

**Sabrina Freeman**

**From:** Mark E. Nettleton [MNettleton@mmbjlaw.com]  
**Sent:** Monday, April 11, 2011 11:38 AM  
**To:** Frank Force  
**Cc:** Jim Fues; Sabrina Freeman  
**Subject:** Sewer Improvement Project Financing

Frank,

Attached to this email, in PDF, is the resolution to authorize the financing of the sewer improvement projects under the provisions of Act 99.

The resolution approves the purchase and installation of the center irrigation pivot project with C&L Excavating, LLC and the mechanical and electrical component upgrades with Grandtech, Inc. With respect to both improvement projects (the center irrigation pivot project and the mechanical and electrical component upgrades) the amounts approved include the contingency amounts. Based upon the favorable contractor bids (primarily with Grandtech, Inc. for the mechanical and electrical component upgrades), the amount to be borrowed has been reduced from \$500,000 to \$457,000.

The resolution also approves the financing of the projects with Firstbank – West Michigan. As you know, the Township received two financing proposals last Thursday, one from ChoiceOne Bank and the other from Firstbank – West Michigan. Firstbank – West Michigan proposed financing the project in accordance with the financing specifications we had prepared on behalf of the Township (15 years, annual principal, semi-annual interest) and quoted a rate of 3.56%. ChoiceOne Bank quoted an interest rate of 3.91% over fifteen years. These are both competitive rates and, based upon the rate quoted by Firstbank – West Michigan, I recommend the Township finance the projects with Firstbank – West Michigan.

The total interest cost to borrow \$457,000 and repay over 15 years at Firstbank's rate of 3.56% is approximately \$139,000. Total principal and interest over 15 years would be \$596,249.

For your reference, I attach a proposed debt service schedule for the 15 year Note Agreement and Note to be entered into by the Township and the Bank, as well as the revised estimate of cost for the project (as bid) and the Act 99 debt limit analysis.

The resolution approves the various documents to be entered into with the bank and the two contractors for the project. Under the terms of the resolution, you, the Clerk, and the Treasurer are authorized and directed to sign the necessary closing documents and you and the Clerk are authorized to make changes to the closing documents, if necessary and in the interest of the Township.

At this time and assuming the Township Board approves the attached resolution, we can likely close on the financing by May 10, 2011.

With respect to the Act 99 debt limit analysis attached, even with the proposed \$457,000 sewer improvement project financing and the Township's outstanding Act 99 installment purchase financing for the fire station (2005), the Township should have approximately \$1 million available for other Act 99 installment purchase financings, if needed in the future. As always, to the extent the Township pays down outstanding Act 99 balances, the Township has additional Act 99 debt limit for financing, if necessary.

Please let me know if you have any questions. If the Board approves the resolution, let me know so that I can make arrangements with the two contractors and the bank for execution of the various documents in advance of the closing.

4/11/2011

**TOWNSHIP OF GRATTAN**  
**KENT COUNTY, MICHIGAN**

Minutes of a regular meeting of the Township Board of the Township of Grattan, Kent County, Michigan, held at the Grattan Township Hall, ~~73943 Lake Street, Grattan, Michigan~~ <sup>12050 Old Belding Rd, Belding</sup>, on the 11th day of April, 2011, at 7:00 p.m. Local Time.

PRESENT: Members: \_\_\_\_\_

ABSENT: Members: \_\_\_\_\_

The following preamble and resolution were offered by Member \_\_\_\_\_ and supported by Member \_\_\_\_\_:

**RESOLUTION NO. \_\_\_\_**

**RESOLUTION APPROVING PURCHASE CONTRACT,  
NOTE AGREEMENT AND RELATED MATTERS**

WHEREAS, the Township Board of the Township of Grattan, County of Kent, State of Michigan (the "Township"), determines it to be necessary for the public health, safety and welfare of the Township and its residents to acquire the personal property described on Exhibit A attached hereto and made a part hereof (the "Property"); and

WHEREAS, under the provisions of Act No. 99, Public Acts of Michigan, 1933, as amended ("Act 99"), the Township Board is authorized to enter into any contracts or agreements for the purchase of real or personal property to be paid for in installments over a period of not to exceed the useful life of the property acquired as determined by resolution of the Township Board; and

WHEREAS, the outstanding balance of all purchases by the Township under Act 99, exclusive of interest, shall not exceed one and one quarter percent (1 1/4 %) of the taxable value of the real and personal property in the Township at the date of such contract or agreement; and

WHEREAS, purchase of the Property pursuant to an installment purchase agreement will not result in the outstanding balance of all such purchases exceeding the limitation contained within Act 99 as set forth above; and

WHEREAS, the Township has received financing proposals from ChoiceOne Bank and Firstbank – West Michigan in the forms attached hereto as Exhibit B for the financing of the acquisition of the Property;

WHEREAS, the Township Board has received the offers of the vendors listed on Exhibit A attached hereto and made a part hereof (each a “Vendor”), for the sale to the Township of the Property, which proposals have been reviewed by the Township Board, and the Township Board has concluded that the offers of the Vendors are in the best interest of the Township and said offers have been approved; and

