

COPY

ACT 7 INTERLOCAL COOPERATION AGREEMENT

creating the

**KALAMAZOO LAKE
HARBOR AUTHORITY, INC.**

TABLE OF CONTENTS

		Page
Article I	DEFINITIONS.....	2
Article II	CREATION OF THE KALAMAZOO LAKE HARBOR AUTHORITY	5
	Section 2.01 Creation and Legal Status of the Kalamazoo Lake Harbor Authority, Inc.....	5
	Section 2.02 Geographic Boundaries.....	5
	Section 2.03 Principal Office.....	5
	Section 2.04 Title to Authority Assets.....	5
	Section 2.05 Tax-exempt Status	5
	Section 2.06 Compliance with Law.....	5
	Section 2.07 Independent Contractor.....	5
	Section 2.08 No Third Party Beneficiaries	6
	Section 2.09 Ethics; Conflicts of Interest	6
Article III	PURPOSE.....	6
	Section 3.01 Purpose.....	6
Article IV	GENERAL POWERS OF the authority	6
	Section 4.01 Powers Granted Under Act 7	6
	Section 4.02 Additional Powers Granted Under Act 7	7
	Section 4.03 Powers Under Act 451	8
	Section 4.04 Powers Under Act 94	8
	Section 4.05 Bonds or Notes; Limitations	9
	Section 4.06 Tax Limitation	9
	Section 4.07 Limitation on Political Activities.....	9
	Section 4.08 No Waiver of Governmental Immunity.....	10
Article V	SPECIFIC POWERS OF the authority; LIMITATIONS	10
	Section 5.01 Master Development Plan.....	10
	Section 5.02 Application Criteria and Review; Incentives; Approval. The Authority shall have the power to promulgate application materials; to seek and accept applications from prospective developers and businesses; to establish criteria for development; except as such discretion is expressly limited by this Agreement or law; to consult with the State officials having subject matter jurisdiction in respect of applications and approvals; to monitor the performance of applicants; and to make recommendations in respect of applications to the State officials or entities, a Local Government Party, or any other Person having subject matter jurisdiction	10
	Section 5.03 Infrastructure Planning and Development	10
	Section 5.04 Site Selection	10
	Section 5.05 Marketing; Business Attraction	11
	Section 5.06 Real Estate Development.....	11
	Section 5.07 Regulatory Assistance and Processing.....	11
	Section 5.08 Local Government Assistance	11

TABLE OF CONTENTS
(continued)

		Page
Article VI	AUTHORITY BOARD	11
	Section 6.01 Authority Board Composition.....	11
	Section 6.02 Meetings.....	12
	Section 6.03 Quorum and Voting	12
	Section 6.04 Authority Board Powers and Responsibilities	12
	Section 6.05 Fiduciary Duty	12
	Section 6.06 Compensation	13
Article VII	OFFICERS.....	13
	Section 7.01 The Authority Board, at the annual meeting, shall elect a Chairperson, Vice-Chairperson, a Secretary and a Treasurer who shall hold their offices for one year or until their successors are duly elected	13
	Section 7.02 Vacancies	13
	Section 7.03 Meetings.....	13
	Section 7.04 Compensation	13
	Section 7.05 Conflicts of Interest.....	13
	Section 7.06 Termination. An Officer may be removed by the Authority Board by a majority vote of the Authority Board with or without cause at any time.....	14
Article VIII	DURATION OF, WITHDRAWAL FROM, AND TERMINATION OF INTERLOCAL AGREEMENT.....	14
	Section 8.01 Duration	14
	Section 8.02 Withdrawal by a Party	14
	Section 8.03 Termination.....	14
	Section 8.04 Disposition upon Termination	14
Article IX	CONTRIBUTIONS	15
	Section 9.01 Entry Fees	15
	Section 9.02 Personal Property, Assets, Services, Employees	15
	Section 9.03 Marketing Costs.....	15
	Section 9.04 Acts and Omissions.....	15
	Section 9.05 Execution of Documents.....	15
	Section 9.06 Participation Agreement	16
Article X	ADMISSION OF OTHER PARTIES.....	16
	Section 10.01 Procedure	16
	Section 10.02 Effective Date	16
	Section 10.03 Not an Amendment to Agreement.....	16
	Section 10.04 Opinion of Legal Counsel.....	16
Article XI	SHARING OF REVENUE; LIMITATIONS	16
	Section 11.01 Sharing of Revenue.....	16
	Section 11.02 Limitations	17
Article XII	BOOKS AND REPORTS.....	17

TABLE OF CONTENTS
(continued)

		Page
Section 12.01	Accrual Basis	17
Section 12.02	Authority Records	17
Section 12.03	Financial Statements and Reports	17
Section 12.04	Freedom of Information Act	17
Article XIII	FINANCES	17
Section 13.01	Annual Budget	17
Section 13.02	Deposits and Investments	17
Section 13.03	Disbursements	17
Article XIV	MISCELLANEOUS	18
Section 14.01	Notices	18
Section 14.02	Entire Agreement	18
Section 14.03	No Presumption	18
Section 14.04	Severability of Provisions	18
Section 14.05	Governing Law	19
Section 14.06	Captions and Recitals	19
Section 14.07	Terminology	19
Section 14.08	Cross-References	19
Section 14.09	Jurisdiction and Venue	19
Section 14.10	Amendment	19
Section 14.11	Execution of Agreement; Counterparts	19

This **INTERLOCAL AGREEMENT** is entered into pursuant to Act No. 7 of PA 1967 (hereinafter defined), taking in, but not limiting to those the powers and authorities granted under the Acts set forth below, by and among the signatory parties hereto ("Parties") for the purpose of creating the **KALAMAZOO LAKE HARBOR AUTHORITY, INC.** (the "KLHA" or "Authority") a separate legal entity and public body corporate, to administer the economic development objectives and purposes set forth herein. Each of the Parties is a "public agency" as defined in Act 7 with the power to carry out the programs described in this Agreement.

RECITALS

A. The Parties have determined that the restoration, maintenance, preservation and future development of Kalamazoo Lake waterways, channels, harbor, marina and waterfront area offers significant economic development opportunities and benefits.

B. The Urban Cooperation Act of 1967, Act No. 7 of the Public Acts of Michigan, 1967, Ex. Sess., MCL 124.501 et seq. ("Act 7"), permits a public agency to exercise jointly with any other public agency any power, privilege or authority which such public agencies share in common and which each might exercise separately.

C. The Natural Resources and Environmental Protection Act, Act No. 451 of PA 1944, as amended, MCL 324.79301, *et seq.*, ("Act 451"), defines "Political Subdivisions" as local units of government and any other governmental agency, subdivision, public corporation or authority, which is or may authorized by law to acquire, establish, construct, maintain, improve and operate harbors, channels, and other navigational facilities.

