



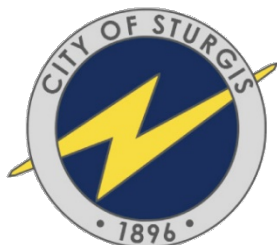
AGENDA
CITY COMMISSION MEETING
WEDNESDAY, JULY 12, 2023
CITY HALL | 130 N. NOTTAWA ST.
WIESLOCH RAUM

REGULAR MEETING 6:00 P.M.

1. CALL TO ORDER BY MAYOR
2. PLEDGE OF ALLEGIANCE
3. INVOCATION
4. ROLL CALL
5. PROCLAMATIONS / PRESENTATIONS
6. VISITORS – (Public comments for items not listed as agenda items)
7. APPROVAL OF AGENDA
8. APPROVAL OF CONSENT AGENDA
 - A. Action of Minutes of Previous Meetings
 - **APPROVE the minutes from the June 28, 2023 regular meeting as presented.**
 - B. Pay Bills
 - **AUTHORIZE the payment of the City bills in the amount of \$1,598,267.24 as presented.**
 - C. MML Workers' Compensation Board of Trustee's Election
 - **APPROVE submittal of ballot for the Michigan Municipal League Worker's Compensation Board of Trustees as presented and AUTHORIZE the City Manager to sign all necessary documents.**
9. UNFINISHED BUSINESS
 - A. Zoning District Amendment for 121 S. Monroe St. Second Reading – William Prichard
10. NEW BUSINESS
 - A. Hospital Bonds – Andrew Kuk
 - B. AirVenture Fuel Discount – Andrew Kuk
11. COMMISSIONER / STAFF COMMENTS
12. ADJOURN

Manager's Report

JULY 12, 2023



CITY OF
Sturgis
MICHIGAN

Submitted by:

A handwritten signature in black ink, appearing to read "Andrew Kuk".

Andrew Kuk
City Manager

8. Consent Agenda

Proposed Motion:

Move that the Sturgis City Commission APPROVE/DENY the Consent Agenda for July 12, 2023 as presented.

Staff Recommendation:

APPROVE

8A. Action of Minutes of Previous Meetings

Consent Agenda Motion:

APPROVE the minutes from the June 28, 2023 regular meeting as presented.

8B. Pay Bills

Consent Agenda Motion:

AUTHORIZE the payment of the City bills in the amount of \$1,598,267.24 as presented.

8C. MML Workers' Compensation Board of Trustee's Election

Included in your packet is information and a proposed ballot for the Michigan Municipal League Worker's Compensation Board of Trustees Election. As a member of the pool, the City has voting rights for Board Trustees. Staff recommends voting for the candidates listed on the ballot, Christine Burns, Village of Spring Lake, Juan Ganum, City of Bridgman, Kevin Klynstra, City of Zeeland, Devin Olson, City of Munising, Adam Smith, City of Grand Ledge and David Tossava, City of Hastings.

Consent Agenda Motion:

APPROVE submittal of ballot for the Michigan Municipal League Worker's Compensation Board of Trustees as presented and AUTHORIZE the City Manager to sign all necessary documents.

Included in your packet:

1. MML Letter and Ballot

9. Unfinished Business

A. Zoning District Amendment for 121 S. Monroe St. Second Reading

Staff: William Prichard

The first reading of a zoning district change to the property located at 121 S. Monroe Street (Parcel ID# 052-040-461-00) was presented at the June 28th meeting. The request is to change the zoning district from the Residential 4 (R-4) to the Central Business (B-C) zoning district. The Future Land Use Map identifies this property as Residential.

Sturgis Bank and Trust Company has been in discussion with the Community Development Department regarding downtown parking. As part of this discussion, the bank stated they had interest in increasing the parking area of their existing lot to the south. The bank purchased 119 and 121 S. Monroe in the middle of 2022. 119 S. Monroe was previously approved for a zoning district change in February 2023. 121 S. Monroe is a vacant residential dwelling that was a registered rental with the City. Sturgis Bank has already contracted with a local contractor to have the house demolished. This would allow the parcel to be rezoned to the Central Business (B-C) zoning district.

The Planning Commission recommended this amendment to the Commission at their June 27, 2023 meeting.

Proposed Motion:

Move that the Sturgis City Commission CONSIDER/NOT CONSIDER this the second reading of and APPROVE/DENY an amendment to the Zoning Code, Article III pertaining to the Zoning Map for 121 S. Monroe Street as presented.

Staff Recommendation:

CONSIDER and APPROVE

Information Included in Packet:

1. Zoning Map – 121 S. Monroe
2. Future Land Use Map – 121 S. Monroe

10. New Business

A. Hospital Bonds

Staff: Andrew Kuk

In 2004 the City of Sturgis agreed to a lease with the newly-created City of Sturgis Building Authority related to improvements to the hospital and the issuance of bonds to pay for those improvements. The rental payments payable under the lease were security for the bonds issued by the Sturgis Building Authority to finance improvements to Sturgis hospital, at that time owned by the City.

In 2009 as part of the sale of the hospital (including property and assets) by the City of Sturgis to Sturgis Hospital, Inc. (SHI), the City and SHI entered into a sublease agreement. Under this agreement SHI would pay rental payments to the City in the amount of the bond payments, which the City would then transfer to the Sturgis Building Authority to pay the bonds. This sublease was secured by a mortgage and security agreement which pledged certain hospital property and equipment to the City if SHI were to default on the sublease. This sublease was amended in 2014 as part of a refinancing of the bonds. Copies of the 2009 Sublease and 2014 addendum are included in your packet.

Currently the outstanding debt service owed on the bonds is \$8,567,631.25. The bond issuance requires that the hospital operates as a non-profit.

Recently SHI indicated that they were in financial difficulty and provided notice that they would not be in a position to pay the next bond payment, due in September. In addition, they indicated they were discussing multiple options for the sale of the hospital with interested third parties.

As part of these discussions, SHI has involved the City. The City has been in discussion with these third parties regarding the sublease agreement and how it may be assigned or restructured as part of a sale or bankruptcy agreement with the SHI. Ultimately, SHI has the final say in negotiating the sale of the hospital, with discussion of the sublease one portion of the negotiations.

Staff intends to update the Commission on these discussions, provide information on the fiscal impact of the discussion, and seek approval for minimum terms of an agreement on the sublease.

Due to ongoing discussions, staff will provide further information and a staff recommendation to the Commission prior to the meeting.

Information Included in Packet:

1. Sublease Agreement (2009)
2. Addendum to the Sublease Agreement (2014)

10. New Business

B. AirVenture Fuel Discount

Staff: Andrew Kuk

The Experimental Aircraft Association (EAA) annually holds a major general aviation gathering / event called AirVenture in Oshkosh, WI (Oshkosh). This year the event will be held from July 24th to the 30th. The event draws aviation enthusiasts from around the country, many flying their planes to Oshkosh. Due to the large volume of general aviation traffic during this time, several airports throughout the country will offer fuel discounts. The City of Sturgis has offered a fuel discount in the past and sold well over our typical sales during the discount period. This serves not only as a sales boost, but also provides pilots the incentive to stop and view our facility, putting it “on the radar” for future flights.

Staff is recommending we again offer a fuel discount for the event. Looking at our current fuel price and pricing in the area, staff is suggesting a fuel discount of \$0.55 off the retail price of 100LL fuel, bringing our price to \$5.15 per gallon. The recommendation is to run the discount for 100LL starting on Saturday, July 22nd and running until Sunday, July 30th. This time period would cover the travel period for Oshkosh.

Proposed Motion:

Move that the Sturgis City Commission APPROVE/DENY the airport fuel discount for July 22nd to July 30th as presented.

Staff Recommendation:

APPROVE

Noteworthy Meetings / Events

- Sturgis Fireworks | June 24th
- AAC Meeting | June 29th
- Out of Office | June 30th-July 5th

Upcoming Events

- The Magic Hour | SYCA | 7:00pm | July 7th
- MI Art Fest | Downtown | 5:30pm-9:00pm | July 14th
- Cinema Circle – The Shawshank Redemption | SYCA | 7:00pm | July 20th

**City of Sturgis
City Commission
Regular Meeting**

Agenda Item 8A

REGULAR MEETING - STURGIS CITY COMMISSION
WEDNESDAY, JUNE 28, 2023
WIESLOCH RAUM – CITY HALL

Mayor Mullins called the meeting to order at 6:00 p.m.

The Pledge of Allegiance was said by all present.

The Invocation was given by Comm. Kinsey.

Commissioners present: Bir, Kinsey, Nieves, Smith, Harrington, Hile, Perez, Vice-Mayor Miller, Mayor Mullins

Commissioners absent: None

Also present: City Attorney, City Manager, City Controller, Electric Department Superintendent, Public Services Director, City Engineer, Community Development Director, Facilities Manager, City Clerk

Sturgis Hospital Interim CEO Jeremy Gump provided information on the status of the hospital. Discussion followed.

Moved by Comm. Hile and seconded by Comm. Perez to approve the agenda as presented.

Voting yea: Nine

Voting nay: None

MOTION CARRIED

Moved by Comm. Hile and seconded by Comm. Perez to approve the Consent Agenda of June 28, 2023 as presented.

8A. Action of Minutes of Previous Meetings

- APPROVE the minutes from the June 7, 2023 special meeting as presented.
- APPROVE the minutes from the June 8, 2023 special meeting as presented.
- APPROVE the minutes from the June 12, 2023 budget work session as presented.
- APPROVE the minutes from the June 14, 2023 regular meeting as presented.
- APPROVE the minutes from the June 21, 2023 budget work session as presented.

B. Pay Bills

- AUTHORIZE the payment of the City bills in the amount of \$2,395,551.76 as presented.

C. Sturgis District Library Community Read Together Event

- APPROVE the Sturgis District Library Read Together Event at Oaklawn Park on August 4, 2023 as presented.

Voting yea: Nine

Voting nay: None

MOTION CARRIED

Mayor Mullins opened the Public Hearing for consideration of the 2023 Operating and Streets millages.

City Clerk/Treasurer Kenneth Rhodes provided information on the regulations related to setting the tax rate. Because tax bills will be sent in July, the rate must be set in June.

The City Commission discussed the pressures on the budget, including, but not limited to, the ambulance and hospital expenses, the amount of fund balance, and whether or not it is prudent to set the millage rate at the maximum amount at this time.

Barry Cox, 1421 S Merribe, expressed his support for increasing the millage rate given the increased expenses.

Mayor Mullins closed the Public Hearing.

Moved by Comm. Hile and seconded by Comm. Miller to set the 2023 millage rate at 11.6818 mils for the General Operating Millage.

Voting yea: Kinsey, Harrington, Hile, Miller, Mullins

Voting nay: Bir, Nieves, Smith, Perez

MOTION CARRIED

Moved by Comm. Hile and seconded by Comm. Miller to set the 2023 millage rate at 3.0 mils for the Streets and Sidewalks Improvement Millage.

Voting yea: Nine

Voting nay: None

MOTION CARRIED

City Manager Andrew Kuk and SNP Director Monica Smith provided information on the recent and upcoming SNP projects and the collaboration with the City. Discussion followed.

Moved by Comm. Hile and seconded by Comm. Perez to approve the Purchase Agreements with Sturgis Neighborhood Program for 303 S. Nottawa, 805 N. Nottawa, and 1106 N. Galyn St. as presented.

Voting yea: Nine

Voting nay: None

MOTION CARRIED

Community Development Director Will Prichard provided information on the request of Sturgis Bank and Trust to rezone a parcel in order to allow for additional parking. Discussion followed.

Moved by Comm. Hile and seconded by Comm. Perez to consider this the first reading of an amendment to the Zoning Code, Article III pertaining to the Zoning Map for 121 S. Monroe Street as presented.

Voting yea: Nine

Voting nay: None

MOTION CARRIED

Facilities Manager Dan Root and Electric Department Superintendent Chris McArthur provided information on FERC requirements related to the dam powerhouse and necessary repairs to the façade. Discussion followed.

Moved by Comm. Hile and seconded by Comm. Perez to approve the base bid and alternate one for exterior repairs to Powerhouse A from Ram Construction Services of Michigan in the total amount of one hundred and thirty thousand, nine hundred dollars (\$130,900.00) as presented.

Voting yea: Nine

Voting nay: None

MOTION CARRIED

City Engineer Barry Cox provided details on the task order related to the 2023 Street Rehabilitation Program. Discussion followed.

Moved by Comm. Hile and seconded by Comm. Smith to approve Task Order #9b with Fleis and VandenBrink Engineering, Inc. for construction phase services on the 2023 Street Rehabilitation Program in the amount of seventy-eight thousand, eight hundred dollars (\$78,800.00) as presented.

Voting yea: Nine

Voting nay: None

MOTION CARRIED

DPS Director Rick Miller provided details on the bids and the work that will be done on one of the City's water wells. Discussion followed.

Moved by Comm. Hile and seconded by Comm. Perez to approve the bid from North American Pump Company of Wakarusa Indiana for Well Cleaning and Pump Reconditioning for a not to exceed bid price of sixty-one thousand, nine hundred eighty-eight dollars and fifty cents (\$61,988.50) as presented.

Voting yea: Nine

Voting nay: None

MOTION CARRIED

City Clerk/Treasurer Kenneth Rhodes explained that it is necessary to reappoint the members of the Sturgis Building Authority in case it is necessary for that board to meet on an issue related to the bonds for Sturgis Hospital.

Moved by Comm. Hile and seconded by Comm. Perez to approve Julie Andrews, Dan Arney, Andy Boyd, Ned Heydlauff, and Mike Wilson to the Sturgis Building Authority.

Voting yea: Nine

Voting nay: None

MOTION CARRIED

City Manager Andrew Kuk provided information on the installation of a piece of art at Free Church Park. Discussion followed.

Moved by Comm. Hile and seconded by Comm. Perez to approve placement of an art piece in Free Church Park contingent on review of an agreement by the City Attorney.

Voting yea: Nine

Voting nay: None

MOTION CARRIED

Moved by Comm. Hile and seconded by Comm. Perez to go into Closed Session to discuss the potential purchase of property.

Voting yea: Bir, Kinsey, Nieves, Smith, Harrington, Hile, Perez, Miller, Mullins

Voting nay: None

MOTION CARRIED

Meeting recessed at 7:33 p.m.

Meeting reconvened at 8:02 p.m.

The meeting was adjourned at 8:05 p.m.

