MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING ("Memorandum") is signed as of April 13, 2006, by the CITY OF BENTON HARBOR, a Michigan municipal corporation, the principal business address of which is 200 E. Wall Street, P.O. Box 648, Benton Harbor, MI 49023-0648 Attn.: City Manager ("Benton Harbor") and HARBOR SHORES COMMUNITY REDEVELOPMENT, INC., a Michigan nonprofit corporation, the principal business address of which is 900 Fifth Third Center, 111 Lyon Street, NW, Grand Rapids, MI 49503-2487: Attn: Mr. John G. Cameron, Jr. ("Harbor Shores").

RECITALS:

A. Benton Harbor has been working with Harbor Shores for approximately two (2) years to determine the feasibility of developing an economic development project located in the City of Benton Harbor¹ (the "Project"). While it is not a certainty that the Project will be deemed viable and subsequently undertaken, the Project partners continue to evaluate the Project's feasibility.

B. Harbor Shores would like to purchase certain Parcels (as defined below) of property from Benton Harbor in connection with the development of the Project. As the Project has moved forward, Benton Harbor has appointed both a Negotiating Team and an Advisory Panel to represent its interest in relation to various elements of the Project.

C. In total, the parcels which Harbor Shores seeks to acquire from Benton Harbor for the Project total approximately 92.68 acres (collectively, "Parcels," and individually a "Parcel"), as depicted on the attached Exhibit A. The Parcels may in the aggregate also be referred to herein as the "Property".

D. Benton Harbor acquired the Parcels through several vehicles, including bankruptcies, tax foreclosures, and conveyances. Exhibit B details how, to the best of the parties knowledge, Benton Harbor acquired its fee simple interest in each Parcel. As Exhibit B illustrates, Benton Harbor appears to have obtained its interest in most of the Parcels through funding sources outside of its primary budget.

E. As most of the Parcels are in an area which historically has been the home of heavy industry and landfilling, there is environmental contamination that must be addressed before development on the Parcels can be undertaken. Thirty-two (32) acres (34.53% of the Property) of the Property are covered by wetlands. The presence of these wetlands makes these areas difficult to develop without extensive and expensive mitigation measures to create new wetlands. Exhibit C details the environmental concerns of each Parcel.

¹ The proposed Project is planned to be located in the City of Benton Harbor, as well as the City of St. Joseph and Benton Charter Township.
NOW THEREFORE, in consideration of the terms and conditions of this Memorandum of Understanding, the parties agree as follows.

1. **Purchase Price.** The purchase price for the Property shall be One Million Three Hundred Forty One Thousand Five Hundred and Fifty Five Dollars ($1,341,555.00), payable as set forth in paragraph 2 below. The highest and best use for the Property was determined by Rick Miller (Certified Appraiser), Steve Archibald (City Assessor), and Tony McGhee (Cornerstone Alliance). The purchase price of the Property was determined by evaluating the fair market value of the Property (this evaluation was conducted by Messrs. Miller, Archibald, and McGhee), and thereafter through negotiations between the Benton Harbor Negotiating Team and Harbor Shores. Exhibit D is a memorandum from the parties regarding the value of the Property.

2. **Payment of Purchase Price.** Immediately upon execution of this Memorandum, Harbor Shores shall pay Benton Harbor Four Hundred Twenty Thousand Eight Hundred Dollars ($420,800.00) as a down payment ("Down Payment"). Harbor Shores shall pay Benton Harbor the balance of the purchase price as follows: Five Hundred and Fifty Thousand and Fifty Five Dollars ($500,055.00) of the purchase price on or before June 30, 2006 ("Installment Payment 1"), subject to the City's rezoning of the Property as contemplated in paragraph 4 below; Three Hundred Seventy Thousand Seven Hundred Dollars ($370,700.00) of the purchase price on or before December 31, 2006 ("Installment Payment 2"). The Down Payment shall be applied to purchase Parcels 58, 80, and 81; the Installment Payment 1 shall be applied to purchase Parcels 8B, 66, 67, and 68; and the Installment Payment 2 shall be applied to purchase Parcels 10, 11B, 77, 78, and 79. All conveyances shall be made in accordance with paragraph 11 below. Should Harbor Shores determine for any reason (except for a title defect, in which case the provisions of paragraph 6 below shall govern), in its sole discretion, that the Project will not proceed, at any point on or before December 31, 2006, Harbor Shores shall retain the Parcels it has been conveyed, and shall have no obligation to purchase any other Parcels; provided, that Benton Harbor shall have the right to repurchase conveyed parcels in the groupings originally conveyed for the original purchase price within 270 days of notification. If Harbor Shores retains any parcels conveyed, and Benton Harbor opts not to repurchase them, Benton Harbor shall retain whatever monies it has been paid for the Parcels it has conveyed to Harbor Shores.

3. **Community Benefits Plan.** If Harbor Shores determines that the Project will proceed, Benton Harbor agrees to provide One Hundred and Fifty Thousand Dollars ($150,000.00) per year during its 2006/2007 and 2007/2008 fiscal years to support the efforts of the Project's Community Benefits Plan (the "CBP") (such payments are referred to herein as "City CBP Funding"). The City shall make the first payment on or before October 31, 2006 and the second payment on or before October 31, 2007 into a dedicated account to be held by a third party (as mutually agreed upon by Benton Harbor and Harbor Shores) to administer the funds at the direction of Benton Harbor and Harbor Shores. Such City CBP Funding shall not be released from this dedicated account until Harbor Shores matches the City CBP Funding on at least a dollar for dollar basis and upon the satisfaction of other mutually agreeable conditions specifically related to the
CBP. These dedicated funds shall be used solely for CBP purposes, as determined by the mutual agreement of Harbor Shores, Benton Harbor’s Advisory Panel and Benton Harbor’s City Council. Such CBP purposes are currently and shall continue to be negotiated and determined by the mutual consent of the parties.

4. **Zoning.** Benton Harbor agrees to cooperate with and assist Harbor Shores in obtaining the proper zoning classifications to accommodate and maximize the development potential of the Property and Project (including all Harbor Shores’ owned parcels of property within Benton Harbor’s jurisdiction). All zoning changes requested by Harbor Shores shall be adopted through the existing zoning change procedure, unless otherwise agreed to by the parties. The payment of Installment Payment 1 to Benton Harbor is contingent upon Benton Harbor’s approval of all necessary zoning changes. If Harbor Shores does not obtain the necessary zoning for the Project by June 30, 2006, Installment Payment 1 will be deferred until such zoning is obtained. Any external costs associated with administratively implementing zoning changes shall be borne by Harbor Shores.

5. **Jean Klock Park.** Harbor Shores does not desire or intend to purchase any portion of Jean Klock Park (the "Park"), nor the adjoining parcel “8A” that is described in the attached Exhibit E. However, Benton Harbor agrees to continue negotiations with Harbor Shores in good faith to enter into a long term lease arrangement with Harbor Shores to utilize a portion of the Park and parcel 8A for the Project, provided that Benton Harbor shall retain approval rights over use of all portions of Jean Klock Park and parcel 8A not encompassed by the golf course or related Harbor Shores improvements, consistent with Benton Harbor’s obligation to administer to the general welfare of the public. The portion of the Park to be utilized for the Project will not include any portion of the beach or the western portion of the dunes. The Project shall be minimally invasive to the eastern portion of the dunes (only to the extent necessary for grading and other construction). The uses for the Park permitted under the lease shall be consistent with any covenants and restrictions of record and any consent decree previously executed concerning the Park property. Pursuant to the lease agreement, Harbor Shores will agree to make improvements to the beach portion of the Park in consultation and with the approval of Benton Harbor. Benton Harbor shall use its best efforts to assist and shall cooperate fully with Harbor Shores to obtain necessary approvals from the MDEQ, Michigan Department of Natural Resources, Michigan Natural Resources Trust Fund, National Park Service, and other appropriate governmental bodies to develop and construct a portion of the Project on Park property. Application and approval costs, including reasonable attorney fees, appraisal expenses, environmental reports, and mitigation sites, shall be borne by Harbor Shores.

