

EXECUTION COPY

AGREEMENT FOR OPERATING AND MAINTAINING
OTSEGO COUNTY UNIVERSITY CENTER

THIS AGREEMENT dated as of July 1, 2000, by and among the County of Otsego, Michigan (the "County"), organized and existing under the constitution and laws of the State of Michigan, and the University Center at Gaylord ("UNIVERSITY CENTER"), a Michigan non-profit corporation.

W I T N E S S E T H :

WHEREAS, the Otsego County Building Authority (the "Authority") has been incorporated by the County pursuant to Act 31 amended ("Act 31") for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, or maintaining, among other things, recreational facilities, stadiums, and the necessary site or sites therefor, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, for use for any legitimate public purpose for the benefit of the County; and

WHEREAS, the UNIVERSITY CENTER has been incorporated pursuant to the provisions of Act 162 of the Michigan Public Acts of 1982, as amended, to operate an educational support facility; and

WHEREAS, on December 7, 1999, the electors of the County authorized the County Board of Commissioners to levy a tax of not to exceed .56 mills (\$.56 per \$1,000) for a period of 20 years, 2000 through 2019, inclusive (the "Millage"), to provide the funds required to acquire or construct, furnish, equip and operate a project for use by the residents of the County and the public (the "Project"); and

WHEREAS, the Authority is currently undertaking the acquisition, construction, furnishing, and equipping of the Project for the County which will include a building of approximately 18,000 square feet and related site improvements all as described on Appendix A attached hereto; and

WHEREAS, the Authority is financing the cost of acquiring, constructing, furnishing, and equipping the Project through the issuance of building authority bonds (the "Bonds") payable from cash rentals to be paid by the County to the Authority pursuant to a contract of lease to be entered into between the County and the Authority (the "Contract of Lease"); and

WHEREAS, the County wishes to contract with the UNIVERSITY CENTER to occupy and operate the Project which will be used in conjunction with and occupy a common building with the M-TEC Center to be established by Kirtland Community College ("M-TEC")

which M-TEC is on undeveloped property owned by the County and leased to the College; and

WHEREAS, the County and the UNIVERSITY CENTER desire to set forth their mutual understandings and respective obligations with respect to the occupation, operation and maintenance of the Project.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL AGREEMENTS CONTAINED HEREIN, THE PARTIES AGREE AS FOLLOWS:

1. State of Project. Under the provisions of this Agreement, the County hereby contracts with the UNIVERSITY CENTER to operate the Project for the County. Operation of the Project by the UNIVERSITY CENTER shall begin upon completion of construction, provided that the UNIVERSITY CENTER shall have received satisfactory recognition of its exemption pursuant to IRS Form 1023 as filed with the Internal Revenue Service requesting a determination that the UNIVERSITY CENTER is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"); provided that the UNIVERSITY CENTER shall have the immediate right to begin such preliminary operations necessary to permit actual operations to begin when construction is completed.

2. Term. The UNIVERSITY CENTER shall occupy and operate the Project for the County for a term of approximately twenty (20) years beginning when the Project is completed and ending on December 31, 2020 unless this Agreement is amended. The University Center shall have the additional rights set forth in Paragraph 28.

3. Budgets.

A. Annual Budget. (i) The UNIVERSITY CENTER has presented a 2001 budget to the County, a copy of which is attached hereto as Appendix B. The Otsego County Treasurer will make available not to exceed the amount of millage to be used for operations as are levied and collected as a part of the Millage after deducting therefrom all amounts necessary to permit the County to meet all payments due to the Building Authority for payments due on the Bonds which millage for operations shall be used in accordance with the budget. By execution of this Agreement, both parties agree to the budget shown as Appendix B.

(ii) Prior to July 1, 2001 and to each July 1st thereafter, the UNIVERSITY CENTER shall prepare and present to the County a proposed budget for the operation of the Project for the subsequent fiscal year beginning January 1st.

The budget shall estimate the maximum amount of revenue which the Project can obtain from: (1) the Millage during the next fiscal year, and (2) any unexpended amounts from

the prior year's operations, including, but not limited to, gifts, grants and donations.

Prior to September 1 each year, the Board of Commissioners shall either approve the final budget as submitted by the UNIVERSITY CENTER for the operation of the Project which approval shall be accompanied by a resolution authorizing the levy of such amount of the Millage as the Board of Commissioners deems appropriate or reject the budget setting forth reasons why it was not approved.