D. Section 79303 of Act 451 authorizes two or more Political Subdivisions to enter into a contract with each other for the purpose of implementing Part 793 of the Natural Resources and Environmental Protection Act.

E. Section 30903 of Act 451 authorizes any local unit of government by itself or in combination with other local governments, to create a lake board for the protection of the public health, welfare, and safety; the conservation of the natural resources; and the preservation of property values around the lake by and empowering said lake board to take steps necessary to remove and properly dispose of undesirable accumulated materials from the bottom of the lake or wetland by dredging, ditching, digging or other related work.

F. The Water Resource Improvement Tax Increment Finance Authority Act, Act 94 of PA 2008, MCL 125.1771 *et seq* empowers the governing body of a municipality to establish an authority within a water resource improvement district created under Section 5(1) of Act 94 and authorizes said municipality to enter into an umbrella agreement with an adjoining municipality that has created a similar authority to jointly operate and administer those authorities under an interlocal agreement under Act 7 [Sec. 5(5)].

G. The Parties desire to enter into an interlocal agreement, pursuant to Act 7 to jointly create the Authority and exercise the economic development powers shared by the Parties through the authority granted by the above acts.

H. Each Party has the power, privilege and authority to perform various economic development activities and administrative functions supportive of economic development activities, and to enter into this Agreement.

I. To the extent that State law is enacted or amended subsequent to the execution date of this Agreement to provide for powers which may be exercised by the Authority, the Parties desire and intend that the Authority created hereby be fully empowered and authorized to exercise such powers to the full extent authorized by law from and after such enactment or amendment, without further amendment to this Agreement, subject only to the limitations set forth in this Agreement.

J. Each Party, pursuant to resolution of its governing body, is authorized to execute and deliver this Agreement.

IN WITNESS WHEREOF, the Parties covenant and agree as follows:

ARTICLE I
DEFINITIONS

The following words and expressions, whenever initially capitalized, whether used in the singular or plural, possessive or nonpossessive and/or either within or without quotation marks shall be defined and interpreted as follows:

Section 1.01 "Act 7" means the Urban Cooperation Act of 1967, Act No. 7 of the Public Acts of Michigan, 1967 (Ex Sess), as amended, MCL 124.501 to 124.512.

Section 1.02 "Act 451" means the Natural Resources and Environmental Protection Act, Act No. 451 of the Public Acts of Michigan, 1944, as amended, MCL 324.79301 *et seq.*

Section 1.03 "Act 94" means the Water Resource Improvement Tax Increment Finance Authority Act, Act No. 94 of the Public Acts of Michigan, 2008, as amended, MCL 125.1771, *et seq.*

Section 1.04 "Agreement" means this Interlocal Agreement, dated as of the Effective Date.

Section 1.05 "Authority" means that term as defined in Act 94, Act 7 or Act 451.

Section 1.06 "Authority Board" means the board of the Authority created by Section 6.01 of this Agreement.

Section 1.07 "Benefit" or "Benefits" means advantages resulting from a project to public corporations, the inhabitants of public corporations, the inhabitants of this state, and the property within public corporations. Benefit includes benefits that result from the elimination of pollution and elimination of flood damage, elimination of water conditions that jeopardize the public health and safety; increase of the value or use of lands and property

arising from improving a lake or lakes as a result of the lake project and the improvement or development of a lake for fishing, wildlife, boating, swimming, or any other recreational, agricultural or conservation use. (See MCL 324.30901).

Section 1.08 “Captured Assessed Value” means that term as defined in Act 94.

Section 1.09 “County Party” shall mean any Party organized as a Michigan county.

Section 1.10 “Days” means calendar days, unless otherwise expressly provided.

Section 1.11 “Development Area” or “Water Resource Improvement District” means that term as defined in Act 94, as amended.

Section 1.12 “Development Master Development Plan” means an overall conceptual design plan adopted by the Authority pursuant to Act 94 and Section 5.03 of this Agreement to encourage the coordinated and orderly development of the KLHA, including the recommended designation of land uses by the Local Government Parties under relevant provisions of their Zoning Acts and tax increment financing authority ordinances. The KLHA Master Development Plan shall have no binding force or effect within or upon any portion of the territory of any Local Government Party except to the extent expressly approved by resolution and any necessary implementing ordinance of the governing body of the Local Government Party.

Section 1.13 “Effective Date” means the later of the dates on which a fully executed copy of this Agreement, pursuant to Section 10 of Act 7, is (i) filed with Michigan Department of State, Office of the Great Seal, and (ii) filed with the Allegan County Clerk.

Section 1.14 Reserved.

Section 1.15 “Fiscal Year” means the fiscal year of the Authority, which shall begin on July 1 of each year and end on June 30 of each year, or such other fiscal year as may be determined from time to time by the Authority Board.

Section 1.16 “FOIA” or “Freedom of Information Act” means the Freedom of Information Act, Act No. 442 of the Public Acts of Michigan, 1976, as amended, MCL 15.231 to 15.246.

Section 1.17 “Governing Body” means the elected body of a municipality having legislative powers.

Section 1.18 “Initial Assessed Value” means the term as used in Act 94.

Section 1.19 “Inland Lake” means a natural or artificial lake that has a surface area of more than 5 acres.

Section 1.20 "KLHA" or "Authority" means the Kalamazoo Lake Harbor Authority, Inc. created by this Agreement, a separate legal entity and public body corporate, to administer the economic development objectives and purposes set forth herein.

Section 1.21 "Local Government Party" or "Municipality" shall mean any Party organized as a Michigan city, village or township or county who is a signatory under this Agreement.

Section 1.22 "OMA" or "Open Meetings Act" means the Open Meetings Act, Act No. 267 of the Public Acts of Michigan, 1976, as amended, MCL 15.261 to 15.275.

Section 1.23 "Operations and Maintenance" means maintenance of assets, recreational improvements made by the KLHA, including salaries and expenses of employees, office supplies, consultation fees, design costs and other expenses incurred in the daily activities and management of the Authority and planning of its activities.

Section 1.24 "Participation Agreement" means an agreement as described in Article IX of this Agreement.

Section 1.25 "Party" or "Parties" means, either individually or collectively as applicable to Local Government Party which is a signatory to this Agreement.

Section 1.26 "Permit" shall mean a permit, license or approval required to be granted by a Local Government Party as a condition of the operation of a business.

Section 1.27 "Person" means any individual, authority, profit or non-profit corporation, partnership, limited liability company, university, joint venture, trust, association, chamber of commerce, travel and visitors center, Public Agency, or other legal entity.

Section 1.28 "Public Agency" means that term as defined in Act 7.

Section 1.29 "Public Facility" means the term as defined in Act 94.

Section 1.30 "Site Plan" means that term as defined in the Zoning Act.

Section 1.31 "State" means the State of Michigan.

Section 1.32 "Tax Increment Revenues" means that term as defined in Act 94.

Section 1.33 "TIF Plan" means a Development Plan and/or a Tax Increment Financing Plan as those terms are defined and used in Act 94.