6. **Title.** Benton Harbor agrees to convey good and marketable title to the Parcels to Harbor Shores by covenant deeds ("Covenant Deeds"). As evidence of Benton Harbor’s title, Harbor Shores shall obtain at its expense, and provide a copy to Benton Harbor, commitments ("Title Commitments") to issue owner’s title insurance policies insuring Harbor Shores in the amount of the purchase price (as allocated to the purchased Parcels), without the standard printed exceptions, which shall be in the latest
form approved by the American Land Title Association ("ALTA"). The Title Commitments must show good and marketable title to the Parcels to be in Benton Harbor's name, subject only to beneficial easements and restrictions of record that are acceptable to Harbor Shores and the requirements to be satisfied set forth in the Title Commitments and shall disclose no other easements, restrictions or encumbrances whatsoever. Should any unpermitted title defect(s) encumber a Parcel, Benton Harbor shall use its best efforts to cure such title defect(s). If, after using its best efforts, Benton Harbor is unable to cure such title defect(s), Harbor Shores may, in its sole discretion, either (a) proceed with the Project without taking title to the Parcel(s) with the title defects; (b) take title to such Parcel(s) subject to the title defect(s); or (c) determine that the Project will not proceed, in which case Harbor Shores shall reconvey all Parcels, and in return Benton Harbor shall return monies it has been paid for all Parcels conveyed to Harbor Shores.

7. **Survey.** Harbor Shores may obtain at its expense, and provide a copy to Benton Harbor, current staked survey(s) of the Parcels in form and substance acceptable to Harbor Shores and Harbor Shores' lender, if any.

8. **Environmental.** Benton Harbor shall convey the Parcels to Harbor Shores in their "as-is" condition." Notwithstanding the foregoing, Benton Harbor and Harbor Shores agree and acknowledge that because most of the Property is in an area which historically has been the home of heavy industry and landfilling, there is environmental contamination that must be addressed before development on the Property can be undertaken. The estimated range of expense associated with environmental investigation and remediation of the Property is Two Million Dollars to Four Million Dollars ($2,000,000.00 - $4,000,000.00). Benton Harbor further agrees to cooperate with and assist Harbor Shores in accessing and obtaining funds for any such investigation and remediation. Benton Harbor agrees that Harbor Shores shall be permitted to conduct environmental assessment(s) of the Property, at its expense. Benton Harbor shall provide access and information to, and otherwise cooperate with Harbor Shores in any environmental assessment(s) it conducts. Harbor Shores shall, at its expense, have the right to prepare and submit to the Michigan Department of Environmental Quality ("MDEQ") a "baseline environmental assessment," or "BEA," pursuant to MCL 324.20126. Harbor Shores may also, at its expense, prepare a plan to meet due care obligations at the Property imposed under MCL 324.20107a.

9. **Representations and Warranties.** Benton Harbor represents and warrants to Harbor Shores, which representations and warranties shall be true to the closing dates, as follows: (a) to the best of Benton Harbor's knowledge, there are no claims, litigation, proceedings, inquiries, investigations, or disputes pending or threatened against or relating to the Property; (b) to the best of Benton Harbor's knowledge, the Property is free and clear of all violations of Applicable Law (applicable laws, ordinances, orders, codes, rules, regulations, building and use restrictions, and other legal requirements); (c) all necessary action to approve, execute, deliver, and perform this Memorandum has been taken by Benton Harbor, and this Memorandum is the valid and
binding obligation of Benton Harbor, enforceable against Benton Harbor in accordance with its terms.

Harbor Shores represents and warrant to Benton Harbor, which representations and warranties shall be true to the closing dates, as follows: (a) Harbor Shores is a Michigan nonprofit corporation duly organized, validly existing, and qualified to do business in the State; (b) Harbor Shores has the right, power, and authority to enter into, execute, deliver, and perform this Agreement; (c) the execution, delivery, and performance by it of this Agreement has been duly authorized by all necessary action, and does not and will not violate any applicable provision of law, or constitute a breach of default, under or require any consent under any agreement, instrument, or document to which it is now a party or by which it is now or may become bound; (d) to the best of its knowledge, after due inquiry, no judgments are outstanding against it, nor is there now pending or threatened any litigation, contested claim, or governmental proceeding by or against it or affecting it or its property, or seeking to restrain or enjoin the performance by it of this Agreement or the transactions contemplated by this Agreement, or contesting the validity thereof.

10. **Contingencies.** The obligation of Harbor Shores to close the purchase shall be contingent upon: (a) Harbor Shores' determination, it is sole discretion, that the Project will proceed; (b) Harbor Shores' ability to obtain appropriate zoning classifications for the Property pursuant to paragraph 4 above; (c) the parties' entering into a mutually acceptable long term lease agreement for the portion of Jean Klock Park and parcel 8A necessary for the development of three golf holes and any infrastructure needed to support the three golf holes pursuant to paragraph 5 above; (d) Harbor Shores obtaining required governmental approvals, pursuant to paragraph 5 above, to develop and construct a portion of the Project on Jean Klock Park property; (e) all representations and warranties of Benton Harbor set forth in this Memorandum being true as of the closing date; and (f) Harbor Shores' satisfaction, in its reasonable discretion, with the environmental condition of the Property; (g) Benton Harbor having materially and timely performed and complied in all respects with all covenants, obligations, and agreements to be performed or complied with by Benton Harbor under this Memorandum.

11. **Conveyances.** Subject to paragraph 2 above, the conveyances shall take place as soon as reasonably possible following the satisfaction of the conditions and contingencies as set forth in this Memorandum but no later than the following dates: Parcels 58, 80 and 81 shall close on or before June 15, 2006. Parcels 8B, 66, 67 and 68 shall close on or before June 30, 2006. Parcels 10, 11B, 77, 78 and 79 shall close on or before December 31, 2006. At conveyances, the parties shall execute and deliver all documents reasonably necessary or legally required to evidence the purchases. Benton Harbor shall deliver actual physical possession of the purchased Parcels, and an ALTA owner's title insurance policy which shall insure Harbor Shores' title. At conveyances, Harbor Shores shall pay all recording and filing costs in connection with curing its title to the purchased Parcels, all recording fees for the Covenant Deeds, and all applicable transfer taxes upon conveyance. Benton Harbor and Harbor Shores shall each pay one-half of any closing fee charged by the title company.
12. **Taxes and Assessments.** All real estate taxes with respect to the Property, whether or not payable in installments or deferrable without penalty or interest to a later date, that first became or will become due and payable during the year of the closing shall be prorated on a calendar year basis. All special assessments that first became or will become a lien upon the Property on or before the closing date, shall be paid by Benton Harbor. Property taxes payable prior to the year of conveyance shall be paid by Benton Harbor.

13. **Miscellaneous.** This Memorandum may be signed in counterparts, which together shall comprise a single agreement. This Memorandum and the exhibits to this Memorandum contain all of the representations and statements by Benton Harbor and Harbor Shores to one another and express the entire understanding between the parties with respect to the purchase. All prior and contemporaneous communications concerning the purchase are merged in and replaced by this Memorandum.

14. **Community Security.** The increased development in the northern portion of Benton Harbor will in all likelihood create the need for additional police resources to service this new residential and commercial development. As a result of recent community policing efforts, Benton Harbor will supplement a portion of this added need through past fundraising efforts.

By casting six votes in favor of the eventual sale of the Property, Benton Harbor has complied with the requirements of Applicable Laws and is committed to moving forward with the Project in the manner outlined in this Memorandum of Understanding.

Wilce Cooke, Mayor  
City of Benton Harbor  
04-13-06  
Date

Pete Mitchell, City Manager  
City of Benton Harbor  
4-12-06  
Date

Mark Mitchell, Trustee  
Harbor Shores Redevelopment, Inc.  
4-13-06  
Date
Memorandum of Understanding

Between

The City of Benton Harbor

And

Harbor Shores Community Redevelopment, Inc

Signature Page

[Signatures]

Joyce A. Taylor, City Clerk
City of Benton Harbor

Char Pugh-Tall, Attorney
City of Benton Harbor

Dave Whitlam, Chairman & Trustee
Harbor Shores Community Redevelopment, Inc.
To: Personnel & Finance Committee

From: Dwight P. Mitchell, City Manager

Date: April 05, 2006

Subject: Land Sale for Harbor Shores Development

Item Before the Committee:

Land Sale for Harbor Shore Development.