If the County Board of Commissioners fails to approve the budget as submitted by September 1st, the County Finance Committee and representatives of the UNIVERSITY CENTER shall meet within two weeks to attempt in good faith to resolve any budgetary disagreements. If agreement cannot be reached by December 1st, the County shall approve that part of the budget upon which there is agreement, which shall be accompanied by a resolution authorizing the levy of such amount of the millage as the Board of Commissioners deems appropriate. The County and the UNIVERSITY CENTER shall then hold joint public meetings on the budget disagreements and shall negotiate in good faith until agreement is reached. A budgetary amendment shall then be passed by the County and the UNIVERSITY CENTER. In addition, if sufficient money remains after payment of principal and interest due from the Millage levied for such purposes, the Board of Commissioners may authorize its expenditure for capital improvement purposes after a request is received from the UNIVERSITY CENTER. This authorization can be included in the final budget or in a separate resolution adopted by the Board of Commissioners.

B. Balanced Budgets and Corrections of Yearly Deficits. The UNIVERSITY CENTER agrees to operate the Project within the budgets finally approved by both parties. Should any year's operations result in a deficit for such year, the UNIVERSITY CENTER agrees to (a) immediately meet with the Board of Commissioners to develop a satisfactory deficit correction plan, which may include increased charges or reduced expenses, or (b) should this action prove to be insufficient to correct, the deficit operations, the UNIVERSITY CENTER agrees to increase charges and other revenue sufficiently to insure that the deficit will be repaid in the next year.

C. Failure to Operate Without a Deficit. Should the UNIVERSITY CENTER fail to operate the Project within a balanced budget for two consecutive years, the County shall have the right to terminate this agreement. Such action will only be taken after all reasonable attempts at rectifying the budget deficit have been resolved.

4. Fixing and Revising Charges. The UNIVERSITY CENTER shall propose rates and charges for the use of the Project by residents of the County, the general public and educational

institutions. The UNIVERSITY CENTER covenants to propose rates and charges which will be sufficient, after taking into account the tax revenues expected to be appropriated by the County pursuant to Section 2 hereof, and including revenue from any other sources, to provide for the payment of the administration and operation expenses of the Project, such expenses for maintenance as may be necessary to preserve the Project in good repair and working order and expenses incurred in any subsequent expansion of the Project; to provide for the payment of principal of and interest on the Bonds as and when they become due and payable; and to provide for such other expenditures and funds for the Project as are required by this Agreement. After approval of the County, rates shall be fixed and revised from time to time by the UNIVERSITY CENTER to produce the foregoing amounts, and the UNIVERSITY CENTER covenants and agrees to maintain at all times such rates for services furnished by the Project as shall be sufficient to provide for the foregoing.

5. Operating Year. The Project shall be operated on the basis of an operating year which shall coincide with the County's fiscal year. //

6. Establishment of Funds and Accounts; Flow of Funds. All operating revenues from the Project, including such operating tax revenues appropriated by the County, may be used by the UNIVERSITY CENTER to meet its obligations under this Agreement and shall be deposited as collected and set aside in a depository account to be known as the "receiving fund", and shall be transferred periodically in the manner and at the times and in the order of priority hereinafter specified:

a. Operation and Maintenance Fund. All revenues, except tax revenues, received from the Project shall be set aside as collected in a fund held by UNIVERSITY CENTER to be designated "operation and maintenance fund." Operating tax revenues shall be deposited in the fund as follows: on March 1st, such taxes as have been received by the County Treasurer by that time, and on May 1st, or as soon thereafter as the County Treasurer receives such taxes from the delinquent tax revolving fund, the balance of such taxes. Every quarter from the revenues in the receiving fund, there shall first be set aside in the operation and maintenance fund, such amount as is required, taking into account the monies expected to be received from the Project operating levy, to provide for the payment of the Project's current expenses of administration, operation, and such maintenance as may be necessary on a quarterly basis to preserve the Project in good repair and working order.

b. Capital Improvement Fund. Out of the remaining revenues in the receiving fund, there may be next set aside in the capital improvement fund such sums as the UNIVERSITY CENTER may deem advisable. All monies in the capital improvement fund shall be used solely for capital

improvements such as capital purchases, equipment, and repairs, replacements, improvements, enlargements or extensions to the Project.

c. Appropriations of operating moneys or capital improvement moneys from the County.

(1) Operating moneys which are appropriated to the project by the Board of Commissioners from the Millage may only be used for operations so long as the expenditures are included in the budget required by paragraph 2 or approved by a specific resolution of the Board of Commissioners.

