



March 25, 2008

Mr. Bill Lindsay, City Manager  
Ms. Janet Schneider, Assistant City Manager  
Richmond City Hall  
1401 Marina Way South  
Richmond, CA 94804

RE: Point Molate LDA Status Report

Dear Bill and Janet:

This letter is intended to satisfy our requirement to provide a semi-annual status report on our progress under the Land Disposition Agreement dated November 9, 2004 between the City of Richmond and Upstream Point Molate LLC.

### **EIS/EIR**

We understand that the environmental review under the EIS/EIR is proceeding in a diligent manner and that the City's and the Bureau of Indian Affairs' consultants (AES Environmental of Sacramento) are working on a thorough analysis of the proposed project and three project alternatives. We understand the EIS/EIR consultant team has the information they need to complete their review. Since AES is under the managerial control of the Bureau of Indian Affairs ("BIA") under its MOU with the City, we do not control the pace of work under the EIS/EIR. However, we have been advised that they anticipate that an Administrative Draft EIS/EIR will be available within the next few weeks.

### **Federal Approvals**

Guidiville has filed all necessary applications with the National Indian Gaming Commission and the United States Department of the Interior to have Point Molate declared "restored Indian lands" eligible for gaming under the provisions of the Indian Gaming Regulatory Act. This is a legal determination that the Department of Interior will make based on the review of historical information concerning the Tribe. The federal government is under no deadline to make such an administrative determination. We are hopeful that we will be advised of their decision sometime during 2008.

(510) 596-9501  
1900 Powell Street, 12<sup>th</sup> Floor  
Emeryville, CA 94608

## **Negotiations with Navy**

Upstream, with its environmental and insurance consultants, continues to work with the City staff and its consultants in negotiations with the U.S Navy leading to the conveyance of the remainder of the property to the City pursuant to an Early Transfer Cooperative Agreement (“ETCA”) and a Finding of Suitability for Early Transfer (“FOSET”). Based upon a verbal counteroffer received from the Navy on March 18, 2008, the negotiations with the Navy currently leave us approximately \$5 Million short of the funds that we believe will ultimately be needed to complete the remediation of the property, including required insurance costs. Upstream and its partners may be willing to contribute a portion or all of these amounts in the context of an amendment to the Land Disposition Agreement. Final agreement with the Navy will be conditioned on agreement from the Regional Water Quality Control Board (RWQCB) on final approaches to remediation. Given the Navy’s proposed approach to Site 3, it is clear that an Early Transfer will accelerate the completion of remediation of the site, which if otherwise left to the Navy, would take many years (or possibly even decades) to complete.

## **Project Engineering**

Upstream and its engineering consultants have made great progress in identifying viable infrastructure routing and capacities to serve the future project. We have provided this information to the City and to the EIR/EIS consultant. We understand that infrastructure routing and analysis will be further studied in the EIR/EIS.

## **Funding**

Payments to the City of Richmond under the LDA, together with all other predevelopment expenditures that Upstream has made since the LDA was executed in November 2004, now exceed \$16 Million (\$10.5 Million of which was paid to the City under the LDA or the prior Exclusive Right to Negotiate). All of these funds have been spent to advance the redevelopment of Point Molate. Our project budget over the next twelve months indicates that we will expend in excess of an additional \$8 Million (\$5 Million of which is due to the City in January 2009 under the LDA) to continue to advance the project. With our various financial arrangements and partners, we continue to have adequate resources available to fund those costs as they are incurred.

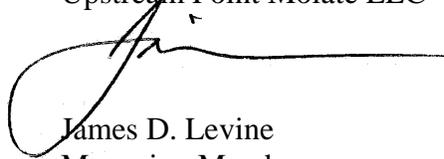
## **General Plan Update**

Upstream continues to monitor Richmond’s General Plan Update process and has met with representatives of the Planning Department and attended some of the community meetings. Upstream believes that two of the three land use alternatives for the San Pablo Peninsula Change Area are generally consistent with Point Molate Base Reuse Plan and the LDA.

In summary, we are proceeding as anticipated under the LDA.

Please call me if you have any questions or comments.

Sincerely,  
Upstream Point Molate LLC

A handwritten signature in black ink, appearing to read 'James D. Levine', with a long horizontal flourish extending to the right.

James D. Levine  
Managing Member

CC: John F. Salmon  
Merlene Sanchez, Guidiville Band of Pomo Indians  
Walter Gray, Guidiville Band of Pomo Indians  
Michael Derry, Black Oak Development