Background:

The City of Benton Harbor has been working with Harbor Shores for approximately two (2) years to determine the feasibility of developing an economic development project located in the City of Benton Harbor. While it is not a certainty that the Project will be deemed viable and subsequently undertaken, the Project partners continue to evaluate the Project feasibility.

Harbor Shores is a proposed 530 acre, mixed-use development that spans parts of Benton Harbor, St. Joseph and Benton Township. Current plans include residential units, commercial space, a hotel/conference center, Jack Nicklaus Signature golf course, indoor water park, marinas, parks and new green space, and various other amenities.

Harbor Shores is a unique opportunity to revitalize the Twin Cities area and begin a process to reverse declining populations, shrinking country-wide school enrollments and manufacturing job losses that have burdened our communities for the past several decades. Harbor Shores is projected to create 6,000 direct and indirect jobs – 4,000 temporary skilled trade jobs during the
construction phase and 2,000 ongoing jobs in the hospitality, service, and technology industries. The residential space — including mid-rise and low-rise units, town homes, single family homes, and senior independent living — will offer affordable housing options as well as at-market housing choices. In addition, the plan would enhance the arts district and add recreation/entertainment opportunities, retail establishments and office space to the community.

Discussion:

The negotiated purchase price for the properties shall be One Million Three Hundred Ninety Six Thousand & Fifty Five Dollars ($1,396,055.00), payable as set forth. The purchase price for the Properties was determined by evaluating the fair market value of each property (this evaluation was conducted by Steve Archibald, City Assessor; Rick Miller, Certified Appraiser, and Tony McGhee, of Cornerstone Alliance), and by negotiating the purchase price with the Benton Harbor Negotiating Team. Exhibit A is a memorandum from the parties regarding the value of the properties.

Immediately upon execution of the purchase Memorandum, Harbor Shores shall pay Benton Harbor Four Hundred Twenty Thousand Eight Hundred Dollars ($420,800.00) as a down payment (“Down Payment”). Harbor Shores shall pay Benton Harbor the balance of the purchase price as follows: Five Hundred and Fifty Thousand & Fifty Five Dollars ($550,055.00) of the purchase price on or before June 30, 2006 (“Installment Payment #1”), subject to the City’s rezoning of the properties. Four Hundred Twenty Five Thousand & Two Hundred Dollars ($425,200.00) of the purchase price on or before December 31, 2006. Should Harbor Shores determine, in its sole discretion, that the Project will not proceed, at any point on or before December 31, 2006, Harbor Shores shall retain the Parcels it has been
conveyed, and shall have no obligation to purchase any other Parcels. In such case, Benton Harbor shall retain whatever monies it has been paid for the Parcels it has conveyed to Harbor Shores.

Recommendation:

That the Personnel & Finance Committee give consensus for approval of the sale of city owned properties to the Harbor Shores Development as follows:

a. Parcels: 58, 80, & 81 in the amount $420,800.00 upon execution of the purchase resolution.

b. Parcels: 8, 66, 67, & 68 in the amount of $550,055.00 on or before June 30, 2006.

c. Parcels: 10, 11b, 77, 78, 79, 85, & 111 in the amount of $425,200.00 to close on or before December 31, 2006.
CITY OF BENTON HARBOR
BERRIEN COUNTY, MICHIGAN

RESOLUTION AUTHORIZING THE SALE OF REAL PROPERTY

WHEREAS, the City of Benton Harbor (the "City") intends to enter into a Memorandum of Understanding with Harbor Shores Community Redevelopment, Inc. ("Harbor Shores") wherein the City agrees to sell certain parcels of property located in and owned by the City ("Property") to Harbor Shores in connection with a multi-use development project; and

WHEREAS, the City wishes to adopt the following resolutions authorizing the City to sell the Property; and

WHEREAS, the City has determined that the sale of the Property would be in the best interests of the City.

NOW, THEREFORE, IT IS RESOLVED, that the sale of the Property depicted on Exhibit A hereto is ratified and approved on the terms and conditions set forth in the Memorandum of Understanding;

FURTHER RESOLVED, that a duly authorized representative of the City and the City Clerk are authorized, on behalf of the City, to execute and deliver the Memorandum of Understanding and any and all agreements, affidavits, deeds, and other instruments and documents in connection with the sale of the Property, all containing such terms and conditions as the City deems necessary, appropriate, or convenient (which, with such further additions, omissions, or changes as are authorized by these resolutions, are collectively referred to as the "Agreements" in these resolutions); and

FURTHER RESOLVED, that the execution, delivery, and performance of each of the Agreements and the consummation of the sale of the Property by and on behalf of the City, is authorized; and that, when executed and delivered, the Agreements shall be binding upon and enforceable against City in accordance with their respective terms; and

FURTHER RESOLVED, that a duly authorized representative of the City and the City Clerk are authorized, on behalf of the City, to take such other actions as it shall deem necessary, appropriate, or convenient to carry out these resolutions; and

FURTHER RESOLVED, that all actions of the City consistent with these resolutions are ratified, approved, and affirmed in all respects.

Made and passed this _____ day of ______________, 2006.

Commissioner ______, seconded by Commissioner ______, moved that the foregoing resolutions be approved. Roll call resulted as follows: Yea: ______. Nays: ______. Absent: ______. Motion carried.
MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING ("Memorandum") is signed as of ____________, 2006, by the CITY OF BENTON HARBOR, a Michigan municipal corporation, the principal business address of which is 200 E. Wall Street, P.O. Box 648, Benton Harbor, MI 49022-0648 Attn.: City Manager ("Benton Harbor") and HARBOR SHORES COMMUNITY REDEVELOPMENT, INC., a Michigan nonprofit corporation, the principal business address of which is 900 Fifth Third Center, 111 Lyon Street, NW, Grand Rapids, MI 49503-2487: Attn: Mr. John G. Cameron, Jr. ("Harbor Shores").

RECALLS:

A. Benton Harbor has been working with Harbor Shores for approximately two (2) years to determine the feasibility of developing an economic development project located in the City of Benton Harbor (the "Project"). While it is not a certainty that the Project will be deemed viable and subsequently undertaken, the Project partners continue to evaluate the Project's feasibility.

B. Harbor Shores would like to purchase certain Parcels (as defined below) of property from Benton Harbor in connection with the development of the Project. As the Project has moved forward, Benton Harbor has appointed both a Negotiating Team and an Advisory Panel to represent its interest in relation to various elements of the Project.

C. In total, the parcels which Harbor Shores seeks to acquire from Benton Harbor for the Project total approximately 80.50 acres (collectively, "Parcels," and individually a "Parcel"), as depicted on the attached Exhibit A. The Parcels may in the aggregate also be referred to herein as the "Property".

D. Benton Harbor acquired the Parcels through several vehicles, including bankruptcies, tax foreclosures, and conveyances. Exhibit B details how, to the best of the parties' knowledge, Benton Harbor acquired its fee simple interest in each Parcel. As Exhibit B illustrates, Benton Harbor appears to have obtained its interest in most of the Parcels through funding sources outside of its primary budget.

E. As most of the Parcels are in an area which historically has been the home of heavy industry and landfilling, there is environmental contamination that must be addressed before development on the Parcels can be undertaken. Thirty-two (32) acres (39.8% of the Property) of the Property are covered by wetlands. The presence of these wetlands makes these areas difficult to develop without extensive and expensive mitigation measures to create new wetlands. Exhibit C details the environmental concerns of each Parcel.

---

1 The proposed Project is planned to be located in the City of Benton Harbor, as well as the City of St. Joseph and Benton Charter Township.
NOW THEREFORE, in consideration of the terms and conditions of this Memorandum of Understanding, the parties agree as follows.

