

GIORDANO, HALLERAN & CIESLA

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

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U S POSTAL SERVICE ADDRESS:

POST OFFICE BOX 190

MIDDLETOWN, NEW JERSEY 07748

OR:

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125 HALF MILE ROAD, SUITE 300

RED BANK, NEW JERSEY 07701

(732) 741-3900

FAX: (732) 224-6599

www.ghclaw.com

JOHN C. GIORDANO, JR.
FRANK R. CIESLA - DC
BERNARD J. BERRY, JR.
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JOHN L. SIKORA
VINCENT M. DeSIMONE
JACLYN B. KASS

OF COUNSEL:
JOHN R. HALLERAN
S. THOMAS GAGLIANO
THOMAS A. PLISKIN
RONALD P. HEKSCH
DERRICK A. SCENNA
STEVEN J. CORODEMUS
EDWARD S. RADZELY - NY

JOHN C. GIORDANO
(1921-1989)

CERTIFIED BY THE
SUPREME COURT OF NEW
JERSEY AS A CIVIL TRIAL
ATTORNEY

DC - ALSO ADMITTED DC
FL - ALSO ADMITTED FL
MA - ALSO ADMITTED MA
NY - ALSO ADMITTED NY
PA - ALSO ADMITTED PA

DIRECT DIAL NUMBER

DIRECT EMAIL

mbruno@ghclaw.com

CLIENT/MATTER NO.

13042/38

July 30, 2009

VIA TELEFAX (LETTER ONLY)
AND FEDERAL EXPRESS

Duane O. Davison, Esq.
Lomuro, Davison, Eastman & Muñoz, P.A.
Monmouth Executive Center
100 Willowbrook Road, Building 1
Freehold, NJ 07728

VIA TELEFAX (LETTER ONLY)
AND FEDERAL EXPRESS

Joseph M. Annecharico
Township Administrator
Township of Holmdel
4 Crawfords Corner Road
Holmdel, NJ 07733

**RE: Somerset Development, LLC
Proposed Redevelopment of the Lucent Property
Known as 101 Crawfords Corner Road
Holmdel, New Jersey ("Property")**

Dear Messrs Davison and Annecharico:

As you know, this office represents Somerset Development, LLC ("Somerset") the contract purchaser of the above-referenced Property from Alcatel-Lucent USA Inc. On behalf of our client, please accept this letter and enclosed submission as a request for the Holmdel Township Governing Body ("Governing Body") to formally consider a rezoning or adoption of a redevelopment plan for the Property to permit the mixed use development as outlined in this proposal.

This letter and the enclosed materials (the "Modified Proposal") sets forth the modifications to the previous proposal presented by Somerset to the Holmdel community at Somerset sponsored community gatherings and as submitted to and discussed with the Governing Body established "Lucent Development Committee" (the "Committee") at the meeting between Somerset and the Committee on May 21, 2009. The Modified Proposal

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includes the aspects of the prior proposal that were deemed acceptable or in which the Governing Body did not have any major objections with as confirmed in Mr. Davison's letter of June 10, 2009. Somerset genuinely hopes that the Modified Proposal will provide a revised framework within which discussions with the Township on the eventual redevelopment of the Property can begin in earnest.

THE PROPOSED MIXED USE REDEVELOPMENT

Consistent with the redevelopment and mixed uses previously proposed for the Property and its existing building and infrastructure that the New Jersey Smart Growth Alliance recognized as a Smart Growth Development in their award letter of April 30, 2009, the Modified Proposal maintains all of the smart growth development characteristics previously noted. Namely, the adaptive reuse of the world renowned Eero Saarinen's building, use of existing road system and other existing infrastructure and the preservation of the existing environment and significant open space. As noted in more detail below, within the existing building, the Modified Proposal provides for business, corporate, medical and professional offices, retail, hotel conference center, educational, health care related, assisted living, wellness, medical uses and residential uses. The Modified Proposal also provides for a significant reduction in the proposed number of age-restricted units outside the building along the existing Ring Road and includes the conservation of the balance of the Property.

