Springsted Incorporated
9229 Ward Parkway, Suite 104
Kansas City, MO 64114-3311

Tel: 816-333-7200
Fax: 816-333-6899
Email: advisors@springsted.com
www.springsted.com

March 19, 2009

Delivered by Electronic Mail

Mr. Stephen Arbo
City Administrator
City of Lee's Summit
220 SE Green
Lee's Summit, Missouri 64063

Re: Summit Fair – Financing Sensitivity Analysis

Dear Mr. Arbo,

As you requested, Springsted has performed sensitivity analysis on a financing plan put forth by the Summit Fair Developer and its investment banking firm, Stifel Nicolaus. The proposal assumes the issuance of approximately $11,145,000 in Tax Increment (Annual Appropriation) Revenue Bonds. Of this amount, it is estimated that $8,775,743 will be available to reimburse project costs given the revenue assumptions.

This proposal is based on two fundamental concepts for marketing and repaying the bonds. The first concept is that the size of the transaction is based on project revenues from only two major stores, Macy's and Penny's in Summit Fair. In the event these project revenues are insufficient to make scheduled debt service payments on a timely basis the City commits to appropriate funds from its general revenues for any shortfall. This second item is termed an 'annual appropriation' pledge; it is annual because it is a yearly decision for the City. The City must view this pledge with extreme seriousness because failure to appropriate would lead to a significant reduction in the City's general obligation credit rating. Therefore, our review in large part is to estimate conditions under which project revenues would be insufficient and the City's general revenues would be exposed to the risk of appropriation.

The transaction has a repayment term running through 2030. Debt service coverage is assumed to be 1.35. However, because revenues dedicated to the School District Education Grants and 25% of the CID sales tax would be available as additional reserves, the effective debt service coverage ratio would be 1.50.

In conducting our sensitivity analysis, we determined that project revenues could decline by 39% before the City would have to pay debt service from its annual appropriation pledge (beginning in 2028 and ending when the bonds

mature in 2030). A 45% revenue decline would require annual appropriation payments from 2018 through 2030, and a 55% decline would require annual appropriation payments from 2014 through 2030.

Should Penney's or Macy's not open, it is forecasted that the debt service reserve fund would be depleted in 2021, with an estimated annual shortfall thereafter of $104,000.

The City should note the private conditions whereby both Penney's and Macy's require: (1) opening of the other anchor store; and (2) opening of 100,000 square feet of other stores as a pre-requisite for initiating operations.

Our conclusions are, of course, based on forecasts of future events. Actual conditions may vary positively or negatively from those forecasted.

Springsted appreciates the opportunity to be of service to the City of Lee's Summit. We look forward to discussing this report with you.

Respectfully,

David MacGillivray *Tom Kaleko*

David MacGillivray, Chairman
Client Representative

Tom Kaleko, Senior Vice President
Client Representative

Attachments: Summit Fair – TIF Bond, Bond Sizing and Sensitivity Calculations

Summit Fair – TIF Bond
Bond Sizing and Sensitivity Calculations

Revenue Assumptions

PILOTS – $20,925,000 of "Projected Appraised Value" (per Canyon Study) for land and buildings – Macy's and JC Penney's only

- $100 per s.f. for Macy's 120,000 s.f. = $12M
- $85 per s.f. for JC Penney's 105,000 s.f. = $8.925M
- Total "Projected Assessed Value" = $6,696,000

PILOTS – Base Value of Macy's & JC Penney's of $950,985 (31.63% of $3,006,591 for entire Project Area 1 based on site acreage) subtracted from "Projected Appraised Value" (per City)

- Estimated Base Assessed Value for Macy's & JC Penney's is $304,315 and is subtracted from "Projected Assessed Value" for increased assessed value of $6,391,685

- 100% Assessed on 1/1/2010, first increment 11/1/2011 (per Canyon Study)
- TIF eligible Mill Levy of 8.6038 (prior to subtraction of Education Grant)
- Total PILOTS reduced by 1.6% County collection fees (per Canyon Study)
- Education Grant calculation:
    - School District Mill levy of 5.8359, 22.5% of school district levy is 1.3131 mills or 15.2616% of the total TIF eligible mill levy, leaving 84.7384% of PILOTS for TIF bonds

Available PILOTS pledged to bonds = $6,391,685 / 100 x 8.6038 x (.847384) x .984 = $458,544

- The appraised value inflates at 2% every odd numbered year (per City)