WHEREAS, the Township Board has reviewed (1) a form of Purchase Contract in the form attached hereto as Exhibit C (the “Purchase Contract”) setting forth the terms and provisions of the sale of the Property to the Township and the payment by the Township therefor, (2) a form of Assignment of Purchase Contract of the Vendor (the “Assignment”), and (3) a form of Note Agreement to be entered into by the Township and a bank selected by the Township (the “Note Agreement”) and the Note to be provided by the Township to the Bank (the “Note”) and it is the desire of the Township Board to approve the purchase of the Property, award the financing of the Property to one of the banks listed on Exhibit B, and to approve the terms of the financing thereof as set forth in the Purchase Contract, the Assignment, the Note Agreement, the Note, and the execution thereof.

NOW THEREFORE, BE IT RESOLVED THAT:

1. The form of the Purchase Contract in the form attached as Exhibit C hereto, is hereby approved, ratified and confirmed. A separate Purchase Contract and Assignment shall be prepared

for each Vendor listed on Exhibit A hereto for the Purchase Price listed on Exhibit A. The Township Supervisor and Clerk are hereby authorized and directed to execute each Purchase Contract when in final form, including such additions, changes and modifications as shall be approved by the Township Supervisor and the Township Clerk of the Township.

2. The form of the Assignment in the form attached as Exhibit D is acknowledged.

3. The Township Board previously authorized and directed the Township Treasurer, with the assistance of Bond Counsel, to prepare financing specifications and obtain financing proposals from local area banks and financial institutions for the financing of the Property. The Township Board hereby approves and ratifies the financing specifications, dated as of March 29, 2011, and in the form on file with the Township, for the financing of the Property.

4. The Township Board hereby determines that it is necessary and in the best interest of the Township to award the financing of the Property to Firstbank – West Michigan (the “Bank”) in accordance with the financing specifications and the Bank’s proposal, which is attached hereto as Exhibit B.

5. The Note Agreement is hereby approved substantially in the form attached as Exhibit E hereto with such additions, changes and modifications as shall be approved by the Township Supervisor and the Township Clerk of the Township, including a principal amount not to exceed \$457,000, the final interest rate which shall not exceed 3.56% per annum and the corresponding payment schedule which shall be based upon 15 annual principal payments, with interest payable semi-annually on April 1 and October 1 of each year commencing October 1, 2011, and an annual principal payment payable on April 1 each year commencing April 1, 2012. The Township Supervisor and the Township Clerk are hereby authorized and directed to execute the Note Agreement and the Note authorized therein, when in final form, and deliver them to the Bank.

6. The useful life of the Property is hereby determined to be not less than fifteen (15) years.

7. The Township Supervisor, Township Clerk, and Township Treasurer are each directed and authorized to execute such additional documentation as shall be necessary to effectuate the closing contemplated by the Purchase Contract and the Note Agreement.

8. The Township hereby agrees to include in its budget for each year, commencing with the 2011-2012 fiscal year, a sum which will be sufficient to pay the principal installment of and the interest coming due under the Note Agreement before each following fiscal year. In addition, the Township hereby pledges to levy ad valorem taxes on all taxable property in the Township each year in an amount necessary to make its debt service payments under the Note Agreement, subject to applicable constitutional and statutory tax rate limitations.

9. The Township covenants that, to the extent permitted by law, it shall take all actions within its control necessary to maintain the exclusion of the interest component of the payments due under the Note Agreement from adjusted gross income for general federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code") including but not limited to, actions relating to the rebate of arbitrage earnings, if applicable.

10. The Township hereby designates the Note authorized by the Note Agreement as a "qualified tax exempt obligation" within the meaning of Section 265(b)(3) of the Code, it being reasonably anticipated that the aggregate amount of qualified tax exempt obligations which will be issued by the Township and all subordinate entities to the Township shall not exceed \$10,000,000 during calendar year 2011.

11. The acquisition of the Property and the approval of the Purchase Contract and the Note Agreement hereby are found and declared to be for a valid public purpose and in the best interest of the health and welfare of the residents of the Township.

12. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded to the extent of such conflict.

AYES: Members: \_\_\_\_\_

NAYS: Members: \_\_\_\_\_

ABSTAIN: Members: \_\_\_\_\_

RESOLUTION DECLARED ADOPTED.

\_\_\_\_\_  
Jim Fues, Township Clerk

STATE OF MICHIGAN     )  
  ) ss.  
COUNTY OF KENT        )

I, the undersigned, the duly qualified and acting Clerk of the Township of Grattan, Kent County, Michigan (the "Township") do hereby certify that the foregoing is a true and complete copy of a resolution adopted by the Township Board at a regular meeting on the 11th day of April, 2011, the original of which is on file in my office. Public notice of said meeting was given pursuant to and in compliance with Act No. 267, Public Acts of Michigan, 1976, as amended, including in the case of a special or rescheduled meeting, notice by posting at least eighteen (18) hours prior to the time set for the meeting.