Kenneth D. Rhodes, City of Sturgis Clerk/Treasurer

**City of Sturgis
City Commission
Regular Meeting**

Agenda Item 8B

Date	Check#	Vendor	Vendor Name	Amount
Manual Checks				
06-27-2023	246462M	00296	GARNET GENE WAITE JR &	13,835.00
06-23-2023	PR0612M	00061	CITY OF STURGIS PAYROLL	349,185.01
06-23-2023	T15874M	03173	FIFTH THIRD BANK	16,228.27
06-22-2023	T15875M	05892	PAYCOR	572.60
06-23-2023	T15876M	00062	CITY OF STURGIS-EMPLOYEE INS	71,323.22
06-23-2023	T15877M	05588	ALERUS FINANCIAL/MERS TRANSFER	2,907.15
06-23-2023	T15878M	00065	DOYLE MEMBERSHIP TRANSFER	4,441.13
06-23-2023	T15879M	00063	CITY OF STURGIS TAX TRANSFER	19,880.38
06-23-2023	T15880M	05123	COMERICA BANK-INST TRUST SERV	32,992.84
06-23-2023	T15881M	03229	CITY OF STURGIS-WORKERS COMP	2,795.71
06-23-2023	T15882M	00064	INTL CITY MGMT ASSOC RETR CORP	8,398.56
06-05-2023	T15883M	04197	MI PUBLIC POWER AGENCY	145,709.09
06-12-2023	T15884M	04197	MI PUBLIC POWER AGENCY	183,631.46
06-23-2023	T15885M	00108	STATE OF MICHIGAN	56,682.04
06-23-2023	T15886M	06093	PEPSI BEVERAGES COMPANY	347.05
06-07-2023	T15887M	00512	CAMOCO FUEL SYSTEM	15,851.43
06-19-2023	T15888M	04197	MI PUBLIC POWER AGENCY	181,968.17
06-22-2023	T15889M	03858	FARMERS STATE BANK	7,781.90
06-12-2023	T15890M	00449	CENTURY BANK & TRUST	3,402.13
07-01-2023	T15891M	04088	BLUE CROSS BLUE SHIELD OF MI	22,640.15
07-04-2023	T15892M	00197	CITY OF STURGIS UTILITIES	19,069.26
07-12-2023	T15893M	00197	CITY OF STURGIS UTILITIES	14,274.19
07-20-2023	T15894M	00197	CITY OF STURGIS UTILITIES	13,439.78
07-03-2023	T15895M	03770	MICHIGAN GAS UTILITIES	13.31
07-05-2023	T15896M	03770	MICHIGAN GAS UTILITIES	46.85
07-05-2023	T15897M	03770	MICHIGAN GAS UTILITIES	46.85
07-03-2023	T15898M	04389	FRONTIER COMMUNICATIONS A	104.34
06-23-2023	T15899M	04088	BLUE CROSS BLUE SHIELD OF MI	41,220.19
07-11-2023	T15900M	03770	MICHIGAN GAS UTILITIES	173.02
07-11-2023	T15901M	03770	MICHIGAN GAS UTILITIES	14.16
07-12-2023	T15902M	03770	MICHIGAN GAS UTILITIES	97.42
07-01-2023	T15903M	04291	HUNTINGTON NATIONAL BANK	2,327.31
07-01-2023	T15904M	03951	SOUTHERN MICHIGAN BANK & TRUST	5,277.77
07-12-2023	T15905M	02909	CHARTER COMMUNICATIONS	693.64
07-14-2023	T15906M	04389	FRONTIER COMMUNICATIONS A	53.55
07-13-2023	T15907M	04389	FRONTIER COMMUNICATIONS A	180.50
07-13-2023	T15908M	04389	FRONTIER COMMUNICATIONS A	54.36
07-13-2023	T15909M	04389	FRONTIER COMMUNICATIONS A	214.30
07-13-2023	T15910M	04389	FRONTIER COMMUNICATIONS A	88.20
07-13-2023	T15911M	04389	FRONTIER COMMUNICATIONS A	26.08
07-20-2023	T15912M	00197	CITY OF STURGIS UTILITIES	6,717.38
07-10-2023	T15913M	04421	AT&T MOBILITY	860.53
07-17-2023	T15914M	04389	FRONTIER COMMUNICATIONS A	604.00
07-24-2023	T15915M	04389	FRONTIER COMMUNICATIONS A	52.89
07-19-2023	T15916M	04389	FRONTIER COMMUNICATIONS A	218.35
07-19-2023	T15917M	03770	MICHIGAN GAS UTILITIES	50.70
07-19-2023	T15918M	03770	MICHIGAN GAS UTILITIES	64.54
07-20-2023	T15919M	03770	MICHIGAN GAS UTILITIES	44.60
07-20-2023	T15920M	03770	MICHIGAN GAS UTILITIES	41.26
07-21-2023	T15921M	03770	MICHIGAN GAS UTILITIES	84.96

Automatic Checks

Date	Check#	Vendor	Vendor Name	Amount
07-12-2023	246463	04266	ABONMARCHE CONSULTANTS INC	25,299.25
07-12-2023	246464	00066	ACTION QUICK PRINT PLUS	126.20
07-12-2023	246465	00814	AIS CONSTRUCTION EQUIPMENT COR	1,291.54
07-12-2023	246466	00332	ALEXANDER CHEMICAL CORP	211.75
07-12-2023	246467	00002	ALL-PHASE ELECTRIC SUPPLY	631.92
07-12-2023	246468	02334	ALLMAKE BROADCOM	554.00
07-12-2023	246469	05986	ALPHA BUILDING CENTER-NOTTAWA	17.54
07-12-2023	246470	06119	AMAZON.COM SALES INC	3,365.92
07-12-2023	246471	00340	AMERICAN SAFETY & FIRST AID	375.89
07-12-2023	246472	04696	APX INC	6,465.64
07-12-2023	246473	03576	ARROW SERVICES INC	76.55
07-12-2023	246474	02292	ASPLUNDH TREE EXPERT CO	23,531.86
07-12-2023	246475	05634	AUTOZONE	458.64
07-12-2023	246476	06117	BENITA ANN LEWIS	45.00
07-12-2023	246477	00072	BRD, SCHESKE, REED & BEEMER,	7,543.00
07-12-2023	246478	05742	BLUE360 MEDIA LLC	73.75
07-12-2023	246479	00132	BOFA INC	1,471.45
07-12-2023	246480	00006	BOLAND TIRE INC	228.00
07-12-2023	246481	05964	BREWHOUSE BBQ	240.00
07-12-2023	246482	00138	BS & A SOFTWARE	3,256.00
07-12-2023	246483	00691	CENTRAL MEAT MARKET	132.48
07-12-2023	246484	05108	CORRIGAN OIL CO	1,627.64
07-12-2023	246485	06325	COTTIN'S HARDWARE	216.53
07-12-2023	246486	06158	CULLIGAN WATER OF STURGIS	82.00
07-12-2023	246487	05694	CUMMINS INC	1,656.26
07-12-2023	246488	05898	COLE D'HAESE	56.00
07-12-2023	246489	05909	TONY D'HAESE	448.00
07-12-2023	246490	00296	DANIEL L PELFREY	51.95
07-12-2023	246491	00296	DENNIS CATES, JR & GINA CATES	100.00
07-12-2023	246492	00296	DONNA J BENNETT	40.11
07-12-2023	246493	00364	CAROL DUSTIN	360.00
07-12-2023	246494	01064	EJ USA INC	3,124.00
07-12-2023	246495	00166	ELHORN ENGINEERING CO	1,345.00
07-12-2023	246496	03339	ROBERT ELLIFRITZ	60.00
07-12-2023	246497	00578	EMCOR SERVICES SHAMBAUGH	23,431.15
07-12-2023	246498	06244	EMERGENCY VEHICLES PLUS	2,160.39
07-12-2023	246499	04955	ENVIRO-CLEAN	7,768.00
07-12-2023	246500	05929	FACTUAL DATA	50.00
07-12-2023	246501	00169	FASTENAL COMPANY	116.04
07-12-2023	246502	05490	FERGUSON WATERWORKS #3386	718.67
07-12-2023	246503	06287	FOCAL POINT STUDIOS	10,000.00
07-12-2023	246504	04389	FRONTIER COMMUNICATIONS A	5,865.63
07-12-2023	246505	02082	GECKO SECURITY LLC	3,572.00
07-12-2023	246506	00183	W W GRAINGER INC	2,122.50
07-12-2023	246507	03806	GREAT LAKES PEST CONTROL	150.00
07-12-2023	246508	05827	HAASCAYWOOD	403.00
07-12-2023	246509	06219	HAVILAND PRODUCTS COMPANY	2,216.40
07-12-2023	246510	00016	WILLIAM A HICKMAN	2,467.00
07-12-2023	246511	00633	MICHAEL HUGHES	6,351.71
07-12-2023	246512	04922	HUTSON ASSESSING INC	4,900.49
07-12-2023	246513	05171	STUART C IRBY CO	1,773.06
07-12-2023	246514	06199	JANSEN PLUMBING, HEATING &	3,094.05
07-12-2023	246515	06314	JODIE M JOHNSON	40.00

Date	Check#	Vendor	Vendor Name	Amount
07-12-2023	246516	05842	JOHN DEERE FINANCIAL	133.73
07-12-2023	246517	06217	JOHN J FLOWERS	40.00
07-12-2023	246518	00296	JOSHUA A AND JESSICA L HOWARD	36.51
07-12-2023	246519	06364	KALLEWARD GROUP INC	59,155.20
07-12-2023	246520	00020	KENDRICK STATIONERS INC	285.22
07-12-2023	246521	01656	KOORSEN FIRE & SECURITY INC	237.90
07-12-2023	246522	01101	JANENE KOSMAN	140.00
07-12-2023	246523	04666	PAUL KRICK	240.00
07-12-2023	246524	04071	KS AUTO SERVICE INC	343.00
07-12-2023	246525	00212	KSS ENTERPRISES	1,147.84
07-12-2023	246526	04039	LAKELAND ASPHALT CORP	1,033.62
07-12-2023	246527	00296	LATASHA GRANT	123.84
07-12-2023	246528	03684	LEXISNEXIS RISK SOLUTIONS	100.00
07-12-2023	246529	03256	LIMA ELEVATOR COMPANY INC	214.70
07-12-2023	246530	00220	LITHO PRINTERS INC	806.98
07-12-2023	246531	01346	TOM LONG	56.00
07-12-2023	246532	06238	LUBRICATION ENGINEERS, INC	174.00
07-12-2023	246533	06087	MALLORY SAFETY AND SUPPLY, LLC	36.72
07-12-2023	246534	00296	MARCO A VILLAFUERTE	36.37
07-12-2023	246535	06418	MATERIALS TESTING CONSULTANTS	7,657.50
07-12-2023	246536	04817	MICHIANA RECYCLING & DISPOSAL	1,530.28
07-12-2023	246537	01078	STATE OF MICHIGAN	156.00
07-12-2023	246538	05121	MICKEY'S LINEN	95.14
07-12-2023	246539	00296	NATHAN REYES CUENCA	7.86
07-12-2023	246540	00255	NIBLOCK EXCAVATING INC	2,526.63
07-12-2023	246541	00296	NICHOLAS ALAN PATTERSON	71.22
07-12-2023	246542	05634	OEO ENERGY SOLUTIONS	4,443.87
07-12-2023	246543	05042	PLANT GROWTH MANAGEMENT SYSTEM	4,595.20
07-12-2023	246544	00033	POSTNET POSTAL & BUSINESS	269.67
07-12-2023	246545	00485	POWER LINE SUPPLY	1,731.50
07-12-2023	246546	03091	PRIME QUALITY ELECTRIC LLC	1,897.74
07-12-2023	246547	05468	PVS TECHNOLOGIES INC	3,350.78
07-12-2023	246548	06099	R&R FIRE TRUCK REPAIR INC	173.00
07-12-2023	246549	06413	RACHEL ANDERSON	420.00
07-12-2023	246550	04251	RAI JETS LLC	1,260.00
07-12-2023	246551	00035	RESCO	3,625.12
07-12-2023	246552	06038	REVOLUTION HEALTH, P.C.	70.00
07-12-2023	246553	00296	RODERICK J AND RACHEAL E ROSS	166.60
07-12-2023	246554	05765	SELKING INTERNATIONAL	1,550.96
07-12-2023	246555	05395	SITEONE LANDSCAPE SUPPLY LLC	51.22
07-12-2023	246556	00488	STATE SYSTEMS RADIO INC	195.00
07-12-2023	246557	00296	STEVE AND PEARLIE SCOTT JR	91.08
07-12-2023	246558	00101	STURGIS NEIGHBORHOOD PROGRAM	5,033.33
07-12-2023	246559	00507	STURGIS OVERHEAD DOOR & LADDER	91.50
07-12-2023	246560	00292	STURGIS PRESS INC	552.90
07-12-2023	246561	04140	SWICK BROADCASTING COMPANY	250.00
07-12-2023	246562	03897	SYN-TECH SYSTEMS INC	550.00
07-12-2023	246563	00046	TELE-RAD INC	825.00
07-12-2023	246564	00047	CITY OF THREE RIVERS	875.00
07-12-2023	246565	04773	TRIANGLE DIGITAL PRINTING INC	79.64
07-12-2023	246566	06398	TURNER ELECTRIC CO	23,920.00
07-12-2023	246567	06150	UNITED WHOLESALE GROCERY	712.18
07-12-2023	246568	06384	USA BLUEBOOK	375.66

Date	Check#	Vendor	Vendor Name	Amount
07-12-2023	246569	05745	ERICA VARGAS SARCO	120.00
07-12-2023	246570	01569	VFP FIRE SYSTEMS	1,675.00
07-12-2023	246571	05659	WARNER OIL COMPANY	983.91
07-12-2023	246572	03511	WASTE MANAGEMENT	120.00
07-12-2023	246573	03872	JORY WEBB	300.00
07-12-2023	246574	06272	WEST MICHIGAN BASEBALL	774.72
07-12-2023	246575	00296	WILLIAM R YOUNG	100.00
07-12-2023	246576	06339	WILLIAMS TREE CO LLC	9,361.70
07-12-2023	246577	06107	YEOMAN, TALIA	330.00
07-12-2023	D02009	04732	ALTA EQUIPMENT COMPANY	18,900.00
07-12-2023	D02010	01213	BISBEE INFRARED SERVICES INC	1,000.00
07-12-2023	D02011	04066	BORDEN WASTE-AWAY SERVICE INC	6,399.43
07-12-2023	D02012	00077	CARQUEST AUTO PARTS	19.98
07-12-2023	D02013	02983	CINTAS LOCATION #351	1,222.64
07-12-2023	D02014	03929	EMERGENCY MEDICAL PRODUCTS INC	100.67
07-12-2023	D02015	00019	KENDALL ELECTRIC INC	60.22
07-12-2023	D02016	00216	LAWSON PRODUCTS INC	491.00
07-12-2023	D02017	03944	LINDE GAS & EQUIPMENT INC	142.95
07-12-2023	D02018	06250	MARANA GROUP	3,923.43
07-12-2023	D02019	06026	MID-CITY SUPPLY CO INC	46.91
07-12-2023	D02020	06069	NAPA AUTO PARTS	959.93
07-12-2023	D02021	04792	VILLA ENVIRONMENTAL CONSULTANT	200.00
Manual Total				\$1,246,727.58
Automatic Total				\$342,539.66
Grand Total				\$1,589,267.24

PAYROLL DISBURSEMENT
FOR PAYROLL ENDING 06/18/2023
PR0612M PAYROLL DATE 06/23/2023

GENERAL	\$163,404.12
MAJOR STREET	8,362.34
LOCAL STREET	6,730.04
CEMETERY	6,584.46
DDA	888.07
AIRPORT	661.75
BUILDING	3,418.66
HOUSING DEPARTMENT	127.50
STURGES-YOUNG CENTER FOR THE ARTS	6,410.46
RECREATION	8,067.94
DOYLE RECREATION CENTER	9,401.17
AMBULANCE	12,729.45
ELECTRIC	90,903.16
SEWER	18,487.21
WATER	12,507.97
MOTOR VEHICLE	500.71
Payroll Sub-Total	\$349,185.01

**City of Sturgis
City Commission
Regular Meeting**

Agenda Item 8C

To: Members of the MML Workers' Compensation Fund
From: Michael J. Forster, Fund Administrator
Date: June 26, 2023
Subject: Fund Trustee Election

RECEIVED MAIL

JUN 30 2023

CITY OF STURGIS

Dear Fund Member:

Enclosed is your ballot for this year's Board of Trustees election. Three appointees have agreed to seek election to their first term, as well as three incumbent Trustees seeking re-election. You may also write in one or more candidates if you wish.