(2) Operating moneys which are appropriated to the project by the Board of Commissioners from the Millage may only be used for capital improvements so long as the expenditures are included in the budget required by paragraph 2 or approved by a specific resolution of the Board of Commissioners.

d. Surplus Fund. Subject to having been approved in the budget required by paragraph 2 or to a specific approval by the Board of Commissioners, revenues remaining in the receiving fund at the end of any fiscal year after all periodic transfers have been made therefrom as above required shall be deemed to be surplus and may be left in the receiving fund or may be transferred to a fund to be designated "surplus fund" and subsequently transferred to any of the funds herein authorized. All revenues raised by rates and charges for use of the Project shall be used solely for the Project and shall be retained by UNIVERSITY CENTER.

7. Investments. All monies in three several funds of the Project shall be deposited with a Bank or trust company designated by the UNIVERSITY CENTER and approved by the County. The Treasurer of the UNIVERSITY CENTER shall provide monthly bank accounts and bank reconciliations to the County Treasurer. The monies in the several funds of the Project may be kept in one bank account, in which event the monies in the bank account shall be allocated on the books and records to the respective funds as herein provided.

8. No Rental Payments to be Made. The UNIVERSITY CENTER is not obligated to make any rental payments to the County for occupying the Project since the UNIVERSITY CENTER is operating the Project for the County.

9. Repairs. The UNIVERSITY CENTER shall, at all times during the term of this Agreement, keep the Project and the premises in good condition and repair, shall make all necessary and desirable repairs, restorations and replacements thereof, structural and nonstructural, seen or unforeseen, and shall use

all reasonable precautions to prevent waste, damage or injury. the UNIVERSITY CENTER shall also maintain in good repair and free from dirt, snow, ice, rubbish and other obstructions or encumbrances, the sidewalks, parking areas, yards, plantings, gutters and curbs in front of and adjacent to the premises.

10. Operation and Maintenance. The UNIVERSITY CENTER shall, at all times during the term of this Agreement, operate and maintain the Project and the premises. Operation and maintenance shall include (but not be limited to) the providing of all utilities, snow removal, exterior ground care and all personnel services, equipment and supplies of whatever nature as shall be necessary or expedient for the operation and maintenance of the Project and the premises. Premiums for insurance required to be carried upon or with respect to the Premises or the use thereof and taxes or assessments levied upon any party hereto on account of the ownership or use thereof or rentals or income therefrom shall likewise be deemed operation and maintenance expenses. The UNIVERSITY CENTER may employ such persons in such capacities as it deems advisable and may make such rules and regulations as it deems advisable and necessary to assure the efficient management and operation of the Project.

11. County Performance of Repairs and Maintenance. In the event that the UNIVERSITY CENTER fails or neglects to make all necessary repairs or to properly maintain the Project or the premises or fulfill its other obligations as set forth in this Agreement, the County or its agents may, but are not in any way obligated to make such repairs, maintaining the Project and premises, or fulfilling such obligations. All costs and expenses incurred as a consequence of the County's actions shall be repaid by the UNIVERSITY CENTER to the County within thirty days after the UNIVERSITY CENTER receives copies of the receipts showing payment by the County for such repairs, maintenance or other obligations. Except in the case of emergency, the County shall give the UNIVERSITY CENTER ten days written notice before taking any such action. Should any payments fail to be made, the County shall retain the sufficient amounts from the Millage to pay these costs.

12. Alterations. After approval of the Board of Commissioners, the UNIVERSITY CENTER may make such alterations, changes, additions or improvements in or to the interior or exterior of the Project or premises as it shall determine to be beneficial to the Project. The UNIVERSITY CENTER shall 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. All alterations and improvements shall be at the UNIVERSITY CENTER'S sole expense. All alterations and improvements shall be the property of the County and shall remain upon and be surrendered to the County with the Project and the premises at the termination of this Agreement. The UNIVERSITY CENTER shall save the County and the members of the Board of Commissioners harmless and free from all

cost or damage in respect to any alterations to the Project or the premises.

13. Property Insurance. Upon occupancy of the premises or final payment to the contractor, whichever occurs first, the County or the UNIVERSITY CENTER, as determined by the UNIVERSITY CENTER on a cost effective basis, shall provide property insurance which shall cover all real and personal property on the premises on a 100% replacement cost basis. Such policy shall be on an all risk policy form and shall insure against the perils of fire and extended coverage and physical loss or damage including, without limitation, flood, theft, vandalism, and malicious mischief. Coverage shall also include the loss of rental income, and extra expense, for a period of 12 months, incurred by reason of the total or partial loss or damage to the Project caused by an insured peril. The cost of such insurance shall be paid from operating revenues of the Project and if the County provides the insurance, the County shall be reimbursed for the cost by the UNIVERSITY CENTER.