1. **Purchase Price.** The purchase price for the Property shall be One Million Three Hundred Ninety Six Thousand Dollars ($1,396,055.00), payable as set forth in paragraph 2 below. The purchase price for the Property was determined by evaluating the fair market value of the Property (this evaluation was conducted by Steve Archibald, City Appraiser for the Benton Harbor, Rick Miller, Certified Appraiser, and Tony McGhee, Cornerstone Alliance), and by negotiating the purchase price with the Benton Harbor Negotiating Team. **Exhibit D** is a memorandum from the parties regarding the value of the Property.

2. **Payment of Purchase Price.** Immediately upon execution of this Memorandum, Harbor Shores shall pay Benton Harbor Four Hundred Twenty Thousand Eight Hundred Dollars ($420,800.00) as a down payment ("Down Payment"). Harbor Shores shall pay Benton Harbor the balance of the purchase price as follows: Five Hundred and Fifty Thousand Dollars ($550,055.00) of the purchase price on or before June 30, 2006 ("Installment Payment 1"), subject to the City's rezoning of the Property as contemplated in paragraph 4 below; Four Hundred Twenty Five Thousand Two Hundred Dollars ($425,200.00) of the purchase price on or before December 31, 2006 ("Installment Payment 2"). Should Harbor Shores determine, in its sole discretion, that the Project will not proceed, at any point on or before December 31, 2006, Harbor Shores shall retain the Parcels it has been conveyed, and shall have no obligation to purchase any other Parcels. In such case, Benton Harbor shall retain whatever monies it has been paid for the Parcels it has conveyed to Harbor Shores.

3. **Community Benefits Plan.** Benton Harbor agrees to provide One Hundred and Fifty Thousand Dollars ($150,000.00) per year during its 2006/2007 and 2007/2008 fiscal years to support the efforts of the Project's Community Benefits Plan (the "CBP") (such payments are referred to herein as "City CBP Funding"). The City shall make these payments on or before October 31st of 2006 and 2007 into a dedicated account. Such City CBP Funding shall not be released from this dedicated account until Harbor Shores matches the City CBP Funding on at least a dollar for dollar basis. These dedicated funds shall be used solely for CBP purposes, as determined by the mutual agreement of Harbor Shores and Benton Harbor's Advisory Panel. Such CBP purposes are currently and shall continue to be negotiated and determined by the mutual consent of the parties.

4. **Zoning.** Benton Harbor agrees to cooperate with and assist Harbor Shores in obtaining the proper zoning classifications to accommodate and maximize the development potential of the Property and Project (including all Harbor Shores' owned parcels of property within Benton Harbor's jurisdiction). All zoning changes requested by Harbor Shores shall be adopted through the existing zoning change procedure, unless otherwise agreed to by the parties. The payment of Installment Payment 1 to Benton Harbor is contingent upon Benton Harbor's approval of all necessary zoning changes. If
Harbor Shores does not obtain the necessary zoning for the Project by June 30, 2006, Installment Payment 1 will be deferred until such zoning is obtained.

5. **Jean Klock Park.** Harbor Shores does not desire or intend to purchase any portion of Jean Klock Park (the "Park"). However, Benton Harbor agrees to continue negotiations with Harbor Shores in good faith to enter into a long term lease arrangement with Harbor Shores to utilize a portion of the Park for the Project. The portion of the Park to be utilized for the Project will not include any portion of the beach or the western portion of the dunes. The Project shall be minimally invasive to the eastern portion of the dunes (only to the extent necessary for grading and other construction). The uses for the Park permitted under the lease shall be consistent with any covenants and restrictions of record and any consent decree previously executed concerning the Park property. Pursuant to the lease agreement, Harbor Shores will agree to make improvements to the beach portion of the Park in consultation and with the approval of Benton Harbor. Benton Harbor shall use its best efforts to assist and shall cooperate fully with Harbor Shores to obtain necessary approvals from the DEQ, Michigan Natural Resources Trust Fund and other appropriate governmental bodies to develop and construct a portion of the Project on Park property. For purposes of this paragraph 5, what has become commonly known as Parcel 8A shall be considered part of the Park.

6. **Title.** Benton Harbor agrees to convey good and marketable title to the Parcels to Harbor Shores by warranty deeds ("Warranty Deeds"). As evidence of Benton Harbor's title, Harbor Shores shall obtain at its expense, and provide a copy to Benton Harbor, commitments ("Title Commitments") to issue owner's title insurance policies insuring Harbor Shores in the amount of the purchase price (as allocated to the purchased Parcels), without the standard printed exceptions, which shall be in the latest form approved by the American Land Title Association ("ALTA"). The Title Commitments must show good and marketable title to the Parcels to be in Benton Harbor's name, subject only to beneficial easements and restrictions of record that are acceptable to Harbor Shores and the requirements to be satisfied set forth in the Title Commitments and shall disclose no other easements, restrictions or encumbrances whatsoever.

7. **Survey.** Harbor Shores may obtain at its expense, and provide a copy to Benton Harbor, current staked survey(s) of the Parcels in form and substance acceptable to Harbor Shores and Harbor Shores' lender, if any.

8. **Environmental.** Benton Harbor agrees and acknowledges that because most of the Property is in an area which historically has been the home of heavy industry and landfilling, there is environmental contamination that must be addressed before development on the Property can be undertaken. The estimated range of expense associated with environmental investigation and remediation of the Property is Two Million Dollars to Four Million Dollars ($2,000,000.00 - $4,000,000.00). Benton Harbor agrees to cooperate with and assist Harbor Shores in accessing and obtaining funds for such investigation and remediation. Benton Harbor agrees that Harbor Shores shall be permitted to conduct environmental assessment(s) of the Property, at its expense. Benton
Harbor shall provide access and information to, and otherwise cooperate with Harbor Shores in any environmental assessment(s) it conducts. Harbor Shores shall, at its expense, have the right to prepare and submit to the Michigan Department of Environmental Quality ("MDEQ") a "baseline environmental assessment," or "BEA," pursuant to MCL 324.20126. Harbor Shores may also, at its expense, prepare a plan to meet due care obligations at the Property imposed under MCL 324.20107a.

9. **Representations and Warranties.** Benton Harbor represents and warrants to Harbor Shores, which representations and warranties shall be true to the closing dates, as follows: (a) there are no claims, litigation, proceedings, inquiries, investigations, or disputes pending or, to the best of Benton Harbor's knowledge, threatened against or relating to the Property; (b) to the best of Benton Harbor's knowledge, the Property is free and clear of all violations of Applicable Law (applicable laws, ordinances, orders, codes, rules, regulations, building and use restrictions, and other legal requirements); (c) all necessary action to approve, execute, deliver, and perform this Memorandum has been taken by Benton Harbor, and this Memorandum is the valid and binding obligation of Benton Harbor, enforceable against Benton Harbor in accordance with its terms.

10. **Contingencies.** The obligation of Harbor Shores to close the purchase shall be contingent upon: (a) Harbor Shores' determination, it is sole discretion, that the Project will proceed; (b) Harbor Shores' ability to obtain appropriate zoning classifications for the Property pursuant to paragraph 4 above; (c) the parties' entering into a mutually acceptable long term lease agreement for Jean Klock Park pursuant to paragraph 5 above; (d) Harbor Shores obtaining required governmental approvals, pursuant to paragraph 5 above, to develop and construct a portion of the Project on Jean Klock Park property; (e) all representations and warranties of Benton Harbor set forth in this Memorandum being true as of the closing date; and (f) Harbor Shores' satisfaction, in its sole discretion, with the environmental condition of the Property; (g) Benton Harbor having timely performed and complied in all respects with all covenants, obligations, and agreements to be performed or complied with by Benton Harbor under this Memorandum.

