

LETTER of INTENT (revised)

April 9, 2009

Peterson Machinery Sales hereby proposes to Grand Traverse County that a long term lease or easement agreement be negotiated for the operation and maintenance of the Sabin and Boardman Dams for the production of hydro-electric power in accord with a Federal Energy Regulatory Commission (FERC) license, encompassing the following articles;

- (1) Peterson Machinery Sales will pay for all costs related to repairs, spillway modifications and / or upgrades, Federal Energy Regulatory Commission (FERC) licensing and compliance, annual operating expenses, and all other expenses incident to operations during the term of the FERC license.
- (2) Peterson Machinery Sales will distribute annually to Grand Traverse County a sum equal to fifty percent (50 %) of the net hydro-electric operating income.

Encompassed in item (1) will be the following up-grades as referenced in our February 11, 2008 letter;

- (1) Boardman Dam;
 - (A) New Emergency Spillway to meet FERC requirements.
 - (B) Addition of back-up micro-processor controls for all systems.
 - (C) Conversion of penstocks and spillway gates to servo-controls and elimination of over-head hoists and structures.
 - (D) Reinforcement of roadway and restoration of two (2) lanes of traffic across the dam.
 - (E) Complete restoration of the concrete surfaces of the dam and service deck.
 - (F) Roof replacement and tuckpointing of powerhouse.
- (2) Sabin Dam;
 - (A) Addition of back-up micro-processor controls for all systems.
 - (B) Roof replacement and tuckpointing of powerhouse.

Proposed by;

Charles R. Peterson
Peterson Machinery Sales