

**AGREEMENT BETWEEN ANTELOPE RIDGE WIND POWER PROJECT LLC
AND THE CITY OF UNION
FOR MITIGATION AND COOPERATION
CONCERNING THE ANTELOPE RIDGE WIND ENERGY FACILITY**

This AGREEMENT is entered into this 10 day of Jan, 2011 (the "Effective Date") by and between ANTELOPE RIDGE WIND POWER PROJECT LLC, a subsidiary of Horizon Wind Energy ("Antelope Ridge"), and the CITY OF UNION, an Oregon Municipal Corporation ("the City"). Antelope Ridge and the City are hereinafter collectively referred to as the "Parties."

**ARTICLE I
RECITALS**

WHEREAS, Antelope Ridge has filed an application with the Oregon Energy Facility Siting Council ("EFSC") for authorization to construct and operate a wind energy facility named the Antelope Ridge Wind Energy Facility (the "Project") in Union County, Oregon; and

WHEREAS, the Application Site Certification ("ASC") proposes the construction of wind turbine generators and related and supporting facilities near the City of Union's municipal boundaries. The City has expressed concerns related to potential impacts of the Project, which concerns are not admitted by Antelope Ridge, and in Antelope Ridge's view would be sufficiently addressed through the application of the siting standards applicable to the Project; and

WHEREAS, Antelope Ridge discussed the City of Union's concerns about the Project during negotiations with Union County ("the County") about the proposed Strategic Investment Program ("SIP") Agreement. Antelope Ridge desires the Project to benefit and be a good neighbor to the City, to mitigate the City's concerns about the Project, and ensure support from the City for the SIP as well as good-faith collaboration, communication, and acceptance for the Project; and

WHEREAS, the proposed SIP Agreement is intended to create a strong long-term local economic engine that allows for broad community reinvestment, even in tough economic times; to ensure predictable flow of revenues from the Project directly to local government; and to promote economic development so that local children will be able to stay, have gainful employment and contribute to the tax revenues to local governments; and

WHEREAS, the proposed SIP Agreement contemplates that the County will donate a portion of the Additional Fee to education in order to further long-term educational goals for the children of Union County; and

WHEREAS, it is the intent of the proposed SIP Agreement to provide the competitive tax structure to incentivize Antelope Ridge to invest in providing a source of renewable energy in Oregon and to contribute to the State's quality of life; and

WHEREAS, the proposed SIP Agreement was the result of a series of good-faith bilateral meetings and mediated sessions with seasoned mediators from Oregon Consensus, and several bilateral mediated sessions with all three parties; and

WHEREAS, the proposed SIP Agreement included a provision for a dedicated payment from the County to the City comprising 25% of a "First Year Allocation Fund," such Fund to be a portion of Antelope Ridge's first payment of an Additional Fee to the County, as defined in the proposed SIP Agreement. An additional 45% of the First Year Allocation Fund was to be paid to other organizations affecting the City (Union Rural Fire Department, Union Emergency Services, Union School District, Union Commercial Club, Union County Museum, Eastern Oregon Livestock Show, South County Health District, and Buffalo Peak Golf Course). The proposed SIP Agreement provided that up to \$250,000 would be paid to the City and up to \$450,000 to the other City-related organizations; and

WHEREAS, based on several three-party sessions mediated by Oregon Consensus and discussions with the City and the County, Antelope Ridge and the County are willing to modify the proposed SIP Agreement by:

(i) Increasing the total amount of the Additional Fee payable by Antelope Ridge to the County from a factor of 82% to a factor of 83.6%;

(ii) Increasing the percentage of the First Year Allocation Fund that is payable by the County directly to the City, from 25% to 50% by re-allocating from Buffalo Peak Golf Course to the City of Union;

(iv) Dedicating 4.21% of the annual Additional Fee as an amount payable directly to the City by the County; and

WHEREAS, the foregoing modifications to the proposed SIP Agreement are expected to provide substantial increased funding directly to the City and to City-area organizations; and

