



# CITY of NOVI CITY COUNCIL

**Agenda Item 4  
December 18, 2017**

**SUBJECT:** Approval of form of Purchase Agreement, form of closing documents (including Closing Statement), and forms of Deeds for the 2016 Michigan Natural Resources Trust Fund (MNRTF) grant TF16-0111 to purchase approximately 12.57 acres of land located at parcel 50-22-30-476-005, on the southwest corner of Nine Mile and Garfield Roads (the "ITC Regional Trailhead Park" property), and authorization to proceed with closing, subject to final review of and any required amendments to all documents by City Manager and City Attorney, and to amend the budget allowing purchase of the land from the Tree Fund.

**SUBMITTING DEPARTMENT:** Parks, Recreation and Cultural Services (PRCS)

**CITY MANAGER APPROVAL:** 

<b>REVENUE REQUIRED</b>	<b>\$ 402,500</b>
<b>EXPENDITURE REQUIRED</b>	<b>\$ 575,000</b>
<b>AMOUNT BUDGETED</b>	<b>\$ 0</b>
<b>APPROPRIATION REQUIRED</b>	<b>\$ 172,500</b>
<b>LINE ITEM NUMBER</b>	<b>209-000.00-523.005</b> <b>209-000.00-971.006</b>

### **BACKGROUND INFORMATION:**

The City of Novi applied for a grant from the MNRTF in 2016 to acquire vacant property on the southwest corner of Nine Mile and Garfield Roads. The Parks, Recreation and Cultural Services (PRCS) Department's goal for this piece of property is to provide features such as parking, restrooms, a play structure, outdoor fitness stations and/or a shelter to service the ITC Corridor Trail. In addition, acquisition of this parcel also aligns with the City Council goal "Permanently protect high quality woodlands using Tree Fund dollars. Goal: Protect at least 50 acres" as designated at the Jan. 14, 2017, City Council goal setting meeting.

The initial grant application was based on a projected property value, along with additional acquisition costs, in the amount of up to \$575,000. The project agreement for the grant calls for the State to pay 70 percent as reimbursement, or an amount not to exceed \$402,500. This would make the City responsible for the remaining 30 percent, or \$172,500.

The listing price for the parcel has been set at \$525,000, which is the figure that the City Administration has been discussing with the seller. However, the appraisal of the property obtained by the City reflected a higher value of \$560,000. The MNRTF accepted the appraisal for the property and has authorized the City to close the project on the basis of such appraisal. The documents still reflect the purchase price of \$525,000, and the excess of the appraised amount over that purchase price (\$35,000) is reflected as a "donation" by the Seller.

The closing documents reflect that the City will be paying all of the closing costs, including transfer taxes that would typically be paid by the Seller. The Seller is not paying any of the closing costs.

In addition, environmental reports have been secured that indicate no contamination that would affect the value of the property.

The proposed closing date reflected in the documents is Dec. 21, 2017. Note that, as with prior projects, the City is "fronting" all costs for closing. Under the MNRTF's process, the City pays the amounts due for the sale of the property and then submits a request for reimbursement reflecting the 70/30 "split" described in the grant. The City has been sharing the draft documents (agreement and closing documents) with the State for review and comments as to form.

The requested motion would approve the **form** of the documents, but would allow the City Manager and City Attorney to complete the closing statement when a date has been finalized and to make minor changes that do not affect the substantive outcome in any way.

**RECOMMENDED ACTION:** Approval of form of Purchase Agreement, form of closing documents (including Closing Statement), and form of Deeds for the 2016 Michigan Natural Resources Trust Fund (MNRTF) grant TF16-0111 to purchase approximately 12.57 acres of land located at parcel 50-22-30-476-005, on the southwest corner of Nine Mile and Garfield Roads (the "ITC Regional Trailhead Park" property), and authorization to proceed with closing, subject to final of and any required amendment to all documents by City Manager and City Attorney, and to amend the budget allowing purchase of the land from the Tree Fund.