THE MODIFIED PROPOSAL/FIVE CORE DEVELOPMENT PRINCIPALS

The Modified Proposal maintains the Five Core Development Principals which have governed Somerset's plan to redevelop the Property:

- Enhance ratables and economic activity
- Mitigate impacts upon the surrounding community
- Preserve Eero Saarinen's Bell Labs Building
- Create a vibrant public place
- Provide for environmental and open space preservation

Somerset understands that the Township will require that any development of the Property result in significant economic, social and standard of living improvements, while at the same time, reducing impacts that necessarily occur with any development such as traffic, noise and municipal services. Somerset believes that the Modified Proposal accomplishes both of

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these goals and is prepared to demonstrate and establish to the Community and the Governing Body that its proposal will result in a significant net positive to the community.

In support of Somerset's proposal, enclosed please find ten (10) sets of the Modified Proposal submission package which includes the following:

1. Revised plans and layout for the existing building redevelopment and proposed active adult residential development proposed around the existing ring road. Consistent with Somerset's prior proposal and the guidance provided in Mr. Davison's June letter, the new plan proposes for the existing building approximately 600,000 sq. ft. of office space, 50,000 sq. ft. of supporting retail and food services uses, 125 room hotel conference center, 100 high-end residential units and approximately 300,000 sq. ft. of flexible space to accommodate uses such as educational, assisted living, and health care/medical, wellness and spa/fitness facilities. The Modified Proposal also includes 398 active adult residential units outside the building along the existing ring road which Somerset hopes the Governing Body recognizes as a significant reduction from the 600 units previously proposed;
2. Fiscal impact statement prepared by Graviano Planning Group;
3. Preliminary traffic assessment prepared by CMX Engineering; and
4. Sample proposed ordinance for a redevelopment plan permitting the proposed mixed uses.

Somerset is cognizant of the Governing Body's current desire not to have development outside the exiting building as noted in Mr. Davison's June letter. The Modified Proposal does not ignore the Governing Body's position but represents a good faith attempt to significantly reduce the proposed density from the previous proposal and at the same time maintain the project's economic and planning long term viability. Importantly, Somerset does not present the Modified Proposal as a final take it or leave it proposal, but rather, it is presented in good faith, after significant analysis and effort, as a plan that Somerset firmly believes is a win/win for the Township, its residents and the development. The Modified Plan is submitted as part of Somerset's request to start discussions in earnest. Further, if the Governing Body were, after carefully and openly considering the Modified Plan, to deem the density of the development outside the building unacceptable, Somerset remains flexible and is prepared to discuss the various alternatives that may be available that would permit the further reduction of the active adult residential density proposed for outside the building.

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SOMERSET AS MASTER REDEVELOPER

Somerset has significant experience in redeveloping former manufacturing and office sites which positions Somerset as a uniquely qualified "master redeveloper" for this challenging opportunity. Although as master redeveloper Somerset has developed, owned and operated portions of a mixed use redevelopment, the true role and challenge of Somerset as a master redeveloper for this Property is to design a plan and development that will attract top company's and users ensuring the redevelopments long term success.

To ensure the success of the Project, Somerset is currently in strategic development/joint venture discussions with:

- One of the top corporate office developer's in the world to bring the best possible office users to the Building
- Major colleges/universities to bring a top educational use to the Building
- Two of the largest and most successful active adult residential developer's in the Country to bring a premier active adult community to the Property
- A highly regarded residential and apartment developers to develop first class residential units inside the Building
- One of the most well known Assisted Living Companies to bring a world class assisted living use to the Building
- Two top medical institutions and health and wellness companies to bring a premier medical and/or wellness facility to the Building
- Several top hotel/conference center companies to bring a world class name and hotel/conference center to the Building

REDEVELOPMENT CHALLENGES

As a result of many existing features on the Property, the desire to preserve the existing building and the goal of maintaining the balance of the Property outside the ring road as open space, developing the Property with the Five Core Development Principals presents any developer of this Property with many challenges. The first challenge is to bring the nearly 50 year old existing building up to today's market requirements. Based upon analysis performed by Somerset's construction engineers, it is estimated that the cost of renovating and fitting up the

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building will likely exceed \$100,000,000.00. This amount does not include the cost of acquiring the Property, professional fees and expenses, carrying costs nor other significant and necessary costs and expenses that would be incurred on a development such as this. In addition, the vast majority of the costs are "up-front" costs requiring a phenomenal investment to proceed. Accordingly, the challenge is to develop the Property, respecting the desires of the Community to maintain the building and significant open space, in a manner that presents a feasible economic scenario to both the developer and the community.