WHEREAS, the payments to the City through the SIP Agreement are intended to fully and completely satisfy and address all potential concerns raised by the City concerning the Project regardless of whether these concerns relate to any applicable EFSC siting standards (with the sole and exclusive exception being considerations related to potential public service and transportation impacts addressed under OAR 345-022-0110), and regardless of the fact that Antelope Ridge disputes the legal and factual bases of these concerns. These include, without limitation, issues regarding potential property value effects and future tourism effects, along with any other contentions related to viewsheds and health effects of the Project; and

WHEREAS, the City believes that the construction and operation of the Project in the manner consistent with applicable Oregon siting standards would provide economic benefits to the City and the County, including job creation opportunities; and

WHEREAS, the City desires, subject to the terms and conditions provided in this Agreement, to support the SIP as proposed as well as to provide good-faith cooperation, communication, and acceptance for the Project;

NOW, THEREFORE, the parties hereby agree as follows:

ARTICLE II AGREEMENT

2.1 City Council Action Required: The City shall take the following actions no later than close of business January 14, 2011:

2.1.1 Resolution: The City Council shall duly pass a resolution in an open, public meeting of the City Council, in support of a SIP Agreement as described in this Agreement, including the Exhibit attached to this Agreement. The City's support for the Project and the terms of this Agreement shall be limited to the maximum 164 turbines developed by the Project and shall not apply to any subsequent phases or additional turbines, which may be subject to additional or other agreements between the Project and the City; provided, that such 164 turbines shall include repairs replacements, repowering, modernization, renovations and remodeling with respect to wind turbine generators and Associated Property (as such term is defined in the SIP Agreement) installed or placed in ;

2.1.2 Advocacy and Cooperation: The City shall take all reasonable steps to implement this Agreement, including without limitation the following actions: (1) Publicly state and advocate that the SIP Agreement will mitigate, address, and resolve the City's aforementioned concerns about the Project; (2) take all reasonable steps to communicate, and cooperate with Antelope Ridge in a spirit of acceptance and good faith going forward; and (3) recognize that contributions to organizations in the City (e.g., Eastern Oregon Livestock Show, Union County Museum, Union Commercial Club) are a part of mitigation and benefit to the City.

2.2 Antelope Ridge and County Action Required: If the City meets all of the conditions and requirements set forth herein, then Antelope Ridge shall work with the County to revise the proposed SIP Agreement to read as shown in Exhibit 1. The County has agreed informally with the City and Antelope Ridge that such modification is acceptable. In the event that the final SIP executed by the County and Antelope Ridge does not include the provisions in Exhibit 1 that benefit the City, this Agreement shall be null, void and of no further effect.

2.3 Right to Rescind Agreement; City Loss of SIP Agreement Benefits. In the event of a material breach of this Agreement by Antelope Ridge or the City, the Parties reserve the right to rescind this Agreement. In the event of a material breach by the City, Antelope Ridge reserves the right to work directly with the County to modify the SIP Agreement. In such event, this Agreement shall be null and void. This Section shall not be construed as a limitation of any remedies available to Antelope Ridge upon breach of this Agreement by the City. In the event of

any litigation to enforce the terms of this Agreement, the substantially prevailing party shall pay the non-prevailing party's reasonable attorney fees and costs.

2.4 Notices. Unless this Agreement specifically requires otherwise, any notice, demand or request provided for in this Agreement, or served, given or made in connection with it, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by telegraph, telex, or fax or by acknowledged delivery, or sent by registered or certified mail,

To the City:

Sandra Patterson, City Administrator
City of Union
P.O. Box 529
Union, OR 97883

with a copy to:
Mayor Bill Lindsley
City of Union
P.O. Box 529
Union, OR 97883

To Antelope Ridge:

Valerie Franklin, Project Manager
Antelope Ridge Wind Power Project LLC
c/o Horizon Wind Energy
53 SW Yamhill
Portland, OR 97204

with a copy to:

Lloyd Bennack, Project Counsel
Antelope Ridge Wind Power Project LLC
c/o Horizon Wind Energy
808 Travis St., Suite 700
Houston, TX 77002

2.5 Further Assurances; Cooperation. Subject to the terms and conditions of this Agreement, the Parties shall each use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper and advisable under Applicable Law to consummate and make effective the transactions and commitments contemplated by this Agreement, including without limitation efforts to obtain all required consents, permits and approvals for the Project. None of the Parties shall, without the prior written consent of the other Parties, take or fail to take, directly or indirectly, any action that would reasonably be expected to prevent or materially impede, interfere with or delay the transactions contemplated by this Agreement or the successful permitting of the Project. From

time to time after the date hereof, the Parties shall, each at its own expense, execute and deliver such documents, and provide such information, to the other Parties as such Parties may reasonably request in order to accomplish and consummate the transactions contemplated by, and perform their respective obligations under this Agreement.

2.6 Duty of Good Faith. In addition to, and without limiting the applicability of any other provision of this Agreement, the Parties agree to act in good faith with regard to the negotiation of agreements contemplated by this Agreement. Further, provided the terms of the SIP Agreement as described herein are formally approved by the County, the City, including all duly elected and administrative officials of the City, agrees to avoid and/or cease any and all opposition to the Project before EFSC and any other relevant agency, related to the approval of any and all other permits, licenses and approvals for the Project as described in the ASC. Additionally, concerning any issues related to the Project's compliance with OAR 345-022-0110 as such compliance relates to proven public services and transportation impacts to the City, the City is authorized to pursue its own study and analysis of such impacts, in a scope and with funding as previously authorized by EFSC; provided, however, that the City shall engage Antelope Ridge in that analysis and study, and the City and Antelope Ridge will work in the utmost good faith to discuss and seek a complete resolution of any such impacts. The City may provide the results of any such study and analysis to EFSC and may provide comments concerning the conclusions and recommendations to EFSC in order to address any significant adverse impacts to public services as provided for in OAR 345-022-0110 from the Project that the study reveals. The City may also advocate for reasonable mitigation of such impacts, which the City and Antelope Ridge will work in the utmost good faith to develop together. Nothing in this section shall absolve the Project from complying with all applicable laws and regulations nor shall it preclude the City from reporting any perceived violations of applicable laws and regulations by the Project to appropriate authorities and regulatory bodies.

2.7 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any Party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

2.8 Nonwaiver. Waiver by either party of strict performance of any provision of this Agreement shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

2.9 No Third-Party Beneficiaries. None of the promises, rights or obligations contained in this Agreement shall inure to the benefit of any Person or entity not a Party to this Agreement; and no action may be commenced or prosecuted against any Party by any third party claiming to be a third-party beneficiary of this Agreement or the transactions contemplated hereby.

2.10 No Reliance. Each Party acknowledges that in entering into this Agreement, it has not relied on any statement, representation or promise of the other Party or any other Person or entity, except as expressly stated in this Agreement.

2.11 Entire Agreement. This Agreement constitutes the complete and entire expression of agreement between the Parties and supersedes all prior and contemporaneous offers, promises, representations, negotiations, discussions, and communications, whether written or oral, which may have been made in connection with the subject matter of this Agreement. Any such representations or claims are hereby disclaimed. This Agreement may be signed in counterparts.

2.12 Public Meeting. The City Council has approved execution of this Agreement by Resolution after duly noticed public meetings.

Dated this 10 day of January, 2011.

CITY OF UNION,
an Oregon municipal corporation

**ANTELOPE RIDGE WIND POWER
PROJECT LLC, a Delaware limited
liability company**

By: William C. Lordseley
William C Lordseley, Mayor

By: Arlo Corwin
Name: Arlo Corwin
Its: Member

Attest:

Sandra Patterson
Sandra Patterson, City Clerk

Approved as to form:

Daniel Kearns
Daniel Kearns, City Attorney