

**140 KW SOLAR GENERATION FACILITY MEMORANDUM OF
UNDERSTANDING AND POWER PURCHASE AGREEMENT BETWEEN
THE LANCASTER POWER AUTHORITY AND MORGAN SOLAR INC.**

This Memorandum of Understanding and Power Purchase Agreement is made and entered into in the City of Lancaster (City), California, on this ____ day of _____, 2011, by and between the Lancaster Power Authority, a municipal utility of the State of California (hereinafter referred to as "LPA"), and Morgan Solar Inc., a Canadian Corporation, (hereinafter referred to as "MORGAN"), collectively referred to as "the Parties".

WHEREAS, LPA desires to enhance the use of renewable energy within the City, and

WHEREAS, LPA has available space at the Lancaster National Soccer Center ("LNSC") on which LPA is willing to allow MORGAN to construct a prototype Solar Generation Facility (Facility), and

WHEREAS, MORGAN, in cooperation with The University of Ottawa ("UOTTAWA") has acquired two grants from SDTC and APECS (the "Grants") for the design and construction of the Facility, desires to construct the Facility on the available space at the LNSC, and

WHEREAS, MORGAN and UOTTAWA will each own equipment that they are willing to deploy on the site, and

WHEREAS, ownership of the UOTTAWA equipment will transition to MORGAN upon the completion of the Grant.

NOW, THEREFORE, in consideration of their mutual promises, benefits, obligations, and covenants hereinafter contained, the Parties hereto agree to undertake a project (the "Project") as follows:

1. Duration of Agreement. This agreement ("Agreement") shall be binding upon the Parties for twenty (20) years from the execution date hereon written unless modified in writing by the Parties before the termination date. Should the Agreement be terminated before the twenty (20) year period, except as noted below under the First Right of Refusal provision, MORGAN shall remove all equipment installed by them as part of the Facility and return the site to a condition acceptable to LPA, or in lieu of removal, sign over ownership of Facility, in its entirety, to LPA.
2. Property Available at LNSC. The property available at the LNSC is located east of the Maintenance Building (43000 30th Street East, Lancaster, Ca.) and consists of approximately two (2) acres more particularly described in Exhibit "A" Property, attached hereto and made a part hereof ("Property").
3. Site Description/Preparation. The Property is generally flat except for an approximate 5% slope along the south side near the parking lot and has stockpiles of material that will need to be relocated. It is anticipated that the site will require grading (to accommodate up to 78 trackers and two access roads). A minimum 6' high lockable chain link fence with

construction tarp and one 20' wide gate will be constructed on the open south side of the Property to secure the site. One curb cut for drive access will need to be made in the existing curb per the site plan. The final site plan is pending all necessary permitting requirements.

4. Reimbursement Agreement. Reimbursement for certain LPA provided services shall be as detailed in Exhibit "B" Reimbursement Agreement attached hereto and made a part hereof ("Reimbursement Agreement").
5. Use of LPA Personnel. LPA desires to have one or more of its staff involved in the installation of the Facility to provide for ease of future operation and maintenance should the Facility be turned over to LPA under the First Right of Refusal section below. The use of said staff would be at no cost to MORGAN.
6. Plans/Permits/Approvals. Plans are to be prepared by MORGAN and permits and approvals obtained by MORGAN through the City or other agencies as appropriate. LPA will assist in obtaining permits and approvals by other agencies and will not unreasonably withhold granting permits and approvals under its jurisdiction. The LPA has affirmed that there are no required public consultation processes, noise by-laws, or other regulations other than those listed herein (See Exhibit "E" Notice of Exemption). The following will be required to obtain plan approval and permit(s) from the City:
 - a. A site plan of the installation, including panel locations, equipment locations, and access will be required to be reviewed and approved by Fire Prevention as well as for City review. Fire Prevention will probably require existing fire hydrants, both on and off-site, to be shown on the site plan.
 - b. A grading plan may also be required, depending upon how the site is to be prepared for the attachment of the mounting and tracking systems to be used.
 - c. Other information required for permitting:
 - Installation details of mounting systems
 - Structural calculations as might be required for the mounting system
 - Array plans
 - Electrical plans, including location of all equipment
 - Electrical diagrams
 - Notes and warning signs as required by the 2010 Calif. Elec. Code, Article 690
 - Manufacturer's cut-sheets, including listings, for all equipment
 - Additional information may be required during the plan review process.
7. SCE Filings. Applications for Net Energy Metering (NEM) to Southern California Edison (SCE) shall be prepared by LPA staff with input and details provided by MORGAN as necessary. The NEM Application, Contract and Interconnection Agreement with SCE will be executed by LPA.