14. Liability Insurance. Upon occupancy of the premises or final payment to the contractor, whichever occurs first, the County or the UNIVERSITY CENTER, as determined by the UNIVERSITY CENTER on a cost effective basis, shall provide, comprehensive/commercial general liability insurance protecting the UNIVERSITY CENTER, the County and the members of the Board of Commissioners of the County, and the Authority and the members of the Commission of the Authority, and their respective agents, officers and employees. Such insurance shall be in limits of not less than \$1,000,000 per occurrence for injury or death to any one person, not less than \$3,000,000 per occurrence for injury or death to more than one person, and not less than \$500,000 per occurrence for property damage. The cost of such insurance shall be paid from the operating revenues of the Project and if the County provides the insurance, the County shall be reimbursed for the cost by the UNIVERSITY CENTER.

15. Insurance Policies. The UNIVERSITY CENTER, the County, and the Authority shall all be named insureds on all insurance policies required hereunder and all insurance proceeds shall be payable to the UNIVERSITY CENTER, the County, and the Authority as their respective interests may appear. Upon request, the County shall provide the UNIVERSITY CENTER with certified copies of the insurance policies or other evidence indicating that the insurance is in effect and that the UNIVERSITY CENTER shall be notified in writing at least thirty days prior to cancellation, nonrenewal or any material reduction of such coverage. Or in the reverse, upon request, the UNIVERSITY CENTER shall provide the County with certified copies of the insurance policies or other evidence indicating that the insurance is in effect and that the County shall be notified in writing at least thirty days prior to cancellation, nonrenewal or any material reduction of such coverage. All insurance maintained pursuant to this Agreement shall contain a clause or endorsement under which the insurer

waives all rights of subrogation against any and all of the parties to this Agreement, and their respective officers, commissioners, agents, and employees, with respect to losses payable under the policy.

Claims for loss due to damage to the premises under any policies maintained pursuant to this Agreement shall be adjusted with the insurance companies by the County after advice from the UNIVERSITY CENTER. The proceeds of any insurance shall be paid to the County, which shall deposit the funds in the capital improvement fund for the purpose of paying the cost of repair and restoration.

All policy forms, limits and deductibles shall be subject to approval by the County. Unless otherwise required of any contractors, the UNIVERSITY CENTER shall be responsible for the payment of costs not covered by the insurance policies required in this Agreement above because of the existence of any deductibles.

16. Damage or Destruction. 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 UNIVERSITY CENTER shall have no duty to operate the Project until it is repaired. The UNIVERSITY CENTER shall give the County immediate notice of any damage or destruction.

If the County determines that it is in their best interest to repair, restore, or replace the Project, the County shall cause the prompt repair, replacement, and rebuilding of the Project. In such event, all insurance proceeds received by the County or the Authority, on account of such damage or destruction, less the actual cost, fees and expenses, if any, incurred in connection with adjustment of the loss, shall be deposited in the capital improvement fund and applied to pay for the cost of the restoration, including the cost of temporary repairs or for the protection of property pending the completion of permanent restoration, and shall be paid out from time to time as restoration progresses.

In no event shall the County be required to repair, replace, or rebuild the Project, nor to pay any of the costs or expenses thereof beyond or in excess of any insurance proceeds, plus any funds that the UNIVERSITY CENTER contributes. To the extent the estimated cost of repairs exceeds the amount of any insurance proceeds, the UNIVERSITY CENTER may pay such costs or expenses of repairs beyond or in excess of any insurance proceeds. Such amounts shall be deposited in the capital improvement fund prior to commencement of such repairs or restoration. If the actual costs of such repairs or restoration is less than the estimated cost, the amount of such excess, including any excess insurance proceeds, shall remain on deposit in the capital improvement fund. If the actual costs exceed the estimated cost, the County shall pay such additional amounts,

which shall be reimbursed by the UNIVERSITY CENTER as soon as there are sufficient Project revenues to do so after payment of operation and maintenance expenses and principal and interest on the Bonds.

17. Project to be Operated in Connection with M-TEC; County Rights to Use Thereof; M-TEC Rights of Access. The parties hereto acknowledge that the Project is being constructed as a part of a joint building the balance of which shall be owned and operated by Kirtland Community College and which is described in Appendix C. The County shall have the right to utilize that part of the facilities located in the Project as described in Appendix D. It is understood and agreed that Kirtland Community College shall be permitted to have ingress and egress to and through the Project as described in Appendix E.