IN WITNESS WHEREOF, I have hereto affixed my official signature on this 11th day of April, 2011.

\_\_\_\_\_  
Jim Fues, Township Clerk

EXHIBIT A

TOWNSHIP OF GRATTAN  
DESCRIPTION OF PROPERTY TO BE ACQUIRED

<u>Property</u>	<u>Vendor</u>	<u>Total Cost</u>
Electrical component upgrade (Grattan Sewer System and Grattan/Vergennes Sewer System) and related contingencies	Grandtech, Inc.	\$150,173.11
Mechanical component upgrade (Grattan Sewer System and Grattan/Vergennes Sewer System) and related contingencies	Grandtech, Inc.	\$ 46,779.89
Center pivot irrigation system and upgrades (Grattan/Vergennes Sewer System) and related contingencies	C&L Trucking & Excavating, LLC	<u>\$260,047.00</u>
		\$457,000.00

**EXHIBIT B**  
**FINANCING PROPOSALS**

**TOWNSHIP OF GRATTAN**  
**\$500,000 NOTE AND NOTE AGREEMENT**  
**(SANITARY SEWER IMPROVEMENT PROJECT)**

BID FORM

April 6, 2011

Township of Grattan  
Attn: Sabrina Freeman, Treasurer  
12050 Old Belding Road  
Belding, MI 48809-9367

Ladies and Gentlemen:

We offer to assist the Township by accepting an assignment of the vendors' interest in the two purchase contracts for the acquisition of property, as described in and subject to the terms and conditions of the Financing Specifications dated March 29, 2011, on the following terms:

1. Principal Amount \$500,000 (this is an estimated amount subject to adjustment by the Township to conform to the purchase price of property):

Maturity	Amount	Rate
April 1, 2012	\$22,000	3.56 %
April 1, 2013	\$24,000	3.56 %
April 1, 2014	\$25,000	3.56 %
April 1, 2015	\$26,000	3.56 %
April 1, 2016	\$28,000	3.56 %
April 1, 2017	\$29,000	3.56 %
April 1, 2018	\$31,000	3.56 %
April 1, 2019	\$33,000	3.56 %
April 1, 2020	\$34,000	3.56 %
April 1, 2021	\$36,000	3.56 %
April 1, 2022	\$38,000	3.56 %
April 1, 2023	\$40,000	3.56 %
April 1, 2024	\$42,000	3.56 %
April 1, 2025	\$45,000	3.56 %
April 1, 2026	\$47,000	3.56 %
<b>Total</b>	<b>\$500,000</b>	

.00601793 1 1

Total Interest Cost (assuming that the Note is dated May 10, 2011, and payable in fifteen payments of principal payable on April 1, 2012, and annually on each April 1 thereafter until paid in full with interest payable semi-annually on October 1 and April 1 of each year beginning October 1, 2011)

\$ 157,880.66

2. We recognize that the Township reserves the right to reject any and all bids, increase or decrease the amount to be financed under the Note and not to proceed with financing.

3. This bid shall remain open and capable of acceptance until 5:00 p.m., Local Time, Wednesday, April 13, 2011. Closing of the transaction shall occur not later than 45 days thereafter, but is tentatively scheduled for May 10, 2011.

Respectfully submitted,

By:



Authorized Representative  
Title: Executive Vice President

Dated: April 6, 2011.

Firstbank - West Michigan  
Name of Bidder

\_\_\_\_\_  
Title

302 W. Main St., Ionia, MI 48846  
Business Address

Business Phone: (616)527-7753

Business E-mail: ccolwell@firstbankmi.com

TOWNSHIP OF GRATTAN  
\$500,000 NOTE AND NOTE AGREEMENT  
(SANITARY SEWER IMPROVEMENT PROJECT)

BID FORM

April 7, 2011

Township of Grattan  
Attn: Sabrina Freeman, Treasurer  
12050 Old Belding Road  
Belding, MI 48809-9367

Ladies and Gentlemen:

We offer to assist the Township by accepting an assignment of the vendors' interest in the two purchase contracts for the acquisition of property, as described in and subject to the terms and conditions of the Financing Specifications dated March 29, 2011, on the following terms:

- 1. Principal Amount \$500,000 (this is an estimated amount subject to adjustment by the Township to conform to the purchase price of property):

Maturity	Amount	Rate
April 1, 2012	\$22,000	3.95 %
April 1, 2013	\$24,000	3.95 %
April 1, 2014	\$25,000	3.95 %
April 1, 2015	\$26,000	3.95 %
April 1, 2016	\$28,000	3.95 %
April 1, 2017	\$29,000	3.95 %
April 1, 2018	\$31,000	3.95 %
April 1, 2019	\$33,000	3.95 %
April 1, 2020	\$34,000	3.95 %
April 1, 2021	\$36,000	3.95 %
April 1, 2022	\$38,000	3.95 %
April 1, 2023	\$40,000	3.95 %
April 1, 2024	\$42,000	3.95 %
April 1, 2025	\$45,000	3.95 %
April 1, 2026	\$47,000	3.95 %
Total	\$500,000	