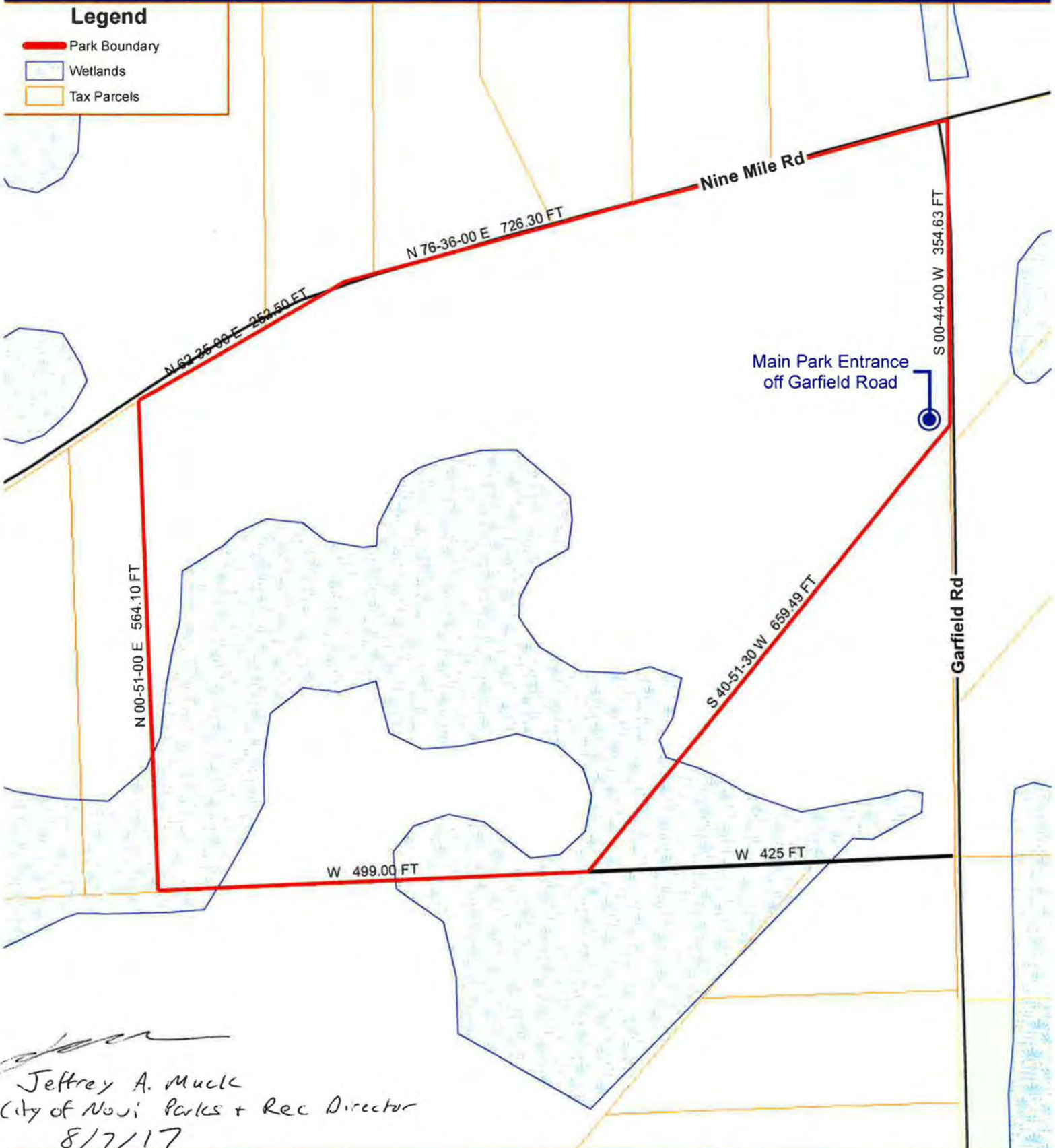
# ITC TRAILHEAD PARK BOUNDARY MAP

## Natural Resources Trust Fund Grant # TF16-0111

City of Novi, Oakland County

### Legend

- Park Boundary
- Wetlands
- Tax Parcels



*Jeffrey A. Muck*  
 Jeffrey A. Muck  
 City of Novi Parks + Rec Director  
 8/7/17



STATEMENT OF JUST COMPENSATION

Required By Act 451, P.A. 1994, as amended, and Act 227 of 1972. Submission is required for payment/reimbursement.