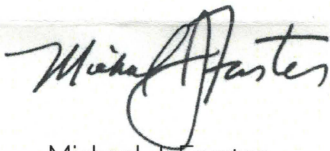
A brief biographical sketch of the candidates is provided for your review.

I hope you will affirm the work of the Nominating Committee by returning your completed ballot in the enclosed return envelope, no later than August 11th. Alternately, you may complete your ballot online:

Go to www.mml.org. At the top of the page, hover over *Programs & Services* and select *Risk Management* from the drop-down list. Next, look for the *Jump To* panel and select *Worker's Compensation Fund*. The ballot link is on the next page, in the *Jump To* panel, under *Online Forms*.

The MML Workers' Compensation Fund is owned and controlled by its members. Your comments and suggestions on how we can serve you better are very much appreciated. Thank you again for your membership in the Fund, and for participating in the election of your governing board.

Sincerely,

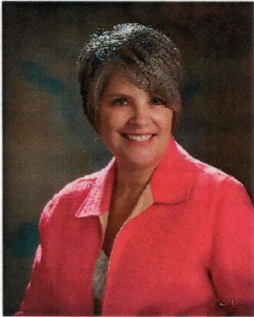


Michael J. Forster
Fund Administrator
mforster@mml.org

We love where you live.



THE CANDIDATES
Four-year terms beginning October 1, 2023



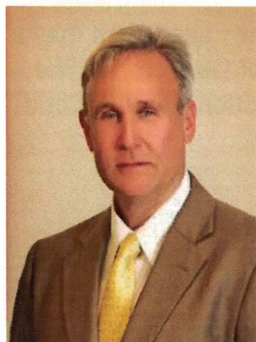
Christine Burns, Manager, Village of Spring Lake

Chris has more than 25 years of experience as a municipal official. She has been the village manager of Spring Lake since 2012, after serving the City of Cedar Springs for more than five years, the Village of Oxford for nearly two years, and the City of Clare for more than 14 years. Chris graduated from Central Michigan University in 1990 with a BS in Business Administration, majoring in Management, earned her MSA in Public Administration from CMU in 2006 (*Fire Up Chips!*), and holds a Certified Master Municipal Clerk designation. She is a member of Michigan Municipal Executives (MME); the International City/County Management Association (ICMA); and the West Michigan Local Government Management Association (WMLGMA). She has served on the MME Board of Directors and as President of the WMLGMA. Chris is seeking election to her first term.



Juan Ganum, Manager, City of Bridgman

Juan has 25 years of experience in local government. He served as the Community Development Director for the City of Niles from 1998 to 2015 and has since served as City Manager for the City of Bridgman. Juan graduated from Michigan State University in 1995 with a BS in Urban and Regional Planning and earned his Masters in Public Administration from Western Michigan University in 2007. He currently serves as the vice-chair of the Michigan Municipal Executives' Ethics Committee and is actively engaged on boards and committees within Berrien County. Juan is seeking election to his first term.



Kevin Klynstra, Mayor, City of Zeeland

Kevin has more than 28 years of experience in local government. He was elected as mayor of the City of Zeeland in 2011 and was most recently reelected in 2021 for his sixth two-year term. Before becoming mayor, he was a member of the Zeeland City Council for 16 years. Kevin serves on several boards and commissions, including the Michigan Association of Mayors (MAM) board, Zeeland's Planning Commission, the Macatawa Area Coordinating Council (MACC), and the West Michigan Airport Authority (WMAA). Kevin is seeking election to his first term.

THE CANDIDATES
Four-year terms beginning October 1, 2023



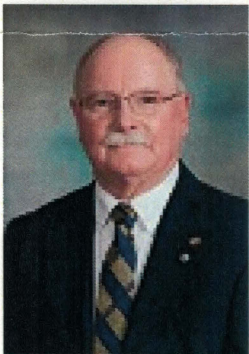
Devin Olson, City Manager, City of Munising

Devin has more than five years' experience as a municipal official, having served as Munising's City Manager since 2014. Devin has also served on MML's Transportation and Infrastructure Committee for three years. Devin is seeking election to his first term. Devin is seeking re-election to his second term.



Adam Smith, Manager/Municipal Executive, City of Grand Ledge

Adam has worked in local government since 2004 and currently serves as the City Manager/Municipal Executive of Grand Ledge. He is chair of the MML's Municipal Services Committee, formerly served six years as City Manager Representative on the Elected Officials Academy Board of Directors, and received the League's Special Award of Merit in 2013. Adam is an active member of Michigan Municipal Executives, having served on its Board of Directors from 2013-2016, and currently serving as its Advocacy Chairperson. He has given workshops on effective Council-Manager relationships. Adam has a Bachelor's Degree in Public Administration and a Master's in Administrative Leadership, both from Central Michigan University; a Certificate in Strategic Foresight from the University of Houston; and is a graduate of the Disney Institute for Leadership Excellence. Adam is seeking re-election to his third term.



David J. Tossava, Mayor, City of Hastings

David has over twelve years' municipal experience and has served as mayor of Hastings for two years. He also serves on the Board of Directors of the Michigan Association of Mayors. David is seeking re-election to his second term.

Michigan Municipal League
Workers' Compensation Fund

OFFICIAL BALLOT - 2023

Vote for six Trustees by marking the line to the left of the name for four-year terms beginning October 1, 2023.

____ Christine Burns, Appointee
Manager, Village of Spring Lake

____ Juan Ganum, Appointee
Manager, City of Bridgman

____ Kevin Klynstra, Appointee
Mayor, City of Zeeland

____ Devin Olson, Incumbent
Manager, City of Munising

____ Adam Smith, Incumbent
Manager/Municipal Executive,
City of Grand Ledge

____ David Tossava, Incumbent
Mayor, City of Hastings

Write-in Candidate

I hereby certify that:

(Municipality/Agency)

by action of its governing body, has authorized its vote to be cast for the above persons to serve as Trustees of the Michigan Municipal League Workers' Compensation Fund.

Official Signature

Date:

**Ballot deadline:
August 11, 2023**

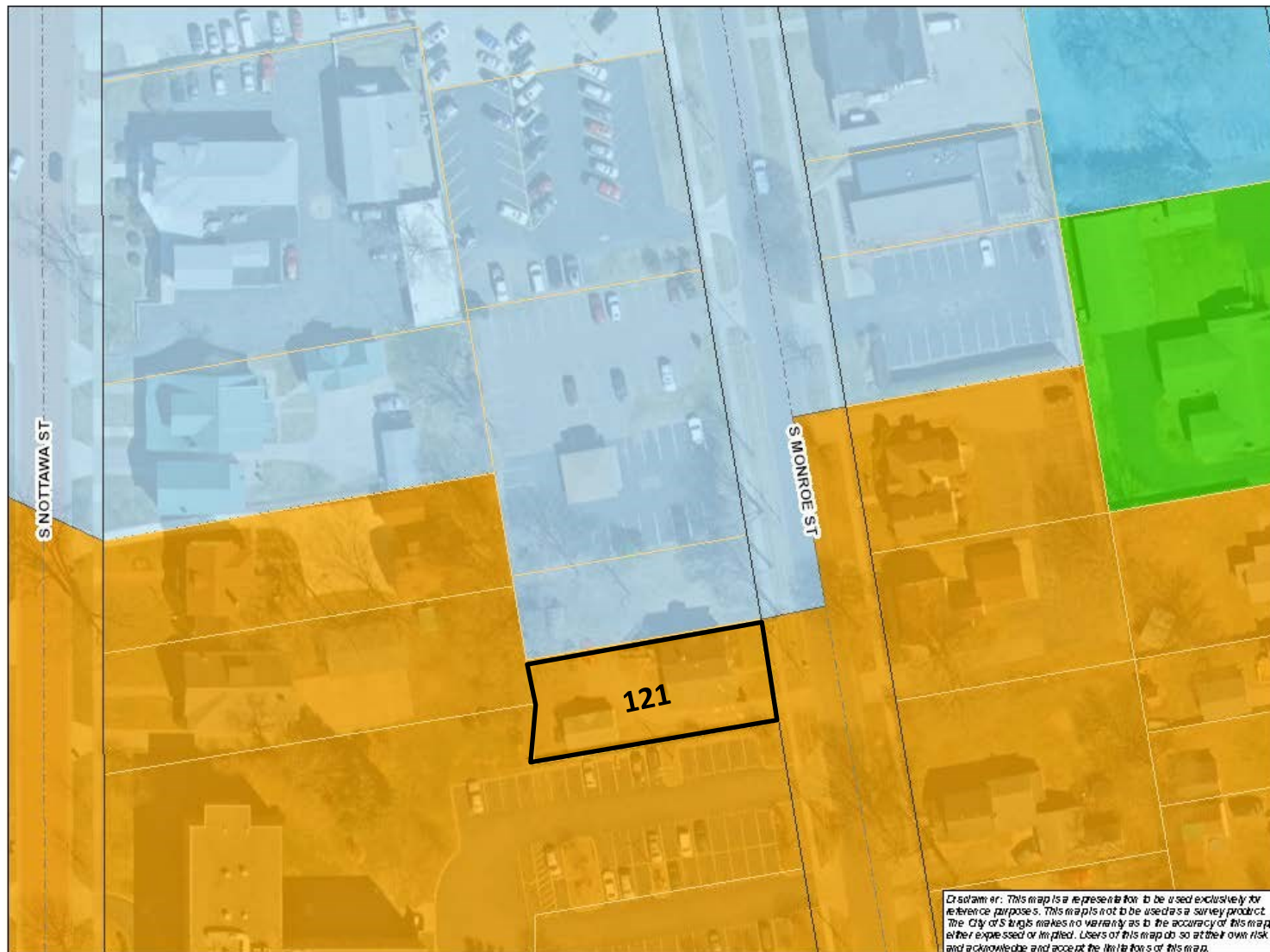
**City of Sturgis
City Commission
Regular Meeting**

Agenda Item 9A

Current Zoning Map

121 S. Monroe St.

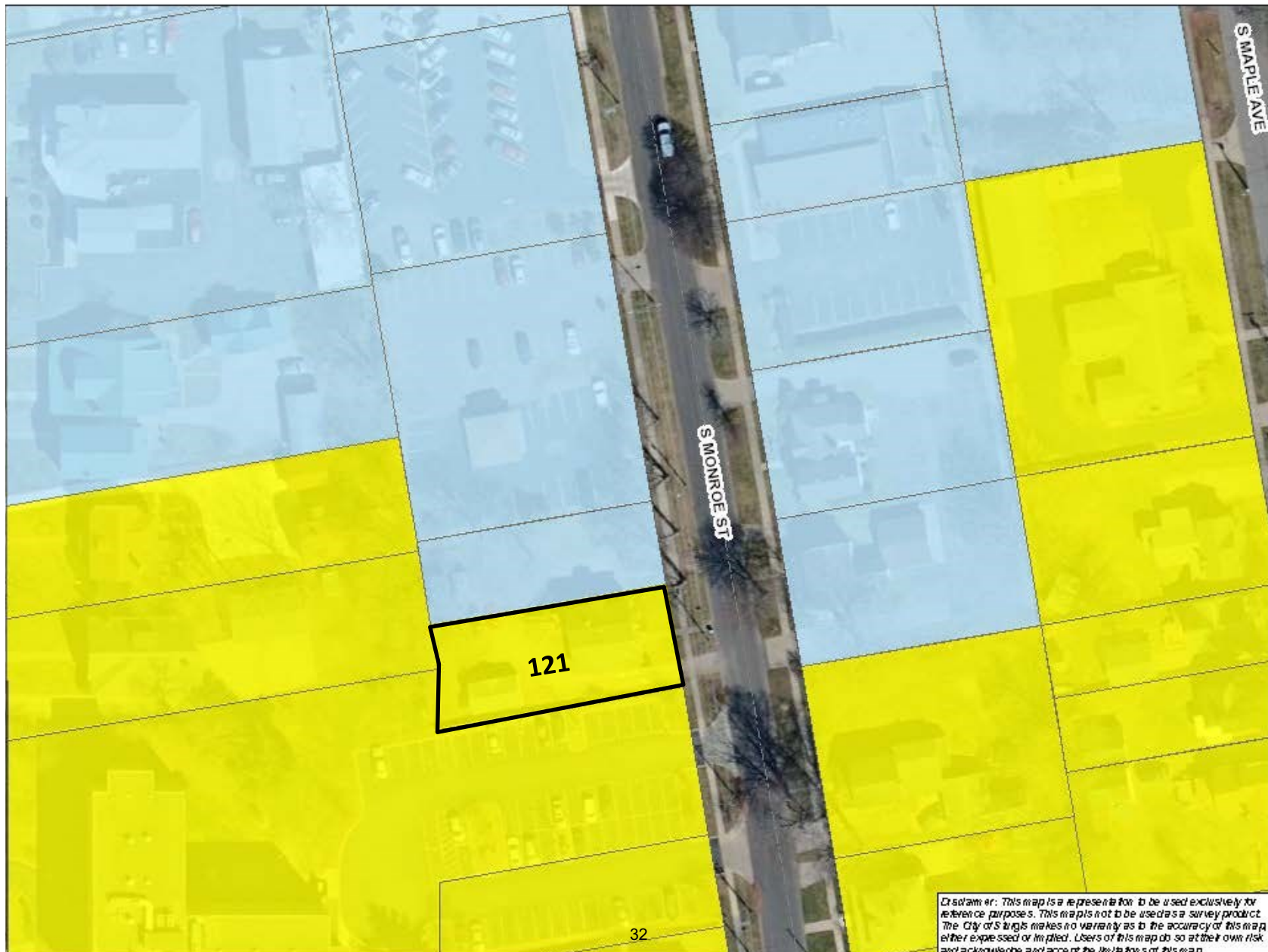
- BN—Business Neighborhood
- PDD1—Planned Development District
- BC—Central Business District
- R-4—Residential