{00601791 1 }

Total Interest Cost (assuming that the Note is dated May 10, 2011, and payable in fifteen payments of principal payable on April 1, 2012, and annually on each April 1 thereafter until paid in full with interest payable semi-annually on October 1 and April 1 of each year beginning October 1, 2011)

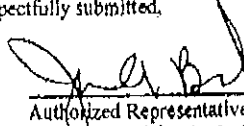
\$ 175,212.04

2. We recognize that the Township reserves the right to reject any and all bids, increase or decrease the amount to be financed under the Note and not to proceed with financing.

3. This bid shall remain open and capable of acceptance until 5:00 p.m., Local Time, Wednesday, April 13, 2011. Closing of the transaction shall occur not later than 45 days thereafter, but is tentatively scheduled for May 10, 2011.

Respectfully submitted,

By:



Authorized Representative  
Title: President & CEO

Dated: April 7, 2011.

ChoiceOne Bank

Name of Bidder

Title

103 Anderson, Sparta, MI

Business Address

Business Phone: (616) 887-2347

Business E-mail: jbcasard@choiceone.com.

## EXHIBIT C

### PURCHASE CONTRACT

THIS PURCHASE CONTRACT, dated as of \_\_\_\_\_, 2011, by and between the Township of Grattan, County of Kent, State of Michigan (the "Township"), and \_\_\_\_\_ (the "Vendor"), is as follows:

1. **Purchase Price; Payment Amount; Closing Date; Title.** The Township agrees to purchase and the Vendor agrees to sell \_\_\_\_\_ (the "Equipment"), as set forth in the Township's Information for Bidders (the "Specifications"), the Vendor's proposal in response thereto (the "Proposal"), and that certain contract by and between the Township and the Vendor, dated as of \_\_\_\_\_, 2011 (the "Acquisition Contract"), for the sum of \$ \_\_\_\_\_ including project contingencies and related costs (the "Purchase Price"), of which sum the amount of \$0.00 will be paid by the Township to the Vendor on the dated date of this Purchase Contract (the "Closing Date") and the remaining \$ \_\_\_\_\_ (the "Payment Amount") will be payable in fifteen (15) annual principal installments as set forth on Exhibit A attached hereto and made a part hereof.

The Township shall pay interest on the unpaid balance of the Payment Amount to the Bank as assignee of this Purchase Contract at the interest rate per annum and on the interest payment date to be determined by the Township and the Bank on or before the Closing Date.

The Purchase Price includes the Equipment and other rights assigned and conveyed by the Vendor to the Township. Upon delivery, installation, and acceptance by the Township of the Equipment, title to the Equipment shall vest in the Township.

2. **Incorporation by Reference.** The Specifications and the Proposal are incorporated in full herein by this reference. In the event of a conflict in terms of payment for the Equipment between this Purchase Contract and the Specifications and the Proposal, the terms of this Purchase Contract shall govern.

3. **Closing Date; Payment of Payment Amount.** As of the Closing Date, the Township shall cause the Payment Amount to be paid to the Vendor in accordance with the terms of the Acquisition Contract between the Township and the Vendor, and the Vendor shall assign and deliver to the Bank this Purchase Contract.

4. **Warranty.** The Vendor warrants the Equipment as set forth in the Specifications and the Proposal and pursuant to the manufacturer's warranties. Any warranties with respect to the Equipment shall not be assigned but shall remain enforceable by the Township.

5. **Governing Law.** This Purchase Contract shall be governed and construed in accordance with the laws of the State of Michigan.

6. **Counterparts.** This Purchase Contract may be executed in any number of counterparts.

## EXHIBIT D

### ASSIGNMENT OF PURCHASE CONTRACT

THIS ASSIGNMENT OF PURCHASE CONTRACT (the "Assignment") made this \_\_\_ day of \_\_\_\_\_, 2011, by \_\_\_\_\_ ("Assignor"), to ("\_\_\_\_\_ BANK ("BANK").

WHEREAS, the Assignor and the Township of Grattan, County of Kent, State of Michigan, a Michigan general law township (the "Township"), entered into a Purchase Contract dated as of \_\_\_\_\_, 2011 (the "Purchase Contract"), to enable the Township to purchase a [insert description of property to be acquired] (the "Property"); and

WHEREAS, the Township desires to finance part of the cost of the purchase of the Property; and

WHEREAS, the Assignor, by this Assignment, shall assign its rights to receive payment under the Purchase Contract to the Bank in exchange for the full payment of the debt owed by the Township to the Assignor in accordance with that certain Acquisition Contract dated as of \_\_\_\_\_, 2011, between the Township and Assignor.