This document is used for land acquisition grants under the Michigan Natural Resources Trust Fund (MNRTF). A separate Statement of Just Compensation form is required for each seller. Upon completion of the Statement of Just Compensation form by the local government and the landowner(s), signature by the local unit of government's representative and all landowners (or their legal representative) is required.

SECTION A: PROJECT DESCRIPTION (to be completed by the local government)

MNRTF Project Number: TF 16-0111
MNRTF Project Title: ITC Regional Trailhead Park

Grantee (local government pursuing the acquisition): City of Novi
Name of Grantee's Representative: Jeff Muck

Project Description/Purpose of the acquisition: Parkland; trail and trailhead with parking

Acreage to be acquired: 12.57 acres (net of right-of-way)
County of the real property: Oakland

Owners of the real property based on title records:
a. Diane M. Freilich
b.
c.

SECTION B: LEGAL DESCRIPTION (to be completed by the local government)

A legal description for the real property must be attached to this Statement of Just Compensation form and reviewed by the landowner(s) and local unit of government before the Statement of Just Compensation form is signed.

SECTION C: JUST COMPENSATION (to be completed by the local government)

Just compensation takes into consideration the location of the property, its highest and best use, and current land sales of similar properties. An increase or decrease in the market evaluation caused by the public improvement or the project for which the property is to be acquired, or by the likelihood that the property would be acquired for such improvement or project, other than that due to the physical deterioration of the property within the reasonable control of the owner, has been disregarded in making the determination of just compensation.

1. Just Compensation, which is the Michigan Department of Natural Resources -Approved Fair Market Value, has been identified as: \$560,000

2. Just Compensation includes amounts for the land, improvements, severance, if any, and other elements, as follows:

Table with 3 columns: Description, Amount, and Notes. Rows include Land and Improvements (\$560,000), Less Damage to the Remainder (\$0), Less/Plus Other (\$0), and Total (\$560,000). Includes checkbox for 'Amount includes buildings, structures or other improvements'.

SECTION D: FEE SIMPLE TITLE (to be completed by the local government)

ONE OF THE FOLLOWING BOXES MUST BE CHECKED:

Acquisition will be of fee simple title free of all liens, encumbrances, and restrictions and with no interests reserved by the landowner. OR Acquisition is subject to the following easements or restrictions or interests or rights to be reserved by the landowner. \* Describe below:

\* IMPORTANT - All easements, restrictions, and reservations of interests by the landowner must have prior approval by the DNR. If this box is checked, the local unit of government should not proceed with the acquisition without written approval from the DNR.

**STATEMENT OF JUST COMPENSATION (Continued)**

**SECTION E: OCCUPANTS (to be completed by the landowner)**

The following persons are occupying the property as separate households or are conducting business activities:

1. Name of Occupant	2. Name of Occupant	3. Name of Occupant
Address of Occupant	Address of Occupant	Address of Occupant
City State ZIP code	City State ZIP code	City State ZIP code
TYPE OF OCCUPANCY: <input type="checkbox"/> Household <input type="checkbox"/> Lease <input type="checkbox"/> Business <input type="checkbox"/> Rental	TYPE OF OCCUPANCY: <input type="checkbox"/> Household <input type="checkbox"/> Lease <input type="checkbox"/> Business <input type="checkbox"/> Rental	TYPE OF OCCUPANCY: <input type="checkbox"/> Household <input type="checkbox"/> Lease <input type="checkbox"/> Business <input type="checkbox"/> Rental

**SECTION F: GRANTEE CERTIFICATION (to be completed by the local government)**

1. In compliance with Section 301 of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, Public Law 91-646, just compensation has been identified for the real property identified above.
2. The Just Compensation amount is based upon a DNR-approved appraisal prepared for the local government and is not less than the appraiser's opinion of fair market value that he/she determined after a personal inspection of the property.
3. The landowners were given the opportunity to accompany the appraiser.
4. The local unit government is prepared to commence with negotiations for the purchase of this property.
5. The local government will ensure all occupants of the property are made aware of the potential relocation benefits.
6. The local government will pay all incidental costs associated with the acquisition, unless the landowner(s) waives this requirement in writing.
7. This is NOT an offer to purchase.

