

FUNDING AGREEMENT BETWEEN THE
CITY OF REDLANDS AND
NORTH AMERICAN BIOMASS COMPANY, LLC

This funding agreement ("Agreement") is made and entered into this 15th day of March, 2011 ("Effective Date"), by and between the City of Redlands, a municipal corporation (hereinafter "City") and North American Biomass Company, LLC (hereinafter "NABC"). City and NABC are sometimes individually referred to herein as a "Party" and, together, as the "Parties."

RECITALS

WHEREAS, NABC desires to produce energy from City's California Street Landfill gas and wastewater treatment plant digester gas, and desires to construct a gasification facility in proximity to City's wastewater treatment plant (the "Project"); and

WHEREAS, NABC has entered into a Memorandum of Understanding ("MOU") with City, dated February 1, 2011, pursuant to which NABC and City will undertake exclusive negotiations on the possible leasing of City-owned property to NABC; and

WHEREAS, the MOU further provides that NABC shall enter into a funding agreement with City to pay any costs incurred by City for specialized technical, financial and legal consultants in connection with City's review of the proceedings for, and proposed construction of, the Project; and

WHEREAS, NABC's entry into an execution of a funding agreement with City is an express condition precedent to City's leasing of the property to NABC, and

WHEREAS, by executing this Agreement, NABC agrees to advance payment, in an amount not to exceed Two Hundred Thousand Dollars (\$200,000), for the costs and expenses City incurs in connection with City's retention of specialized technical, legal and financial consultants in connection with City's review of NABC's Project;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the City of Redlands and North American Biomass Company, LLC agree as follows:

AGREEMENT

Section 1. Funding Obligation. Within ten (10) days of the date of the written request of City, NABC shall deposit the sum of Two Hundred Thousand Dollars (\$200,000) (the "Deposit") with City. The Deposit will be applied towards the costs incurred by City in connection with City's retention of specialized technical, legal and financial consultants who will assist City with its review of the Project. In the event that this Agreement is terminated for any reason, City shall immediately refund any unused portion of the Deposit to NABC.

City shall also notify NABC in writing upon remitting any payments to the consultants, which notification shall include a general description of the services performed by the consultants and the amounts paid for such services.

Section 2. Compliance Required. NABC acknowledges that City may require NABC to supply data and information to determine whether the Project is feasible. NABC shall promptly comply with all such requests by City.

Section 3. Failure to Comply. If, at any time, in City's sole discretion, NABC unreasonably delays in advancing monies as requested by City, or paying any invoice from City when due, NABC acknowledges and agrees that City may, without liability to NABC, cease City's review and processing of NABC's proposed Project.

Section 4. Notices. All notices given pursuant to this Agreement shall be in writing and may be given by personal delivery or by mail. Notices, sent by mail shall be addressed as follows:

City

Les Jolly
Interim Quality of Life Director
Quality of Life Department
P.O. Box 3005
Redlands, CA 92373

NABC

Graeme Bethell
North American Biomass Company, LLC
133 – 1335 Bear Mountain Parkway
Victoria, BC, Canada, V9B 6T9

When so addressed, such notices shall be deemed given upon deposit in the United States Mail. In all other instances, notices shall be deemed given at the time of actual delivery. Changes may be made in the names and addresses of the person to whom notices are to be given by giving notice pursuant to this Section.

Section 5. Attorneys' Fees. In the event any action is commenced to enforce or interpret any of the terms or conditions of this Agreement the prevailing Party shall, in addition to costs and any other relief, be entitled to recovery of its reasonable attorneys' fees, including fees for use of in-house counsel by a Party.

Section 6. Entire Agreement/Amendment. Except for the funding agreement dated January 19, 2011 between NABC and City, this Agreement represents the entire agreement and understanding between the Parties as to the matters contained herein, and any prior negotiations, proposals or agreements (except for the aforementioned January 19, 2011 agreement) with respect to the same are superseded by this Agreement. Any amendment to this Agreement shall be in writing, and signed by authorized representatives of City and NABC.

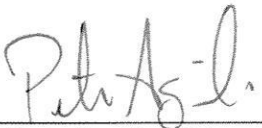
Section 7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 8. No Third Party Beneficiary. NABC expressly acknowledges and agrees that City's contract with the consultant to review NABC's Project is for the benefit of City and the public, and is not for the benefit of NABC.

Section 9. Termination. City may terminate the Agreement by providing ten (10) calendar days prior written notice to NABC.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of its Effective Date.

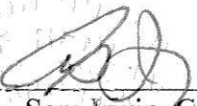
CITY OF REDLANDS

By: 
Pete Aguilar, Mayor

NORTH AMERICAN BIOMASS
COMPANY, LLC

By: 
Graeme Bethell

ATTEST:


Sam Irwin, City Clerk

multiple enforcement team, narcotics and traffic. Defined as budget cuts that went too deep, the Chief identified areas of concern in records and administrative support.

Budget Priorities - Quality of Life - Les Jolly presented primary, secondary and enhanced core services for each division within the department. Discussion centered on cost savings generated by an overtime study performed within the solid waste division and the impact on daily operations of data gathering for decision making.

NEW BUSINESS:

Safe Routes to Schools - On motion of Councilmember Harrison, seconded by Councilmember Mayor Pro Tem Foster, the City Council unanimously agreed the agreement and construction of the Cycle 5 Safe Routes to Schools Project is exempt from further environmental review in accordance with CEQA, approved the Project plans and specifications, and awarded a contract to New Legacy Corporation to perform the work.

Funding Agreement - On motion of Mayor Pro Tem Foster, seconded by Councilmember Gardner, the City Council unanimously approved a Funding Agreement between the City of Redlands and North American Biomass Company, LLC (NABC). NABC agrees to pay any costs, up to \$200,000, incurred by the City in connection with specialized technical, legal and financial consultants to review NABC's project proposal.

Orange Blossom Trail - On motion of Mayor Pro Tem Foster, seconded by Councilmember Harrison, the City Council unanimously approved a Mitigated Negative Declaration for the construction of a 1.7 mile segment of a Class I multi-use trail, more commonly known as the Orange Blossom Trail, and final alignment plan for the east segment of the Trail located on railroad right-of-way between University Street and Wabash Avenue. Staff was directed to file and post a Notice of Determination in accordance with City of Redlands guidelines. As a public comment, Steve Rogers said he is pleased the Orange Blossom Trail is going forward.

Commission Appointments - On motion of Mayor Aguilar, seconded by Councilmember Harrison, the City Council unanimously approved the appointment of Joe R. Gonzales and Kristin Saukel to serve four year terms on the Parks and Recreation Advisory Commission ending March 15, 2015.

Commission Appointment - On motion of Councilmember Bean, seconded by Councilmember Mayor Pro Tem Foster, the City Council unanimously approved the appointment of Evelyn Frances Maldonado to serve a four year term on the Human Relations Commission ending March 15, 2015.