8. Electrical Design and Installation of Facility. All costs associated with the electrical design for and installation of the Facility (Work) will be by MORGAN except as noted in the Exhibit "B" Reimbursement Agreement wherein LPA is willing to provide or have provided certain portions of the Work to be reimbursed by MORGAN.
9. Connection to Existing Meter. The connection to the existing meter at the maintenance building shall be made by an electrician licensed in the State of California who holds a current business license in the City of Lancaster. Connection shall not be made until City building inspector has signed off on the installation and submitted the connection approval to SCE and after SCE has provided and LPA has signed the Interconnection Agreement. Coordination with SCE shall be by LPA and MORGAN.
10. Land option: Pursuant to on-going discussions between LPA and MORGAN commenced in August, 2010, LPA agrees to provide MORGAN with an option to lease (the "Option") 25 acres designated by Assessor's Parcel Number 3170-008-908 that will expire **October 1, 2011**. No later than 31 July, 2011 MORGAN is to present the LPA with a proposal for the development of all or part of the 25 acres that as well as plans to foster a broader relationship with the LPA that may include additional permitting and sub-contracting, as well as additional land lease and development options, which collectively will be embodied in a secondary agreement (the "Development Agreement"). MORGAN and the LPA will aim to achieve Board approval for the Development Agreement by 27 September, 2011. The deadline for achieving Board approval for the can be changed by mutual consent of both parties, where such consent will not be unreasonably withheld.
11. Power Purchase Agreement: Six (6) months after the completion of the installation and net metering is active the LPA will pay to MORGAN the electrical output from the Facility at a rate of \$0.06481 per kWh delivered (the "Power Sale"). The LPA will be the sole recipient of all remaining benefit from NEM paid by SCE or California Solar incentives (if any).
12. First Right of Refusal. Every five (5) years from the date net metering becomes active, or whenever mutually agreed upon, LPA and MORGAN to review sale of facility to the LPA. At any time MORGAN agrees to provide LPA the first right to refuse ownership of the Facility. Facility may not be transferred to another entity without LPA's written consent, which shall not be unreasonably withheld.
13. Right to Remain. City will not re-zone or otherwise modify the plans for use at the Facility site without the written approval of MORGAN. Notwithstanding the foregoing, any change in City policy that requires the removal of the Facility will result in the reimbursement by the LPA to MORGAN of all costs related to the preparation, construction and installation of the Facility.
14. Engineering and Construction Schedule. The Schedule shall be as shown in Exhibit "C" Schedule, attached hereto and made a part hereof. The Schedule may be adjusted for cause, by mutual consent of the Parties.