\_\_\_\_\_  
Grantee's Representative Signature

\_\_\_\_\_  
Date

**SECTION G: LANDOWNER(S) CERTIFICATION (to be completed by the landowner)**

1. I was offered the opportunity to accompany the appraiser over the subject land.
2. I have received a copy of this *Statement of Just Compensation* form, fully reviewed it, and have been advised of my rights under P.L. 91-646.
3. **By signing of this statement, I acknowledge that I have completed Sections E and G. My signature acknowledges receipt of the completed *Statement of Just Compensation* form and places me under no obligation.**

**LANDOWNER(S) SIGNATURES:**

I or my representative  DID  DID NOT accompany the appraiser. (ONE OF THESE BOXES MUST BE CHECKED)

\_\_\_\_\_  
a) Landowner or Owner's Legal Representative Signature

\_\_\_\_\_  
Date

I or my representative  DID  DID NOT accompany the appraiser. (ONE OF THESE BOXES MUST BE CHECKED)

\_\_\_\_\_  
b) Landowner or Owner's Legal Representative Signature

\_\_\_\_\_  
Date

I or my representative  DID  DID NOT accompany the appraiser. (ONE OF THESE BOXES MUST BE CHECKED)

\_\_\_\_\_  
c) Landowner or Owner's Legal Representative Signature

\_\_\_\_\_  
Date

**This completed and signed document must be submitted with the Reimbursement Package to:**

**Grants Management  
Michigan Department of Natural Resources  
PO Box 30425  
Lansing MI 48909-7925**



**OFFER TO PURCHASE (WITH LAND DONATION)/WAIVER OF JUST COMPENSATION**

*Required By Act 451, P.A. 1994, as amended, and Act 227 of 1972. Submission required for payment/reimbursement.*

This document is to be used for land acquisition grants under the Michigan Natural Resources Trust Fund (MNRTF) when the acquisition includes donation of land value. A separate *Offer to Purchase (with Land Donation)/Waiver of Just Compensation* form is required for each seller. Upon completion of the document by the Local Government/Buyer and the Landowner/Seller(s), signature by the local government and all of the landowners (or their legal representative) is required.

**SECTION A: PROJECT DESCRIPTION (to be completed by the local government)**

MNRTF Project Number: <b>TF 16-0111</b>	MNRTF Project Title: <b>ITC Regional Trailhead Park</b>
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**SECTION B: Buyer Information (The Buyer is the MNRTF grantee/local government pursuing the acquisition)**

Name of Local Government/Buyer: <b>City of Novi</b>	Name of Local Government/Buyer's Representative: <b>Jeff Muck</b>		
Address of Local Government/Buyer: <b>45175 Ten Mile Road</b>	City <b>Novi</b>	State <b>MI</b>	ZIP <b>48375</b>

**SECTION C: Landowner/Seller(s) Information (Owners of the real property based on title records)**

1. Name of Landowner/Seller <b>Diane M. Freilich</b>	2. Name of Landowner/Seller	3. Name of Landowner/Seller
Address of Landowner/Seller <b>30580 Hunters Drive, Apt. 1</b>	Address of Landowner/Seller	Address of Landowner/Seller
City <b>Farmington Hills, MI</b>	State <b>MI</b>	ZIP <b>48334</b>

**SECTION D: Legal Description (to be completed by the local government)**

A legal description for the real property must be attached to this document and reviewed by the landowner(s) and local unit of government before the document is signed.

**SECTION E: Just Compensation (to be completed by the local government)**

Just Compensation, which is the Michigan Department of Natural Resources -approved fair market value, has been identified as: **\$560,000**

**SECTION F: Offer To Purchase Price (to be completed by the local government)**

An Offer to Purchase has been made in the amount of (DNR-approved fair market value or higher): **\$560,000**

**SECTION G: Cash Compensation And Value Of Land Donation (to be completed by the landowner)**

1. The landowner has voluntarily agreed to accept Cash Compensation in the amount of:	<b>\$525,000</b>
2. The difference between the Just Compensation/Offer to Purchase Amount and the Cash Compensation Amount is: (This represents a donation of land value from the Landowner/Seller(s) to the Local Government/Buyer)	<b>\$35,000</b>

**SECTION H: LOCAL GOVERNMENT/BUYER CERTIFICATION**

**By signing this document , the Local Government/Buyer certifies the following:**

1. The Local Government/Buyer as listed in Section B offers to purchase the property described under Section D for the purchase price listed in Section F and to pay the incidental closing costs, unless waived by the Landowner/Seller(s).
2. Cash compensation in the amount listed in Section G will be provided at the time of closing. The difference in the Just Compensation/Offer to Purchase price and the Cash Compensation amount as listed in Section G represents a donation of land value.
3. The value of the land donation may be used by the local government to meet all or a portion of their match obligations for the MNRTF grant, with prior approval from the Michigan Department of Natural Resources and the MNRTF Board. Approved land donation will, at the time of closing, be a credit to the Local Government/Buyer and a debit to the Landowner/Seller(s).