Section 1.34 "Water Resource Improvement" or "Lake Improvements" means that term as defined in Act 94 in Part 309 of Act 451.

Section 1.35 "Zoning Act" means the Michigan Zoning Enabling Act, Act No. 110 of the Public Acts of Michigan, 2006, as amended, MCL 125.3101 to 125.3702.

ARTICLE II
CREATION OF THE
KALAMAZOO LAKE HARBOR AUTHORITY

Section 2.01 Creation and Legal Status of the Kalamazoo Lake Harbor Authority, Inc. There is hereby created a separate legal entity and public body corporate to be known as the "Kalamazoo Lake Harbor Authority" for the purpose of administering and executing this Agreement. The Authority shall have those powers granted by law and identified in this Agreement.

Section 2.02 Geographic Boundaries. The boundaries of the Authority, within which it may exercise its powers shall be the submerged bottom land within that portion of the Kalamazoo River and Kalamazoo Lake which lies west of the I-196 bridge and continues to the east end of the break wall at the mouth of the river and Lake Michigan and land that may be up to one (1) mile from the shoreline of Kalamazoo Lake that contains one or more public access points within the collective political boundaries of the Local Government Parties, as more particularly described in Exhibit A attached hereto and made a part hereof. The Authority shall have no extraterritorial power or authority outside of these geographic boundaries.

Section 2.03 Principal Office. The initial principal office of the Authority is 86 W. Center Street, Douglas, Michigan 49406, or such other location as may be determined from time to time by the Authority Board.

Section 2.04 Title to Authority Assets. Except as otherwise provided under the terms of a transfer of programs and/or funding from a Party or Person to the Authority, the Authority shall have exclusive title to all its property, and no Party or Person shall have an ownership interest in the Authority property.

Section 2.05 Tax-exempt Status. The Parties intend and declare the activities of the Authority to be governmental functions carried out by an instrumentality or political subdivision of government as described in Section 115 of the Internal Revenue Code of 1986, 26 USC 115, or any corresponding provisions of any future tax code. The Parties also intend and declare the activities of the Authority to be of the same character as "governmental functions carried out by a political subdivision of this State," exempt to the extent provided under Michigan law from taxation by this State, including, but not limited to, the business tax under the Michigan Business Tax Act, Act No. 36, Public Acts of Michigan, 2007, as amended, MCL 208.1101 to 208.1601, and ad valorem property taxes under Act 206, and exempt to the extent provided under Michigan law from all governmental assessments and fees otherwise applicable to private entities.

Section 2.06 Compliance with Law. The Authority shall comply with all federal and state laws, rules, regulations, and orders applicable to this Agreement.

Section 2.07 Independent Contractor. The Parties agree that at all times and for all purposes under the terms of this Agreement each Party's relationship to each other shall be that of an independent contractor. Each Party will be solely responsible for the acts of its own

employees, agents, and servants. No liability, right or benefit arising out of any employer/employee relationship either express or implied shall arise or accrue to any Party as a result of this Agreement.

Section 2.08 No Third Party Beneficiaries. Except as expressly provided herein, this Agreement does not, and is not intended to, create, by implication or otherwise, any direct or indirect obligation, duty, promise, benefit, right to be indemnified (i.e., contractually, legally, equitably, or by implication) and/or any right to be subrogated to any Party's rights in this Agreement, and/or any other right of any kind, in favor of any Person.

ARTICLE III PURPOSE

Section 3.01 Purpose. The purpose of the Authority shall be to take advantage of the provisions of State laws enabling the creation and implementation of water resource, economic development activities generally and of the development of Kalamazoo Lake in particular and to attract facilities engaged in waterfront and marine activities, and other tourist or nautical businesses in accordance with State laws, and shall also include the exercise of power granted by such State laws in the joint exercise of shared powers, privileges or authority of the Parties to perform successful, effective and efficient economic development programs and functions throughout the geographic boundaries of the Authority. Shared powers shall include the coordination of complementary local programs and functions of the Parties. To the extent that State laws are enacted or amended subsequent to the execution date of this Agreement to provide for additional powers which may be exercised by the Authority, as may be hereafter recognized by statute, the Parties desire and intend that the Authority created hereby be fully empowered and authorized to exercise such powers upon approval by the Parties.

ARTICLE IV GENERAL POWERS OF THE AUTHORITY

Section 4.01 Powers Granted Under Act 7. In carrying out its purposes, the Authority may perform, or perform with any Person, as applicable, any power, privilege, or authority related to economic development that the Parties share in common and that each might exercise separately to the fullest extent permitted by Act 7 and in accordance with relevant law, except as expressly otherwise provided in this Agreement. Except as otherwise provided herein, the enumeration of a power in this Agreement shall not be construed as a limitation upon the powers of the Authority, and is in addition to any powers authorized by law. Among other things, the Authority, in its own name, shall have the power to:

- (a) Make or enter into contracts;
- (b) Employ agencies or employees;
- (c) Acquire, construct, manage, maintain, or operate buildings, works, or improvements;
- (d) Acquire, own, hold, operate, maintain, lease, or sell real or personal property and dispose of, divide, or distribute any property;

- (e) Incur debts, liabilities, or obligations that, except as expressly authorized in writing by the Parties, do not constitute the debts, liabilities, or obligations of any of the Parties;
- (f) Cooperate with a Public Agency, an agency or instrumentality of the Public Agency, or another legal or administrative entity created by the Public Agency under Act 7;
- (g) Make loans from the proceeds of gifts, grants, assistance funds, or bequests in order to further its purposes;
- (h) Form other entities necessary to further the purposes of the Agreement; and
- (i) Sue and be sued.

Section 4.02 Additional Powers Granted Under Act 7. The Authority shall also have the power to:

- (a) Employ, engage, compensate, transfer, or discharge necessary personnel, subject to the provisions of applicable civil service and merit systems and Act 7;
- (b) Fix and collect charges, rates, rents, fees, loan repayments, loan interest rates, or other charges on loans;
- (c) Promulgate necessary rules and provision for their enforcement by or with the assistance of the Parties to accomplish the purposes of this Agreement;
- (d) Accept gifts, grants, assistance funds, or bequests and use the same for the purposes of this Agreement. The Authority may apply for and accept grants, loans, or contributions from any source. The Authority may do anything within its power to secure the grants, loans, or other contributions;
- (e) Make claims for federal or state aid payable to a Party on account of the execution of this Agreement;
- (f) Respond for any liabilities that might be incurred through performance of the Agreement and insure against any such liability;
- (g) Arbitrate disputes or disagreements, the effects of failure of the Parties to pay their shares of the costs and expenses, and the rights of the other Parties in such cases;
- (h) Engage auditors to perform independent audits of the financial statements of the Authority;
- (i) Invest surplus funds or proceeds of grants, gifts, or bequests and adopt an investment policy in connection therewith;
- (j) Employ legal, financial and technical experts, other officers, agents, or employees, and accept voluntary provision of such services and functions from donor individuals and entities;

- (k) Study, develop, and prepare the reports or plans the Authority considers necessary to further the purposes of this Agreement and to monitor and evaluate performance under this Agreement; and
- (l) Indemnify, as permitted by law, and procure insurance indemnifying any members of the Authority Board or officers or employees of the Authority from personal loss or accountability from liability asserted by any Person for any acts or omissions of the Authority.

