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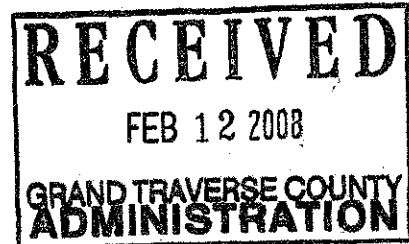
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February 11, 2008

Mr. Dennis Aloia
County Administrator
Grand Traverse County
400 Boardman Ave.
Traverse City, Michigan 49684



Ref: Sabin and Boardman Dams

In response to our recent purchase of the hydro-electric power generating machinery, switchgear, transformers and ancillary equipment at the above referenced dams, we take this opportunity to more specifically introduce ourselves and explain our interest in the above referenced dams. To accomplish this I have divided this letter into the following topics;

- (A) Introduction, background and summary of objectives.
- (B) Long term proposal and planning.
- (C) Current concerns and issues.

With over 35 years of experience in engineering, rigging, rebuilding, retrofitting and operating of industrial machinery and equipment, we have established a basis for undertaking projects across the country. Having participated in the purchase, dismantlement and relocation of several power generation facilities, we realize the benefit of re-vitalizing and re-starting an existing facility; especially hydro-electric. With this in mind, we would like to cooperate with Grand Traverse County to see electric power generation re-established at both the Boardman and Sabin Dams utilizing the existing equipment. Please note that we are not presumptuous in this regard, but only desire to introduce this as a viable possibility.

Since we believe it is both economically feasible and environmentally desirable to generate hydro-electric power, our proposal is to share in the costs to re-vitalize both dams and bring them into compliance with both the Federal Energy Regulatory Commissions (FERC) and Michigan Dept. of Environmental Qualities (MDEQ) requirements. We realize, however, that these costs have not yet been fully assessed but it is our conclusion that the only real issue will be the term of amortization, or deferral, of these costs and not the total expenditure. Our participation in these costs would be based on an annual net operating revenue sharing plan as well as a possible cash contribution. We are aware of the previous revenue received by the county from hydro-electric power generation at both dams and are prepared to offer a substantial increase in that revenue. We are currently evaluating maintenance, repairs and up-grades as related to the hydro-electric equipment and switchgear and are convinced that the basic useful life of the existing equipment will translate into lower operating costs and therefore a higher rate of revenue sharing. In addition to these economic benefits, we are evaluating several community enhancement ideas such as removal of all Boardman Dam super-structure equipment, controlling the water flow, with upgrading and relocating that equipment to below the roadway level. This would allow for an unobstructed view of the pond and nature areas as well as possibly opening the roadway to 2 lanes of traffic across the dam.

(continued)

Grand Traverse County
February 11, 2008
Page 2

We have additional ideas which are being carefully evaluated to add both economic and environmental benefits to the community, all of which are an extension of the need for local community based electric power generation. We are prepared to elaborate on these proposals to the county board of commissioners and respond to their comments, concerns and questions.

Finally, the current status of the equipment is our primary concern, and with this in mind we would like to address the security at both dams. Since we have previously agreed to your use of the Atlas Polar Trash Rack Cleaning Equipment and to accommodate your desire to have all equipment remain in place until the county has made its decision regarding the fate of the dams, it only remains to decide how the security of the powerhouses is to be handled. I would like to point out that during my recent meeting with Chris Buday and Joe Kaltenbach at both sites, it became apparent that there is great potential for vandalism and theft. We have found that wherever graffiti appears, such as at Sabin, the next progression is a break-in. As soon as it becomes well known that the electrical power generation has ceased and the high-voltage power is off, there will undoubtedly be attempts to steal the copper. Vandalism will of course be part of it, but we have researched this with law enforcement agencies and, owing to the extremely high price of copper, we can expect thefts to occur, as weather improves. I point this out not only for our interest in the equipment, but because the exposure to personal injury and liability will fall on Grand Traverse County. The potential hazards to personal injury in both buildings are obvious but I believe with proper security we can all be protected. I recommend that the existing security system be activated and that several additional measures be taken. I discussed several simple ideas with Chris, which we could assist with. Further, I suggest that a good safety and security plan is essential not only to insure public safety but to impress upon the community that no idle perusal around the facilities would be allowed.

Having briefly summarized our position and desire, we look forward to your favorable response with the intent that we might reach an agreement beneficial to all concerned parties. I can be contacted at my Northport residence at 231-386-5724 or by cell phone at 231-649-8706.

Respectfully submitted,

A handwritten signature in cursive script that reads "Charles R. Peterson". The signature is written in black ink and is positioned above the typed name and title.

Charles R. Peterson
Peterson Machinery Sales

cc; County Commissioners