

LETTER of INTENT (revised)

April 9, 2009

Peterson Machinery Sales hereby proposes to the City of Traverse City that a long term lease or easement agreement be negotiated for the operation and maintenance of the Brown Bridge Dam 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 Traverse City a sum equal to fifty percent (50 %) of the net hydro-electric operating income.

Encompassed in item (1) will be the following up-grades;

- (A) New Emergency Spillway to meet FERC requirements.
- (B) Reinforcement of left and right embankments.
- (C) Addition of back-up micro-processor controls for all systems.
- (D) Repairs and conversion of spillway gates to servo-controls and elimination of over-head hoists and structures.
- (E) Installation of bottom draw diversion dam for water quality control.
- (F) Complete restoration of the concrete surfaces of the dam.
- (G) Roof replacement and tuckpointing of powerhouse.

Proposed by;

Charles R. Peterson
Peterson Machinery Sales