

Northwest Missouri State University

Board of Regents

Date of Meeting: May 1, 2009

Cabinet Member:
Ray Courter, VP for Finance and Support Services

Agenda Item: Proposed Lease with Northwest
Energy Center, LLC

Background:

As the Board has previously been briefed, an electricity generation project (wind farm) north of Maryville is being developed by the Wind Capital Group (WCG). As a part of that project, the WCG has established a subsidiary, Northwest Energy Center, LLC (NEC), which will be the entity that actually develops and operates the project. NEC has developed a lease it has executed with the various owners of the land where it wishes to build the wind farm. The leases give NEC the easements it needs for the project and in turn will provide financial benefits to the landowners granting the easements. The University's farm is among the lands that NEC wishes to lease.

After the March Board meeting, we asked NEC to assure us that the financial terms in the proposed lease are at least as favorable as those of any other lessor. We also asked NEC about a commitment to work with us and North Central Missouri College to establish a cooperative program designed to train students to work in the wind energy industry. Related to this latter point, we also asked NEC to commit to constructing on the University farm NEC's operations and maintenance facility. A draft letter that NEC would execute in connection with the lease on these points is attached.

We also asked NEC to include a clause in the lease stating that the location of the actual wind facilities would be subject to a mutual decision of the parties, but they have declined to do that. Their point is that they are committed to consulting with us as to their locations but that they have to have the authority under the lease as to the final determination in order not to jeopardize their financing. They also point out that the footprints of these facilities is very small in relation to the total farm and that their location is not incompatible with normal farming operations being conducted in their immediate vicinity. Right now they anticipate two wind facilities and a microwave tower on the University farm, and their tentative preferred locations are indicated on the enclosed map. NEC also indicated that the final decisions for the entire project could result in a third wind facility being located on the farm.

NEC has stated that they are in their final planning stages and need a decision from the University as soon as possible in order for them to decide whether they should include the University farm in their plans or not.

A summary of the terms of the lease (less its exhibits) is again enclosed. A copy of the full lease was previously provided to you.

President's Recommendation:

I recommend the Board approve executing the land lease.



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April 8, 2009

Northwest Missouri State University
Board of Regents
800 University Drive
Maryville, MO 64468

Re: Northwest Energy Center Wind Project

Dear Sirs:

This letter is written to answer certain questions posed by the Board of Regents.

The payment terms contained in the proposed lease with the University is equal to the highest payments being offered by Northwest Energy Center, LLC to every other landowner participating in the Northwest Energy Center Wind Project.

Northwest Energy Center, LLC is interested in working with the University and North Central Missouri College to establish a cooperative program designed to train students to work in the wind energy industry.

Northwest Energy Center, LLC would agree to purchase the land for our operations and maintenance facility from the University, if we can find a mutually agreeable site on the University land for that facility. Northwest Energy Center, LLC would anticipate paying fair market value for that land parcel, which is usually 8 acres or less.

Northwest Energy Center, LLC and the University will need to agree to appropriate University student/faculty/staff access routes to insure that the Project's operations and maintenance work is not interfered with by their presence near the Project.

If the University would like to set up a classroom in the operations and maintenance facility, we would be willing to develop a cost share proposal with respect to this use.

If a classroom is to be located in the operations and maintenance facility, Northwest Energy Center, LLC and the University will need to address issues of potential liability for injuries to students, faculty and staff on that property. In addition, access to Project turbines would have to be subject to rigorous restrictions. Our overall concern is the safety of everyone involved, our workers, the students, faculty and staff.

Northwest Energy Center, LLC looks forward to working with the University to bring this Project and the classroom to fruition.

