

July 16, 2013

City of Quincy
730 Maine Street
Quincy, Illinois 62301

Attn: Mayor Kyle Moore

Dear Mayor Moore:

RE: Letter of Intent – Hydro Development of Lock & Dam 24 and 25, Mississippi River

Coastal Hydropower Corporation (the “Developer”) hereby requests an option to develop proposed hydro generating facilities held under Federal Energy Regulatory Committee (FERC) Preliminary Permits at Lock & Dam 24 and 25 (the “Projects”) by the City of Quincy (the “City”) located on the Mississippi River in consideration for the terms and conditions herein set out and as outlined in Schedule “A” attached hereto.

The Developer shall have the exclusive option until the close of business on or before December 30, 2013 (the “Election Date”) to work with the City to prepare a draft Development Agreement and to have that conditionally approved by the FERC. The draft Development Agreement would contain mutually acceptable terms as outlined on Schedule “A”, attached; including all representations, warranties, indemnities and conditions normally contained in a transaction of this nature.

If the Developer’s professional advisors and FERC approves the draft Development Agreement, the Developer may elect by notice in writing to the City on or before the Election Date of its intent to execute the Development Agreement. Failure by the Developer to elect in writing of its intent on or before the close of business on the Election Date shall result in termination of the Developer’s option to enter into the proposed Development Agreement and all of the terms under this Letter of Intent will be cancelled.

The terms of such Development Agreement contemplated shall be conditional upon final approval by the City, the Board of Directors of the Developer and any applicable regulatory authorities prior to January 17th, 2014 (the “Execution Date”). If the proposed Development Agreement is not entered into by the Execution Date, this Letter of Intent and the proposed Development Agreement shall be null and void.

The Developer and the Vendor agree that the City and the Developer may not disclose specific terms of the Development Agreement until approved by the FERC, except as reasonably may be determined to be necessary or advisable to obtain professional advice regarding the transactions contemplated herein, to the private shareholders of the Developer or in compliance with applicable regulatory policies.

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Each party to this Letter of Intent agrees to maintain the confidentiality of all of the information received from the other party and use that information only for the purposes contemplated by this Letter of Intent, provided however, that the parties shall be permitted to disclose the materials and information they each received from the other to their respective advisors, representatives and agents in the connection with performing duties related to the proposed transaction contemplated in this letter.

The City declares that it is the registered and beneficial owner of the Permits. There shall be no material change in the Permits known to the City of Quincy and not disclosed in writing to the Developer, prior to the Election Date, which might reasonably be expected to deter the Developer from executing the Development Agreement.

This offer expires at 5:00 P.M. Central Time on August 16, 2013 or such other time as may be agreed by both parties, at such time this Agreement shall be null and void. If the above is satisfactory to and is agreed to by the Vendor, kindly execute a copy of this letter in the space provided and return it to the undersigned.

Yours very truly,

COASTAL HYDROPOWER CORPORATION

Per: _____
Neil Anderson, President

Agreed and Accepted to these terms this

_____ day of _____, 2013.

THE CITY OF QUINCY, ILLINOIS

Per: _____
Kyle Moore, it's Mayor

SCHEDULE "A"

ATTACHED TO AND FORMING PART OF A LETTER OF INTENT BETWEEN THE CITY OF QUINCY AND COASTAL HYDROPOWER CORPORATION DATED JULY 16, 2013.

"Development Agreement" means that agreement to be entered into between the City and the Developer for the long-term development, financing, construction and operation of the Projects. The general terms and conditions as presented in this Letter of Intent shall be discussed in detail and once agreed, to be included in the draft Development Agreement through negotiation between representatives of the City and the Developer. Once the draft agreement has been approved by the FERC, development of the Projects will be undertaken by the Developer.

"City of Quincy Compensation" The City of Quincy shall receive a portion of revenues from the long-term operation of the Projects in consideration for overall project economics to be determined through negotiation between the City of Quincy and the Developer during the draft Development Agreement phase. A portion of the monies expended by the City during its prior tenure of development of the Projects may be deemed as an applicable contribution and reimbursed as a Development Fee (to be derived from equity and debt financing raised).

"Developer Compensation" Coastal shall receive a Development Fee (to be derived from equity and debt financing raised) and a portion of revenues from the Projects. This compensation will be determined in consideration for overall project economics and through negotiation between the City of Quincy and the Developer during preparation of the draft Development Agreement.

"Developers Responsibilities" Coastal undertakes to provide all of the following responsibilities in structuring, designing, financing, constructing, commissioning and operating the Projects to include, but not be limited to:

- Acting as agent on behalf of the City in all regulatory permitting, policy and compliance requirements.
- Preliminary feasibility analysis including hydrological analysis, power estimates, engineering, cost estimates, interconnection analysis, power sales, tax structures, sourcing of financing, government subsidies and preparation of reports to facilitate project decision making process.
- Project management including legal access agreements, environmental approvals, stakeholder approvals, interconnection agreements, municipal agreements, financing agreements, detailed design and engineering drawings, identifying and hiring contractors, equipment procurement including turbines, construction management and commissioning of plant.
- Design and manage long-term operatorship program.

“Election Date” The Developer shall have the exclusive option until the close of business on or before December 30, 2013 (the “Election Date”) to work with the City to prepare a draft Development Agreement and to have that conditionally approved by the FERC.

“Execution Date” means on or before January 17th, 2014 whereby the City and the Developer shall formally enter into the Development Agreement conditional upon receiving final approval by the City, the Board of Directors of the Developer and any applicable regulatory authorities.

“FERC” means the Federal Energy and Regulatory Commission that has issued Preliminary Permits No 13331-001 (Lock and Dam 24) and 13330-001 (Lock and Dam 25) to the City of Quincy. Upon satisfactory completion of all feasibility study requirements under the Preliminary Permit stage the City will make application to the FERC for a License to construct and operate the Projects under long-term agreement.

“Management Committee” means a committee formed by representation from the City of Quincy and the Developer that will oversee development of the Projects according to the Stage Gate Process. The City may elect to form a short-term task force to undertake the development and negotiation of the draft Development Agreement until it is known if the FERC will approve the transactions contemplated.

“Stage Gate Process” means the six stage process to be utilized by the Developer and the City for the orderly development of the Projects once FERC approval is received for the Development Agreement. The terms of the Stage Gate Process shall be mutually agreed by the City and the Developer and be administered by a Management Committee represented by both parties.

“Project Financing” The Developer shall assume all development costs up to the end of Stage 3 of the Stage Gate Process at which time a decision will be made to proceed with construction of the Projects (go/no-go decision) and upon receipt of a License from the FERC. Upon agreement by the Management Committee to proceed with Stage 4 of the Stage Gate process the Developer shall be responsible to source equity and non-recourse debt financing for the completion of the Projects in keeping with FERC policies and in compliance for municipal preference rules. The Developer does not guarantee the equity and debt financing.

“Project Ownership” The City of Quincy must maintain title to and control of all Project properties and long-term operatorship of the Projects. Once the City and Coastal have agreed on a draft Development Agreement, the City will file a petition for Declaratory Order seeking FERC affirmance to the terms of the arrangement before the Developer shall proceed with the Stage Gate Process.

“Project Operatorship” The City of Quincy must maintain long-term operatorship control of the Projects but the Developer offers to provide those services under contract to the City in compliance with FERC policies.

“Project Information” The Developers shall have the right to receive and review all material gathered by the City on the Projects during its term of rights under the prior Preliminary Permit. The Developer reserves the right not to integrate any of that information which is deemed not applicable for the best economic, development, regulatory or operatorship advantage of the Projects.