

OPTION FOR PURCHASE OF REAL ESTATE

THIS OPTION FOR PURCHASE OF REAL ESTATE ("Agreement") is made this 20th day of August, 2007 (the "Effective Date"), by and between the City of Bay City, a Michigan municipal corporation, whose address is 301 Washington Avenue, Bay City, Michigan 48708 ("City"), and RiversEdge Development Corporation, Inc., a Michigan Non-profit corporation, whose address is 3604 Wilder Road, Bay City, Michigan 48706 ("Purchaser", including any successors or assigns).

WITNESSETH:

WHEREAS, City desires to sell, and Purchaser desires to purchase, all right, title and interest of City in and to all or a portion of the real property located in the City of Bay City, County of Bay, State of Michigan, more particularly described on the attached Attachment 1 (the "Property" which shall include any parcel upon which the Purchaser its successors or assigns wishes to exercise this Option) subject to the requirement that Purchaser commence development on the parcel(s) of Property transferred thereto no later than one (1) year after the date of Closing, and further, in accordance with the terms set forth below;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Grant, Terms and Exercise of Option.

(a) City hereby grants to Purchaser the exclusive and irrevocable option to purchase the Property upon the terms and provisions of this Agreement (the "**Option**"). The Option shall expire at 5:00 p.m., Bay City, Michigan time on September 1, 2012 (the "**Expiration Time**"), which date shall be extended in accordance with section 1(b). Prior to the Expiration Time, the Option shall run with the land and be binding upon the Property and any improvements thereupon.

(b) The Option shall only be exercisable during the period commencing on the date hereof and ending at the Expiration Time (the "**Option Term**"). As consideration for the Option during the Option Term, Purchaser has delivered to City on the date hereof the sum of Ten Thousand and 00/100 Dollars (\$10,000.00) in the form of check payable to "Bay City Treasurer" (the "**Option Consideration**"). Purchaser may request an extension of the Option Term for up to two additional two year terms by payment of an additional Five Thousand and 00/100 Dollars (\$5,000.00) per additional term no later than thirty (30) days prior to the date of the commencement of such extension of the Option Term. In no event shall the Expiration Date occur more than nine (9) years after the Effective Date of this Agreement, as herein defined. Any additional payment made hereunder shall be considered part of the Option Consideration.

(c) The Option on the Property, or any portion thereof, may be exercised by Purchaser by delivery to City during the Option Term of notice in writing of the exercise of the Option. The foregoing notice to be given in the manner provided in Section 23 hereof. Upon giving such notice, and for notice given with respect to each portion of the Property, Purchaser shall deposit in an interest bearing account with First American Title Insurance Company ("Escrow Agent") within five (5) business days after giving such notice the sum of Twenty Five Thousand and 00/100 Dollars (\$25,000.00) (which deposit together with any interest thereon is referred to as the "**Deposit**") to be made payable to "Bay City Treasurer" and applied as hereinafter provided.

(d) It is the express intent of the parties hereto that Purchaser may exercise the Option as to the Property as a whole, or as to one or more parcels included in the Property at any time during the Option Term, prior to the Expiration Time. The exercise of the Option as to less than the entire Property shall not cause the Option to terminate or expire. In the event the Option is exercised as to fewer than all parcels comprising the Property, this Agreement shall remain in effect,

and Purchaser shall be entitled to exercise the Option as to any of the remaining parcels comprising the Property in accordance with the terms of this Agreement.

(e) If Purchaser fails to properly exercise the Option or any portion thereof as provided herein prior to the Expiration Time, the Option (or the Option with respect to any portion that has not previously been exercised as of the Expiration Time) shall expire absolutely and Purchaser shall have no right to purchase the Property. In such event City shall retain the Option Consideration as its sole and exclusive consideration for the Option and City shall be entitled to no other remedy or recourse whatsoever against Purchaser arising out of Purchaser's failure to exercise the Option.

(f) It is the explicit intent of the parties that the highest and best use of the Property is for such uses that generate tax revenue for the City of Bay City and other taxing jurisdictions. The parties recognize that some portion of the Property may be conveyed to an end use developer that is not subject to taxation pursuant to Michigan's General Property Tax Act ("Property Tax Act") or such other act as may levy a specific tax on the real or personal property in lieu of millages levied pursuant to the Property Tax Act ("Tax Exempt User"). The parties hereby agree that no more than 25% of the net developable area, which shall exclude any portions of the Property that are used for public rights-of-way, roads, streets, sidewalks, utilities or areas set aside or retained by the City for public use, shall be conveyed to, occupied by, owned by, utilized by or developed by an entity that is a Tax Exempt User, unless such use is specifically authorized by the City Commission of the City of Bay City prior to any such conveyance, occupancy, ownership, utilization or development. The parties agree that, at the City's option, any quit claim deed delivered to any end use developer shall contain a provision that, should the property no longer be used for a purpose that generates tax revenue, the property shall be returned or delivered back to the City and that the City retains such a reversionary interest in the Property.