18. Indemnification. The UNIVERSITY CENTER shall indemnify and hold the County, County Officers, and the members of the Board of Commissioners and its agents, officers, and employees, harmless from and against all costs, expenses, liabilities, losses, damages, injunctions, suits, actions, fines, penalties, claims and demands of every kind or nature, including reasonable attorney's fees, by or on behalf of any person, party or governmental authority whatsoever arising out of (a) any failure by the UNIVERSITY CENTER to perform any of its obligations under this Agreement, (b) any accident, death, injury, or damage which occurs in or about the premises, however occurring, (c) any matter arising out of the condition, occupation, maintenance, alteration, repair, use, or operation of the premises or any part of it, (d) the contest or challenge by the UNIVERSITY CENTER of any imposed tax, assessment, or other charges, or (e) any other matter arising from or relating to the occupation of the premises by the UNIVERSITY CENTER.

19. Operational Integrity. The County covenants and agrees with the UNIVERSITY CENTER, subject to the performance by the UNIVERSITY CENTER of all of the terms, covenants, and conditions of this Agreement to permit the UNIVERSITY CENTER to operate the project for the County.

20. Inspection. Without notice, the County, through its officers, employees or agents, may enter upon the Project at any time during the term of this Agreement for the purpose of inspecting the Project and determining whether the UNIVERSITY CENTER is complying with the covenants, agreements, terms, and conditions hereof.

21. The UNIVERSITY CENTER Representations and Warranties. The UNIVERSITY CENTER represents and warrants that:

a. The UNIVERSITY CENTER is a Michigan nonprofit corporation which is exempt from federal income taxation under Section 501(c)(3) of the Code, duly organized, validly

existing, and in good standing under the laws of the State of Michigan.

b. The UNIVERSITY CENTER has all requisite corporate power and authority to lease and operate the Project and carry on its business as now conducted and as the UNIVERSITY CENTER contemplates such business to be conducted in the future.

c. The execution, delivery, and performance by the UNIVERSITY CENTER of this Agreement is within its corporate powers, has been duly authorized by all necessary action, and does not contravene or constitute a default under any provision of applicable law or regulations or of the Articles of Incorporation or Bylaws of the UNIVERSITY CENTER, or of any agreement, judgment, injunction, order, decree, or other instrument binding upon it.

d. The officers of the UNIVERSITY CENTER who will execute this Agreement, and all other documents, instruments, and agreements required to be delivered or contemplated hereunder are or will be duly authorized to execute the same.

e. This Agreement constitutes a valid and binding agreement of the UNIVERSITY CENTER, except as may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the enforcement of creditors' rights and by general principles of equity.

f. There is no action, suit, or proceeding pending or, to the knowledge of the UNIVERSITY CENTER, threatened against the UNIVERSITY CENTER before any court or arbitrator or any governmental body, agency, or official in which an adverse decision would materially and adversely affect the ability of the UNIVERSITY CENTER to make any of its payment obligations under this Agreement or which in any manner questions the validity of this Agreement.

22. The UNIVERSITY CENTER Covenants. The UNIVERSITY CENTER covenants and agrees that so long as this Agreement shall remain in effect and until the full and final payment and performance of all obligations hereunder, unless the County waives compliance in writing:

a. The UNIVERSITY CENTER will promptly inform the County of any occurrence which constitutes an event of default as defined in this Agreement or which, with the giving of notice or the lapse of time, or both, would constitute such an event of default and of any other occurrence which materially affects its financial condition adversely or its ability to comply with its obligations under this Agreement.

b. It is expected that the premises will be exempt from payment of real estate taxes. To the extent that the premises or the Project become subject to any form of ad valorem taxation, the UNIVERSITY CENTER shall pay and discharge, before the same become delinquent, all taxes and assessments of whatever nature which may be levied or assessed against the premises or the Project, unless and to the extent only that such taxes or assessments shall be contested in good faith by appropriate proceedings and the UNIVERSITY CENTER shall have set aside on its books adequate reserves with respect thereto.

c. The UNIVERSITY CENTER shall maintain its existence as a Michigan nonprofit corporation in good standing in the State of Michigan and shall comply with all governmental laws, regulations, and orders applicable to it, the failure to comply with which would have a material adverse effect on the financial condition, business, or operations of the UNIVERSITY CENTER or would affect the validity or enforceability of this Agreement.

d. The UNIVERSITY CENTER shall maintain its tax-exempt status under federal income tax laws and regulations and none of its revenues, income or profits, either realized or unrealized, and none of its other assets or property will be distributed to any of its employees, or inure to the benefit of any private person, association or corporation, other than for the lawful corporate purpose of the UNIVERSITY CENTER.

e. Subject to Section 20(b) hereof, the UNIVERSITY CENTER shall not create or permit to exist any lien, mortgage, pledge, or other encumbrance on the premises.