Total PILOTS 11/1/2011 through 11/1/2030 = $10,200,008

Sales Tax Bond Revenue Assumptions:

- 50% of EATS includes 50% of CID 1% Sales Tax used to size TIF bond;
- 75% of CID 1% sales tax not captured as EATS used to size TIF bond;
- 25% of CID 1% sales tax not captured as EATS used in revenue shortfall situations only, NOT TO SIZE TIF BOND;
- City Super TIF revenues not available for this bond issue

Sales Tax Assumptions (from Canyon Study)

- Macy's – $160 per s.f. for 2010 or $19.2M ramping up to a stabilized $170 per s.f. in 2012 ($20.4M);
- JC Penney's – $140 per s.f. for 2010 or $14.7M ramping up to a stabilized $150 per s.f. in 2012 ($15.75M);
- Sales inflate at 1.5% annually thereafter
- Various taxes (County Drug, City Capital & Parks) sunset during the term of the TIF
- Revenue reduced by 3% for State collection and assumed on-time payment
- Canyon revenue stream includes 2 month lag from sale to revenue collection

The above assumptions results in total EATS revenue of $13,086,150 and total additional CID sales tax of $3,094,822

Combined total revenue of $26,380,980

Bond Sizing

- Springsted prepared revised bond projections with the same underlying assumptions used by Stifel.
- Total Principal – $11,145,000
- Total to Project fund – $8,775,743

The bond sources and uses and debt service schedules are included in a separate attachment.

The bonds are structured with 1.35 times coverage, which means the projected revenues would need to decline more than 26% to result in a revenue shortfall. This shortfall would be covered first by the above described excluded revenues (School District Education Grants and 25% of CID Sales Tax not captured as EATS), followed by the debt service reserve fund, and lastly the City's annually appropriated dollars.

The bonds are sized without the Education Grant and without 25% of the portion of CID sales tax not captured as EATS; these additional revenues would enhance the coverage to 1.50 times, which means revenues could fall 33% before a shortfall triggering use of the debt service reserve funds.

We have prepared two sensitivity scenarios:

1) At what level does total revenue need to fall on a percentage basis to deplete the reserve fund requiring the City's annual appropriation pledged revenues to be used for debt service;
2) What is the impact if the sales tax based revenue falls by 50% (EATS/CID) and PILOTS fall by 30% (situation where one of the two retailers does not open).

For Scenario 1 –

- The revenues would need to decline approximately 39% of projected for the reserve fund to be depleted and the City's annual appropriation pledge tapped to cover debt service. This occurrence would happen in 2028. This is a thin margin however, as shown in the table below:

	Revenues Decline By Percentage		
	39%	45%	55%
Year Annual Appropriation Pledge Triggered (reserve fund depleted)	2028	2018	2014

For Scenario 2 –

- The bond sizing includes 75% of the CID sales tax not captured as EATS, and if one of the retailers does not open, as described above, the revenues would fall and the reserve fund would be depleted by 11/1/2021 and the City's annual appropriation pledge would be utilized to cover debt service. The estimated annual shortfall thereafter is $104,000.

In each of the calculations we have assumed the same level of revenue appreciation is received (1.5% annually on sales tax, and 2% every other year on property tax). We have reduced each year's projected revenue based on the percentage above, which has the effect of maintaining the appreciation levels as projected. Furthermore, we have assumed no replacement source for the use of the reserve fund.

$11,145,000

Lee's Summit, Missouri

Tax Increment Annual Appropriation Revenue Bonds

Series 2009 (Summit Fair Project) PILOTS, EATS, 75% of CID Sales Tax Not Captured as EATS

Sources & Uses

Dated 05/01/2009 | Delivered 05/01/2009

Sources Of Funds	
Par Amount of Bonds	$11,145,000.00
Original Issue Discount (OID)	(61,000.00)
Total Sources	**$11,084,000.00**
Uses Of Funds	
Deposit to Project Fund	8,775,742.71
Deposit to Debt Service Reserve Fund (DSRF)	1,016,415.00
Deposit to Capitalized Interest (CIF) Fund	866,217.29
Total Underwriter's Discount (2.500%)	278,625.00
Costs of Issuance	147,000.00
Total Uses	**$11,084,000.00**

$11,145,000

Lee's Summit, Missouri

Tax Increment Annual Appropriation Revenue Bonds

Series 2009 (Summit Fair Project) PILOTS, EATS, 75% of CID Sales Tax Not Captured as EATS

