

River Reach Project Progress Report – 2nd Quarter 2009

River Reach Partners LLC acquired the former mill property in Parchment, Michigan on December 30, 2008. The following is a summary of River Reach Partners activities and progress on the project for the second quarter of 2009.

Economic Incentives

- Held several conversations with the Michigan Economic Development Corporation (MEDC) regarding Michigan Business Tax (MBT) credits and Tax Increment Financing (TIF) approval, related to the Part 1 application which was submitted back in December of 2008. MEDC was reluctant to grant MBT credits in advance of having vertical developers committed to the River Reach Project (the Project), citing that they only have three large credits available for non-core communities, two of which had already been allocated for 2009. MEDC indicated they supported MBT credits for commercial and attached residential development, but wanted to wait until either a vertical developer was on board for the Project or until next year (2010).
- Informed MEDC that obtaining MBT credits was critical for marketing the Project to vertical developers, and believed that waiting until a vertical developer had committed to the Project was counter-intuitive to this effort. Consequently, MEDC agreed to draft a “commitment” letter for River Reach Partners to use in its marketing efforts indicating that MEDC will likely grant MBT credits to River Reach Project when a vertical developer has committed to the Project.
- Approached MEDC with a strategy that involved getting formal approval (Part 2 application approval) for the TIF as well as breaking out the renovation of the existing office building (the former administration building) into a separate “mini” MBT credit, which would allow for that component of the Project to proceed in advance of full MBT credit approval. MEDC was receptive to this approach, and River Reach Partners (through its law firm Warner Norcross & Judd) submitted a revised Part 1 application on June 25, 2009 for the mini MBT credit and TIF approval.

Tax Increment Financing Bonds

- Engaged in discussions with another national investment bank regarding strategy and challenges associated with TIF bond issuance.

Environmental & Demolition

- Worked with City of Parchment and Environmental Resources Management (ERM) to prepare work plans for Michigan Department of Environmental Quality (MDEQ) Grant and Loan programs, and participated in subsequent project meetings
 - Work Plan #2b - Phase II Environmental Site Assessment, which includes soil borings and monitoring wells. This Work Plan was prepared per ERM’s Revised Work Plan #2 that was submitted to MDEQ on April 20, 2009 and approved on May 7, 2009. Approval of Work Plan #2b is pending.

- Work Plan #3a Prepare Demolition Specifications & Bidding – preparation of work plan is currently in progress, after approval from MDEQ of the scope on June 29, 2009
- Work Plan #3b Building Materials Characterization: preparation of work plan is currently in progress, after approval from MDEQ of the scope on June 29, 2009
- Approval from MDEQ for Freedom Of Information Act request for documents and reports pertaining to the Nuclear Regulatory Commission (NRC), who previously inspected the site
- Continued to field calls from several interested demolition contractors, and compiled a file of interested contractors.
- Held a demolition planning and strategy meeting with ERM team at River Reach Partners office on June 2, 2009
 - Discussed timing and strategy approaches to solicit bids from contractors, bid process, selection criteria, and contracting mechanisms
 - Transferred file of interested demolition contractors to ERM for review and management
- Engaged ERM to assist Warner Norcross & Judd on the Act 381 work plan preparation

Legal

- Engaged Warner Norcross & Judd to prepare the Act 381 work plan, with assistance from ERM. This is currently in progress.
- Engaged Warner Norcross & Judd to produce a draft Brownfield Reimbursement Agreement, which is currently being reviewed internally and will be sent to the City of Parchment and the Brownfield Redevelopment Authority in early July of 2009 for review.
- Worked with Warner Norcross & Judd and the City of Parchment on legal issues associated with breaking out the mini MBT credit for the office building in advance of the large MBT credit approval, including parcel/Tax ID numbers and revised legal descriptions, and future zoning questions related to the entire project.

Public Relations & Marketing

- Interviewed local real estate brokerage teams to assist with marketing the development to prospective builders and developers, as well as to separately list the existing office building for lease or sale, and also walked the property with a short list of real estate brokerage teams in May of 2009.
- Selected Signature Associates (a member of the Cushman & Wakefield Alliance), and executed the listing agreements with Signature Associates in late June of 2009.
- Prepared a draft press release with the City of Parchment announcing that Signature Associates had been engaged to market the property, which will be formally released in early July of 2009
- Contacted several area employers and businesses to explore whether they may have additional space/expansion needs that could be addressed by the Project. To date, none have expressed a need for additional space.

Builder/Developer Pursuit

- Continued to follow up with various local and regional builders/developers to solicit interest in the redevelopment parcels. While some developers continue to be intrigued with the project, current economic conditions related to the recession were cited in several discussions, with a few builders/developers informing River Reach Partners that their focus was currently on acquiring distressed bank assets.

Miscellaneous

- Engaged three different local general contractors to evaluate the existing office building for future renovation potential, including cost estimating and constraints analysis.

Summary

The project is proceeding according to the timeline presented in the Redevelopment and Purchase Agreement between River Reach Partners LLC and The City of Parchment.