

APPENDIX A
TRANSFER PROPOSAL

Proposal to Transfer
1000 ± acres of
East Tennessee Technology Park's Horizon Center
to the
Community Reuse Organization of East Tennessee

February 14, 2001

Submitted by
The Community Reuse Organization of East Tennessee

**Proposal to Transfer 1000± acres
of the East Tennessee Technology Park's Horizon Center
to the Community Reuse Organization of East Tennessee
for Economic Development Purposes
Pursuant to 10 CFR 770, Transfer of Real Property
at Defense Nuclear Facilities for Economic Development.**

The purpose of this document is to comply with 10 CFR Part 770, Transfer of Real Property at Defense Nuclear Facilities for Economic Development, specifically Part 770.7(a) Proposal. The Community Reuse Organization of East Tennessee (CROET) proposes that the Department of Energy (DOE) transfer ownership to CROET of a 1000-acre parcel for economic development. The parcel is currently identified as that part of East Tennessee Technology Park's *Horizon Center*. On January 16, 1996, the parcel was leased to the CROET for the purpose of developing it as a mixed use industrial/business park (Exhibit A). CROET has undertaken significant development of the parcel since that time with approximately \$9.5 million of investment into the park for infrastructure development (Exhibit B). Substantial background information was amassed for the lease regarding economic justification for the development of the park. In addition, an Environmental Assessment was completed prior to the lease and a "Clean Parcel" determination for this property was received from the U.S. Environmental Protection Agency on August 21, 2001 (Exhibit C).

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770.7 (a) Proposal.

770.7(a)(1) A proposal must include (but is not limited to):

770.7(a)(1)(i) A description of the real property proposed to be transferred

The parcel is a 957.16 acre tract (Exhibit D) located in the northwest section of the DOE Oak Ridge Reservation. The parcel is bound on the north by a perimeter road and the south by State Route 58/95. The 1000 acre parcel includes the area generally defined as "Natural Area," a 400 ± acre parcel that surrounds the meandering East Fork Poplar Creek (Exhibit E).

770.7(1)(a)(ii) The intended use and duration of use of the real property

CROET undertook a study prior to the lease of this parcel to ascertain the need for a regional industrial/business park and the efficacy of developing same. The study, prepared by Lockwood Greene Consulting, determined that there was a need for such a park and that it was economically feasible to build such a center. The Socioeconomic section of the environmental assessment anticipated that the park's development would have a positive impact in creating jobs. Proof positive of the need for and benefit of the park came as a result of the successful recruitment of the park's first tenant, Theragenics, Inc. Theragenics located in the park prior to the completion of the park's infrastructure, building a 100,000 + square foot state-of-the-art facility to

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770.7(1)(a)(ii) - Continued

manufacture its proprietary cancer fighting Theraseeds.® The facility is located on 21 acres of property subleased from CROET through 2029. Theragenics will employ nearly 300 people when fully operational sometime during 2002-2003. CROET's lease of the 1000 acre Horizon Center from DOE runs through 2038. It is anticipated that the level of investment by CROET, the State of Tennessee and the City of Oak Ridge and the anticipated investment by private sector companies locating within the park would necessitate that the property remain as a industrial/business park indefinitely

770.7(a)(1)(iii) A description of the economic development that would be furthered by the transfer (e.g., jobs to be created or retained, improvements to be made)

CROET plans to further develop (e.g. 25% of the road and electrical systems and 75% of site grading is yet to be completed), market and fill this park with private sector industry, like but not necessarily limited to, Theragenics type companies. In order to ascertain the appropriate manner in which we should target industry types, CROET, in partnership with the City of Oak Ridge and the Oak Ridge Chamber's New Century Alliance, commissioned a study by *Fluor Global Services* (Exhibit F), one of the preeminent industrial site location firms in the world. The study identified our strengths and weaknesses and developed cluster groupings of industry types that

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770.7(a)(1)(iii) - Continued

we should recruit. One of the weaknesses identified by *Fluor* was the lease of Heritage Center, noting that the lease mechanism would somewhat limit our capability to attract companies. We have had recent direct experience regarding this limitation in that *Holrob*, one of the most successful developers in the region, has after many months of negotiation, indicated that the inability to purchase a parcel in Horizon Center fee-simple will inhibit them from developing a much needed speculative building in the park (Exhibit G). While the lease mechanism does provide opportunities, fee-simple ownership by CROET is imperative for the ultimate development of the center, development that will result in as much as 4,000,000 square feet (Exhibit H) of high-technology based industrial and business development with a potential of 1100 to upwards of 6000 jobs depending on the types of industry successfully recruited.

770.7(1)(a)(iv) Information supporting the economic viability of the proposed development

The aforementioned studies by Lockwood Greene Consulting and Flour Global provide a basis for appreciating the potential for this industrial/business park, however the viability of the park has already been proven by the location of Theragenics, that company's desire to option an additional 21 acres and by the numerous inquiries from national and international site selectors, real estate professionals, and the State's Department of Economic and Community Development.

The park is just in its first year of operation, yet interest continues to be strong even during an

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770.7(1)(a)(iv) Economic viability - Continued

economic downturn, underscoring the park's established viability.