NET DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	Expenses	DSR	Cap.Interest	Net New D/S	Revenue	Surpls(Deficit)
11/01/2009	-	-	305,723.75	305,723.75	10,000.00	(5,082.08)	(305,723.75)	4,917.92	-	(4,917.92)
11/01/2010	-	-	611,447.50	611,447.50	20,000.00	(10,164.16)	(560,493.54)	60,789.80	311,955.44	251,165.64
11/01/2011	230,000.00	2.970%	611,447.50	841,447.50	20,000.00	(10,164.16)	-	851,283.34	1,158,430.83	307,147.49
11/01/2012	295,000.00	3.130%	604,616.50	899,616.50	20,000.00	(10,164.16)	-	909,452.34	1,234,786.76	325,334.42
11/01/2013	320,000.00	3.330%	595,383.00	915,383.00	20,000.00	(10,164.16)	-	925,218.84	1,257,772.65	332,553.81
11/01/2014	350,000.00	3.620%	584,727.00	934,727.00	20,000.00	(10,164.16)	-	944,562.84	1,281,239.23	336,676.39
11/01/2015	370,000.00	3.870%	572,057.00	942,057.00	20,000.00	(10,164.16)	-	951,892.84	1,293,288.55	341,395.71
11/01/2016	400,000.00	4.090%	557,738.00	957,738.00	20,000.00	(10,164.16)	-	967,573.84	1,315,514.26	347,940.42
11/01/2017	425,000.00	4.320%	541,378.00	966,378.00	20,000.00	(10,164.16)	-	976,213.84	1,327,927.78	351,713.94
11/01/2018	460,000.00	4.550%	523,018.00	983,018.00	20,000.00	(10,164.16)	-	992,853.84	1,350,723.06	357,869.22
11/01/2019	425,000.00	4.800%	502,088.00	927,088.00	20,000.00	(10,164.16)	-	936,923.84	1,273,286.62	336,362.78
11/01/2020	425,000.00	5.110%	481,688.00	906,688.00	20,000.00	(10,164.16)	-	916,523.84	1,247,237.58	330,713.74
11/01/2021	455,000.00	5.910%	459,970.50	914,970.50	20,000.00	(10,164.16)	-	924,806.34	1,252,304.04	327,497.70
11/01/2022	495,000.00	5.910%	433,080.00	928,080.00	20,000.00	(10,164.16)	-	937,915.84	1,274,067.95	336,152.11
11/01/2023	535,000.00	5.910%	403,825.50	938,825.50	20,000.00	(10,164.16)	-	948,661.34	1,285,391.74	336,730.40
11/01/2024	580,000.00	5.910%	372,207.00	952,207.00	20,000.00	(10,164.16)	-	962,042.84	1,307,704.99	345,662.15
11/01/2025	625,000.00	5.910%	337,929.00	962,929.00	20,000.00	(10,164.16)	-	972,764.84	1,319,371.03	346,606.19
11/01/2026	680,000.00	6.330%	300,991.50	980,991.50	20,000.00	(10,164.16)	-	990,827.34	1,342,248.08	351,420.74
11/01/2027	730,000.00	6.330%	257,947.50	987,947.50	20,000.00	(10,164.16)	-	997,783.34	1,354,266.73	356,483.39
11/01/2028	795,000.00	6.330%	211,738.50	1,006,738.50	20,000.00	(10,164.16)	-	1,016,574.34	1,377,722.38	361,148.04
11/01/2029	855,000.00	6.330%	161,415.00	1,016,415.00	20,000.00	(10,164.16)	-	1,026,250.84	1,390,104.29	363,853.45
11/01/2030	1,695,000.00	6.330%	107,293.50	1,802,293.50	20,000.00	(1,026,579.16)	-	795,714.34	1,425,635.67	629,921.33
Total	$11,145,000.00	-	$9,537,710.25	$20,682,710.25	$430,000.00	(1,234,944.44)	(866,217.29)	$19,011,548.52	$26,380,979.66	$7,369,431.14

SIGNIFICANT DATES

Dated	5/01/2009
Delivery Date	5/01/2009
First Coupon Date	11/01/2009

Yield Statistics

Bond Year Dollars	$162,017.50
Average Life	14.537 Years
Average Coupon	5.8868395%
Net Interest Cost (NIC)	6.0964620%
True Interest Cost (TIC)	6.1285559%
Bond Yield for Arbitrage Purposes	5.8563574%
All Inclusive Cost (AIC)	6.5096568%
Net Interest Cost in Dollars	9,537,710.25
Weighted Average Maturity	14.514 Years