(g) The parties agree that the preservation of open space is vital to the redevelopment of the Property, and that certain portions of the Property are intended to remain in public ownership and open to the public. The City shall reserve to itself ownership in certain portions of the Property, as set forth in Attachment 1 hereto or which shall be identified by the City after the execution of this Agreement but before Developer exercises any Option hereunder, that shall remain in the City's ownership and open to the public, including but not limited to all rights

incident to riparian ownership of the property. Such reservation shall include, but not be limited to, such portions of the Property that were obtained by the City through one or more grant or low-interest loan programs that require, as a condition of the award of such grant or loan, that the property be retained in perpetuity by the City. Any portions of the Property subject to reservation by the City for public ownership and access shall not be excluded from the calculation of the net developable area for the purpose of limiting the percentage of the Property that may be developed by a Tax Exempt User.

2. Purchase Price. The purchase price (the "Purchase Price") to be paid by Purchaser to City for the Property or any parcel thereof upon exercise of the Option that includes said Property or portion thereof under this Agreement shall be determined in accordance with that certain Development Agreement entered as of a date even herewith by and between City and Purchaser ("Development Agreement"). The total purchase price shall be not less than the value of the Property determined pursuant to an appraisal conducted within the time limits established by the Appraisal Institute, and performed by a qualified appraiser mutually agreed upon by the parties. The portion of the Purchase Price that represents the appraised value of the Property shall be paid to the City, and shall be used for the costs of infrastructure necessary or desirable to the City, in its sole discretion, to accommodate the development of the Property. That portion of the purchase price for the Property (or any parcel thereof) that exceeds the appraised value of the Property (or respective parcel thereof), shall be transferred to and may be used by RiversEdge Development Corporation, Inc. solely for: a) reasonable expenses incurred by RiversEdge Development Corporation, Inc. for marketing and sale of the Property, as such activities are deemed necessary or appropriate by RiversEdge Development Corporation, Inc.'s board of directors; b) reasonable expenses incurred by RiversEdge Development Corporation, Inc. in constructing infrastructure as may be necessary to develop the property; or c) reimbursing funds paid into RiversEdge Development Corporation, Inc. by one or more of the Directors. RiversEdge Development Corporation, Inc. shall provide to the City an accounting of all such income and expenses: a) no less than one time per year, in the month of the annual meeting of RiversEdge Development Corporation, Inc.; or b) within forty-five (45) days after receiving a written request from the City for such an accounting. In the event that such funds are not used

for the purposes set forth immediately above, RiversEdge Development Corporation, Inc. shall remit all remaining funds to the City.

3. Survey. Purchaser, at its sole cost and expense, may obtain a survey of the Property ("Survey").

4. Title. At the Closing, City shall by quit-claim deed convey title to the Property, or any parcel thereof subject to Closing, to Purchaser. In the event that Purchaser wishes to ensure that it is obtaining Insurable title, it shall have the sole responsibility to make such a determination and bear all of the costs associated with making such a determination. "Insurable" as used herein is defined to mean title which is insurable by First American Title Insurance Company (the "**Title Company**") at its standard rates without exception, except for: (a) standard exceptions; (b) any exceptions set forth in the quit claim deed from Purchaser to City and all other liens, encumbrances and other matters of record existing on the date of Closing; (c) any liens or encumbrances arising out of the acts of Purchaser; (d) any matters which an accurate survey or inspection of the Property would disclose; (e) the rights of the public and of any governmental unit in any part thereof taken, used or deeded for street, road or highway purposes; (f) easements and right-of-ways entered into after the date of this Agreement by City in the ordinary course of business; and (g) other exceptions approved by Purchaser in accordance with the procedures hereinafter set forth (collectively (a) through (g) are the "**Permitted Title Exceptions**"). The Permitted Title Exceptions may be further set forth or described in Attachment 2 hereto. The Purchaser shall, at its sole cost and expense, obtain an owners title insurance policy from Title Company. The City shall in no way be obligated to provide or pay for any title insurance policy obtained or desired by the Purchaser, but shall use commercially reasonable efforts to remove any non-standard exceptions from the Property or any parcel thereof for which Purchaser exercises this Option. In the event that such non-standard title exceptions cannot be removed or extinguished, Purchaser may elect: a) not to close on the Property or parcel thereof; or b) close on the Property or parcel thereof and assume all obligation, risk, cost and liability with respect to such exception.