**Local Government's Representative Signature:** \_\_\_\_\_ **Date** \_\_\_\_\_

**SECTION I: LANDOWNER/SELLER(S) CERTIFICATION (to be completed by the landowner/seller)**

**By signing this document, the Landowner/Seller(s) certifies the following:**

1. I have been informed of all of my rights and benefits under the Uniform Relocation Assistance and Real Properties Acquisition Policies Act of 1970 (P.L. 91-646).
2. I have been provided with a Statement of Just Compensation.
3. Of my own choice, I have elected to accept the Cash Compensation Amount listed in Section G.1., which is less than the Just Compensation/Offer to Purchase price, as based on the DNR-approved fair market value. The difference represents a donation of land value to the Local Government/Buyer. I understand that the value of the land donation may be used by the local government to meet their match obligations for a MNRTF grant with prior approval of the DNR.
4. I accept this Offer to Purchase and the Cash Compensation Amount.
5. The reason(s) I am accepting cash compensation in an amount less than the Just Compensation/Offer to Purchase is:

\_\_\_\_\_  
**Property was listed for sale at \$525,000 when the City of Novi informed me of its interest in purchasing in 2015.**

\_\_\_\_\_  
**I have agreed to accept that list price, regardless of the appraisal amount.**

\_\_\_\_\_  
a) *Landowner/Seller or Landowner's/Seller s Legal Representative Signature*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
b) *Landowner/Seller or Landowner's/Seller s Legal Representative Signature*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
c) *Landowner/Seller or Landowner's/Seller s Legal Representative Signature*

\_\_\_\_\_  
*Date*

**This completed and signed document must be submitted with the Reimbursement Package to:**

**Grants Management  
Michigan Department of Natural Resources  
PO Box 30425  
Lansing MI 48909-7925**



## CLOSING STATEMENT

*Required By Act 451, P.A. 1994, as amended, and Act 227 of 1972. Submission is required for payment/reimbursement.*

This document is to be used for land acquisition grants under the Michigan Natural Resources Trust Fund (MNRTF). A separate document is required for each seller. Upon completion of the document by the local government and the landowner(s), signature by the local unit of government's representative and all landowners (or their legal representative) is required. An alternative to this document may be used if it contains the same information.

