



**City of Boulder City**

401 CALIFORNIA AVENUE

BOULDER CITY, NEVADA

**Mailing Address**

P.O. BOX 61350

BOULDER CITY, NEVADA 89006-1350

Date: October 6, 2010

David Irwin, President & CEO  
SolBio Energy I, LLC  
707 8<sup>th</sup> Street, Unit 113  
New Westminster, B.C.  
Canada  
V3M 3S6

and

Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, PC  
5 Palo Alto Square, 6<sup>th</sup> Floor  
3000 El Camino Real  
Palo Alto, CA 94306  
Attention: Brady Berg Esq.  
Facsimile: (650) 251-7739

**Re: NOTICE OF DEFAULT IN PAYMENT OF RENT DUE AND  
DEMAND FOR CURE OF SAID DEFAULT PER SECTION 23 OF  
THE LEASE**

Mr. Irwin;

A lease Agreement (the "Lease") was made and entered into by and between the City of Boulder City ("the City") and SolBio Energy I, LLC, a Delaware limited liability company ("SolBio"), effective December 8, 2009 ("the Effective Date"). You are the President and CEO of SolBio Energy I, LLC. This notice is made consistent with the information provided in Section 22 of the Lease.

Section 3.1.1. of the Lease provides that Tenant shall pay Landlord an Annual Base Rent of One Million Dollars (\$1,000,000.00) in respect of the First Reduced Rent Period, which amount was due and payable sixty (60) calendar days after the Effective Date. On February 8, 2010, the date when the Annual Base Rent in respect of the First Reduced Rent Period (\$1,000,000.00) was due, you notified the City that SolBio would be unable to pay the amount owing due to delays in obtaining the necessary financing for the project. Although SolBio was in breach of the Lease at that time and has continued to remain in breach, the City has continued to work in good faith with you to allow SolBio additional time to obtain necessary financing for the project, however throughout SolBio's default in payment of rent, the City has reserved all its rights under the Lease as well as any remedies it may have in law or equity.

Section 23.1.1 of the Lease provides that it is an event of default if "Tenant shall fail to pay any installment of rent hereby reserved as and when the same shall become due and shall not cure such default within thirty (30) days after written notice thereof is given by Landlord to Tenant." With this correspondence **YOU ARE HEREBY NOTIFIED THAT YOU ARE IN DEFAULT OF THE LEASE UNDER SECTION 23.1.1, FAILURE TO PAY RENT.** In accordance with the provisions of that section of the Lease you shall be given thirty days from the date you receive this written notice to pay the City the full rental payment that continues to be due and unpaid in the amount of One Million Dollars (\$1,000,000.00).

Section 23.2.1 of the Lease provides that the City may terminate the Lease, “in which event SolBio shall immediately surrender the Leased Premises to the City, and if SolBio fails to do so, the City may, without prejudice to any other remedy which it may have for possession or arrearages in Rent, enter upon and take possession of the Leased Premises and remove Tenant and any other person who may be occupying the Leased Premises, in compliance with applicable laws and regulations, without being liable to prosecution or for any claim for damages. The City may also recover from SolBio:

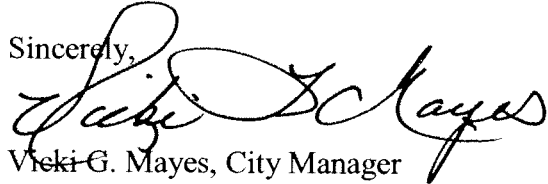
1. The worth at time of award of any unpaid rent which has been earned at the time of such termination (Section 23.2.1.1); plus
2. The worth at the time of award of any amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss SolBio proves could have been reasonably avoided (Section 23.2.1.2); plus
3. The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of the award exceeds the amount of such rental loss that SolBio proves could be reasonably avoided (Section 23.2.1.3); plus
4. Any other amount necessary to compensate the City for all the detriment proximately caused by SolBio’s failure to perform its obligations under the Lease (Section 23.2.1.4); and
5. At the City’s election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

Pursuant to Section 23 of the Lease, all such amounts shall be computed on the basis of the monthly amount thereof payable on the date of Tenant’s default. As used in Section 23.2.1.1 and Section 23.2.1.2, the “worth at the time of award” is computed by allowing interest in the per annum amount equal to two percent (2%) in excess of the Reference Rate of interest announced from time to time by Bank of America National Trust and Savings Association (or an equivalent rate announced by a comparable national bank selected by the City in the event Bank of America no longer announces a Reference Rate), but in no event in excess of the maximum interest rate permitted by law. As used in Section 23.2.1.3, the “worth at the time of award” is computed by discounting such amount at the discount rate of U.S. Treasury Notes with maturity similar to the remaining portions of the Lease Term at the time of award plus one percent (1%).

The Lease provides for additional remedies (see Sections 23.2.2 and 23.2.3). Pursuit of any of these remedies shall not preclude pursuit of any other remedies provided in the Lease or any other remedies provided by law, nor shall pursuit of any remedy provided in the Lease constitute a forfeiture or waiver of any rent due to the City.

By midnight of the thirtieth (30<sup>th</sup>) day after the date you receive this notice, the City shall consider this lease terminated and of no further force and effect. Please govern yourselves accordingly. I am willing to discuss this notice with you via telephone at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Vicki G. Mayes", written in a cursive style.

Vicki G. Mayes, City Manager