5. Inspection Period. Purchaser shall have the right prior to purchase of any parcel until the Expiration Time (such period being referred to herein as the "Inspection Period"), at

Purchaser's sole cost and expense, to conduct such tests, studies and examinations of the Property or any parcel thereof as Purchaser deems advisable, to investigate applicable laws, ordinances and codes, and to do all other things as Purchaser deems necessary, in its sole discretion, to satisfy itself that the Property or any parcel thereof is suitable for Purchaser's intended use; provided, however, that Purchaser shall not conduct any soil borings or other invasive testing of the Property without the prior written consent of City (collectively, the "Inspections"). City agrees that Purchaser, its officers, employees, agents, invitees and contractors ("Purchaser's Representatives") shall have reasonable access to the Property during normal business hours and upon providing no less than forty eight (48) hours written notice requesting such access (such notice not including any Saturday, Sunday or holiday) to conduct the Inspections, all in accordance with the Access Agreement set forth as Exhibit D to the Development Agreement. These obligations shall survive the Closing or the termination of this Agreement. If Purchaser is not satisfied with the results of its Inspections, Purchaser shall have the right to terminate this Agreement upon notice to City thereof within the Inspection Period, whereupon this Agreement shall terminate, the Deposit shall be returned to the Purchaser and, subject to such obligations of Purchaser hereunder which expressly survive termination of this Agreement, neither party shall have any further obligation to the other, otherwise Purchaser shall be deemed satisfied with the results of its Inspections and the condition of the Property without any further action by the parties.

6. Termination. If Purchaser terminates this Agreement for any reason, then Purchaser shall furnish to City copies of all inspection reports, environmental audits and reports, and other documents or reports obtained by Purchaser in connection with its Inspections or any other matter relating to the Property.

7. Purchaser's Conditions to Closing. After exercise of the Option, Purchaser's obligation to pay the purchase price and to accept title to the Property or any parcel thereof shall be subject to compliance by City with the following conditions precedent on and as of the Closing Date:

(a) Except as set forth in section 4 above, City is able to convey good and insurable title to the Property or such parcel subject to Closing, subject only to Permitted Title Exceptions.

(b) City shall deliver to Purchaser on or before the Closing Date the following:

(i) A quit claim deed in proper statutory form for recording, duly executed and acknowledged by City (with Real Property Transfer Tax Valuation Affidavit if requested by Purchaser), sufficient to convey to Purchaser fee simple title to the Property or such portion thereof subject to Closing free of all exceptions and encumbrances except for the Permitted Title Exceptions. Purchaser shall pay to the appropriate governmental authority all transfer, documentary, intangible and other taxes which are imposed in connection with the conveyance of the Property; and

(c) Purchaser may apply to City's Brownfield Redevelopment Authority for approval of a Brownfield Redevelopment Plan, an amendment to any existing Brownfield Plan or any other economic incentive for which the Purchaser and the Property (or such parcel as may be subject to Closing) qualify (at the time any such approval is complete) that includes the Property or such parcel as is subject to Closing. If such a Brownfield Redevelopment Plan or other requested economic development incentive is not approved as of the Expiration Time, Purchaser may terminate this Agreement, and any Deposit shall be returned to Purchaser, and neither party shall have any further obligations hereunder.

(d) Purchaser shall seek approval of a site plan or preliminary site plan from the Bay City Planning Commission prior to the Expiration Time. If such site plan or preliminary site plan approval are not granted prior to the Expiration Time, Purchaser may terminate this Agreement, and any Deposit shall be returned to Purchaser, and neither party shall have any further obligations hereunder.

(e) The warranties and representations contained in Section 10 hereof shall be true and accurate as of the Closing Date, and City shall be in full compliance with the terms and provisions of this Agreement.

8. Closing. Subject to the conditions of this Agreement, the closing of the purchase and sale (the "Closing") of the Property or any parcel thereof shall take place, if not before, no more than fourteen (14) days after the Expiration Time at 1:00 p.m. at the offices of City's counsel or at such other date, time and place as the parties may agree in writing. With the exception of the

quit claim deed, all closing documents, shall be prepared by the title company or Purchaser's counsel, and shall be consistent with this Agreement and otherwise mutually satisfactory to Purchaser and City. The quit claim deed shall be substantially the same as the form of quit claim deed attached hereto as Attachment 2, with any proposed modifications being subject to review by City's counsel. At Closing, Purchaser shall furnish City with copies of appropriate documents demonstrating that Purchaser is duly authorized, validly existing and in good standing in the State of Michigan and has the requisite authority to consummate the transactions contemplated hereby, together with such other documents as the title company may require. City shall deliver to Purchaser exclusive possession of the parcel(s) subject to Closing.

