

Business Plan

Goodneighbors – The Rune, LLC
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SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Memorandum. This Memorandum contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ significantly from the results discussed in the forward-looking statements.

The Company and the Project

GoodNeighbors - The Rune, LLC was organized in 2019 in order to enter the residential, retail/office Market in Alexandria, Minnesota. The Company has negotiated the purchase of 2.39 acres of land in Alexandria which will be used to build a 4-story, 73-unit apartment building and 28,000 sq. ft. of retail/office leased space complete with 150 underground parking stalls, which we refer to herein as “The Rune”. The land is located on 3rd Avenue and Broadway Street in the heart of downtown Alexandria, MN. This intersection has one of the highest traffic counts in the county and runs through the City of Alexandria from interstate 94 to residential and vacation lakeside living areas.

Alexandria is located in west central Minnesota 130 miles northwest of Minneapolis-St. Paul and 100 miles southeast of Fargo, North Dakota on Interstate Highway 1-94. Alexandria is the county seat of Douglas County. Although the city population is approximately 13,000, the population of the Greater Alexandria area served by Independent School District #206 is approximately 30,000. The area is known for its many recreational opportunities, with over 300 lakes in Douglas County. Vacationers and residents alike enjoy fishing, skiing, sailing and swimming on the lakes in the summer and snowmobiling and cross-country skiing in the winter. In recognition of the retail demands of the area's permanent and part-time residents Alexandria has a “Pull” factor of 2.58, which ranks in the top 3 in the state of Minnesota.

GoodNeighbor Properties, LLC will manage “The Rune”. The principals of GoodNeighbor Properties, LLC have been involved in various aspects of property management and property development for over 30 years. The Company will contract with Essence Property Management to manage the 73 apartment units. C.I. Construction, LLC of Alexandria will construct “The Rune”. C.I. Construction has over 50 years of construction experience in the region and has specialized in all aspects of commercial construction. Tanek Architects will be the architect of record and will design the facility. The Company anticipates that construction of “The Rune” will be completed within 14 months after breaking ground.

The Company estimates that the costs to complete the project and initiate operations will total approximately \$23,700,000 consisting of \$1,875,000 in land acquisition costs, approximately \$19,300,000 in new construction, \$1,881,950 in development-related costs and \$570,135.00 in working capital and contingency cost. The Company seeks to fund the project with a loan of up to \$17,720,314.00 secured by a mortgage on the property and with up to \$7,000,000 in total proceeds from this Offering and a future equity offering. See “Use of Proceeds.” We expect construction of “The Rune” to be started during the third quarter of 2019.

USE OF PROCEEDS

The Company currently intends to apply the net proceeds from its anticipated debt financing and the sale of the Units to the purchase of the land, the design and construction of “The Rune” and general corporate expenses. The following table sets forth the anticipated use of the net proceeds from this Offering and the anticipated debt financing.

| | |
|---|---------------------|
| Land Purchase | \$1,875,000 |
| Demolition | \$250,000 |
| Design and Construction of “The Rune”..... | \$19,050,000 |
| Contingency..... | \$500,000 |
| Construction Interest..... | \$500,000 |
| Organization Costs, Working Capital and General Corporate Expense | <u>\$1,452,085</u> |
| Total..... | <u>\$23,627,085</u> |

The table above represents the Company's best estimate of its allocation of the net proceeds of this Offering and the anticipated equity offering based upon its current plans and current economic and industry conditions. The timing and amount of expenditures will vary depending upon numerous factors, including the timing and successful completion of the land and the construction of “The Rune”. We have not yet obtained detailed construction bids for “The Rune”. As such, our estimated costs and use of proceeds are based on estimates provided by our construction contractor.

The Company believes that the proceeds from this Offering and its anticipated equity offering will be sufficient to satisfy its cash requirements for the foreseeable future. The Company will have broad discretion to allocate the proceeds of this Offering, including with respect to general corporate expenses and working capital, and to determine the timing of expenditures. The Company intends to explore additional financing alternatives, in the event the proceeds from this Offering and future equity offering together with debt financing are insufficient to satisfy its near-term cash requirements.

BUSINESS

General

The Company was organized in 2019 to develop a Mixed-Use Property in Alexandria, Minnesota. The Company is in the process of purchasing approximately 2.39 acres of land on which “The Rune” will be located and expects to close the purchase of the Alexandria property from 3 separate owners in July of 2019. The company expects to evaluate final budgets and to commence design and construction of “The Rune”, early in the third quarter of 2019. We expect construction of “The Rune” to begin in late August and to be completed during the late fourth quarter of 2020.

“The Rune” is expected to be a Mixed-use project including a 4-story, 73- unit upscale apartment and 28,000 of retail/office space with approximately 150 underground parking stalls. The project has already received approval by the city of Alexandria under their Planned Unit Development (“PUD”) standards and has received approval for 13 years of tax increment with a present value of \$1,500,000.

Competition

The Company has contracted and received a feasibility study prepared by ViewPoint Consulting Group for the proposed 73-unit upscale senior apartments. The study assesses the site location and examines growth trends and demographic characteristics for the targeted population, analyzes the competitive markets and calculates demand for the upscale housing market. Based on their analysis, ViewPoint finds sufficient market demand to support the Rune’s upscale apartments. See February 6, 2019 Market Feasibility Study by ViewPoint Consulting Group, Inc.

Customers

We intend to target primarily upper income over 55 residents of the county and surrounding area of Douglas County. We believe we are well-positioned to target a broad market segment given our expected location, the amenities we will offer. Alexandria has been recognized as a regional preferred retirement center.

Employees

The Company expects to have no employees but will contract with GoodNeighbor Properties and Essence Property Management to manage and maintain the facility.