Section 4.03 Powers Under Act 451. In addition to the powers enumerated under Act 7 referenced above, the Authority may exercise all powers vested through Act 451, as amended, subject to the limitations, if any, of this Agreement including, without limitation:

- (a) Vest authority for the maintenance, operation and regulations of the Kalamazoo Harbor Development Area in a board which shall, by resolution or ordinance, prescribe the duties and powers of the board to:
 - (1) Adopt all necessary rules, regulations, and ordinances for the management, government, and use of any waterways, harbors, channels, or other navigational facilities under its control; employ harbor guards or security, a harbormaster with full police powers; establish penalties for the violation of the rules, regulations, and ordinances; and enforce those penalties.
 - (2) Adopt and enact rules, regulations, and ordinances designed to safeguard the public in the Kalamazoo Harbor Development Area.
 - (3) Following adoption of a resolution by each Party consenting to the same, establish a special assessment district including all parcels of land and local units of government which will be benefitted by the improvement of the lake.
 - (4) Perform any other activity permitted under Acts 451 as amended.

Section 4.04 Powers Under Act 94. The Authority may exercise all powers vested in it through Act 94 including but not limited to :

- (1) Adopt a Water Resource Management Plan.
- (2) Plan and propose the construction, renovation, repair, remodeling, rehabilitation, restoration, preservation or reconstruction of public facilities that may be necessary or appropriate to the execution of the Water Resource Management Plan.
- (3) Make and enter into contracts necessary or necessary to the exercise of its powers and the performance of its Plan.
- (4) Acquire by purchase or otherwise lease land or other property, real or personal, or rights or interest therein.

- (5) Fix, charge and collect fees, rents and charges for the use of any facility, building or property under its control or any part of the facility, building or property and, where necessary, pledge such fees, rents and charges for the payment of revenue bonds issued by the Water Improvement Tax Increment Finance Authority.
- (6) Consistent with all procedures contained in Act 94, adopt a tax increment finance plan or establish a special assessment district and/or borrow money through the issuance of revenue bonds.
- (7) Perform any other activity permitted under Act 94, as amended.

Section 4.05 Bonds or Notes; Limitations. The Authority shall not issue any type of bond in its own name or in any way indebted a Party except as provided herein. The Authority may borrow money and issue bonds or notes in its name for local public improvements or for economic development purposes provided that the Authority shall not borrow money or issue bonds or notes for a sum that, together with the total outstanding bonded indebtedness of the Authority, exceeds 2 mills of the taxable value of the taxable property within the Parties as determined under Section 27a of the General Property Tax Act, 1893 PA 206, MCL 211.27a, unless otherwise authorized by other financial authorities and acts encompassed hereunder through Act 7. Bonds or notes issued by the Authority are the debt of the Authority and not of the Parties. Bonds or notes issued by the Authority are for an essential public and governmental purpose. Pursuant to Section 7(7) of Act 7, bonds or notes, together with the interest on the bonds or notes and income from the bonds or notes, are exempt from all taxes. Bonds or notes issued by the Authority are subject to Act No. 34 of the Public Acts of Michigan, 2001, as amended, as required by Section 7(8) of Act 7. This section is not meant to limit the ability to issue bonds by its individual Parties as provided for by law.

Section 4.06 Tax Limitation. The Authority shall not levy any type of property tax millage within the boundaries of any Party except by majority vote of the members of its governing body or authorized by the voters of the municipality as may be permitted by the Acts identified herein. Nothing contained in this Agreement, however, prevents one or more of the Parties from levying taxes in their own right and assigning the revenue from such taxes to the Authority, to the extent permitted by law.

Section 4.07 No Waiver of Governmental Immunity. The Parties agree that no provision of the Agreement is intended, nor shall it be construed, as a waiver by any Party of any governmental immunity provided under Act 7 or other law. In accordance with Act 7, the Authority shall not be operated for profit, and it shall perform governmental and not proprietary functions.

ARTICLE V SPECIFIC POWERS OF THE AUTHORITY: LIMITATIONS

Section 5.01 Master Development Plan. The Authority, in collaboration with the Parties, shall have the power to promulgate a Kalamazoo Lake Master Development Plan, a Water Resource Development Plan, Tax Increment Financing and Development Plan or similar plan as required by the specific Act being used for that area within the boundaries of

the Development Area of the Authority. The Development Plan may include proposed land uses to be recommended to the Parties' consideration in respect of the Parties' zoning regulations. The Kalamazoo Lake Master Development Plan or is equivalent shall be submitted to the Local Government Parties for approval prior to implementation.

If the Authority intends to include tax increment financing as a financing mechanism under the Act, the Water Improvement Tax Increment Finance Act, the Tax Increment Authorities of each Party or its equivalent must first adopt a tax increment financing and development plan pursuant to the procedures set forth in Act 94 to be administered by the Authority. Said plan shall mirror as close as possible the Kalamazoo Lake Master Development Plan.

Section 5.02 Application Criteria and Review; Incentives; Approval. The Authority shall have the power to promulgate application materials; to seek and accept applications from prospective developers and businesses; to establish criteria for development; except as such discretion is expressly limited by this Agreement or law; to consult with the State officials having subject matter jurisdiction in respect of applications and approvals; to monitor the performance of applicants; and to make recommendations in respect of applications to the State officials or entities, a Party, or any other Person having subject matter jurisdiction.

Section 5.03 Infrastructure Planning and Development. The Authority shall have the power to work with State and local government officials in the planning and development of infrastructure within the geographic territory of the Authority.

Section 5.04 Site Selection. The Authority shall have the power to assist prospective developers and businesses with selection of development sites within the geographic territory of the Authority.

Section 5.05 Marketing; Business Attraction. The Authority shall have the power to conduct marketing and business attraction efforts on behalf of itself and the Development Area.

Section 5.06 Real Estate Development. The Authority shall have the power to provide consultation to assist any Person in respect of the development of real estate within the geographic territory of the Authority.

Section 5.07 Regulatory Assistance and Processing. The Authority shall have the power to provide assistance to prospective developers and businesses in respect of applying for and obtaining any necessary or advisable licenses, permits or approvals from federal, State and local government entities.

Section 5.08 Local Government Assistance. The Authority shall have the power to provide assistance to the Parties with the implementation and coordination of economic development programs within the geographic territory of the Authority.