Future Land Use Map

121 S. Monroe St.

- BC—Central Business District
- Single Family and Two-Family Residential



**City of Sturgis
City Commission
Regular Meeting**

Agenda Item 10A

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (the "**Sublease**") is made as of December 31, 2009, by and between the CITY OF STURGIS, a Michigan home rule city, with the City offices located at 130 N. Nottawa, Sturgis, Michigan 49091, Attention: City Manager (the "**City**"), and STURGIS HOSPITAL, INC., a Michigan nonprofit corporation, of 916 Myrtle, Sturgis, Michigan 49091, ("**SHI**"), and consented to by the CITY OF STURGIS BUILDING AUTHORITY, 130 N. Nottawa, Sturgis, Michigan 49091 (the "**Authority**") based on the following facts:

A. The Authority, a building authority established pursuant to Act 31, Public Acts of Michigan, 1948 (First Extra Session), as amended ("**Act 31**"), and the City are parties to a Lease Contract dated as of September 1, 2004 (the "**Lease**") with respect to certain improved premises (the "**Premises**") located at Sturgis Hospital (the "**Hospital**"), 916 Myrtle Avenue, Sturgis, Michigan and more particularly described in the Lease. A copy of the Lease is attached hereto as **Exhibit A**.

B. The rental payments payable by the City to the Authority under the Lease are pledged as security for the bonds issued by the Authority to finance improvements to the Premises (the "**Bonds**").

C. Act 31 permits subleases of property financed with proceeds of bonds issued pursuant to Act 31 provided that any such sublease does not impair the security of such bonds.

D. City desires to sublease to SHI and SHI desires to sublease from City the entirety of the Premises, on the terms and conditions set forth in this Sublease and in a manner that does not impair the security for the Bonds.

Therefore, City and SHI agree as follows:

1. **Agreement to Lease.** City subleases to SHI, and SHI rents from City, the entirety of the Premises subject to the terms and conditions contained herein.

2. **Incorporation of Lease Terms.** This Sublease is expressly subject to all of the terms, covenants and conditions of the Lease, and all of those terms, covenants and conditions, except as modified by, deleted by or inconsistent with this Sublease, are incorporated in this Sublease by reference with the same force and effect as though fully set forth in this Sublease. SHI agrees that it shall perform and observe all of those terms, covenants and conditions of the Lease (except those provisions which by their context may only be performed by City), and that SHI shall do nothing which will have the effect of creating a breach on the part of City of any of the terms, covenants or conditions of the Lease. SHI acknowledges that it has read the Lease in its entirety and understands all of its terms, covenants and conditions

3. **Term.** The term of this Sublease shall commence at 12:01 a.m. on January 1, 2010 (the "**Commencement Date**") and shall expire at 11:59 p.m. on October 15, 2034 (the "**Stated Termination Date**"), unless earlier terminated pursuant to the terms of the Sublease.

This Sublease may be terminated prior to the Stated Termination Date upon any of the following occurrences:

(a) The Sublease may be terminated by the City prior to the Stated Termination Date upon the occurrence of a Default by SHI under this Sublease.

(b) The Sublease may be terminated prior to the Stated Termination Date with the mutual consent of the City and SHI.

(c) The Sublease may be terminated prior to the Stated Termination Date if SHI pays to the City in advance the full amount due and owing under this Sublease to the Stated Termination Date.

4. Transfer of Premises to SHI. Within thirty (30) days of the termination of this Sublease (i) at the Stated Termination Date if all payments due and owing under this Sublease have been made or (ii) as a result of SHI paying to the City in advance the full amount due and owing under this Sublease to the Stated Termination Date, the City shall transfer title to the Premises to SHI for \$1.00.

5. Rent and Other Costs.

(a) SHI shall pay semiannual rent at the times and in the amounts stated on the schedule attached as **Exhibit B**, in advance, without notice or demand and without deduction, set-off, abatement, counterclaim, or reduction of any sort, to City at its address listed above, or at such other place as is designated in writing by City.

(b) City agrees to make to Authority all payments of rent paid to it by SHI under this Sublease at the times and in the amounts required by the Lease. City and Authority may deposit the rent payments received by SHI into an escrow account that is restricted to the yield on the Bonds in order to pay the debt service on the Bonds on the next scheduled debt service payment date.

(c) Because the rent payments to the City under this Sublease are required by the Internal Revenue Code to be used by the Authority to pay the debt service on the Bonds and the failure to timely pay the rent under this Sublease could cause the security for the Bonds to be impaired, a failure by SHI to pay the scheduled rent within 15 days of its due date will constitute a Default under this Sublease.

(d) SHI may make advance payments of all or a portion of the rent due and owing pursuant to this Sublease without premium or penalty.

(e) In addition to SHI's obligation to pay the rent above, SHI shall also pay all other charges as provided in the Lease and relating to the Premises, including fire and extended coverage insurance, liability insurance, maintenance and repairs, taxes, utility and all other charges, costs, expenses, obligations and liabilities which are the responsibility of the City under the Lease. If City pays such items, SHI shall reimburse City for such amounts within ten (10) days of being billed for the same by City. All utilities shall be transferred into the name of SHI effective as of the Commencement Date.

(f) City, Authority and SHI acknowledge and agree that the amounts of the rent payments under this Sublease were negotiated at arms-length and in good faith and represent fair market value for the rental of the Premises.

6. **Deposit.** No advance deposit is required or has been given.

7. **Condition of Premises.** City will have no obligation to perform any work at the Premises and SHI acknowledges that it has accepted the Premises in its "AS IS" condition and that City has made no representation or warranty, express or implied, concerning the condition of the Premises, including, but not limited to, any warranty of fitness for any particular purpose. City shall not be required to make any expenditures of any kind in connection with this Sublease or to make any repairs or improvements to the Premises.

8. **Insurance.** (a) SHI shall provide, at its own expense, fire and extended coverage insurance in an amount which is at least equal to the amount of Bonds outstanding from time to time or the amount of the full replacement cost of the Premises if that amount is less than the amount of the Bonds then outstanding. Such insurance shall be payable to the City and the Authority as their interests may appear and shall be made effective from the Commencement Date. SHI shall furnish Authority and City with certificates evidencing this coverage. Such coverage shall not expire, be cancelled or materially modified without thirty (30) days' prior written notice to both the Authority and the City.

(b) The City shall use the proceeds of insurance for the repair or restoration of the Premises. If the City, with the consent of SHI, shall determine not to use the proceeds of insurance for the repair or restoration of the Premises, the amount of such insurance proceeds shall be paid to the Authority and the Authority shall deposit such insurance proceeds in the bond and interest redemption fund for the Bonds and SHI shall receive credit on future rent in the amount of such insurance proceeds. **In the event of the partial or total destruction of the Premises or if for any reason the Premises is made unusable, the rent payments provided in this Sublease shall continue unabated.**

9. **Maintenance and Repairs.** SHI agrees to maintain the Premises and make all replacements and repairs necessary to keep the Premises in as good a condition as they exist as of the date of this Sublease.

10. **Surrender.** In the event this Sublease is terminated prior to the Stated Termination Date due to an event of Default or by mutual agreement of the parties hereto without payment of the full amount due and owing under this Sublease to the Stated Termination Date, SHI shall deliver the entire facility (the "**Hospital Facility**") that was conveyed to SHI pursuant to the Asset Purchase Agreement between SHI and City dated as of December 31, 2009, and the Premises, to City broom-clean and in the same condition as existing on the date of this Sublease, reasonable wear and tear, damage by casualty and any other matter subject to the waiver of subrogation, any alterations, improvements, additions or physical changes approved by City all excepted. Surrender shall not be effective until City has acknowledged in writing that SHI has delivered the Hospital Facility and the Premises as required in this section. If SHI at any time fails to comply with its surrender, cleaning, removal, maintenance, repair or replacement obligations under this section or any other provision of this Sublease, City upon ten (10) days'

written notice to SHI may undertake such obligation itself and charge the cost thereof to SHI, as additional rent. SHI's obligation to perform the covenants set forth in this section shall survive the expiration or termination of this Sublease.

11. Risk of Loss to Property. The risk of loss, damage, destruction, or disappearance of any other personal property on the Premises shall, as between City and SHI, be exclusively that of SHI. SHI shall repair all damage it or any parent, subsidiary or affiliate company of SHI or any Permitted Assignee (defined below), or any of their representatives, agents, contractors, employees, invitees, servants, customers or licensees causes to the Premises. SHI shall promptly start such work and shall prosecute it in a commercially reasonable manner to completion. If SHI at any time fails to promptly repair all damage it or any parent, subsidiary or affiliate company of SHI or any Permitted Assignee, or any of their representatives, agents, contractors, employees, invitees, servants, customers or licensees causes to the Premises, City may perform such repair itself and charge the cost thereof to SHI as additional rent. This obligation of SHI shall survive the expiration or termination of this Sublease.

12. Damage or Destruction to Premises. In the event of damage to or destruction of the Premises, the obligation of SHI to pay rent shall continue and not be abated.

13. Alterations. SHI shall, at its sole cost and expense, make all necessary improvements to the Premises to use for hospital purposes and its related functions. The alterations shall be performed in a good and workmanlike manner in accordance with all applicable municipal or other governing body rules, regulations and ordinances and in accordance with the applicable provisions of any insurance policy carried by SHI covering the Premises and all requirements of the issuer of such policy. In making any alterations, SHI shall use licensed and insured contractors. SHI shall provide City prior to commencement of alterations with a duplicate original policy or certificate of insurance naming City as an additional insured. Such insurance shall be non-cancelable without thirty (30) days' notice to City and shall be for covered risks, coverage limits and with such companies as shall be approved by City. SHI shall keep the Premises free from any and all liens arising out of any work performed, materials furnished or obligations incurred by or for SHI, and agrees to bond against or discharge any construction lien within thirty (30) days after written request therefor by City. SHI shall reimburse City for any and all costs and expenses which may be incurred by City by reason of the filing of any such liens and/or the removal of same, such reimbursement to be made within thirty (30) days after receipt by SHI from City of a statement setting forth the amount of such costs and expenses. City will not incur any fees or costs on SHI's behalf due to SHI's alterations of the Premises.

14. Environmental. (a) The term "hazardous substances," as used in this Lease, shall for purposes of this Sublease also include, without limitation, bodily fluids, medical waste, flammables, explosives, radioactive materials, asbestos, polychlorinated biphenyls (PCBs), chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances or related materials, petroleum and petroleum products, and substances declared to be hazardous or toxic under any law or regulation now or hereafter enacted or promulgated by any governmental authority.

(b) SHI shall not cause or permit to occur: (a) any violation by SHI (or its employees, agents, representatives, contractors, invitees, licensees, subtenants or customers) or by any Permitted Assignee (or its employees, agents, representatives, contractors, invitees, licensees, subtenants or customers) of any federal, state, or local law, ordinance, or regulation now or hereafter enacted, related to environmental conditions or hazardous substance ("**Environmental Laws**") on, under, or about the Premises, or arising from SHI's (or its employees, agents, representatives, contractors, licensees, invitees, subtenants or customers) or from any Permitted Assignee's (or its employees, agents, representatives, contractors, invitees, licensees, subtenants or customers) use or occupancy of the Premises, including, but not limited to, soil and ground water conditions; or (b) the use, generation, release, manufacture, refining, production, processing, or disposal of any hazardous substance on, under, or about the Premises by SHI (or its employees, agents, representatives, contractors, invitees, licensees, subtenants or customers) or by any Permitted Assignee (or its employees, agents, representatives, contractors, invitees, licensees, subtenants or customers) in violation of any Environmental Law. Neither SHI (or its employees, agents, representatives, contractors, invitees, licensees, subtenants or customers) nor any Permitted Assignee (or its employees, agents, representatives, contractors, invitees, licensees, subtenants or customers) shall transport any hazardous substance to, or store any hazardous substance at, the Premises (except for medical waste or bodily fluids or typical cleaning or maintenance supplies stored temporarily and in compliance with all Environmental Laws until disposed of off the Premises and in compliance with all Environmental Laws). SHI shall, at SHI's own expense, comply with all Environmental Laws applicable to the Premises and/or the use of the Premises permitted by this Sublease. SHI shall, at SHI's own expense, make all submissions to, provide all information required by, and comply with all requirements of all governmental authorities (a "**Governmental Authority**" or "**Governmental Authorities**") under the Environmental Laws. Should any Governmental Authority or any third party demand that a cleanup plan be prepared and that a clean-up be undertaken because of any deposit, spill, discharge, or other release of hazardous substances that occurs during the term of this Sublease, at or from the Premises (unless caused by City, or its agents or employees), or which arises at any time from SHI's use or occupancy of the Premises (or that of SHI's Permitted Assignees), then SHI shall, at SHI's own expense, prepare and submit the required plans and all related bonds and other financial assurances; and SHI shall carry out all such cleanup plans. SHI shall promptly provide all information regarding the use, generation, storage, transportation, or disposal of hazardous substances that is required by City. If SHI fails to fulfill any duty imposed under this section within a reasonable time, City may do so and in such case, SHI shall cooperate with City in order to prepare all documents City deems necessary or appropriate to determine the applicability of the Environmental Laws to the Premises and SHI's use thereof, and for compliance therewith, and SHI shall execute all documents promptly upon City's request. No such action by City and no attempt made by City to mitigate damages under any Environmental Laws shall constitute a waiver of any of SHI's obligations under this section. SHI will reimburse City, on demand (and no later than 10 days after such demand), for any and all such action and attempt to mitigate.