15. Site Access and Security. The LNSC gates located at 30th Street East and Avenue L are locked at night for security. Should there be a need to access the Facility after normal business hours either during or after construction, MORGAN personnel can call the LNSC standby number for access. The Facility gate will be double locked for access by MORGAN and or LPA personnel as needed/authorized. Tours by LPA and/or by Morgan will be arranged in advance to allow necessary arrangements for access and equipment such as hard hats, vests etc.
16. Termination. Both parties may terminate the Agreement by mutual consent, where such consent will not be unreasonably withheld.
17. Environmental Compliance. It is anticipated that only a Notice of Exemption will need to be prepared and filed to comply with the California Environmental Quality Act (CEQA). LPA has prepared and filed the Notice of Exemption for the Facility.
18. Storage Area During and After Construction. The Northwestern most row of parking lot immediately adjacent to the Property will be made available to MORGAN free of cost during construction for staging and storage of materials. Upon sole consent of the LPA, additional parking spaces to be provided by the LPA upon written request of MORGAN, where such consent will not be unreasonably withheld.
19. Access to Phone and Internet Service. Phone and internet service will only be available by wireless connection. Application and associated costs shall be made and borne by MORGAN.
20. Operation and Maintenance Costs. During the Term of the Agreement, or until the Facility is sold, MORGAN shall bare all costs of Operation and Maintenance of the Facility.
21. Insurance. Insurance Coverage shall be provided by MORGAN, or its subsidiaries, affiliates, contractors or sub-contractors, in accordance with Exhibit "D" Insurance, at all times.
22. Indemnity. All parties to this agreement shall indemnify, defend, and hold all other parties to this agreement harmless from and against all damages, expenses, costs and liabilities arising out of negligent acts, omissions or wrongful conduct in the course of performance of this Agreement, including, without limitation, the breach or failure of the warranties and representations set forth herein.
23. Exclusive Agreement. This document constitutes the entire Agreement between the parties, and no promises or representations, other than those contained herein and those implied by law, have been made by the Parties. Any modifications to this Agreement must be in writing and signed by all Parties.
24. Severability. In the event any provision of this Agreement is deemed to be void, invalid, or unenforceable, that provision shall be severed from the remainder of this Agreement so as not to cause the invalidity or unenforceability of the remainder of this Agreement. All remaining provisions of this Agreement shall then continue in full force and effect. If any

provision shall be deemed invalid due to its scope or breadth, such provision shall be deemed valid to the extent of the scope and breadth permitted by law.

25. Applicable Law. This Agreement will be governed by the laws of the State of California.
26. Paragraph Headings. The headings of particular paragraphs and subparagraphs are inserted only for convenience and are not part of this Agreement and are not to act as a limitation on the scope of the particular paragraph to which the heading refers.
27. Notices. All notices and other communications in connection with this Agreement shall be in writing and shall be considered given as follows:
 - a. When delivered personally to the recipient's address as stated in this Agreement;
 - b. Three days after being deposited in the United States mail, with postage prepaid to the recipient's address as stated in this Agreement; or
 - c. When sent electronically or by telex to the last e-mail address or telex number of the recipient known to the person giving notice. Notice is effective upon receipt provided that a duplicate copy of the notice is promptly given by first class mail, or the recipient delivers a written confirmation of receipt.
28. Resolving Disputes. If any court action is necessary to enforce this Agreement, the prevailing party shall be entitled to reasonable attorney fees, costs and expenses in addition to any other relief to which he or she may be entitled.
29. Electronic Signatures. LPA and MORGAN agree that this Agreement will be considered signed when the signature of a party is delivered by electronic transmission. Signatures transmitted electronically shall have the same effect as original signatures.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first hereinabove written.

MORGAN SOLAR INC.,

LANCASTER POWER AUTHORITY,

Approved:

By: _____
Hugo Navarro, VP Finance & Operations

By: _____
Mark V. Bozigian, Executive Director

Date: _____

Date: _____

Approved by Department Head

By: _____
Robert C. Neal, Director of Public Works

ATTEST: _____
Geri K. Bryan, Secretary

Approved as to Form:

By: _____
David R. McEwen, Legal Counsel

Exhibit "A" Property

EXHIBIT A

BEING A PORTION OF THE SOUTHWEST QUARTER OF SECTION 29, T7N, R11W, SBM IN THE CITY OF LANCASTER, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT OF SAID LAND, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTH FACE OF AN EXISTING 6 FOOT BLOCK WALL RUNNING APPROXIMATELY ALONG THE SOUTH LINE OF TRACT 49864-06 RECORDED IN MAP BOOK 1324 PAGES 83 THROUGH 94 IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY WITH AN EXISTING 6 FOOT CHAIN LINK FENCE RUNNING ALONG THE EASTERLY SIDE OF AN EXISTING WATER TANK AND WELL FACILITY IN THE LANCASTER NATIONAL SOCCER CENTER LOCATED AT 43000 N. 30TH STREET EAST IN LANCASTER, CA. SAID INTERSECTION BEING APPROXIMATELY 1488 FEET WESTERLY OF THE EAST LINE OF SAID SOUTHWEST QUARTER OF SECTION 29;

THENCE S89°48'31"E ALONG SAID SOUTH FACE 507.52 FEET TO THE INTERSECTION OF AN EXISTING 6 FOOT WROUGHT IRON FENCE RUNNING ALONG THE WESTERLY SIDE OF A DRAINAGE CHANNEL;

THENCE S05°47'16"W ALONG SAID WROUGHT IRON FENCE 168.59 FEET TO THE EASTERLY EXTENSION OF AN EXISTING CURB FACE RUNNING ALONG THE NORTHERLY EDGE OF AN EXISTING PARKING LOT;

THENCE N89°46'29"W ALONG SAID CURB FACE AND THE EASTERLY AND WESTERLY EXTENSION THEREOF TO THE INTERSECTION OF SAID CHAIN LINK FENCE;

THENCE ALONG SAID CHAIN LINK FENCE THROUGH ITS VARIOUS COURSES, N00°56'57"E A DISTANCE OF 19.78 FEET; S89°16'20"E A DISTANCE OF 9.91 FEET; N00°14'24"E A DISTANCE OF 147.80 FEET TO THE POINT OF BEGINNING.

CONTAINING APPROXIMATELY 1.93 ACRES.