11. **Conveyances.** The conveyances shall take place as soon as reasonably possible following the satisfaction of the conditions and contingencies as set forth in this Memorandum but no later than the following dates: Parcels 38, 80 and 81 shall close on or before June 15, 2006. Parcels 8, 66, 67 and 68 shall close on or before June 30, 2006. Parcels 10, 11B, 77, 78, 79, 85, and 111 shall close on or before December 31, 2006. At conveyances, the parties shall execute and deliver all documents reasonably necessary or legally required to evidence the purchases. Benton Harbor shall deliver actual physical possession of the purchased Parcels, and an ALTA owner's title insurance policy which shall insure Harbor Shores' title. At conveyances, Benton Harbor shall pay all recording and filing costs in connection with curing its title to the purchased Parcels, and all applicable transfer taxes upon conveyance. Harbor Shores shall pay the recording fees for the Warranty Deeds. Benton Harbor and Harbor Shores shall each pay one-half of any closing fee charged by the title company.
12. **Taxes and Assessments.** All real estate taxes with respect to the Property, whether or not payable in installments or deferrable without penalty or interest to a later date, that first became or will become due and payable during the year of the closing shall be prorated on a calendar year basis. All special assessments that first became or will become a lien upon the Property on or before the closing date, shall be paid by Benton Harbor. Property taxes payable prior to the year of conveyance shall be paid by Benton Harbor.

13. **Miscellaneous.** This Memorandum may be signed in counterparts, which together shall comprise a single agreement. This Memorandum and the exhibits to this Memorandum contain all of the representations and statements by Benton Harbor and Harbor Shores to one another and express the entire understanding between the parties with respect to the purchase. All prior and contemporaneous communications concerning the purchase are merged in and replaced by this Memorandum.

By casting six votes in favor of the eventual sale of the Property, Benton Harbor has complied with the requirements of Applicable Laws and is committed to moving forward with the Project in the manner outlined in this Memorandum of Understanding.

Wilce Cook, Mayor  
City of Benton Harbor

Pete Mitchell, City Manager  
City of Benton Harbor

Mark Mitchell, Trustee  
Harbor Shores Redevelopment, Inc.

Date

Date

Date
Memo

To: Pete Mitchell, City Manager

From: Steve Archibald
Rick Miller
Tony McGhee

Date: March 31, 2006

Ref: Valuation of City of Benton Harbor Owned Property for Harbor Shores Project

At the request of the City of Benton Harbor, Steve Archibald, City Appraiser for the City of Benton Harbor, Rick Miller, Certified Appraiser, and Tony McGhee, of Cornerstone Alliance met to review appraisals related to the purchase of City of Benton Harbor owned for the Harbor Shores project and to determine a fair value for the land. In total, the parcels which Harbor Shores seeks to acquire for the project total 80.5 acres while the total project area totals approximately 530 acres. Based on these evaluations and negotiations, the fair value of the property was determined to be $1,380,055.

The values were reached based on evaluating both the existing condition and projected end use of each parcel. Within Berrien County, property for residential development sells for between $5,000 and $10,000 per acre with the exception of the New Buffalo and Royalton/Lincoln Township areas where land sells for a higher value given the market demand of those areas. The parcels owned by the City to be used as residential in the project were evaluated at the higher end of the market range which is $10,000 per acre. The parcels to be utilized for commercial development were valued at $1 per sq. ft, which is the standard market value of property for commercial development in the area. The following chart breaks down the agreed upon value of the property on a parcel by parcel basis.

<table>
<thead>
<tr>
<th>Parcel</th>
<th>Acres</th>
<th>Value</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>0.13</td>
<td>$220,375</td>
<td>Residential/Recreation</td>
</tr>
<tr>
<td>10</td>
<td>0.17</td>
<td>$199,100</td>
<td>Residential/Recreation</td>
</tr>
<tr>
<td>10A</td>
<td>0.08</td>
<td>$132,000</td>
<td>Commercial</td>
</tr>
<tr>
<td>11B</td>
<td>0.07</td>
<td>$10,700</td>
<td>Residential/Recreation</td>
</tr>
<tr>
<td>58</td>
<td>4.173</td>
<td>$417,300</td>
<td>Residential/Recreation</td>
</tr>
<tr>
<td>68</td>
<td>1.77</td>
<td>$78,000</td>
<td>Commercial</td>
</tr>
<tr>
<td>67</td>
<td>3.52</td>
<td>$154,880</td>
<td>Commercial</td>
</tr>
<tr>
<td>68</td>
<td>2.13</td>
<td>$94,000</td>
<td>Commercial</td>
</tr>
<tr>
<td>77</td>
<td>1.37</td>
<td>$13,700</td>
<td>Residential/Recreation</td>
</tr>
<tr>
<td>79</td>
<td>0.08</td>
<td>$800</td>
<td>Residential/Recreation</td>
</tr>
<tr>
<td>85</td>
<td>5.23</td>
<td>$52,300</td>
<td>Residential/Recreation</td>
</tr>
<tr>
<td>80</td>
<td>0.17</td>
<td>$1,700</td>
<td>Residential/Recreation</td>
</tr>
<tr>
<td>81</td>
<td>0.18</td>
<td>$1,800</td>
<td>Residential/Recreation</td>
</tr>
<tr>
<td>111</td>
<td>0.22</td>
<td>$2,200</td>
<td>Residential/Recreation</td>
</tr>
</tbody>
</table>

TOTAL: 80.5  |  $1,380,055 |

The total value of $1,380,055 includes the fair market value of all parcels which will be utilized for the Harbor Shores project.
* All residential parcels valuations based on value of $10,000 per acre with exception of parcel number 8 which is valued at $12,500 per acre. This value is the same price set with the City of Saint Joseph to purchase the property known as parcel 4A which adjoins parcel number 8.

** Parcel 10 has two values associated with its use which includes both residential/recreation and commercial.

Attachment A contains a map highlighting the subject properties. The orange colored parcels are ones which Harbor Shores is interested in purchasing while the purple colored ones are ones which the project is interested in leasing. The parcels subject to a potential lease are not part of this valuation and will be addressed at a later time.

The City of Benton Harbor has acquired these properties over the years through several different vehicles including bankruptcies, tax foreclosures, and straight purchases.

As most of these parcels are in an area which historically has been the home of heavy industry, there is a great deal of environmental contamination which must be addressed before any potential development can be undertaken. Finally, 32 acres (39.8%) of the subject property owned by the City are covered by wetlands which cannot be developed without a corresponding amount of new wetlands development.

If you have any questions on the valuations of these properties, please contact any one of us at your convenience.
City of Benton Harbor

Harbor Shores Property Acquisition History

Summarized below is how the City of Benton Harbor became the fee simple owner of the parcels listed below.

Parcel 77: Trustee’s Deed resulting from Benton Harbor Malleable Industries, Inc.’s bankruptcy (Liber 1021, Page 214).

Parcel 78: Trustee’s Deed resulting from Benton Harbor Malleable Industries, Inc.’s bankruptcy (Liber 1021, Page 214).

Parcel 79: Trustee’s Deed resulting from Benton Harbor Malleable Industries, Inc.’s bankruptcy (Liber 1021, Page 214).

Parcel 58: The State of Michigan acquired the property from the City of Benton Harbor for failure to pay unpaid property taxes (deed recorded at Liber 1152, Page 531). According to the title work, the City of Benton Harbor acquired the property from Benton Harbor Malleable Industries, Inc. following a bankruptcy.

Parcel 80 & 81: The City of Benton Harbor was deeded the property from the Department of Natural Resources for the State of Michigan following a tax reversion (Liber 1084, Page 621 and Liber 1009, Page 261).

Parcel 10, 11, 66, 67 and 68: Quit Claim Deed from Renaissance Land Development Company, LLC, a Michigan corporation (consideration of $300,000.00) (Liber 2502, Page 680).