(c) If SHI receives any notice from any party claiming a violation or potential violation of any Environmental Laws, or claiming that any environmental cleanup is required at the Premises, SHI shall promptly furnish the City and the Authority with a copy of such notice.

(d) SHI's obligations and liabilities under this section shall survive the expiration or termination of this Sublease.

15. Assignment; Subletting. In the event of a transfer of the Hospital Facility to another person or entity, SHI may assign, sublet or otherwise transfer this Sublease or SHI's interest in the Premises to another person or entity (a "**Permitted Assignee**"), provided that any such assignment, sublet or transfer shall not cause the Bonds to be private activity bonds under the Internal Revenue Code nor impair the security for the Bonds. Notice of any assignment, sublet or transfer of the Sublease or SHI's interest in the Premises shall be given to the City at least 30 days prior to the effective date of any such assignment, sublet or transfer along with an opinion of nationally recognized bond counsel stating to the effect that such assignment, sublet or transfer shall not cause the Bonds to be private activity bonds under the Internal Revenue Code and shall not impair the security for the Bonds. A change in control of SHI shall be considered an assignment requiring the above notice and opinion requirements to be met. In the event, such assignment, sublet or transfer would cause the Bonds to be private activity bonds or would impair the security of the Bonds, such assignment, sublet or transfer may occur only if the total amount due and owing under this Sublease is paid prior to or simultaneously with such assignment, sublet or transfer. City shall use such advance payments to fulfill its obligations under the Lease and the Authority will use such payments to retire the Bonds.

16. Indemnification. SHI shall indemnify City and Authority and save City and Authority harmless and defend City and Authority from and against any and all claims, actions, damages, liabilities and expenses (including, without limitation, costs and reasonable attorneys' fees) arising in connection with: (a) death or injury to persons or loss or damage to property occurring in, on or about, or arising out of the Premises or the common areas adjoining the Premises or the use or occupancy of the Premises or any of the common areas (regardless of whether adjoining) by SHI or SHI's Permitted Assignees or any of SHI's Permitted Assignees' subtenants, invitees, agents, licensees, servants, representatives, employees, contractors, customers or employees; (b) the conduct or operation of SHI's business, or the business of its Permitted Assignees or subtenants; or (c) any act or omission of SHI or SHI's Permitted Assignees or any of SHI's or SHI's Permitted Assignees' subtenants, invitees, agents, licensees, servants, representatives, contractors, customers or employees. In no case shall Authority or City incur any costs or charges due to SHI's use or occupancy of the Premises.

17. Consents and Approvals. Whenever the Authority's and/or City's consent or approval is required in this Sublease or the Lease, such consent or approval shall not be deemed given until the Authority and City has provided such consent or approval in writing.

18. Covenants of SHI. SHI and the person(s) signing on behalf of SHI represent and warrant that SHI is duly formed as a Michigan nonprofit corporation and is in good standing under the laws of its incorporation, is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, has full authority to enter into this Sublease and has taken all organizational action necessary to carry out the transactions contemplated herein, so that when executed this Sublease constitutes a valid and binding obligation enforceable in accordance with its terms. SHI shall maintain its existence as a Michigan nonprofit corporation and as an entity exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code throughout the term of this Sublease. **The dissolution of SHI or the loss of its**

status as an entity exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code shall constitute a Default under this Sublease.

19. **Covenants of City.** City represents and warrants that all necessary approvals for entering into this Sublease have been received and that it has the power and authority to enter into this Sublease. City further represents and warrants that entering into this Sublease will not cause the Bonds to be private activity bonds and will not impair the security of the Bonds.

20. **Security.** SHI will secure its performance of this Sublease by providing to City a mortgage (the "**Mortgage**") of the Hospital Facilities and a security agreement (the "**Security Agreement**") granting a blanket security interest in all of the personal property of SHI. A copy of the Mortgage is attached hereto as Exhibit C and a copy of the Security Agreement is attached hereto as Exhibit D.

21. **Defaults; Remedies.** (a) Failure of SHI to pay rent within 15 days of the scheduled rent payment dates or breach of any other covenant or condition in this Sublease that is not cured within 15 days, or such other time period that SHI and City may agree upon, after notice of such breach has been given by the City or the Authority to SHI, shall constitute an event of default (a "**Default**") under this Sublease; provided that a Default that occurs as a result of SHI's loss of status as an entity exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code shall not be subject to a cure period.

(b) Upon the occurrence of a Default under this Sublease, City may immediately terminate this Sublease and City may exercise its right to demand surrender of the Premises and the Hospital Facility in accordance with Section 10; provided, however, that if a Default occurs as a result of SHI's loss of status as an entity exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code while the Sublease is in effect, the Sublease shall immediately terminate and the Premises and Hospital Facility surrendered in accordance with Section 10. No delay or omission of the City to exercise any right or remedy accruing upon any Default shall impair any such right or remedy or constitute a waiver of any such Default or acquiescence therein.

22. **Notices.** All notices, bills or statements required under this Sublease shall be in writing and shall be deemed to have been given if either delivered personally or mailed by certified or registered mail to the parties at their addresses as set forth in the introductory paragraph of this Sublease. The address specified for notices in this Sublease may from time to time be changed by the written notice of one party to the other.

23. **Waiver of Jury Trial.** City and SHI hereby waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on or in respect of any matter whatsoever arising out of or in any way connected with this Sublease, the relationship of City and SHI under this Sublease, SHI's use or occupancy of the Premises, and/or any claim of injury or damage.

24. **Separability.** Each and every covenant and agreement contained in this Sublease is and shall be construed to be a separate and independent covenant and agreement, and the breach of any such covenant or agreement by City shall not discharge or relieve SHI from its

obligations to perform as required by this Sublease. If any term or provision of this Sublease or the application thereof to any person or circumstances shall to any extent be invalid and unenforceable, the remainder of this Sublease or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each term and provision of this Sublease shall be valid and shall be enforced to the extent permitted by law.

25. Miscellaneous. Capitalized terms not defined in this Sublease shall have the meanings set forth in the Lease. This Sublease may be signed in counterparts, which together will be deemed to comprise a single Sublease. This Sublease and the exhibits attached hereto and forming a part hereof, set forth all the covenants, promises, agreements, conditions and understandings between City and SHI concerning the Premises. There are no covenants, promises, agreements, conditions or understandings, either oral or written, between them relating to this Sublease other than are herein set forth. No alteration, amendment, change or addition to this Sublease shall be binding upon City or SHI unless reduced to writing and signed by each party.

26. Authority's Consent. Authority hereby consents to this Sublease.

City, SHI and Authority have signed this Sublease as of the date first set forth above.

CITY OF STURGIS

By: John H. Carmichael

Its: Mayor

By: Kenneth O. Rhodes

Its: Clerk/Treasurer

STURGIS HOSPITAL, INC.

By: [Signature]

Its: Chairman

Consented to by:

CITY OF STURGIS BUILDING AUTHORITY

By: [Signature]

Its: Commission President

By: [Signature]

Its: Commission Secretary

EXHIBIT A

COPY OF LEASE CONTRACT

LEASE CONTRACT

THIS FULL FAITH AND CREDIT GENERAL OBLIGATION LEASE CONTRACT (the "Lease") made as of September 1, 2004, by and between the CITY OF STURGIS BUILDING AUTHORITY (the "Authority"), a building authority organized and existing under and pursuant to the provisions of Act No. 31, Public Acts of Michigan, 1948 (First Extra Session), as amended ("Act 31"), and the CITY OF STURGIS, a City of the State of Michigan (the "City"),

WITNESSETH:

WHEREAS, the Authority has been incorporated by the City pursuant to Act 31 for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating and maintaining a building or buildings, automobile parking lots or structures, recreational facilities and stadiums, and the necessary site or sites therefor, for the use of the City; and

WHEREAS, the City desires to construct, renovate, improve and equip the City-owned Sturgis Hospital (the "Project"), as more fully described in Exhibit A to this Lease, and it is proposed that the Authority undertake the Project; and

WHEREAS, it is proposed that the Authority finance the major portion of the total cost of the Project by the issuance of building authority bonds payable from cash rental payments to be made by the City to the Authority pursuant to this Lease and Act 31; and

WHEREAS, a description of the Project, an estimate of thirty (30) years and upwards as the period of usefulness thereof and an estimate of not more than \$15,000,000 as the total cost of the Project, all as set forth on Exhibit A to this Lease, have been reviewed and approved by the City Commission; and

WHEREAS, in order to make possible the issuance of building authority bonds to finance a portion of the total cost of the Project, it is necessary under Act 31 for the parties to enter into this Lease;

Therefore, in consideration of the mutual undertakings and agreements set forth below, it is hereby agreed by and between the parties to this Lease as follows:

1. Authorization and Issuance of Bonds. At a time to be determined by the Authority, the Authority shall proceed to authorize by resolution (the "Bond Resolution") and issue its building authority bonds in one or more series in the aggregate principal amount of not to exceed \$11,000,000 (the "Bonds"), pursuant to and in accordance with the provisions of Act 31, for the purpose of defraying a portion of the cost of the Project. The Authority shall pledge for the payment of the principal of and interest on the Bonds the receipts from the cash rental payments described and required to be paid by the City pursuant to this Lease. The Bonds shall be dated as of such date, and shall bear interest (at a rate or rates not exceeding 7% per annum) payable on such dates, and shall mature in such amounts and on such dates as shall be agreed to by the Authority and the City prior to the sale of the Bonds. The City and the Authority recognize and acknowledge that the amount of each payment of principal and interest on the

Bonds and the amount of each payment of cash rental required under this Lease will be determined by application of the rate or rates of interest (not exceeding 7% per annum) actually borne by the Bonds. The Bonds may be sold subject to redemption prior to maturity at the option of the Authority, with such redemption premiums and upon such other terms as shall be approved by the City and set forth in the resolution to be adopted by the Authority to authorize issuance of these Bonds.

Upon receipt of the proceeds of the sale of the Bonds, all premium, capitalized interest, if any, and accrued interest received from the purchaser or purchasers of the Bonds shall be transferred to a bond and interest redemption fund, and the balance of such proceeds shall be deposited into a construction fund, each of which shall be established by the Bond Resolution and maintained as a separate depository account of the Authority. The money in the construction fund shall be used to pay costs of the Project.

In the event that for any reason after the date upon which this Lease is executed, but before the Bonds have been issued, it appears to the City and the Authority that the part of the Project being financed may be constructed and installed for less than \$15,000,000, or the City shall be able to make payments in advance on the cash rental payments payable pursuant to this Lease, the Authority, after approval of the City, may reduce the amount of Bonds to be issued in multiples of \$5,000 and reduce the annual maturities or the years of maturities as the City shall direct.

2. Transfer of Title to and Completion of Project. As soon as practicable after the Bonds have been sold, the City shall transfer title to the Project to the Authority, and the Authority shall commence the Project. The plans, cost estimate and estimated period of usefulness for the Project, all of which have been filed with the City Clerk and the Secretary of the Authority, are hereby approved and adopted. The Project shall be implemented in substantial accordance with such plans which are identified on Exhibit A and such plans are incorporated by reference in this Lease. No major changes in such plans shall be made without the written approval of both the City and the Authority.

3. Increased Project Costs. In the event that it shall appear, upon taking the necessary bids for the construction of the Project and after issuance of the Bonds, that the Project cannot be completed at the estimated cost, the Authority shall immediately so notify the City. The City may elect to pay the increased cost in cash to the Authority in which event the amount of such cash payment shall be deposited in the construction fund for the Project and the Authority shall proceed to acquire and complete the Project. In the alternative, the City and the Authority may agree, by an amendment to this Lease, that additional Bonds shall be issued by the Authority in an amount sufficient to pay the increased Project costs. If, after the sale and issuance of the Bonds, it shall become necessary to raise additional funds to pay for an increase in the Project costs and this Lease cannot be amended to provide for the issuance of additional Bonds, or if for any other reason additional Bonds cannot be issued, the City shall pay to the Authority in cash an amount which will be sufficient to enable the Authority to complete the Project in accordance with the plans for the Project.

4. Funds Remaining After Completion. Any unexpended balance of the proceeds of the sale of the Bonds remaining after completion of the Project may be used to improve or

enlarge the Project or for other projects of the Authority provided that such use of the funds is approved by the City. Any unexpended balance not so used shall be paid into the bond and interest redemption fund, and the City shall receive a credit against the cash rental payments next due under this Lease to the extent of the moneys so deposited in the manner provided in the Bond Resolution.

5. Insurance Requirements During Construction. The Authority shall require the contractor or contractors for the Project to furnish all necessary bonds guaranteeing performance and all labor and material bonds and all owner's protective, workers' compensation and liability insurance required for the protection of the Authority and the City. Such bonds and insurance, and the amounts thereof, shall be subject to approval of the City on the advice of its counsel. The Authority also shall require a sufficient fidelity bond from any person handling funds of the Authority.

6. Lease Term; Possession; Reconveyance. (a) The Authority does hereby lease the Project to the City for a term commencing on the effective date of this Lease and ending on the last maturity date of the Bonds, or such earlier date as provided below. Possession of the Project shall vest in the City upon the execution of the Lease. When all of the Bonds issued by the Authority to finance the Project have been retired, the Authority shall convey to the City all of its right, title and interest in the Project and any lands, easements or rights-of-way appertaining thereto. Upon such conveyance by the Authority to the City, this Lease and the leasehold term shall terminate, and the Authority shall have no further interest in, or obligations with respect to, the Project.

(b) The City shall, upon the terms and conditions set forth in this Lease, acquire and convey to the Authority all lands, buildings, tenements, hereditaments, easements and rights-of-way necessary to enable the Authority to complete the Project in accordance with the plans.

7. Cash Rental; Pledge of Full Faith and Credit. The City hereby agrees to pay to the Authority as cash rental for the Project such periodic amounts as shall be sufficient to enable the Authority to timely pay the principal of and interest on the Bonds as such principal and interest shall become due, whether at maturity or by optional or mandatory redemption. On each date which is fifteen (15) days prior to any principal or interest payment date, the City shall pay to the Authority an amount sufficient to pay the principal of or interest due on the Bonds on such principal or interest payment date.

