

River Reach Partners, LLC

Project Progress Report

Fourth Quarter 2009

Summary

During fourth quarter, much activity occurred and significant milestones were achieved. Approval of \$49.6 million of tax increment financing (TIF) authority was a significant step for the project. Consequently, the press and public relations associated with the TIF approval helped to increase awareness of and interest in the project. Although the project schedule had to be revised due to delays from the regulator, a second Amendment to the Redevelopment and Purchase Agreement was negotiated and executed with the City of Parchment. In addition, substantial environmental investigations were initiated, building materials assessments were completed, and the bulk of on-site abandoned containers were removed.

Economic Incentives

- Worked with Warner Norcross & Judd to address questions from the Michigan Economic Growth Authority (MEGA) related to the ACT 381 work plan and the Michigan Business Tax (MBT) credit application.
- Received approval of mini MBT credit for the office/admin building from MEGA on November 18, 2009. Credit amount of \$250,000 is based upon \$2,000,000 of eligible investment related to renovation of the building.
- MEGA authorized the use of Tax Increment Financing (TIF) for the River Reach Project on October 27, 2009. MEGA approved \$49.6 million in TIF that will help defray remediation, demolition, and infrastructure costs for the Project.
 - An additional \$5 million of state TIF is expected to be approved by the Michigan Department of Environmental Quality (MDEQ) in 1st Quarter of 2010, to be used for environmental costs as well.

Environmental and Demolition

- Held development team meeting on November 17, 2009 to establish Phase I redevelopment scope and technical specifics related to:
 - Demolition
 - Environmental remediation
 - Grading and Site Prep
 - Utilities and Infrastructure
 - Delineation of parcels for vertical development
 - This information will be used by land planners to establish a conceptual site plan for Phase I, as well as by the technical team for scoping of demolition, remediation, and site preparation.
- Worked with City of Parchment and Environmental Resources Management (ERM; environmental consultant) to prepare work plans for MDEQ Grant and Loan programs, and participated in several project meetings and calls with MDEQ to provide more information and address concerns/questions from MDEQ related to work plans and project activities. Successes included:

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- Received approval of Work Plan #2b (Phase II investigation), and began conducting the environmental investigations.
 - groundwater sampling, soil borings and other Phase II investigation field work was substantially completed by the end of Q4
- Received approval of Work Plan #3b (Building Materials Assessment), and began conducting the work.
 - asbestos/lead paint assessment field work was substantially completed by the end of Q4
- Received bids from contractors for Abandoned Container Removal, and selected a contractor called "EQ" to perform the work.
 - abandoned container field work was substantially completed by the end of Q4
- Received asbestos air sampling results which do not exceed OSHA standards
- Completed electromagnetic survey to locate buried piping/tunnels/structures.
- Repaired fencing at the property to improve site security.
- Began communications with Georgia Pacific related to their remedial action plans (they are a responsible party who will be cleaning up a portion of the River Reach Property).
- ERM verified that slow response from MDEQ in review and approval of work plans has negatively impacted the project schedule. Thus, activities that need to occur prior to obtaining demolition bids for the project (such as Building Materials Assessments, etc) have extended beyond the initially forecasted timeframe. Due to the sequential nature of these project activities, the anticipated start time of future activities will be delayed from initial schedule.

Legal

- Negotiated an extension of the Redevelopment and Purchase Agreement with the City of Parchment. Extension was required due to delays in the project work plans and approvals from MDEQ related to the grant and loan work. Thus, demolition could not occur by the timeline established in the original redevelopment agreement.
 - River Reach Partners, LLC (River Reach Partners) also negotiated additional future fee payments from the City to help with project costs. These fees are payable to River Reach Partners at certain project milestones and total \$280,000.
- Worked with Warner Norcross & Judd to draft a second Amendment to the Redevelopment and Purchase agreement, which acted as the extension.
- Received approval from Parchment City Commission on December 21, 2009, which is when the second Amendment was executed.

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Public Relations and Marketing

- Held meetings with the City Commission to keep them apprised of project activities.
- Participated in press conference with Governor Jennifer Granholm, announcing the approved MEGA TIF incentives for the project.
- Local television channel aired interview and story about the project, related to the MEGA TIF approval. The press conference and television coverage helped to increase awareness and interest in the project.
- Continued to work with Signature Associates (real estate broker) in marketing efforts for the property.

Builder/Developer Pursuit

- Participated in conference calls and meetings with a couple of new local developers who expressed an interest in various vertical components of the River Reach project. Also continued discussions with developers who previously showed some interest in the project. River Reach Partners continues to work with these interested parties to provide information about the project and to formulate a possible business arrangement (either a partnership or a future sale agreement).
- Held conversations with a senior living developer and consultant to evaluate the River Reach Property for age restricted and assisted living development demand and feasibility.

Miscellaneous

- Renewed commercial general liability (CGL), contractors' pollution liability (CPL), and property insurance through 12/31/10.