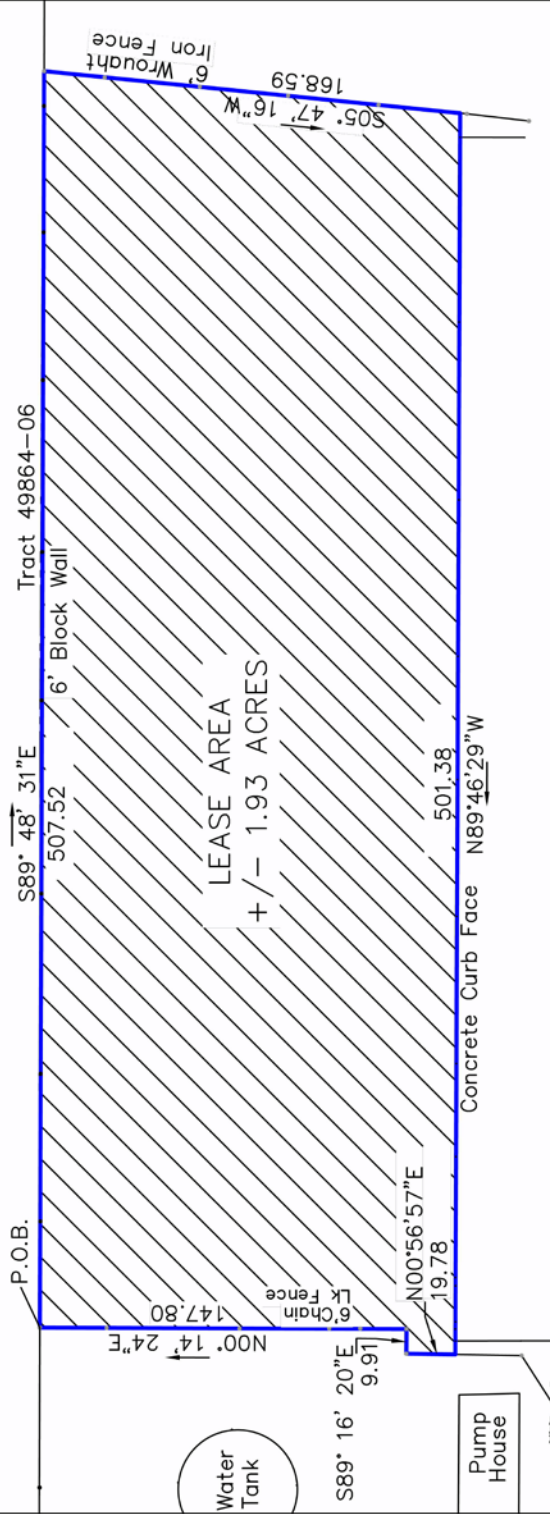


Exhibit "B" Reimbursement Agreement

REIMBURSEMENT AGREEMENT

This Agreement ("Agreement") is made and entered into this ____day of _____, 2011, by and between the Lancaster Power Authority (hereafter "LPA") and Morgan Solar Inc. (hereinafter referred to as "Morgan"); collectively the "Parties".

This Agreement is based upon the following facts:

- A. Morgan has proposed an electric generation project to the LPA ("Proposed Project"), for consideration and possible participation by LPA.
- B. The Parties anticipate that LPA will incur certain expenses in reviewing applications for evaluating their potential participation in and providing assistance with possible actions to implement the Proposed Project. The Parties wish to establish a framework for Morgan to reimburse LPA for its expenses, as provided herein.

NOW THEREFORE, the parties agree as follows:

1. City Council previously agreed that development of the site proposed for the installation of the 78-tracker Solar Generation Facility by Morgan Solar Inc. would be at no cost to the LPA.
2. The LPA is willing to allow staff to proceed with various items of work including, but not limited to, site preparation, environmental clearance, and contracting with service providers and contractors to accomplish such work on and around the Lancaster National Soccer Center provided such work is reimbursed by Morgan.
3. Morgan hereby agrees to pay any and all costs, including staff time, attorney's fees, permit fees, and inspection fees, contracted work or force labor and materials associated with the work.
4. Morgan agrees to initially deposit with LPA, within 10 days of the execution of this Agreement, \$56,150 to cover the initial estimated costs of the above described work as detailed on attached Exhibit "1" Estimated Cost of Initial Deposit, (Initial Deposit). In addition, as the Initial Deposit is drawn down by the LPA and LPA determines the estimated cost for work yet to be performed is more than the balance of the Initial Deposit, Morgan agrees to deposit with LPA supplementary funds to complete the Work.
5. Any controversy between the parties hereto shall be submitted to arbitration and such arbitration shall comply with and be governed by the principles of the California Arbitration Act, Code of Civil Procedure section 1280-1294.2.
6. All notices herein required shall be in writing and shall be delivered in person or sent by registered mail, postage prepaid, to the following addresses:

LPA:

Lancaster Power Authority
44933 North Fern Avenue
Lancaster, CA 93534
Attn: Robert C. Neal, Public Works Director

MORGAN:

Morgan Solar Inc.
30 Ordnance Street Toronto,
Ontario Canada M6K 1A2
Attn: Hugo Navarro

IN WITNESS WHEREOF, the parties hereto have executed this Agreement at Lancaster, California the day and year first above written.