ARTICLE VI
AUTHORITY BOARD

Section 6.01 Authority Board Composition. The Board of Directors shall, for general purposes, consist of the following Board Members. The appointing authority of each Party shall appoint two (2) members to the Authority Board provided that not more than one (1) of those members is an elected official. The appointing authorities of each Party shall collectively agree on the appointment of one (1) additional member who shall be a person having ownership, residence or business interest in land abutting Lake Kalamazoo. Members of the Authority Board shall serve at the pleasure of the appointing Party for terms established by each Party, but not to exceed four (4) years.

- (a) Each Party entitled to membership on the Authority Board shall have the ability to appoint one (1) alternate member to serve in a permanent member's place and stead if the permanent member is absent from an Authority Board meeting. Appointment of the alternate shall be made by the appointing authority in writing.
- (b) The City Manager or Chief Administrative Official of each Party shall serve as an ex-officio non-voting member of the Authority Board.
- (c) A vacancy on the Authority Board shall be filled in the same manner as the original appointment for the balance of the unexpired term.
- (d) All Authority Board Members are eligible for re-appointment in accordance with the rules and procedures of the appointing Authority.
- (e) All Authority Board members may be removed by the appointing authority at will.
- (f) If the Authority Board is assuming the powers under a particular Act requiring additional board members, those members shall be appointed for the limited purpose of serving for the particular purposes required under that particular Act.

Section 6.02 Meetings. The Authority Board shall meet at least annually at the place, date, and time as the Authority Board shall determine. Meetings shall comply with the Open Meetings Act.

Section 6.03 Quorum and Voting. A majority of the Authority Board then in office and present in person shall be required to constitute a quorum for the transaction of business, and a majority vote at a meeting at which a quorum is present shall be necessary for the transaction of business.

Section 6.04 Authority Board Powers and Responsibilities. The Authority Board shall do all of the following by a majority vote unless otherwise provided:

- (1) Upon the recommendation of the Authority Board, adopt by-laws and rules of procedure governing the Authority Board and their respective actions and meetings. Initial by-laws and rules of procedure shall be adopted within six (6) months of the first meeting of the Authority Board.
- (2) Elect individuals to fill the positions of Chairperson, Vice Chair Secretary and Treasurer.

- (3) Cause to be conducted an annual independent audit of the Authority in accordance with the Budget Act.
- (4) Upon the recommendation of the Chairperson and the Treasurer, approve the annual budget in accordance with the Uniform Budgeting and Accounting Act, Act No. 2 of the Public Acts of Michigan, 1968, as amended.
- (5) Evaluate the Authority's performance under this Agreement and law and recommend changes.
- (6) Establish policies and procedures in respect of ethics and conflicts of interest consistent with Sections 2.09 and 7.09 of this Agreement.
- (7) Approve an investment policy in accordance with Act No. 20, of the Public Acts of Michigan, 1943, as amended.
- (8) Create committees and appoint individuals to serve thereon.

Section 6.05 Fiduciary Duty. The members of the Authority Board are under a fiduciary duty to conduct the activities and affairs of the Authority in the best interests of the Authority, including the safekeeping and use of all Authority monies and assets for the benefit of the Authority. The members of the Authority Board shall discharge this duty in good faith, with the care an ordinarily prudent individual in a like position would exercise under similar circumstances.

Section 6.06 Compensation. The members of the Authority Board shall receive no compensation for the performance of their duties, but each member shall be reimbursed for such member's reasonable expenses in carrying out those duties. A member of the Authority Board may engage in private or public employment, or in a profession or business.

ARTICLE VII OFFICERS

Section 7.01 The Authority Board, at the annual meeting, shall elect a Chairperson, Vice-Chairperson, a Secretary and a Treasurer who shall hold their offices for one year or until their successors are duly elected. Said officers shall exercise such powers and perform such duties as shall be determined from time to time by the Authority Board.

Section 7.02 Vacancies. Vacancies shall be filled by appointments made by the respective appointing entity for the balance of the unexpired term.

Section 7.03 Meetings. The Authority Board shall hold meetings at the place, date, and time as the Authority Board shall determine. Meetings shall comply with the Open Meetings Act.

Section 7.04 Compensation. The officers shall receive no compensation for the performance of their duties, but each officer shall be reimbursed for such officer's reasonable expenses in carrying out those duties.

Section 7.05 Conflicts of Interest. The Authority Board may adopt policies and procedures requiring periodic disclosure of relationships which may give rise to conflicts of interest. The policies and procedures shall require that a member of the Authority Board or the officer who has a direct or indirect interest in any matter before the Authority disclose the member's interest and any reasons reasonably known to the officer or member of the Authority Board why the transaction may not be in the best interest of the public before the Authority Board takes any action with respect to the matter. The disclosure shall become part of the record of the Authority's proceedings.

Section 7.06 Subject to the relevant provisions of State law, the policies and procedures also shall have the objective of precluding the opportunity for and the occurrence of transactions by the Authority that would create a conflict of interest involving members of the Authority Board, officers and employees of the Authority. At a minimum, these policies to be established for the Authority should include compliance by each member of the Authority Board, Officers, and employees of the Authority who regularly exercise significant discretion over the award and management of Authority projects with policies governing the following:

- (a) Immediate disclosure of the existence and nature of any financial interest of an individual or immediate family member that would reasonably be expected to create a conflict of interest.
- (b) Withdrawal by an employee or member from participation in or discussion or evaluation of any recommendation or decision involving an Authority project that would reasonably be expected to create a conflict of interest for that employee or member.

Section 7.07 Termination. An officer may be removed by the Authority Board by a majority vote of the Authority Board with or without cause at any time. An officer may resign at any time by written notice to the Authority Board. Any vacancy thereby created shall be filled by a majority vote of the Authority Board until the next annual meeting.

ARTICLE VIII
DURATION OF, WITHDRAWAL FROM, AND
TERMINATION OF INTERLOCAL AGREEMENT

Section 8.01 Duration. The Authority commences on the Effective Date and continues for a term of ninety-nine (99) years unless earlier terminated in accordance with this Article VIII.

Section 8.02 Withdrawal by a Party. Any Party may withdraw from the Agreement at any time upon notice given six (6) months in advance to the Authority, or in accordance with Section 14.10 of this Agreement, and the Authority thereafter shall exercise no power or authority within the territory of the withdrawing Party; provided that if the Authority has incurred debts or obligations which also are debts or obligations of a Party on account of having been expressly authorized by the Party in accordance with Sec. 7(2) of Act 7 and Sec. 4.01 of this Agreement, the Party shall remain obligated for any such payment following its withdrawal from the Agreement; and provided further that the withdrawal of a

Party shall not invalidate nor terminate prior to its stated termination date any Master Development Plan or TIF Plan or the collection of Tax Increment Revenues, or any other economic development incentive previously established or granted prior to the withdrawal of the Party, and the withdrawing Party shall be deemed to remain a Party if necessary for the limited purpose of preserving any of the foregoing incentives, and provided further that in the event of a withdrawal by a Party, the Authority shall not extend the effective term of any of the foregoing incentives beyond its stated termination date.

