



PINE TRACE GOLF CLUB

December 5, 2016

Mayor Bryan Barnett
City of Rochester Hills
1000 Rochester Hills Dr.
Rochester Hills, MI 48309

Dear Mayor Barnett,

I hope this letter finds you in good health and looking forward to the holiday season. As you know I am the operator of Pine Trace Golf Club and have been since its opening of July 1989.

The Pine Trace lease with the City of Rochester Hills currently expires on December 31, 2025, and the Club enjoys an option to extend the lease for an additional 10 year period, taking the lease out to December 31, 2035. I am writing today to request an approximately two year extension to the current lease agreement between Pine Trace and the City.

The reason I need this accommodation relates to the refinancing of debt at Pine Trace. Financing for golf courses has become increasingly difficult since the 2008 financial crisis. Although Pine Trace has an excellent history of timely payment of all of its obligations, like the majority of golf courses throughout the country, bank financing is difficult to obtain. Fortunately, however, I have an opportunity to put together a long term loan arrangement that will eliminate the uncertainty of the changing financial markets.

But there is an obstacle. The lender only issues 20 year debentures, so its credit facilities have maturities of 20 years. The Pine Trace lease is scheduled to end in only 19 years. Still, the lender is inclined to provide this financing if we can

extend the initial term of the lease from an ending date of December 31, 2025 to March 31, 2028. When combined with the 10 year option period, the ultimate maturity date will then be March 31, 2038 – thus satisfying the lender's debenture requirements.

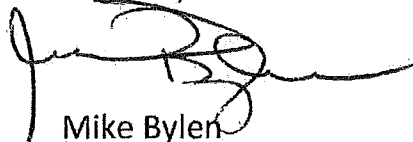
Please note, the lender is requiring an additional year beyond this 20 year term as an insurance of full repayment of the debt. The additional three month period is required to facilitate the sale of those debentures which cannot occur until early 2017.

Pine Trace currently pays 10% of its gross revenues, which is 2% to 3% above market. In addition, the last ten years of the Pine Trace lease calls for a minimum of 11% of Pine Trace's gross be paid to the city - which is even further above market for similar gross leases.

If Rochester Hills accommodates Pine Trace's request, it would relieve the uncertainty that has surrounded Pine Trace's golf course financing for the balance of the lease term. And, of course, the city would in turn continue to receive above market rent during the remainder of the lease.

Finally, it has taken a great deal of time to put this package together and it is my understanding that this financing opportunity will not last beyond the beginning of the New Year – which explains the urgency of my request to have this considered at the December Council meeting. In fact, I was just made aware of the lender's requirement of 20 years plus one or I would have certainly broached this topic with the City sooner. Bryan, I truly appreciate your prompt attention to this proposal.

Regards,

A handwritten signature in black ink, appearing to read "Mike Bylen", written over a horizontal line.

Mike Bylen

CC: John D. Staran, Esq.
City Council, City of Rochester Hills