NOW, THEREFORE, in consideration of the premises, and for the good and valuable considerations:

1. Assignor hereby assigns to the Bank the right to receive all payments due under and pursuant to the Purchase Contract in an amount equal to the Payment Amount, as defined in the Purchase Contract, plus interest.

2. The Bank shall have no liability for payment of money to the Assignor or further performance of any obligations to the Assignor. The Assignor represents and warrants that this Assignment does not violate any agreement, contract or loan agreement to which the Assignor is a party and that the Assignment has been duly authorized, executed and delivered by the Assignor and is enforceable in accordance with its terms.

3. The Township consents to this Assignment, except with respect to the warranty and other obligations of Assignor set forth in the Purchase Contract, any conveyance or other document delivered or to be delivered pursuant thereto, and the Assignor hereby acknowledges that all of such warranties and other obligations shall not be assigned or assumed by the Bank and shall remain the sole responsibility of the Assignor.

4. Assignor hereby represents and warrants that it is the owner of and has absolute title to the Purchase Contract, free of all liens, security interests and encumbrances of any kind.

5. This Assignment shall be binding upon Assignor and its successors and assigns, and shall inure to the benefit of Bank, its successors and assigns.

ASSIGNOR

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT E**

**TOWNSHIP OF GRATTAN**

**NOTE AGREEMENT**

**(Act 99, P.A. 1933)**

THIS NOTE AGREEMENT made and executed on \_\_\_\_\_, 2011 (the "Note Agreement"), by and between the TOWNSHIP OF GRATTAN, County of Kent, State of Michigan, a Michigan general law township, organized and existing under the constitution and laws of the State of Michigan (the "Township"), and the \_\_\_\_\_ Bank (the "Bank").

**WITNESSETH:**

WHEREAS, the Township intends to acquire certain property that is more particularly described on Exhibit A attached hereto (the "Property"), from the entities identified on Exhibit A (each entity referred to as a "Vendor" or collectively, the "Vendors") for use by the Township for public purposes; and

WHEREAS, the Township is authorized, pursuant to Act 99 of the Public Acts of Michigan of 1933, as amended ("Act 99"), to purchase property, to be paid for in installments, and the Township desires to pay for the Property in installments, in accordance with Act 99; and

WHEREAS, the Bank is willing to provide the required funding to the Township pursuant to the terms and conditions of this Note Agreement.

**RECITALS**

A. The Township shall purchase the Property from the Vendors pursuant to the terms of a Purchase Agreement (the "Purchase Agreement"), for the aggregate price of \$\_\_\_\_\_ (the "Sale Price").

B. The Township shall pay as a down payment to the Vendors \$ \_\_\_\_\_ from funds on hand and shall pay the balance of the Sale Price in the amount of \$ \_\_\_\_\_ (the "Payment Amount"), in installments as set forth in the Note attached hereto and by this reference made a part hereof.

C. The interest of the Vendors to receive a portion of the Sale Price equal to the amount of the Payment Amount from the Bank has been assigned to the Bank.

NOW, THEREFORE, the parties hereto agree as follows:

1. **Definitions.** The following terms, wherever used in this Note Agreement shall have the following meanings, unless the context shall indicate another or different meaning:

"Code" means the Internal Revenue Code of 1986, as amended. Reference to the Code shall also include applicable final or temporary regulations and proposed regulations thereunder and any successor provisions thereof.

"Interest Rate" means an interest rate of \_\_\_\_\_ % per annum, computed on the basis of 365 or 366 days in the year, as the case may be, for the actual number of days elapsed.

"Note" means the Note evidencing the Township's obligation to repay the Payment Amount with interest at the Interest Rate, substantially as set forth in Exhibit B attached hereto and made a part hereof.

"Payment Amount" means the amount required to be paid by the Township to the Bank, pursuant hereto, in the amount of \$ \_\_\_\_\_.

"Payment Date" means the date a payment of principal and/or interest is due and payable in accordance with the Note.

"State" means the State of Michigan.

2. **Installment Payments.** The Township agrees to pay to the Bank the Payment Amount in installments on the Payment Dates, and to pay interest on the unpaid balance of the Payment Amount at the Interest Rate, all in accordance with the Note.

3. **Payments Unconditional.** The Township's obligation to pay the principal of and interest and any other amounts owed pursuant to the Note is absolute and unconditional and shall remain in full force and effect until the amounts owed under the Note shall have been paid, and such obligation shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation, any of the following:

- (a) Any failure of title with respect to the Township's interest in the Property;
- (b) The invalidity, unenforceability or termination of this Note Agreement;

(c) The modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in this Note Agreement;

(d) The voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment or other similar proceedings affecting Vendor or any of its assets or any allocation or contest of the validity of this Note Agreement or the Note, or the disaffirmance of this Note Agreement or the Note in any such proceeding;

(e) Any casualty or destruction of the Property.

The Township shall make payments when due and shall not withhold any such payments as a result of any disputes arising between the Township and any Vendor or any other person, nor shall the Township assert any right of set off or counterclaim against its obligation to make such payments or be entitled to any abatement of such payments as a result of accident or unforeseen circumstances, or the Property being inoperative.

