

River Reach Progress Report – 2nd Quarter 2011

Significant progress continues to be made on the River Reach Project, particularly with demolition of the plant. Phase I of demolition has resulted in the removal of Plant 1 (roughly 180,000 square feet of building), and help to prepare roughly 15 acres for development. The following is a summary of project activities during the 2nd quarter of 2011:

Environmental and Demolition

- Phase I demolition work was essentially completed. All above-grade structures have been removed from the site, including the former pump house on the river bank. Final demobilization occurred in May.
 - Analyzed various options for removal/abandonment of the sub grade portion of the pump house. Decided to remove all structures down to the slab/platform at the water level.
 - Submitted a Soil Erosion & Sediment Control Permit application to Michigan Department of Environmental Quality (MDEQ) in order to remove the sub-grade portions of the pump house.
 - Removed sub-grade basements/slabs/vaults in the future River Reach Blvd. right of way.
 - In the right of way, contractor discovered a building which had an old basement that was covered up. In the basement was mostly brick fill along with insulation that is asbestos-containing. Received approval from MDEQ to use contingency funds to remove of this material.
 - Also discovered that “Vault 1-1” contained hazardous liquid waste (cadmium), which was pumped out and sent to a treatment/disposal facility
 - Concrete crushing work continued, with crushed concrete being used to fill sub-grade vaults/basements. Thus far, a total of 22,275 tons of concrete has been crushed.
 - Received required permit approval from Michigan Dept. of Natural Resources and Environmental, and the subsurface structure of the pump house was removed. Area was contoured and erosion control measures put in place.

- Final invoicing and financial reconciliation of the Phase I demolition was performed, and there is still approximately \$210,000 remaining in funds from the MDEQ grant and loan. Approximately \$50,000 of that is already earmarked for work approved in prior work plans with MDEQ, including: Phase II investigation report, building materials characterization report, final demolition report, and a comprehensive due care report. Thus, there is approximately \$160,000 in funds remaining, and River Reach Partners is in discussions with City of Parchment as to the best use of these monies.

Economic Incentives

- Followed up MDEQ about the environmental insurance denial with hopes of also getting costs of environmental insurance approved.

Public Relations and Marketing

- Renewed listing agreement with Signature Associates to market both the development land in Phase I as well as the existing office building.

Builder/Developer Pursuit

- Participated in meetings in Kalamazoo with two different large local developers (American Village Builders & The Hinman Company). The meeting with American Village Builders (AVB) was a follow up meeting to the previous discussions about an option contract while AVB secure tenants. The Hinman Companies is a group that River Reach Partners had discussions with back in 2008 and 2009. Similar to AVB, Hinman is interested in the commercial components of the project, but would want to identify tenants prior to purchasing and developing a parcel in Phase I. These companies are now evaluating potential tenants and lease rates for project feasibility.
- Participated in a meeting in Kalamazoo with Niblick Builders (Jon Scott). Jon has always had an interest in the project, and has been waiting for the market to improve before getting very involved. Jon still has an interest, but has taken a larger role in the family golf business (developed, own, and operate several local golf courses).
- Sent a proposal to local developer The Hinman Company, outlining potential deal structure for an option on a parcel in Phase I of the development.