Section 8.03 Termination. This Agreement shall continue until terminated by the first to occur of the following:

- (a) If this Agreement is approved by majority vote of the elected members of the Party's legislative bodies but fails to be approved by a majority vote of the electors in a referendum as a result of a petition filed within forty-five (45) days of the approval of the Agreements, this Agreement shall be terminated and rescinded as a result of such vote.
- (b) When there is one (1) Party left;
- (c) A three-fourths (3/4) vote of the voting members of the Authority Board then serving in office; or
- (d) Expiration of the stated term of the Agreement.

Section 8.04 Disposition upon Termination. As soon as possible after termination of this Agreement, the Authority shall wind up its affairs as follows:

- (a) All of the Authority's debts, liabilities, and obligations to its creditors and all expenses incurred in connection with the termination of the Authority and distribution of its assets shall be paid first; and
- (b) The remaining assets, if any, shall be distributed among the remaining Parties in accordance with Act 7 or other relevant law, and otherwise in proportion to their contributions to the Authority.

ARTICLE IX CONTRIBUTIONS

Section 9.01 Entry Fees. Any local government which becomes a Party to this Agreement shall be required to pay an entry fee. The entry fee for each Party shall be such amount mutually agreed upon by the Parties and is intended to fund the initial costs expended to create, and the operational expenses of, the Authority until such time as other revenue sources have been established. The entry fee may be deferred, partially deferred or waived for initial parties in partial or entirely in consideration of the in-kind contributions made in support of creating the Authority as provided for in Section 9.02. The entry fee for Parties subsequently joining the Authority shall be determined by a recalculation into equal shares of the amount of the initial costs expended to create and fund the operational expenses of the Authority to the date joining which may be waived in whole or in part by the Parties to this Agreement in their sole reasonable discretion in consideration of in-kind contributions.

Section 9.02 Personal Property, Assets, Services, Employees. Any Party may make contributions of personal property, assets, services or employees deemed necessary to the creation or operational support of the Authority. The reasonable value of which shall be credited against the Party's entry fee as set forth in Section 9.01 or thereafter upon approval by the Authority Board. The reasonable value of personal property or assets shall be determined by the Authority Board, in its sole discretion, by reference to a published market rate of the items in question, competitive quotes, or other objective measure approved by the Authority Board. In the case of contributed employees or services, reasonable value shall be determined based upon a proration for the time worked of the annual total compensation of the employee being loaned, service being provided or other objective measure approved by the Authority Board. The Authority shall have full discretion to return to the Party any contributed employee or to make other arrangement for any services being contributed, in which case the Party shall be subject to and shall promptly pay the remaining entry fee.

Section 9.03 Marketing Costs. The Authority may annually prepare a marketing budget for the Authority for the purpose of paying for marketing efforts designed to attract users to Kalamazoo Lake. Expenditure of such budgeted moneys shall be subject to annual review and audit to assure compliance with State and federal law and regulation.

Section 9.04 Acts and Omissions. The Authority shall only be liable for its own acts or omissions which occur after the Effective Date and none of the Parties shall be liable for any acts or omissions of the Authority.

Section 9.05 Execution of Documents. The Authority and each Party shall cooperate in order to execute and deliver to the Authority any and all documents including bills of sale, assignments, and certificates necessary or appropriate to effectuate each Party's contribution to the Authority.

Section 9.06 Participation Agreement. The Authority and a Party may enter into a Participation Agreement for the purpose of executing the purposes and activities contemplated by this Agreement.

ARTICLE X ADMISSION OF OTHER PARTIES

Section 10.01 Procedure. Following the Effective Date, a Public Agency may become a Party by submitting a written request to the Chairperson or Authority Board and pursuant to guidelines established by the Authority Board, payment of the then applicable entry fee as provided for in Article IX, Section 9.01 and in accordance with law. The Authority Board may recommend approval to the Local Government Parties to this Agreement, who shall approve or deny the request. Approval of this Agreement shall be by resolution of the entity seeking to become a Party.

Section 10.02 Effective Date. The effective date of admission of a Party is the date on which a fully executed copy of this Agreement which contains the name and signatory of the newly admitted Party is filed with Michigan Department of State, Office of the Great

Seal, and filed with the County Clerk of each county which is a Party to this Agreement pursuant to Section 10 of Act 7.

Section 10.03 Not an Amendment to Agreement. The admission of additional Parties after the initial Effective Date of this Agreement shall not constitute an amendment to or alternative form of this Agreement nor change the Effective Date. Any amendment to or alternative form of this Agreement may be made only in accordance with Section 14.10.

Section 10.04 Opinion of Legal Counsel. The written request submitted to the Authority Board shall be accompanied by an opinion of legal counsel to the Public Agency in form and substance satisfactory to counsel to the Authority, and to the Attorney General of the State if approval by the Attorney General is then required, including but not limited to opinions to the effect that the Public Agency is validly formed, has the powers set forth in Articles IV and V of this Agreement, and that the Agreement, once duly executed and delivered, will be the valid and binding obligation of the Public Agency, enforceable in accordance with its terms.

ARTICLE XI SHARING OF REVENUE: LIMITATIONS

Section 11.01 Sharing of Revenue. The Parties agree conceptually that the Authority's success in attracting economic development will be measured in income from the Authorities projects, special assessment or bond proceeds, tax increment financing revenues, among other sources yet identified. The Parties therefore agree to investigate a fair and equitable means of sharing all or a portion of such revenue streams as permitted by law. Example, the dredging of Kalamazoo Lake benefits all parties and the cost should be shared proportionately according to the amount of submerged land falling within their jurisdiction. Funds secured for this purpose should be distributed in same proportionate fashion. The sharing of administrative costs is another example.

Section 11.02 Limitations. The Parties understand and agree to abide by any statutory limitations placed on financial proceeds collected from Special Assessment Districts (SAD) or Tax Increment Financing (TIF) or other statutory limitations set forth in comparable statutes. Example, SAD proceeds may only be spent on projects within the SAD district established by each party within their jurisdiction. TIF dollars can only be spent on projects set forth in each Party's Tax Increment Finance and development Plans within their TIF districts.

ARTICLE XII BOOKS AND REPORTS

Section 12.01 Accrual Basis. The Authority shall maintain its books of account on an accrual basis of accounting, except as otherwise required by law.

Section 12.02 Authority Records. The Authority shall keep and maintain at the principal office of the Authority all documents and records of the Authority. The records of the Authority shall include a copy of this Agreement along with a listing of the names and addresses of the Parties. Such records and documents shall be maintained until termination of this Agreement.