Sincerely Yours,

Northwest Energy Center, LLC

1) Easements granted by Land Lease

- a. Wind facilities easement: The landowner grants the developer an easement for the purpose of developing, installing and operating wind turbines and related facilities on the property. (Sec. 1.1(a))
- b. Free flow of wind easement: The landowner may not place any trees, structures or improvements on the property after the date of the agreement that do not meet the height and width restrictions as defined in the agreement; which may impede or interfere with the flow of wind, unless the landowner has received prior written approval; such approval not to be unreasonably withheld. (Sec. 1.2)
- c. Wind energy exclusive right: The developer has the exclusive right to use the property for wind energy purposes. (Sec. 1.1(a))
- d. Landowner reserved rights: The landowner retains the right to use the portion of the property not occupied by wind facilities for farming, grazing, or conservation, provided that the use does not interfere with the wind facilities or the generation of wind energy. (Sec. 1.1(c))

2) Term of Agreement

- a. Development Period: Up to 7 years. (Sec. 3.1)
- b. Initial Term: 25 years. (Sec. 2.1(a))
- c. Extended period: 2 additional 10 year periods. (Sec. 2.1(a))
- d. Early termination: The developer may terminate the agreement upon 30 days notice. (Sec. 2.2)
- e. Run with land: This Lease shall run with and against the property and will be binding upon the landowner of the property and their successors and/or assigns. (Sec. 1.2(b)(ii))

3) Property Taxes

- a. The developer will pay any increase in the real estate taxes levied against the property directly attributable to the installation of the wind facilities on the property. Developer shall be responsible for payment of all taxes related to the wind facilities. Landowner shall remain responsible for personal property taxes related to the property itself.

4) Liens and Encumbrances

- a. Subordination and Non-Disturbance Agreements: If there are any open mortgages, liens or encumbrances against the property, the developer will obtain a Subordination and Non-Disturbance Agreement relating to that encumbrance. (Sec. 5.1)

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Northwest Energy Center, LLC
Land Lease Summary of Key Terms



5) Liability Insurance

- a. The developer must obtain insurance covering the wind facilities and developer's activities on the property, including comprehensive general liability insurance with a minimum combined occurrence and annual limitation of \$2,000,000. (Sec. 6.5)

6) Removal of Wind Facilities

- a. At the end of the term, the developer must remove all its wind facilities to a depth of 4 feet below grade, within 12 months from the date the Agreement expires or the Lease terminates. If the developer fails to remove any of the wind facilities as required, and the landowner removes the wind facilities, the developer will reimburse the landowner for all reasonable costs of removal, less any salvage value received by the landowner. (Sec. 4.3)

7) Exhibits

- a. Exhibit A – Legal Land Description of the Premises under Easement.
- b. Exhibit B – Memorandum of Lease to be recorded with Nodaway County.
- c. Exhibit C – IRS Form W-9 for each Fee Recipient to complete and return with signed lease.
- d. Exhibit D – Hazardous Materials Statement must be completed by the landowner, no notary is required.
- e. Exhibit E – To be completed for any known mortgages, liens or other encumbrances against the property.

