

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement by and between Mason County and ADAGE Mason, LLC, and is effective on November 9, 2010.

WHEREAS,

1. ADAGE Mason LLC, ("ADAGE") submitted a State Environmental Policy Act ("SEPA") Checklist in connection with ADAGE's proposed Biomass Facility. ADAGE requested "early notice" under SEPA if the County determined it was likely to issue a Determination of Significance under SEPA. By letter dated September 10, 2010, Mason County Department of Community Development responded to ADAGE's request for early notice. The September 10, 2010 letter instructed ADAGE to submit its revised application no later than November 12, 2010, and suspended the SEPA Review during that period.

2. ADAGE requested a meeting with County staff to clarify the issues raised in Mason County's September 10, 2010 letter, which was held on October 6, 2010. As a result of this meeting, Mason County sought a legal determination regarding the interpretation of certain SEPA provisions in connection with the County review, and ADAGE commenced the process of clarifying its proposal and providing additional information to the County relevant to the interpretative questions raised by the County, for submission to Mason County on the agreed date of November 12, 2010.

3. On October 28, 2010, Mason County issued a Determination of Significance ("DS") and sent ADAGE a letter stating that, based on legal advice received by the County, the ADAGE facility would be considered an "energy recovery facility," requiring the County to prepare an environmental impact statement for the project. Although the County determined that ADAGE should not resubmit its SEPA Checklist by November 12, 2010, ADAGE has developed significant additional information regarding the issues raised by the DS that the County has not yet considered.

4. On November 2, 2010, ADAGE formally requested that the County withdraw the DS to allow ADAGE to complete the process prescribed in WAC 197-11-350 and Mason County Code (MCC) 8.16.050, and make its submission as originally scheduled on November 12.

5. The State SEPA regulations provide that in certain circumstances a lead agency must withdraw a DS and issue a Mitigated Determination of Non-Significance; however, the regulations provide agencies with discretion regarding to withdraw a DS for further consideration in other appropriate circumstances.

6. In this regard, ADAGE has requested that Mason County review the significant additional information now in ADAGE's possession. ADAGE is ready to submit its revised SEPA Checklist to Mason County on November 12, 2010. Since the meeting with County officials on October 6, 2010, ADAGE has modified and clarified its proposal to take into account the comments of County staff, and has been engaged in intensive communication with the Department of Ecology ("DOE") and Olympic Regional Clean Air Agency ("ORCAA") regarding its modified proposal and the interpretation of applicable permitting rules and state

solid waste regulations. ADAGE believes this additional information will make it apparent that the proposed ADAGE plant is not an "energy recovery facility" and the wood materials to be used at the plant are not "solid waste".

7. Based on the additional available information and misunderstanding of the parties regarding the scope, extent and timing of the additional information delivery, the Mason County Determination of Significance shall be suspended. ADAGE shall have the right to present changes, clarifications and additional information (as referenced in Mason County's September 10, 2010 letter to ADAGE), and to change or clarify its proposal. Before the close of business on November 12, 2010, ADAGE shall provide to Mason County additional information and authorities for consideration by Mason County. Mason County will review and consider the additional information and revised proposal submitted by ADAGE on November 12, 2010.

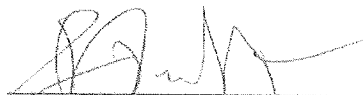
8. ADAGE shall provide the additional information on November 12, 2010 which will include additional information about the applicability of RCW 70.95.700.

9. It is not known what conclusions Mason County will reach based on additional and revised information that Mason County has not yet received.

THEREFORE, THE PARTIES AGREE THAT:

1. Solely to preserve its right of appeal, ADAGE will file a notice of appeal of the DS pursuant to MCC 15.11.010 on or before November 10, 2010.
2. ADAGE will submit its Modified Proposal, Revised Checklist, and Revised permit applications (collectively the "Modified ADAGE Proposal") on or before November 12, 2010.
3. The County will review the Modified ADAGE Proposal as provided by WAC and MCC.
4. The County will seek to make its threshold determination by November 27, 2010 as provided by MCC 8.16.050.
5. The County and ADAGE will jointly request that the Hearing Examiner suspend review of the appeal pending County review of the Modified ADAGE Proposal.
6. The County will coordinate with the Hearing Examiner's Office pursuant to Mason County Hearing Examiner Rule 2.07 to set a Hearing consistent with the schedule in paragraph 5.

ADAGE MASON, LLC:



By F. Reed Wills, President

MASON COUNTY PROSECUTOR'S OFFICE:

(x)


By: Monty Cobb, Chief Deputy Prosecuting Attorney

**MASON COUNTY DEPT. OF COMMUNITY
DEVELOPMENT:**

(x)


By: Barbara Adkins, Dept. Manager