PROJECT DESCRIPTION			
MNRTF Project Number: <b>TF 16-0111</b>	MNRTF Project Title: <b>ITC Regional Trailhead Park</b>		
Grantee (local government pursuing the acquisition): <b>City of Novi</b>	Name of Grantee's Representative: <b>Jeff Muck</b>		
Owner(s) of the real property based on title records: a. <b>Diane M. Freilich</b> b. _____ c. _____			
BUYER'S STATEMENT		SELLER'S STATEMENT	
<b>CHARGES (Debits)</b>		<b>CHARGES (Debits)</b>	
<b>Description</b>	<b>Amount</b>	<b>Description</b>	<b>Amount</b>
Purchase Price	<b>\$525,000.00</b>	Title Insurance	\$
Title Insurance	<b>\$2,013.75</b>	Revenue Stamps	\$
Prorated Summer Taxes*	<b>\$2,217.78</b>	Prorated Summer Taxes	\$
Prorated Winter Taxes*	<b>\$1,419.62</b>	Prorated Winter Taxes	\$
Recording Fees	<b>\$37.95</b>	Recording Fees	\$
Revenue Stamps	<b>\$4,515.00</b>	Miscellaneous (including Land Donation)	\$
Closing Fee (excluding attorney fees)	<b>\$500.00</b>		\$
<b>TOTAL CHARGES</b>	<b>\$535,704.10</b>	<b>TOTAL CHARGES</b>	<b>\$</b>
<b>CREDITS</b>		<b>CREDITS</b>	
Option	\$	Purchase Price	<b>\$525,000.00</b>
Miscellaneous (including Land Donation)	\$	Prorated Summer Taxes	<b>\$2,217.78</b>
	\$	Prorated Winter Taxes	<b>\$1,419.62</b>
	\$	Miscellaneous	\$
<b>TOTAL CREDITS</b>	<b>\$</b>	<b>TOTAL CREDITS</b>	<b>\$528,637.40</b>
<b>BALANCE DUE COMPUTATION</b>		<b>NET DUE COMPUTATION</b>	
TOTAL CHARGES	<b>\$535,704.10</b>	TOTAL CREDITS	<b>\$528,637.40</b>
LESS TOTAL CREDITS	<b>\$</b>	LESS TOTAL CHARGES	<b>\$</b>
<b>BALANCE DUE</b>	<b>\$535,704.10</b>	<b>NET DUE</b>	<b>\$528,637.40</b>
* Taxes paid that are allocable to a period subsequent to vesting of title in the buyer or effective date of possession by the buyer, whichever is earlier. <i>I/We consider the foregoing to be correct accounting and hereby acknowledge that I/we have received a copy of this closing statement.</i>		<i>I/We consider the foregoing to be correct accounting and hereby acknowledge that I/we have received a copy of this closing statement.</i>	
_____ <i>Buyer's Representative Signature</i> <span style="float: right;"><i>Date</i></span>		_____ <i>Landowner/Seller or Legal Representative Signature</i> <span style="float: right;"><i>Date</i></span>	
		_____ <i>Landowner/Seller or Legal Representative Signature</i> <span style="float: right;"><i>Date</i></span>	
		_____ <i>Landowner/Seller or Legal Representative Signature</i> <span style="float: right;"><i>Date</i></span>	

**This completed and signed document must be submitted with the Reimbursement Package to:**

Grants Management  
Michigan Department of Natural Resources  
PO Box 30425  
Lansing MI 48909-7925



WARRANTY DEED

The Grantor, Diane M. Freilich, as single woman, whose address is 30580 Hunters Drive, Apt. 1, Farmington Hills, MI 48334.

Conveys and warrants to the City of Novi, a Michigan municipal corporation, whose address is 45175 Ten Mile Road, Novi, Michigan 48375, being the Grantee,

the following described premises situated in the City of Novi, County of Oakland and State of Michigan

See attached legal description, incorporated herein by this reference.

For the consideration of \$525,000

Public Act 591 of 1997 requires the following: this property may be located within the vicinity of farmland or a farm operation. Generally accepted agricultural and management practices which may generate noise, dust, odors, and other associated conditions may be used and are protected by the Michigan Right to Farm Act.

The Grantors grant the Grantee the right to make all division(s) under Section 108 of the Land Division Act, Act No. 288 of the Public Acts of 1967, as amended.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2017

[Signatures on Next Page]

Signed in the presence of:

Signed by:

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
By: Diane M. Freilich

STATE OF MICHIGAN )  
  ) ss  
COUNTY OF OAKLAND )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2017,  
by Diane M. Freilich.

\_\_\_\_\_  
Print Name:  
Notary Public  
\_\_\_\_\_ County, Michigan  
Acting in \_\_\_\_\_ County, Michigan  
My Commission Expires:\_\_\_\_\_

When Recorded Return To:  Grantee	Send Subsequent Tax Bills To:  Grantee	Drafted By:  Thomas R. Schultz, Esq. 27555 Executive Drive, Suite 250 Farmington Hills, MI 48331
PARCEL ID#: 22-30-476-005	Recording Fee: \$_____  Transfer Tax: \$_____	

WARRANTY DEED (Mineral Royalty Interest)

The Grantor, City of Novi, a Michigan municipal corporation, whose address is 45175 Ten Mile Road, Novi, Michigan, 48375

conveys and warrants to the STATE OF MICHIGAN

whose street number and post office address is Post Office Box 30448, Lansing, Michigan 48909-7948

the following described premises situated in the City of Novi, County of Oakland and State of Michigan

See attached legal description, incorporated herein by this reference.