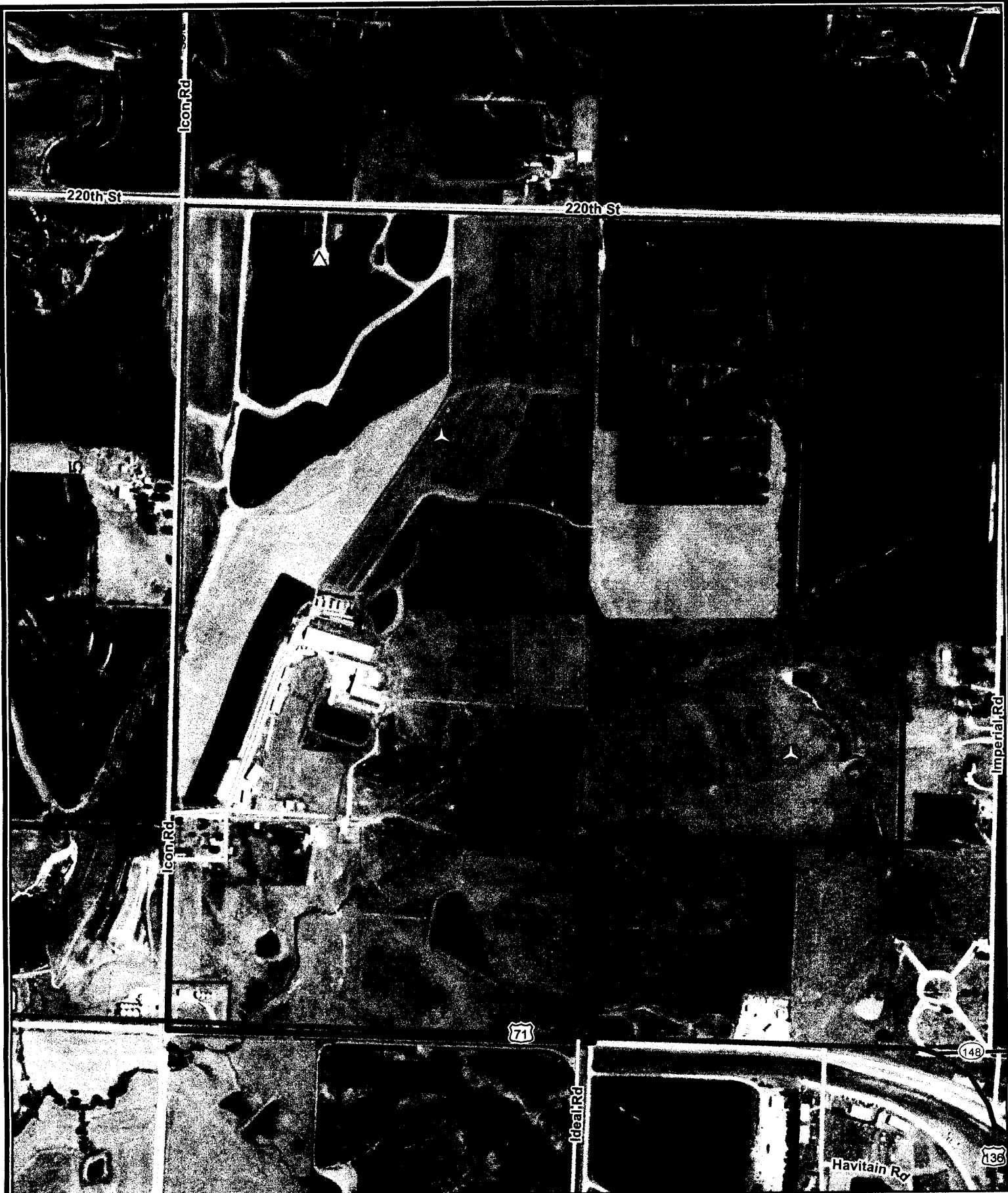
8) Signatures Notarized

- a. Lease execution signature – please sign this document in the presence of a licensed notary public. (p. 19)
- b. Memorandum of Lease – please sign this document in the presence of a licensed notary public. (p. 23)

July 22, 2008

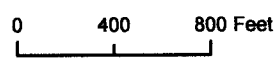
9) Payments

- a. Lease Signing Bonus: Onetime bonus payment of \$2 per acre under easement; or a minimum of \$1000. (Sec. 3.1(c))
- b. Development Period Payment: Annual payment of \$500. (Sec. 3.1(a))
- c. Turbine Payment: For each turbine on the property, an annual payment of \$3250 per megawatt of installed nameplate capacity for the first year. Each successive year, payment will increase at the same rate the Power Purchase Agreement (PPA) escalates, or a minimum escalation of 1% per year. (Sec. 3.1(b))
- d. Annual Acreage Payment: For landowners without turbines placed on the property, but within the project area, an annual payment of \$8 per acre under easement for the first year. Each successive year, payment will increase at the same rate the PPA escalates, or a minimum escalation of 1% per year. (Sec. 3.1(f))
- e. Access Road Payment: Onetime bonus payment of \$1 per linear foot of access road constructed on landowner's property.
- f. Construction Payment: For each turbine on the property, a onetime payment of \$3250 per megawatt of installed nameplate capacity on the property.
- g. Crop / Drain Tile Damage: The developer will pay the landowner for any damage to crops, drain tile, fences, or other improvements on the property during developer's construction, installation, operation, maintenance and removal of wind facilities. (Sec. 6.2 & 6.3)
- h. Livestock Damage: The developer will pay the landowner for any destruction of, or damage to its livestock as a direct result of developer's construction, installation and removal of wind facilities. (Sec. 6.4)



-  Conceptual Wind Turbine Location
-  Microwave Tower
-  Proposed Boundary
-  Land Parcel

LOCATION OF WIND TURBINES SUBJECT TO CHANGE.



Northwest Wind Energy Center
 Nodaway County, Missouri

