

SCOTTSDALE CAPITAL LLC

Financial Services since 2004

6219 Broadway
Richmond, IL 60071

September 27, 2017

HB-BM East Lansing LLC
3412 Commercial Ave
Northbrook, IL 60062

Dear Mr. Bell:

Scottsdale Capital LLC, an Illinois limited liability company ("Bond Purchaser") is pleased to provide HB-BM East Lansing LLC, as owner and developer of the Center City District Project ("Center City Project") the following proposal for the purchase of Limited Obligation Tax Increment Revenue Bonds ("Bonds") to finance certain improvements within the Center City Project. The following terms will apply and all terms are subject to final legal documents reviewed and approved by each party's attorney. Any and all of the below terms may be waived or modified as agreed to by the Bond Purchaser.

1. **Developer:** Harbor Bay Real Estate Advisors ("HB") or its assigns or designated development entity.
2. **Center City District Project Background:** The Center City Project is a mixed-use development consisting of a 12-story tower on Grand River Avenue consisting of approximately 22,225 SF of retail (signed lease with Target Corporation) and approximately 273-unit / 464-bed market rate housing community and five-story, 620-space parking structure, approximately 23,917 SF of retail space on the first floor of the parking structure on Albert Street, and a tower on top of the parking structure for 92-unit age-restricted active adult community, and certain public infrastructure improvements consisting primarily of storm and sanitary sewers, water mains, roadway, alley, and on-street parking improvements.
3. **Subject Location / Legal Description:** General location and general legal description for the Center City Project is as follows:

East ½ of Lot 5 and West ½ of Lot 7, except the East 3 inches of Lot 7 in the Plat of College Grove, City of East Lansing, Ingham County, Michigan, according to the plat thereof as recorded in Liber 3 of Plats, Page 4, Ingham County Records, and also except the South 3 feet 4 inches of Lots 5 and 7 dedicated to the public for street and walkway.

The East 41.5 feet of Lot 7, except the South 3 feet and the East 3 inches of the West ½ of Lot 7, except the South 3 feet, College Grove Subdivision, City of East Lansing, Ingham County, Michigan, as recorded in Liber 3 of Plats, Page 4.

Lot 9 and the West 22 feet of Lot 11, College Grove, City of East Lansing, Ingham County, Michigan, according to the recorded plat thereof as recorded in Liber 3 of Plats, Page 4, Ingham County Records, Except the South 3 feet 4 inches of Lot 9 and 11 dedicated to the public for street and walkway purposes.

Lots 4, 6, 8, 10 and Lot 2 Except the West 96 feet and Lot 12 Except the South 20 feet of the East 30 feet thereof, College Grove, City of East Lansing, Ingham County, Michigan, according to the recorded plat thereof in Liber 3 of Plats, Page 4.

4. **Projects Financed with Bond Proceeds ("Bond Projects")**: The public improvements consist of a parking structure of approximately 161,098 gross square feet and approximately 620 parking spaces, defined as "Building B2" in the Master Development Agreement and certain infrastructural improvements to support the Center City Project defined as "Infrastructure Improvements" in the Master Development Agreement and both further described in the East Lansing Brownfield Redevelopment Authority's Tax Increment Plan #24 ("BRA Plan #24") and Exhibit N to the Master Development Agreement.
5. **Bond Issuer**: East Lansing Brownfield Redevelopment Authority (ELBRA) must be organized and existing under all appropriate laws, including but not limited to the Brownfield Redevelopment Financing Act, 1996 PA 381 as amended ("Act 381").
6. **ELBRA Authorizing Resolution and Indenture**: The ELBRA will adopt an authorizing resolution and the Bonds will be issued pursuant to a Bond Trust Indenture. The Bonds may be issued in one or more series and be tax-exempt and or federally taxable as evidenced by an unqualified legal opinion issued by ELBRA's bond counsel.
7. **Principal Amount**: Not to exceed \$31,000,000.
8. **Use of Bond Proceeds**: Proceeds from the Bonds shall finance the construction costs, capitalized interest for a period not to exceed 36 months, and cost of issuance related to the Building B2 and the Infrastructure Improvements as defined in the Master Development Agreement and ELBRA's Brownfield Redevelopment Authority Plan #24 as approved by the Council of the City of East Lansing.
9. **Security for the Bonds**: (1) the capture and pledge, giving rise to a statutory lien as set forth at MCL 125.2667(1) of incremental taxes as set forth in Brownfield Redevelopment Authority Plan #24; (2) a Tax intercept agreement, or other such agreement, providing for the capture and remittance of the incremental taxes or of any delinquent eligible incremental taxes by Ingham County Treasurer; and (3) a commitment by the Developer, if necessary, to make certain payments to the Trustee to pay debt service on the Bonds, in the event the tax increment revenues are insufficient to pay debt service on the Bonds.
10. **Draw Structure & Bond Provisions**: During the initial Term of the Bonds, the Bonds will be structured as a non-revolving draw type facility in a form acceptable to all parties. The Developer will be required to submit cost reports and requisitions, which will be subject to the normal review and approval process for the requisition of bond proceeds. Approved requisitions for completed, eligible infrastructure work, costs associated with the issuance of the Bonds and the construction of the Bond Projects, plus accrued interest on the draws will be counted as a draw on the Bonds.
11. **Term**: Subject to the interest rate mode, the initial Term on the Bonds shall not exceed five (5) years from the date of Closing or other term mutually agreed to by Developer and the Bond Purchaser. After the Center City Project has been completed, the Term shall not exceed thirty (30) years from July 1 of the first year eligible incremental taxes are captured or other term mutually agreed to by Developer and the Bond Purchaser.
12. **Interest Rate**: Using a 30/360 day count for tax-exempt bonds and actual/actual day count for taxable bonds, the interest rate is 5.00%, payable semi-annually, or other interest period mutually agreed to between the Bond Purchaser and the Developer.