4. **Prepayment.** The balance of principal under the Note may be prepaid by the Township at any time upon at least seven (7) days prior written notice to the Bank.

5. **Useful Life of Property.** The Township represents that the useful life of the Property is equal to or longer than the date of the final payment on the Note.

6. **Security for Payment Limited Full Faith and Credit.** The Township agrees to include in its budget for each fiscal year during the term hereof an amount sufficient to pay when due the principal of and interest coming due under this Note Agreement during such fiscal year. In addition, the Township hereby pledges to levy in each fiscal year ad valorem taxes on all taxable property in the Township in an amount which, together with other funds available for such purpose, shall be sufficient to pay when due the principal of and interest coming due under this Note Agreement during such fiscal year. Any such tax levy is, however, subject to existing statutory and constitutional tax limitations.

7. **No Security Interest in Property.** The Bank shall have no security interest in the Property.

8. **Term of Agreement.** This Note Agreement shall terminate on such date that all amounts due hereunder by the Township to Bank are paid in full.

9. **Representations of the Township.** The Township makes the following representations:

(a) The Township is a Michigan general law township duly organized and legally existing under the constitution and laws of the State of Michigan.

(b) The Township will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a Michigan general law township.

(c) The Township is authorized under the constitution and laws of the State to enter into this Note Agreement and the transactions contemplated hereby and to perform all of its obligations hereunder.

(d) This Note Agreement constitutes a legal, valid, binding and enforceable obligation of the Township in accordance with its terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally, now existing or hereafter enacted, and the application of the general principles of equity, including the doctrine of equitable subordination.

(e) During the term of this Note Agreement, the Property will be used exclusively by the Township only for the purpose of performing one or more governmental public functions of the Township consistent with the permissible scope of the Township's authority.

(f) The Township will provide the Bank with a copy of its annual audit upon written request of the Bank.

(g) Neither the payment of principal and interest under the Note nor any portion thereof is directly or indirectly (a) secured by any interest in (i) property used or to be used for a private business use within the meaning of Section 141(b) of the Code or (ii) payments in respect of such property, or (b) to be derived from payments (whether or not to the Township) in respect of property, or borrowed money, used or to be used for a private business use within the meaning of Section 141(b) of the Code. The Property will not be used for any private business use within the meaning of Section 141(b).

10. **Disclaimer of Warranties by Bank.** The Bank makes no warranty or representation, either expressed or implied, as to the value, design, condition, merchantability or fitness for particular purpose or fitness for use of the Property, or warranty with respect thereto. In no event shall the Bank be liable for any incidental, indirect, special, or consequential damage in connection with or arising out of this Note Agreement or the existence, furnishing, functioning or the Township's use of the Property.

11. **Events of Default.** The following shall be an "Event of Default" under this Note Agreement:

(a) Failure by the Township to make the principal and/or interest payments at the times specified in the Note; or

(b) Failure of the Township to observe and perform any other covenant, condition or agreement hereunder on its part to be observed or performed and continuation of such failure for a period of 30 days after written notice specifying such failure and requesting that it be remedied, unless the Bank shall agree in writing to an extension of time prior to its expiration and shall be such that it cannot with due diligence be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Township within such period and diligently pursued until corrected; or

(c) The Township shall: (i) admit in writing its inability to pay its debts generally as they become due; (ii) commence a proceeding under any federal or state bankruptcy, insolvency, reorganization or other similar law, or have such a proceeding commenced against it and either have

an order of insolvency or reorganization entered against it or have the proceeding remain undismitted or unstayed for 60 days; (iii) make an assignment for the benefit of creditors or provide for the entry into any agreement for the composition of creditors; or (iv) have applied for the appointment of a receiver, purchaser or liquidator for it or the whole or any substantial part of its property; or

(d) The Township shall materially breach any representation or warranty under this Note Agreement.

12. **Remedies Upon Default.** Whenever an Event of Default referred to in Section 11 hereof shall occur and be continuing the Bank may:

(a) Upon the occurrence of an Event of Default described in Section 11 (a) hereof and the failure to cure such Event of Default within 5 days after receipt of written request from the Bank, declare all of the unpaid amounts of principal and interest (the portion thereof accrued) to be immediately due and payable, whereupon such amounts shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived; and

(b) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Note Agreement.

