

MICHIGAN ENTERPRISES REPORT NUMBER ONE HUNDRED THREE TO LINCOLN DDA

April 10, 2017

The following is a report by Bob Jones of Michigan Enterprises for the Lincoln DDA concerning our major project, the proposed Senior (Assisted) Living facility.

1. FINANCING

All the documents on the Belle Oaks financing have been signed. The investment group lender is doing a "bridge loan" with Esther and Joel Nederhood on Belle Oaks (assisted living), Bella Rose (aquatic therapy facility), and Lake to Lake Transportation. The purpose of the bridge loan is to carry the Nederhoods over until the Lincoln Small Business Administration (SBA) loan will be closed covering all of the Nederhood's properties including the Lincoln facility.

Their mortgage on Belle Oaks and related properties was a five-year term that is expiring, and they needed to do a bridge loan rather than another term mortgage which would have a large payoff penalty when they would refinance for all their properties including the Lincoln loan.

The investment lending group does senior living complexes, and all of their previous loans were in states and/or localities where assisted living facilities have to be licensed, and also are on properties that are zoned for that purpose. In Michigan assisted living facilities do not have to be licensed at this time. Legislation is moving forward to require these facilities to be licensed in the State of Michigan, and Belle Oaks is making improvements to become licensed, but that will take some months to accomplish. The bridge loan carries the Nederhoods forward until they get licensed and close on the loan for all facilities including the Lincoln project.

They are working with SBA, which takes a lot more time because SBA does not require that the properties have zoning. Missaukee County where Belle Oaks is located does not have zoning, and conventional lenders require that, but SBA does not. When they built Belle Oaks thirteen years ago there were not these requirements for conventional lenders and investors. After the property meltdown in and around 2006-7 the new federal requirements became stricter.

2. ELECTRIC POWER FOR LINCOLN INDUSTRIAL PARK WHICH INCLUDES BELLE OF LINCOLN

In working in McBain and other projects I have been working with the Michigan and other states Public Service Commissions and some attorneys with a well-known Law firm. Two of their attorneys specialize in electric power restrictions and legal conditions that can allow a power producer like Viking (Engie) to sell electricity across property lines to adjacent property without having to put their power on the grid, thereby saving money that would be spent on transmitting power on the grid, usually around 4 cents per kWh plus other grid related expenses. A lot of this information is confidential, because if some people find out they would try to block this move. I will amplify this at tomorrow's DDA meeting.

If we get this situation in the Lincoln Industrial Park industries would be attracted to put their businesses in this low electric cost area.

END OF REPORT