Parcel 8: Quitclaim Deed from the Consolidated Rail Corporation (Liber 1332, Page 1). Total consideration was $57,000.00 for the 4.4 miles of the Benton Secondary line.
<table>
<thead>
<tr>
<th>Parcel No.</th>
<th>Historical Use/Environmental History</th>
</tr>
</thead>
<tbody>
<tr>
<td>8a</td>
<td>Early (1938) aerial photographs reflect agricultural use with the Paw Paw River crossing through the center portion of the property. Prior to the construction of the M-63 Klock Road interchange in 1956, the western parcel was utilized for the disposal of foodyard waste; the eastern parcel was comprised of overgrown areas, wetlands, and marshes. The Paw Paw River appears to have been removed in a southerly direction east of the property. M-63 Klock Road interchange was utilized as such until 2001. The interchange was removed in 2001/2002 by MDOT as part of a community redevelopment project.</td>
</tr>
<tr>
<td>8b</td>
<td>Historical use is similar to 8a above.</td>
</tr>
</tbody>
</table>

This 29.7 acre parcel is vacant and undeveloped upland with localized areas of sharp topographical relief resulting from its previous association with Highway M-63 and Klock Road Road. Previous activities noted along the southwestern border including the presence of foodyard-like debris, middens, caissons, bricks, and slag as well as various types of municipal and household wastes. There is a potential for residual contaminants within the borrow sediments of the abandoned segment of the Paw Paw River as a result of historical operations located upstream, including the former Aircraft Components facility. A suspected waste plugging operation, recent sampling indicated that at least a portion of the site is impacted with asbestos, chromium, iron, methanol, and solvents as a result of historical conditions above residential criteria resulting in the parcel being believed to be a facility. While this vacant parcel has similar historical use as parcel 8a, recent limited sampling did not reveal any contaminants above residential generic cleanup criteria. Therefore, this parcel is not believed to be a facility.
<table>
<thead>
<tr>
<th>Parcel No.</th>
<th>Historical Use/Environmental History</th>
<th>Current Use/Environmental Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Aerial photographs of the property from 1938 and 1950 depict the property as a partially wooded and open grass area to the east, and dune land and beaches along Lake Michigan to the west. Two roads are located on the property, both of which are oriented in a northerly by southwesterly direction. The more westerly of these extends along an area just between the beach and the wood line located east of the beach. The more easterly winds through the central portion of the property along the beach. The 1955 photograph depicts the property as being more developed. The park appears to have undergone a number of improvements, including the addition of the municipal water treatment plant in the southwestern corner of the property. Also evident in the 1955 photo is the apparent filling of the wetland area located in the southeastern and eastern portions of the property. Later photographs show the continued expansion of physical improvements to the park including enlarged parking areas and access points.</td>
<td>This parcel, known as Jean Klock Park, is approximately 78.22 acres and is characterized by a variety of natural topographical and ecological features including a series of sand dunes that extend along much of the property’s western boundary with Lake Michigan, to a lowland comprised of large flat expanses of ponds, marshes and wetland features along much of the parcel’s eastern boundary. The eastern/southeastern portion of the property contains evidence of historical and widespread waste disposal practices including the presence of foundry-like debris, molds, castings, bricks and slag as well as evidence of recent and on-going disposal of household refuse and wastes including plumbing fixtures, electrical fixtures, concrete, tires, etc. Also, there is a potential for residual contaminants within the bottom sediments of the abandoned segment of the Paw Paw River as a result of historical operations located upstream including the former Aircraft Component facility and a suspected metal plating operation. Recent sampling indicated that at least a portion of the parcel is impacted with arsenic, chromium, iron, lead, molybdenum and selenium at concentrations above residential criteria resulting in the parcel being a facility.</td>
</tr>
<tr>
<td>Parcel No.</td>
<td>Historical Use/Environmental History</td>
<td>Current Use/Environmental Status</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>10</td>
<td>The property is shown to be unoccupied and undeveloped on aerial photographs beginning 1968 and continuing through 1992. Between 1950 and 1955 the route of the Paw Paw River was modified, and a channel was constructed along the western border of the property. Sometime prior to 1950 landfilling activities appear to have commenced in the eastern portion of the property and by 1960 had expanded across the property in a westerly direction. The disposal activities appear to have ceased by approximately 1974.</td>
<td>This parcel contains approximately 22.9 acres and is characterized by a combination of vacant and undeveloped upland and wetland areas. The upland areas are partially wooded and are “upland” as a result of the historical landfilling of wetland areas with industrial waste. Numerous signs of historical and widespread waste disposal practices were noted at the property, including the presence of foundry debris, molds, castings, bricks, slag, 1-gallon cans, 5-gallon pails, 55-gallon drums, electrical insulators, concrete, tires, etc. as well as municipal and household debris. It appears that the fill material is as much as 10-15 feet thick across portions of the site. Recent sampling indicated that at least a portion of the site is impacted with arsenic, chromium, cobalt, copper, molybdenum, nickel, selenium and zinc at concentrations above residential criteria resulting in the parcel being a facility.</td>
</tr>
<tr>
<td>11b</td>
<td>Aerial photographs were reviewed for various years beginning 1938 through 1992. The photos show the property to be part of occupied and developed land for the entire period. The land was part of an industrial complex (Superior Steel &amp; Malleable Castings Company, steel and malleable foundry operations) that historically occupied nearly all of the area northwest of the Graham Ave. Eighth St. intersection. One or more building structure may have been historically located on or near the northernmost portion of the property.</td>
<td>This 1.07 acre parcel is characterized by a vacant, undeveloped, partially wooded upland area. Numerous signs of historical and widespread waste disposal practices were noted in the central and northern portions of the property including the presence of foundry-like debris, molds, castings, bricks, and slag. There is a small, dilapidated wooden building near the east-central border of the property which resembles a small guardhouse or watch station, perhaps historically associated with the landfilling activities occurring on or in the immediate vicinity of the property. Recent sampling indicated that at least a portion of the site is impacted with arsenic, chromium, iron, molybdenum and selenium at concentrations above residential criteria resulting in the parcel being a facility.</td>
</tr>
<tr>
<td>Parcel No.</td>
<td>Historical Use/Environmental History</td>
<td>Current Use/Environmental Status</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>58, 77, 78, 79</td>
<td>Aerial photographs were reviewed for a number of years between 1938 and 1992. With the exception of a large industrial building complex located in the southeastern corner the property is predominantly unoccupied and undeveloped on all of the photos. The building complex appears to have been razed sometime between 1960 and 1967. Evidence of earthwork and landfilling operations are evident in each of the photographs with the location of the activity varying by year.</td>
<td>These four contiguous parcels totaling approximately 43.3 acres are vacant and undeveloped (with the exception of a concrete building slab) and characterized by a combination of upland and wetland areas. The uplands are partially wooded and are predominantly &quot;upland&quot; as a result of the historical landfilling of wetland areas with industrial and municipal waste. As a result, the topography in the southern two-thirds of the property is characterized by a series of irregular slopes and plateaus comprised almost entirely of fill material while the northern portions are primarily undeveloped wetland. There is evidence of the historical and widespread industrial and municipal waste disposal practices including the presence of foundry-like debris, molds, castings, bricks, drums, and slag. Recent sampling indicated that at least a portion of the site is impacted with arsenic, chromium, copper, iron, molybdenum and selenium at concentrations above residential criteria resulting in the parcel being a facility.</td>
</tr>
<tr>
<td>Parcel No.</td>
<td>Historical Use/Environmental History</td>
<td>Current Use/Environmental Status</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>64</td>
<td>This property has been developed since the early 1900s and was originally part of Benton Harbor Malleable Industries which operated at the site until 1975. In 1975 the company filed bankruptcy and the property reverted to the City. The property then remained vacant until 1978 when United Die Cast began operations. In 1981 Maybridge Enterprises acquired the property from the City. In 1985 United Die Cast acquired the property from Maybridge. United operated at the property until 2002. A 2004 BEA document exists soil and groundwater contamination at the site.</td>
<td>This 2.36 acre parcel is in an area of general industrial development and is characterized predominantly by a developed upland. The property is currently operated as an aluminum die cast facility by Spence Technologies. There is a 25,000 square foot building located in the central portion of the property which includes a hazardous materials storage room. There is 2004 documentation of the existence of soil and groundwater contamination at the property. Analytical testing suggests that metals and semi-volatile organic compounds are the most widespread contaminants in the soil. There are numerous areas of stained soil and areas of stressed vegetation observed in the northwest portion of the property. These areas appeared in association with a small concrete slab and included foundry-like debris (black sand, cinders and slag). The western/northwestern portion of the property appears to have recent waste disposal practices involving drops associated with aluminum and zinc die casting operations. Other wastes include general refuse and debris. Recent sampling indicated that at least a portion of the site is impacted with arsenic, chromium, copper, iron, molybdenum, nickel, selenium and zinc at concentrations above residential criteria resulting in the parcel being a facility.</td>
</tr>
<tr>
<td>Parcel No.</td>
<td>Historical Use/Environmental History</td>
<td>Current Use/Environmental Status</td>
</tr>
<tr>
<td>-----------</td>
<td>------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>66, 67, 68</td>
<td>This property, together with the majority of parcels located in the vicinity, has a long history of industrial use dating back to the early 1900s. Aerial photographs for these parcels for the period from 1938 through 1992 show it to be occupied and developed land during the entire period. Sanborn maps for 1917 and 1926 both depict the property as being part of the former Benton Harbor Malleable Industries operation, a foundry and die cast operation that encompassed much of the area located east of Eighth Street and north of Graham Ave. An Environmental Assessment was performed in 1997 which reflected benzo(a)pyrene in one soil sample at a level equaling the direct contact value of 21,000 ppm. Additionally, VOCs, PAHs, and metals were detected in numerous samples which exceeded 20 times the GSI criteria and/or 20 times the generic cleanup criteria. 1,1-DCE, 2-methylnaphthalene and TCE as well as PAH compounds were found in the groundwater in excess of the industrial drinking water criteria.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>This property, located in an area of general industrial development and containing approximately 7.65 acres, is characterized by a vacant and undeveloped upland area which is essentially tree and overgrowth. Areas of stressed vegetation can be observed in the northern portion of the property which include foundry-like debris (black sand, cinders and sand). Recent sampling indicated that at least a portion of the site is impacted with arsenic, chromium, iron, PNA, selenium and zinc at concentrations above residential criteria resulting in the parcel being a facility.</td>
<td></td>
</tr>
<tr>
<td>Parcel No.</td>
<td>Historical Use/Environmental History</td>
<td>Current Use/Environmental Status</td>
</tr>
<tr>
<td>------------</td>
<td>------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>80, 81</td>
<td>A 1938 aerial photograph shows the property to be undeveloped. A 1947 Sanborn map indicates the property as a polishing and plating works (Quality Polishing &amp; Plating/Twin City Plating) and the 1950 aerial photo reflects development in the southwestern portion of the property. The 1955 photo reflects construction of an industrial building in the northern portion of the property. By 1974 the building structure appears to have been razed with the exception of the existing building slab and parking surface.</td>
<td>This .35 acre parcel is located in an area of general industrial development and is characterized predominantly by a vacant and undeveloped upland bordered to the west by an abandoned oxbow segment of the Paw Paw river. The upland area contains the remnants of a concrete building slab and parking surface. Numerous areas of stained soil and areas of stressed vegetation can be observed at the property. The property appears to have been the subject of historical waste disposal practices involving household refuse and debris, particularly along the western boundary. Materials observed at the property include broken glass, plastic, foodstuff containers, 1-gallon cans, 5-gallon pails, concrete and tires. The property is currently being used as a staging area for materials associated with the reconstruction of the North Shore Drive bridge over the Paw Paw River. Recent sampling indicated that at least a portion of the site is impacted with arsenic, chromium, cobalt, copper, iron, molybdenum, nickel, PNs, selenium and zinc at concentrations above residential criteria resulting in the parcel being a facility.</td>
</tr>
<tr>
<td>Parcel No.</td>
<td>Historical Use/Environmental History</td>
<td>Current Use/Environmental Status</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>85</td>
<td>With the exception of a small residential area located north of the property, the 1938 aerial photograph depicts the surrounding properties as primarily vacant and undeveloped. By 1950, industrial development had begun to occur on the east side of Paw Paw Avenue, northeast of the property. This development expanded southward along Paw Paw Avenue through approximately 1967. The 1967 photograph depicts an extensive amount of earthwork on the property and on the land located southwest of the property. By 1974, construction of the City's Department of Public Works building appears to have been completed. The later photographs depict little change in the property.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>This 5.23-acre parcel is located in an area of general industrial and mixed-use residential development. It is currently used by the City as their Department of Public Works facility which includes general storage and maintenance of City-operated maintenance vehicles and equipment together with the bulk storage of road salt, asphalt cold patch material, crushed asphalt, sand, and petroleum fuels and the composting of yard waste. In addition, the northern, western, and southwestern portions of this property have been the historical and ongoing recipients of a variety of municipal and other wastes ranging from household debris and refuse to automobile parts, batteries, 55-gallon drums, and smaller containers of hazardous substances including motor oil, bleach, and cleaning solvents. There are multiple areas of petroleum-stained and discolored soil and areas of pooled water exhibiting a heavy petroleum-like sheet of odor in the west-central portion of the property. Areas of stressed vegetation and discolored soils were also noted in association with the bulk storage in the south-central portion of the property. It is anticipated that sampling of this property will reveal contaminants resulting in this site being a facility.</td>
<td></td>
</tr>
<tr>
<td>Parcel No.</td>
<td>Historical Use/Environmental History</td>
<td>Current Use/Environmental Status</td>
</tr>
<tr>
<td>------------</td>
<td>--------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>111</td>
<td>A review of aerial photographs indicates that the property is essentially unoccupied and undeveloped until the 1955 photograph when the current sanitary sewer lift station first appears. However, large-scale earthwork appears to have been underway at the property in 1938 and, based upon the orientation of several paths and trails, appears to have been associated with activities at the former Superior Steel facility located immediately south of the property across Ox Creek. By 1955, however, the earthwork appears to have shifted northward onto property just north of this parcel.</td>
<td>This .22 acre parcel, which is a vacant and undeveloped upland area with the exception of a municipal sanitary sewer lift station, is located in an area of general industrial development. Numerous signs of historical and widespread waste disposal practices were noted across the undeveloped southeastern, southern, and western portions of the property, including the presence of foundry-like debris, bricks, and slag presumably associated with the industrial operations historically located throughout the area. Further sampling and analysis will be required to determine if this parcel is a facility.</td>
</tr>
</tbody>
</table>
Memo