As noted, the proposed build out and occupancy of the Property will take place over a ten (10) year period. Given this reality, to make the redevelopment feasible, the Project needs to be designed in a manner that permits value to be derived from its development in ways other than just the occupancy of the building. Somerset proposes this value be created by permitting development outside the building as an active adult community. The active adult community will also provide a positive economic impact to the Township while at the same time using the minimum of Township resources as virtually no school children will result. By all accounts, the Property is considered at the highest of Class A properties suitable for a vibrant, successful, high end active adult development that will be a great asset to the Community.

In addition, the project requires that all available funding sources be pursued including most importantly those that are or may be available pursuant to the various State programs including bonds available under the Redevelopment Area Bond Financing Law and the Economic Redevelopment and Growth Grant program recently enacted pursuant to the New Jersey Economic Recovery Act of 2009. To qualify for these programs, the Township needs to consider designating the Property as a redevelopment as permitted under the Local Redevelopment and Housing Law. The designation also permits the Township to consider a PILOT under the Long Term Tax Exemption laws that will enable the Township to keep more of the tax revenues generated by the Property and at the same time permit funds to be available to finance Bonds that could be used to fund the cost of the Project thereby permitting the reduction in the outside residential density. Obviously, all of the various issues are complicated and comprehensive discussions and open lines of communication between Somerset and the Township are needed to work through the various issues. Somerset has invested a significant amount of resources pursuing this Project and hopes the Township will invest the time and show the leadership that this valuable Property and the Community deserve.

As state above, Somerset hopes that the Governing Body recognize the significant reduction in the number of residential age-restricted units proposed for outside the building. Somerset is prepared to continue discussions with the Township to further reduce the number of units outside the building which will in a large part be dependent upon the Township's willingness to take advantage of the various funding programs a couple of which are mentioned

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above. However, as provided in the New Jersey Economic Stimulus Act of 2009, it is critical that the proposed development of the Property be actively discussed at this time as there are certain sunset provisions in the Act that are set to expire if action is not taken now. Moreover, the cost of maintaining the Property and structures exceeds several million dollars annually and Lucent has confirmed with Somerset that the building may have to be demolished if progress is not made at this time. Needless to say, the cost, negative impacts and loss of opportunity that the community would experience if the building is demolished is significant. Somerset is excited to bring this development to reality and stands ready, willing and able to enter into earnest discussions with the Governing Body to bring the best development to the Property for all involved.

THE REDEVELOPMENT DISCUSSIONS

Somerset is in the process of scheduling a series of community open house-type of events at the Lucent Property to present the Modified Proposal to the community and to continue its dialogue with the community to shape its plans. Somerset is anxious to also immediately begin the dialog with the Governing Body and its Committee with the goal being to come up with a viable final plan that the majority of the Governing Body and community will endorse. To that end, Somerset is flexible to any phasing desires that the Township may request to insure that the Project is developed at a pace and in accordance with any approved overall plan. Somerset is also prepared to deed restrict the Property to insure for generations to come that the use of the Property will be limited and as approved by the Governing Body

Somerset understands that the Governing Body may first wish to have the Modified Proposal reviewed by the Committee and Somerset would be pleased to first proceed before the Committee to discuss the Modified Proposal and gain input from the Township through the Committee. On behalf of Somerset, we look forward to meeting with the Governing Body and its Committee to continue discussions with a goal towards obtaining the necessary zoning and designations to permit the successful redevelopment of the Property. I will be calling you in the next couple of days to review the available dates the Governing Body and/or the Committee has available to meet.

We look forward to working with the Governing Body and its professional to make this redevelopment possible.

Very truly yours,


MICHAEL A. BRUNO

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MAB/llb
Enclosure

cc: Ralph Zucker, Somerset Development, LLC
(w/enclosure, via email and regular mail)
Tom Michnewicz, Somerset Development, LLC
(w/enclosure, via email and regular mail)
Lewis Lefkowitz, Esq., Lucent Technologies, Inc
(w/enclosure, via email and regular mail)

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