13. **Assignment by the Bank.** This Note Agreement and the Note hereunder may be assigned by the Bank at any time subsequent to its execution, without the necessity of obtaining the consent of the Township. The Bank agrees to give notice of assignment to the Township, and upon receipt of such notice the Township agrees to make all payments to the assignee, notwithstanding any claim, defense, set off or counterclaim whatsoever (whether arising from a breach of this Note Agreement, the Note or otherwise) that the Township may from time to time have against the Bank, or the assignee. The interest of the Bank in this Note Agreement and the Note may not be assigned or reassigned in whole or in part unless (i) the document by which such assignment or reassignment is made discloses the name and address of the assignee, and (ii) the Township receives written notification of the name and address of the assignee. The Township hereby designates the Bank or its assignee as its agent to maintain a book entry system in conformance with Section 149(a) of the Code, consisting of a record of ownership that identifies the owner of any interest in the Note Agreement, which record may be examined by the Township at its request. The right to payment of the amounts due hereunder may be transferred only through such book entry system. Anything in the foregoing to the contrary notwithstanding, the interest of the Bank in this Note Agreement may be assigned in whole or in part upon terms which provide in effect that the assignor or assignee will act as a collection and paying agent for holders of certificates of participation in this Note Agreement.

14. **Notices.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when dispatched by registered or certified mail, return receipt requested, postage prepaid, or by hand delivery, or by telegram or facsimile transmission and confirmed the same day by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Township:

Township of Grattan  
Attn: Township Supervisor  
12050 Old Belding Road  
Belding, MI 48009

If to the Bank:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The parties hereto may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates or other communications may be sent.

15. **Governing Law.** This Note Agreement and the Note shall be construed in all respects in accordance with the laws of the State.

16. **Severability.** In the event any provision of this Note Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

17. **Binding Effect.** The covenants herein contained shall bind, and the benefits and advantages shall inure to, the respective successors and assigns of the parties hereto.

18. **Counterparts.** This Note Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

19. **Entire Note Agreement.** This Note Agreement and the Note constitute the entire agreement between the parties, and there are no representations, warranties, promises, guarantees or agreements, oral or written, express or implied, between the parties hereto with respect to this Note Agreement and the Note.

20. **Amendments.** Neither this Note Agreement nor the Note may be effectively amended, changed, modified, altered or terminated without the prior written consent of the Township and the Bank.

IN WITNESS WHEREOF, the Township and the Bank have caused these presents to be signed all as of the day and year first above written.

TOWNSHIP OF GRATTAN

\_\_\_\_\_  
Franklin J. Force, Township Supervisor

\_\_\_\_\_  
Jim Fues, Township Clerk

\_\_\_\_\_ BANK

By \_\_\_\_\_

Title \_\_\_\_\_

**EXHIBIT A  
LIST OF VENDORS  
AND PROPERTY**

**EXHIBIT B  
TO  
NOTE AGREEMENT**

**NOTE**

Principal Amount:     \$\_\_\_\_\_

Interest Rate:         \_\_\_\_\_%

Issue Date: May \_\_, 2011

Tax I.D. No:           \_\_\_\_\_

Final Due Date: \_\_\_\_\_, 2026

KNOW ALL PERSONS BY THESE PRESENTS: that the Township of Grattan, County of Kent, State of Michigan, a Michigan general law township (the "Township"), hereby acknowledges itself indebted and for value received promises to pay to \_\_\_\_\_ (the "Bank"), or its assigns, the sum of \_\_\_\_\_ Thousand Dollars (\$\_\_\_\_\_), together with interest thereon at the rate of \_\_\_\_\_ percent (\_\_\_\_%) per annum from the date hereof. All payments of principal and interest shall be made on the Payment Dates as set forth on Schedule 1 attached hereto and made a part hereof. Both principal of and interest on this Note are payable in lawful money of the United States of America at the office of the Bank, \_\_\_\_\_, \_\_\_\_\_, MI \_\_\_\_\_, as paying agent and Note registrar.

Interest on this Note shall be calculated on the basis of a 365 or 366 day year, as the case may be, for the actual number of days elapsed.

This Note evidences the Township's obligations to pay the Payment Amount as described in the Note Agreement, dated \_\_\_\_\_, 2011 (the "Note Agreement"), between the Township and the Bank, in accordance with the provisions of Act No. 99 of the Public Acts of 1933, as amended, which provides a means by which a Township may enter into agreements for the purchase of real or personal property for public purposes, to be paid for in installments. The obligation of the Township to make the principal and interest payments under this Note is a general obligation of the Township, and the Township has pledged its limited tax full faith and credit general obligation to the payment of principal of and interest on this Note, as and when due, subject to constitutional and statutory limitations.

This Note is subject to prepayment at any time prior to the dates on which principal and interest are due at the discretion of the Township, upon seven (7) days written notice to the Bank.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to the issuance of this Note, existed, happened and have been performed in the time form and manner as required by the Constitution and statutes of the State of Michigan, and that the amount of this Note, together with all other indebtedness of the Township does not exceed any constitutional or statutory limitations; and that no other note or notes have been issued or will be issued having equal dignity with this Note.

IN WITNESS WHEREOF, the Township of Grattan, by its Township Board, has caused this Note to be signed in its name by the Supervisor and Township Clerk, on \_\_\_\_\_, 2011.