From: Steve Archibald
Rick Miller
Tony McGhie

Date: April 10, 2006

Re: Valuation of City of Benton Harbor Owned Property for Harbor Shores Project

At the request of the City of Benton Harbor, Steve Archibald, City Appraiser for the City of Benton Harbor, Rick Miller, Certified Appraiser, and Tony McGhie, of Cornerstone Alliance met to review appraisals related to the purchase of City of Benton Harbor owned for the Harbor Shores project and to determine a fair value for the land. The role of Mr. Archibald and Mr. McGhie was to determine the best use on which to appraise the land. Based on these discussions, Mr. Miller applied values to the property which are detailed below. In total, the parcels which Harbor Shores seeks to acquire for the project total 92.83 acres while the total project area totals approximately 350 acres. Based on these evaluations and negotiations, the fair value of the property was determined to be $1,341,555.00.

The values were reached based on evaluating both the existing condition and projected end use of each parcel. Within Benton County, property for residential development sells for between $5,000 and $10,000 per acre with the exception of the New Buffalo and Royalton/Lincoln Township areas where land sells for a higher value given the market demand of those areas. The parcels owned by the City to be used as residential in the project were evaluated at the higher end of the market range which is $10,000 per acre. The parcels to be utilized for commercial development were valued at $71 per sq. ft. which is the standard market value of property for commercial development in the area. The following chart breaks down the agreed upon value of the property on a parcel by parcel basis.