9. Purchaser's Representations and Warranties. Purchaser hereby represents and warrants to and covenants with City as follows, which representation and warranties shall be true and accurate as of the date of Closing:

(a) Purchaser is a duly incorporated, validly existing and in good standing under the laws of the State of Michigan;

(b) Purchaser has full power and right to enter into and perform its obligations under this Agreement and the other agreements contemplated herein to be executed and performed by it, including, but not limited to, accepting conveyance of the Property as herein provided;

(c) There are no lawsuits pending or threatened against Purchaser that would affect the transaction contemplated under this Agreement; and

(d) The execution of this Agreement and the consummation of the transactions contemplated hereby by Purchaser: (i) have been duly authorized by all necessary corporate or partnership acts; (ii) do not require any further governmental or other consent; and (iii) will not result in the breach of any agreement, indenture or other instrument to which Purchaser is a party or is otherwise bound.

10. City's Representations and Warranties. City hereby represents and warrants to and covenants with Purchaser as follows:

(a) City is a public body corporate duly organized, validly existing and in good standing under the laws of the State of Michigan;

(b) City has full power and right to enter into and perform its obligations under this Agreement and the other agreements contemplated herein to be executed and performed by it, including, without being limited to, conveying the Property as herein provided; and

(c) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby: (i) have been duly authorized by all necessary corporate or partnership acts; (ii) do not require any further governmental or other consent; and (iii) will not result in the breach of any agreement, indenture or other instrument to which City is a party or is otherwise bound.

(d) The City Manager, or his designee, is authorized to act on behalf of the City in undertaking any action (including making any approvals) that the City is authorized or required to take under this Agreement. Any actions taken hereunder on behalf of the City by the City Manager or his designee shall not constitute a conflict of interest with respect to that individual's role as a Director of the Developer.

11. City's Conditions to Closing. Assuming that Purchaser has properly exercised the Option with respect to the Property or with respect to one or more parcels of the Property, City's obligation to deliver title to the Property or such parcels as may be subject to Closing shall be subject to Purchaser delivering to City on the Closing Date the purchase price due pursuant to Section 2 hereof, together with the other closing documents contemplated under this Agreement.

12. Development Required. It is the express purpose and intent of the parties that the sale of the Property is being undertaken with the understanding that Purchaser shall undertake certain development at each parcel of the Property that is acquired hereunder or the parcels that Purchaser acquires. Purchaser agrees that Purchaser shall commence development at the Property as of a date not more than one (1) year after Closing, as evidenced by at least one of the following: a) the installation of all infrastructure at the Property necessary to commence the development at the parcel(s); b) the issuance to Purchaser of building permits relating to development at the parcel(s); or c) confirmation that Purchaser has obtained a construction loan

or secured such other financing as is necessary to commence development at the parcel(s). Purchaser's receipt of any economic development incentives, including but not limited to the inclusion of the Property or any parcel thereof in the City's Brownfield Redevelopment Plan, shall be contingent upon the Purchaser's compliance with the Development Agreement and with the terms of the development required hereunder. The City's determination that the development has been completed in accordance with the terms of the Development Agreement shall be in writing and shall be made upon Purchaser's written request for a determination hereunder. The City shall make a determination as to whether the Purchaser has complied with the terms of the Development Agreement no later than six (6) months after receiving Purchaser's written request. The City hereby reserves unto itself, including its assignees or its successors in interest a reversionary interest in the Property or any parcel acquired by Purchaser, which shall be incorporated in the quit claim deed and which it may exercise, in its sole discretion, in the event Purchaser fails to commence development at the Property or any parcel acquired by Purchaser in a manner consistent herewith. The provisions of this Section 12 shall survive Closing.

13. Prorations, Adjustments, Expenses. Purchaser shall be responsible for all fees, taxes, costs and expenses arising from the purchase and sale under this Agreement, including without limitation, all real property taxes and assessments that are due and payable with respect to the Property or any parcel subject to closing as of the date of closing, state and county transfer taxes, if any, recording fees, fees for any endorsements to the Owner's Policy, fees, costs and expenses for Purchaser's Inspections, including the title premium for the Owner's Policy, survey costs, appraisal fees and environmental audit fees, fees of any lender of Purchaser, all fees in connection with Purchaser obtaining a mortgage, if any, all of the costs of the title company to prepare the closing documents, Purchaser's attorneys' fees and any costs incurred by City in connection with the transaction that is the subject of this Agreement, provided, however, that the City shall be responsible for paying all expenses, fees and costs charged by attorneys and consultants retained directly by the City.

14. Default. If Purchaser defaults hereunder, then in addition to any other remedies available at law or in equity, City may elect in its sole discretion to: (a) terminate this Agreement as its sole and exclusive remedy, whereupon the Deposit shall be retained by City as liquidated

damages and neither party shall have any further liability or obligation under this Agreement; (b) terminate this Agreement and City may seek judgment against Purchaser for damages; or (c) seek judgment against Purchaser for specific performance of this Agreement. If City defaults hereunder and such default is not cured within thirty (30) days after receipt of notice from Purchaser of such default, then Purchaser may, as its sole legal and equitable remedy, terminate this Agreement, whereupon the Deposit shall be promptly returned to Purchaser and neither party shall have any obligation to the other except Purchaser's obligations which would otherwise survive Closing.