Capital Resources

The Company is in the process of negotiating a third-party loan of up to \$17,720,000 to finance a portion of the land acquisition and development costs for the project. Under the proposed terms, the loan would accrue interest at an annual rate of 5.25% to 5.75% fixed for five to seven years and variable thereafter and would be secured by a mortgage on the acquired property and by all other assets of the Company. In addition, we expect that our lender will require personal guarantees of a proportionate share of the loan from members. The Company believes that the proceeds of the loans, the equity offering and this Offering will satisfy its current cash requirements for the foreseeable future and at least the next twelve months, and that it will not be necessary for the Company to raise additional funds during that time period. The Company will consider financing alternatives if its expectation is inaccurate, including additional equity issuances to the extent permitted by its Member Control Agreement.

Tranches during the Offering

First Tranche

The Company will be drawing an initial tranche of \$1,000,000 from proceeds of this offering to fund the purchase of the real estate project land, demolition preliminary design and engineering. This tranche will be drawn on or before July 31, 2019. In addition, a short-term loan in the amount of \$1,125,000 will be entered into for a total land and demo purchase price of \$2,125,000. The loan will have a maturity of 24 months, interest rate of 5.5% and will be interest only until maturity.

Second Tranche

The company will be drawing a second tranche in the amount of \$1,000,000 from proceeds of this offering to fund design, organization costs, working capital and general corporate expense. This tranche is anticipated to take place on or before September 30, 2019.

Third Tranche

The company will be drawing a third and final tranche in the amount of \$2,000,000 from proceeds of this offering to fund sitework and foundation work, working capital and general corporate expense. This tranche is anticipated to take place on or before November 30, 2019.

Real Property and Environmental Matters

As noted elsewhere, the Company intends to purchase approximately 2.39 acres of land in Alexandria, Minnesota, on which “The Rune” will sit. We expect the land and the building, along with the Company’s other assets, to be subject to liens in favor of our debt provider.

A geotechnical evaluation on the property was prepared on July 25, 2018 for C.I. Construction, LLC in anticipation of the 2019 construction of “The Rune”. Although the evaluation confirms that the site has suitable soil conditions for this development, it does indicate the presence of hazardous contamination on part of the site. We believe our contingency of \$500,000 is adequate to cover any environmental issues that are encountered. See the “Risk Factors” section of this Memorandum.

Legal Proceedings

The Company is not aware of any pending or threatened legal proceedings to which the Company is or may be a party or to which any of its property may be subject which would have a material adverse effect on its business or operating results. The Company may be subject to legal proceedings from time to time in the future in the ordinary course of business.

Material Contracts

Real Estate Purchase Agreement

We have entered into 3 purchase agreements for the purchase of a 2.39 acre parcel of real estate in Alexandria, Minnesota, on which “The Rune” will be constructed. The expected purchase price is \$1,875,000, payable in cash at closing. See the section of this Memorandum entitled “Certain Transactions and Potential Conflicts of Interest.”

Debt Financing

As noted elsewhere in this Memorandum, we intend to obtain approximately \$17,720,314 in principal amount of debt capital in order to purchase and develop the Alexandria real estate. The terms of any loan to the Company remain subject to negotiations with lenders. We expect the loan to include customary obligations and restrictions, to accrue interest at an annual rate of 5-6% fixed for five to seven years and variable thereafter, and to be secured by a mortgage on the property and by all other assets of the Company. The Company anticipates that the lender will require a personal guaranty of a proportionate share of the loan from each investor. This requirement is expected to apply to all investors in this Offering in light of the minimum investment amount.

Agreements Relating to the Design and Construction of “The Rune”

We intend to enter into an agreement with a third-party architect with respect to the design of “The Rune”. We expect this agreement to be customary in all material respects.

We also intend to enter into a Construction Management Agreement with C.I. Construction, LLC, who we expect to retain to coordinate the construction and cost estimating activities relating to “The Rune”. The Construction Management Agreement is expected to contain customary terms and conditions and will govern the fees and expenses payable and payment schedule, bidding and construction schedule, and parameters of the project, among other items. Although C.I. Construction, LLC has agreed to supervise work relating to the project, we cannot guarantee that “The Rune” will be completed on time or in accordance with our cost or building specifications. In addition, C.I. Construction may be able to terminate the Construction Management Agreement if we do not make required payments under the contract or otherwise do not perform thereunder, and we may be required to compensate C.I. Construction for services and expenses in the event we suspend the project.

Rune Management Agreement

We expect to retain Essence Property Management, LLC to operate and oversee the day-to-day management of “The Rune” on our behalf. We expect that our Rune Management Agreement with EPM will include fee and expense provisions and termination for default provisions, as well as other customary terms.

MANAGEMENT

Governors and Managers

The table below provides the name and age as of the date of this Memorandum of both of our managers responsible for overseeing the business and affairs of the Company. See our Operating Agreement, attached, which outlines the roles of the managers.

Name and Title

Ted Christianson: 60, Managing member

Robert Thompson: 64, Managing member

CERTAIN TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

Our managers and governors, along with several of our business partners, expect to participate in the Offering as follows:

- Rob Thompson, owner of C.I. Construction, LLC, is expected to own approximately 3% of our outstanding Units following the completion of the equity Offering if the minimum number of Units is sold. The Company intends to enter in a Construction Management Agreement with C.I. Construction to manage the construction project.

Any conflicts of interest relating to the transactions and relationships described above have not been resolved through arm's length negotiations. The Company's participation in such transactions and relationships will be contingent upon compliance with the Minnesota Limited Liability Company Act and the Company's organizational documents.