Lancaster Power Authority

By _____
Mark V. Bozigian, Executive Director

Signatures Must Be Notarized
(Attach Notary Acknowledgement Form)

MORGAN SOLAR Inc.,

By _____
Hugo Navarro, VP, Finance &
Operations

ATTEST:

GERI K. BRYAN, Secretary
City of Lancaster

APPROVED AS TO FORM:

David R. McEwen, Legal Counsel

Attachment: Exhibit "1" Estimated Cost of Initial Deposit

Exhibit "1" Estimated Cost of Initial Deposit

Item #	Proposed Work to be Performed by City Staff	Estimated Cost
1	Environmental Clearance	\$ 350
2	SCE Applications	\$ 1,200
3	Site Preparation	
a	<i>Clearing /grading of site</i>	\$ 8,800
b	<i>Construction Surveying</i>	\$ 1,000
4	Approvals	
a	<i>Plan review and approval</i>	\$ 1,200
b	<i>Permit issuance</i>	\$ 2,100
c	<i>Agreements</i>	\$ 500
	Subtotal	\$ 15,150
Item #	Proposed Work to be Performed by Contractor/Vendor through City	Estimated Cost
1	Electrical Design from Inverter J-box through transformer to Meter.	\$ 5,000
2	Fence material and installation	\$ 16,000
3	Materials and Installation of cable, conduit, transformer and connection at meter (TBC)	\$ 20,000
	Subtotal	\$ 41,000
	Total Estimated Initial Deposit	\$ 56,150

Exhibit "C" Schedule – To be revised

Exhibit "C"