770.7(1)(a)(v) The consideration offered and any financial requirements

CROET requests DOE to transfer ownership of the 1000-acre parcel to CROET at less than fair market value or without consideration for the reasons stated in the Supplementary Section of the Interim Rule, Section II, Section by Section Discussion, 5. Section 770.8 (Transfer for Less Than Fair Market Value). DOE has the authority to transfer the property at less than fair market value in order to help the local communities recover from the effects of downsizing. As a result of this downsizing the region has experienced 5898 DOE related job losses during the reporting period 1994-1999. Recent reports indicate that 100's of additional jobs are currently at risk during the FY2003 Budget cycle.

Significant consideration should also be given to the considerable investment (~\$9.5 million) already made by CROET and others in the infrastructure improvements made to make the park economically viable. In addition, it is anticipated that CROET will be expected to undertake expenditures for the continued monitoring and safeguarding of the environmentally sensitive areas (contained within the "Natural Area") in and around this parcel.

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770.7(1)(a)(v) The consideration offered and any financial requirements - Continued

Lastly, CROET has developed a business model in which properties at the nearby Heritage Center (The former K-25 site) have been leased as part of an overall strategy to recruit private sector industries (i.e. Jobs) to the region. Some of these properties at Heritage Center are marginal and need to be upgraded in order to maintain their marketability to private sector companies. Revenue derived from the sale of parcels at Horizon Center will provide an opportunity for CROET to upgrade the Heritage properties resulting in lease rates approaching region market value which, in turn, will provide an income stream that can be used synergistically for the further development of the Horizon Center. The upgrading and/or further development of these properties will enable CROET to recruit the right types of companies - companies that can create jobs to potentially mitigate the adverse effects of those jobs being lost through DOE downsizing. For these reasons, CROET requests that the property be offered without consideration.

770.7(a)(2) The person or entity should state in the proposal whether it is or is not requesting indemnification against claims based on the release or threatened release of a hazardous substance or pollutant or contaminant resulting from DOE activities

CROET requests indemnification against claims based on the release or threatened release of hazardous substance or pollutant or contaminant resulting from DOE activities. As indicated by

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770.7(a)(2) Requesting indemnification against claims - Continued

the Supplementary Section of the Interim Rule, Section II. Section by Section Discussion, 4. Section 770.7 (Transfer Process), "A proposal should explicitly state if indemnification against claims is or is not being requested, and, if requested, the specific reasons for the request."

As justification for requested indemnification, CROET cites a section of the Environmental Assessment for the 957.16 acre parcel (3.4.1 Surface water) which states, "East Fork Poplar Creek (EFPC) ... is a moderately wide ... fourth-order stream that bisects Parcel ED-1 ... EFPC originates within the Y-12 Plant, and upstream reaches have sustained considerable impacts and received substantial amounts of contamination in the more than 50-years that the Plant has operated." A recent news article in the Knoxville News Sentinel indicate that the contamination of this creek continues to be problematic (Exhibit I). Based on uncertainties regarding this stream, CROET believes it prudent to request indemnification.

A certification that the requesting party (CROET) has not caused contamination on the property is attached to this proposal (Exhibit J).



Community Reuse Organization
of East Tennessee

August 19, 2002

Ms Susan Cange
AU-61
U.S. Department of Energy
P.O. Box 2002
Oak Ridge, Tennessee 37831-2002

Subject: Request to Modify the proposal to transfer Parcel ED-1 under 10 CFR Part 770.

Ms. Cange:

As you may be aware, the Community Reuse Organization of East Tennessee (CROET) has, over the past two years, reorganized its corporate structure. One of the key components of this reorganization is the creation of subsidiary companies with CROET acting as a quasi-holding company for these subsidiaries.

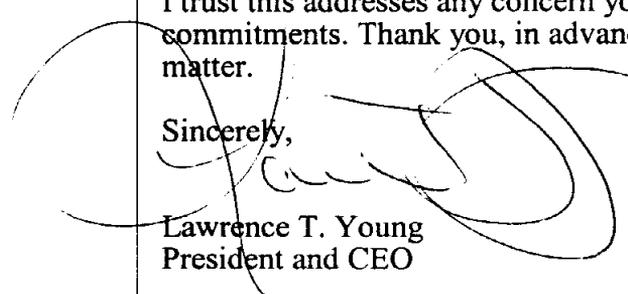
Currently there are three subsidiary companies, one of which is *Horizon Center, LLC*. Our intention, since the inception of these companies, has been for Parcel ED-1, whether under lease or fee-simple ownership, to reside within this subsidiary company. We have created these entities for a variety of reasons including, but not limited to, operational efficiency, enhanced mission focus and litigation protection.

With this transmittal, I am requesting that the proposal submitted in February of this year to transfer Parcel ED-1 (Horizon Center) under 10 CFR Part 770 from DOE to CROET be modified to instead transfer said parcel to the *Horizon Center, LLC*.

I understand that there may be some concern regarding Horizon Center LLC's ability to pay for commitments made on its behalf. Transferring the developable portions of Horizon Center along with the commensurate lease modification of the "natural area" to Horizon Center, LLC, will provide the wherewithal to defray the costs of monitoring and mitigation of the sensitive/natural area. As you know, Horizon Center already derives income from the subleases on the property. In the highly unlikely event that there should be a shortfall in Horizon Center, LLC revenues, we are structured in a manner that would permit sister companies to loan funds to Horizon Center, LLC.

I trust this addresses any concern you may have regarding our ability to fulfill commitments. Thank you, in advance, for your positive assistance in this matter.

Sincerely,



Lawrence T. Young
President and CEO

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The CROET Family of Companies:

Heritage Development Corporation • Horizon Development Corporation • Heritage Railroad Corporation • Vista Corporation