The City hereby pledges its full faith and credit for the payment of the cash rental when due and agrees that it will levy each year such ad valorem taxes as shall be necessary for the payment of such cash rental, which taxes, however, will be subject to applicable constitutional limitations on the taxing power of the City, and which shall not be in an amount or at a rate exceeding that necessary to pay its contractual obligation pursuant to this Lease. If the City, at the time prescribed by law for the making of its annual tax levy, shall have other funds on hand which have been set aside and earmarked for payment of its obligations for which a tax levy would otherwise have to be made, then the tax levy shall be reduced by the amount of such other funds. Such other funds may be raised from any lawful source. The obligation of the City to make such cash rental payments shall not be subject to any set-off by the City nor shall there by

any abatement of the cash rental payments for any cause, including, but not limited to, casualty that results in the Project being untenable.

8. Expenses of Issuing and Payment of Bonds. The Authority shall pay from the proceeds of the sale of the Bonds all expenses incurred with respect to the issuance of the Bonds. In addition to the cash rental provided for in Section 7, the City agrees to pay to the Authority all expenses incurred with respect to the issuance and payment of the Bonds, to the extent not so paid from the proceeds from the sale of the Bonds. The obligation of the City to make such payments shall be a general obligation of the City.

9. Construction Expenses of the City. Upon the sale of the Bonds, the City shall give the Authority a full and complete accounting of the construction costs and expenses incurred to that date by the City in connection with the Project, and the Authority shall thereupon reimburse the City for such costs and expenses.

10. Maintenance and Repairs. The City shall, at its own expense, operate and maintain the Project and shall keep the same in good condition and repair. Operation and maintenance shall include, but not be limited to, the providing of all personnel, equipment and facilities, all light, power, heat, water, sewerage, drainage and other utilities, and all properties and services of whatever nature, as shall be necessary or expedient in the efficient and lawful operation and maintenance of the Project. Premiums for insurance required to be carried upon or with respect to the Project or the use thereof and taxes levied upon either party hereto on account of the ownership or use of the Project, or on account of rentals or income from the Project, shall likewise be deemed operation and maintenance expenses. The obligation of the City to pay all costs and expenses of the operation and maintenance of the Project shall be a general obligation of the City.

11. Property Insurance and Insurance Proceeds. The City shall provide, at its own expense, fire and extended coverage insurance in an amount which is at least equal to the amount of Bonds outstanding from time to time or to the amount of the full replacement cost of the Project if that amount be less than the amount of the Bonds outstanding. Such insurance shall be payable to the City and the Authority as their interests may appear and shall be made effective from the date of commencing construction of the Project. In the event of the partial or total destruction of the Project during or after construction, or if the Project is for any reason made unusable, the cash rental payments provided in Section 7 shall continue unabated. The City shall have the option to use the proceeds of insurance, in the event of loss or damage to the Project, for the repair or restoration of the Project. If the City shall determine not to use the proceeds of insurance for the repair or restoration of the Project, the amount of such insurance proceeds shall be paid to the Authority and by it deposited in the bond and interest redemption fund, and the City shall receive appropriate credits on future cash rental payments due under this Lease.

12. Liability Insurance. The City shall provide adequate liability insurance protecting the City and the Authority against loss on account of damage or injury to persons or property, imposed by reason of the ownership, possession, use, operation, maintenance or repair of the Project and the site of the Project, or resulting from any acts or omission or commission on the part of the City or the Authority or their respective officers, employees or agents in

connection with the Project. Such insurance shall be made effective from the date construction of the Project commences.

13. No Unlawful Use Permitted. The Project shall not be used or permitted to be used in any unlawful manner or in any manner which would violate the provisions of any contract or agreement between the City or the Authority and any third party. The City shall hold the Authority harmless and keep it fully indemnified at all times against any loss, injury or liability to any persons or property by reason of the use, misuse or non-use of the Project or from any act or omission in, on or about the Project. The City shall, at its own expense, make any changes or alterations in, on or about the Project which may be required by any applicable statute, charter, ordinance or governmental regulation or order and shall save the Authority harmless and free from all costs or damages with respect thereto.

14. Alterations of Project. The City, in its sole discretion, may install or construct in or upon, or may remove from, the Project any equipment, fixtures or structures, and may make any alterations to or structural changes in, the Project, as the City may desire.

15. Right of Inspection. The Authority, through its officers, employees or agents, may enter upon the Project at any reasonable time during the term of this Lease for purpose of inspecting the Project and determining whether the City is complying with the covenants, agreements, terms and conditions of this Lease.

16. Contractual Rights of Bondholders. Inasmuch as this Lease, and particularly the obligation of the City to make cash rental payments to the Authority, provides the security for payment of the principal of and interest on the Bonds to be issued by the Authority to finance the Project, it is hereby declared that this Lease is made for the benefit of the holders of the Bonds as well as for the benefit of the parties and that such holders shall have contractual rights under this Lease. In the event of any default under this Lease on the part of the City, the Authority and the holders of the Bonds shall have all the rights and remedies provided by law, including in particular any provided by Act 31. The parties further covenant and agree that they will not do, or permit to be done, any act, and that this Lease will not be amended in any manner, which would impair the security of the Bonds or the rights of the holders of the Bonds. An amendment of this Lease to authorize the issuance of additional Bonds and providing for the payment of additional cash rentals for the payment of such Bonds shall not be deemed to impair the security of the Bonds or the rights of the holders.

17. Appurtenant Facilities. The site on which this Project is to be located includes, or will include, roadways, walks, drives, parking areas and landscaping which are of benefit to and necessary to the full use and enjoyment of the Project, and it is hereby covenanted and agreed that so long as any of the Bonds remain outstanding and unpaid, such appurtenant facilities will be maintained in good repair and condition by the City or by its lessees and available to the users and occupants of the Project.

18. Successors and Assigns. This Lease shall inure to the benefit of, and be binding upon, the respective parties hereto and their successors and assigns, provided, however, that no assignment shall be made in violation of the terms of this Lease nor shall any assignment be made which would impair the security of the Bonds or the rights of the holders of the Bonds.

19. Abandonment of Project. In the event the Bonds to finance the Project cannot be or are not issued by the Authority before December 1, 2005, the Project shall be abandoned, the City shall pay from available funds all expenses of the Authority incurred to the date of abandonment and neither party shall have any further obligations under this Lease.

20. Consents, Notices, Etc. The right to give any consent, agreement or notice required or permitted in this Lease shall be vested, in the case of the City, in the City Commission, and in the case of the Authority, in the Authority Commission. Any notice required or permitted to be given under this Lease shall be given by delivering the same, in the case of the City, to the City Clerk, and in the case of the Authority, to any member of its Commission.

21. Changes in Law or Corporate Status. In the event there shall occur changes in the constitution or statutes of the State of Michigan which shall affect the organization, territory, powers or corporate status of the City, the terms and provisions of this Lease shall be unaffected thereby insofar as the obligation of the City to make the cash rental payments is concerned. The proceeds of any sale or other liquidation of any interest of the City or the Authority in the Project are hereby impressed with a first and prior lien for payment of any outstanding Bonds or other obligations of the Authority incurred by reason of the Project or any additions or improvements thereto.

22. Effective Date of Lease. This Lease shall become effective sixty-one (61) days after publication of a Notice of Intention in the Sturgis Journal as provided in Act 31, provided that if a petition for a referendum is filed as provided in Section 8b of Act 31, then this Lease shall not become effective unless and until approved by a majority of the electors of the City voting thereon at a general or special election.

IN WITNESS WHEREOF, the CITY OF STURGIS BUILDING AUTHORITY, by its Commission, and the CITY OF STURGIS, by its City Commission, have caused this Lease Contract to be signed by their duly authorized officers, all as of the day and year first above written.

WITNESSES

M. J. [Signature]
Steven A. [Signature]

WITNESSES

[Signature] G. Scott
Julia A. Bugitz

CITY OF STURGIS BUILDING AUTHORITY

By: [Signature] D. Peter
Chairperson of its Commission
By: [Signature] L. Ward
Secretary of its Commission

CITY OF STURGIS

By: [Signature] 24
Mayor
By: P. Joseph Haas, Jr.

⁶ Kenneth D. Rhodes
Kenneth D. Rhodes
49 [Signature] Clark

STATE OF MICHIGAN)

COUNTY OF ST. JOSEPH)

) ss

On this ninth day of November, 2004, before me appeared Stephen Deter and John Wiedlea, to me personally known, who being by me duly sworn, did each say that they are respectively the Chairperson and the Secretary of the Commission of the CITY OF STURGIS BUILDING AUTHORITY and that the foregoing Lease Contract was signed by them on behalf of the Authority by authority of its Commission, and that such persons acknowledged such instruments to be the free act and deed of the Authority.

Susan A. Van Wert, Notary Public
St Joseph County, Michigan

Acting in the County of St. Joseph, Michigan

My Commission Expires: 02/04/2007

STATE OF MICHIGAN)

COUNTY OF ST. JOSEPH)

) ss

On this 9th day of November, 2004, before me appeared P. Joseph Haas, Jr. and Kenneth Rhodes, to me personally known, who being by me duly sworn, did each say that they are respectively the Mayor and City Clerk of the CITY OF STURGIS and that the foregoing Lease Contract was signed and sealed by them on behalf of the City by authority of its Commission and that such persons acknowledged such instruments to be the free act and deed of the City.

Natalie A. Handy, Notary Public
ST. JOSEPH County, Michigan

Acting in the County of St. Joseph, Michigan

My Commission Expires: 4-06-06

EXHIBIT A

DESCRIPTION OF PROJECT

The Project consists of the site improvement, construction, renovation, improvement and installation of equipment for the Sturgis Hospital. The Project is described in detail in the plans, specifications and drawings prepared by Harley Ellis (Project No. 78504).

Estimated Cost of Project: Not to exceed \$15,000,000

Estimated Useful Life: Not less than 30 years

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EXHIBIT B

SCHEDULE OF RENT PAYMENTS

SCHEDULE OF BOND PAYMENTS TO THE CITY OF STURGIS

Payment Dates	Semiannual Payments	Bond #1 01.2710.0000	Bond #2 01.2710.0010	Interest 01.2500.0000	Difference 01.2500.0000	
paid prior	2,918,652.09	550,000.00	70,000.00	2,298,652.09		2,918,652.09
3/1/2010	322,561.00	80,000.00	10,000.00	232,561.25	(0.25)	322,561.00
9/1/2010	322,561.00	80,000.00	10,000.00	232,561.25	(0.25)	322,561.00
3/1/2011	324,136.00	85,000.00	10,000.00	229,136.25	(0.25)	324,136.00
9/1/2011	324,136.00	85,000.00	10,000.00	229,136.25	(0.25)	324,136.00
3/1/2012	325,523.50	90,000.00	10,000.00	225,523.75	(0.25)	325,523.50
9/1/2012	325,523.50	90,000.00	10,000.00	225,523.75	(0.25)	325,523.50
3/1/2013	331,723.50	97,500.00	12,500.00	221,723.75	(0.25)	331,723.50
9/1/2013	331,723.50	97,500.00	12,500.00	221,723.75	(0.25)	331,723.50
3/1/2014	332,536.50	102,500.00	12,500.00	217,536.25	0.25	332,536.50
9/1/2014	332,536.50	102,500.00	12,500.00	217,536.25	0.25	332,536.50
3/1/2015	335,405.50	110,000.00	12,500.00	212,905.00	0.50	335,405.50
9/1/2015	335,405.50	110,000.00	12,500.00	212,905.00	0.50	335,405.50
3/1/2016	337,974.50	117,500.00	12,500.00	207,973.75	0.75	337,974.50
9/1/2016	337,974.50	117,500.00	12,500.00	207,973.75	0.75	337,974.50
3/1/2017	342,742.50	125,000.00	15,000.00	202,742.50	-	342,742.50
9/1/2017	342,742.50	125,000.00	15,000.00	202,742.50	-	342,742.50
3/1/2018	344,605.50	132,500.00	15,000.00	197,105.00	0.50	344,605.50
9/1/2018	344,605.50	132,500.00	15,000.00	197,105.00	0.50	344,605.50
3/1/2019	348,667.50	142,500.00	15,000.00	191,167.50	-	348,667.50
9/1/2019	348,667.50	142,500.00	15,000.00	191,167.50	-	348,667.50
3/1/2020	349,616.50	150,000.00	15,000.00	184,616.25	0.25	349,616.50
9/1/2020	349,616.50	150,000.00	15,000.00	184,616.25	0.25	349,616.50
3/1/2021	355,163.50	160,000.00	17,500.00	177,663.75	(0.25)	355,163.50
9/1/2021	355,163.50	160,000.00	17,500.00	177,663.75	(0.25)	355,163.50
3/1/2022	357,593.50	170,000.00	17,500.00	170,093.75	(0.25)	357,593.50
9/1/2022	357,593.50	170,000.00	17,500.00	170,093.75	(0.25)	357,593.50
3/1/2023	362,005.50	182,500.00	17,500.00	162,005.00	0.50	362,005.50
9/1/2023	362,005.50	182,500.00	17,500.00	162,005.00	0.50	362,005.50
3/1/2024	376,217.50	195,000.00	20,000.00	153,278.75	7,938.75	376,217.50
9/1/2024	376,217.50	195,000.00	20,000.00	153,278.75	7,938.75	376,217.50
3/1/2025	387,807.50	207,500.00	20,000.00	143,593.75	16,713.75	387,807.50
9/1/2025	387,807.50	207,500.00	20,000.00	143,593.75	16,713.75	387,807.50
3/1/2026	381,275.00	220,000.00	20,000.00	133,336.25	7,938.75	381,275.00
9/1/2026	381,275.00	220,000.00	20,000.00	133,336.25	7,938.75	381,275.00
3/1/2027	397,855.00	235,000.00	22,500.00	121,966.25	18,388.75	397,855.00
9/1/2027	397,855.00	235,000.00	22,500.00	121,966.25	18,388.75	397,855.00
3/1/2028	411,809.00	250,000.00	22,500.00	109,757.50	29,551.50	411,809.00
9/1/2028	411,809.00	250,000.00	22,500.00	109,757.50	29,551.50	411,809.00
3/1/2029	428,251.00	265,000.00	25,000.00	96,825.00	41,426.00	428,251.00
9/1/2029	428,251.00	265,000.00	25,000.00	96,825.00	41,426.00	428,251.00
3/1/2030	444,564.00	282,500.00	25,000.00	83,050.00	54,014.00	444,564.00
9/1/2030	444,564.00	282,500.00	25,000.00	83,050.00	54,014.00	444,564.00
3/1/2031	463,376.00	300,000.00	27,500.00	68,443.75	67,432.25	463,376.00
9/1/2031	463,376.00	300,000.00	27,500.00	68,443.75	67,432.25	463,376.00
3/1/2032	482,070.00	320,000.00	27,500.00	52,887.50	81,682.50	482,070.00
9/1/2032	482,070.00	320,000.00	27,500.00	52,887.50	81,682.50	482,070.00
3/1/2033	505,750.00	342,500.00	30,000.00	36,367.50	96,882.50	505,750.00
9/1/2033	505,750.00	342,500.00	30,000.00	36,367.50	96,882.50	505,750.00
3/1/2034	524,310.00	362,500.00	30,000.00	18,658.75	113,151.25	524,310.00
9/1/2034	524,310.00	362,500.00	30,000.00	18,658.75	113,151.25	524,310.00
	22,065,732.09	10,000,000.00	995,000.00	10,000,489.59	1,070,242.50	22,065,732.09