13. **Trustee:** A Trustee shall be appointed to administer the "draw-down" structure for the bond proceeds.

14. **Guaranteed Maximum Price (GMP) Contract:** Prior to closing, HB will provide Bond Purchaser with satisfactory evidence of an AIA GMP contract to build the Bond Projects.

15. **Due Diligence:** Deal subject to customary due diligence items, including but not limited to title, survey, environmental, and geotechnical.

16. **During the Term of the Bonds:**

- a. HB will maintain control of the development.
- b. HB will maintain an approved manager (by Bond Purchaser) of the development entity; any change in manager must be approved by Bond Purchaser.
- c. HB will submit annual financial statements not later than 120 days after the end of the financial year.
- d. HB will self-manage the development, or appoint a third-party manager, so long as third-party manager is competent and proficient in the general business operations of the development, as reasonably approved by Bond Purchaser.

17. **Conditions Precedent to Closing:**

- a. Receipt and approval of the cash flow and verification of financial statement.
- b. Evidence of senior construction debt.
- c. Receipt of copies of all documents relating to the authorization and terms and conditions of the ELBRA Bonds.
- d. Receipt of executed Bonds issued by the ELBRA.
- e. Receipt of certificates of the ELBRA, City of East Lansing, and the East Lansing Downtown Development Authority regarding the validity and enforceability of the Master Development Agreement and absence of existing defaults thereunder.
- f. Bond Purchaser's third-party consultant's satisfactory review of the Center City District Brownfield Plan #24, as approved June 20, 2017.
- g. Receipt of unqualified legal opinion of Bond Counsel regarding validity and enforceability of the Bonds and Act 381 statutory lien.

18. **Conditions Precedent to Each Draw**

- a. Satisfaction of all conditions to an advance under the Master Development Agreement and the bond documents and receipt of all documents delivered in connection with such advance under the Master Development Agreement and/or the bond documents.
- b. Owners, Contractor and Subcontractor sworn statements and waivers of lien.
- c. Date down endorsement and mechanic's lien certification issued by the title company.
- d. Current projection of estimated cost of completion of the construction.
- e. Bond Purchaser's independent engineer/architect must approve all draws and advances prior to Trustee's disbursement.
- f. Absence of any default under the Master Development Agreement or the bond documents.
- g. Such other pre-conditions as Bond Purchaser may reasonably require.

19. **Costs:** All out of pocket costs and expenses incurred by Bond Purchaser in connection with the proposed financing / transaction, including without limitation appraisal fees, legal fees and general expenses, will be borne by HB whether or not the transaction closes.
20. **Indemnification:** HB will indemnify Bond Purchaser against losses, liabilities, claims, damages, or expenses (including, but not limited to, reasonable attorney's fees and settlement costs) incurred by Bond Purchaser relating to the transaction.
21. **Governing Law:** Subject to the laws of the State of Michigan.

This offer letter is not intended to be a binding agreement. Final terms, conditions and agreement(s) are subject to review and approval by legal counsel. If acceptable, please sign below and return a copy to us.

Sincerely,

SCOTTSDALE CAPITAL LLC


By: Karl C Williams, Managing Director

10-3-17
Dated:

Accepted:

HB-BM East Lansing LLC


By: Mark Bell, Manager

10/3/17
Dated: