



September 1, 2010

By E-Mail

Mr. Bill Lindsay, City Manager
Mr. Steve Duran
Richmond City Hall
1401 Marina Way South
Richmond, CA 94804

RE: Point Molate LDA Status Report

Dear Bill and Steve:

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, as amended, between the City of Richmond and Upstream Point Molate LLC.

EIS/EIR

The Draft EIS/EIR was made available for public comment on July 20, 2009. At the City Council Meeting on September 22, 2009, the Council extended the comment period from September 23 until October 23. Since being made public, public hearings to receive verbal and written comments were held before the Design Review Board on August 12, 2009 and before the Planning Commission on September 17, 2009. In addition, public workshops with technical experts were held on August 10, 2009 and August 27, 2009 at the Richmond Memorial Auditorium. Although very marginally attended, the workshops provided an opportunity for the public to learn about the proposed project, the environmental review process and the analysis presented in the DEIS/R. Written comments were also accepted at the workshops and hundreds of written comments were received during the comment period.

We understand that AES, the City's environmental consultant, continues to prepare responses to comments in order to present a Final EIR for the Project for City Council consideration. In addition, pursuant to the 6th Amendment to the LDA, the City has commenced a process lead by its consultant, Design, Community and Environment, to solicit other viable alternative uses for Point Molate that might need to be analyzed in the EIR. The first meeting in that process was held on August 4th and a second meeting is scheduled for September 8th. The schedule for that process calls for a Final Report to be made to the City Council in early December. With the completion of that Report, we understand that the City will produce a new schedule for City Council consideration of the EIR and other approvals. Since the City's CEQA review has been delayed, this necessarily delays the Closing Date for Upstream to acquire the property.

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

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 its review of historical information concerning the Tribe. The federal government is under no deadline to make such an administrative determination. We continue to be hopeful that we will be advised of their decision shortly.

Early Transfer with the Navy

Upstream, with its environmental and insurance consultants, completed its work with the City staff and its consultants and 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”). The Navy deposited \$28.5 Million in escrow and transferred the remainder of Point Molate to the City on March 29, 2010. The City now owns all property to be considered for transfer to Upstream under the LDA. Upstream’s obligations to maintain the ground water treatment system and various site monitoring programs and to begin remediation of the site are governed under the terms of the Remediation Agreement dated September 9, 2008 and the LDA. It is important to note that had the Early Transfer not been achieved, the Navy’s proposed approach to monitor and remediate Site 3 would have taken many years (or possibly even decades) to complete, so this is truly an important milestone.

We are working with Arcadis to develop the required submittals to the Regional Water Quality Control Board, specifically the final Site 3 Feasibility Study and Remedial Action Plan, and the final Site 4 Feasibility Study and Remedial Action Plan. Early drafts of those documents should be available for City staff review in September, prior to sending to the State.

Project Financing

We continue to perform a comprehensive cost analysis of the proposed project, using independent consultants and contractors. The results of our work indicate that projected costs to construct the project are within the ranges previously estimated and within the financing capabilities of the team. Specific information to support this analysis will be submitted to the City at the appropriate time with the financing plan required under the LDA.

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 approach \$25 Million (\$15.5 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 for the period September 1, 2010 through April 20, 2011 (the currently scheduled Closing Date under the LDA) is approximately \$6.71 million, assuming that we close the purchase of the property in April, 2011, as follows:

Project Entitlements including EIR/EIS processing, legal and other expenses	\$540,000
Extension Payments to the City under the existing Tolling Provisions of the LDA or pursuant to Extension of the LDA	920,000
Closing expenses and payment of Principal on the Purchase Price pursuant to LDA, if closing occurs in 2011	5,100,000
Community Outreach	150,000
Total	6,710,000

In summary, our budget for predevelopment work is \$1,610,000, with the balance shown above allocated for the required down payment to purchase the property. Pursuant to our existing financial arrangements with our partners, we continue to have adequate resources available to fund these costs as they are incurred. We attach a letter dated September 1, 2010 to you from Mem Sah Corporation, a company wholly owned by the Yocha Dehe Band of Wintun Indians, owner of the Cache Creek Casino Resort, confirming the availability of these funds and the availability of the requisite collateral security necessary to be provided to the City under the LDA for the balance of the Purchase Price at the time of Closing.

Jobs and Economic Development for Richmond

While site engineering analyses have consumed significant time and expense by our project team, we have continued our work with various Richmond groups to prepare to meet the hiring goals outlined in the LDA. The bulk of that work has been to collaborate with community and church groups to identify what now numbers over fifty community partner organizations that will each function in some capacity as part of a fabric of programs and resources to identify, steer, prepare and train Richmond applicants into employment opportunities created by the Project. We believe that our community-based approach is one of the most exciting aspects of the Project and will provide the mechanism and capabilities allowing the Project to meet and exceed its local hiring goals. As we approach the final approval process, we will continue to work with Sal Vaca, labor unions, churches, community groups and others to organize programs together into as seamless a process as can be designed.

It is clear that once approved, the project will be one of the largest economic and job development opportunities ever in Richmond and will be implemented in a way that will

enhance the environment. We look forward to the City completing its review of the Project and working with you to deliver the immense array of project benefits to Richmond.

Please call me if you have any questions or comments.

Sincerely,
Upstream Point Molate LLC



James D. Levine
Managing Member

CC: Bruce Goodmiller, Assistant City Attorney
John F. Salmon, Upstream Point Molate
Merlene Sanchez, Guidiville Band of Pomo Indians
Walter Gray, Guidiville Band of Pomo Indians
Michael Derry, Black Oak Development

September 1, 2010

CONFIDENTIAL

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

Re: Point Molate Annual Report

Dear Mr. Lindsay and Ms. Schneider:

Mem Sah Corporation ("Mem Sah") is a tribal corporation wholly owned by the Yocha Dehe Band of Wintun Indians. Mem Sah is a member of Winehaven Partners LLC ("Winehaven") along with The Guidiville Band of Pomo Indians and Upstream Point Molate, LLC. We bring resort development and operations experience to the team, and through Winehaven, are providing financial support to the project.

Pursuant to section 9(b) of the First Amendment of the LDA, Mem Sah represents to the City of Richmond that it will contribute up to \$1.61 million to Winehaven as necessary between August 27, 2010, and April 20, 2011, to fund the project expenses of Winehaven respecting Point Molate.

Furthermore, if the conditions set forth in section 7.1(a) and (c)-(j) of the LDA are satisfied during this period, Mem Sah will advance the \$5 million due the City of Richmond under section 1.4(b) of the LDA, and Mem Sah will post a letter of credit to secure the \$30 million Note described in section 1.4(c) of the LDA.

Sincerely,



Anthony Roberts, Treasurer

cc: Upstream Point Molate, LLC
Guidiville Band of Pomo Indians