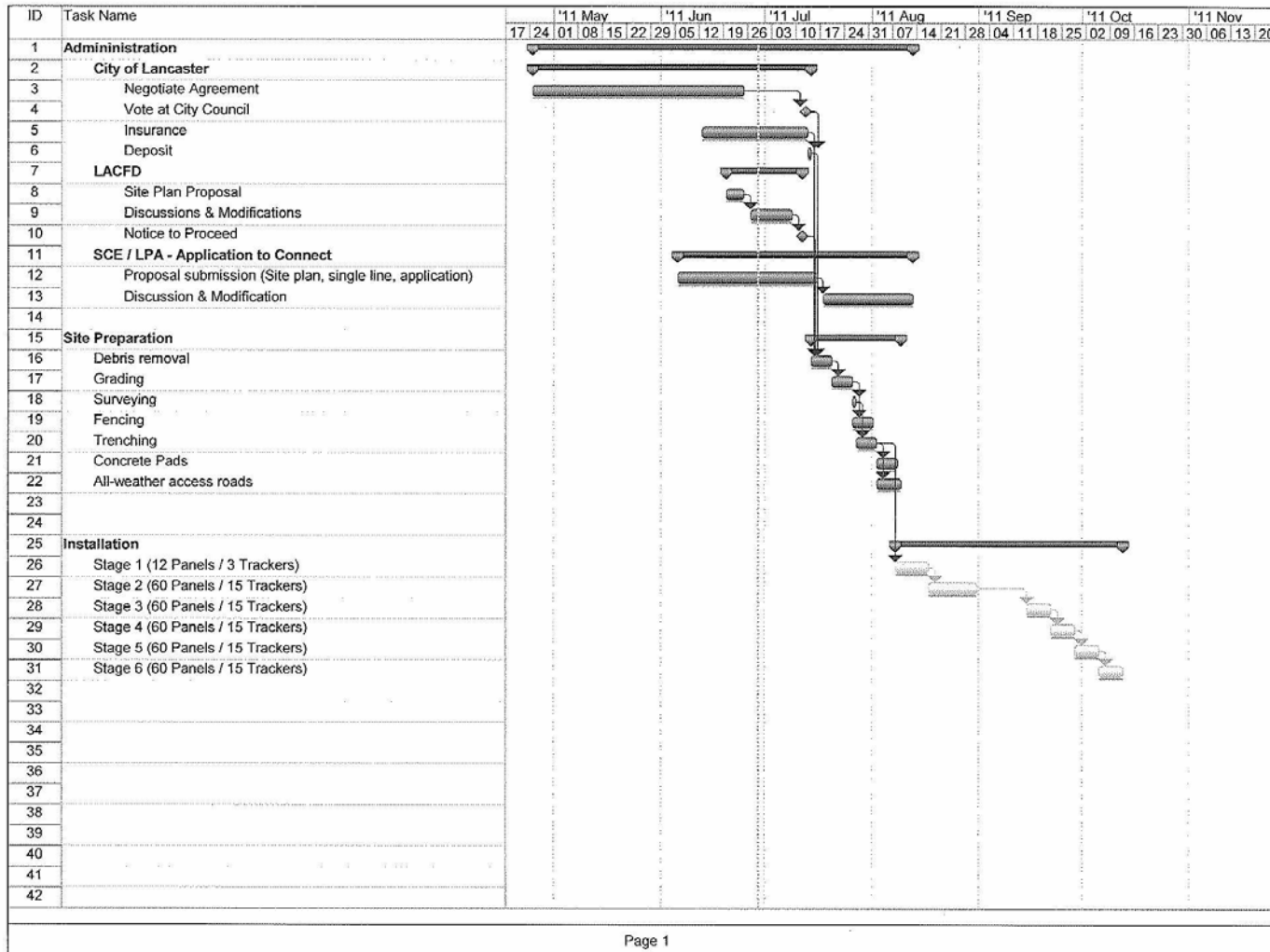


Exhibit “D” Insurance

Lancaster Power Authority Consultant Insurance Requirements – Low Hazard

Morgan, at its expense, shall maintain in effect at all times during the performance of work under this agreement not less than the following coverage and limits of insurance, which shall be maintained with insurers listed "A-, VIII" or better in the Best's Key Rating Guide and that are admitted insurers in the State of California:

Commercial General Liability

Each Occurrence	\$1,000,000
Per Project General Aggregate	\$2,000,000
Including Products/Completed Operations	
Including Contractual Liability/Independent Contractors	
Including Broad Form Property Damage	

Commercial Automobile Liability

Combined Single Limit per Accident for Bodily Injury and Property Damage	\$1,000,000
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Workers Compensation

As Required by the State of California	Statutory Limits
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Employer’s Liability

Each Accident	\$1,000,000
Bodily Injury by Disease	\$1,000,000
Each Employee	\$1,000,000

Professional Liability

Each Occurrence	\$1,000,000
General Aggregate	\$1,000,000

- 1) Insurance shall be at least as broad as ISO form CG 20 10 11 85 or CG 20 10 10 01 and CG 20 37 10 01 covering Commercial General Liability. Commercial Automobile coverage shall be at least as broad as ISO form CA 00 01.
- 2) The Consultant’s insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insured’s liability.
- 3) A Waiver of Subrogation must be provided on behalf of the Certificate Holder for the Workers Compensation/Employers Liability policies and a copy of the endorsement must accompany the certificate.
- 4) Any deductibles or self-insurance retentions must be declared and approved by the LPA. At the option of the LPA, either the insurer shall reduce or eliminate such deductibles or self-

insured retentions as respects the LPA insured entities or the insurer shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

- 5) All insurance shall be primary and non-contributory as respects the LPA insured entities. Any insurance or self-insurance maintained by the LPA insured entities shall be in excess of the Consultant's insurance and shall not contribute with it.
- 6) The coverage provided under this contract shall not contain any special limitations on the scope of protection afforded to the LPA insured entities.
- 7) Insurance provided and maintained by Consultant must be placed with insurers with a rating of A-, VIII or better by Best's Key Rating Guide, latest edition, and that are admitted insurers in the State of California.
- 8) Insurance written on a "claims made" basis must be renewed for a period of five (5) years after this contract expires or is terminated. Such insurance must have the same coverage and limits as the policy that was in effect during the term of this contract and will cover Consultant for all claims made by the LPA insured entities arising out of any acts or omissions of Consultant, its officers, employees, or agents during the time this Agreement was in effect.
- 9) Consultant shall furnish the LPA with Certificates of Insurance and with original endorsements effecting coverage required by this contract. The certificates and endorsements for each insurance policy are to be signed by a person authorized by the insurer to bind coverage on its behalf. All certificates and endorsements are to be received and approved by the LPA before work commences. The LPA reserves the right to require complete, certified copies of all required insurance policies at any time.
- 10) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the LPA insured entities.
- 11) Certificates of Insurance must be deposited with the LPA for all coverage required by this contract. Certificates shall meet the following requirements:
 - A. Show that the insurance policy has been endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after 30 days prior written notice (10 days written notice for non-payment) by Certified Mail, return receipt requested to the LPA.
 - B. List in the "Descriptions of Operations/Locations/Vehicles/Special Items" section:

The Certificate Holders, as well as their officers, agents, servants, and employees are included as additional insured as respect to liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of the Consultant; premises owned, occupied, or used by Consultant; or automobiles owned, leased, hired, or borrowed by the Consultant. (This does not apply to Professional Liability policies.)
 - C. List in the "Certificate Holder" section:

The Lancaster Power Authority, City of Lancaster, the Lancaster Redevelopment Agency, the Lancaster Financing Authority, the Lancaster Housing Authority, the Lancaster Boulevard Corporation, the Lancaster Community Services Foundation, and the Lancaster Museum/Art Gallery Associates, as well as each of their officers, agents, servants, and employees, 44933 Fern Avenue, Lancaster, California 93534.

D. List in the "Cancellation" section:

Should any of the above described policies be cancelled before the expiration date thereof, the issuing company will mail 30 written notice (10 days written notice for non-payment) to the Certificate Holders named to the left.

- 12) Consultant shall include all subcontractors as an insured under its policies or shall furnish separate certificates and endorsements for each subcontractor. Subcontractors are subject to the same insurance requirements as the Consultant.
- 13) The coverage shall contain no special limitations on the scope of protection afforded to the insured entities. The Consultant's insurance coverage shall be primary insurance as respects the LPA's insured entities.

Notice of Exemption

To: _____ Office of Planning and Research
1400 Tenth Street, Room 121
Sacramento, CA 95814

From: Lancaster Power Authority
City of Lancaster
44933 Fern Avenue
Lancaster, CA 93534

X County Clerk
County of Los Angeles
Environmental Filings
12400 E. Imperial Hwy., Rm. 1101
Norwalk, CA 90650

FILED

MAY 27 2011

DEAN C. LOGAN
REGISTRAR-RECORDERS/COUNTY CLERK
Dean C. Logan
(Date received for filing) DEPUTY

Project Title: 200 kW Solar Facility

Project Location - General: City of Lancaster, County of Los Angeles, State of California

Project Location - Specific: 2 acres adjacent to the water pumping facility at the Lancaster National Soccer Center (northern portion of the parking area, northeast corner of 30th Street East and Avenue L)

Project Description: The proposed project involves the construction of a 200 kilowatt solar generation facility on a disturbed area of the Lancaster National Soccer Center. The proposed facility would feed power into the existing electrical meter than is primarily used for water pumping operations.

Name of Public Agency Approving Project: City of Lancaster

Name of Person or Agency Carrying Out Project: City of Lancaster

Exempt Status: (check one)

- Ministerial (Sec. 21080(b)(1); 15268);
- Declared Emergency (Sec. 21080(b)(3); 15269(a));
- Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
- Categorical Exemption. State type and section number: Class 3 Section 15303, New Construction or Conversion of Small Structures
- Statutory Exemptions. State code number: _____



Reasons why project is exempt: The proposed project involves the construction of a 200 kW solar facility to provide electricity to the existing water pumping station at the LNSC. This is exempt under Section 15303(d) as it is a utility which would provide service to an existing use.

Lead Agency

Contact Person: Jocelyn Swain Area Code/Telephone: (661) 723-6100

Jocelyn Swain Associate Planner - Environmental April 26, 2011
Signature Title Date

605-6.8
Revised 2/18/94

11 0042106

THIS NOTICE WAS POSTED
ON MAY 27 2011
UNTIL JUN 28 2011
REGISTRAR-RECORDER/COUNTY CLERK