23. Environmental Matters. The UNIVERSITY CENTER will not permit any of the premises to be contaminated or the source of contamination of any other property, by any substance that is now or hereafter regulated by or subject to any applicable federal, state, or local law, ordinance, rule, regulation or order that regulates or is intended to protect public health or the environment or that establishes liability for the investigation, removal, or clean up of, or damage caused by, any environmental contamination, including, without limitation, any law, ordinance, rule, regulation, or order that regulates or prescribes requirements for air quality, water quality, or the disposition, transportation, or management of waste materials or toxic substances (the foregoing are collectively referred to herein as "environmental laws").

At its sole cost and expense, the UNIVERSITY CENTER shall: (1) pay when due the cost of compliance with all relevant environmental laws; (2) keep the premises free of any lien imposed pursuant to any environmental laws; and (3) furnish the

County with any reports on environmental assessments/audits of the premises.

The UNIVERSITY CENTER shall indemnify and hold the County and the members of the Board of Commissioners, and its agents, officers, and employees, harmless from and against all costs, expenses, liabilities, losses, damages, injunctions, suits, actions, fines, penalties, claims and demands of every kind or nature, including reasonable attorney's fees, that shall be asserted against or incurred by any of the foregoing by reason of (a) any representation or warranty by the UNIVERSITY CENTER in this section being inaccurate in any material respect; (b) any failure of the UNIVERSITY CENTER to perform any of its obligations under this section; or (c) any past, present, or future condition or use of any part of the premises (whether known or unknown), other than an "excluded condition or use", including without limitation, liabilities arising under any environmental law. An "excluded condition or use" of the premises is one that (A) does not exist or occur, to any extent, at any time before the UNIVERSITY CENTER has permanently given up possession and control of the premises, and (B) was not caused, or permitted to exist, in whole or in part, by any act or omission of the UNIVERSITY CENTER. Indemnification of the County under this section shall not limit any other right or remedy that is available to the County. The indemnification under this section shall survive the termination of this Agreement.

24. Events of Default. Each of the following shall constitute an event of default:

a. The UNIVERSITY CENTER fails to submit and operate within the budgets required by Section 2.

b. The UNIVERSITY CENTER fails to pay when due any amounts paid by the County for repairs or maintenance pursuant to this Agreement, and such failure shall continue for thirty days after notification from the County of the obligation by the UNIVERSITY CENTER to make such payments.

c. Any representation or warranty made by the UNIVERSITY CENTER in this Agreement, or which is contained in any certificate or other document delivered at any time pursuant to this Agreement proves to have been incorrect or incomplete in any material respect when made or deemed to be made.

d. The UNIVERSITY CENTER fails to observe or perform any covenant or agreement contained in this Agreement or in any certificate or other document delivered pursuant to this Agreement (other than those covered by clauses a and b above) for thirty days after written notice thereof shall have been given to the UNIVERSITY CENTER by the County.

e. The UNIVERSITY CENTER files a petition in bankruptcy, insolvency, dissolution or for reorganization or arrangement under the laws of the United States or of any state, or voluntarily takes advantage of any such law or act or is dissolved or makes an assignment for the benefit of creditors.

f. If involuntary proceedings under any bankruptcy law or insolvency act or for the dissolution of a corporation are instituted against the UNIVERSITY CENTER or if a receiver or trustee is appointed for all or substantially all of the property of the UNIVERSITY CENTER and such proceedings are not dismissed or such receivership or trusteeship vacated within ninety days after such institution or appointment.

g. The UNIVERSITY CENTER ceases to operate the Project or indicates its intention to do so.

25. Remedies in Event of Default. If any event of default as defined in this Agreement shall occur and be continuing:

(a) the County shall have the right, but not the obligation, to take any of the following action:

(i) The County may terminate this Agreement, or without terminating this prohibits the UNIVERSITY CENTER from entering the premises.

(ii) As principal tenant of the Authority, the County shall have the right to enter the premises at all times.

(b) The UNIVERSITY CENTER shall have the duty to promptly transfer or assign to the County all money, bank accounts, and assets of any kind related to operation of the Project upon any event of default.

The rights provided for in this Section 23 are cumulative and are not exclusive of any other rights, powers, privileges, or remedies provided by law or in equity.

26. Waivers. No failure or delay on the part of the County or the UNIVERSITY CENTER in exercising any right, power, or remedy hereunder shall operate as a waiver thereof. No single or partial exercise by the County or the UNIVERSITY CENTER of any right or remedy shall preclude other or future exercise thereof or the exercise of any other right or remedy.

27. Term of Agreement. The initial term of this Agreement shall become effective as of the day and year first above written and shall remain in effect for a period of approximately twenty years ending on December 31, 2020.