**TOWNSHIP OF GRATTAN**  
a Michigan general law township

By \_\_\_\_\_  
Franklin J. Force, Supervisor

By \_\_\_\_\_  
Jim Fues, Clerk

SCHEDULE I TO NOTE  
PRINCIPAL AND INTEREST PAYMENTS

INTEREST RATE \_\_\_\_\_%  
PRINCIPAL AMOUNT \$ \_\_\_\_\_

<u>Interest Payment Date</u>	<u>Total Interest Payment</u>	<u>Interest Payment Date</u>	<u>Total Interest Payment</u>	<u>Principal Payment Date</u>	<u>Total Principal Payment</u>	<u>Balance</u>
October 1, 2011						
October 1, 2012		April 1, 2012		April 1, 2012		
October 1, 2013		April 1, 2013		April 1, 2013		
October 1, 2014		April 1, 2014		April 1, 2014		
October 1, 2015		April 1, 2015		April 1, 2015		
October 1, 2016		April 1, 2016		April 1, 2016		
October 1, 2017		April 1, 2017		April 1, 2017		
October 1, 2018		April 1, 2018		April 1, 2018		
October 1, 2019		April 1, 2019		April 1, 2019		
October 1, 2020		April 1, 2020		April 1, 2020		
October 1, 2021		April 1, 2021		April 1, 2021		
October 1, 2022		April 1, 2022		April 1, 2022		
October 1, 2023		April 1, 2023		April 1, 2023		
October 1, 2024		April 1, 2024		April 1, 2024		
October 1, 2025		April 1, 2025		April 1, 2025		
October 1, 2026		April 1, 2026		April 1, 2026		

**Proposed Budget for G/V Irrigation System Upgrade**

**And Collection System Upgrades/Repairs**

**As-bid**

Bid from C.L. for G/M Upgrade	\$221,407.00	
Consumer's Power	\$16,000.00	
Electrical Inspections	\$500.00	
Contingencies for G/V upgrade	\$22,140.00	
<b>Subtotal</b>		<b>\$260,047.00</b>
Collections System Upgrade/Repairs		
Electrical	\$140,000.00	\$122,173.11
Contingencies for Electrical Upgrac	\$28,000.00	\$28,000.00
<b>Subtotal</b>		<b>\$168,000.00</b>
Mechanical	\$60,000.00	\$34,667.60
Contingencies for Mechanical Upgr	\$12,000.00	\$12,112.29
<b>Subtotal</b>		<b>\$46,779.89</b>

**TOTAL to be Financed through a Bank Loan**

**\$500,047.00**

\$0.00

### IPA Debt Limit Analysis

2010 TV	\$153,667,445.00
Act 99 limit	1.25%
Total Act 99 limit	\$1,920,843.06
2005 IPA Financing	\$825,000.00
Paid total (2005-2010)	\$375,000.00
Total 2005 IPA Outstanding balance	\$450,000.00
Proposed 2011 IPA financing	457,000
Total 2005 IPA Outstanding balance	\$450,000.00
Total proposed IPA balances	\$907,000.00
Total Act 99 limit	\$1,920,843.06
Total proposed IPA balances	\$907,000.00
Total remaining Act 99 debt limit	\$1,013,843.06

**DEBT SERVICE SCHEDULE**

**TOWNSHIP OF GRATTAN**

**457,000.00**

**INSTALLMENT PURCHASE AGREEMENT**

**Dated May 10, 2011**

<u>Year</u>	<u>Principal (4/1)</u>	<u>Interest (4/1)</u>	<u>Interest (10/1)</u>	<u>Coupon Rate</u>	<u>Total P&amp;I</u>	<u>Balance</u>
						457,000
2011	0	0.00	6,372.10		6,372.10	457,000
2012	24,000	8,134.60	7,707.40	3.56%	39,842.00	433,000
2013	24,000	7,707.40	7,280.20	3.56%	38,987.60	409,000
2014	25,000	7,280.20	6,835.20	3.56%	39,115.40	384,000
2015	26,000	6,835.20	6,372.40	3.56%	39,207.60	358,000
2016	27,000	6,372.40	5,891.80	3.56%	39,264.20	331,000
2017	28,000	5,891.80	5,393.40	3.56%	39,285.20	303,000
2018	29,000	5,393.40	4,877.20	3.56%	39,270.60	274,000
2019	30,000	4,877.20	4,343.20	3.56%	39,220.40	244,000
2020	31,000	4,343.20	3,791.40	3.56%	39,134.60	213,000
2021	32,000	3,791.40	3,221.80	3.56%	39,013.20	181,000
2022	34,000	3,221.80	2,616.60	3.56%	39,838.40	147,000
2023	35,000	2,616.60	1,993.60	3.56%	39,610.20	112,000
2024	36,000	1,993.60	1,352.80	3.56%	39,346.40	76,000
2025	37,000	1,352.80	694.20	3.56%	39,047.00	39,000
2026	39,000	694.20	0.00	3.56%	39,694.20	0
	<u>457,000</u>	<u>70,505.80</u>	<u>68,743.30</u>		<u>596,249.10</u>	

interest rate (as bid):

3.56%

139,249.10

Dated April 8, 2011