, a copy of which is attached in Appendix C. The RFP was also posted on the City of East Lansing’s website and BidNet to provide greater market access to the RFP. After a reasonably established time period for receipt of responses, the Authority received no proposals for direct purchase of the Series 2020 Bonds as proposed in the RFP, which is largely the same structure as presented in the Sale Order. The Authority did receive a response from a firm to act as placement agent on the Series 2020 Bonds, however due to the added cost of issuance of a placement agent, a lien structure to produce greater revenue to debt service coverage for the senior lien bonds and an interest rate step up in twenty (20) years ultimately would have led to higher debt service cost than
the Series 2017 Bonds and DRC. Therefore, the Authority decided this response was not acceptable to meet the refunding objectives of the Authority.

Due to the existing circumstance, as described herein, of the Authority’s Series 2017 Bonds and the DRC, we understand the offer presented in the Sale Order meets the Authority’s objectives based upon the information provided. The delegation Resolution which the Authority’s Board adopted on September 24, 2020 allows you to sign the Sale Order as the Sale Order complies with all of the parameters outlined in the delegation Resolution.

Sincerely,
PFM Financial Advisors LLC

Nate Watson
Director

cc: Thomas J. Fehrenbach, Director, Department of Planning, Building, & Development, City of East Lansing
Miller, Canfield, Paddock and Stone, P.L.C.
Appendix A

Limited Obligation Tax Increment Revenue Refunding Bonds, Series 2020:
Refinancing Cashflows and Savings Analysis
Appendix B

East Lansing Brownfield Redevelopment Authority
Limited Tax Revenue Refunding Bonds, Series 2020
Comparable Pricing Analysis
Appendix C

Request for Proposals - For Direct Purchase or Private Placement of Brownfield Redevelopment Authority of the City of East Lansing - Limited Obligation Tax Increment Revenue Refunding Bonds, Series 2020 – dated October 14, 2020