$11,145,000

Lee's Summit, Missouri

Tax Increment Annual Appropriation Revenue Bonds

Series 2009 (Summit Fair Project) PILOTS, EATS, 75% of CID Sales Tax Not Captured as EATS

Coverage Ratio

Date	Total Revenues	Total D/S	Coverage
11/01/2009	310,805.83	315,723.75	0.9844233x
11/01/2010	882,613.14	631,447.50	1.3977617x
11/01/2011	1,168,594.99	861,447.50	1.3565481x
11/01/2012	1,244,950.92	919,616.50	1.3537718x
11/01/2013	1,267,936.81	935,383.00	1.3555269x
11/01/2014	1,291,403.39	954,727.00	1.3526415x
11/01/2015	1,303,452.71	962,057.00	1.3548602x
11/01/2016	1,325,678.42	977,738.00	1.3558626x
11/01/2017	1,338,091.94	986,378.00	1.3565712x
11/01/2018	1,360,887.22	1,003,018.00	1.3567924x
11/01/2019	1,283,450.78	947,088.00	1.3551547x
11/01/2020	1,257,401.74	926,688.00	1.3568771x
11/01/2021	1,262,468.20	934,970.50	1.3502760x
11/01/2022	1,284,232.11	948,080.00	1.3545609x
11/01/2023	1,295,555.90	958,825.50	1.3511905x
11/01/2024	1,317,869.15	972,207.00	1.3555438x
11/01/2025	1,329,535.19	982,929.00	1.3526259x
11/01/2026	1,352,412.24	1,000,991.50	1.3510727x
11/01/2027	1,364,430.89	1,007,947.50	1.3536726x
11/01/2028	1,387,886.54	1,026,738.50	1.3517430x
11/01/2029	1,400,268.45	1,036,415.00	1.3510693x
11/01/2030	2,452,214.83	1,822,293.50	1.3456750x
Total	$28,482,141.39	$21,112,710.25	-

$11,145,000

Lee's Summit, Missouri

Tax Increment Annual Appropriation Revenue Bonds

Series 2009 (Summit Fair Project) PILOTS, EATS, 75% of CID Sales Tax Not Captured as EATS

Revenue Summary

DATE	EATS	PILOTs	75% CID Sales Tax Not Captured as EATS	TOTAL
11/01/2009	-	-	-	-
11/01/2010	253,192.94	-	58,762.50	311,955.44
11/01/2011	572,761.82	458,544.01	127,125.00	1,158,430.83
11/01/2012	635,291.49	468,151.52	131,343.75	1,234,786.76
11/01/2013	654,058.63	468,151.52	135,562.50	1,257,772.65
11/01/2014	665,692.10	477,951.19	137,595.94	1,281,239.23
11/01/2015	675,677.48	477,951.19	139,659.88	1,293,288.55
11/01/2016	685,812.64	487,946.85	141,754.77	1,315,514.26
11/01/2017	696,099.83	487,946.85	143,881.10	1,327,927.78
11/01/2018	706,541.33	498,142.42	146,039.31	1,350,723.06
11/01/2019	626,914.30	498,142.42	148,229.90	1,273,286.62
11/01/2020	588,242.33	508,541.90	150,453.35	1,247,237.58
11/01/2021	591,051.99	508,541.90	152,710.15	1,252,304.04
11/01/2022	599,917.77	519,149.38	155,000.80	1,274,067.95
11/01/2023	608,916.54	519,149.38	157,325.82	1,285,391.74
11/01/2024	618,050.29	529,969.00	159,685.70	1,307,704.99
11/01/2025	627,321.04	529,969.00	162,080.99	1,319,371.03
11/01/2026	636,730.86	541,005.02	164,512.20	1,342,248.08
11/01/2027	646,281.82	541,005.02	166,979.89	1,354,266.73
11/01/2028	655,976.05	552,261.75	169,484.58	1,377,722.38
11/01/2029	665,815.69	552,261.75	172,026.85	1,390,104.29
11/01/2030	675,802.92	575,225.49	174,607.26	1,425,635.67
Total	$13,086,149.86	$10,200,007.56	$3,094,822.24	$26,380,979.66