28. Right of UNIVERSITY CENTER to Match Offer to Lease or Purchase.

The UNIVERSITY CENTER shall have the following rights:

1) After demonstration to the Board of Commissioners of the County of the UNIVERSITY CENTER'S ongoing financial viability, the first right to negotiate a reasonable value lease for a subsequent twenty year term, and the right to match any offer received by the County to Lease the premises occupied by the Project.

2) At any time if the County shall receive an offer to purchase the premises, the University Center shall have the right of first refusal to purchase the premises occupied by the Project.

In the event of an offer under either (1) or (2) above, the County shall notify the UNIVERSITY CENTER of the offer and the UNIVERSITY CENTER shall four months (120 days) to match the offer.

29. Assignment. The UNIVERSITY CENTER agrees not to sell, assign, mortgage, pledge or in any way transfer this Agreement or permit anyone other than the general public to use the premises, in whole or in part, except as set forth in this Agreement.

30. Amendment. This Agreement contains the entire understanding and agreement of the parties as to the subject matter hereof and may be amended only by written agreement of all parties who are then bound by the terms hereof.

31. Notices. All notices, requests, and other communications to any party hereunder shall be in writing and shall be given to such party at its address set forth below or such other address as such party may hereafter specify:

If to the University Center
at Gaylord:

Attn: Chairman
The University Center at Gaylord
800 S. Livingston Boulevard
Gaylord, MI 49735

If to the County:

County of Otsego
255 West Main Street
Room 202
Gaylord, MI 49735
Attn: Otsego County Coordinator

32. Severability. In case any one or more of the provisions contained in this Agreement or any document, instrument or agreement required hereunder should be declared invalid, illegal, or unenforceable in any respect, the validity,

legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired thereby.

33. Controlling Documents. To the extent any provisions of this Agreement are silent with respect to or inconsistent with any provisions of the Contract of Lease or the Bond Authorizing Resolution, the provisions of the Contract of Lease or the Bond Authorizing Resolution shall control.

34. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Michigan.

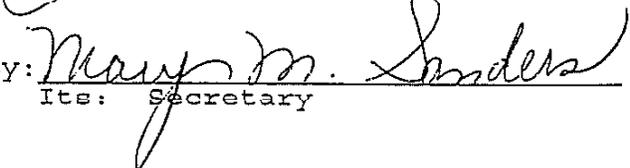
35. Captions. The captions contained in this Agreement are for convenience for reference only and shall not limit or define the provisions of this Agreement or affect the interpretation or construction thereof.

36. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be deemed to be an original, but all such counterparts taken together shall constitute but one and the same agreement.

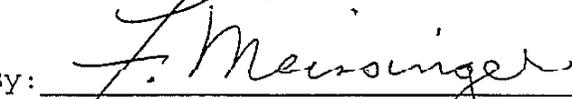
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the day and year first above written.

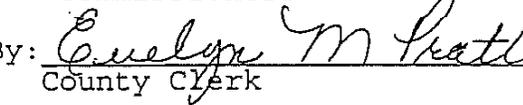
THE UNIVERSITY CENTER AT GAYLORD

By: 
Its: Chairman

By: 
Its: Secretary

COUNTY OF OTSEGO

By: 
Chairman, County Board of
Commissioners

By: 
County Clerk

APPENDIX A

PROJECT DESCRIPTION

The Project is the building and operation of the University Center portion of a jointly owned building between Otsego County and Kirtland Community College for the sole purpose of providing higher education and technical training (through the University Center at Gaylord) and vocational and technical training (through the Kirtland Community College M-TEC).

In the Project, the County will own and lease long term to the University Center; approximately 40% of the building and Kirtland will own approximately 60% of the building on land leased long term by the County.

Kirtland will be responsible for operating the physical plant and appropriate construction and operational costs will be shared between the University Center and Kirtland on the same basis as ownership between the County and Kirtland.

All details pertaining to operations and ongoing management will be contained within an operational agreement between the University Center and Kirtland. Details pertaining to operational costs and delineation of ownership and use are contained within the following Appendices B through E.

