

**STANDARD
& POOR'S**

Steven J. Murphy
Managing Director
55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2066
steve_murphy@standardandpoors.com

Sarah Ward Eubanks
Managing Director
130 East Randolph Street
Suite 2900
Chicago, IL 60601
tel 312 233-7001
sarah_eubanks@standardandpoors.com

reference no.: 654343

March 4, 2004

Pittsfield Charter Township
6201 W. Michigan
Ann Arbor, MI 48108
Attention: Ms. Christina Lirones, Township Clerk

RECEIVED

MAR 12 2004

PITTSFIELD CHARTER TOWNSHIP

Re: ***US\$8,000,000 Charter Township of Pittsfield, County of Washtenaw, State of Michigan, General Obligation Capital Improvement Bonds, Series 2004, dated: April 1, 2004, due: May 1, 2029***

Dear Ms. Lirones:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "A+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would

Ms. Christina Lirones
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facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.


Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
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By: 
Steven J. Murphy
Managing Director

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enclosures

cc: Mr. Tom Colis
Mr. Robert Skrobola
Mr. Thomas Traciak

Publication date: 05-Mar-2004
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Pittsfield Charter Township, Michigan

Credit Analysts: Corey Friedman, Chicago (1) 312-233-7010; James Wiemken, Chicago (1) 312-233-7005

Credit Profile

US\$8 mil GO cap imp bnds
ser 2004 dtd 04/01/2004 due
05/01/2005-2029
A+

Sale date: 09-MAR-2004

Outstanding GO bnds
UPGRADED
To A+
From A

OUTLOOK: STABLE

Rationale

The rating on Pittsfield Charter Township, Mich.'s outstanding GO-backed debt has been raised to 'A+' from 'A'. The township's GO capital improvement bonds series 2004 have been rated 'A+'.

The upgrade reflects the township's:

- Continued substantial tax base growth, increasing nearly 10% annually since 1999; and
- Strong financial position, with strong reserves and revenue flexibility.

Other credit strengths include:

- Participation in the Ann Arbor, Mich. MSA;
- Good income and wealth indicators; and
- Moderate debt burden, as measured as a percentage of market value.

These strengths are offset by the challenge of managing rapid growth, with a population that increased 70% over the past decade.

The bonds are secured by the township's limited-tax GO pledge.

Pittsfield Charter Township, located less than five miles south of Ann Arbor ('AA' GO rating), comprises approximately 28 square miles in Washtenaw County. The population has grown about 70% over the past decade to nearly 30,200 residents. This has allowed access to significant resources contributing to considerable economic growth.

The township continues to exhibit healthy taxable valuation growth coupled with high income and wealth indicators. Annual increases of about 10% between 1999 and 2003 have pushed the township's taxable valuation to nearly \$1.4 billion. The tax base, while primarily residential, with 60% tied up in residential properties, is diverse. The 10 leading taxpayers, consisting of several small manufacturers and small apartment complexes, make up about 9% of total taxable valuation. Commercial properties (24%), along with industrial (8%) and personal (8%) properties, make up the remainder of the tax base. The 2003 market value was at a healthy \$3.15 billion, or a stellar \$104,464 per capita. Income levels for the township are high, with 1999 median household buying income levels at 137% and 146%, respectively, of state and national levels. The high income and wealth indicators stem from the many professors and health care professionals associated with the University of Michigan.

The township's financial picture remains solid. Fiscal year-end 2002 (Dec. 31), showed a general fund balance of \$5.7 million, or a healthy 28% of expenditures.

The fund balance remained strong despite a \$3.6 million general fund drawdown in fiscal 2002, with the drawdown being attributed to a onetime land purchase in which the township used its own reserves to finance the purchase. The unaudited fiscal 2003 general fund results hinted at a \$600,000 surplus. The fiscal 2004 budget calls for at least break-even operations in the general fund.

The township is afforded some revenue flexibility by operating at 91% of its Headlee limit. If the township were to levy at its Headlee limit, an additional \$517,000 would be generated in property tax revenue. At present, the township is not considering any significant levy increases. The township also has a budget stabilization fund, which operates separately from the general fund and had \$965,000 at fiscal year-end 2002.

Debt ratios offer a mixed prognosis of the township's overall debt burden. Per capita debt levels are high at \$3,168 per capita, but moderate at 3.0% of market value. Bond proceeds will finance various capital improvements to the township's water system. The township anticipates issuing about \$750,000 in GO-backed special assessment bonds by June 2004 at the earliest to finance additional roadwork in the township. As the township did with the land purchase, it tends to acquire property and construct public facilities, using internal sources to finance these capital needs. Presently, the township plans to construct a new public safety and parks and recreation building, financed by its own reserves.

Outlook

The stable outlook reflects Standard & Poor's Rating Services' expectation of solid financial reserve maintenance coupled with limited additional debt needs.

Economy

The township's growth has been very strong, evidenced by a 70% increase over the past decade. The district probably will reach build out by 2024, with a peak population of 60,000. Over the past few years, about 400 new homes have been built annually, selling for anywhere from \$250,000 to \$400,000 in some areas and \$150,000 to \$170,000 in others. On the commercial side, ABN Amro is opening a new township office with 1,200 employees. Also, some offices have opened in related to the strong health and educational areas of the University of Michigan, located in nearby Ann Arbor. Leading employers include mega retailer Meijer's Inc (1,000 employees) and a state correctional facility (860). The township anticipates keeping the mix between residential, commercial, and industrial about the same as more growth occurs in the township.

Finances

The township's operating revenue is mostly derived from property taxes (42% of total operating revenue), with revenue from state sources (26%) and fees and charges (26%) making up most of the rest. The township has a dedicated millage for public safety and parks and recreation. Given the state's fiscal situation, the township's state shared revenue has decreased 20% between fiscals 2001 and 2004 to \$2.3 million. To combat these reductions, the township made some small budgetary cuts. While not having a formal fund balance policy, the township typically strives to keep reserves to cover six to nine months of expenditures--a goal the township was in line with before fiscal 2002.

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