



City of Petoskey

April 21, 2009

**VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED,
UPS, AND FACSIMILE**

Lake Street Petoskey Associates L.L.C.
31807 Middlebelt Road, Suite 102
Farmington Hills, Michigan 48334
Attention: Dr. David Jankowski
Fax: 248.538.7665

National City Bank
120 North Washington, Suite 500
LOC R – E01 -71
Lansing, Michigan 48933
Attn: John W. McManus
Fax: 517.334.5489

James L. Wilson
Wilson Petoskey Venture, LLC
226 Touraine
Grosse Pointe Farms, Michigan 48326
Fax: 313.640.0881

Varnum Rittering Schmidt & Howlett, LLP
251 North Rose Street, 4th Floor
Kalamazoo, Michigan 49007
Attn: William A. Dornbos, Esq.
Fax: 269.382.2382

Dykema Gossett, PLLC
400 Renaissance Center
Detroit, Michigan 48243-1668
Attn: Cameron H. Piggott, Esq.
Fax: 313.568.6701

Re: NOTICE OF TERMINATION – under Development Agreement between the City of Petoskey (the “City”) and Lake Street Petoskey Associates L.L.C. (the “Developer”) dated December 31, 2004 (as supplemented by a letter agreement dated December 30, 2004, the “Development Agreement”), as amended by the First Amendment to Development Agreement dated December 8, 2008 (the “First Amendment”).

Dear Dr. Jankowski:

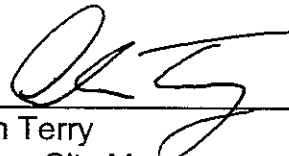
As you know, the City sent you a Notice of Default dated February 17, 2009 declaring a Specified Default under the First Amendment (the “Notice of Default”). Due to the Specified Default, and due to National City Bank’s failure to cure the Specified Default under Section 3.11 of the First Amendment, the City hereby notifies you that it has elected to terminate the Development Agreement under Section 3.1 of the First Amendment and Section 10.2 of the Development Agreement. All capitalized terms not defined in this letter shall have the meanings as set forth in the Notice of Default.

Lake Street Petoskey Associates, LLC
National City Bank
James L. Wilson
William A. Bornbos, Esq.
Cameron H. Piggott, Esq.
April 21, 2009
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Demand is also hereby made for the payment of \$970,000 to the City pursuant to the Development Agreement and First Amendment within ten (10) days of the date of this letter. Failure to pay the \$970,000 on or before this deadline will result in the City pursuing any and all remedies available under the Development Agreement, First Amendment and applicable law.

Nothing in this letter shall be deemed to be a waiver of or shall waive the Specified Default under the Lake Street Petoskey, L.L.C. – City of Petoskey Planned-Unit Development Agreement dated December 31, 2004 (the “PUD Agreement”) existing as of the date hereof or any other defaults hereafter arising, under the PUD Agreement, or of any of the City’s rights and remedies under the PUD Agreement, or of those granted by applicable law, all of which rights and remedies are preserved and remain in full force and effect. The City’s failure to immediately exercise such rights and remedies is not a waiver or modification of those rights, an offer of forbearance of any kind, and should not be construed by you as any forbearance on the part of the City.

Very truly yours,



Alan Terry
Acting City Manager

Cc: Dr. David Jankowski, as guarantor
James Wilson, as guarantor