Section 12.03 Financial Statements and Reports. The Authority shall cause to be prepared at least annually, at Authority expense, audited financial statements prepared in accordance with the Budget Act and with generally accepted accounting principles and accompanied by a written opinion of an independent Certified Public Accountant. A copy of the annual financial statement and report shall be filed with the State Department of Treasury within six months after the end of the Authority's Fiscal Year in accordance with law, with copies filed with each Party.

Section 12.04 Freedom of Information Act. The Authority is subject to and shall comply with the Freedom of Information Act.

ARTICLE XIII FINANCES

Section 13.01 Annual Budget. The Authority shall be subject to and comply with the Budget Act. The Treasurer annually shall prepare and the Authority Board shall approve a budget for the Authority for each Fiscal Year. Each budget shall be approved not less than 15 days prior to the beginning of the Fiscal Year. The budget may not be approved by the Authority Board unless first approved by each Party by resolution.

Section 13.02 Deposits and Investments. The Authority shall deposit and invest funds of the Authority, not otherwise employed in carrying out the purposes of the Authority, in accordance with an investment policy established by the Authority Board consistent with State law regarding the investment of public funds.

Section 13.03 Disbursements. Disbursements of funds shall be in accordance with guidelines established by the Authority Board and in accordance with the Budget Act and law.

ARTICLE XIV MISCELLANEOUS

Section 14.01 Notices. Notice of all meetings of the Authority Board shall be given in the manner required by the OMA. In addition, at least three (3) days prior to the date set for the holding of any meeting of the Authority Board, written notice of the time and place of such meeting shall be sent by email or other electronic means to each Authority Board member, as the case may be, at the email or other appropriate address of such member appearing on the records of the Authority. Every notice by email or other electronic means shall be deemed duly served as of 5:00 p.m., prevailing Eastern Time, next following the actual time when the notice is transmitted, as recorded by the Authority's communication system. The Chairperson or his or her designee may, but shall not be required to, cause additional written notice to be provided to a member or members by mailing such notice via regular U.S. mail not less than seven (7) days prior to the date set for the holding of the meeting to the address of such member or members appearing on the records of the Authority. Mailed notice shall be deemed duly served on the second business day following the day when the same has been deposited in the United States mail with postage fully prepaid and addressed to the sendee as provided above.

Any and all correspondence or notices required, permitted or provided for under this Agreement to be delivered to any Party shall be sent to that Party by email or other electronic means at the email or other appropriate address of such Party appearing on the records of the Authority, with a written copy by first class mail, provided that notices required by Sections 5.12, 5.13, 5.14, 5.15 and 5.16 and notices of withdrawal shall be sent by email or other electronic means and by certified mail, return receipt requested, in lieu of first class mail. All such written notices including any notice of withdrawal as provided herein shall to be sent to each other Party's signatory to this Agreement, or that signatory's successor at the address as set forth above such Party's signature, or to such other address provided by the Party to the Authority from time to time. All correspondence shall be considered delivered to a Party as of 5:00 p.m., prevailing Eastern Time, next following the actual time when the notice is transmitted, as recorded by the Authority's communication system.

Section 14.02 Entire Agreement. This Agreement sets forth the entire agreement between the Parties and supersedes any and all prior agreements or understandings between them in any way related to the subject matter hereof. It is further understood and agreed that the terms and conditions herein are contractual and are not a mere recital and that there are no other agreements, understandings, contracts, or representations between the Parties in any way related to the subject matter hereof, except as expressly stated herein.

Section 14.03 No Presumption. This Agreement shall be construed without regard to any presumption or other rule requiring construction against the Party causing this Agreement to be drafted.

Section 14.04 Severability of Provisions. If any provision of this Agreement, or its application to any Person or circumstance, is invalid or unenforceable, the remainder of this Agreement and the application of that provision to other persons or circumstances is not affected but will be enforced to the extent permitted by law.

Section 14.05 Governing Law. This Agreement is made and entered into in the State of Michigan and shall in all respects be interpreted, enforced and governed under the laws of the State of Michigan without regard to the doctrine of conflict of laws. The language of all parts of this Agreement shall in all cases be construed as a whole according to its fair meaning, and not construed strictly for or against any Party.

Section 14.06 Captions and Recitals. The captions, headings, recitals and titles in this Agreement are intended for the convenience of the reader and not intended to have any substantive meaning and are not to be interpreted as part of this Agreement. They are solely for convenience of reference and do not affect this Agreement's interpretation.

Section 14.07 Terminology. All terms and words used in this Agreement, regardless of the number or gender in which they are used, are deemed to include any other number and any other gender as the context may require.

Section 14.08 Cross-References. References in this Agreement to any Article include all Sections, subsections, and paragraphs in the Article; references in this Agreement to any Section include all subsections and paragraphs in the Section.

Section 14.09 Jurisdiction and Venue. In the event of any disputes between the Parties over the meaning, interpretation or implementation of the terms, covenants or conditions of this Agreement, the matter under dispute, unless resolved between the parties, shall be submitted to the courts of the State of Michigan.

Section 14.10 Amendment. The Agreement may be amended or an alternative form of the Agreement adopted only upon written agreement of all Parties.

Section 14.11 Execution of Agreement; Counterparts. Each Party shall duly execute three (3) counterparts of this Agreement, each of which (taken together) is an original but all of which constitute one instrument.

[Remainder of this page left blank intentionally]

IN WITNESS WHEREOF, this Agreement is executed by each Party on the date hereafter set forth.

CITY OF THE VILLAGE OF DOUGLAS

WITNESS: *[Signature]*

BY: *Martha Hoexter*
Martha Hoexter

Mayor Pro Tem

Its: Mayor Pro Tem

BY: *Jean E. Neve*
Jean E. Neve

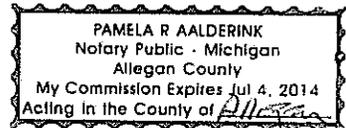
Its: City Clerk _____

DATE: November 15, 2011

STATE OF MICHIGAN)
)ss.
COUNTY OF ALLEGAN)

On this 15th day of NOVEMBER, 2011, before me a Notary Public in and for said County, appeared Martha Hoexter and Jean E. Neve, to me personally known, who, being by me duly sworn, did each for herself say that they are, respectively, the Mayor Pro Tem and City Clerk of the City of the Village of Douglas, the corporation named in and which executed the within instrument, and that said instrument was signed and sealed on behalf of the City of the Village of Douglas by authority of its City Council; and said Martha Hoexter and Jean E. Neve acknowledged said instrument to be the free act and deed of the said City of the Village of Douglas.

Pamela R. Aalderink
Notary Public, Allegan County, Michigan
Acting in Allegan County, Michigan
My Commission Expires: July 4 2014



Public Hearing in the City of the Village of Douglas held on October 10, 2011.

IN WITNESS WHEREOF, this Agreement is executed by each Party on the date hereafter set forth.