<table>
<thead>
<tr>
<th>Parcels</th>
<th>Value</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>17.63</td>
<td>$299,479</td>
</tr>
<tr>
<td>10</td>
<td>19.92</td>
<td>369,700</td>
</tr>
<tr>
<td>10b</td>
<td>3</td>
<td>132,000</td>
</tr>
<tr>
<td>415</td>
<td>4.97</td>
<td>42,700</td>
</tr>
<tr>
<td>58</td>
<td>41.78</td>
<td>1417,300</td>
</tr>
<tr>
<td>56</td>
<td>1.77</td>
<td>79,000</td>
</tr>
<tr>
<td>67</td>
<td>3.52</td>
<td>154,850</td>
</tr>
<tr>
<td>68</td>
<td>2.15</td>
<td>94,000</td>
</tr>
<tr>
<td>77</td>
<td>0.13</td>
<td>1,300</td>
</tr>
<tr>
<td>78</td>
<td>1.37</td>
<td>13,700</td>
</tr>
<tr>
<td>79</td>
<td>0.08</td>
<td>800</td>
</tr>
<tr>
<td>80</td>
<td>0.17</td>
<td>1,700</td>
</tr>
<tr>
<td>81</td>
<td>0.18</td>
<td>1,600</td>
</tr>
</tbody>
</table>
All residential parcels valuations based on value of $10,000 per acre with exception of parcel number 8 which is valued at $12,000 per acre. This value is the same price set with the City of Saint Joseph to purchase the property known as parcel 4A which adjoins parcel number 8.

Parcel 10 has two values associated with its use which includes both residential/recreation and commercial.

Attachment A contains a map highlighting the subject properties. The orange colored parcels are ones which Harbor Shores is interested in purchasing while the purple colored ones are ones which the project is interested in leasing. The parcels subject to a potential lease are not part of this valuation and will be addressed at a later time.

The City of Benton Harbor has acquired these properties over the years through several different vehicles including bankruptcies, tax foreclosures, and straight purchases.

As most of these parcels are in an area which historically has been the home of heavy industry, there is a great deal of environmental contamination which must be addressed before any potential development can be undertaken. Finally, 32 acres (94.83%) of the subject property owned by the City are covered by wetlands which cannot be developed without a corresponding amount of new wetlands development.

If you have any questions on the valuations of these properties, please contact any one of us at your convenience.
CITY OF BENTON HARBOR
OFFICE OF THE CITY CLERK
175 W. TERRITORIAL ROAD, BENTON HARBOR, MI 49022
(269) 927-8408

EXTRACTS FROM THE MINUTES OF A REGULAR WEEKLY MEETING OF THE CITY COMMISSION OF
THE CITY OF BENTON HARBOR, MICHIGAN HELD ON THE 10TH DAY OF APRIL 2006.

The following Consent Calendar item(s) was/were presented by Utility Services Director/City
Manager Mitchell, moved by Commissioner Hill and supported by Mayor Pro-Tem Haralson.

LAND SALE FOR HARBOR SHORES DEVELOPMENT

RESOLUTION TO APPROVE SALE OF CERTAIN CITY OWNED LAND TO HARBOR SHORES
COMMUNITY REDEVELOPMENT, INC.

Commissioner Hill, supported by Mayor Pro-Tem Haralson, moved the adoption of the
following resolution:

WHEREAS, in October, 2005, the City of Benton Harbor ("City") entered into a Development
Cooperation Agreement ("Act 425 Agreement") Among Benton Harbor, St. Joseph, And Harbor
Shores Community Redevelopment, Inc. ("Developer").

WHEREAS, the subject of the Act 425 Agreement is an economic development project ("Harbor Shores
Project") in Benton Harbor, Benton Township, and St. Joseph, Michigan being proposed by the
Developer.

WHEREAS, the City owns certain real property ("City-Owned Land"), which the Developer seeks
to purchase for use in the Harbor Shores Project, pursuant to a proposed Memorandum of
Understanding.

WHEREAS, the City has determined that the City-Owned Land is not used or needed by the City in the
discharge of its governmental functions, and sale of the City-Owned Land will contribute to
economic development and growth of the City, help preserve and create jobs, and help diversify the
City's economy.

NOW, THEREFORE, BE IT HEREBY RESOLVED AS FOLLOWS:
1. That the Memorandum of Understanding, and all actions taken by or at the direction of the City Manager, City staff, and City Council to facilitate closing of the Memorandum of Understanding, is hereby approved and ratified.

2. That the Mayor and City Manager are authorized and directed to sign, and the City Clerk is authorized and directed to attest to, the Memorandum of Understanding, plus all remaining agreements and other documents ("Closing Documents") necessary to complete closing of the Memorandum of Understanding; provided, that such Closing Documents shall first be approved by the City Manager as to substance, and shall be approved by the City's Council as to form.

3. That all resolutions or parts of resolutions in conflict herewith shall be the same are hereby rescinded.

The motion on the Consent Calendar Item(s) carried on the following roll call vote. Yeas: Commissioners Hill, Marshall, Crenshaw, Yarbrough, Henry, Mayor Pro-Tem Haralson, Commissioners Abdullah and Hampton. Nays: None. Members Abstain: (Mayor Cooke stated that he'll pass on voting). Members Absent: None.

I, Joyce Taylor, City Clerk of the City of Benton Harbor, Michigan hereby certify that the attached is a true, compared and correct copy of a Resolution adopted by the City Commission of the City of Benton Harbor, Michigan on April 10, 2006.

Joyce Taylor, City Clerk

Seal
MEMORANDUM

TO: Allison J. Mulder
FROM: Marianne L. Hunderman
DATE: March 7, 2006
RE: City of Benton Harbor Parcels

Pursuant to your request, I have summarized how the City of Benton Harbor became the fee simple owner of the parcels listed below.

Parcel 77: Trustee's Deed resulting from Benton Harbor Malleable Industries, Inc.'s bankruptcy (Liber 1021, Page 214).

Parcel 78: Trustee's Deed resulting from Benton Harbor Malleable Industries, Inc.'s bankruptcy (Liber 1021, Page 214).

Parcel 79: Trustee's Deed resulting from Benton Harbor Malleable Industries, Inc.'s bankruptcy (Liber 1021, Page 214).

Parcel 58: The State of Michigan acquired the property from the City of Benton Harbor for failure to pay unpaid property taxes (deed recorded at Liber 1152, Page 531). According to the title work, the City of Benton Harbor acquired the property from Benton Harbor Malleable Industries, Inc. following a bankruptcy.

Parcel 85: Warranty Deed from Victor E. Greer and Lee Ester Greer (consideration of $13,110.83) (Liber 1169, Page 70). The Warranty Deed was subject to a Sheriff's Deed in the amount of $49,076.22, which the City of Benton Harbor also paid.

Parcel 80 & 81: The City of Benton Harbor was deeded the property from the Department of Natural Resources for the State of Michigan following a tax reversion (Liber 1084, Page 621 and Liber 1009, Page 261).

Parcel 64: Spence Technology, Inc., a Michigan corporation, quit-claimed the property to the City of Benton Harbor (Liber 2615, Page 186). Spence Technology is a tenant under a 5 year lease dated March 1, 2005.

Parcel 10, 11, 66, 67 and 68: Quit Claim Deed from Renaissance Land Development Company, LLC, a Michigan corporation (consideration of $300,000.00) (Liber 2502, Page 680).
Parcel 111: Quit-Claim Deed from Superior Steel Castings Co. (Liber 892, Page 670) (consideration of $1,200.00).

Parcel 8: Quitclaim Deed from the Consolidated Rail Corporation (Liber 1332, Page 1). Total consideration was $57,000.00 for the 4.4 miles of the Benton Secondary line.

Parcel 123: Berrien County Treasurer recorded a Certificate of Forfeiture of Real Property. Owner at that time was John G. Yerington Realty Company, a corporation. There will have to be a deed from John G. Yerington Realty Company, or proof they were given notice of the forfeiture.

Parcels 130-143: Owner of property shown in title commitment as the City of Benton Harbor. John G. Yerington Realty Company, a corporation and Betty J. Yerington and Patricia Yerington were owners of the property, however, title documents suggest that property is owned by the Berrien County Treasurer due to a tax reversion.