SUBJECT TO easements and building and use restrictions of record:

GRANTOR CONVEYS a perpetual nonparticipating royalty equal to 1/6 of the gross proceeds of sale of all oil and/or gas and other minerals produced and saved in any combination from the minerals rights described in Exhibit A. This conveyed royalty shall be determined and paid pursuant to the terms specified in Exhibit B.

The terms of this conveyance shall extend to the heirs, executors, administrators, successors, and assigns of the parties hereto.

Tax ID No. 22-30-476-005

For and in consideration of One Dollar (\$1.00) and no other consideration.

This instrument is exempt from County transfer tax pursuant to MCL 207.505(h) and from State transfer tax pursuant to MCL 207.526(h)(i).

Dated this \_\_\_\_ day of \_\_\_\_\_, 2017

[Signatures on Next Page]

Signed in the present of:

Signed by: City of Novi

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
By: Robert Gatt  
Its: Mayor

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
By: Cortney Hanson  
Its: Clerk

STATE OF MICHIGAN )  
                                  ) ss  
COUNTY OF OAKLAND )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2017, by Robert Gatt and Cortney Hanson, Mayor and Clerk, respectively, of the City of Novi, a Michigan municipal corporation.

\_\_\_\_\_  
Print Name:  
Notary Public  
\_\_\_\_\_ County, Michigan  
Acting in \_\_\_\_\_ County, Michigan  
My Commission Expires:\_\_\_\_\_

When Recorded Return To:  Grants Management Michigan Department of Natural Resources P.O. Box 30425 Lansing, MI 48909-7925	Send Subsequent Tax Bills To:  Grantor	Drafted By:  Thomas R. Schultz, Esq. 27555 Executive Drive, Suite 250 Farmington Hills, MI 48331
PARCEL ID#: 22-30-476-005	Recording Fee: \$_____	

Exhibit "A" of the Mineral Interest

Attached to and made a part of that Warranty Deed (covering Minerals) dated \_\_\_\_\_ from \_\_\_\_\_ as grantor to the State of Michigan as grantee.

Description of the lands covered (legal description) and the attached boundary map:

containing \_\_\_\_\_ mineral acres more or less.

## Exhibit "B" of the Mineral Interest

### 1. Definitions:

- a. "Gas" means a mixture of hydrocarbons and varying quantities of nonhydrocarbons in a gaseous state which may or may not be associated with oil, including those liquids resulting from condensation; including, but not limited to, natural gas and casinghead gas.
- b. "Gross Proceeds" means the total moneys and other consideration accruing to an oil and gas Lessee for the disposition of the oil, gas, or plant products produced. Gross proceeds includes, but is not limited to, payments to the Lessee for certain services such as compression, dehydration, measurement, and/or gathering which the Lessee is obligated to perform at no cost to the Nonparticipating Royalty Owner to place lease products in marketable condition. Where lease products are sold to an affiliated person or entity, gross proceeds are equivalent to the gross proceeds derived from, or paid under, comparable arm's-length contracts for purchases, sales, or other dispositions of like-quality lease products from the same field or area. In evaluating the comparability of arm's-length contracts for purposes of this Agreement, the following factors shall be considered: price, time of execution, duration, market or markets served, terms, quality, volume, posted prices, prices received for arm's-length spot sales, other reliable public sources of price or market information, and such other factors as may be appropriate.
- c. "Lease Products" means any leased minerals attributable to, originating from, or allocated to this Lease.
- d. "Marketable Condition" for gas means sufficiently free from impurities, except CO<sub>2</sub>, H<sub>2</sub>S, and N<sub>2</sub>, and otherwise in a condition that it will be accepted by a purchaser under a sales contract typical for the field or area.
- e. "Marketable Condition" for oil means sufficiently free from impurities and otherwise in a condition that it will be accepted by a purchaser under a sales contract typical for the field or area.
- f. "Oil" means natural crude oil or petroleum and other hydrocarbons, regardless of gravity, which are produced at the well in liquid form by ordinary production methods and which are not the result of condensation of gas after it leaves the underground reservoir, including, but not limited to, oil, casinghead gasoline, drip gasoline and natural gasoline extracted from natural gas.