CITY OF SAUGATUCK

WITNESS: *Robert H. Sapota*

BY: *Jane Verplank*
Jane Verplank

Alexis W. Urzuch

Its: Mayor

BY: *Monica Looman*
Monica Looman

Its: City Clerk

DATE: NOVEMBER 15 2011

STATE OF MICHIGAN)
)ss.
COUNTY OF ALLEGAN)

On this 15th day of NOVEMBER, 2011, before me a Notary Public in and for said County, appeared Jane Verplank and Monica Looman, to me personally known, who, being by me duly sworn, did each for herself say that they are, respectively, the Mayor and City Clerk of the City of Saugatuck, the corporation named in and which executed the within instrument, and that said instrument was signed and sealed on behalf of the City of Saugatuck by authority of its City Council; and said Jane Verplank and Monica Looman acknowledged said instrument to be the free act and deed of the said City of Saugatuck.

Pamela R. Calderink
Notary Public, Allegan County, Michigan
Acting in Allegan County, Michigan
My Commission Expires: July 4 2014

Public Hearing in the City of Saugatuck held on October 17, 2011.

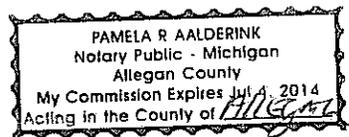


EXHIBIT A

LEGAL DESCRIPTION

The boundaries of the proposed water resource improvement district within which the Water Resource Improvement Tax Increment Finance Authority shall exercise its powers are as follows:

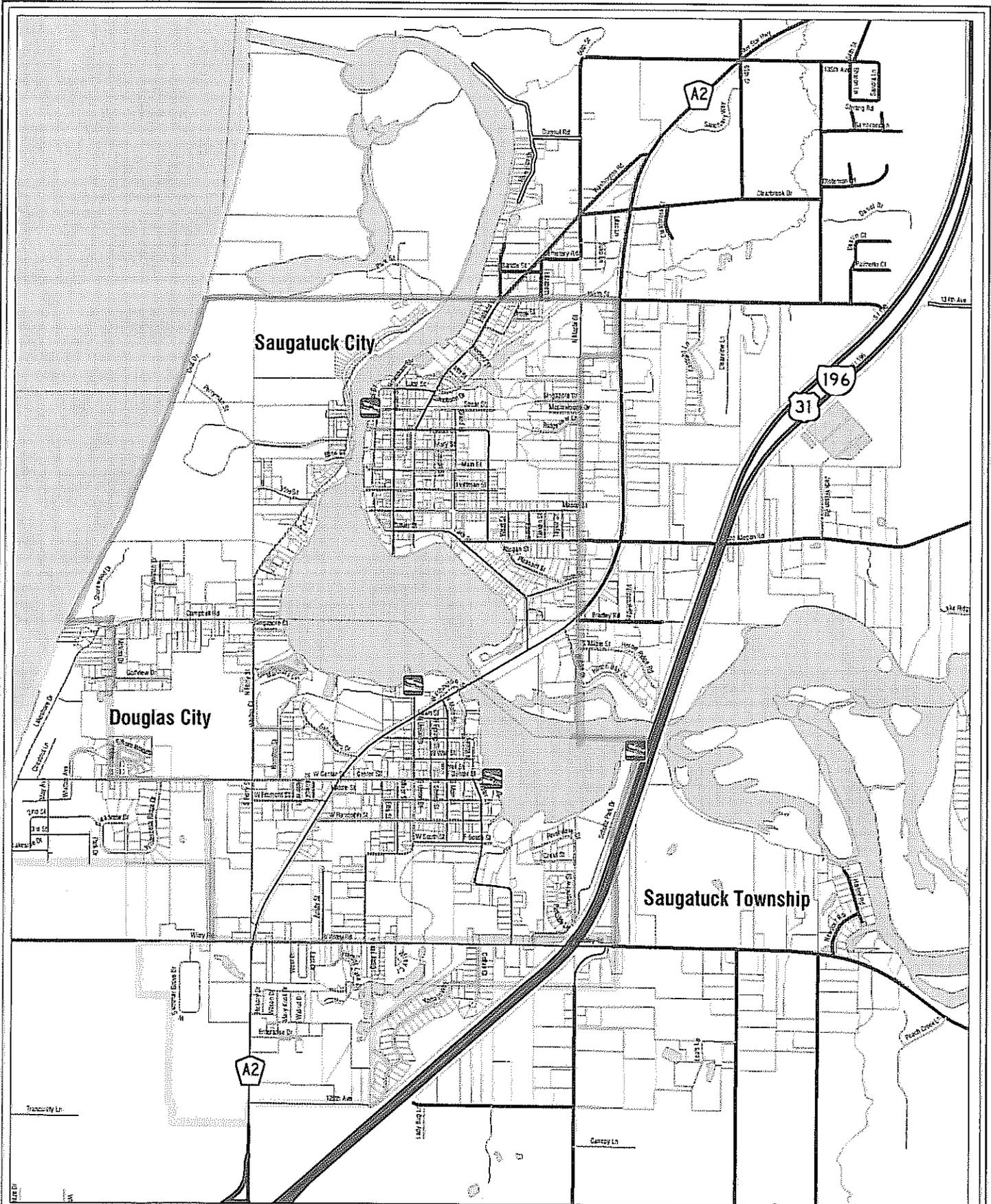
Beginning in the City of Saugatuck:

T3N, R16W, Section 8; Also all that part of Section 16 which lies north and east of the Kalamazoo Lake and the Kalamazoo River; and also a parcel of land in Section 10 described as beginning 701.91 feet north of the southwest corner of the north 5/8 of the west 1/2 of the northwest 1/4 of Section 10 on the west Section line, thence north to the northwest corner of Section 10, thence due east on the Section line to the westerly right-of-way of the Blue Star Highway (formerly known as old US 31), thence southeasterly along the westerly right-of-way of the Blue Star Highway to a point due east of the beginning, thence west to the beginning, and

Continuing to the City of the Village of Douglas:

all properties that fall within a district that would be created by drawing a line starting at the intersection of Ferry Street and Campbell Road and proceeding West along Campbell Road to a point approximately 200 feet West of McVea Dr., then turning South at that point and proceeding in a straight line to Center Street, then turning East on Center Street and proceeding to a point approximately 650 feet West of intersection of Center and Ferry Streets, then turning South at that point and proceeding in a straight line to Wiley Road, then turning East on Wiley Road proceeding to the eastern boundary of the City, then turning North and following the boundary of the city to a point in Lake Kalamazoo that marks the dividing line between the City of Douglas and Saugatuck Township, then following that line in Lake Kalamazoo that goes West and North West to a point that aligns with the point of beginning at Ferry Street and Campbell Road.

So that these descriptions when joined along their common boundaries combine form one Water Resource Improvement Tax Increment Finance Authority District as depicted on the following map:



Public Access Points

Allegan County Land Information Services assumes no liability for the conclusions drawn from the use of these data

1 inch = 2000 feet (1:24,000)
Map Created 11/15/2011