15. "AS IS" ACQUISITION. CITY IS NOT MAKING AND SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTY OR ANY PARCEL THEREOF, INCLUDING WITHOUT LIMITATION, AS THE CASE MAY BE, REPRESENTATIONS OR WARRANTIES AS TO TITLE, ZONING, TAX CONSEQUENCES, PHYSICAL CONDITIONS, AVAILABILITY OF ACCESS, INGRESS OR EGRESS, OPERATING HISTORY OR PROJECTIONS, VALUATION, GOVERNMENTAL APPROVALS OR REGULATIONS OR ANY OTHER MATTER OR THING RELATING TO OR AFFECTING THE PROPERTY. PURCHASER IS RELYING SOLELY ON ITS OWN EXPERTISE AND ITS FAMILIARITY WITH THE PROPERTY ON THE EXPERTISE OF PURCHASER'S INSPECTORS AND CONSULTANTS, AND THE PURCHASER'S AND SUCH INSPECTOR'S AND CONSULTANT'S INSPECTIONS OF THE PROPERTY. UPON CLOSING, PURCHASER AGREES TO ASSUME THE RISK THAT ADVERSE MATTERS MAY NOT HAVE BEEN REVEALED BY THE INSPECTIONS. UPON CLOSING, CITY SHALL SELL AND CONVEY TO PURCHASER AND PURCHASER SHALL ACCEPT THE PROPERTY "AS IS," AND "WHERE IS," WITH ALL FAULTS, AND WITH NO ADJUSTMENTS FOR PHYSICAL, FUNCTIONAL, ECONOMIC CONDITIONS, AND THERE ARE NO ORAL AGREEMENTS, REPRESENTATIONS OR WARRANTIES RELATED OR COLLATERAL TO OR AFFECTING THE PROPERTY BY CITY. THE

TERMS AND CONDITIONS OF THIS PARAGRAPH SHALL SURVIVE THE CLOSING AND THE CONVEYANCE OF THE PROPERTY.

16. Environmental Matters.

- (a) Purchaser shall, with respect to any parcel of the Property acquired by Purchaser: i) conduct all required environmental activities, including completion of a baseline environmental assessment; ii) dispose of or manage all dredge spoils or construction soils in compliance with all Environmental Laws, as defined herein; iii) implement all due care or appropriate care in accordance with all Environmental Laws; iv) prepare and implement appropriate health and safety plans for all activities hereunder; and v) at all times prior to Closing, comply with all applicable Environmental Laws.
- (b) Any disposal manifest for soil, liquid or any other materials, including those containing Hazardous Substances, prepared in connection with any activities on the Property or any parcel thereof acquired by Purchaser shall be executed by Purchaser and in no event shall any such manifest name City as a generator of any soil, liquid or any other material. A copy of each manifest shall be provided to City within five (5) days after its execution. The cost of any off-site disposal of any such soil, liquid or other materials containing Hazardous Substances shall be borne solely by, and shall remain the sole responsibility of, Purchaser.
- (c) Purchaser shall obtain and comply with all federal, state and local permits required for all activities conducted on the Property or any parcel thereof acquired by Purchaser, including but not limited to, any permit or authorization required under any of the Environmental Laws, or otherwise required by the City Commission of the City of Bay City, the City of Bay City Planning Commission, the Michigan Department of Environmental Quality ("MDEQ") or the United States Army Corps of Engineers.
- (d) Purchaser shall be solely responsible for preparing a due care plan or other such documentation that may be required pursuant to M.C.L. 324.20107a to address hazardous substances that may exist at the Property or any parcel thereof acquired by Purchaser as of the

date of Closing (“Due Care Plan”). Purchaser shall provide the Due Care Plan to City no less than thirty (30) days prior to closing and no less than one hundred twenty (120) days prior to commencing any construction or any disturbance, moving or removal of any soil or groundwater contaminated with any concentration of Hazardous Substances that exceed any of the Generic Residential Cleanup Criteria as those criteria have been promulgated by the MDEQ or any other criteria that have been established for the Property or any parcel thereof acquired by Purchaser on a site-specific basis.

(e) City hereby informs, and Buyer acknowledges, that the Property or some portion thereof is or may be a “facility” as that term is defined under Part 201 of Michigan’s Natural Resources and Environmental Protection Act (“NREPA”) (M.C.L. 324.20101 *et seq.*). This provision constitutes notice as same may be required pursuant to M.C.L. 324.20116 and any other provision of the Environmental Laws that may require a similar notice.