SCHEDULE OF RENT PAYMENTS

<u>Payment Dates</u>	<u>Semiannual Payments</u>	<u>Annual Totals</u>
3/1/2010	322,561.00	
9/1/2010	322,561.00	645,122
3/1/2011	324,136.00	
9/1/2011	324,136.00	648,272
3/1/2012	325,523.50	
9/1/2012	325,523.50	651,047
3/1/2013	331,723.50	
9/1/2013	331,723.50	663,447
3/1/2014	332,536.50	
9/1/2014	332,536.50	665,073
3/1/2015	335,405.50	
9/1/2015	335,405.50	670,811
3/1/2016	337,974.50	
9/1/2016	337,974.50	675,949
3/1/2017	342,742.50	
9/1/2017	342,742.50	685,485
3/1/2018	344,605.50	
9/1/2018	344,605.50	689,211
3/1/2019	348,667.50	
9/1/2019	348,667.50	697,335
3/1/2020	349,616.50	
9/1/2020	349,616.50	699,233
3/1/2021	355,163.50	
9/1/2021	355,163.50	710,327
3/1/2022	357,593.50	
9/1/2022	357,593.50	715,187
3/1/2023	362,005.50	
9/1/2023	362,005.50	724,011
3/1/2024	368,279.00	
9/1/2024	368,279.00	736,558
3/1/2025	371,094.00	
9/1/2025	371,094.00	742,188
3/1/2026	373,336.50	
9/1/2026	373,336.50	746,673
3/1/2027	379,466.50	
9/1/2027	379,466.50	758,933
3/1/2028	382,258.00	
9/1/2028	382,258.00	764,516
3/1/2029	386,825.00	
9/1/2029	386,825.00	773,650
3/1/2030	390,550.50	
9/1/2030	390,550.50	781,101
3/1/2031	395,943.50	
9/1/2031	395,943.50	791,887
3/1/2032	400,387.50	
9/1/2032	400,387.50	800,775
3/1/2033	408,867.50	
9/1/2033	408,867.50	817,735
3/1/2034	411,159.00	
9/1/2034	411,159.00	822,318

EXHIBIT C

COPY OF MORTGAGE

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PROPERTY DESCRIPTION

The land referred to in this Commitment, situated in the City of Sturgis, County of St. Joseph, State of Michigan, is described as:

Parcel 1:

Beginning at a point 148.3 feet South of the Northwest corner of Section 7, Town 8 South, Range 9 West, St. Joseph County, Michigan; thence South 466.7 feet along the West side of said Section 7; thence East 466.7 feet; thence North 466.7 feet parallel to the West side of Section 7; thence West 466.7 feet to the Point of Beginning.

ALSO: Beginning at a point 148.3 feet South of the Northwest corner of Section 7, Town 8 South, Range 9 West, St. Joseph County, Michigan; thence North 100 feet along the West line of said Section 7; thence East 466.7 feet; thence South 100 feet to the Northeast corner of a 5 acre plat of ground now owned by the said City of Sturgis and occupied by the Sturgis Memorial Hospital; thence West, and along the North line of said 5 acre plat of ground owned by said Hospital, 466.7 feet to the point of beginning.

ALSO: The point of beginning is 615 feet South and 466.7 feet East of the Northwest corner of Section 7, Town 8 South, Range 9 West, St. Joseph County, Michigan; and being the Southeast corner of lands heretofore conveyed to the City of Sturgis, Michigan, and known as Sturgis Memorial Hospital; thence East 450 feet; thence North 466.7 feet; thence West parallel with the North Section line 450 feet; thence South to Point of Beginning.

P. P. # 75-052-777-192-00

Parcel 2:

The North 130 feet of. Commencing at the Northwest corner of Section 36, Township 7 South, Range 12 West, Constantine Township, St. Joseph County, Michigan; running thence South 00°19'14" West along the West line of said Section 331.52 feet to the Point of Beginning; thence continuing South 00°19'14" West along said West Section line 331.49 feet; thence North 89°59'10" East 394.2 feet, thence North 00°19'27" West 331.52 feet; thence South 89°58'50" West 394.2 feet to the Point of Beginning.

P.P. # 75-003-036-005-00

REAL ESTATE MORTGAGE

This indenture witnesseth that STURGIS HOSPITAL, INC., a Michigan non-profit corporation,
of 916 Myrtle, Sturgis, Michigan 49091, as MORTGAGOR,

Mortgages and warrants to CITY OF STURGIS,

of 130 N. Nottawa, Sturgis, Michigan 49091, as MORTGAGEE,

the following real estate in Lima Township, Lagrange County, State of Indiana, described on Exhibit "A" attached hereto and incorporated herein:

to secure the performance of Mortgagor pursuant to the provisions of a certain Asset Purchase Agreement dated December 31, 2009 ("Agreement") between Mortgagor and Mortgagee;

Mortgagor further covenants and agrees as follows:

1. To keep all buildings, fixtures and improvements on said premises, now or hereafter erected thereon, and all equipment attached to or used in connection with the fixtures on said premises herein mortgaged insured against loss or damage by fire, windstorm and extended coverage in such sums and with such insurers as may be approved by Mortgagee as a further security for said indebtedness, which insurance policy or policies shall carry a mortgage clause with loss payable to Mortgagee in form satisfactory to Mortgagee to be delivered to possession of Mortgagee to be held continuously through period of the existence of said indebtedness or any portion thereof.

2. To exercise due diligence in the operation, management and occupation of said real estate and the improvements thereon and not to remove any fixtures and/or appliance, now or hereafter placed on said premises; and to keep said real estate and improvements thereon in their present condition and repair, normal and ordinary depreciation excepted; Mortgagor shall not do or suffer to be done any acts which will impair the security of this mortgage nor any illegal or immoral acts on said premises; and Mortgagee shall have the right to inspect said premises at all reasonable times.

3. No sale of the premises hereby mortgaged or extension of time for the payment of the debt hereby secured shall operate to release, discharge or modify in any manner the effect of the original liability of the Mortgagor; and any extension of times on this mortgage by Mortgagee or his assigns, without the consent of the holder of any junior lien or encumbrance, shall not operate to cause a loss of the priority of this mortgage over such junior lien. Mortgagee shall be subrogated to any lien or claim paid by moneys advanced and hereby secured.

4. In case any part of the premises is appropriated under the power of eminent domain, the entire amount paid for said portion of the premises so appropriated shall be paid to Mortgagee until all amounts secured by this Mortgage are paid in full.

5. The lien on this Mortgage shall include all heating, plumbing, lighting or other fixtures now or hereafter attached to or used in connection with said premises.

6. In case of delinquency or default in any payment required in this mortgage and the institution of foreclosure proceedings thereunder, Mortgagee is expressly authorized to obtain title insurance that establishes and insures the condition of the title at the date of the default, and the premium for such insurance shall be added to the principal secured by this mortgage and collectable as such.

7. All terms of this mortgage shall be binding on each and all successors in ownership of said real estate, as well as upon all heirs, executors, administrators of Mortgagor or successors in ownership.

8. As used herein, the term "Mortgagee" shall refer to the Mortgagee listed above, as well as any assignees of Mortgagee or holders of the above-described indebtedness.

9. As used herein, the term "Mortgagee" shall refer to the Mortgagee listed above, as well as any assignees of Mortgagee or holders of the above-described obligations.

STURGIS HOSPITAL, INC.

Dated this 31st day of December, 2009

By: _____
John Mayer, its Chairman

STATE OF MICHIGAN.)
) ss:
COUNTY OF ST. JOSEPH.)

On December 31, 2009, before me a Notary Public in and for said County, personally appeared John Mayer, Chairman of Sturgis Hospital, Inc., to me known to be the same person described in and who executed the within instrument on behalf of said Sturgis Hospital, Inc., who has acknowledged the same to be his free act and deed.

My commission expires: _____
Signature _____
Resident of St. Joseph County, Michigan
Printed _____, Notary Public

This instrument prepared by:
Roger A. Bird, Attorney at Law (2747-98)
227 W. Chicago Rd.
Sturgis, MI 49091
(269) 651-2445

Mail to: Roger A. Bird, Attorney at Law, 227 W. Chicago Road, Sturgis, MI 49091

EXHIBIT A

LEGAL DESCRIPTION

Part of the land conveyed to M. Reed Taylor as described and recorded in Deed Instrument 88-3-276 and Part of Lot 9 in the plat of County Road 600 North Subdivision as said plat is recorded in Plat Book 11, pages 24-24C in the LaGrange County Recorder's Office, said parts described as one tract of land as follows:

Part of the Southeast Quarter of Section 24 and Part of the Northeast Quarter of Section 25, both in Township 38 North, Range 9 East, Lima Township, LaGrange County, Indiana, described as follows:

Beginning at the LaGrange County monumented Southeast corner of said Section 24, said corner also being the Northeast corner of said Section 25; thence South 00 degrees 48'55" West, along the East line of the Northeast Quarter of said Section 25, a distance of 267.50 feet to the Southeast corner of aforesaid land described in Deed Instrument 88-3-276; thence North 89 degrees 24'39" West, along the South property line of said land described in Deed Instrument 88-3-276, a distance of 504.83 feet to the Southeast corner of aforesaid Lot 9 in the recorded plat of County Road 600 North Subdivision; thence continuing North 89 degrees 24'39" West, along the South property line of said Lot 9, a distance of 115.57 feet; thence North 00 degrees 00'00" East 435.63 feet to a point on the centerline of County Road 600 North; thence South 74 degrees 22'37" East, along the centerline of said road, 193.52 feet to the Northeast corner of said Lot 9; thence continuing along said road centerline, South 74 degrees 22' 37" East 454.60 feet back to the Point of Beginning, containing a total of 5.00 acres, more or less, with 1.44 acres coming off the East side of said Lot 9.

EXHIBIT D
COPY OF SECURITY AGREEMENT

LAN01\199702.9
ID\WLL - 085671/0002

SECURITY AGREEMENT

This Security Agreement (together with all amendments, supplements, and other modifications; "Agreement") is executed as of December 31, 2009 by STURGIS HOSPITAL, INC., a Michigan non-profit corporation ("Grantor") whose mailing address is 916 Myrtle Avenue, Sturgis, Michigan 49091 and CITY OF STURGIS ("Secured Party"), having an office at 130 North Nottawa Street, Sturgis, Michigan 49091.

1. **Grant of Interest.** Grantor grants to Secured Party a security interest in all of Grantor's right, title, and interest in the following property of Grantor wherever located within the City of Sturgis and whether now existing or later acquired or created (collectively, the "Collateral"):

All accounts, chattel paper (both tangible and electronic), goods, inventory, equipment, fixtures, payment intangibles, general intangibles, software, instruments, letters of credit, letter of credit rights, money, documents, deposit accounts and investment property, and all products and proceeds thereof, whether now owned or hereafter acquired. Terms used in this preceding collateral description shall have the respective meanings accorded such terms in the Uniform Commercial Code as in force in the state of Michigan from time to time hereafter.

This Collateral secures the full and prompt performance of Grantor pursuant to the provision of a certain Asset Purchase Agreement dated December 31, 2009 between Grantor and Secured Party ("APA"), whether now owing or existing or later arising or created, owed absolutely or contingently, whether evidenced or acquired (including all renewals, extensions, and modifications thereof or substitutions) (collectively the "Subject Debt").

2. **Representations and Warranties.** Grantor represents and warrants to Secured Party as follows:
 - a. **Existence.** Grantor's legal name is exactly as set forth in the first paragraph of this Agreement. Grantor is a Michigan non-profit corporation organized and in good standing under the laws of the state of Michigan. Grantor's Michigan identification number is 70508X.
 - b. **Location.** Grantor's chief executive office is located at 916 Myrtle Avenue, Sturgis, Michigan 49091, which is commonly known as the Sturgis Hospital main campus.
 - c. **Ownership.** Grantor owns all of the presently existing Collateral free and clear of any and all adverse claims, assignments, attachments, leases, mortgages, security interests or other liens of any kind or nature ("Encumbrances") except those in favor of Secured Party and those consented to in writing by Secured Party (collectively, the "Permitted Encumbrances"). Each Encumbrance granted by this Agreement, when properly perfected, will be a first priority security interest in the Collateral, prior to all Encumbrances except for Permitted Encumbrances and will secure the payment of the Subject Debt.
 - d. **Authority; No Consent.** Grantor has all right, power, and authority to enter into and deliver this Agreement and grant to Secured Party the Encumbrances on the

Collateral. This Agreement is a valid obligation of Grantor, enforceable in accordance with its terms. No consent, authorization, approval, or other action of any third party is required for the grant by Grantor of the Encumbrances under this Agreement.

3. **Covenants.**

- a. **No Transfer or Encumbrance.** Grantor agrees that, except as provided in the APA, it will not, (i) sell, lease, transfer, or otherwise dispose of all or any part of the Collateral or license any of the Collateral except as otherwise permitted in this Agreement, or (ii) grant any Encumbrances in or permit any Collateral to be or become subject to any Encumbrance except for Permitted Encumbrances. Grantor shall comply with all applicable laws, rules, and regulations related to the Collateral. Grantor agrees to join Secured Party to take all reasonable steps necessary to preserve, protect, and defend Secured Party's security interest in the Collateral, at Grantor's expense, as Secured Party may from time to time reasonably in writing to Grantor require.
- b. **Insurance.** Grantor will keep the Collateral consisting of Inventory, Equipment, Goods, and Fixtures insured with such insurers, in such amounts and against all risks to which they may be exposed, as each shall be reasonably acceptable to Grantor. These policies shall name Secured Party as an additional insured and shall contain loss payable clauses in favor of Secured Party and contain insurer's agreement that any loss thereunder shall be payable to Secured Party, notwithstanding any action, inaction, or breach of representation or warranty by Grantor. On Secured Party's request, Grantor will deliver to Secured Party certificates evidencing such policies and, on request, include copies of such policies.
- c. **Further Assurances.** Grantor agrees to execute and deliver from time to time on request of Secured Party such other instruments of assignment, conveyance, and transfer, and take such other action as Secured Party may reasonably request for the purpose of perfecting, continuing, amending, protecting, or further evidencing the arrangements contemplated or to enable Secured Party to exercise and enforce its rights and remedies under this Agreement.