APPENDIX B

UNIVERSITY CENTER 2001 BUDGET

(See attached)

The University Center at Gaylord

2001
Preliminary Budget

Board of Directors
June 20, 2000

University Center Operating Budget - 2001

PRELIMINARY WORKING
BUDGET BUDGET DIFFERENCE

University Center Revenue

				BUDGET	BUDGET DIFFERENCE
01	0001	13010	Property Tax	224,380	0 (224,380)
01	0001	15100	Designated Donations	0	0
01	0001	15810	Interest on Investments	8,000	0 (8,000)
TOTAL GENERAL FUND REVENUE				232,380	0 (232,380)

University Center Expenses

PRELIMINARY WORKING
BUDGET BUDGET DIFFERENCE

LEARNING RESOURCE CENTER (4100)

01	4100	22132	Contracted Technical Support	13,963	0 (13,963)
01	4100	21610	Student Aid Wages	0	0
01	4100	22340	M/R Equipment	4,000	0 (4,000)
01	4100	22760	Inter-Library Loan	1,000	0 (1,000)
01	4100	23220	Subscriptions	500	0 (500)
01	4100	23530	Office Supplies	400	0 (400)
01	4100	28000	Equipment	3,000	0 (3,000)
		4000	TOTALS--	22,863	0 (22,863)

EDUCATIONAL MEDIA SERVICES

01	4300	21010	Student Aid Wages	3,500	0 (3,500)
01	4300	22340	M/R Equipment	4,000	0 (4,000)
01	4300	23530	Office Supplies	5,000	0 (5,000)
01	4300	28000	Equipment	4,000	0 (4,000)
		4000	TOTALS--	16,500	0 (16,500)

MARKETING

01	5720	25340	Advertising/ Promotional	5,000	0 (5,000)
		5000	TOTALS--	5,000	0 (5,000)

BUSINESS SERVICES

01	6200	24710	Insurance	5,000	(5,000)
		5000	TOTALS--	5,000	0 (5,000)

University Center Operating Budget - 2001

PRELIMINARY WORKING
BUDGET BUDGET DIFFERENCE

ACCOUNTING SERVICES

01	6210	21210	Accounting and Audit	16,000	0	(16,000)
.....		6000	TOTALS--	16,000	0	(16,000)

INSTITUTIONAL SUPPORT

01	6220	22132	Contracted Services	2,000	0	(2,000)
01	6220	22160	Employee Physicals	200	0	(200)
01	6220	22180	Consultant Fees	0	0	0
01	6220	22340	M/R Equipment	2,000	0	(2,000)
01	6220	25110	Memberships	1,000	0	(1,000)
01	6220	25150	Professional Development	3,000	0	(3,000)
01	6220	25410	Telephone	8,500	0	(8,500)
01	6220	25430	Postage	3,500	0	(3,500)
01	6220	25650	Tax Tribunal Adjustments	3,000	0	(3,000)
01	6220	25180	Travel	3,000	0	(3,000)
01	6220	25680	Miscellaneous Expense	1,000	0	(1,000)
01	6220	25690	Telecommunications	17,352	0	(17,352)
01	6220	25910	Contingency	4,000	0	(4,000)
01	6220	28000	Equipment	5,000	0	(5,000)
01	6220	28400	Furniture	2,000	0	(2,000)
.....		6000	TOTALS--	55,552	0	(55,552)

PRINTING SERVICES

01	6230	22340	M/R Equipment	13,200	0	(13,200)
01	6230	23530	Supplies	1,000	0	(1,000)
.....		6000	TOTALS--	14,200	0	(14,200)

BUILDING & GROUNDS

01	7200	22132	Contracted Services	25,000	0	(25,000)
01	7200	23310	M/R Buildings	5,160	0	(5,160)
.....		7000	TOTALS--	30,160	0	(30,160)

CUSTODIAL SERVICES

01	7300	22132	Contracted Custodial	16,395	0	(16,395)
.....		7000	TOTALS--	16,395	0	(16,395)

ENERGY SERVICES

01	7400	24500	Capital Fees	4,400	0	(4,400)
01	7400	245**	Natural Gas	1,776	0	(1,776)
01	7400	245**	Water and Sewage	1,080	0	(1,080)
01	7400	24530	Electricity	9,837	0	(9,837)

University Center Operating Budget - 2001

			PRELIMINARY WORKING		
			BUDGET	BUDGET DIFFERENCE	
.....	7000	TOTALS--	17,093	0	(17,093)
HEALTH & SAFETY					
01	7500 25664	First Aid Supplies	300	0	(300)
.....	7000	TOTALS--	300	0	(300)
CAMPUS SECURITY					
01	7510 22132	Contracted Services	2,000	0	(2,000)
.....	7000	TOTALS--	2,000	0	(2,000)
GENERAL FUND EXPENSE TOTAL			201,063	0	(201,063)
NON-MANDATORY TRANSFERS					
01	9990 27000	Equipment Debt Service	18,500	0	(18,500)
01	9990 27100	Future Operations	7,817	0	(7,817)
01	9990 27200	Capital Projects	5,000	0	(5,000)
.....	9000	TOTALS--	31,317	0	(31,317)
REVENUE OVER (UNDER) EXPENSES			0	0	0