(f) For the purpose of this Agreement:

(i) “Environmental Laws” shall mean and include any and all now existing or hereinafter enacted, adopted or promulgated laws, statutes, ordinances, rules, regulations, judgments, orders, codes, determinations, restrictions, guidelines or requirements, and any amendments or successors thereto, replacements thereof or publications promulgated pursuant thereto, of any federal, state or local governmental authority, which concern, impose obligations with respect to, regulate, govern or otherwise in any manner relate to, health, the environment, air or water quality, air emissions, soil or ground conditions or other environmental matters of any kind, including without limitation, the Clean Air Act, as amended, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, (“CERCLA”), the Federal Water Pollution Control Act, as amended (“Clean Water Act”), the Occupational Safety and Health Act of 1970, as amended, (“OSHA”) the Solid Waste Disposal Act, as amended, (“SWDA”), the Hazardous Materials Transportation Act of 1975, as amended, the Safe Drinking Water Act, as amended, (“SDWA”) the Toxic Substances Control Act, as amended (“TSCA”) and Michigan’s Natural Resources and Environmental Protection Act (“NREPA”), as amended.

(ii) "**Hazardous Substances**" shall include, but not be limited to, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, asbestos or related materials defined in any law, rule or regulation relating to or governing human health, safety or welfare or the environment, including but not limited to the Environmental Laws.

The provisions of this section 16 shall survive Closing or termination of this Agreement.

17. Release and Indemnification.

(a) Purchaser hereby releases and covenants not to sue City under any theory with respect to the release, deposit, existence or threat of release of any Hazardous Substances on or from the Property or any parcel thereof acquired by the Purchaser that occurred or which may occur before or after the Effective Date, whether such claim is based upon federal, state or local statute or ordinance, common law, or otherwise. Purchaser shall contractually obligate any grantee, owner, tenant, occupant or assignee of the Property, or any portion of the Property, to provide the same release and covenant not to sue City.

(b) Purchaser shall indemnify, hold harmless, and, at City's option (with such attorneys as City may approve in advance and in writing), defend City, its directors, trustees, employees, contractors, agents and mortgagees or other lien holders, from and against any and all claims, demands, expenses, actions, judgments, damages (whether consequential, direct or indirect, known or unknown, foreseen or unforeseen), penalties, fines, liabilities, losses of every kind and nature (including, without limitation, sums paid in settlement of claims and any costs and expenses associated with injury, illness or death to or of any person), suits, administrative proceedings, costs and fees, including, but not limited to, attorneys' and consultants' fees and expenses, and the costs of cleanup, remediation, removal and restoration (all of the foregoing being hereinafter sometimes collectively referred to as "Losses"), arising from or related to any violation or alleged violation of any of the requirements, ordinances, statutes, regulations or other laws, including, without limitation, Environmental Laws or any breach of the provisions of

this Agreement or any part thereof caused by the acts or omissions of any persons or entities whatsoever, whether related or unrelated to Purchaser. Purchaser warrants that it intends to act as an insurer with respect to its duty to indemnify City hereunder. The terms and conditions of this paragraph shall be included in the quit claim deed for the Property or any parcel thereof acquired by Purchaser, which shall also run with the Property and bind future grantees, owners, tenants, occupants and assignees of the Property without affecting the obligations of Purchaser hereunder.

The provisions of this section 17 shall survive Closing or termination of this Agreement.

18. Condemnation. If, after the execution of this Agreement, the Property or any parcel thereof to be acquired by Purchaser shall be subjected to a taking, either total or partial, by eminent domain, inverse condemnation, or otherwise, for any public or quasi-public use, or if any notice of intent of taking is received by City or Purchaser, the parties shall nevertheless proceed to Closing and Purchaser shall be entitled to participate in any such condemnation or eminent domain proceeding and to receive all of the proceeds attributable to any portion of the Property. City and Purchaser each agree to promptly forward to the other any notice of intent received pertaining to a taking of all or any portion of the Property.

19. Casualty. In the event of any casualty to the Property or any parcel thereof for which this Option is exercised Purchaser, Purchaser shall take the Property or said portion thereof subject to the effect and consequences of that casualty, and City shall pay over or assign to Purchaser at Closing all insurance proceeds and/or claims accruing to City's benefit with respect to that casualty.

20. Broker. City and Purchaser each represent and warrant to the other, that except as disclosed in writing prior to the exercise of an option for one or more parcels pursuant to this Agreement, they have not used the services of any broker in connection with this transaction. In the event that Purchaser engages a Broker for the purpose of the transaction contemplated herein, Purchaser (including but not limited to RiversEdge Development Corporation, Inc. or any successor or assign) hereby agrees to indemnify and forever save and hold City harmless from

and against claims for brokerage or commission in connection with this transaction by any person or party claiming by, through or under Purchaser, including any successor or assign.