4. **Remedies.** If any Event of Default occurs or after demand is made by Secured Party, Secured Party has the right, at its option at any time and from time to time, without notice to Grantor to exercise the following rights and remedies, which may be exercised simultaneously:

- a. Secured Party shall have full power and right to exercise any and all rights and remedies available at law (including, without limitation, those afforded by the UCC) or in equity to collect, enforce, or satisfy any of the Subject Debt and exercise any or all of the rights and remedies with respect to the Collateral, including, without limitation, those provided in this Agreement or in any Related Writing.
- b. Secured Party shall, upon obtaining possession of Collateral, have the right to sell, transfer, or otherwise dispose of all or any of the Collateral at any time or from time to time. Secured Party shall give Grantor commercially reasonable prior notice of either the date after which any intended private sale is to be made or the time and place of any intended public sale, provided that Secured Party need give

no such notice in the case of Collateral that Secured Party determines to be declining speedily in value or that is customarily sold on a recognized market. Grantor waives advertisement of any such sale and (except only to the extent notice is specifically required by the preceding sentence) waives notice of any kind with respect to such sale. Secured Party shall have the right to conduct such sales on Grantor's premises, without charge therefor, and such sales may be adjourned from time to time in accordance with applicable law without further requirement of notice to Grantor. At any public sale Secured Party may purchase the Collateral or any part thereof free from any right of redemption, which right Grantor waives. After deducting all expenses and attorney fees incurred in assembling, taking, repairing, storing, and selling and delivering the Collateral or any part thereof, Secured Party may apply the net proceeds of the sale to the Subject Debt with such allocation as to item and maturity as Secured Party in its sole discretion deems advisable, and shall refund the surplus, if any, to Grantor, who shall be liable for any deficiency. Secured Party may sell or otherwise dispose of the Collateral without giving any warranties as to the Collateral and may specifically disclaim any warranties of title or the like, any or all of which will not be considered adversely to affect the commercial reasonableness of any sale or other disposition of the Collateral. Grantor permits Secured Party to disclaim all representations and warranties provided under the UCC in any foreclosure sale contracts.

5. **Indemnity; Fees and Expenses.** Grantor agrees to indemnify Secured Party as provided in the APA.
6. **Secured Party May Perform.** If Grantor fails to perform any agreement contained herein, Secured Party may itself perform (but is not required to perform) or cause performance of, such agreement, and the expenses of Secured Party incurred in connection therewith shall be payable by Grantor on Secured Party's demand. If Grantor does not reimburse Secured Party, such amounts paid will become part of the Subject Debt and will be secured under this Agreement. The powers conferred on Secured Party under this Agreement are solely to protect its interest in the Collateral and shall not impose any duty on it to exercise any such powers.
7. **Notices.** Each notice to Grantor shall be in writing and shall be deemed to have been given or made when sent to Grantor, by certified mail, return receipt requested, or nationally recognized overnight courier service to the address of Grantor set forth above or at such other address that Grantor may furnish to Secured Party from time to time. Every notice to Secured Party shall be effective when delivered to Secured Party at its office or at such other address as Secured Party may furnish to Grantor.
8. **Definitions.** As used in this Agreement, the following terms shall have the following meanings: (a) *Event of Default* means any event of default as defined and occurring under any Related Writing; (b) *Record* means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form; (c) *Related Writing* means a Record of any kind that (i) evidences the Subject Debt or pursuant to which any Subject Debt is issued, (ii) evidences any Collateral or any interest therein or Proceeds or Products thereof or that otherwise relates thereto in any manner and includes, without limitation, any warehouse receipt, bill of lading, certificate, affidavit, assignment, endorsement, trust receipt, contract of sale,

lease, invoice, or check, or (iii) is a financial statement, audit report, opinion, notice, certificate, or other Record of any kind that is furnished to Secured Party by Grantor or by any officer, partner, employee, agent, auditor or counsel of Grantor; and (d) UCC means the Uniform Commercial Code as currently in effect in the jurisdiction where the chief executive office of the Secured Party is located and as the Uniform Commercial Code may later be amended, adopted, and effective in such jurisdiction. All terms used in this Agreement that are defined under the UCC and not otherwise defined in this Agreement, including, without limitation, all terms relating to the Collateral, shall have the meaning as set forth in the UCC.

9. **General Provisions.** The provisions of this Agreement shall be binding on the successors and assigns of the parties. No single or partial exercise of any right, power or privilege shall preclude any further or other exercise thereof or of any other right, power, or privilege, as each such right, power, or privilege may be exercised either independently or concurrently with others and as often and in such order as Secured Party may deem expedient. This Agreement contains the entire security agreement between Grantor and Secured Party and may be in addition to other security agreements executed by Grantor in favor of Secured Party. If any one or more of the provisions of this Agreement should be invalid, illegal, or unenforceable in any respect, the finding shall only affect the provisions found to be void and the remaining provisions shall not be impaired. No course of dealing with respect to, nor any omission or delay in the exercise of, any right, power, or privilege by Secured Party under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof or of any other right, power, or privilege, as each such right, power, or privilege may be exercised either independently or concurrently with others and in such order as Secured Party may deem expedient. The provisions of this Agreement may be modified, altered, or amended only by written agreement signed by Secured Party and Grantor. Each right, power, or privilege is in addition to and not in limitation of any other rights, powers, and privileges that Secured Party may otherwise have or acquire by operation of law (including, without limitation, the right of offset), by other contract or otherwise. This Agreement shall be governed by the laws of the state of Michigan.
10. **Defeasance.** Secured Party's security interest in the Collateral shall remain in effect in accordance with this Agreement until the Subject Debt has been fully satisfied and shall not be affected by the lapse of time or by the fact that there may be a time or times when no Subject Debt is outstanding. If and when Secured Party's security interest shall have terminated in accordance with the provisions of this Agreement, Grantor agrees to pay to Secured Party, on demand, an amount equal to all reasonable costs and expenses incurred by Secured Party in terminating its security interests or in notifying Account Debtors of any such termination.

This Agreement is executed on the date listed on the first page of this Agreement, with the parties intending to be legally bound by it.

Grantor:
STURGIS HOSPITAL, INC.

By _____
John Mayer
Its: Chairman

Secured Party:
CITY OF STURGIS

By _____
John Carmichael
Its: Mayor

ADDENDUM TO SUBLEASE AGREEMENT

THIS ADDENDUM TO SUBLEASE AGREEMENT (the "Addendum") is made as of August 13, 2014 by and between the CITY OF STURGIS, a Michigan home rule city, with the City offices located at 130 N. Nottawa, Sturgis, Michigan 49091, Attention: City Manager (the "City"), and STURGIS HOSPITAL, INC., a Michigan nonprofit corporation, of 916 Myrtle, Sturgis, Michigan 49091, ("SHI"), and consented to by the CITY OF STURGIS BUILDING AUTHORITY, 130 N. Nottawa, Sturgis, Michigan 49091 (the "Authority"), a building authority established pursuant to Act 31, Public Acts of Michigan, 1948 (First Extra Session), as amended ("Act"), based on the following facts:

RECITALS

A. The Authority was incorporated under and in pursuance of the provisions of the Act for the purposes set forth in said Act and the Authority's Articles of Incorporation; and

B. The City and the Authority have previously entered into a Full Faith and Credit General Obligation Lease Contract, dated as of September 1, 2004 (the "Lease Contract"), wherein the Authority agreed to acquire certain improvements for the City relating to Sturgis Hospital (the "Hospital"), 916 Myrtle Avenue, Sturgis, Michigan;

C. Bonds of the Authority were issued for such purpose, denominated Building Authority Bonds (Sturgis Hospital Project), Series 2004 (Limited Tax General Obligation), dated as of December 1, 2004, in the original principal amount of \$10,000,000 (the "2004 Bonds") and Building Authority Bonds (Sturgis Hospital Project), Series 2005 (Limited Tax General Obligation), dated August 11, 2005, in the original principal amount of \$995,000 (the "2005 Bonds," and together with the 2004 Bonds, the "Prior Bonds");

D. On December 31, 2009, the City and SHI entered into a Sublease dated as of December 31, 2009 (the "Sublease"), whereby SHI leased from the City the entire Premises (as defined in the Sublease) financed with the proceeds of the Prior Bonds and agreed to make certain rent payments to the City to be used to pay debt service on the Prior Bonds;

E. The City and the Authority have entered into a contract dated as of June 3, 2014 (the "Refunding Contract"), which shall supplement and amend the Lease Contract to the extent necessary to implement a refunding program; and

F. On July 10, 2014, the Authority issued its Building Authority Refunding Bonds, Series 2014, in the principal amount of \$9,445,000 to refund part of the Prior Bonds (the "Refunded Bonds") to secure for the City and SHI the interest savings anticipated and thereby permit the operation of the financed facilities in a more

economical fashion for the benefit of SHI and the taxpayers of the City;

G. The City and SHI have agreed to enter into the Addendum to further implement a refunding program.

NOW, THEREFORE, in consideration of the premises and the covenants of each other, the parties hereto agree as follows:

1. Paragraph 5 of the Sublease is hereby modified as follows:

5. Rent and Other Costs.

(a) SHI shall pay annual rent at the times and in the amounts stated on the schedule attached as **Exhibit A**, in advance, without notice or demand and without deduction, set-off, abatement, counterclaim, or reduction of any sort, to City at its address listed above, or at such other place as is designated in writing by City.

(b) City agrees to make to Authority all payments of rent paid to it by SHI under this Sublease at the times and in the amounts required by the Lease. City and Authority may deposit the rent payments received by SHI into an escrow account that is restricted to the yield on the Bonds in order to pay the debt service on the Bonds on the next scheduled debt service payment date.

(c) Because the rent payments to the City under this Sublease are required by the Internal Revenue Code to be used by the Authority to pay the debt service on the Bonds and the failure to timely pay the rent under this Sublease could cause the security for the Bonds to be impaired, a failure by SHI to pay the scheduled rent within 15 days of its due date will constitute a Default under this Sublease.

(d) SHI may make advance payments of all or a portion of the rent due and owing pursuant to this Sublease without premium or penalty.

(e) In addition to SHI's obligation to pay the rent above, SHI shall also pay all other charges as provided in the Lease and relating to the Premises, including fire and extended coverage insurance, liability insurance, maintenance and paying agent fees, repairs, taxes, utility and all other charges, costs, expenses, obligations and liabilities which are the responsibility of the City under the Lease. If City pays such items, SHI shall reimburse City for such amounts within ten (10) days of being billed for the same by City. All utilities shall be transferred into the name of SHI effective as of the Commencement Date.

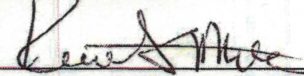
(f) City, Authority and SHI acknowledge and agree that the amounts of the rent payments under this Sublease were negotiated at arms-length and in good faith and represent fair market value for the rental of the Premises.

2. The remaining provisions of the Sublease, except as expressly modified herein, shall remain in full force and effect.

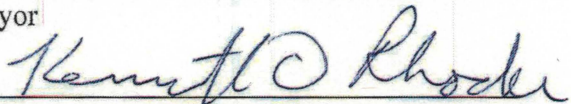
3. The Authority hereby consents to this Addendum.

City, SHI and Authority have signed this Addendum as of the date first set forth above.

CITY OF STURGIS

By: 

Its: Mayor

By: 

Its: Clerk/Treasurer

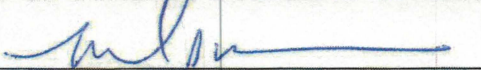
STURGIS HOSPITAL, INC.

By: 

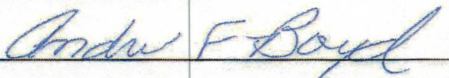
Its: Chairman

Consented to by:

CITY OF STURGIS BUILDING AUTHORITY

By: 

Its: Commission President

By: 

Its: Commission Secretary

EXHIBIT A
SCHEDULE OF RENT PAYMENTS

Payment Dates	Payment Amount	Annual Total
3/1/2010	322,561.00	
9/1/2010	322,561.00	645,122
3/1/2011	324,136.00	
9/1/2011	324,136.00	648,272
3/1/2012	325,523.50	
9/1/2012	325,523.50	651,047
3/1/2013	331,723.50	
9/1/2013	331,723.50	663,447
3/1/2014	332,536.50	
9/15/2014	195,413.75	527,950
3/15/2015	166,906.25	
9/15/2015	457,406.25	624,313
3/15/2016	164,006.25	
9/15/2016	464,506.25	628,513
3/15/2017	161,006.25	
9/15/2017	486,506.25	647,513
3/15/2018	157,756.25	
9/15/2018	488,256.25	646,013
3/15/2019	154,456.25	
9/15/2019	494,956.25	649,413
3/15/2020	151,056.25	
9/15/2020	501,556.25	652,613
3/15/2021	145,806.25	
9/15/2021	516,306.25	662,113
3/15/2022	140,256.25	
9/15/2022	525,756.25	666,013
3/15/2023	134,481.25	
9/15/2023	544,981.25	679,463
3/15/2024	128,331.25	
9/15/2024	563,831.25	692,163
3/15/2025	119,631.25	
9/15/2025	575,131.25	694,763
3/15/2026	110,531.25	
9/15/2026	591,031.25	701,563
3/15/2027	100,931.25	
9/15/2027	611,431.25	712,363
3/15/2028	90,093.75	
9/15/2028	630,593.75	720,688
3/15/2029	78,618.75	
9/15/2029	649,118.75	727,738
3/15/2030	68,643.75	
9/15/2030	669,143.75	737,788
3/15/2031	55,893.75	
9/15/2031	691,393.75	747,288
3/15/2032	42,400.00	
9/15/2032	707,900.00	750,300
3/15/2033	29,100.00	
9/15/2033	739,600.00	768,700
3/15/2034	14,900.00	
9/15/2034	760,400.00	775,300