### 2. Royalties:

The Nonparticipating Royalty shall be determined and paid as follows:

- a. The Nonparticipating Royalty Owner shall be paid a royalty equal to one-sixth (1/6<sup>th</sup>) of the gross proceeds of sale of all oil and/or gas produced and saved in any combination from the leased premises as further set forth below. The lease products shall be placed in marketable condition at no cost to the Nonparticipating Royalty Owner. The value of

gross proceeds shall be increased to the extent that the gross proceeds have been reduced because the purchaser, or any other person, is providing certain services the cost of which is the responsibility of the Lessee to place lease products in marketable condition.

- b. At the sole option of the Nonparticipating Royalty Owner, and in lieu of royalty payments upon oil and/or gas produced and saved, the Nonparticipating Royalty Owner shall be delivered the credit free of cost up to one-sixth ( $1/6^{\text{th}}$ ) part of all oil and/or gas produced and saved under the terms of the Lease to facilities to which the wells may be connected.
- c. Payments specified must be made on or before the twenty-fifth (25th) day of the first month following oil production sale or the second month following gas and/or plant products sale. Payments made after the due date shall include interest at the rate of 1.5% per month, or at the maximum legal rate, whichever is less, on the amount of royalty unpaid. A full month's interest will be charged for late payments received during any portion of the month in which late payment is received.
- d. Should oil be produced from any well, the gross proceeds of sale of lease products of such oil shall be free to the Nonparticipating Royalty Owner of any cost to whichever point is first encountered: 1) the point of sale to an independent nonaffiliated third party purchaser; or 2) to an affiliated purchaser, provided the sale is at prevailing market rates; or 3) the point of entry into an independent nonaffiliated third party owned pipeline system; or 4) the point of entry into an affiliate-owned pipeline system, provided transportation rates are at prevailing market rates. Upon request by the Nonparticipating Royalty Owner, written justification of charges must be submitted and agreed to in writing by the Nonparticipating Royalty Owner.
- e. Should gas, including casinghead gas, be produced and saved from any well, the gross proceeds of sale of lease products of said gas shall be free to the Nonparticipating Royalty Owner of any cost to whichever point is first encountered: 1) the point of entry into a facility to remove CO<sub>2</sub>, H<sub>2</sub>S, and N<sub>2</sub>, or obtain plant products; or 2) the point of entry into an independent nonaffiliated third party-owned pipeline system; or, 3) the point of entry into a pipeline system owned by a gas distribution company, or any subsidiary of such gas distribution company, which is regulated by the Michigan Public Service Commission; or 4) the point of entry into an affiliated pipeline system, if the rates charged by such pipeline system have been approved by the Michigan Public Service Commission, or if the rates charged are reasonable, as compared to independent pipeline systems, based on such pipeline system's location, distance, cost of service and other pertinent factors. Upon request by the Nonparticipating Royalty Owner, written justification of charges must be submitted and agreed to in writing by the Nonparticipating Royalty Owner.
- f. All royalties accruing to the Nonparticipating Royalty Owner herein shall be without deduction of any costs incurred except as agreed herein. Nonparticipating Royalty Owner's royalty is to be free and clear of all costs, claims, charges and expenses of any nature, including third party post-production costs on or off the premises except as herein provided, and except for the reasonable costs of CO<sub>2</sub>, H<sub>2</sub>S, and N<sub>2</sub> removal there

shall be no deduction for the cost of gathering, separating, dehydrating, compressing or treating the gas to make it marketable. There shall be no deduction for transportation costs prior to entry of gas into a pipeline system as set forth in 2.f. (2) through (4) without the prior written consent of the Nonparticipating Royalty Owner.

As the State of Michigan is not liable for any taxes, no deduction for any taxes may be made in computing the Nonparticipating Royalty to the State.



Legal Description for SW corner of Nine Mile/Garfield Roads  
ITC Trailhead Park  
Natural Resources Trust Fund Grant #TF16-01111  
City of Novi, Oakland County

T1N, R8E, SEC 30 PART OF SE 1/4 BEG AT PT DIST W 425 FT FROM SE SEC COR, TH W 499 FT, TH N 00-51-00 E 564.10 FT, TH N 62-35-00 E 252.50 FT, TH N 76-36-00 E 726.30 FT, TH S 00-44-00 W 354.63 FT, TH S 40-51-30 W 659.49 FT TO BEG 12.57 AMN538B