21. Foreign Person Affidavit. City represents and warrants to Purchaser that it is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code and is therefore exempt from the withholding requirements of such Section. City shall deliver to Purchaser at Closing the exemption certificate described in Section 1445 if same is required.

22. Memorandum of Option. City may, upon receiving a written request by Purchaser prior to Closing, execute a memorandum or short form of this Agreement in recordable form which may, at Purchaser's expense, be recorded in the public land records in the County in which the Property is located. As of the date of the termination of this Agreement, Purchaser shall execute and deliver to City a recordable acknowledgement of termination of this Agreement, which may be recorded by City in the event the Option granted herein is not exercised or is otherwise terminated. The form of Memorandum of Option is attached as Attachment 3 hereto.

23. Miscellaneous.

(a). Remedies. Purchaser and City hereby agree that if the Option is exercised by Purchaser and if thereafter the purchase and sale of the Property or any parcel thereof subject to the exercise of the Option is not completed after a breach of this Agreement by Purchaser, the Deposit shall be released by Escrow Agent to City and any other funds including the Option Consideration paid or released to City shall be retained by City as liquidated damages in lieu of all other damages and in lieu of all other remedies, legal or equitable, which City may have against Purchaser. The parties hereby acknowledge and agree that the extent of damages to City occasioned by such a breach would be impossible or extremely impracticable to ascertain, and that the Deposit and Option Consideration represent fair and reasonable consideration under the circumstances existing at the date of this Agreement for City having been prevented from selling the Property or any portion thereof to a third party and for City's expenses in connection with this transaction. If the purchase is not consummated because of such a breach by Purchaser, the Escrow Agent shall release the Deposit to City upon City's demand, without further instructions, directions, or authorizations from

Purchaser being required, this Agreement constituting irrevocable joint escrow instructions to the Escrow Agent to release such sum to City, such release of the Deposit being City's sole and exclusive remedy. If the purchase and sale of the Property is not completed because of a breach of this Agreement by City, including without limitation, failure to deliver title as required by Section 4 hereof, Purchaser may elect as its sole remedy either: (a) to declare this Agreement terminated in which event the Deposit shall be refunded to Purchaser upon Purchaser's demand, without further instructions, directions or authorizations from City being required, this Agreement constituting irrevocable joint escrow instructions to the Escrow Agent to release such funds to Purchaser; or (b) to specifically enforce the provisions of this Agreement.

(b). Entire Agreement. This Agreement, including any provisions of the Development Agreement, constitutes the entire contemplated agreement between the parties hereto with respect to the transactions contemplated herein, and it supersedes all prior oral and written understandings or agreements between the parties.

(c). Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, devisees, personal representatives, successors and permitted assigns. Purchaser shall not assign this Agreement in a manner that is inconsistent with the Development Agreement. The City Manager, or his designee, shall, acting on behalf of the City, review any assignment proposed by the Developer to determine whether a Developer-proposed assignment is consistent with this Agreement. The City Manager, or his designee, shall be authorized to approve or reject, in writing, any assignment proposed by Developer. Any assignment approved by the City Manager, or his designee, shall be made on terms and conditions that are enforceable and consistent with the terms of this Agreement. Any actions taken hereunder on behalf of the City by the City Manager or his designee shall not constitute a conflict of interest with respect to that individual's role as a Director of the Developer.

(d). Waiver; Modifications. Failure by Purchaser or City to insist upon or enforce any of its rights shall not constitute a waiver thereof. Either party hereto may waive the benefit of any provision or condition for its benefit contained in this Agreement. No oral modification hereof

shall be binding upon the parties, and any modification shall be in writing and signed by the parties.

(e). TIME IS OF THE ESSENCE. Time is of the essence with respect to the performance of the parties' obligations hereunder.

(f). Drafting. Each party hereto hereby acknowledges that all parties hereto participated equally in the drafting of this Agreement and that, accordingly, no court construing this Agreement shall construe it more stringently against one party than the other.

(g). Governing Law; Venue. This Agreement is executed in and shall be governed by, and construed under, the laws of the State of Michigan. Any legal action concerning this Agreement must be brought in and may be resolved only by courts located in the County of Bay County, Michigan

(h). Notices. Any notice or consent required to be given pursuant to this Agreement or otherwise desired to be delivered by one party to the other, shall be effective only if it is in writing and is either: i) personally delivered or sent by facsimile to such party at its address set forth below (or to such other place as the party to receive such notice shall have specified by notice in advance thereof); or ii) by Federal Express or other similar next business day air courier or by facsimile at the numbers set forth below. Notice shall be deemed given upon personal delivery or one (1) business day following deposit with an air courier or via facsimile transmission. Notices shall be deemed properly addressed if given at the following:

(i) If to Purchaser: Mr. Paul Rowley
RiversEdge Development Corporation, Inc.
P.O. Box 1115
Bay City, Michigan 48706
Fax: (989)892-1402 attn: Fredrick Hollister

(ii) If to City: Robert V. Belleman
City Manager
City of Bay City
301 Washington Avenue
Bay City, Michigan 48708
Fax: (989) 894-8215

With a required copy to: Kurt M. Brauer, Esq.
Bodman LLP
6th Floor at Ford Field
1901 St. Antoine Street
Detroit, Michigan 48226
Fax: (313) 393-7579

(i). Performance. Whenever this Agreement requires that something be done within a period of days and except as specifically set forth above, such period shall: i) not include the day from which such period commences; ii) include the day upon which such period expires; iii) expire at 5:00 p.m. eastern standard time on the date by which such thing is to be done; and iv) be construed to mean calendar days. If the final day of such period falls on a Saturday, Sunday or legal holiday in the State of Michigan, such period shall extend to the first business day thereafter.

(j). Counterparts. It is understood and agreed that this Agreement may be executed in several counterparts, each of which, for all purposes, shall be deemed to constitute an original and all of which counterparts, when taken together, shall be deemed to constitute one and the same agreement, even though all of the parties hereto may not have executed the same counterpart.

(k). Use of Headings. The use of headings within this Agreement are for ease of reference and convenience only and shall not be used or construed to limit or enlarge the interpretation of the language hereof or the enforcement of this Agreement.

(l). Attorney Fees. If a dispute arises out of this Agreement, then the prevailing party will be entitled to recover its actual attorney fees and costs from the other party.

(m). No Offer. This Agreement does not constitute an offer and shall not be binding on the parties unless and until executed by both of them.

(n). No Merger. Any provision calling for obligations continuing after Closing or termination of this Agreement shall survive delivery of the deed and not be deemed merged into or replaced by any deed, whether or not the deed so states.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written.

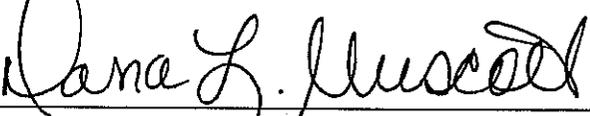
CITY



By: Michael J. Buda

Its: Mayor

CITY



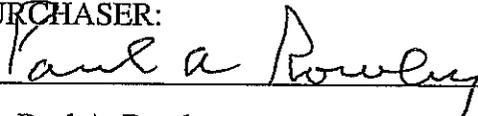
By: Dana L. Muscott

Its: Clerk

City Execution Date:

CP August 20, 2007, 2007

PURCHASER:



By: Paul A. Rowley

Its: President

Purchaser Execution Date:

September 6, 2007, 2007

ATTACHMENT 1

LEGAL DESCRIPTION

Property Location and Legal Description

Part of Blocks 129, 130, 131, 132, Addition of Lower Saginaw, as per plat thereof recorded in Liber 1, page 8, Bay County Records, and part of Block 2 of Map of the Village of Portsmouth, as per plat thereof recorded in Liber 1, Page 38, Bay County Records. Described as beginning at a point which is S06°21'47"W, along the easterly line of Blocks 110 and 111 of the Map of Lower Saginaw as per plat thereof recorded in Liber 1, Page 4, Bay County Records, said line also being the westerly right of way line of Water Street, a distance of 752.43 feet, from the northeast corner of said Block 110; thence southwesterly 79.48 feet along the arc of a curve to the right, said curve having a radius of 860.43 feet, a central angle of 05°17'34" and a chord bearing and distance of S09°00'35"W 79.46 feet, thence S83°38'56"E 283.81 feet; thence S06°06'49"W 404.98 feet; thence S06°09'34"W 236.17 feet; thence 316.61 feet along a curve to the right, said curve having a radius of 636.62 feet, a central angle of 28°29'43" and a chord bearing and distance of S25°52'46"W 313.36 feet; thence 157.80 feet along the arc of a curve to the right, said curve having a radius of 615.00 feet a central angle of 14°42'05", and a chord bearing and distance of S46°53'12"W, 157.37 feet; thence S54°14'22"W 184.70 feet; thence S42°55'49"W, 202.00 feet; thence N88°59'07"W, 200.00 feet; thence S86°04'51"W, 498.44 feet; thence N15°28'59"E, 83.36 feet; thence N12°19'49"E, 489.77 feet; thence N13°13'00"W, 98.57 feet; thence N10°27'49"E, 655.73 feet; thence N15°08'28"E, 213.33 feet; thence S83°47'16"E, 760.55 feet to the point of beginning. Containing 32.96 acres of land (1,435,618.33 square feet), subject to any easements, restrictions or rights of way of record.

AND

Lots 15 and 16 of Block 112 of the Map of Lower Saginaw as recorded in Liber 1, Page 4, Bay County Records.